THE NEXT GENERATION

2019 ANNUAL & CORPORATE RESPONSIBILITY REPORT

BROWN-FORMAN

WELCOME
TO THE
NEXT
GENERATION OF
GROWTH

Where our past meets our future

For six generations, we've been a company that thinks ahead. Years ahead for aging our whiskeys. And decades ahead for building our brands, developing our people, and growing our business.

We've long known that corporate responsibility is critical to our company's performance. It serves the best interests of our investors, employees, consumers, partners, and communities.

As this next generation begins, we're pleased to present Brown-Forman's first integrated Annual & Corporate Responsibility Report. It reflects who we are and where we're headed as we execute our global growth strategy. And it demonstrates our ability to drive great results and create value in our work.

This report is about what's new here, and the long-held values behind our company vision. It's about how we're continuing to integrate corporate responsibility and business performance into the future. We're proud of how far our heritage has taken us and how well it equips us to take on the next generation.

Dear Brown-Forman Shareholders,

JUNE 25, 2019

The theme of this year's annual report is The Next Generation. As you read through this report, I hope you will get a better understanding of how we are building this company for the future through broader portfolio development, expanding in new geographies and channels, investing behind our capabilities, and developing the best teams in the business.

I had the honor of entering my new role as Chief Executive Officer of Brown-Forman in January 2019. As only the tenth person to assume this great responsibility over the company's 149-year history, I am grateful to have worked in various capacities to prepare me for this journey, including the last decade under Paul Varga's leadership. I would first like to thank Paul, my predecessor, colleague, and friend, not only for our company's past achievements, but for setting us up for the next generation.

Our track record of successfully delivering strong growth with great margins and returns manifests itself in our outstanding returns for shareholders.

This letter will discuss our most recent results, detail observations from the last few months that have increased my confidence in our long-term prospects, as well as share some additional color on this annual report and how it is symbolic of the increased integration and collaboration I believe will help us achieve great returns in the next generation.

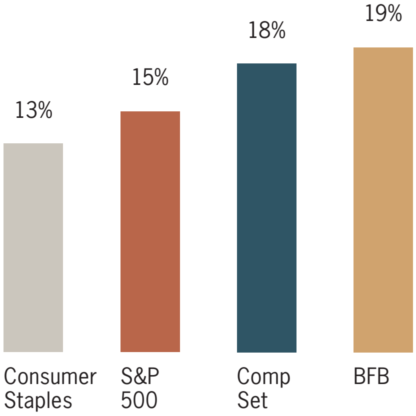
FISCAL 2019 RESULTS

Fiscal 2019 was another year of delivering solid top-line results, but also had some very significant challenges. Inadvertently, Brown-Forman has found itself caught up in the global trade war with the retaliatory tariffs against certain United States trade policies. So far, we have chosen to invest in momentum and absorb the majority of the cost of these tariffs. As a result, our underlying net sales[1] grew 5% (2% as reported), which is generally in line with historical results. While we have long been accustomed to delivering operating income growth ahead of sales growth, this was extremely challenging with the burden of these incremental tariffs. However, we still managed to deliver 5% (9% as reported) underlying operating income growth in these difficult conditions and look forward to when we are back on a level playing field with our competitors and delivering top-tier operating income growth again.

EXCELLENT TRACK RECORD

BFB shares generated an annual compound return of 19% over the last ten years.

DELIVERING GREAT RETURNS FOR SHAREHOLDERS — A TEN-YEAR LOOK



Source: Factset, Ten year CAGR through April 30, 2019, in local currency, assuming dividends reinvested.
Note — Competitive Set is a weighted average based upon each competitor's LTM sales

From a geographic perspective, our results were very well-balanced, with exceptional growth in our emerging markets and solid growth in the developed world. Underlying net sales growth was also balanced across the portfolio as the Jack Daniel's family of brands grew in the mid-single digits while we continued to realize strong double-digit gains on our premium bourbon and tequila brands. As another indicator of the quality of our overall growth, operating margins came in over 34% and we delivered a 22% return on average invested capital,[2] both of which are industry leading.

1. In this report, we present both reported (GAAP) and underlying (non-GAAP) changes in net sales and operating income. We use these measures as supplements (not substitutes for) our results of operations and other measures reported under GAAP. To calculate these measures, we adjust, as applicable, for (a) a new accounting standard, (b) foreign exchange, (c) estimated net changes in distributor inventories, and (d) the establishment of our charitable foundation. Please refer to the section labeled "Non-GAAP Financial Measures" in Form 10-K of the enclosed report for additional information.
2. Return on average invested capital is defined as the sum of net income and after-tax interest expense, divided by average invested capital. Invested capital equals assets less liabilities, excluding interest-bearing debt.

THE NEXT GENERATION OF GROWTH

While I have been at the company for over two decades, I have been Brown-Forman's CEO for less than six months, so I thought I would share some of my initial observations on the job and why I believe we can continue to deliver strong growth into the next generation.

First and foremost, spirits is a great sector within the world of consumer products and we have one of the finest brand portfolios in the world. Importantly, we believe we are well positioned in two of the best categories within spirits, American Whiskey, and tequila. Second, we have a world of opportunity to develop our brands globally, as market share is low and consumer demand is high, particularly for our American Whiskey brands. Third, our teams are engaged, curious, and motivated to deliver excellent results. And fourth, we have a strong base of long-term shareholders who understand and support our strategic ambitions.

Our culture and values run deep through the organization and permeate how we go about our day-to-day business. This includes producing the highest quality products with sustainability front of mind. It means growing our business while promoting responsible alcohol consumption. And finally, it means supporting the growth of our employees through training and development, community engagement, and investment. After all, our people build our brands every day. The combination of all these factors makes this company incredibly special and reinforces my belief that Brown-Forman will continue to thrive for not only the next generation, but for many generations to come.

Lawson E. Whiting, President and Chief Executive Officer

THE NEXT GENERATION OF REPORTING

As you read through this year's annual report, you might notice it's a blended Annual & Corporate Responsibility Report. Fiscal 2019 marks the first year we are sharing with you a report that integrates corporate responsibility alongside financial data to provide a more comprehensive view of our business results. The organization of this year's report aligns with the four pillars of our strategic framework: Portfolio, Geography, Investment, and People. In each of these areas, we shared highlights of our financial performance and corporate responsibility progress. This is a wider and deeper lens on our company's results and illustrates one way in which we are preparing for the future. The report also reaffirms our continued support for the United Nations Global Compact and the Sustainable Development Goals. We hope you enjoy the new report.

LEADING BROWN-FORMAN INTO THE NEXT GENERATION

In closing, we are committed to the long-term independence of Brown-Forman as a leader in the spirits industry, and believe we are well positioned to continue to generate great results over the next generation through executing on our strategic ambitions.

I want to thank our team of approximately 4,700 employees and many partners around the world who work tirelessly to build our brands. It is their hard work and passion that have helped us deliver consistently strong results for shareholders. And let me thank you, our valued shareholders, for your support of Brown-Forman over the years. I look forward to leading Brown-Forman into the Next Generation with your continued support and partnership.

Lawson Whiting

Lawson Whiting
President and Chief Executive Officer

Dear Brown-Forman Shareholders,

JUNE 25, 2019

Geo. Garvin Brown IV, Chairman of the Board

We've also included our corporate responsibility metrics side-by-side with our financials, making it easier to see how integrated these commitments are to the broader values of Brown-Forman.

The very core of an annual report is financial. This is where public companies report their quantitative and qualitative results to shareholders. In our case, we've been reporting to the public since 1934, the first year of our New York Stock Exchange listing after the repeal of Prohibition. That report was four pages long—a one-page income statement, a two-page balance sheet, and a letter from Owsley Brown, a great-grandfather and a great-great grandfather for a few of us pictured in this year's report. Annual Reports have certainly moved on from those early days, not only in depth of detail, but also in breadth of content.

The year's CEO transition from Paul Varga to Lawson Whiting makes it even more rewarding to share the story of the brands, people, governance, and culture that lie behind our numbers—the driving force of Brown-Forman that Paul led so well, work that Lawson is so uniquely well placed to continue. To better illustrate the drivers of our performance, we've also included our corporate responsibility metrics side-by-side with our financials, making it easier to see how integrated these commitments are to the broader values of Brown-Forman.

Our portfolio has fulfilled many of the ambitious aspirations that Paul set for it a decade ago. The Jack Daniel's family of brands completed the year at nearly 18 million cases,[3] including Jack Daniel's ready-to-drink (RTDs) delivering 9 million cases.[4] The Woodford Reserve family, meanwhile, came in at just under 900,000 cases, including the recent introduction of Baccarat Edition, breaking new ground at a luxury price point for American Whiskey on the global stage. Casa Herradura, acquired early in Paul's tenure, continues its acceleration and diversification, with the new Herradura Ultra line extension approaching 100,000 cases. In addition to these portfolio successes, the company made material progress in emerging markets,

3. "Cases" or "volumes" refer to depletions on a 9L equivalent unit basis (9L cases) unless otherwise specified. At times, we use a "drinks-equivalent" measure for volume when comparing single-serve ready-to-drink or ready-to-pour brands to a parent spirits brand. "Drinks-equivalent" depletions are RTD and RTP 9L cases converted to 9L cases of a parent brand on the basis of the number of drinks in one 9L case of the parent brand. To convert RTD volumes from a 9L case basis to a drinks-equivalent 9L case basis, RTD 9L case volumes are divided by 10, while RTP 9L case volumes are divided by 5.
4. The RTD cases mentioned in this instance are 9L cases and are not adjusted to a drinks-equivalent basis.

18 MILLION

The Jack Daniel's Family of Brands completed the year at nearly 18 million 9L cases.

9 MILLION

Jack Daniel's RTD sales reached nine million flat cases.

OLD FORESTER DISTILLERY RETURNS TO WHISKEY ROW

In June of 2018, our founding brand, Old Forester, returned to Whiskey Row as a working urban distillery and homeplace.

BROWN-FORMAN/BROWN FAMILY SHAREHOLDERS COMMITTEE

The Family Shareholders Committee, other Brown family members from the fifth and sixth generations, and members of Brown-Forman management visited the Jack Daniel Distillery this May.

From Left: Garvin Brown, Brooke Brown Barzun, Lawson Whiting, Dace Brown, Tammy Godwin, Cary Brown, Charles Joy, Amelia Huneke, Barbara Hurt, Jim Joy, Caitlin Joy, Garvin Deters, Sandra Frazier, Grant Adams, Clara Brown, Marshall Farrer, Austin Musselman, Louis Brown, Ernie Patterson, Chris Brown, Sara Brown, Martin Brown, Jr., Davis Kannapell. Not pictured: Owsley Brown III and Elaine Musselman

with countries like Brazil now following in the footsteps of Poland's and Mexico's exceptional growth.

From a governance perspective, Brown-Forman thrived under another year of Board committee leadership from Mike Todman (Chair of Audit), Mike Roney (Chair of Compensation), and John Cook (Chair of Governance & Nominating, and our Lead Independent Director). We also want to thank our Director Stuart Brown for one of his other governance functions, his eight years leading the environmental sustainability foundation, DendriFund, which he helped establish in 2012, when it was seeded with some of the proceeds of the sale of Brown-Forman's wine business. His board work, alongside the company's own in-house sustainability efforts, has been indispensable in incorporating sustainability as a core company priority. He is stepping down, and DendriFund has elected Eliza Brown, a board member since 2015, to take on this leadership role.

The Brown-Forman Family Shareholders Committee also welcomed new members to its ranks this year: Cary Brown, Dace Brown, and Elaine Musselman. Lawson and I enjoyed visiting the Jack Daniel Distillery with the Committee, along with other Brown family members, including seven members of the sixth generation—another reminder of the "next generation."

Of course, no single "people" decision is more important to a Board than fulfilling its fiduciary duties in CEO succession planning. The Board completed its multi-year work with Paul Varga, a 31-year veteran of the company, by appointing Lawson Whiting, a 21-year veteran, to the CEO role. Paul entered the leadership ranks at a time when the future of American Whiskey was in doubt, yet Brown-Forman delivered total shareholder return (TSR) during his period of service of 15%, making him arguably the most successful CEO of our industry's modern era to date. With Lawson, Brown-Forman has another leader with the strength of character and the intellectual rigor that are uniquely well-suited to our independent culture and for leading our teams in balanced, long-term thinking, and global brand building.

Of course, every people decision matters, and our company must always work hard to earn the time and energy that each employee contributes to the success of Brown-Forman. That's why we're so proud to have been named one of the best employers for veterans by *Military Times* for the second year running; to have received a perfect score on the Human Rights Campaign Foundation's Corporate Equality Index for the ninth year in a row; and to have been listed as a Leading Inclusion Index Company (Diversity Best Practices), a Best Place to Work for Disability Inclusion, among Great Places to Work® for LGBTQ Equality, and a Great Place to Work in Spain, France, Mexico, and Brazil. Driving this is our employees themselves, and our employee resource groups (ERGs), designed to provide members with support, understanding, information, and resource sharing. In particular, I'd like to thank GROW (Growing Remarkable and Outstanding Women) and BUILD (Blacks United In Leadership and Development) for the kind welcome that they've given our Board of Directors and me over the past year, at their events in Louisville and London.

Owsley Brown may have been brief in 1934 with his letter, but thanks to his perseverance during Prohibition, and to his wise decision to go into partnership with the public, we now have the ability to write about not just financials, but so much more. Thus, as we head into our 149th year as a corporation, please join me in congratulating the employees of the company for all that they do to support and lead this culture, and please accept my own heartfelt thanks for your long-term, purposeful ownership and support.

Geo. Garvin Brown IV
Chairman of the Board

EMPLOYEE RESOURCE GROUPS

"Take a Walk in Our Shoes" featured a panel session facilitated by Garvin Brown and included Carolyn Tandy, Director of Diversity and Inclusion of Texas Roadhouse, Sadiqa Reynolds, President and CEO of the Louisville Urban League, and Michael Todman, Retired Vice Chairman, Whirlpool Corporation and Brown-Forman Board Member. They spoke about leadership and development essentials for women and minorities.

BROWN-FORMAN BOARD OF DIRECTORS

Front Row: **Tracy L. Skeans** (3) Chief Transformation and People Officer, Yum! Brands, Inc. / **Michael J. Roney** (4) Retired Chief Executive Officer, Bunzl plc / **Laura L. Frazier** (#) Owner and Chairman, Bittners LLC / **Campbell P. Brown** (#) Senior Vice President, President and Managing Director of Old Forester, Brown-Forman Corporation / **Marshall B. Farrer** (#) Senior Vice President, Managing Director of GTR and Developed APAC Region, Brown-Forman Corporation / **Patrick Bousquet-Chavanne** (4,5) Chief Executive Officer, Emaar Malls

Back Row: **Paul C. Varga**, Former Chairman and Chief Executive Officer, Brown-Forman Corporation / **Geo. Garvin Brown IV** (1,5,*,#) Chairman of the Board, Brown-Forman Corporation / **Lawson E. Whiting** (1,*) President and Chief Executive Officer, Brown-Forman Corporation / **Augusta Brown Holland** (#) Founding Partner, Haystack Partners LLC / **Michael A. Todman** (3) Retired Vice Chairman, Whirlpool Corporation / **John D. Cook** (1,2,4,5) Director Emeritus, McKinsey & Company / **Bruce L. Byrnes** (3,5) Retired Vice Chairman of the Board, The Procter & Gamble Company / **Kathleen M. Gutmann** (3) Chief Sales and Solutions Officer, United Parcel Service, Inc. / **Stuart R. Brown** (#) Managing Partner, Typha Partners, LLC

(1) Member of Executive Committee of the Board of Directors, (2) Lead Independent Director, (3) Member of Audit Committee, (4) Member of Compensation Committee, (5) Member of Corporate Governance and Nominating Committee, (*) Member of Brown-Forman/Brown Family Shareholders Committee, (#) Member of Brown Family

BROWN-FORMAN EXECUTIVE LEADERSHIP TEAM

From left, standing: **John V. Hayes**, Senior Vice President, President, USA & Canada / **Ralph E. de Chabert**, Senior Vice President, Chief Diversity and Global Community Relations Officer / **Jane C. Morreau**, Executive Vice President, Chief Financial Officer / **Matthew E. Hamel**, Executive Vice President, General Counsel and Secretary / **Thomas Hinrichs**, Senior Vice President, President, International Division

From left, seated: **Kirsten M. Hawley**, Senior Vice President, Chief Human Resources and Corporate Communications Officer / **Lawson E. Whiting**, President and Chief Executive Officer / **Mark I. McCallum**, Executive Vice President, Chief Brands Officer / **Alejandro A. Alvarez**, Senior Vice President, Chief Production Officer

We measure success through several lenses including financial performance and the sustainability of that performance.

We've always been focused on delivering great results for our stakeholders. The results we see reflect the planning we do, often decades prior. Our fiscal 2019 results included underlying net sales growth of 5% (2% as reported), or roughly 6% after considering the impact from

tariff-related lower net prices, and underlying operating income growth of 5% (9% reported). This top-line growth is consistent with the sustained mid-single digit growth we have delivered over the last decade.

To sustain this, we've set zero-waste goals and have an ambitious greenhouse gas goal we'll meet through a renewable wind energy project now under construction.

We're positioned for continued success, thanks to an ongoing focus on diversity and inclusion. We're also committed to being good corporate citizens, creating a responsible drinking culture, and investing in the communities where we live and work.

All of this positions us to deliver strong results, attract and retain the best talent, and meet the evolving expectations of our stakeholders.

MAINTAINING THE BALANCE FOR THE NEXT GENERATION

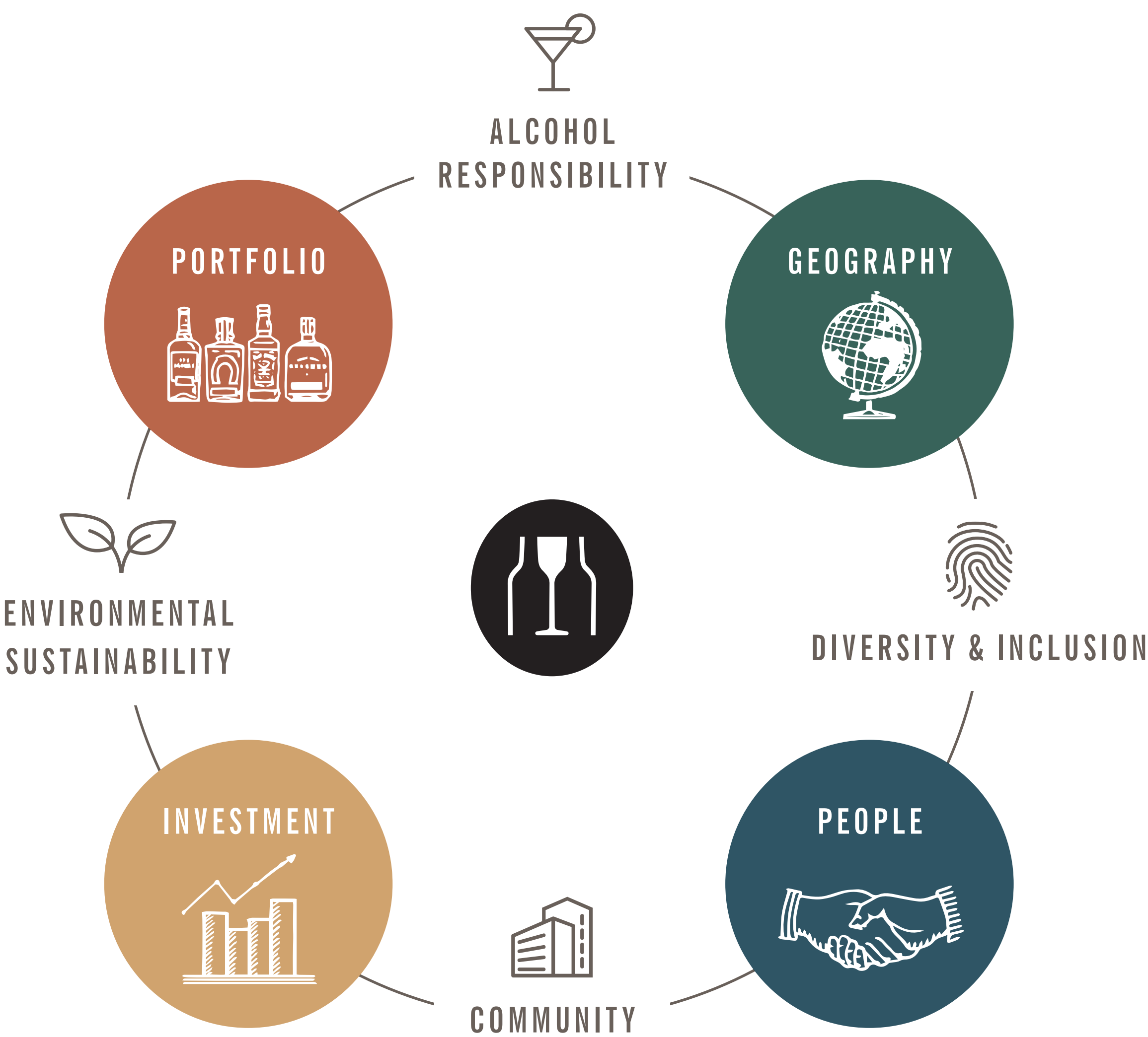
In the past year, we have achieved a healthy balance between stability and change. With over two decades at the company, Lawson Whiting was welcomed as our new CEO to execute the strategy that he helped to create. Through our strong, global portfolio of brands, we have remained resilient to market forces by staying focused on this long-term strategy. We welcomed new people, new thinking, new brands, and new challenges.

Today, consumers and employees seek out companies that embrace diversity, invest in communities, conserve resources, and encourage responsible product use. The adjacent diagram illustrates how our next-generation strategic framework combines with our corporate responsibility priorities to structure our integrated reporting.

Our commitment and impact extend far beyond Brown-Forman's walls. We continue our support for the United Nations Global Compact and have adopted the Sustainable Development Goals (SDGs) most applicable to us. We are part of many partnerships and coalitions driving change because a more sustainable future requires active participation by all.

Our view of Brown-Forman's performance is multi-faceted, from the quality of our culture to our people, our values, and our stakeholder relationships.

This integrated lens on performance, including corporate responsibility, recognizes that many aspects of our company contribute to value creation, our reputation, and our success. It continues with our commitment to ethics, diversity and inclusion, alcohol responsibility, environmental sustainability, and the communities where our employees live and work.



BUILDING OUR ICONIC BRANDS

FOR THE NEXT GENERATION

We embrace new ideas and don't stray from our legacy of exceeding consumer expectations through quality.

Quality and social responsibility became the cornerstone of our business in 1870, when founder George Garvin Brown began selling his whiskey in sealed glass bottles. Old Forester Kentucky Straight Bourbon Whisky was the first bottled bourbon in America, and as such, the first to guarantee quality and safety. It cost more to do it that way, but George believed the investment would pay off in the long run. It did.

Today, we're the last remaining publicly-traded American spirits company, and a top-ten global spirits company.[5] We own some of the most valuable spirits trademarks in the world. Global demand for our American Whiskeys is high, with vast potential ahead.

We have always been a whiskey company, and that remains our competitive advantage. In the current environment, consumers around the world are interested in American Whiskey. That was our focus when we started, and continues to be our focus as our business evolves internationally. For example, we launched our own distribution in Spain two years ago. Having our own people on the ground building our brands has helped drive strong double-digit growth in each of the last two years.

As we enter this next generation, our ability to lean on our past in order to look forward is our competitive edge. Quality continues to drive us ahead, guided by this next generation of consumers who put a high priority on it. We're responding with super-premium offerings across our brand portfolio.

23%

underlying net sales

(19% as reported)

Our premium bourbons, including Woodford Reserve, Old Forester, and Coopers' Craft, grew underlying net sales[6] by 23% (19% as reported) in fiscal 2019.

5. 2018 IWSR data
6. The 19% reported growth of our premium bourbons was impacted by 1% point due to the new accounting standard and 3% points due to the estimated net changes in distributor inventories resulting in 23% underlying net sales growth.

In 2018, on a value basis, IWSR data confirmed Jack Daniel's Tennessee Whiskey was recognized as the most valuable single expression spirit brand from the western world. In 2019, Jack Daniel's family of brands sold 17.7 million equivalent 9L cases. We have diversified the trademark so that roughly 25% of our Jack Daniel's brand family volumes come from brands other than Tennessee Whiskey, and over 60% of our depletions occur in markets outside of the United States. Jack Daniel's Tennessee Whiskey accounted for 13.4 million of these cases and continues to deliver its strongest rates of growth in markets outside of the United States, with underlying sales growth in the mid-single digits.

In 2019, a Jack Daniel's Single Barrel Tennessee Whiskey expression, Heritage Barrel, was ranked #3 among the year's top 20 whiskies worldwide by *Whisky Advocate*.

Our new rye whiskeys are attracting attention, including Jack Daniel's Tennessee Rye. We aim to be a leader in the rye category, with over one million cases in 2018 and growing double-digits.[7]

Jack Daniel's Tennessee Whiskey continues to be the primary driver of our growth in non-U.S. markets.

2.4 MILLION CASES

Jack Daniel's Tennessee Honey and Fire depleted 2.4 million cases around the world, and aggregate net sales are growing mid-single digits.

JACK DANIEL'S OPERATION RIDE HOME

We're proud to support our service members. We work with the Armed Services YMCA to help junior enlisted members cover travel expenses from base to home to spend the holidays with loved ones. Last year, our employees participated in bringing 822 travelers home.

ZERO-WASTE DISTILLERY

Our Jack Daniel Distillery is one of our first production sites to meet the zero-waste to landfill[8] goal, recycling more than 99.9% of the waste and by-products we generate.

We also conserve and protect water and promote sustainable forestry research and practices to ensure our supply of white oak for barrels and sugar maple for charcoal. We're reducing our electricity consumption and air emissions and the carbon footprint of wood trucks traveling to and from our plants.

Woodford Reserve delivered stellar performance results in the United States, growing underlying net sales by 22% (17% as reported) and winning *MarketWatch*'s Brand of the Year award. This leading super-premium American Whiskey was an increasingly important contributor to the company in fiscal 2019. Now gaining traction abroad, Woodford Reserve is on-track to sell a million cases in 2020. This room for growth includes opportunities for developing the Woodford Reserve brand family with further premiumization as well as geographic expansion of the brand.

Supporting this success, the Woodford Reserve Distillery is committed to sustainability. In 2018, the Kentucky Department for Environmental Protection recognized Woodford Reserve as a partner in its Kentucky Excellence in Environmental Leadership Program. The distillery partnered with The Nature Conservancy Kentucky chapter in a creek-side restoration project to restore native plants, animal habitats, and improve water quality.

THE KENTUCKY DERBY® PRESENTED BY WOODFORD RESERVE®

The limited-edition 2019 Woodford Reserve Kentucky Derby bottle once again featured label artwork designed by Keith Anderson, a talented Brown-Forman employee.

NEXT GENERATION DERBY PARTIES

Thanks to the power of new media, "winning" the Derby takes on new meaning. There are 3.3 million Derby parties held throughout the country. One bottle of Woodford Reserve purchased for each of them would amount to over a quarter of a million incremental cases. Promoted via Twitter and using Amazon and its Alexa apps, fans can ask, "How do I throw a Derby party?" and the response enables online purchase and home delivery of special-edition bottles of Woodford Reserve, a mint julep recipe, cups, and fresh mint.

7. 2018 IWSR data
8. Zero-waste is defined as sending less than 1% to landfill.

Old Forester, Brown-Forman's founding brand, returned to Louisville's Whiskey Row last June after nearly 100 years.

It's in a building that once housed Brown-Forman offices and is now a state-of-the-art distillery and visitor experience center.

In the true spirit of Kentucky hospitality, the roughly $50 million, 70,000-square-foot distillery takes guests through Old Forester's bourbon making process and the brand's rich history as the first bottled bourbon. The recent release of Old Forester Rye further contributed to the brand's position as a real leader in the renaissance of American Whiskey.

Additionally, the Old Forester Distillery received the highest score from *Better Drinking Culture* for their practices to promote alcohol responsibility.

Five years ago, we introduced the Whiskey Row Series as a platform for high-end, craft expressions from Old Forester. Recent launches such as Old Forester 1910 quickly sold out.

DISTILLER OF THE YEAR

Whisky Magazine named Brown-Forman the Distiller of the Year and recognized Juan Merizalde Carrillo of Old Forester Distilling Co. as Distillery Manager of the Year at the 2019 Icons of Whisky America awards.

We lead the American Whiskey category and aim to lead in other global whiskey categories.

Developing Slane Irish Whiskey and GlenDronach and BenRiach single malt Scotch Whiskies are key elements in that strategy.

In the United States, we've cultivated interest in super-premium whiskeys, and we've begun to follow suit in other countries around the world.

From Ireland, Slane Irish Whiskey is doing well in the premium category. And from Scotland, our three highly-awarded single malt Scotches are poised for net sales growth.

Last August, we formed our Emerging Brands team in the United States to focus on seeding these aspirational brands so they become more meaningful over time. With over 40 dedicated people selling and marketing these brands in 16 handpicked city centers, we believe these brands have been seeded in the right environment to build strong growth.

HIGH PRAISE FOR OUR SCOTCHES

Our GlenDronach 15 Year Revival Single Malt Scotch Whisky was ranked #8 in the 2018 Top 20 Brands of the World by *Whiskey Advocate*.

Master Blender Rachel Barrie, Brown-Forman Scotch, became the first woman in Scotch Whisky inducted into *Whisky Magazine's* Hall of Fame.

Sustainable from the start

At Slane Distillery, we're incorporating sustainability best practices from the beginning: capturing rain water to use in our operations, thereby reducing the amount we draw from the Boyne River; building an anaerobic digester to produce biogas from our waste water, which we'll use as boiler fuel to reduce greenhouse gas emissions; using biomass as a natural fertilizer; and growing our own barley nearby. Also, our stillage, a grain and yeast by-product, is provided to local farmers for animal feed. We are participating in Ireland's Origin Green sustainability program and have a goal to achieve ISO 14001 certification for our environmental management practices.

In much the same way we extended our portfolio of whiskeys two years ago by acquiring distilleries in Scotland and building one in Ireland, we added tequila to our portfolio by acquiring el Jimador and Casa Herradura in Mexico.

Tequila is one of the fastest-growing categories in the spirits industry.[9] Steady investment in these brands has delivered better performance. El Jimador is significantly more profitable than when we acquired it, thanks to premiumization and expansion into the United States, primarily, and other select markets. Herradura continues to grow, driven in part by successful line extensions such as Herradura Ultra. Between the el Jimador and Herradura tequila brand families, Brown-Forman sold almost two million cases of 100% agave tequila in fiscal 2019.

Our ready-to-drink New Mix is extremely popular, selling almost 7 million cases[10] in fiscal 2019.

CASA HERRADURA: ADVANCING SUSTAINABLE PRACTICES

Casa Herradura is one of Mexico's most historic and renowned tequila producers, and its premium products, ranked among the world's finest, are attracting attention among the next generation of consumers.

So is the work we're doing in Amatitán, Mexico, to ensure the sustainability of our tequila production. For example, we're finding ways to use agave fibers that are a by-product of tequila making as fuel. We've reduced the amount of energy and water required to cook agave at Casa Herradura by 39% and 22%, respectively, since 2015.

Because water is a key ingredient in tequila and a precious commodity in Mexico, we built a wastewater treatment plant, ensuring we release clean water. This process also extracts biogas that we use as a fuel source. We've also achieved our goal of zero-waste to landfill by 2023, four years ahead of schedule.

550,000+ CASES

Herradura sold over 550,000 cases globally, including 200,000 cases in the U.S. in fiscal 2019.

Herradura Ultra, a high-quality cristalino, helped contribute to Herradura's double-digit underlying net sales growth in the year.

1.4 MILLION CASES

El Jimador approached 1.4 million cases globally, including 600,000 cases in the U.S. in fiscal 2019.

9. Source: IWSR 2018 data, 100% agave tequila grew 15% in calendar 2018.
10. The RTD cases mentioned in this instance are 9L cases and are not adjusted to a drinks-equivalent basis.

CREATING A RESPONSIBLE DRINKING CULTURE

We are actively creating a responsible drinking culture to reduce alcohol-related harm, promote moderate consumption, respect the choice not to drink, and ensure responsible marketing of our brands.

This year, we launched a new internal campaign called Pause to elevate responsibility, raise awareness, and inspire more action from our employees. When we take a second and pause, we will make the best decisions for ourselves, for the company, and for our communities. It's all about encouraging and empowering everyone at Brown-Forman, and our partners, to pause, consider, and make responsible decisions around alcohol.

Through our SPIRIT employee resource group, we work to create a place where all employees and guests feel welcome, whether or not they drink alcohol.

Externally, we partner with local and global organizations to promote responsible drinking such as IARD, FISAC, BSI, DrinkWise, Responsibility.org (FAAR), DrinkAware, Portman Group, and many more.

ENTERING THE NEXT GENERATION OF GEOGRAPHIC EXPANSION

THE UNITED STATES, OUR LARGEST MARKET

The United States remains our largest market, accounting for nearly half of our revenues.

This is the most valuable global spirits market in the world, across numerous categories and premium-priced products. We offer our most diversified portfolio here, which is skewed toward premium American Whiskies and tequilas. We continue to grow through disciplined innovation and premiumization and believe we have ample room for further expansion in this fast-growing and profitable market.

Whiskey expertise is what we're known for, and we're building on that with extensions within our Jack Daniel's family of brands, Woodford Reserve, and Old Forester trademarks. This includes flavors, super-premium offerings, and rye whiskeys, for which consumer demand is growing. We're leveraging our reputation as whiskey experts in a variety of promotional activities, including education, advocacy, and point-of-sale activities such as tasting flights to compare whiskeys of different types.

Our premium bourbon and tequila brands grew underlying net sales by double-digits in the United States, led by Woodford Reserve and our tequilas[11] in fiscal 2019.

1.2 MILLION

Jack Daniel's Ready-to-Drinks surpassed 1.2 million cases[12] in the U.S. in fiscal 2019.

11. Our premium bourbons include Woodford Reserve, Old Forester, and Coopers' Craft while our tequilas include el Jimador, Herradura, Pepe Lopez, and Antiguo.
12. Refers to Ready-to-Drink and Ready-to-Pour line extensions of Jack Daniel's. The RTD cases mentioned in this instance are 9L cases and are not adjusted to a drinks-equivalent basis.

TOP 10 MARKETS

Each of our top ten markets grew underlying net sales in fiscal 2019.

7 MILLION

New Mix RTDs approached 7 million cases[13] this year, helped by the launch of Mineral Orange and Mineral Lemon.

Jack Daniel's Tennessee Honey's non-U.S. business passed one million cases, fueled by markets such as France, Mexico, and the United Kingdom.

20%

Nearly 20% of Woodford Reserve's sales are generated outside the U.S.—a strong indicator of future opportunity.

OVER 60%

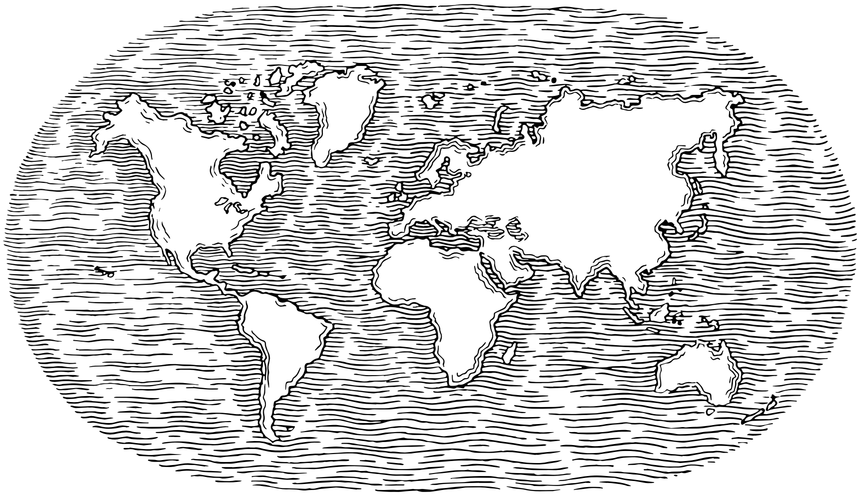
Currently, over 60% of Jack Daniel's Tennessee Whiskey volumes are international.

11%

underlying net sales growth

(4% as reported)

Our emerging markets grew underlying net sales by 11% (4% as reported) in fiscal 2019, with broad-based delivery from markets big and small.



The other half of our business is in the markets outside of the United States where we see promising consumer momentum.

In this next generation, we see a world of opportunity in the emerging and developed international markets. In some, we've made significant headway with availability and infrastructure. Our top five markets include the United Kingdom, Mexico, Australia, Germany, and France, accounting for close to 50% of our international sales. We believe the greatest potential lies in markets we've just begun developing.

Jack Daniel's Tennessee Whiskey is our flagship trademark globally. The universal popularity of Jack Daniel's Tennessee Whiskey and the extended Jack Daniel's family of brands breaks new ground for all our products, wherever we go. Jack Daniel's Tennessee Whiskey sales outside the United States are almost double the next leading American Whiskey brand in value,[14] and remains the world's #1 American Whiskey, and the single largest expression,[14] sold above $25/750 ml bottle.

DEVELOPED MARKETS

Other brands in the Jack Daniel's family have been further propelling our growth rates outside of the United States, including our Jack Daniel's ready-to-drink (RTD) business, Jack Daniel's Tennessee Honey, and Gentleman Jack. Jack Daniel's RTDs in Australia and

13. The RTD cases mentioned in this instance are 9L cases and are not adjusted to a drinks-equivalent basis.

Germany are booming, driving our volumes to record levels in aggregate. We're building a strong presence in Spain, thanks to the summer of 2017 investment in owned distribution there. Spain is one of the largest whiskey markets in the world, where Jack Daniel's has just 4% market share[14] and is one of the fastest-growing whiskey brands. This speaks to the enormous potential we have in large Scotch Whiskey markets.

EMERGING MARKETS

Six billion people live in emerging markets. Our market shares are currently low in the majority of these countries, which means our opportunities are significant. And we're making the most of them. In 2019, emerging markets grew underlying net sales in the double-digits again, led by Mexico, Brazil, Russia, and Poland.

Mexico and Poland have also been meaningful growth drivers for our company. In Mexico, our results have been led by double-digit underlying net sales growth of our tequila brands along with contributions from Jack Daniel's. Poland's 10% underlying net sales growth (9% as reported) was fueled by Jack Daniel's but partially offset by a challenging vodka market for Finlandia.

Brazil is nearly a 5.5-million case whiskey market.[14] When we arrived, American Whiskey was underdeveloped and, after nearly a decade, we're making significant inroads, growing from just 35,000 cases in fiscal 2009 to roughly 400,000 cases in fiscal 2019. Our strategy has evolved to focus tightly on key urban areas with the Jack Daniel's product line, and we're seeing significant growth as a result of these efforts.

14. 2018 IWSR data

ENGAGING WITH COMMUNITIES EVERYWHERE

Being an active part of the places where we do business makes for better business.

In Scotland, 45 Brown-Forman employees partnered with Voluntary Service Aberdeen. They painted fencing and planted 100 cherry trees at Easter Anguston Farm, a training facility for adults with learning differences.

Brown-Forman South Africa sponsored over 10,000 meals through the Ladles of Love program. Proper nutrition can help children graduate from high school, breaking the cycle of poverty. The team provided monetary assistance, volunteer hours, and donations of mattresses and books.

15,000 HOURS

In fiscal 2019, 800 Brown-Forman employee volunteers donated 15,000 hours globally.

INVE$TING

FOR THE NEXT GENERATION

One thing we've learned over nearly a century and a half is that long-term performance requires investment.

We understand the need to invest in our production facilities, distillery visitor centers, and inventory, and the importance of investing in our people, communities, and environment. Despite these significant investments, we have maintained our industry-leading return on average invested capital (ROIC)[15] of 22%. We're driving sales growth and enhanced productivity.

We delivered an annual Total Shareholder Return of 19% over the last ten years. In other words, a $100 investment in Brown-Forman's Class B shares would have been worth over $550 at the end of this past fiscal year. We've paid dividends for 73 years and have been providing dividend increases for 35 years, making us proud members of the Dividend Aristocrats.[16] This consistency of capital returns to our shareholders is due to a combination of sustained top-line growth, great margins, and significant cash flow generation.

Thanks to the investments we've made, we are better positioned than ever to keep delivering excellent products for our loyal consumers around the world. We have the most capable and engaged workforce ever. We've developed unprecedented brand-building capabilities. We have equipped our teams with the technology and tools necessary to win in an increasingly data-driven global marketplace.

Fiscal 2019:

34.4%

Operating Margin

22.0%

ROIC[15]

15. Return on average invested capital is defined as the sum of net income and after-tax interest expense, divided by average invested capital. Invested capital equals assets less liabilities, excluding interest-bearing debt.
16. The Dividend Aristocrats are members of the S&P 500 Index constituents that have increased their dividend payouts for 25 consecutive years or more.

Whether in our hometown of Louisville, Kentucky, or the many other locations where we live and work around the world, supporting the communities we work in is an investment that generates immediate and long-term returns. It's an expression of our company's purpose to enrich the experience of life.

Thoughtfully leveraging our talent, time, and resources, we collaborate with a variety of mission-driven organizations focused on enhancing intellectual and cultural living, ensuring essential living standards, and empowering responsible and sustainable living.

Community engagement provides professional development for our employees through non-profit board leadership and is a means to attract, retain, and engage exceptional talent. It also builds goodwill and engages consumers with our brands.

THE BROWN-FORMAN FOUNDATION

Last year, Brown-Forman established a $70 million charitable foundation whose annual proceeds will provide a consistent revenue stream for charitable giving for generations to come, independent of the company's annual earnings. Charitable contributions will be made from the foundation, as well as the corporation.

INVESTING IN OUR HOMETOWN

One of our most important social investments this year was giving $2 million to the Republic Bank Foundation YMCA being built in west Louisville. This contribution supports construction of the new YMCA, subsidizes access and memberships in the surrounding neighborhood, and contributes to Black Achievers and other programs. Also in our neighborhood, we're making new or increased contributions to the Louisville Free Public Library Western Branch programming, Olmsted Parks Conservancy, and YouthBuild Louisville.

We continue supporting local alcohol and substance abuse recovery centers, educating our employees on the science of addiction, creating safe environments to talk about the disease, and using inclusive language to help reduce the stigma. We have partnerships with several addiction recovery centers in Louisville and around the country.

INVESTING IN RENEWABLE ENERGY

We're always finding ways to reduce our greenhouse gas emissions, and our biggest yet will be the new wind power project when it's operational by 2020. This renewable energy source will offset more than 90% of our electricity usage in the United States, enabling us to fully achieve our greenhouse gas target of cutting our absolute greenhouse gas emissions by 15% by 2023 (from 2012 levels).

DENDRIFUND

DendriFund, an independent foundation created in 2012 by Brown-Forman and the Brown family, brings together diverse stakeholders inspired to improve the natural, social, and economic environment. Focused on issues related to wood, water, and grains, signature projects include: the White Oak Initiative focusing on the region where white oak grows to assess woodland conditions and produce conservation plans; the Salt River Collaborative with close to 30 groups working to improve water quality in the Louisville area; and the rye project aspiring to accelerate the adoption of cover crops that bring commercial and environmental value to growing rye in Kentucky.

INVESTING IN CLEANER ENERGY

At the Brown-Forman Distillery we converted to cleaner-burning natural gas as our boiler fuel. The estimated savings we'll realize is $350,000 annually, and even more significantly, we estimate a reduction of emissions by 13,000 tons of CO_2 per year. It also reduces our fuel delivery costs and carbon footprint. It's a smart investment in the dual benefits of efficiency and sustainability.

ZERO-WASTE BY 2020

We have committed to sending zero-waste[17] to landfill for all owned production facilities by 2020.

The effort begins with designing our systems so they generate as little waste as possible. We also find new uses for materials when we're done with them—for instance our sawdust is used as boiler fuel and our glass cullet is recycled back into bottle production.

As of 2018, eight of our production facilities achieved this goal, representing 87% of our total waste. The rest of our sites are on track, with five additional facilities sending less than 5% of waste to landfill.

17. Zero-waste is defined as sending less than 1% to landfill.

SUSTAINABILITY SUPPORTS QUALITY

Sonoma-Cutrer Rosé of Pinot Noir was launched in the U.S. this year to excellent reviews, and helped the family grow underlying net sales. We maintain California Sustainable Winegrowing Alliance certification and promote initiatives affecting fish and wildlife habitat, water quality, and energy efficiency.

MAKING BROWN-FORMAN EVEN BETTER FOR THE NEXT GENERATION

FOSTERING DIVERSITY AND INCLUSION

Our people are our greatest asset.

The more diverse and inclusive a group we are, the better we do. It enables us to build brands that connect with a broader spectrum of consumers. We attract the most talented candidates to join us, engaging and enabling them to grow and develop themselves and their careers once they're here.

For these reasons, we embrace and foster diversity and inclusion to create a culture of belonging, where every individual brings their whole and best self to work. Employee Resource Groups (ERGs) within Brown-Forman are an important part of that. They act as learning and innovation hubs, where our people's unique capabilities can help our business and our communities succeed.

The business advantage of diversity extends to our suppliers, too. Our goal is to procure 16% of our supplier services from businesses owned by ethnic minorities, women, LGBTQ people, people with disabilities, and veterans. We're currently at approximately 11%. This is one of many ways in which we actively promote and seek constantly to increase diversity throughout our working relationships.

Brown-Forman has approximately 4,700 employees around the world. On average, our employees stay eight years, which is more than double the average tenure for all industries in the United States, according to the U.S. Bureau of Labor Statistics in 2018.

We take care of our employees with benefits such as the recently updated flexible work options, parental leave, and extended bereavement leave for United States employees. We also offer health and wellness programs, pension and 401(k) plans, and convenient onsite amenities. On Glassdoor.com, employees have rated Brown-Forman with 4.4 stars (out of five) for benefits.

CONSISTENTLY AWARDED TOP WORKPLACE HONORS

In our experience, there is definitely a correlation between investing in our people and achieving great results. Case in point: Brown-Forman was named one of the best employers for veterans by *Military Times* for the second year. For the ninth year, we received a perfect score on the Human Rights Campaign Foundation's *Corporate Equality Index*. We're listed as a Leading Inclusion Index Company (Diversity Best Practices), a Best Place to Work for Disability Inclusion, and among Great Places to Work® for LGBTQ Equality. We've received recognition for many of our offices around the world.

Brown-Forman was named a Great Place to Work® in Brazil, France, Mexico, and Spain.

GREAT PLACE TO WORK®

As we grow and conduct business internationally, our principles follow us.

We subscribe to the United Nations Sustainable Development Goals (SDGs). We are also a signatory to the UN Global Compact concerning human rights, labor practices, environmental stewardship, and anti-corruption.

While the intent of the SDGs and Global Compact are large scale, much of our work happens more locally in communities where we operate or with issues that our company affects. By doing our part, we can contribute to solving these broader, more complex challenges.

We measure and manage our progress, and you can find more details on our performance on our website at www.brown-forman.com/responsibility.

Our anti-corruption guidelines prohibit bribery and improper payments, mandate accurate bookkeeping, and require all employees to know and comply with all local laws and regulations.

The Brown-Forman Code of Conduct helps us communicate our corporate integrity everywhere we work. “Living Our Values” is its purpose, and it features real-life examples and offers decision-making advice from leaders in the company. It provides reporting mechanisms, including anonymous reporting without fear of retaliation.

Our Global Human Rights Statement defines our commitment to respecting the fundamental human rights inherent to all people. We share our policies and practices with suppliers. These include controls to ensure against modern slavery anywhere in our business or supply chain, as set out in our *UK Modern Slavery Act Statement,* published on our website.

REDUCING HARM IS A TEAM EFFORT

Irresponsible alcohol consumption can be a risk factor associated with harassment and sexual assault. We believe our employees and bartenders should be equipped with the resources to act.

In response, our Chambord Black Raspberry Liqueur partnered with Alteristic, a national organization dedicated to reducing power-based personal violence, to train bartenders on bystander intervention. This helps them identify early signs and develop skills to intervene when appropriate.

This year, Brown-Forman launched the Responsible Production Guiding Principles program to foster positive employee behaviors that support our Key Performance Indicators (KPIs): Safety and Environment, Morale, Quality, Productivity, Delivery, and Cost.

We firmly believe that a safety and environmental mindset drives all our KPIs and that a culture of active caring and compliance results in fewer product losses across the board. We know that the best source of improvement in our performance is our people.

Employee initiatives inspired by active caring have already led to significant improvements in our operational efficiency.

For example, the Mexico team completed two projects that reduce water use by capturing and recycling water that had been going to the wastewater treatment plant. Combined, these two projects have reduced water use by 2.6 million gallons in fiscal 2019. Additionally, two employee-led continuous improvement projects at Brown-Forman Bottling operations reduced waste-to-landfill by 54% and 80%, respectively.

KEEPING EMPLOYEES SAFE

Before you can make whiskey, you need barrels, and we make sure we have the best by making our own, safely and efficiently.

We've reduced the amount of repetitive motion by our employees, which mitigates injuries. Our Cooperages have also reduced the number of trees used by installing vision systems and machine learning to cut wood for our barrels in a way that optimizes materials use. This reduces the risk of injury, improves quality, maximizes warehouse space, and reduces whiskey loss.

SELECTED FINANCIAL DATA

Dollars in millions, except per share amounts

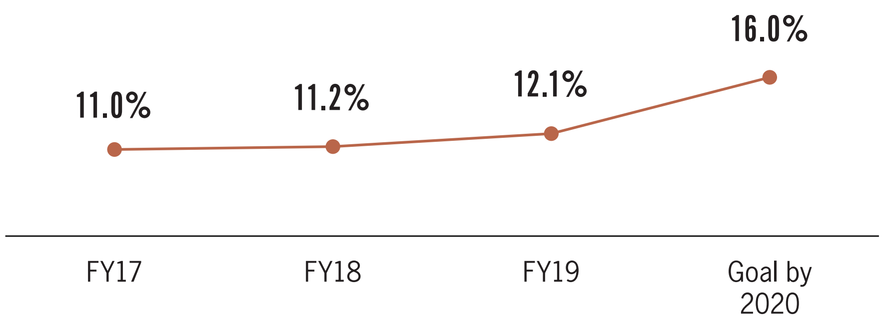
FOR YEAR ENDED APRIL 30:	2015	2016	2017	2018	2019
Sales	$ 4,096	4,011	3,857	4,201	4,276
Excise taxes	$ 962	922	863	953	952
Net sales	$ 3,134	3,089	2,994	3,248	3,324
Gross profit	$ 2,183	2,144	2,021	2,202	2,166
Operating income	$ 1,045	1,556	1,010	1,048	1,144
Net income	$ 684	1,067	669	717	835
Weighted average shares used to calculate earnings per share					
– Basic	529.0	507.4	484.6	480.3	479.0
– Diluted	532.7	510.7	488.1	484.2	482.1
Earnings per share from continuing operations					
– Basic	$ 1.29	2.10	1.38	1.49	1.74
– Diluted	$ 1.28	2.09	1.37	1.48	1.73
Gross margin	69.7%	69.4%	67.5%	67.8%	65.2%
Operating margin	33.3%	50.4%	33.8%	32.3%	34.4%
Effective tax rate	31.7%	28.3%	28.3%	26.6%	19.8%
Average invested capital	$ 3,196	3,221	3,591	3,832	4,125
Return on average invested capital	22.0%	34.1%	19.8%	20.0%	22.0%
Cash provided by operations	$ 631	545	656	653	800
Cash dividends declared per common share	$ 0.484	0.524	0.564	1.608	0.648
Dividend payout ratio	37.5%	25.0%	40.9%	107.8%	37.2%

AS OF APRIL 30:	2015	2016	2017	2018	2019
Total assets	$ 4,188	4,183	4,625	4,976	5,139
Long-term debt	$ 743	1,230	1,689	2,341	2,290
Total debt	$ 1,183	1,501	2,149	2,556	2,440

NOTES: 1. Includes the results of Southern Comfort and Tuaca, both of which were sold in March 2016 at a gain of $485 million (pre-tax). Includes the results of BenRiach since its acquisition in June 2016. 2. Weighted average shares, earnings per share, and cash dividends declared per common share have been adjusted for a 2-for-1 stock split in August 2016 and a 5-for-4 stock split in February 2018. 3. As discussed in Note 2 to the Consolidated Financial Statements, we adopted Accounting Standards Updates (ASUs) 2016–15 and 2017–07 as of May 1, 2018. The amounts presented above for operating income, operating margin, and cash provided by operations differ from previously reported amounts due to the retrospective application of those ASUs. 4. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation—Non-GAAP Financial Measures" for details on our use of "return on average invested capital," including how we calculate this measure and why we think this information is useful to readers. 5. Cash dividends declared per common share include a special cash dividend of $1.00 in fiscal 2018. 6. We define dividend payout ratio as cash dividends divided by net income.

SUPPLIER DIVERSITY SPEND

Percent of procurement from businesses owned by ethnic minorities, women, LGBTQ people, people with disabilities, and veterans



ENVIRONMENTAL SUSTAINABILITY

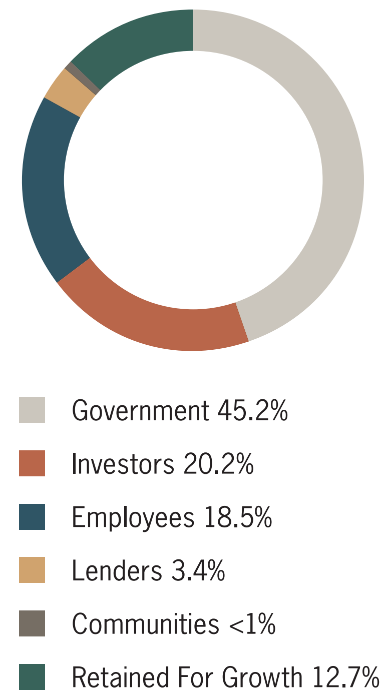
	CY16	CY17	CY18	GOAL BY 2023
Absolute decrease in GHG emissions[18]	+10.9%	+7.1%	+14.8%	-15.0%
Reduce water use per unit of product[19]	-3.1%	-6.9%	-10.3%	-30.0%
Reduce wastewater discharge per unit of product[19]	-8.1%	-16.1%	-8.3%	-30.0%

	CY16	CY17	CY18	GOAL BY 2020
Zero-Waste to landfill from our facilities* [20]	4	5	8	All facilities to be Zero-Waste

*As defined, less than 1% to landfill

18. From CY2013 to CY2018 our production sites continued to focus on greenhouse gas emission reductions projects such as energy efficiency, process improvements, and fuel switching; however, inclusion of new international operations and overall growth of existing operations superseded these reductions. As such, to date, our emissions have not trended in the direction of our targeted 15% decrease in absolute greenhouse gas emissions. Our investment in renewable power in 2018, with an expected start date of April 2020, is expected to support the timely attainment of our goal.
19. Per unit of product is based on total 9L case equivalent produced.
20. Eight of our facilities have achieved zero-waste to landfill, representing 87% of total waste. Five additional sites have reached less than 5% waste to landfill.

CASH DISTRIBUTED TO STAKEHOLDERS FY19



$70 MILLION

Established $70 Million Charitable Foundation in fiscal 2018

$7.4 MILLION

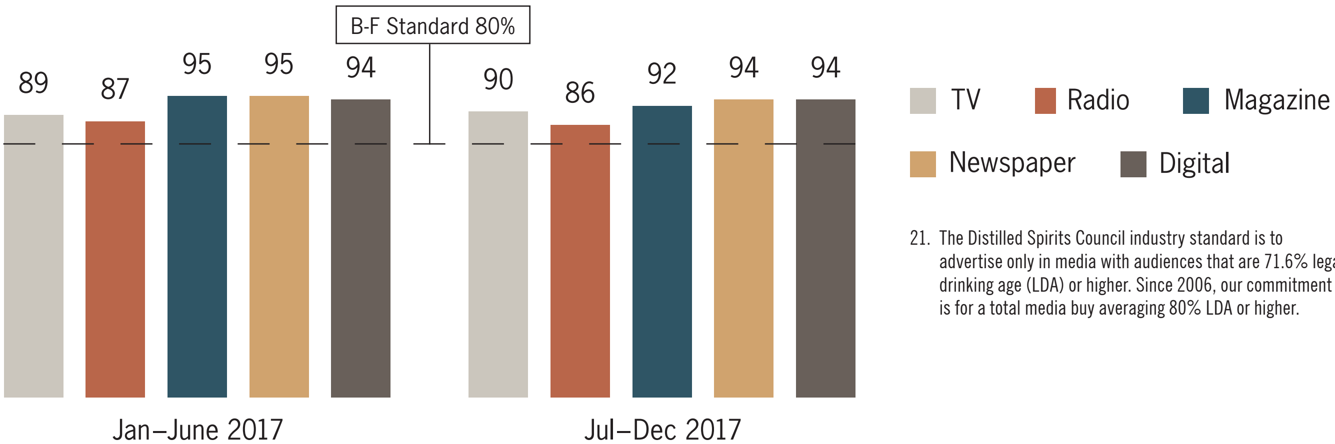
Brown-Forman Corporate Charitable Contributions

$2.5 MILLION

Brown-Forman Foundation Contributions

ALCOHOL RESPONSIBILITY IN ADVERTISING

Media Impressions LDA and Above, U.S.[21]



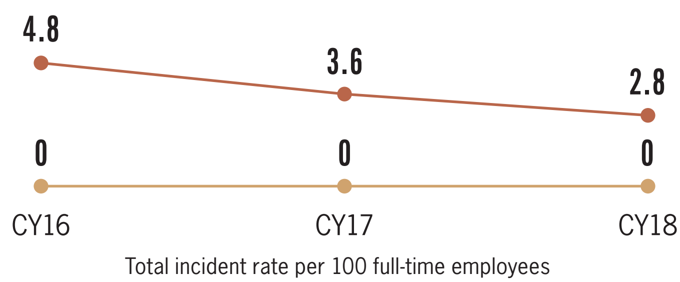
21. The Distilled Spirits Council industry standard is to advertise only in media with audiences that are 71.6% legal drinking age (LDA) or higher. Since 2006, our commitment is for a total media buy averaging 80% LDA or higher.

SAFETY

Includes any work-related accident involving global production and Louisville Corporate Personnel. Data indicates any work-related fatalities globally.

Total Recordable Injury Rate

Fatalities



U.S. WORKFORCE DEMOGRAPHICS*

CATEGORY	FEMALE	MALE	WHITE	BLACK OR AFRICAN AMERICAN	HISPANIC OR LATINO	ASIAN	OTHER
Board	27%	73%	93%	7%	—%	—%	—%
Executive Leader	27%	73%	84%	4%	3%	—%	9%
Business Leader	36%	64%	79%	6%	4%	5%	7%
Leader	46%	54%	83%	7%	7%	3%	1%
Professional	63%	37%	81%	9%	6%	2%	2%
Production	21%	79%	80%	13%	6%	<1%	—%
Temporary/Seasonal	65%	35%	78%	15%	7%	—%	1%

*Diversity data is as of April 30, 2019. Ethnicity data is based on self-disclosed employee information. Board data includes all Directors (U.S. and international). Numbers may not add to 100% due to rounding. Other includes 2+ races (non hispanic/latino), Native American or Alaskan Indian, or categories left blank

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended April 30, 2019

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 Number 001-00123

BROWN-FORMAN CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**61-0143150**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
850 Dixie Highway **Louisville, Kentucky**	**40210**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(502) 585-1100**
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Class A Common Stock (voting) $0.15 par value	BFA	New York Stock Exchange
Class B Common Stock (nonvoting) $0.15 par value	BFB	New York Stock Exchange
1.200% Notes due 2026	BF26	New York Stock Exchange
2.600% Notes due 2028	BF28	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☑ No ☐

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The aggregate market value, as of the last business day of the most recently completed second fiscal quarter, of the voting and nonvoting equity held by nonaffiliates of the registrant was approximately $16,000,000,000.

The number of shares outstanding for each of the registrant's classes of Common Stock on May 31, 2019, was:

Class A Common Stock (voting)	168,985,878
Class B Common Stock (nonvoting)	308,288,977

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement of Registrant for use in connection with the Annual Meeting of Stockholders to be held July 25, 2019, are incorporated by reference into Part III of this report.

Table of Contents

Forward-Looking Statement Information. Certain matters discussed in this report, including the information presented in Part II under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," contain statements, estimates, and projections that are "forward-looking statements" as defined under U.S. federal securities laws. Words such as "aim," "anticipate," "aspire," "believe," "can," "continue," "could," "envision," "estimate," "expect," "expectation," "intend," "may," "might," "plan," "potential," "project," "pursue," "see," "seek," "should," "will," "would," and similar words indicate forward-looking statements, which speak only as of the date we make them. Except as required by law, we do not intend to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. By their nature, forward-looking statements involve risks, uncertainties, and other factors (many beyond our control) that could cause our actual results to differ materially from our historical experience or from our current expectations or projections. These risks and uncertainties include, but are not limited to, those described in Part I under "Item 1A. Risk Factors" and those described from time to time in our future reports filed with the Securities and Exchange Commission, including:

- Unfavorable global or regional economic conditions and related low consumer confidence, high unemployment, weak credit or capital markets, budget deficits, burdensome government debt, austerity measures, higher interest rates, higher taxes, political instability, higher inflation, deflation, lower returns on pension assets, or lower discount rates for pension obligations
- Risks associated with being a U.S.-based company with global operations, including commercial, political, and financial risks; local labor policies and conditions; protectionist trade policies, or economic or trade sanctions, including additional retaliatory tariffs on American spirits and the effectiveness of our actions to mitigate the negative impact on our margins, sales, and distributors; compliance with local trade practices and other regulations, including anti-corruption laws; terrorism; and health pandemics
- Fluctuations in foreign currency exchange rates, particularly a stronger U.S. dollar
- Changes in laws, regulations, or policies – especially those that affect the production, importation, marketing, labeling, pricing, distribution, sale, or consumption of our beverage alcohol products
- Tax rate changes (including excise, sales, VAT, tariffs, duties, corporate, individual income, dividends, or capital gains) or changes in related reserves, changes in tax rules or accounting standards, and the unpredictability and suddenness with which they can occur
- The impact of U.S. tax reform legislation, including as a result of future clarifications and guidance interpreting the statute
- Dependence upon the continued growth of the Jack Daniel's family of brands
- Changes in consumer preferences, consumption, or purchase patterns – particularly away from larger producers in favor of small distilleries or local producers, or away from brown spirits, our premium products, or spirits generally, and our ability to anticipate or react to them; legalization of marijuana use on a more widespread basis; shifts in consumer purchase practices from traditional to e-commerce retailers; bar, restaurant, travel, or other on-premise declines; shifts in demographic or health and wellness trends; or unfavorable consumer reaction to new products, line extensions, package changes, product reformulations, or other product innovation
- Decline in the social acceptability of beverage alcohol in significant markets
- Production facility, aging warehouse, or supply chain disruption
- Imprecision in supply/demand forecasting
- Higher costs, lower quality, or unavailability of energy, water, raw materials, product ingredients, labor, or finished goods
- Route-to-consumer changes that affect the timing of our sales, temporarily disrupt the marketing or sale of our products, or result in higher fixed costs
- Inventory fluctuations in our products by distributors, wholesalers, or retailers
- Competitors' and retailers' consolidation or other competitive activities, such as pricing actions (including price reductions, promotions, discounting, couponing, or free goods), marketing, category expansion, product introductions, or entry or expansion in our geographic markets or distribution networks
- Risks associated with acquisitions, dispositions, business partnerships, or investments – such as acquisition integration, termination difficulties or costs, or impairment in recorded value
- Inadequate protection of our intellectual property rights
- Product recalls or other product liability claims, product counterfeiting, tampering, contamination, or quality issues
- Significant legal disputes and proceedings, or government investigations
- Failure or breach of key information technology systems
- Negative publicity related to our company, brands, marketing, personnel, operations, business performance, or prospects
- Failure to attract or retain key executive or employee talent
- Our status as a family "controlled company" under New York Stock Exchange rules, and our dual-class share structure

Use of Non-GAAP Financial Information. Certain matters discussed in this report, including the information presented in Part II under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," include measures that are not measures of financial performance under U.S. generally accepted accounting principles (GAAP). These non-GAAP measures should not be considered in isolation or as a substitute for any measure derived in accordance with GAAP, and also may be inconsistent with similarly titled measures presented by other companies. In Part II under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," we present the reasons we use these measures under the heading "Non-GAAP Financial Measures," and we reconcile these measures to the most closely comparable GAAP measures under the heading "Results of Operations – Year-Over-Year Comparisons."

PART I

Item 1. *Business*

Overview

Brown-Forman Corporation (the "Company," "Brown-Forman," "we," "us," or "our" below) was incorporated under the laws of the State of Delaware in 1933, successor to a business founded in 1870 as a partnership and later incorporated under the laws of the Commonwealth of Kentucky in 1901. We primarily manufacture, bottle, import, export, market, and sell a wide variety of alcoholic beverages under recognized brands. We employ approximately 4,700 people on six continents (excluding individuals that work on a part-time or temporary basis), including approximately 1,200 people in Louisville, Kentucky, USA, home of our world headquarters. We are the largest American-owned spirits and wine company with global reach. We are a "controlled company" under New York Stock Exchange rules because the Brown family owns more than 50% of our voting stock. Taking into account ownership of shares of our non-voting stock, the Brown family also controls more than 50% of the economic ownership in Brown-Forman.

For a discussion of recent developments, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Executive Summary."

Brands

Beginning in 1870 with Old Forester Kentucky Straight Bourbon Whisky – our founding brand – and spanning the generations since, we have built a portfolio of more than 40 spirit, ready-to-drink (RTD) cocktail, and wine brands that includes some of the best-known and most loved trademarks in our industry. The most important brand in our portfolio is Jack Daniel's Tennessee Whiskey, which was ranked in the 2018 Interbrand "Best Global Brands" as the most valuable global spirits brand in the world and the second most valuable beverage alcohol brand. Jack Daniel's Tennessee Whiskey is the largest American whiskey brand in the world and the fourth-largest spirits brand of any kind, according to Impact Databank's "Top 100 Premium Spirits Brands Worldwide" list. Among the top five premium spirits brands on the list, Jack Daniel's Tennessee Whiskey was the only one to grow volume in each of the past five years. Our other leading global brands on the Worldwide Impact list are Finlandia, which is the tenth-largest-selling vodka; Jack Daniel's Tennessee Honey, which is the second-largest-selling flavored whiskey; and el Jimador, which grew to become the fourth-largest-selling tequila. Woodford Reserve was once again selected as an Impact "Hot Brand,"[1] marking six consecutive years on the list. Old Forester and Pepe Lopez were also named to the 2018 "Hot Brand"[1] list.

Principal Brands

Jack Daniel's Tennessee Whiskey
Jack Daniel's RTDs[2]
Jack Daniel's Tennessee Honey
Gentleman Jack Rare Tennessee Whiskey
Jack Daniel's Tennessee Fire
Jack Daniel's Single Barrel Collection[3]
Jack Daniel's Tennessee Rye
Jack Daniel's Sinatra Select
Jack Daniel's No. 27 Gold Tennessee Whiskey
Jack Daniel's Winter Jack
Jack Daniel's Bottled-in-Bond[4]
Woodford Reserve Kentucky Bourbon
Woodford Reserve Double Oaked
Woodford Reserve Kentucky Rye Whiskey
Woodford Reserve Kentucky Straight Malt Whiskey[4]
Finlandia Vodkas
Korbel California Champagnes[5]
Korbel California Brandy[5]
el Jimador Tequilas
el Jimador New Mix RTDs
Herradura Tequilas[6]
Sonoma-Cutrer California Wines
Canadian Mist Canadian Whisky
GlenDronach Single Malt Scotch Whisky
BenRiach Single Malt Scotch Whisky
Glenglassaugh Single Malt Scotch Whisky
Old Forester Kentucky Straight Bourbon Whisky
Old Forester Whiskey Row Series
Old Forester Kentucky Straight Rye Whisky[4]
Chambord Liqueur
Early Times Kentucky Whisky and Bourbon
Pepe Lopez Tequila
Antiguo Tequila
Slane Irish Whiskey
Coopers' Craft Kentucky Bourbon

[1]Impact Databank, March 2019.

[2]Jack Daniel's RTDs includes Jack Daniel's & Cola, Jack Daniel's & Diet Cola, Jack & Ginger, Jack Daniel's Country Cocktails, Gentleman Jack & Cola, Jack Daniel's Double Jack, Jack Daniel's American Serve, Jack Daniel's Tennessee Honey RTD, Jack Daniel's Cider, and Jack Daniel's Lynchburg Lemonade.

[3]The Jack Daniel's Single Barrel Collection includes Jack Daniel's Single Barrel Select, Jack Daniel's Single Barrel Barrel Proof, Jack Daniel's Single Barrel Rye, and Jack Daniel's Single Barrel 100 Proof.

[4]New brands launched in fiscal 2019.

[5]Korbel is not an owned brand. We sell Korbel products under contract in the United States and other select markets.

[6]Herradura Tequilas comprises all expressions of Herradura including Herradura Ultra.

See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2019 Brand Highlights" for brand performance details.

Our vision in marketing is to be the best brand-builders in the industry. We build our brands by investing in programs that we believe create enduring connections with our consumers. These programs cover a wide spectrum of activities, including media (TV, radio, print, outdoor, and, increasingly, digital and social), consumer and trade promotions, sponsorships, and visitors' center programs at our distilleries and our winery. We expect to grow our sales and profits by consistently delivering creative, responsible marketing programs that drive brand recognition, brand trial, brand loyalty – and, ultimately, consumer demand around the world.

Markets

We sell our products in over 170 countries around the world. The United States, our most important market, accounted for 47% of our net sales in fiscal 2019. We generated 53% of our net sales outside the United States in fiscal 2019. Our largest international markets include the United Kingdom, Mexico, Australia, Germany, France, Poland, Russia, Japan, and Brazil. We present the percentage of total net sales by geographic area for our most recent five fiscal years below:

Percentage of Total Net Sales by Geographic Area

	Year ended April 30				
	2015	2016	2017	2018	2019
United States	**46%**	**48%**	**48%**	**47%**	**47%**
International:					
Europe	27%	27%	26%	27%	26%
Australia	6%	5%	5%	5%	5%
Other	21%	20%	21%	21%	22%
Total International	**54%**	**52%**	**52%**	**53%**	**53%**
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**

Note: Totals may differ due to rounding

For details about net sales in our largest markets, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Fiscal 2019 Market Highlights." For details about our reportable segment and for additional geographic information about net sales and long-lived assets, see Note 17 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data." For details on risks related to our global operations, see "Item 1A. Risk Factors."

Distribution Network and Customers

Our distribution network, or our "route-to-consumer" (RTC), varies depending on (a) a market's laws and regulatory framework for trade in beverage alcohol, (b) our assessment of a market's long-term attractiveness and competitive dynamics, (c) the relative profitability of distribution options available to us, (d) the structure of the retail and wholesale trade in a market, and (e) our portfolio's development stage in a market. As these factors change, we evaluate our RTC strategy and, from time to time, adapt our model.

In the United States, which generally prohibits spirits and wine manufacturers from selling their products directly to consumers, we sell our brands either to distributors or (in states that directly control alcohol sales) to state governments that then sell to retail customers and consumers.

Outside the United States, we use a variety of RTC models, which can be grouped into three categories: owned distribution, partner, and government-controlled markets. We own and operate distribution companies in 11 markets: Australia, Brazil, Canada, Czechia, France, Germany, Korea, Mexico, Poland, Spain, and Turkey. In these markets, and in a large portion of the Travel Retail channel, we sell our products directly to retailers or wholesalers. Over the past decade, we began distribution operations in several markets outside the United States, most recently in Spain during fiscal 2018.

In the United Kingdom, we partner in a cost-sharing arrangement with another supplier, Bacardi Limited, to sell a portfolio of both companies' brands. In Canada, we sell our products to provincial governments. In many other markets, including Russia, Japan, Italy, and South Africa, we rely on third parties to distribute our brands, generally under fixed-term distribution contracts.

We believe that our customer relationships are good and our exposure to concentrations of credit risk is limited due to the diverse geographic areas covered by our operations.

Seasonality

Holiday buying makes the fourth calendar quarter the peak season for our business. Approximately 30%, 31%, and 31% of our net sales for fiscal 2017, fiscal 2018, and fiscal 2019, respectively, were in the fourth calendar quarter.

Competition

Trade information indicates that we are one of the largest global suppliers of premium spirits. According to International Wine & Spirit Research (IWSR), for calendar year 2018, the ten largest global spirits companies controlled less than 20% of the total global market for spirits (on a volume basis). While we believe that the overall market environment offers considerable growth opportunities for us, our industry is now, and will remain, highly competitive. We compete against many global, regional, and local brands in a variety of categories of beverage alcohol, but our brands compete primarily in the industry's premium-and-higher price categories. Our competitors include major global spirits and wine companies, such as Bacardi Limited, Becle S.A.B. de C.V., Beam Suntory Inc., Davide Campari-Milano S.p.A., Diageo PLC, LVMH Moët Hennessy Louis Vuitton SE, Pernod Ricard SA, and Rémy Cointreau. In addition, particularly in the United States, we increasingly compete with national companies and craft spirit brands, many of which are recent entrants to the industry.

Brand recognition, brand provenance, quality of product and packaging, availability, flavor profile, and price affect consumers' choices among competing brands in our industry. Several factors influence consumers' buying decisions, including advertising, promotions, merchandising at the point of sale, expert or celebrity endorsement, social media and word of mouth, and the timing and relevance of new product introductions. Although some competitors have substantially greater resources than we do, we believe that our competitive position is strong, particularly as it relates to brand recognition, quality, availability, and relevance of new product introductions.

Ingredients and Other Supplies

The principal raw materials used in manufacturing and packaging our distilled spirits, liqueurs, RTD products, and wines are shown in the table below.

Principal Raw Materials

Distilled Spirits	Liqueurs	RTD Products	Wines	Packaging
Agave	Flavorings	Flavorings	Grapes	Aluminum cans
Barley	Neutral spirits	Malt	Wood	Cartons
Corn	Sugar	Neutral spirits		Closures
Malted barley	Water	Sugar		Glass bottles
Rye	Whiskey	Tequila		Labels
Sugar	Wine	Water		PET[1] bottles
Water		Whiskey		
Wood				

[1]Polyethylene terephthalate (PET) is a polymer used in non-glass containers.

Currently, none of these raw materials are in short supply, but shortages could occur. From time to time, our agricultural ingredients (agave, barley, corn, grapes, malted barley, rye, and wood) could be adversely affected by weather and other forces out of our control that might constrain supply or reduce our inventory below desired levels for optimum production.

Whiskeys, certain tequilas, and other distilled spirits must be aged. Because we must schedule production years in advance to meet projected future demand, our inventories of these products may be larger in relation to sales and total assets than in many other businesses.

For details on risks related to the unavailability of raw materials and the inherent uncertainty in forecasting supply and demand, see "Item 1A. Risk Factors."

Intellectual Property

Our intellectual property includes trademarks, copyrights, proprietary packaging and trade dress, proprietary manufacturing technologies, know-how, and patents. Our intellectual property, especially our trademarks, is essential to our business. We register our trademarks broadly around the world, focusing primarily on where we sell or expect to sell our products. We protect our intellectual property rights vigorously but fairly. We have licensed some of our trademarks to third parties for use with services or on products other than alcoholic beverages, which enhances the awareness and protection of our brands.

For details on risks related to the protection of our intellectual property, see "Item 1A. Risk Factors." For details on our most important brands, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2019 Brand Highlights."

Regulatory Environment

Federal, state, local, and foreign authorities regulate how we produce, store, transport, distribute, and sell our products. Some countries and local jurisdictions prohibit or restrict the marketing or sale of distilled spirits in whole or in part.

In the United States, at the federal level, the Alcohol and Tobacco Tax and Trade Bureau of the U.S. Department of the Treasury regulates the spirits and wine industry with respect to the production, blending, bottling, labeling, sales, advertising, and transportation of beverage alcohol. Similar regulatory regimes exist at the state level and in most non-U.S. jurisdictions where we sell our products. In addition, beverage alcohol products are subject to customs duties or excise taxation in many countries, including taxation at the federal, state, and local level in the United States.

Many countries set their own distilling and maturation requirements; for example, under U.S. federal and state regulations, bourbon and Tennessee whiskeys must be aged in new charred oak barrels; we typically age our whiskeys three to six years. Canadian whisky must be manufactured in Canada in compliance with Canadian laws. Mexican authorities regulate the production and bottling of tequilas; they mandate minimum aging periods for *extra anejo* (three years), *anejo* (one year), and *reposado* (two months). Irish whiskey must be matured at least three years in a wood cask, such as oak, on the island of Ireland. Scotch whisky must be matured in oak casks for at least three years in Scotland. We comply with all of the above laws and regulations.

Our operations are subject to various environmental protection statutes and regulations, and our policy is to comply with them.

Strategy

Nine years ago, we introduced our "Brown-Forman 150" long-term strategy, focused on driving sustainable growth toward our 150th anniversary in 2020. The B-F Arrow articulates our core purpose as well as the values and behaviors that we expect our employees to embrace and exhibit. Our purpose, values, and behaviors are a constant, powerful means of connecting our stakeholders to our shared vision of "Building Forever." We continue to refresh our strategies to reflect current realities and look beyond 2020.

We realize that our people are integral to building our brands and growing our business, and to support this strategy we strive to build a strong, agile workforce emphasizing diversity and inclusion. The strategic ambitions described below demonstrate both a sustained focus on several drivers of our recent growth and acknowledge today's emerging opportunities.

Portfolio

We seek to build brands and businesses that create significant shareholder value, by delivering strong and sustainable growth, solid margins, and high returns on invested capital. In addition, given our growing size and scale, we focus on building brands that can be meaningful for our company over time. Our first priority is to grow our premium spirits portfolio organically and through innovation. As opportunities arise, we also consider acquisitions and partnerships that will enhance our portfolio and our capacity to deliver growth, margins, and returns in line with our rigorous quantitative and qualitative criteria.

We are the global leader in American whiskey.[1] We see significant, additional opportunity to promote the mixability, versatility, accessibility, and premiumization of our American whiskey brands around the world. We believe that we can leverage our whiskey-making knowledge, production assets, trademarks, and brand-building skills to realize this opportunity.

The Jack Daniel's family of brands, led by Jack Daniel's Tennessee Whiskey (JDTW), is our most valuable asset – the engine of our overall financial performance and the foundation of our leadership position in the American whiskey category. We will always work to keep JDTW strong, healthy, and relevant to consumers worldwide while pursuing the abundant opportunities to grow the Jack Daniel's family of brands across markets, premium price points, channels, and consumer groups. Product innovation continues to be a meaningful contributor to our performance. New Jack Daniel's expressions have led innovation in the American whiskey category, including Honey (2011), Fire (2015), Rye (2017), and the recently announced launch of Jack Daniel's Tennessee Apple, which we expect to introduce in the United States in the fall of 2019.

Beyond the Jack Daniel's family of brands, we expect to sustain excellent growth around the world with our other whiskey brands, particularly Woodford Reserve and Old Forester. Woodford Reserve is the leading super-premium American whiskey globally[1], and is poised for continued growth as interest in bourbon continues to increase around the world. Old Forester has continued its return to prominence in the United States and in select international markets through its unparalleled taste and quality. Following on the success of its high-end expressions, including the Old Forester Whiskey Row Series, we recently added Old Forester Rye to the brand line up.

[1]IWSR, 2018 data.

We believe that super- and ultra-premium whiskeys are an attractive long-term business. Through our acquisition of The BenRiach Distillery Company Limited in June 2016, we added three world-class single malt Scotch whisky brands to our portfolio: The GlenDronach, BenRiach, and Glenglassaugh. Since acquiring the Scotch business, we have evolved our portfolio and geographic strategies to ensure that these single malt brands are positioned to become meaningful contributors to Brown-Forman and significant competitors in the fast-growing single malt category over the longer term. Similarly, Slane Irish Whiskey, which opened its distillery and visitors' center in 2018 is poised to become a meaningful contributor for the Company in the fast-growing Irish whiskey category over time.

It has been over a decade since we acquired Casa Herradura, a portfolio led by two tequila brands steeped in Mexican heritage – Herradura and el Jimador. Despite current cost pressures resulting from the high price of agave, we remain pleased with the development of our tequila business in both Mexico and the United States, the brands' two primary markets. We plan to continue expanding Herradura to reach new consumers in Mexico, the United States, and other high-potential markets. In addition to the success of the brand's core expressions, Herradura Ultra – an ultra-premium "cristalino" line extension – continued to accelerate, surpassing 90,000 nine-liter cases in fiscal 2019. We intend to ensure el Jimador tequila remains a premium brand in Mexico by increasing pricing again in fiscal 2020, and remain encouraged by our prospects for long-term, profitable growth there. Outside Mexico, we have more than quadrupled el Jimador's volumes since fiscal 2008. We remain confident in el Jimador's potential to improve its position among the world's leading tequila brands as the category continues to develop.

Finlandia, one of the top-ten selling vodkas in the world,[1] is prominent in several of the world's largest vodka markets, such as Poland, Russia, Ukraine, and Czechia. We plan to grow Finlandia where its position is strong, including in its largest market, Poland, where Finlandia accounts for one out of every two bottles of imported vodka sold.[2]

Geography

The United States remains our largest market, and continuing to grow there is important to our long-term success. We expect to foster this growth by emphasizing fast-growing spirits categories such as super-premium whiskeys and tequilas, continued product and packaging innovation, and brand building within growing consumer segments, including increasing emphasis on inclusive marketing.

Over the last two decades, our business outside the United States has generally grown faster than our business within it. Achieving our long-term growth objectives requires us to deliver balanced geographic growth while increasing our competitiveness through improved routes to consumer. We expect to continue to grow our business in developed markets such as Australia, France, Germany, and the United Kingdom. We will continue to pursue RTC strategies that will expand our access to and understanding of consumers, with the most recent example being the establishment of our owned distribution organization in Spain during fiscal 2018. In addition, we expect increasingly significant contributions to our growth from emerging markets including Africa, Brazil, China, Eastern Europe, Latin America, Mexico, Poland, Russia, Southeast Asia, and Turkey.

[1]Impact Databank, March 2019.

[2]IWSR, 2018 data.

Having a long-term-focused, committed, and engaged stockholder base, anchored by the Brown family, gives us an important strategic advantage, particularly in a business with aged products and multi-generational brands. For nearly 150 years, the Company and the Brown family have been committed to preserving Brown-Forman as a thriving, family-controlled, independent company.

Recognizing the strong cash-generating capacity and the capital efficiency of our business, we will continue to pursue what we believe to be well-balanced capital deployment strategies aimed at perpetuating Brown-Forman's strength and independence.

Our view of Brown-Forman's performance is multi-faceted, the "what" of our financial and business results are very much related to "how" we achieve them. This view is shown in the quality of our culture, our people, our values, and our stakeholder relationships. Our sense of corporate responsibility is informed by our commitment to ethics, diversity and inclusion, alcohol responsibility, environmental sustainability, and the community in which our employees live and work. This integrated lens on performance, including Corporate Responsibility, recognizes that many aspects of our company contribute to value creation, our reputation and our success.

Corporate Responsibility

In pursuing the objectives described above, we will strive to be responsible in everything we do. Our history of responsibility began in 1870, when our founder, George Garvin Brown, first sold whiskey in sealed glass bottles to ensure quality and safety – an innovation some consider the first act of corporate responsibility in the industry. Today, achieving our stated business purpose, to "enrich the experience of life," is possible only within a context of corporate responsibility. This means putting our values in action by creating a responsible drinking culture; providing a healthy, safe, inclusive, and engaging workplace; protecting the environment; and making a positive contribution to our communities.

We subscribe to the United Nations Sustainable Development Goals (SDGs), a set of 17 global goals designed to address a broad range of sustainable development issues from poverty and gender equality to climate change. In 2017, we reviewed our corporate responsibility strategy against the SDGs to understand where our work aligns with these goals. In 2018, we also became signatories to the United National Global Compact and submitted our first Communication on Progress.

Our core values of integrity, respect, trust, teamwork, and excellence are the foundation of our culture. Our employee engagement survey responses demonstrate that we not only state these words as our values, but we live them, too. Our values are reflected in our Code of Conduct that employees are educated on and pledge to comply with. Additionally, in the spirit of teamwork, we use our values as one set of criteria when evaluating business partners.

Alcohol Responsibility. Our business is based on the belief that beverage alcohol, consumed in moderation, can enrich the experience of life. However, we are well aware that when consumed irresponsibly, alcohol can have harmful effects on individuals and society. We appreciate the need for governments to regulate our industry appropriately and effectively, taking into account national circumstances and local cultures. We also appreciate that some people should not drink or choose not to drink, and we respect this choice. Acting in partnership with others, we want to create a responsible drinking culture and be part of the solution to real, complex problems such as underage drinking, drunk driving, overconsumption, and alcoholism.

Since 2009, we have hosted an open forum to share our points of view, post the research of outside experts, and encourage the opinions of others at www.OurThinkingAboutDrinking.com. As part of our commitment to responsible marketing, and to enable consumers to make more informed decisions, we provide nutritional information on our brands in our top markets on our website, nutrition.brown-forman.com.

We also work closely with partners to extend our reach and impact. In Poland, we partnered with Carrefour, a large retailer chain, to deliver key responsibility messages to consumers across 90 of their stores. For the fifth consecutive year, the New Hampshire (NH) Liquor Commission and Jack Daniel's teamed up for the award-winning *Live Free & Host Responsibly* campaign. Since its launch in 2015, the campaign has reached thousands of NH Liquor & Wine Outlet customers, promoting responsible service and consumption of alcohol. This first-of-its-kind collaboration between a control state and a beverage alcohol company has become a model for the industry, gaining widespread attention and industry praise. In our consumer relationships, we seek to communicate through responsible advertising content and placement, relying on our comprehensive internal marketing code and adhering to industry marketing and advertising guidelines. We also engage with our customers through our trade associations. For example, we worked with Avec Modération in France to engage convenience stores on underage drinking prevention.

We are founding members of, and contribute significant resources to, the Foundation for Advancing Alcohol Responsibility (responsibility.org), an organization created by spirits producers to prevent drunk driving and underage drinking and to promote responsible decision making. While this is a U.S. organization, we participate actively in similar organizations in other markets, such as DrinkWise in Australia, BSI in Germany, The Portman Group in the United Kingdom, and FISAC in Mexico. In 2019, our Chambord Liqueur brand has partnered with Alteristic, a national organization of social accelerators dedicated to reducing power-based personal violence, to train bartenders on bystander intervention to help prevent sexual assault. We also supported alcohol responsibility education of our employees through our recently launched Pause campaign, encouraging everyone to pause, consider, and make responsible decisions around alcohol consumption. Through our corporate charitable contributions, we support organizations that offer treatment and recovery for those struggling with alcoholism and addiction. In addition to our financial contributions, we support these organizations by having Brown-Forman employees serve on their boards of directors.

Sustainability. Our environmental sustainability strategy aims to protect and conserve the resources we depend on. It also reinforces our business strategy through programs that reduce costs through efficiency, lessen risks to our operations, and improve effectiveness through innovation. We invest in renewable energy, energy efficiency, and efficient transportation to reduce our carbon footprint. In 2018, we executed a 15-year power purchase agreement for environmental attributes associated with the energy output from a wind farm facility located in Kansas. The wind farm is expected to generate the equivalent of more than 90% of Brown-Forman's annual electricity use in the United States.

Mindful of our overall impact, in fiscal 2014, we set ambitious environmental sustainability goals for fiscal 2023: reducing our absolute greenhouse gas emissions by 15% and reducing our water use and wastewater discharges per unit of product by 30% (compared to metrics in 2012). In addition, we set a goal of sending zero waste to landfills by 2020. These goals support our ambition to grow our brands and our company responsibly while protecting and enriching the natural environment. We have refreshed our strategy to include a greater focus beyond our operational borders into our supply chain.

Diversity and Inclusion. We believe that having a diverse, inclusive workforce is central to our success. As we work to increase our brands' relevance and appeal to diverse consumer groups, we need a diversity of experiences and outlooks within our own workforce. We also want employees to feel comfortable in contributing their whole selves and different perspectives to their work. We continue to have diverse representation at the senior level. Four women and one African American serve on our Board of Directors. Two members of our nine-member Executive Leadership Team are women and two are minorities. In 2019, we once again earned a perfect score of 100% in the Corporate Equality Index, a national benchmarking survey and report on corporate policies and practices related to LGBTQ workplace equality administered by the Human Rights Campaign. This makes us one of the "Best Places to Work for LGBTQ equality"[1] in the United States for the ninth consecutive year.

[1] Human Rights Campaign 2019 Corporate Equity Index at www.hrc.org/cei

Our Employee Resource Groups (ERGs) have been core to our diversity culture by supporting employees' growth while enhancing their contributions. Our eight ERGs, with sub-chapters globally, foster a diverse, inclusive environment that drives our high-commitment, high-performance organization and encourages our employees to bring their individuality to work. Our commitment to diversity extends to our partnerships with small and diverse suppliers. By 2020, our goal is to source at least 16% of our procurement from businesses owned by ethnic minorities, women, LGBTQ persons, people with disabilities, or veterans. Currently, we procure approximately 12% of our supplies from such businesses.

In the marketplace, we focus on promoting fair, ethical business practices. We remain committed to the guidelines set forth in our Global Human Rights Statement, defining our commitment to respecting the fundamental rights of all human beings. Our work in this area helped inform our response to the U.K.'s passage of the Modern Slavery Act in 2015, which is available on our corporate website.

Community. Our approach to philanthropy reflects our values as a corporate citizen. Brown-Forman believes, as a responsible and caring corporate citizen, it is vital that we give back to the communities that support both our employees and our business by thoughtfully deploying our time, talent, and resources. We collaborate with a variety of mission-driven organizations focused on enhancing intellectual and cultural living, ensuring essential living standards, and empowering responsible and sustainable living. While we focus on our hometown of Louisville, Kentucky, our civic engagement activities extend to the communities around the globe where our employees work, live, and raise their families.

In fiscal 2019, we made charitable donations of $7.4 million, logged approximately 15,000 volunteer hours, and had 127 employees serve on boards of directors of 201 non-profit organizations. In addition, with the goal of helping fund our ongoing philanthropic endeavors in the communities where our employees live and work, we created and funded the Brown-Forman Foundation (the Foundation) with a contribution of $70 million in fiscal 2018. The Foundation distributed $2.5 million in charitable contributions in fiscal 2019. We anticipate that the Foundation's earnings will provide a consistent source of revenue for its charitable giving program independent of our yearly earnings.

We report our ongoing commitment and progress against all of these goals in our integrated Annual and Corporate Responsibility Report and on our website (www.brown-forman.com/responsibility).

Employees and Executive Officers

As of April 30, 2019, we employed approximately 4,700 people worldwide (2,600 in the United States), excluding individuals that work on a part-time or temporary basis. This includes approximately 15% of our U.S. employees that are represented by a union. We believe our employee relations are good.

The following persons served as executive officers as of June 13, 2019:

Name	Age	Principal Occupation and Business Experience
Lawson E. Whiting	50	President and Chief Executive Officer since 2019. Executive Vice President and Chief Operating Officer from October 2017 to December 2018. Executive Vice President and Chief Brands and Strategy Officer from 2015 to 2017. Senior Vice President and Chief Brands Officer from 2013 to 2015. Senior Vice President and Managing Director for Western Europe from 2011 to 2013. Vice President and Finance Director for Western Europe from 2010 to 2011. Vice President and Finance Director for North America from 2009 to 2010.
Jane C. Morreau	60	Executive Vice President and Chief Financial Officer since 2014. Senior Vice President, Chief Production Officer, and Head of Information Technology from 2013 to 2014. Senior Vice President and Director of Financial Management, Accounting, and Technology from 2008 to 2013.
Matthew E. Hamel	59	Executive Vice President, General Counsel, and Secretary since 2007.
Mark I. McCallum	64	Executive Vice President and Chief Brands Officer since June 2018. Executive Vice President and President of Jack Daniel's Brands from February 2015 to June 2018. Executive Vice President and President for Europe, Africa, Middle East, Asia Pacific, and Travel Retail from 2013 to 2015. Executive Vice President and Chief Operating Officer from 2009 to 2013. Executive Vice President and Chief Brands Officer from 2006 to 2009.
Alejandro "Alex" Alvarez	51	Senior Vice President and Chief Production Officer since 2014. Vice President and General Manager for Brown-Forman Tequila Mexico Operations from 2008 to 2014.
Ralph De Chabert	72	Senior Vice President, Chief Diversity and Global Community Relations Officer since March 2019. Senior Vice President and Chief Diversity Officer from December 2007 to February 2019.
Kirsten M. Hawley	49	Senior Vice President, Chief Human Resources and Corporate Communications Officer since March 2019. Senior Vice President and Chief Human Resources Officer from February 2015 to February 2019. Senior Vice President and Director of Human Resources Business Partnerships from 2013 to 2015. Vice President and Director of Organization and Leader Development from 2011 to 2013. Assistant Vice President and Director of Employee Engagement from 2009 to 2011.
John V. Hayes	59	Senior Vice President, President U.S.A. and Canada since June 2018. Senior Vice President, Chief Marketing Officer of Brown-Forman Brands from February 2015 to June 2018. Senior Vice President, Managing Director Jack Daniel's from 2011 to 2015. Senior Vice President, Managing Director Herradura from 2007 to 2011.
Thomas Hinrichs	57	Senior Vice President, International Division since June 2018. Senior Vice President and President for Europe, North Asia, and ANZSEA from February 2015 to June 2018. Senior Vice President and Managing Director for Europe from 2013 to 2015. Senior Vice President and Managing Director for Greater Europe and Africa from 2006 to 2013.
Kelli Nelson	49	Senior Vice President and Chief Accounting Officer since August 2018. Vice President and Director Finance (North America Region) from 2015 to August 2018. Director NAR Division Finance (North America Region) from 2013 to 2015. Director Business Planning and Analytics (North America Region) from 2012 to 2013.

Available Information

Our website address is www.brown-forman.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports are available free of charge on our website as soon as reasonably practicable after we electronically file those reports with the Securities and Exchange Commission (SEC). The information provided on our website is not part of this report, and is therefore not incorporated by reference into this report or any other filing we make with the SEC, unless that information is otherwise specifically incorporated by reference.

On our website, we have posted our Code of Conduct that applies to all our directors and employees, and our Code of Ethics that applies specifically to our senior financial officers. If we amend or waive any of the provisions of our Code of Conduct or our Code of Ethics applicable to our principal executive officer, principal financial officer, or principal accounting officer that relates to any element of the definition of "code of ethics" enumerated in Item 406(b) of Regulation S-K under the Securities Act of 1934 Act, as amended, we intend to disclose these actions on our website. We have also posted on our website our Corporate Governance Guidelines and the charters of our Audit Committee, Compensation Committee, Corporate Governance and Nominating Committee, and Executive Committee of our Board of Directors. Copies of these materials are also available free of charge by writing to our Secretary, Matthew E. Hamel, 850 Dixie Highway, Louisville, Kentucky 40210 or emailing him at Secretary@b-f.com.

Item 1A. ***Risk Factors***

We believe the following discussion identifies the most significant risks and uncertainties that could adversely affect our business. If any of the following risks were actually to occur, our business, results of operations, cash flows, or financial condition could be materially and adversely affected. Additional risks not currently known to us, or that we currently deem to be immaterial, could also materially and adversely affect our business, results of operations, cash flows, or financial condition.

Our global business is subject to commercial, political, and financial risks, including foreign currency exchange rate fluctuations and corruption risk.

Our products are sold in more than 170 countries; accordingly, we are subject to risks associated with doing business globally, including commercial, political, and financial risks. In the long term, we expect our growth rates in emerging markets, to surpass our growth rates in the United States and more developed markets. However, we still expect our international developed markets to provide growth opportunities for us. If shipments of our products – particularly Jack Daniel's Tennessee Whiskey – to our global markets were to experience significant disruption due to these risks or for other reasons, it could have a material adverse effect on our financial results.

In addition, we are subject to potential business disruption caused by military conflicts; potentially unstable governments or legal systems; civil or political upheaval or unrest; local labor policies and conditions; possible expropriation, nationalization, or confiscation of assets; problems with repatriation of foreign earnings; economic or trade sanctions; closure of markets to imports; anti-American sentiment; terrorism or other types of violence in or outside the United States; and health pandemics. For example, last year, the United States imposed tariffs on steel and aluminum. In response, a number of countries imposed retaliatory tariffs on U.S. imports, including on our American whiskey products. Such retaliatory tariffs continue to remain in place, and any further deterioration of economic relations between the United States and other countries or any increase in tariffs could result in an increase in the price of our products and could prompt consumers to seek alternative products. Furthermore, uncertainty related to the future of the European Union may affect our business and financial performance in Europe. For instance, in June 2016, the United Kingdom voted by referendum to leave the European Union (Brexit), and, until the United Kingdom's exit from the European Union is finalized, we face economic and political uncertainty related to the negotiation of any successor trading arrangement with other countries as well as volatility in exchange rates, risk to supply chains across the European Union, restrictions on the mobility of employees and consumers, or changes to customs duties, tariffs, or industry specific requirements and regulations. In addition, any new trade barriers, sanctions, tariffs, or any retaliatory measures in response to the foregoing could materially and adversely affect our operations. Our success will depend, in part, on our ability to overcome the challenges we encounter with respect to these risks and other factors affecting U.S. companies with global operations.

The more we expand our business globally, the more exchange rate fluctuations relative to the U.S. dollar influence our financial results. In many markets outside the United States, we sell our products and pay for some goods, services, and labor primarily in local currencies. Because our foreign currency revenues exceed our foreign currency expense, we have a net exposure to changes in the value of the U.S. dollar relative to those currencies. Over time, our reported financial results generally will be hurt by a stronger U.S. dollar and improved by a weaker one. We do not attempt to hedge all of our foreign currency exposure. We may, from time to time, attempt to hedge a portion of our foreign currency exposure through the use of foreign currency derivatives or other means; however, even in those cases, we may not succeed in fully eliminating our foreign currency exposure. For details on how foreign exchange affects our business, see "Item 7A. Quantitative and Qualitative Disclosures about Market Risk – Foreign currency exchange rate risk."

Some countries where we do business have a higher risk of corruption than others. While we are committed to doing business in accordance with applicable anti-corruption and other laws, our Code of Conduct, Code of Ethics for Senior Financial Officers, and our other policies, we remain subject to the risk that an employee will violate our policies, or that any of our many affiliates or agents, such as importers, wholesalers, distributors, or other business partners, may take action determined to be in violation of international trade, money laundering, anti-corruption, or other laws, including the U.S. Foreign Corrupt Practices Act of 1977, the U.K. Bribery Act 2010, or equivalent local laws. Any determination that our operations or activities are not, or were not, in compliance with U.S. or foreign laws or regulations could result in investigations, interruption of business, loss of business partner relationships, suspension or termination of licenses and permits (our own or those of our partners), imposition of fines, legal or equitable sanctions, negative publicity, and management distraction. Further, our continued compliance with applicable anti-corruption or other laws, our Code of Conduct, Code of Ethics for Senior Financial Officers, and our other policies could result in higher operating costs.

National and local governments may adopt regulations or undertake investigations that could limit our business activities or increase our costs.

Our business is subject to extensive regulatory requirements regarding production, exportation, importation, marketing and promotion, labeling, distribution, pricing, and trade practices, among others. Changes in laws, regulatory measures, or governmental policies, or the manner in which current ones are interpreted, could cause us to incur material additional costs or liabilities, and jeopardize the growth of our business in the affected market. Specifically, governments may prohibit, impose, or increase limitations on advertising and promotional activities, or times or locations where beverage alcohol may be sold or consumed, or adopt other measures that could limit our opportunities to reach consumers or sell our products. Certain countries historically have banned all television, newspaper, magazine, and digital commerce/advertising for beverage alcohol products. Increases in regulation of this nature could substantially reduce consumer awareness of our products in the affected markets and make the introduction of new products more challenging.

Additional regulation in the United States and other countries addressing climate change, use of water, and other environmental issues could increase our operating costs. Increasing regulation of fuel emissions could increase the cost of energy, including fuel, required to operate our facilities or transport and distribute our products, thereby substantially increasing the production, distribution, and supply chain costs associated with our products.

Unfavorable economic conditions could negatively affect our operations and results.

Unfavorable global or regional economic conditions could adversely affect our business and financial results. Unfavorable economic conditions could cause governments to increase taxes on beverage alcohol to attempt to raise revenue, reducing consumers' willingness to make discretionary purchases of beverage alcohol products or pay for premium brands such as ours. In unfavorable economic conditions, consumers may make more value-driven and price-sensitive purchasing choices and drink more at home rather than at restaurants, bars, and hotels, which tend to favor many of our premium and super-premium products.

Unfavorable economic conditions could also adversely affect our suppliers, distributors, and retailers, who in turn could experience cash flow problems, more costly or unavailable financing, credit defaults, and other financial hardships. This could lead to distributor or retailer destocking, disruption in raw material supply, increase our bad debt expense, or cause us to increase the levels of unsecured credit that we provide to customers. Other potential negative consequences to our business from unfavorable economic conditions include higher interest rates, an increase in the rate of inflation, deflation, exchange rate fluctuations, credit or capital market instability, or lower returns on pension assets or lower discount rates for pension obligations (possibly requiring higher contributions to our pension plans). For details on the effects of changes in the value of our benefit plan obligations and assets on our financial results, see Note 10 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" and "Item 7A. Quantitative and Qualitative Disclosures about Market Risk – Foreign currency exchange rate risk."

Tax increases and changes in tax rules could adversely affect our financial results.

Our business is sensitive to changes in both direct and indirect taxes. As a multinational company based in the United States, we are more exposed to the impact of U.S. tax changes than most of our major competitors, especially those that affect the effective corporate income tax rate.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (Tax Act). The Tax Act significantly revised the U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates and implementing a territorial tax system. Shortly after the Tax Act was enacted, the U.S. Securities and Exchange Commission issued Staff Accounting Bulletin No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act (SAB 118) to address the application of GAAP. SAB 118 directs taxpayers to consider the impact of the Tax Act as provisional when a company does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for the change in tax law. In accordance with SAB 118, we recorded an original provisional estimate of the effect of the Tax Act in our 2018 consolidated financial statements and have subsequently finalized our accounting analysis based on the guidance, interpretations, and data available as of December 22, 2018. However, many aspects of the Tax Act are still unclear and may not be clarified for some time. For additional detail regarding the Tax Act and the final tax amounts recorded in our consolidated financial statements, see Note 13 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data."

New tax rules, accounting standards, or pronouncements, and changes in interpretation of existing rules, standards, or pronouncements could also have a significant adverse effect on our business and financial results. This includes potential changes in tax rules or the interpretation of tax rules arising out of the Base Erosion & Profit Shifting project initiated by the Organization for Economic Co-operation and Development, as well as changes in the interpretation of tax rules arising out of the European Union State Aid investigations.

Our business operations are also subject to numerous duties or taxes that are not based on income, sometimes referred to as "indirect taxes." These indirect taxes include excise taxes, sales or value-added taxes, property taxes, payroll taxes, import and export duties, and tariffs. Increases in or the imposition of new indirect taxes on our operations or products would increase the cost of our products or, to the extent levied directly on consumers, make our products less affordable, which could negatively affect our financial results by reducing purchases of our products and encouraging consumers to switch to lower-priced or lower-taxed product categories. As governmental entities look for increased sources of revenue, they may increase taxes on beverage alcohol products. In 2018, we have observed excise tax increases in Australia, France, and Turkey.

Our business performance is substantially dependent upon the continued health of the Jack Daniel's family of brands.

The Jack Daniel's family of brands is the primary driver of our revenue and growth. Jack Daniel's is an iconic global trademark with a loyal consumer fan base, and we invest much effort and many resources to protect and preserve the brand's reputation for authenticity, craftsmanship, and quality. A brand's reputational value is based in large part on consumer perceptions, and even an isolated incident that causes harm – particularly one resulting in widespread negative publicity – could adversely influence these perceptions and erode consumer trust and confidence in the brand. Significant damage to the brand equity of Jack Daniel's would adversely affect our business. Given the importance of Jack Daniel's to our overall success, a significant or sustained decline in volume or selling price of our Jack Daniel's products would have a negative effect on our financial results. Additionally, should we not be successful in our efforts to maintain or increase the relevance of the Jack Daniel's brand to current and future consumers, our business and operating results could suffer. For details on the importance of the Jack Daniel's family of brands to our business, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Results of Operations – Fiscal 2019 Brand Highlights."

Changes in consumer preferences and purchases, any decline in the social acceptability of our products, or governmental adoption of policies disadvantageous to beverage alcohol could negatively affect our business results.

We are a branded consumer products company in a highly competitive market, and our success depends substantially on our continued ability to offer consumers appealing, high-quality products. Consumer preferences and purchases may shift, often in unpredictable ways, due several factors, including health and wellness trends; changes in economic conditions, demographic, and social trends; public health policies and initiatives; changes in government regulation of beverage alcohol products; concerns or regulations related to product safety; legalization of marijuana use on a more widespread basis within the United States, Canada, or elsewhere; and changes in trends related to travel, leisure, dining, gifting, entertaining, and beverage consumption trends. Consumers may begin to shift their consumption and purchases of our premium and super-premium products, more commonly found in on-premise establishments, in favor of off-premise purchases or away from alcoholic beverages entirely. This includes consumption at home as a result of various factors, including shifts in social trends, proliferation of smoking bans, and stricter laws relating to driving while under the influence of alcohol, as well as shifts to purchases of our products to e-commerce retailers. Shifts in consumption and purchasing channels such as these could adversely impact our profitability. Consumers also may begin to prefer the products of competitors or may generally reduce their demand for brands produced by larger companies. Over the past several years, the number of small, local distilleries in the United States has grown significantly. This is being driven by a trend of consumers showing increasing interest in locally produced, regionally sourced products. As more brands enter the market, increased competition could negatively affect demand for our premium and super-premium American whiskey brands, including Jack Daniel's. In addition, we could experience unfavorable business results if we fail to attract consumers from diverse backgrounds and ethnicities in all markets where we sell our products. Demographic forecasts in the United States for the next couple of years after 2018 indicate a slight decrease in the population segment aged 21 to 24; fewer potential consumers in this age bracket could have a negative effect on industry growth rates and on our business. To continue to succeed, we must anticipate or react effectively to shifts in demographics, consumer behavior, consumer preferences, drinking tastes, and drinking occasions.

Our plans call for the continued growth of the Jack Daniel's family of brands. In particular, we plan to continue to grow Jack Daniel's Tennessee Honey sales globally and plan to launch Jack Daniel's Tennessee Apple in the United States in fiscal 2020. If these plans do not succeed, or if we otherwise fail to develop or implement effective business, portfolio, and brand strategies, our growth, stock price, or financial results could suffer. More broadly, if consumers shift away from spirits (particularly brown spirits such as American whiskey and bourbon), our premium-priced brands, or our RTD products, our financial results could be adversely affected.

We believe that new products, line extensions, label and bottle changes, product reformulations, and similar product innovations by both our competitors and us will compete increasingly for consumer drinking occasions. Product innovation, particularly for our core brands, such as our launch of Jack Daniel's Tennessee Apple, is a significant element of our growth strategy; however, there can be no assurance that we will continue to develop and implement successful line extensions, packaging, formulation or flavor changes, or new products. Unsuccessful implementation or short-lived popularity of our product innovations could result in inventory write-offs and other costs, reduction in profits from one year to the next, and also could damage consumers' perception of the brand family. Our inability to attract consumers to our product innovations relative to our competitors' products – especially over time – could negatively affect our growth, business, and financial results.

Our ability to market and sell our products depends heavily on societal attitudes toward drinking and governmental policies that both flow from and affect those attitudes. In recent years, increased social and political attention has been directed at the beverage alcohol industry. For example, there remains continued attention focused largely on public health concerns related to alcohol abuse, including drunk driving, underage drinking, and the negative health impacts of the abuse and misuse of beverage alcohol. While most people who drink enjoy alcoholic beverages in moderation, it is commonly known and well reported that excessive levels or inappropriate patterns of drinking can lead to increased risk of a range of health conditions and, for certain people, can result in alcohol dependence. Some academics, public health officials, and critics of the alcohol industry in the United States, Europe, and other parts of the world continue to seek governmental measures to make beverage alcohol more expensive, less available, or more difficult to advertise and promote. If future scientific research indicate more widespread serious health risks associated with alcohol consumption – particularly with moderate consumption – or if for any reason the social acceptability of beverage alcohol declines significantly, sales of our products could decrease.

Production facility disruption could adversely affect our business.

Some of our largest brands, including Jack Daniel's, Finlandia Vodka, and our tequilas, are distilled at single locations. A catastrophic event causing physical damage, disruption, or failure at any one of our major distillation or bottling facilities, including facilities that support the production of our premium brands such as Woodford Reserve and Old Forester, could adversely affect our business. Further, because whiskeys and some tequilas are aged for various periods, we maintain a substantial inventory of aged and maturing products in warehouses at a number of different sites. The loss of a substantial amount of aged inventory – through fire, other natural or man-made disaster, contamination, or otherwise – could significantly reduce the supply of the affected product or products. A consequence of any of these or other supply or supply chain disruptions could prevent us from meeting consumer demand for the affected products for a period of time. In addition, insurance proceeds may be insufficient to cover the replacement value of our inventory of maturing products and other assets if they were to be lost. Disaster recovery plans may not prevent business disruption, and reconstruction of any damaged facilities could require a significant amount of time.

The inherent uncertainty in supply/demand forecasting could adversely affect our business, particularly with respect to our aged products.

There is an inherent risk of forecasting imprecision in determining the quantity of aged and maturing products to produce and hold in inventory in a given year for future sale. The forecasting strategies we use to balance product supply with fluctuations in consumer demand may not be effective for particular years or products. For example, in addition to our American, Canadian, and Irish whiskeys and some tequilas, which are aged for various periods, our Scotch whisky brands and distilleries including The GlenDronach, BenRiach, and Glenglassaugh require long-term maturation on average of 12 years with limited releases of 30 years or more, making forecasts of demand for such products in future periods subject to significant uncertainty. Factors that affect our ability to forecast accurately include changes in business strategy, market demand, consumer preferences, macroeconomic conditions, introductions of competing products, and other changes in market conditions. Any forecasting error could lead to our inability to meet the objectives of our business strategy, failure to meet future demand, or a future surplus of inventory and consequent write-down in value of maturing stocks. If we are unable to accurately forecast demand for our products or efficiently manage inventory, this may have a material adverse effect on our business and financial results. Further, we cannot be certain that we will be successful in using various levers, such as pricing changes, to create the desired balance of available supply and consumer demand for particular years or products. As a consequence, we may be unable to meet consumer demand for the affected products for a period of time. Furthermore, not having our products in the market on a consistent basis may adversely affect our brand equity and future sales.

Higher costs or unavailability of materials could adversely affect our financial results, as could our inability to obtain certain finished goods or to sell used materials.

Our products use materials and ingredients that we purchase from suppliers. Our ability to make and sell our products depends upon the availability of the raw materials, product ingredients, finished products, wood, glass and PET bottles, cans, bottle closures, packaging, and other materials used to produce and package them. Without sufficient quantities of one or more key materials, our business and financial results could suffer. For instance, only a few glass producers make bottles on a scale sufficient for our requirements, and a single producer supplies most of our glass requirements. In addition, if we were to experience a disruption in the supply of American white oak logs to produce the new charred oak barrels in which we age our whiskeys, our production capabilities would be compromised. If any of our key suppliers were no longer able to meet our timing, quality, or capacity requirements, ceased doing business with us, or significantly raised prices, and we could not promptly develop alternative cost-effective sources of supply or production, our operations and financial results could suffer.

Higher costs or insufficient availability of suitable grain, agave, water, grapes, wood, glass, closures, and other input materials, or higher associated labor costs or insufficient availability of labor, may adversely affect our financial results. Similarly, when energy costs rise, our transportation, freight, and other operating costs, such as distilling and bottling expenses, also may increase. Our freight cost and the timely delivery of our products could be adversely affected by a number of factors that could reduce the profitability of our operations, including driver shortages, higher fuel costs, weather conditions, traffic congestion, increased government regulation, and other matters. Our financial results may be adversely affected if we are not able to pass along energy and freight cost increases through higher prices to our customers without reducing demand or sales.

International or domestic geopolitical or other events, including the imposition of any tariffs or quotas by governmental authorities on any raw materials that we use in the production of our products, could adversely affect the supply and cost of these raw materials to us. If we cannot offset higher raw material costs with higher selling prices, increased sales volume, or reductions in other costs, our profitability could be adversely affected.

Weather, the effects of climate change, fires, diseases, and other agricultural uncertainties that affect the mortality, health, yield, quality, or price of the various raw materials used in our products also present risks for our business, including in some cases potential impairment in the recorded value of our inventory. Changes in weather patterns or intensity can disrupt our supply chain as well, which may affect production operations, insurance costs and coverage, and the timely delivery of our products.

Water is an essential component of our products, so the quality and quantity of available water is important to our ability to operate our business. If droughts become more common or severe, or if our water supply were interrupted for other reasons, high-quality water could become scarce in some key production regions for our products, including Tennessee, Kentucky, California, Finland, Canada, Mexico, Scotland, and Ireland, which in turn could adversely affect our business and financial results.

Our ability to sell used barrels for reuse may be affected by fluctuations in the market. For example, lower prices, increased competitive supply of used barrels, and weaker demand from Irish and blended scotch industry buyers may make it difficult to sell our used barrels at sustainable prices and quantities, which could negatively affect our financial results.

Significant additional labeling or warning requirements or limitations on the availability of our products could inhibit sales of affected products.

Various jurisdictions have adopted or may seek to adopt significant additional product labeling or warning requirements or limitations on the availability of our products relating to the content or perceived adverse health consequences of some of our products. Several such labeling regulations or laws require warnings on any product with substances that the state lists as potentially associated with cancer or birth defects. Our products already raise health and safety concerns for some regulators, and heightened requirements could be imposed. If additional or more severe requirements of this type are imposed on one or more of our major products under current or future health, environmental, or other laws or regulations, they could inhibit sales of such products. Further, we cannot predict whether our products will become subject to increased rules and regulations which, if enacted, could increase our costs or adversely impact sales. For example, advocacy groups in Australia and the United Kingdom have called for the consideration of requiring the sale of alcohol in plain packaging with more comprehensive health warnings in an effort to change drinking habits in those countries. These studies could result in additional governmental regulations concerning the production, marketing, labeling, or availability of our products, any of which could damage our reputation, make our premium brands unrecognizable, or reduce demand of our products, which could adversely affect our profitability.

We face substantial competition in our industry, including many new entrants into spirits; and consolidation among beverage alcohol producers, wholesalers, and retailers, or changes to our route-to-consumer model, could hinder the marketing, sale, or distribution of our products.

We use different business models to market and distribute our products in different countries around the world. In the United States, we sell our products either to distributors for resale to retail outlets or e-commerce retailers, in those states that control alcohol sales, to state governments who then sell them to retail customers and consumers. In our non-U.S. markets, we use a variety of route-to-consumer models – including, in many markets, reliance on others to market and sell our products. Consolidation among spirits producers, distributors, wholesalers, suppliers, or retailers and the increased growth and popularity of the e-commerce retail environment across the consumer product goods market could create a more challenging competitive landscape for our products. Consolidation at any level could hinder the distribution and sale of our products as a result of reduced attention and resources allocated to our brands both during and after transition periods, because our brands might represent a smaller portion of the new business portfolio. Furthermore, consolidation of distributors may lead to the erosion of margins as newly consolidated distributors take down prices. Changes in distributors' strategies, including a reduction in the number of brands they carry, the allocation of shelf space for our competitors' brands, or private label products, may adversely affect our sales, margin, outlook, and market share. Expansion into new product categories by other suppliers, or innovation by new entrants into the market, could increase competition in our product categories. For example, we are experiencing increased competition for some of our products from new entrants in the small-batch or craft spirits category.

Changes to our route-to-consumer models or partners in important markets could result in temporary or longer-term sales disruption, could result in higher costs, and could negatively affect other business relationships we might have with that partner. Disruption of our distribution network or fluctuations in our product inventory levels at distributors, wholesalers, or retailers could negatively affect our results for a particular period. Further, while we believe we have sufficient scale to succeed relative to our major competitors, we nevertheless face a risk that continuing consolidation of large beverage alcohol companies could put us at a competitive disadvantage.

Our competitors may respond to industry and economic conditions more rapidly or effectively than we do. For example, we are facing an increasingly competitive pricing environment, and our competitors may have more flexibility to adjust to such challenges. Other suppliers, as well as wholesalers and retailers of our brands, offer products that compete directly with ours for shelf space, promotional displays, and consumer purchases. Pricing (including price promotions, discounting, couponing, and free goods), marketing, new product introductions, entry into our distribution networks, and other competitive behavior by other suppliers, and by wholesalers and traditional and e-commerce retailers, could adversely affect our sales, margins, and business and financial results. While we seek to take advantage of the efficiencies and opportunities that large retail customers can offer, they often seek lower pricing and purchase volume flexibility, offer competing private label products, and represent a large number of other competing products. If the buying power of these large retail customers continues to increase, it could negatively affect our financial results.

We might not succeed in our strategies for acquisitions and dispositions.

From time to time, we acquire or invest in additional brands or businesses. We expect to continue to seek acquisition and investment opportunities that we believe will increase long-term shareholder value, but we may not be able to find and purchase brands or businesses at acceptable prices and terms. Acquisitions involve risks and uncertainties, including potential difficulties integrating acquired brands and personnel; the possible loss of key customers or employees most knowledgeable about the acquired business; implementing and maintaining consistent U.S. public company standards, controls, procedures, policies, and information systems; exposure to unknown liabilities; business disruption; and management distraction. Acquisitions, investments, or joint ventures could also lead us to incur additional debt and related interest expenses, issue additional shares, and result in a reduction in our earnings per share and a decrease on our average invested capital.We could incur future restructuring charges or record impairment losses on the value of goodwill or other intangible assets resulting from previous acquisitions, which may also negatively affect our financial results.

We also evaluate from time to time the potential disposition of assets or businesses that may no longer meet our financial or strategic objectives. In selling assets or businesses, we may not get prices or terms as favorable as we anticipated. We could also encounter difficulty in finding buyers on acceptable terms in a timely manner, which could delay our accomplishment of strategic objectives. Expected cost savings from reduced overhead relating to the sold assets may not materialize, and the overhead reductions could temporarily disrupt our other business operations. Any of these outcomes could negatively affect our financial results.

Counterfeiting or inadequate protection of our intellectual property rights could adversely affect our business prospects.

Our brand names, trademarks, and related intellectual property rights are critical assets, and our business depends on our protecting them online and in the countries where we do business. We may not succeed in protecting our intellectual property rights in a given market or in challenging those who infringe our rights or imitate or counterfeit our products. Although we believe that our intellectual property rights are legally protected in the markets where we do business, the ability to register and enforce intellectual property rights varies from country to country. In some countries, for example, it may be more difficult to successfully stop counterfeiting or look-alike products, either because the law is inadequate or, even though satisfactory legal options may exist, it may be difficult to obtain and enforce sanctions against counterfeiters. We may not be able to register our trademarks in every country where we want to sell a particular product, and we may not obtain favorable decisions by courts or trademark offices.

Many global spirits brands, including some of our brands, experience problems with product counterfeiting and other forms of trademark infringement. We combat counterfeiting by working with other companies in the spirits industry through our membership in the International Federation of Spirits Producers (IFSP) and with brand owners in other industries via our membership in React, an anti-counterfeiting network organization. While we believe IFSP and React are effective organizations, they are not active in every market, and their efforts are subject to obtaining the cooperation of local authorities and courts in the markets where they are active. Despite the efforts of IFSP, React, and our own teams, lower-quality and counterfeit products that could be harmful to consumers could reach the market and adversely affect our intellectual property rights, brand equity, corporate reputation, and financial results. In addition, the industry as a whole could suffer negative effects related to the manufacture, sale, and consumption of illegally produced beverage alcohol.

Product recalls or other product liability claims could materially and adversely affect our sales.

The success of our brands depends upon the positive image that consumers have of them. We could decide to or be required to recall products due to suspected or confirmed product contamination, product tampering, spoilage, or other quality issues. Any of these events could adversely affect our financial results. Actual contamination, whether deliberate or accidental, could lead to inferior product quality and even illness, injury, or death to consumers, potential liability claims, and material loss. Should a product recall become necessary, or we voluntarily recall a product in the event of contamination, damage, or other quality issue, sales of the affected product or our broader portfolio of brands could be adversely affected. A significant product liability judgment or widespread product recall may negatively impact sales and our business and financial results. Even if a product liability claim is unsuccessful or is not fully pursued, resulting negative publicity could adversely affect our reputation with existing and potential customers and our corporate and brand image.

Litigation and legal disputes could expose our business to financial and reputational risk.

Major private or governmental litigation challenging the production, marketing, promotion, distribution, or sale of beverage alcohol or specific brands could affect our ability to sell our products. Because litigation and other legal proceedings can be costly to defend, even actions that are ultimately decided in our favor could have a negative impact on our business reputation or financial results. Lawsuits have been brought against beverage alcohol companies alleging problems related to alcohol abuse, negative health consequences from drinking, problems from alleged marketing or sales practices, and underage drinking. While these lawsuits have been largely unsuccessful in the past, others may succeed in the future. We could also experience employment-related class actions, environmental claims, commercial disputes, product liability actions stemming from a beverage or container production defect, a whistleblower suit, or other major litigation that could adversely affect our business results, particularly if there is negative publicity or to the extent the losses or expenses were not covered by insurance.

Governmental actions around the world to enforce trade practice, anti-money-laundering, anti-corruption, competition, tax, environmental, and other laws are also a continuing compliance risk for global companies such as ours. In addition, as a U.S. public company, we are exposed to the risk of securities-related class action suits, particularly following a precipitous drop in the share price of our stock. Adverse developments in major lawsuits concerning these or other matters could result in management distraction and have a material adverse effect on our business.

A cyber breach, a failure or corruption of one or more of our key information technology systems, networks, processes, associated sites, or service providers, or a failure to comply with personal data protection laws could have a material adverse impact on our business.

We rely on information technology (IT) systems, networks, and services, including internet sites, data hosting and processing facilities and tools, hardware (including laptops and mobile devices), software, and technical applications and platforms, some of which are managed, hosted, provided, or used by third parties or their vendors, to help us manage our business. The various uses of these IT systems, networks, and services include, but are not limited to: hosting our internal network and communication systems; ordering and managing materials from suppliers; supply/demand planning; production; shipping products to customers; hosting corporate strategic plans and employee data; hosting our branded websites and marketing products to consumers; collecting and storing customer, consumer, employee, investor, and other data; processing transactions; summarizing and reporting results of operations; hosting, processing, and sharing confidential and proprietary research, business plans, and financial information; complying with regulatory, legal, or tax requirements; providing data security; and handling other processes necessary to manage our business.

Increased IT security threats and more sophisticated cybercrimes and cyberattacks pose a potential risk to the security and availability of our IT systems, networks, and services, including those that are managed, hosted, provided, or used by third parties, as well as the confidentiality, availability, and integrity of our data and the data of our customers, consumers, employees, and others. If the IT systems, networks, or service providers we rely upon fail to function properly, or if we suffer a loss or disclosure of our business strategy or other sensitive information, due to any number of causes, ranging from catastrophic events to power outages to security breaches to usage errors by employees and other security issues, we may suffer interruptions in our ability to manage operations and reputational, competitive, or business harm, which may adversely affect our business operations or financial results. In addition, such events could result in unauthorized disclosure of material confidential information, and we may suffer financial and reputational damage because of lost or misappropriated confidential information belonging to us or to our partners, our employees, customers, suppliers, or consumers. In any of these events, we could also be required to spend significant financial and other resources to remedy the damage caused by a security breach or to repair or replace networks and IT systems, which could require a significant amount of time.

In the ordinary course of our business, we receive, process, transmit, and store information relating to identifiable individuals (personal data), primarily employees and former employees, but also relating to consumers. As a result, we are subject to various U.S. federal and state and foreign laws and regulations relating to personal data. These laws have been subject to frequent changes, and new legislation in this area may be enacted in other jurisdictions at any time. In the European Union, the General Data Protection Regulation (GDPR) became effective on May 25, 2018, for all member states and it has extraterritorial effect. The GDPR includes operational requirements for companies receiving or processing personal data of European Union residents that are partially different from those that had previously been in place and includes significant penalties for noncompliance. The changes introduced by the GDPR, as well as any other changes to existing personal data protection laws and the introduction of such laws in other jurisdictions, have subjected and may continue in the future to subject us to, among other things, additional costs and expenses and have required and may in the future require costly changes to our business practices and security systems, policies, procedures, and practices. Improper disclosure of personal data in violation of the GDPR and/or of other personal data protection laws could harm our reputation, cause loss of consumer confidence, subject us to government enforcement actions (including fines), or result in private litigation against us, which could result in loss of revenue, increased costs, liability for monetary damages, fines and/or criminal prosecution, all of which could negatively affect our business and operating results.

Our failure to attract or retain key executive or employee talent could adversely affect our business.

Our success depends upon the efforts and abilities of our senior management team, other key employees, and our high-quality employee base, as well as our ability to attract, motivate, reward, and retain them. Difficulties in hiring or retaining key executive or other employee talent, or the unexpected loss of experienced employees resulting in the depletion of our institutional knowledge base, could have an adverse impact on our business performance, reputation, financial condition, or results of operations. Given the changing demographics, changes in immigration laws and policies, and increased demand for talent globally, we, as an American multinational company, may not be able to find the right people with the right skills, at the right time, and in the right location, to achieve our business objectives. Additionally, companies like ours may face increased labor costs as a result of aggressive hiring and/or inflated levels of compensation offered by other employers, especially in emerging markets – notably, India and other parts of Asia.

The Brown family has the ability to control the outcome of matters submitted for stockholder approval.

We are a "controlled company" under New York Stock Exchange rules. Controlled companies are exempt from New York Stock Exchange listing standards that require a board composed of a majority of independent directors, a fully independent nominating/corporate governance committee, and a fully independent compensation committee. We avail ourselves of the exemptions from having a board composed of a majority of independent directors and a fully independent nominating/corporate governance committee. Notwithstanding the available exemption, our Compensation Committee is composed exclusively of independent directors. As a result of our use of some "controlled company" exemptions, our corporate governance practices differ from those of non-controlled companies, which are subject to all of the New York Stock Exchange corporate governance requirements.

We have two classes of common stock. Our Class A common stock is entitled to full voting powers, including in the elections of directors, while our Class B common stock may not vote except as provided by the laws of Delaware. We have had two classes of common stock since 1959, when our stockholders approved the issuance of two shares of Class B non-voting common stock to every holder of our voting common stock. Such dual-class share structures have increasingly come under the scrutiny of major indices, institutional investors, and proxy advisory firms, with some calling for the reclassification of non-voting common stock.

A majority of our voting stock is controlled by members of the Brown family, and, collectively, they have the ability to control the outcome of stockholder votes, including the election of all of our directors and the approval or rejection of any merger, change of control, or other significant corporate transactions. We believe that having a long-term-focused, committed, and engaged shareholder base provides us with an important strategic advantage, particularly in a business with aged products and multi-generational brands. This advantage could be eroded or lost, however, should Brown family members cease, collectively, to be controlling stockholders of the Company.

We believe that it is in the interests of all shareholders that we remain independent and family-controlled, and we believe the Brown family stockholders share these interests. Thus, our common stock dual class share structure, as it has existed since 1959, is perpetual, and we do not have a sunset provision in our Restated Certificate of Incorporation or By-laws that provides for the eventual reclassification of the non-voting common stock to voting common stock. However, the Brown family's interests may not always be aligned with other stockholders' interests. By exercising their control, the Brown family could cause the Company to take actions that are at odds with the investment goals or interests of institutional, short-term, non-voting, or other non-controlling investors, or that have a negative effect on our stock price. Further, because the Brown family controls the majority of our voting stock, Brown-Forman might be a less attractive takeover target, which could adversely affect the market price of both our voting and our non-voting common stock. And the difference in voting rights for our common stock could also adversely and disproportionately affect the value of our Class B non-voting common stock to the extent that investors view, or any potential future purchaser of our Company views, the superior voting rights and control represented by the Class A common stock to have value.

Item 1B. *Unresolved Staff Comments*

None.

Item 2. ***Properties***

Our company-owned production facilities include distilleries, a winery, bottling plants, warehousing operations, sawmills, and cooperages. We also have agreements with other parties for contract production in Australia, Belgium, Brazil, China, Estonia, Finland, Ireland, Latvia, Mexico, the Netherlands, South Africa, and the United States.

In addition to our company-owned production locations and our corporate offices in Louisville, Kentucky, we lease office space for use in our sales, marketing, and administrative operations in the United States and in over 40 other cities around the globe. The lease terms expire at various dates and are generally renewable. Our most significant leased office locations outside Louisville are:

- *United States*: Irving, Texas; Irvine, California; Baltimore, Maryland; Atlanta, Georgia; San Rafael, California; and Washington, D.C.
- *International*: Guadalajara, Mexico; Hamburg, Germany; São Paulo, Brazil; Moscow, Russia; Warsaw, Poland; Sydney, Australia; Paris, France; Prague, Czechia; Amsterdam, Netherlands; London, United Kingdom; Barcelona, Spain; Mexico City, Mexico; Seoul, South Korea; Gurgaon, India; Istanbul, Turkey; Shanghai, China; Hong Kong; Cape Town, South Africa; Dubai, United Arab Emirates; Kiev, Ukraine; and Tokyo, Japan.

Significant Properties

Location	Principal Activities	Notes
United States:		
Louisville, Kentucky	Corporate offices	Includes several renovated historic structures
	Distilling, bottling, warehousing	Home of Old Forester
	Visitors' center	
	Cooperage	Brown-Forman Cooperage
Lynchburg, Tennessee	Distilling, bottling, warehousing	Home of Jack Daniel's
	Visitors' center	
Woodford County, Kentucky	Distilling, bottling, warehousing	Home of Woodford Reserve
	Visitors' center	
Windsor, California	Vineyards, winery, bottling, warehousing	Home of Sonoma-Cutrer
	Visitors' center	
Trinity, Alabama	Cooperage	Jack Daniel Cooperage
Clifton, Tennessee	Stave and heading mill	
Stevenson, Alabama	Stave and heading mill	
Spencer, Indiana	Stave and heading mill	
Jackson, Ohio	Stave and heading mill	Land is leased from a third party
International:		
Collingwood, Canada	Distilling, warehousing	Home of Canadian Mist
Cour-Cheverny, France	Distilling, bottling, warehousing	Home of Chambord
Amatitán, Mexico	Distilling, bottling, warehousing	Home of our tequila brands
	Visitors' center	
Slane, Ireland	Distilling	Home of Slane Irish Whiskey
	Visitors' center	
Aberdeenshire, Scotland	Distilling, warehousing	Home of Glendronach
	Visitors' center	
Morayshire, Scotland	Distilling, warehousing	Home of BenRiach
	Visitors' center	
Newbridge, Scotland	Bottling	
Portsoy, Scotland	Distilling, warehousing	Home of Glenglassaugh
	Visitors' center	

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

Item 3. ***Legal Proceedings***

We operate in a litigious environment and we are sued in the normal course of business. We do not anticipate that any pending suits will have, individually or in the aggregate, a material adverse effect on our financial position, results of operations, or liquidity.

Item 4. ***Mine Safety Disclosures***

Not applicable.

PART II

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

Our Class A and Class B common stock is traded on the New York Stock Exchange under the symbols "BFA" and "BFB," respectively. As of May 31, 2019, there were 2,575 holders of record of Class A common stock and 5,271 holders of record of Class B common stock. Because of overlapping ownership between classes, as of May 31, 2019, we had only 5,327 distinct common stockholders of record.

Equity Compensation Plan Information

The following table summarizes information as of April 30, 2019, about our equity compensation plans under which we have made grants of stock options, stock appreciation rights, restricted stock, market value units, performance units, or other equity awards.

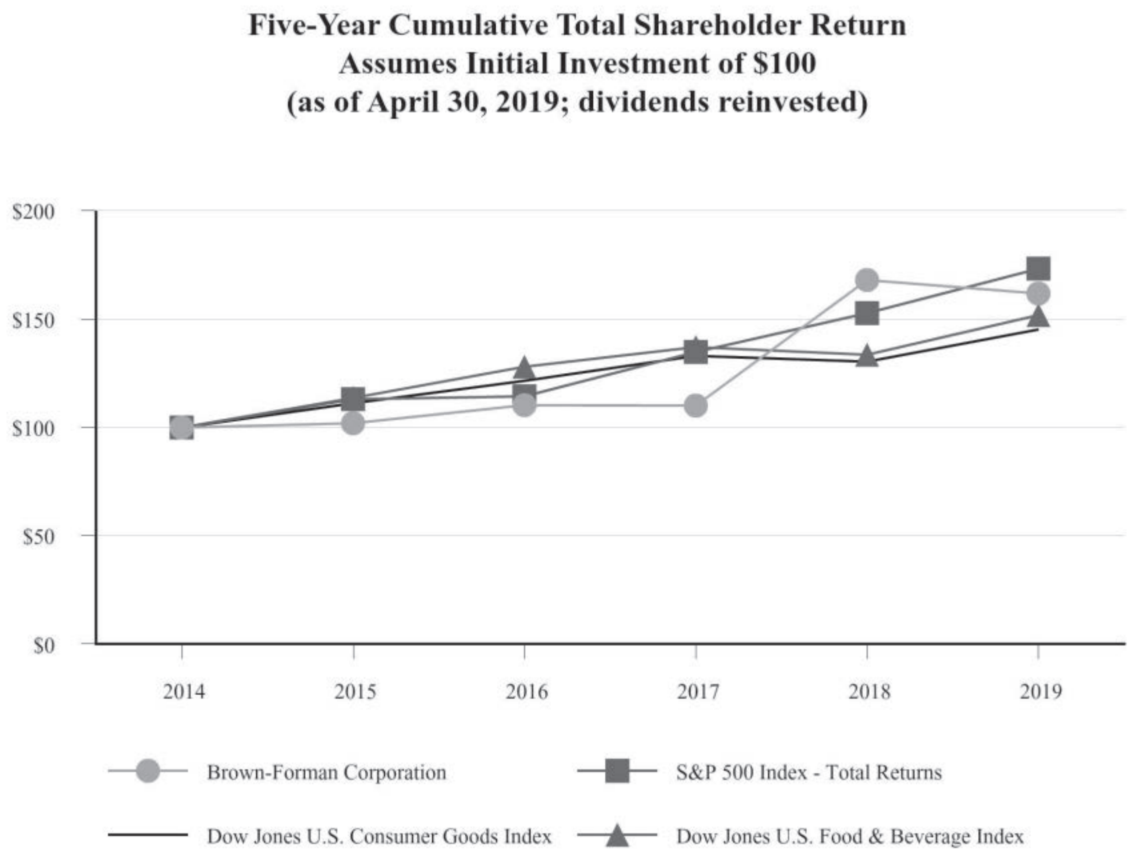
Plan Category	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights[1]	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights[2]	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by Class A common stockholders	3,141,260	$33.25	14,141,324

[1]Includes 2,583,815 Class B common shares to be issued upon exercise of stock-settled stock appreciation rights (SSARs); 175,440 Class B performance-based restricted stock units; 165,579 Class A performance-based restricted stock units; 138,331 Class A common deferred stock units (DSUs); and 78,095 Class B common DSUs issued under the Brown-Forman 2004 or 2013 Omnibus Compensation Plans. SSARs are exercisable for an amount of our common stock with a value equal to the increase in the fair market value of the common stock from the date the SSARs were granted. The fair market value of our common stock at fiscal year-end has been used for the purposes of reporting the number of shares to be issued upon exercise of the 6,851,991 SSARs outstanding at fiscal year-end.

[2]RSUs and DSUs have no exercise price because their value depends on continued employment or service over time, and are to be settled for shares of Class B common stock. Accordingly, these have been disregarded for purposes of computing the weighted-average exercise price.

Stock Performance Graph

The graph below compares the cumulative total shareholder return of our Class B common stock for the last five fiscal years with the Standard & Poor's 500 Index, the Dow Jones U.S. Consumer Goods Index, and the Dow Jones U.S. Food & Beverage Index. The information presented assumes an initial investment of $100 on April 30, 2014, and that all dividends were reinvested. The graph shows the value that each of these investments would have had on April 30 in the years since 2014.



Share Repurchases

The following table provides information about shares of our common stock (Class A and Class B, in total) that we acquired during the quarter ended April 30, 2019:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased under the Plans or Programs
February 1, 2019 – February 28, 2019	14,204	$ 47.07	—	$ —
March 1, 2019 – March 31, 2019	—	$ —	—	$ —
April 1, 2019 – April 30, 2019	1,490	$ 51.86	—	$ —
Total	15,694	$ 47.53	—	

The shares presented in the above table were acquired from employees to satisfy income tax withholdings triggered by the vesting of restricted shares.

Item 6. ***Selected Financial Data***

This selected financial data should be read in conjunction with "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and the accompanying Notes contained in "Item 8. Financial Statements and Supplementary Data."

	(Dollars in millions, except per share amounts)				
	2015	**2016**	**2017**	**2018**	**2019**
For Year Ended April 30:					
Sales	$ 4,096	$ 4,011	$ 3,857	$ 4,201	$ 4,276
Excise taxes	$ 962	$ 922	$ 863	$ 953	$ 952
Net sales	$ 3,134	$ 3,089	$ 2,994	$ 3,248	$ 3,324
Gross profit	$ 2,183	$ 2,144	$ 2,021	$ 2,202	$ 2,166
Operating income	$ 1,045	$ 1,556	$ 1,010	$ 1,048	$ 1,144
Net income	$ 684	$ 1,067	$ 669	$ 717	$ 835
Weighted average shares used to calculate earnings per share					
– Basic	529.0	507.4	484.6	480.3	479.0
– Diluted	532.7	510.7	488.1	484.2	482.1
Earnings per share from continuing operations					
– Basic	$ 1.29	$ 2.10	$ 1.38	$ 1.49	$ 1.74
– Diluted	$ 1.28	$ 2.09	$ 1.37	$ 1.48	$ 1.73
Gross margin	69.7%	69.4%	67.5%	67.8%	65.2%
Operating margin	33.3%	50.4%	33.8%	32.3%	34.4%
Effective tax rate	31.7%	28.3%	28.3%	26.6%	19.8%
Average invested capital	$ 3,196	$ 3,221	$ 3,591	$ 3,832	$ 4,125
Return on average invested capital	22.0%	34.1%	19.8%	20.0%	22.0%
Cash provided by operations	$ 631	$ 545	$ 656	$ 653	$ 800
Cash dividends declared per common share	$ 0.484	$ 0.524	$ 0.564	$ 1.608	$ 0.648
Dividend payout ratio	37.5%	25.0%	40.9%	107.8%	37.2%
As of April 30:					
Total assets	$ 4,188	$ 4,183	$ 4,625	$ 4,976	$ 5,139
Long-term debt	$ 743	$ 1,230	$ 1,689	$ 2,341	$ 2,290
Total debt	$ 1,183	$ 1,501	$ 2,149	$ 2,556	$ 2,440

Notes:

1. Includes the results of Southern Comfort and Tuaca, both of which were sold in March 2016 at a gain of $485 million (pre-tax). Includes the results of BenRiach since its acquisition in June 2016.
2. Weighted average shares, earnings per share, and cash dividends declared per common share have been adjusted for a 2-for-1 stock split in August 2016 and a 5-for-4 stock split in February 2018.
3. As discussed in Note 2 to the Consolidated Financial Statements, we adopted Accounting Standards Updates (ASUs) 2016-15 and 2017-07 as of May 1, 2018. The amounts presented above for operating income, operating margin, and cash provided by operations differ from previously reported amounts due to the retrospective application of those ASUs.
4. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation – Non-GAAP Financial Measures" for details on our use of "return on average invested capital," including how we calculate this measure and why we think this information is useful to readers.
5. Cash dividends declared per common share include a special cash dividend of $1.00 in fiscal 2018.
6. We define dividend payout ratio as cash dividends divided by net income.

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

Introduction

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader better understand Brown-Forman, our operations, our financial results, and our current business environment. Please read this MD&A in conjunction with our Consolidated Financial Statements and the accompanying Notes contained in "Item 8. Financial Statements and Supplementary Data" (the Consolidated Financial Statements).

Our MD&A is organized as follows:

Table of Contents

Presentation Basis

Non-GAAP Financial Measures

We use some financial measures in this report that are not measures of financial performance under U.S. generally accepted accounting principles (GAAP). These non-GAAP measures, defined below, should be viewed as supplements to (not substitutes for) our results of operations and other measures reported under GAAP. Other companies may not define or calculate these non-GAAP measures in the same way.

<u>"Underlying change" in measures of statements of operations</u>. We present changes in certain measures, or line items, of the statements of operations that are adjusted to an "underlying" basis. We use "underlying change" for the following measures of the statements of operations: (a) underlying net sales; (b) underlying cost of sales; (c) underlying gross profit; (d) underlying advertising expenses; (e) underlying selling, general, and administrative (SG&A) expenses; (f) underlying other expense (income) net; (g) underlying operating expenses[1]; and (h) underlying operating income. To calculate these measures, we adjust, as applicable, for (a) acquisitions and divestitures, (b) a new accounting standard, (c) foreign exchange, (d) estimated net changes in distributor inventories, and (e) the establishment of our charitable foundation. We explain these adjustments below.

- *"Acquisitions and divestitures."* This adjustment removes (a) any non-recurring effects related to our acquisitions and divestitures (e.g., transaction gains or losses, transaction costs, and integration costs), and (b) the effects of operating activity related to acquired and divested brands for periods not comparable year over year (non-comparable periods). By excluding non-comparable periods, we therefore include the effects of acquired and divested brands only to the extent that results are comparable year over year.

[1]Operating expenses include advertising expense, SG&A expense, and other expense (income), net.

In fiscal 2016, we sold our Southern Comfort and Tuaca brands and related assets to Sazerac Company, Inc. and entered into a related transition services agreement (TSA). During fiscal 2017, we completed our obligations under the TSA. This adjustment removes the net sales, cost of sales, and operating expenses recognized in fiscal 2017 pursuant to the TSA related to contract bottling services and distribution services in certain markets.

On June 1, 2016, we acquired The BenRiach Distillery Company Limited (BenRiach). This adjustment removes (a) transaction and integration costs related to the acquisition and (b) operating activity for the acquired business for the non-comparable period. With respect to comparisons of fiscal 2018 to fiscal 2017, the non-comparable period is the month of May.

- *"New accounting standard."* Under Accounting Standards Codification (ASC) 606, "Revenue from Contracts with Customers," we recognize the cost of certain customer incentives earlier than we did before adopting ASC 606. Although this change in timing did not have a significant impact on a full-year basis, there was some change in the timing of recognition across periods. Additionally, some payments to customers that we classified as expenses before adopting the new standard are classified as reductions of net sales under our new policy. See Note 2 to the accompanying financial statements for additional information. This adjustment allows us to look at underlying change on a comparable basis.
- *"Foundation."* In fiscal 2018, we established the Brown-Forman Foundation (the Foundation) with an initial $70 million contribution to support the Company's charitable giving program in the communities where our employees live and work. This adjustment removes the initial $70 million contribution to the Foundation from our underlying SG&A expenses and underlying operating income to present our underlying results on a comparable basis.
- *"Foreign exchange."* We calculate the percentage change in certain line items of the statements of operations in accordance with GAAP and adjust to exclude the cost or benefit of currency fluctuations. Adjusting for foreign exchange allows us to understand our business on a constant-dollar basis, as fluctuations in exchange rates can distort the underlying trend both positively and negatively. (In this report, "dollar" always means the U.S. dollar unless stated otherwise.) To eliminate the effect of foreign exchange fluctuations when comparing across periods, we translate current-year results at prior-year rates and remove transactional and hedging foreign exchange gains and losses from current- and prior-year periods.
- *"Estimated net change in distributor inventories."* This adjustment refers to the estimated net effect of changes in distributor inventories on changes in certain line items of the statements of operations. For each period compared, we use volume information from our distributors to estimate the effect of distributor inventory changes in certain line items of the statements of operations. We believe that this adjustment reduces the effect of varying levels of distributor inventories on changes in certain line items of the statements of operations and allows us to understand better our underlying results and trends.

We use the non-GAAP measures "underlying change" to: (a) understand our performance from period to period on a consistent basis; (b) compare our performance to that of our competitors; (c) calculate components of management incentive compensation; (d) plan and forecast; and (e) communicate our financial performance to the board of directors, stockholders, and investment analysts. We provide reconciliations of the "underlying change" in certain line items of the statements of operations to their nearest GAAP measures in the tables under "Results of Operations - Year-Over-Year Comparisons." We have consistently applied the adjustments within our reconciliations in arriving at each non-GAAP measure.

<u>"Return on average invested capital</u>." This measure refers to the sum of net income and after-tax interest expense, divided by average invested capital. Average invested capital equals assets less liabilities, excluding interest-bearing debt, and is calculated using the average of the most recent 13 month-end balances. After-tax interest expense equals interest expense multiplied by one minus our effective tax rate. We use this non-GAAP measure because we consider return on average invested capital to be a meaningful indicator of how effectively and efficiently we invest capital in our business.

Definitions

<u>Aggregations</u>.

From time to time, to explain our results of operations or to highlight trends and uncertainties affecting our business, we aggregate markets according to stage of economic development as defined by the International Monetary Fund (IMF), and we aggregate brands by spirits category. Below, we define the geographic and brand aggregations used in this report.

Geographic Aggregations.

In "Results of Operations - Fiscal 2019 Market Highlights," we provide supplemental information for our largest markets ranked by percentage of total fiscal 2019 net sales. In addition to markets listed by country name, we include the following aggregations:

- *"Developed International"* markets are "advanced economies" as defined by the IMF, excluding the United States. Our largest developed international markets are the United Kingdom, Australia, Germany, France, and Japan. This aggregation represents our net sales of branded products to these markets.
- *"Emerging"* markets are "emerging and developing economies" as defined by the IMF. Our largest emerging markets are Mexico, Poland, Russia, and Brazil. This aggregation represents our net sales of branded products to these markets.
- *"Travel Retail"* represents our net sales of branded products to global duty-free customers, other travel retail customers, and the U.S. military regardless of customer location.
- *"Non-branded and bulk"* includes our net sales of used barrels, bulk whiskey and wine, and contract bottling regardless of customer location.

Brand Aggregations.

In "Results of Operations - Fiscal 2019 Brand Highlights," we provide supplemental information for our largest brands ranked by percentage of total fiscal 2019 net sales. In addition to brands listed by name, we include the following aggregations:

- *"Whiskey"* includes all whiskey spirits and whiskey-based flavored liqueurs, ready-to-drink (RTD), and ready-to-pour products (RTP). The brands included in this category are the Jack Daniel's family of brands, Woodford Reserve, Canadian Mist, GlenDronach, BenRiach, Glenglassaugh, Old Forester, Early Times, Slane Irish Whiskey, and Coopers' Craft.
    - *"American whiskey"* includes the Jack Daniel's family of brands, premium bourbons (defined below), and Early Times.
        - *"Jack Daniel's family of brands"* includes Jack Daniel's Tennessee Whiskey (JDTW), Jack Daniel's RTD and RTP products (JD RTD/RTP), Jack Daniel's Tennessee Honey (JDTH), Gentleman Jack, Jack Daniel's Tennessee Fire (JDTF), Jack Daniel's Single Barrel Collection (JDSB), Jack Daniel's Tennessee Rye Whiskey (JDTR), Jack Daniel's Sinatra Select, Jack Daniel's No. 27 Gold Tennessee Whiskey, and Jack Daniel's Bottled-in-Bond.
        - *"Jack Daniel's RTD and RTP"* products include all RTD line extensions of Jack Daniel's, such as Jack Daniel's & Cola, Jack Daniel's & Diet Cola, Jack & Ginger, Jack Daniel's Country Cocktails, Gentleman Jack & Cola, Jack Daniel's Double Jack, Jack Daniel's American Serve, Jack Daniel's Tennessee Honey RTD, Jack Daniel's Cider (JD Cider), Jack Daniel's Lynchburg Lemonade (JD Lynchburg Lemonade), and the seasonal Jack Daniel's Winter Jack RTP.
        - *"Premium bourbons"* includes Woodford Reserve, Old Forester, and Coopers' Craft.
- *"Tequila"* includes el Jimador, Herradura, New Mix, Pepe Lopez, and Antiguo.
- *"Vodka"* includes Finlandia.
- *"Wine"* includes Korbel Champagne and Sonoma-Cutrer wines.
- *"Non-branded and bulk"* includes our net sales of used barrels, bulk whiskey and wine, and contract bottling regardless of customer location.

<u>Other Metrics</u>.

- *"Depletions."* We generally record revenues when we ship our products to our customers. Depletions is a term commonly used in the beverage alcohol industry to describe volume. Depending on the context, depletions means either (a) our shipments directly to retail or wholesale customers for owned distribution markets or (b) shipments from our distributor customers to retailers and wholesalers in other markets. We believe that depletions measure volume in a way that more closely reflects consumer demand than our shipments to distributor customers do. In this document, unless otherwise specified, we refer to depletions when discussing volume.
- *"Consumer takeaway."* When discussing trends in the market, we refer to consumer takeaway, a term commonly used in the beverage alcohol industry. Consumer takeaway refers to the purchase of product by consumers from retail outlets as measured by volume or retail sales value. This information is provided by third parties, such as Nielsen and the National Alcohol Beverage Control Association (NABCA). Our estimates of market share or changes in market share are derived from consumer takeaway data using the retail sales value metric. We believe consumer takeaway is a leading indicator of how consumer demand is trending.

Reclassifications

As discussed in Note 2 to the accompanying financial statements, we retrospectively adjusted our prior year statements of operations in connection with the adoption of Accounting Standards Update (ASU) 2017-07, “Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.” We also reclassified some previously reported expense amounts related to certain marketing research and promotional agency costs. The impact of these changes, which had no effect on net income, was not material.

The following tables reconcile the previously reported amounts to the currently reported amounts in the statements of operations for fiscal years 2017 and 2018.

	Fiscal 2017			
(Dollars in millions)	Previously Reported	Adoption of ASU 2017-07	Reclassifications	Currently Reported
Net sales	$ 2,994	$ —	$ —	$ 2,994
Cost of sales	973	—	—	973
Gross profit	2,021	—	—	2,021
Advertising expenses	383	—	(11)	372
Selling, general, and administrative expenses	667	(21)	11	657
Other expense (income), net	(18)	—	—	(18)
Operating income	989	21	—	1,010
Non-operating postretirement expense	—	21	—	21
Interest income	(3)	—	—	(3)
Interest expense	59	—	—	59
Income before income taxes	933	—	—	933
Income taxes	264	—	—	264
Net income	$ 669	$ —	$ —	$ 669

	Fiscal 2018			
(Dollars in millions)	Previously Reported	Adoption of ASU 2017-07	Reclassifications	Currently Reported
Net sales	$ 3,248	$ —	$ —	$ 3,248
Cost of sales	1,046	—	—	1,046
Gross profit	2,202	—	—	2,202
Advertising expenses	414	—	(9)	405
Selling, general, and administrative expenses	765	(9)	9	765
Other expense (income), net	(16)	—	—	(16)
Operating income	1,039	9	—	1,048
Non-operating postretirement expense	—	9	—	9
Interest income	(6)	—	—	(6)
Interest expense	68	—	—	68
Income before income taxes	977	—	—	977
Income taxes	260	—	—	260
Net income	$ 717	$ —	$ —	$ 717

Significant Developments

Below we discuss the significant developments in our business during fiscal 2017, fiscal 2018, and fiscal 2019. These developments relate to (a) innovation, (b) acquisitions and divestitures, and (c) capital deployment.

Innovation

- Jack Daniel's family of brands. Innovation within the Jack Daniel's family of brands has contributed to our growth over the last three years as described below. In addition, we recently announced the launch of Jack Daniel's Tennessee Apple, which we expect to introduce in the United States in the fall of 2019.
  - In fiscal 2018, we introduced several new JD RTD products, including Jack Daniel's Southern Peach Country Cocktails in the United States and Jack Daniel's Lynchburg Lemonade in Germany. These introductions contributed to our JD RTD growth in those markets.
  - In fiscal 2018, we introduced Jack Daniel's Tennessee Rye (JDTR), the first full-strength whiskey with a different grain recipe from the Jack Daniel's family of brands in over two decades, in the United States and certain international markets. In fiscal 2019, we expanded JDTR to several additional markets including France, Travel Retail, Germany, and Poland.
  - In fiscal 2019, we launched Jack Daniel's Bottled-in-Bond exclusively in Travel Retail.
- Other American whiskeys. We continue to capitalize on consumers' interest in premium plus whiskey with our wide range of brands, including Woodford Reserve, Old Forester, and Coopers' Craft.
  - In fiscal 2017, we unveiled new packaging for Woodford Reserve Double Oaked, the most successful line extension from Woodford Reserve to date (first introduced in 2012). The Double Oaked variant of Woodford Reserve continued to contribute meaningfully to the brand's growth and surpassed 50,000 nine-liter cases in fiscal 2018. We introduced a new in Woodford Reserve Straight Malt in fiscal 2019.
  - Five years ago, we introduced the Whiskey Row Series as a platform for high-end, craft expressions from Old Forester. From fiscal 2017 through fiscal 2019, we expanded our Old Forester Whiskey Row Series by adding two new craft expressions. In fiscal 2018, we added another craft expression in Old Forester Statesman. In addition, we launched new packaging for our core Old Forester bourbons in February 2017. In fiscal 2019, we introduced the brand's first new grain recipe with the launch of Old Forester Rye.
  - In fiscal 2017, we introduced our first entirely new bourbon in 20 years, Coopers' Craft, a super-premium brand now in limited distribution in the United States. In fiscal 2019, we unveiled new packaging for Coopers' Craft and introduced Coopers' Craft Barrel Reserve.
- Tequila brands. We experienced another record year for our tequila brands in fiscal 2019, as Herradura, el Jimador, and New Mix contributed significantly to our overall net sales growth. In fiscal 2015, we released Herradura Ultra to participate in the fast-growing market for ultra-premium "cristalino" tequilas in Mexico, and it has been a significant driver of our tequila growth during the last five fiscal years. In fiscal 2019, we added additional "cristalino" expressions for the Mexico market in el Jimador and Antiguo, with total "cristalino" volume surpassing 120,000 nine-liter cases.
- Irish whiskey. In April 2017, we unveiled the first product from our Slane Irish Whiskey brand in Travel Retail in Ireland, and we introduced the brand selectively in the United States, the United Kingdom, and Australia in the summer of 2017. In fiscal 2019, we expanded Slane nationally in the United States and introduced the brand in France.

Acquisitions and Divestitures

- On June 1, 2016, we acquired The BenRiach Distillery Company Limited (BenRiach). The acquisition, which brought three single malt Scotch whisky brands to our portfolio, included brand trademarks, inventories, three visitors' centers, three malt distilleries, a bottling plant, and BenRiach's headquarters in Edinburgh, Scotland. In fiscal 2019, we continued to expand these brands globally, most notably in Travel Retail and several markets in Asia. See Note 13 to the Consolidated Financial Statements for additional information.

Capital Deployment

- Beyond the acquisition described above, we have focused our capital deployment initiatives on (a) enabling the expected future growth of our existing businesses through investments in our production capacity, barrel whiskey inventory, and brand-building efforts; and (b) returning cash to our stockholders.

- Investments. From fiscal 2017 through fiscal 2019, our capital expenditures totaled approximately $360 million and focused on enabling the growth of our premium whiskey brands:
  - *Jack Daniel's.* We expanded our shipping warehouse facility and built an additional warehouse.
  - *Woodford Reserve.* We expanded our bottling facility and built two new warehouses.
  - *Old Forester.* We opened the Old Forester Distillery and visitors' center on Main Street in Louisville, Kentucky, in the summer of 2018.
  - *Slane Irish Whiskey.* We opened a visitors' center on the historic Slane Castle Estate in the fall of 2017. We also finished building a new distillery, which opened in the summer of 2018.
- Cash returned to stockholders. From fiscal 2017 through fiscal 2019, we returned $2.1 billion to our stockholders through $0.9 billion in regular quarterly dividends, $0.5 billion in special dividends, and $0.8 billion in share repurchases. We financed our dividends and share repurchases with cash on hand and proceeds from the issuance of long-term debt totaling $1.3 billion.

Executive Summary

Tariffs

Tariffs negatively affected our results in fiscal 2019. In the highlights and outlook below, we discuss (a) certain facts about tariffs as they relate to our business, (b) the effect of this development on our fiscal 2019 results, and (c) the expected effect of tariffs in fiscal 2020.

In response to the U.S. tariffs on steel and aluminum, the European Union, Mexico, Canada, Turkey, and China imposed retaliatory tariffs on a number of U.S. goods, including American whiskey. The effective dates of the retaliatory tariffs and the import duty rates before and after the retaliation are summarized below.

Summary of Retaliatory Tariffs in Effect for Fiscal 2019

		Rate	
Geographic Area	**Effective Date**	**Before**	**After**
European Union	June 22, 2018	—%	25%
Mexico[1]	June 5, 2018	—%	25%
Canada[1]	July 1, 2018	—%	10%
Turkey[1]	June 21, 2018	—%	140%
China	July 6, 2018	5%	30%

[1]Following April 30, 2019, the retaliatory tariffs in Mexico and Canada were rescinded and the tariff rate in Turkey was reduced to 70%. See "Fiscal 2020 Outlook" below for additional information.

Tariffs negatively affected our fiscal 2019 performance as described below. These costs will continue to negatively impact our results as long as tariffs are in place.

- ◦ Lower net sales. Certain customers paid the incremental costs of tariffs. We compensated these customers for these incremental costs by reducing our net prices.
- ◦ Higher cost of sales. In markets where we own the inventory, we paid the incremental cost of tariffs.

The combined effect of these tariff-related costs, whether arising as a reduction of net sales or as an increase in cost of sales, is hereafter referred to as "incremental costs associated with tariffs."

Fiscal 2019 Highlights

- We delivered net sales of $3.3 billion, an increase of 2% compared to fiscal 2018. Excluding (a) the negative effect of foreign exchange (reflecting the strengthening of the dollar against the Turkish lira, British pound, euro, Australian dollar, and Mexican peso) and (b) the adoption of the revenue recognition accounting standard, we grew underlying net sales 5%. We estimate that incremental costs associated with tariffs reduced our underlying net sales growth by approximately one percentage point.
  - ◦ From a brand perspective, our underlying net sales growth was driven by the Jack Daniel's family of brands, our premium bourbon brands, and our tequila brands.
  - ◦ From a geographic perspective, emerging markets led the Company's growth in underlying net sales. The United States was our second largest contributor to underlying net sales gains, although the rate of growth slowed compared to fiscal 2018. Developed international markets continued to be a significant driver of our growth, although incremental costs associated with tariffs dampened the year-over-year gains.
- We delivered operating income of $1.1 billion, an increase of 9% compared to fiscal 2018. Excluding the impact of (a) the $70 million contribution to establish the Foundation in fiscal 2018 and (b) the negative effect of foreign exchange, underlying operating income grew 5% driven by our underlying gross profit growth and a decrease in underlying SG&A expenses.
- We incurred a pension settlement charge of $15 million in non-operating postretirement expense, which was reclassified from accumulated other comprehensive income in accordance with U.S. accounting standards. The settlement resulted from a significant increase in lump-sum pension payments.
- We delivered diluted earnings per share of $1.73, an increase of 17% compared to fiscal 2018, due to (a) the absence of the $70 million contribution to establish the Foundation in fiscal 2018, (b) the benefit of a lower effective tax rate from the Tax

Cuts and Jobs Act (Tax Act), and (c) an increase in reported operating income. These benefits were partially offset by higher interest expense, which resulted from a new bond issuance in March 2018, and higher non-operating postretirement expense, which resulted from the pension settlement charge described above.

- Our return on average invested capital increased to 22.0% in fiscal 2019, compared to 20.0% in fiscal 2018. This increase was driven by the absence of the Foundation contribution and the benefit of a lower effective tax rate from the Tax Act, partially offset by higher invested capital.

Summary of Operating Performance Fiscal 2017-2019

				Reported Change		Underlying Change[1]	
Fiscal year ended April 30	**2017**	**2018**	**2019**	**2017 vs. 2018**	**2018 vs. 2019**	**2017 vs. 2018**	**2018 vs. 2019**
Net sales	$2,994	$3,248	$3,324	8%	2%	6%	5%
Cost of sales	973	1,046	1,158	7%	11%	8%	12%
Gross profit	2,021	2,202	2,166	9%	(2%)	6%	2%
Advertising[2]	372	405	396	9%	(2%)	6%	3%
SG&A[2]	657	765	641	16%	(16%)	4%	(5%)
Operating income[2]	$1,010	$1,048	$1,144	4%	9%	6%	5%
Total operating expenses[3]	*$1,011*	*$1,154*	*$1,022*	*14%*	*(11%)*	*5%*	*(2%)*
As a percentage of net sales[4]							
Gross profit	*67.5%*	*67.8%*	*65.2%*	*0.3pp*	*(2.6pp)*		
Operating income	*33.8%*	*32.3%*	*34.4%*	*(1.5pp)*	*2.1pp*		
Interest expense, net	$ 56	$ 62	$ 80	9%	31%		
Effective tax rate	*28.3%*	*26.6%*	*19.8%*	*(1.7pp)*	*(6.8pp)*		
Diluted earnings per share	$ 1.37	$ 1.48	$ 1.73	8%	17%		
Return on average invested capital[5]	*19.8%*	*20.0%*	*22.0%*	*0.2pp*	*2.0pp*		

[1]See "Non-GAAP Financial Measures" above for details on our use of "underlying changes," including how we calculate these measures and why we think this information is useful to readers.
[2]We retrospectively adjusted our fiscal 2017 and fiscal 2018 advertising expense, SG&A expense, and operating income as described in Note 2 to the accompanying financial statements and "Reclassifications" above. Our previously disclosed growth rates from fiscal 2017 vs. fiscal 2018 were as follows (reported/underlying): advertising expense (8% / 6%), SG&A expense (15% / 3%), and operating income (5% / 8%).
[3]Operating expenses include advertising expense, SG&A expense, and other expense (income), net.
[4]Year-over-year changes in percentages are reported in percentage points (pp).
[5]See "Non-GAAP Financial Measures" above for details on our use of "return on average invested capital," including how we calculate this measure and why we think this information is useful to readers.

Fiscal 2020 Outlook

We are optimistic about our prospects for growth of net sales, operating income, and diluted earnings per share in fiscal 2020. Below we discuss our current expectations for fiscal 2020, including trends, developments, and uncertainties that we expect may affect our business. When we provide guidance for underlying change for the following line items of the statements of operations, we do not provide guidance for the corresponding GAAP change because the GAAP measure will include items that are difficult to quantify or predict with reasonable certainty, including the estimated net change in distributor inventories and foreign exchange, each of which could have a significant impact to our GAAP line items of the statements of operations.

In response to the U.S. tariffs on steel and aluminum, the European Union, Mexico, Canada, Turkey, and China imposed retaliatory tariffs on a number of U.S. goods, including American whiskey, in the summer of 2018. Our American whiskeys are made in the United States and exported around the world. Our fiscal 2019 results were hurt by incremental costs associated with tariffs through lower net sales and higher cost of sales. Following April 30, 2019, the retaliatory tariffs in Mexico and Canada were rescinded and the tariff rate in Turkey was reduced from 140% to 70%. These favorable changes to tariffs will slightly reduce the incremental costs associated with tariffs in fiscal 2020. The outlook below assumes that the remaining tariffs in the European Union, Turkey, and China remain in place in fiscal 2020. If the tariffs in the European Union, Turkey, and China were rescinded, we would benefit either through higher net sales or lower cost of sales. Conversely, if additional tariffs were imposed on our products, we would be negatively impacted either through lower net sales or higher cost of sales.

Outlook for key measures:

- Underlying net sales. We expect the underlying net sales growth rate trend from fiscal 2019 to accelerate in fiscal 2020. We anticipate the Jack Daniel's family of brands, our portfolio of premium bourbons, and our tequila brands to again drive growth. We expect that volume will be the most significant driver of underlying net sales growth in fiscal 2020.

- Underlying cost of sales. We expect underlying cost of sales to grow at a significantly higher rate than net sales in fiscal 2020, reflecting incremental costs associated with tariffs as well as a significant increase in input cost compared to fiscal 2019, driven by the cost of agave and wood.

- Underlying operating expenses. We expect total underlying operating expenses to grow more slowly than net sales.

Additional considerations related to our fiscal 2020 outlook:

- Foreign exchange. In fiscal 2019, our reported results were hurt by foreign exchange due to the strengthening of the U.S. dollar. We cannot predict the movement of foreign exchange rates with reasonable certainty; however, if April 30, 2019 spot rates were to hold for fiscal 2020, we would expect foreign exchange to negatively affect our fiscal 2020 results, but less so than in fiscal 2019. See "Item 7A. Quantitative and Qualitative Disclosures about Market Risk" for details about how we manage foreign exchange risk.

Results of Operations

Fiscal 2019 Market Highlights

The following table shows net sales results for our ten largest markets, summarized by geographic area, for fiscal 2019 compared to fiscal 2018. We discuss the most significant changes in net sales for each market.

Top 10 Markets - Percentage of Fiscal 2019 Total Net Sales and Fiscal 2019 Net Sales Growth by Geographic Area

		Net Sales % Change vs. 2018				
Markets[1]	% of Fiscal 2019 Net Sales	Reported	New Accounting Standard	Foreign Exchange	Estimated Net Chg in Distributor Inventories	Underlying[2]
United States	**47%**	**2%**	**1%**	**—%**	**—%**	**3%**
Developed International	**28%**	**1%**	**—%**	**4%**	**(2%)**	**4%**
United Kingdom	6%	(4%)	—%	6%	—%	3%
Australia	5%	—%	—%	6%	—%	6%
Germany	5%	8%	—%	2%	—%	10%
France	4%	(1%)	—%	3%	—%	2%
Japan	1%	15%	1%	(3%)	(11%)	2%
Rest of Developed International	7%	—%	1%	3%	(4%)	(1%)
Emerging	**18%**	**4%**	**1%**	**6%**	**—%**	**11%**
Mexico	5%	3%	3%	6%	—%	11%
Poland	3%	9%	—%	1%	—%	10%
Russia	2%	16%	—%	4%	(3%)	17%
Brazil	1%	(13%)	2%	13%	23%	25%
Rest of Emerging	7%	3%	—%	8%	(4%)	8%
Travel Retail	**4%**	**1%**	**1%**	**—%**	**4%**	**6%**
Non-branded and bulk	**3%**	**10%**	**—%**	**—%**	**—%**	**10%**
Total	**100%**	**2%**	**1%**	**2%**	**—%**	**5%**

Note: Totals may differ due to rounding

[1]See "Definitions" above for definitions of market aggregations presented here.
[2]See "Non-GAAP Financial Measures" above for details on our use of "underlying change" in net sales, including how we calculate this measure and why we believe this information is useful to readers.

- The **United States,** our most important market, accounted for 47% of our reported net sales in fiscal 2019. Reported net sales in the United States grew 2%, while underlying net sales increased 3%, after adjusting for the adoption of the revenue recognition accounting standard. Underlying net sales gains were led by (a) volume growth supported by strong takeaway trends of Woodford Reserve, (b) higher volumes and favorable price/mix of our tequila brands and Old Forester, and (c) increased volumes of JD RTDs and Gentleman Jack. This growth was partially offset by (a) slight declines of JDTW, partially related to a route-to-market change in one state, and (b) lower volumes of Canadian Mist.

- **Developed International** markets accounted for 28% of our reported net sales in fiscal 2019. Reported net sales increased 1%, while underlying net sales grew 4%, after adjusting for (a) the negative effect of foreign exchange (reflecting the strengthening of the dollar against the British pound, euro, and Australian dollar), and (b) an estimated net increase in distributor inventories. Underlying net sales growth was driven by gains in Germany, Australia, Spain, and the United Kingdom, partially offset by the incremental costs associated with tariffs in certain markets in the rest of developed Europe. We estimate that incremental costs associated with tariffs reduced our underlying net sales growth in Developed International markets by approximately one percentage point.

    - In the United Kingdom, underlying net sales growth was driven by higher volumes of JDTW, JDSB, Gentleman Jack, and JDTH, partially offset by declines of JD Cider and Chambord.

    - In Australia, underlying net sales growth was driven by higher pricing of JD RTDs and increased volumes of Gentleman Jack.

- In Germany, underlying net sales growth was driven by volumetric growth of JDTW and JD RTDs.
- In France, underlying net sales growth was driven by higher volumes of JDTH and the launch of JDTR, partially offset by unfavorable price/mix and lower volumes of JDTW.
- In Japan, underlying net sales growth was led by increased distribution of our Scotch brands, while lower pricing offset volume growth of the Jack Daniel's family of brands.
- Underlying net sales in the Rest of Developed International markets were down as incremental costs associated with tariffs in certain European markets more than offset the growth in Spain, Belgium, Czechia, and Korea. JDTW grew volumes in Spain, where our owned-distribution organization continued to lead to an acceleration in performance over the past fiscal year.

- **Emerging** markets accounted for 18% of our reported net sales in fiscal 2019. Reported net sales increased 4%, while underlying net sales grew 11% after adjusting for (a) the negative effect of foreign exchange (reflecting the strengthening of the dollar against the Turkish lira, Mexican peso, and Brazilian real) and (b) the adoption of the revenue recognition accounting standard. Underlying net sales growth was led by Mexico, Brazil, Russia, Poland, and China.
  - In Mexico, underlying net sales growth was driven by higher volumes and favorable price/mix of Herradura and el Jimador. The growth of Herradura benefited from strong consumer demand for Herradura Ultra, our cristalino tequila expression. The launch of New Mix mineral water line extensions also contributed to growth.
  - In Poland, underlying net sales growth was led by higher volumes of JDTW and Gentleman Jack, partially offset by unfavorable price/mix of Finlandia.
  - In Russia, underlying net sales growth was led by higher volumes and favorable price/mix of JDTW due in part to our fiscal 2018 distributor change. Volumetric gains of Finlandia also contributed to growth.
  - In Brazil, underlying net sales growth continued to be led by increased volumes, higher pricing, and favorable channel mix of JDTW.
  - Underlying net sales growth in the Rest of Emerging markets was led by China, Ukraine, and sub-Saharan Africa. All of these geographic areas benefited from higher volumes of JDTW. Ukraine also benefited from higher volumes and favorable price/mix of Finlandia.
- **Travel Retail** accounted for 4% of our reported net sales in fiscal 2019. Reported net sales increased 1%, while underlying net sales increased 6% after adjusting for (a) an estimated net decrease in distributor inventories and (b) the adoption of the revenue recognition accounting standard. Underlying net sales growth was led by the launch of Jack Daniel's Bottled-in-Bond and JDTR, higher volumes of Woodford Reserve, and the expansion of our Scotch whiskey brands.
- **Non-branded and bulk** accounted for 3% of our reported net sales in fiscal 2019. Both reported and underlying net sales increased 10%. Growth came from increased bulk sales and higher volumes and prices for used barrel sales.

[1] International Wine & Spirit Research (IWSR), 2018 data.

Fiscal 2019 Brand Highlights

The following table highlights the worldwide results of our largest brands for fiscal 2019 compared to fiscal 2018. We discuss results of the brands most affecting our performance below the table.

Major Brands Worldwide Results for Fiscal 2019

	Volumes	Net Sales % Change vs. 2018				
Product category/brand family/ brand[1]	**9L Depletions**[1]	**Reported**	**New Accounting Standard**	**Foreign Exchange**	**Estimated Net Chg in Distributor Inventories**	**Underlying**[2]
Whiskey	4%	3%	1%	2%	—%	5%
Jack Daniel's family of brands	4%	1%	1%	2%	—%	4%
JDTW	2%	—%	—%	2%	—%	2%
JD RTD/RTP	4%	4%	—%	4%	—%	8%
JDTH	6%	5%	1%	2%	(1%)	7%
Gentleman Jack	9%	6%	1%	2%	—%	8%
JDTF	5%	3%	1%	1%	(1%)	4%
Other Jack Daniel's whiskey brands	25%	9%	1%	2%	4%	16%
Woodford Reserve	23%	17%	1%	—%	4%	22%
Tequila	3%	6%	2%	3%	—%	12%
el Jimador	9%	8%	2%	2%	—%	13%
Herradura	10%	8%	3%	3%	—%	13%
Vodka (Finlandia)	(1%)	(4%)	1%	4%	(2%)	(1%)
Wine	—%	—%	1%	—%	(1%)	—%
Rest of Portfolio	(8%)	(16%)	2%	9%	1%	(3%)
Non-branded and bulk	NA	10%	—%	—%	—%	10%

Note: Totals may differ due to rounding

[1]See "Definitions" above for definitions of brand aggregations and volume measures presented here.
[2]See "Non-GAAP Financial Measures" above for details on our use of "underlying change" in net sales, including how we calculate this measure and why we believe this information is useful to readers.

- **Whiskey** brands grew volumes 4% in fiscal 2019. Reported net sales grew 3%, while underlying net sales increased 5% after adjusting for (a) the negative effect of foreign exchange (reflecting the strengthening of the dollar against the British pound, Turkish lira, euro, Australian dollar, and Brazilian real) and (b) the adoption of the revenue recognition accounting standard. Growth was led by the Jack Daniel's family of brands, Woodford Reserve, Old Forester, and our Scotch brands, partially offset by declines in Canadian Mist.
    - The **Jack Daniel's family of brands** grew underlying net sales led by (a) JDTW in markets outside of the United States, (b) broad-based geographic growth of JD RTDs, JDTH, and Gentleman Jack, and (c) further expansion of JDTR along with the launch of Jack Daniel's Bottled-in-Bond in Travel Retail.
        - **JDTW** generates a significant percentage of our total net sales and is our top priority. The brand is the largest one in the world priced over $25 per 750 ml per bottle[1] and the world's fourth-largest premium spirits brand measured by both volume and retail value.[2] During calendar 2018, JDTW grew volume for the 27th consecutive year[1] and, among the top five premium spirits brands on the list, was the only one to grow volume in each of the past five years[2] – an achievement that underscores our belief in the brand's sustainable appeal and long-term growth potential. Underlying net sales growth of JDTW was broad based, led by increases in Brazil, Germany, Poland, Russia, Spain, and China. These increases were partially offset by the incremental costs associated with tariffs in certain markets in the rest of developed Europe, which reduced the underlying net sales growth of JDTW by approximately one percentage point. Slight declines in the United States, partially related to a route-to-market change in one state, also offset these gains.

[1]IWSR, 2018 data.
[2]Based on industry statistics published by Impact Databank, a well-known U.S. trade publication, in March 2019.

        - The **Jack Daniel's RTD/RTP** brands grew underlying net sales driven by higher pricing in Australia along with consumer-led volumetric growth in Germany and the United States.

        - Since its introduction in late fiscal 2011, **JDTH** has contributed significantly to our net sales growth. JDTH remains one of the top 20 largest brands in the world priced over $25 per 750 ml bottle.[1] Underlying net sales gains were driven by broad-based volume growth, particularly in France, the United States, Mexico, and the United Kingdom.

        - **Gentleman Jack** grew underlying net sales driven by higher volumes in the United States along with broad-based international volume gains, particularly in the United Kingdom, Poland, and Australia.

        - **JDTF** grew underlying net sales led by increased volumes and favorable price/mix in the United States along with higher volumes in the United Kingdom and Brazil. JDTF has grown volumes each year since its introduction in late fiscal 2015.

        - Our **Other Jack Daniel's whiskey brands** increased underlying net sales driven by (a) higher volumes of JDSB in the United States and the United Kingdom, (b) the launch of Jack Daniel's Bottled-in-Bond in Travel Retail, and (c) the launch of JDTR in Travel Retail and select European markets. JDTR is the third largest rye brand in the world in just its second year on the market.[1]

    - **Woodford Reserve** was once again selected as an Impact "Hot Brand."[2] The United States is by far the brand's most important market and was responsible for most of its growth during fiscal 2019. However, the brand continued its momentum outside the United States, growing volumes 17%, driven by Travel Retail. Woodford Reserve is the leading super-premium American whiskey globally[1], and is poised for continued growth as interest in bourbon continues to increase around the world. We plan to continue devoting substantial resources to Woodford Reserve to support its growth potential with sustained advertising, including our Kentucky Derby sponsorship, and ongoing capital investments.

- **Tequila** brands grew volumes 3% in fiscal 2019, while reported net sales increased 6% and underlying net sales grew 12% after adjusting for (a) the negative effect of foreign exchange (reflecting the strengthening of the dollar against the Mexican peso) and (b) the adoption of the revenue recognition accounting standard.

    - **el Jimador** grew underlying net sales driven by consumer-led volumetric growth and favorable price/mix in the United States and Mexico. Mexico also benefited from the launch of el Jimador Cristalino.

    - **Herradura** grew underlying net sales driven by increased volumes and higher prices in the brand's largest markets, the United States and Mexico, as both markets benefited from consumer-led volumetric growth of the brand's "cristalino" tequila expression, Herradura Ultra. We remain focused on developing Herradura in the United States, which has considerable potential for growth, strengthening our position in Mexico, and continuing to build our presence in higher-value tequila markets throughout the world.

- **Finlandia** volumes fell 1% in fiscal 2019, while reported net sales decreased 4% and underlying net sales declined 1% after adjusting for (a) the negative effect of foreign exchange (reflecting the strengthening of the dollar against the Russian ruble, Turkish lira, and Ukrainian hryvnia), (b) an estimated net increase in distributor inventories, and (c) the adoption of the revenue recognition accounting standard. The decrease in underlying net sales was driven by unfavorable price/mix in Poland and lower volumes in the United States, partially offset by increased volumes and favorable price/mix in Russia and Ukraine.

- **Wine** volumes were flat in fiscal 2019 and both reported and underlying net sales growth were also flat after adjusting underlying growth for an estimated net increase in distributor inventories and the adoption of the revenue recognition accounting standard. In the United States, higher volumes and favorable price/mix of Sonoma-Cutrer were offset by unfavorable price/mix and lower volumes of Korbel Champagne.

- **Rest of Portfolio** volumes declined 8%, while reported net sales decreased 16% and underlying net sales dropped 3% after adjusting for (a) the negative effect of foreign exchange (reflecting the strengthening of the dollar against the Australian dollar, euro, and British pound), (b) the adoption of the revenue recognition accounting standard, and (c) an estimated net decrease in distributor inventories. The decrease in underlying net sales was due to discontinued agency brands in Turkey and unfavorable price/mix and lower volumes of Chambord in the United Kingdom.

- **Non-branded and bulk** reported and underlying net sales grew 10% from increased bulk sales and higher volumes and prices for used barrels sales.

---

[1]IWSR, 2018 data.

[2]Impact Databank published the Impact's "Hot Brands - Spirits" list in March 2019.

Year-Over-Year Comparisons

Net Sales

Percentage change versus the prior fiscal year ended April 30	**2018**	**2019**
Change in reported net sales	8%	2%
New accounting standard	—%	1%
Foreign exchange	(1%)	2%
Estimated net change in distributor inventories	(1%)	—%
Change in underlying net sales	6%	5%
Change in underlying net sales attributed to:		
Volume	*5%*	*3%*
Net price/mix	*2%*	*2%*

Note: Totals may differ due to rounding

Fiscal 2019 compared to Fiscal 2018

Net sales of $3,324 million increased 2%, or $76 million, in fiscal 2019 compared to fiscal 2018. Underlying net sales grew 5% after adjusting reported results for (a) the negative effect of foreign exchange (reflecting the strengthening of the dollar against the Turkish lira, British pound, euro, Australian dollar, and Mexican peso) and (b) the adoption of the revenue recognition accounting standard. The change in underlying net sales comprised 3% volume growth and 2% price/mix. Volume growth was led by the Jack Daniel’s family of brands, our premium bourbons, and our tequilas brands. Price/mix was driven by (a) favorable portfolio mix reflecting faster growth from our higher-priced brands, most notably Woodford Reserve, the Jack Daniel’s family of brands, and our Scotch brands, (b) higher average pricing on our tequila brands and JD RTDs, and (c) favorable portfolio mix reflecting declines from our lower-priced brands, most notably Canadian Mist and Early Times. We estimate that lower pricing to certain customers related to tariffs reduced our underlying net sales growth by approximately one percentage point for fiscal 2019. See “Results of Operations - Fiscal 2019 Market Highlights and Fiscal 2019 Brand Highlights” above for further details on the factors contributing to the growth in underlying net sales for fiscal 2019.

Fiscal 2018 compared to Fiscal 2017

Net sales of $3,248 million increased 8%, or $254 million, in fiscal 2018 compared to fiscal 2017. Underlying net sales grew 6% after adjusting reported results for (a) the positive effect of foreign exchange (reflecting the weakening of the dollar against the euro, Polish zloty, and Mexican peso) and (b) an estimated net increase in distributor inventories. The change in underlying net sales comprised 5% volume growth and nearly 2% price/mix. Volume growth was led by the Jack Daniel's family of brands, our tequilas brands, and our premium bourbons. Price/mix was driven by (a) an increase in the share of sales of higher-margin brands, most notably the Jack Daniel’s family of brands and Woodford Reserve, and (b) higher average pricing on JD RTDs and tequilas.

Cost of Sales

Percentage change versus the prior fiscal year ended April 30	**2018**	**2019**
Change in reported cost of sales	7%	11%
Acquisitions and divestitures	1%	—%
New accounting standard	—%	—%
Foreign exchange	—%	2%
Estimated net change in distributor inventories	(1%)	—%
Change in underlying cost of sales	8%	12%
Change in underlying cost of sales attributed to:		
Volume	*5%*	*3%*
Cost/mix	*3%*	*9%*

Note: Totals may differ due to rounding

Fiscal 2019 compared to Fiscal 2018

Cost of sales of $1,158 million increased $112 million, or 11%, in fiscal 2019 compared to fiscal 2018. Underlying cost of sales grew 12% after adjusting reported costs for the positive effect of foreign exchange driven by (a) higher input costs, including wood, agave, and depreciation expense related to capital expansion; (b) incremental costs associated with tariffs, primarily in Europe; and (c) higher volumes of the Jack Daniel's family of brands, our premium bourbons, and our tequila brands. We estimate that incremental costs associated with tariffs increased our underlying cost of sales by approximately four percentage points.

Fiscal 2018 compared to Fiscal 2017

Cost of sales of $1,046 million increased $73 million, or 7%, in fiscal 2018 compared to fiscal 2017. Underlying cost of sales grew 8% after adjusting reported costs for (a) the net effect of our Scotch acquisition and the absence of sales related to our TSA for Southern Comfort and Tuaca and (b) an estimated net increase in distributor inventories. The increase in underlying costs of sales was driven by higher volumes and an increase in input costs, including wood and agave.

Gross Profit

Percentage change versus the prior fiscal year ended April 30	**2018**	**2019**
Change in reported gross profit	9%	(2%)
New accounting standard	—%	1%
Foreign exchange	(2%)	2%
Estimated net change in distributor inventories	(1%)	—%
Change in underlying gross profit	6%	2%

Note: Totals may differ due to rounding

Gross Margin

Fiscal year ended April 30	**2018**	**2019**
Prior year gross margin	67.5%	67.8%
Price/mix	0.3%	0.4%
Cost	(0.7%)	(0.9%)
Acquisitions and divestitures	0.3%	—%
Tariffs[1]	—%	(1.6%)
New accounting standard	—%	(0.3%)
Foreign exchange	0.4%	(0.2%)
Change in gross margin	0.3%	(2.6%)
Current year gross margin	67.8%	65.2%

Note: Totals may differ due to rounding

[1] "Tariffs" include the combined effect of tariff-related costs, whether arising as a reduction of net sales or as an increase in cost of sales. See "Executive Summary - Tariffs" for additional details of these costs.

Fiscal 2019 compared to Fiscal 2018

Gross profit of $2,166 million decreased $36 million, or 2%, in fiscal 2019 compared to fiscal 2018. Underlying gross profit improved 2% after adjusting reported results for the negative effect of foreign exchange and the adoption of the revenue recognition accounting standard. The increase in underlying gross profit resulted from the same factors that contributed to the increase in underlying net sales, partially offset by the same factors that drove higher underlying cost of sales.

Gross margin decreased to 65.2% in fiscal 2019, down 2.6 percentage points from 67.8% in fiscal 2018. The decrease in gross margin was driven by incremental costs associated with tariffs and higher input costs.

Fiscal 2018 compared to Fiscal 2017

Gross profit of $2,202 million increased $181 million, or 9%, in fiscal 2018 compared to fiscal 2017. Gross profit on an underlying basis improved 6% after adjusting reported gross profit for the positive effect of foreign exchange and an estimated net increase in distributor inventories. The increase in underlying gross profit resulted from the same factors that contributed to the increase in underlying net sales, partially offset by the same factors that drove higher underlying cost of sales.

Gross margin increased to 67.8% in fiscal 2018, up 0.3 percentage points from 67.5% in fiscal 2017. The increase in gross margin was primarily due to (a) favorable price/mix, (b) the positive effect of foreign exchange, and (c) the net effect of acquisitions and divestitures, partially offset by an increase in underlying cost of sales.

Operating Expenses

Percentage change versus the prior year period ended April 30

2018	**Reported**	**New Accounting Standard**	**Foundation**	**Foreign Exchange**	**Underlying**
Advertising[1]	9%	—%	—%	(3%)	6%
SG&A[1]	16%	—%	(11%)	(2%)	4%
Total operating expenses[2]	**14%**	**—%**	**(7%)**	**(2%)**	**5%**
2019					
Advertising	(2%)	4%	—%	2%	3%
SG&A	(16%)	1%	8%	2%	(5%)
Total operating expenses[2]	**(11%)**	**2%**	**6%**	**2%**	**(2%)**

Note: Totals may differ due to rounding

[1]We retrospectively adjusted our fiscal 2017 and fiscal 2018 advertising expense and SG&A expense as described in Note 2 to the accompanying financial statements and "Reclassifications" above. Our previously disclosed growth rates from fiscal 2017 vs. fiscal 2018 were as follows (reported/underlying): advertising expense (8% / 6%) and SG&A expense (15% / 3%).
[2]Operating expenses include advertising expense, SG&A expense, and other expense (income), net.

Fiscal 2019 compared to Fiscal 2018

Operating expenses totaled $1,022 million and decreased $132 million, or 11%, in fiscal 2019 compared to fiscal 2018. Underlying operating expenses declined 2% after adjusting for (a) the absence of the $70 million contribution to establish the Foundation in fiscal 2018, (b) the adoption of the revenue recognition accounting standard, and (c) the positive effect of foreign exchange.

- Reported advertising expenses declined 2% in fiscal 2019 compared to fiscal 2018, while underlying advertising expenses increased 3% after adjusting for reclassifications related to the adoption of the revenue recognition accounting standard and the positive effect of foreign exchange. The increase in underlying advertising expense was driven by higher spending on our American whiskey portfolio with investments in (a) JDTW, led by increased spending in emerging markets; (b) Woodford Reserve, partially due to our Kentucky Derby sponsorship; and (c) Old Forester, partially due to our new distillery and visitors' center. Increased investments in our tequila brands in Mexico and the United States also contributed to our higher underlying advertising expense.

- Reported SG&A expenses declined 16% in fiscal 2019 compared to fiscal 2018, while underlying SG&A declined 5% after adjusting for (a) the absence of the $70 million contribution to establish the Foundation in fiscal 2018, (b) the positive effect of foreign exchange, and (c) reclassifications related to the adoption of the revenue recognition accounting standard. The decrease in underlying SG&A was driven by lower personnel costs, primarily compensation-related costs.

Fiscal 2018 compared to Fiscal 2017

Operating expenses totaled $1,154 million and increased $143 million, or 14%, in fiscal 2018 compared to fiscal 2017. Underlying operating expenses grew 5% after adjusting for the establishment of the Foundation and the negative effect of foreign exchange.

- Reported advertising expenses increased 9% in fiscal 2018 compared to fiscal 2017, while underlying advertising expenses increased 6% after adjusting for the negative effect of foreign exchange. The increase in underlying advertising expense was driven by higher spending on (a) our American whiskey portfolio in the United States, including JDTW, Woodford Reserve, Gentleman Jack, and the launch of JDTR; (b) the continued rollout of Slane Irish Whiskey in the United States; and (c) the expansion of our single-malt Scotch brands.

- Reported SG&A expenses increased 16% in fiscal 2018 compared to fiscal 2017, while underlying SG&A increased 4% after adjusting reported results for the effect of our $70 million contribution to establish the Foundation and the negative effect of foreign exchange. The increase in underlying SG&A was driven by higher incentive compensation expenses and strategic investments, including our new Spain distribution operation, partially offset by continued tight management of discretionary spending.

Operating Income

Percentage change versus the prior fiscal year ended April 30	**2018**[1]	**2019**
Change in reported operating income	4%	9%
Foundation	7%	(7%)
Foreign exchange	(2%)	3%
Estimated net change in distributor inventories	(2%)	—%
Change in underlying operating income	6%	5%

Note: Totals may differ due to rounding

[1]We retrospectively adjusted our fiscal 2017 and fiscal 2018 operating income as described in Note 2 to the accompanying financial statements and "Reclassifications" above. Our previously disclosed reported and underlying growth rates from fiscal 2017 vs. fiscal 2018 were as follows: 5% reported, 8% underlying.

Fiscal 2019 compared to Fiscal 2018

Operating income was $1,144 million in fiscal 2019, an increase of $96 million, or 9%, compared to fiscal 2018. Underlying operating income grew 5% after adjusting for (a) the absence of the $70 million contribution to establish the Foundation in fiscal 2018 and (b) the negative effect of foreign exchange. The same factors that contributed to the growth in underlying gross profit also contributed to the growth in underlying operating income in addition to operating expense leverage driven by a reduction in underlying SG&A.

Operating margin increased 2.1 percentage points to 34.4% in fiscal 2019 from 32.3% in fiscal 2018. The increase in our operating margin was due to the absence of the $70 million contribution to establish the Foundation in fiscal 2018 and lower SG&A spend in fiscal 2019. These factors were partially offset by the decrease in underlying gross margin, largely reflecting the incremental costs associated with tariffs and higher input costs.

Fiscal 2018 compared to Fiscal 2017

Operating income was $1,048 million in fiscal 2018, an increase of $38 million, or 4%, compared to fiscal 2017. Underlying operating income growth was 6% after adjusting for (a) the establishment of the Foundation, (b) the positive effect of foreign exchange, and (c) an estimated net increase in distributor inventories, driven by the United States. The same factors that contributed to the growth in underlying gross profit also contributed to the growth in underlying operating income, enhanced by meaningful operating expense leverage, as underlying SG&A spend grew 4% compared to underlying net sales growth of 6%.

Operating margin declined 1.5 percentage points to 32.3% in fiscal 2018 from 33.8% in fiscal 2017. The decrease in our operating margin was primarily due to the 2.2 percentage point effect of the establishment of the Foundation, partially offset by operating expense leverage.

Fiscal 2019 compared to Fiscal 2018

Interest expense (net) increased $18 million, or 31%, in fiscal 2019 compared to fiscal 2018, due to a higher average long-term debt balance and a higher interest rate on our short-term borrowings.

Our **effective tax rate** for fiscal 2019 was 19.8% compared to 26.6% in fiscal 2018. The decrease in our effective tax rate was driven by the reduction in the U.S. statutory federal tax rate and a beneficial change in the discrete transitional impacts of the Tax Act. These reductions were partially offset by (a) a decrease in the beneficial impact of foreign earnings at lower rates, (b) the absence of the amortization of deferred tax benefit that was reclassified to retained earnings as a result of the application of ASU 2016-16, and (c) the impact of other miscellaneous provisions of the Tax Act. Because our fiscal year ends on April 30, the lower U.S. corporate income tax rate prescribed by the Tax Act was phased in, resulting in a U.S. statutory federal rate of 30.4% for our fiscal year ended April 30, 2018, and 21% for our current and subsequent fiscal years. See Note 12 to the Consolidated Financial Statements for additional information.

Diluted earnings per share were $1.73 in fiscal 2019, up 17% from $1.48 in fiscal 2018. This increase resulted from (a) the absence of the $70 million contribution to establish the Foundation in fiscal 2018, (b) the benefit of a lower effective tax rate from the Tax Act, and (c) an increase in reported operating income. These benefits were partially offset by higher interest expense and non-operating postretirement expense.

Fiscal 2018 compared to Fiscal 2017

Interest expense (net) increased $6 million, or 9%, in fiscal 2018 compared to fiscal 2017, due to a higher average long-term debt balance and a higher interest rate on our short-term borrowings.

Our **effective tax rate** for fiscal 2018 was 26.6% compared to 28.3% in fiscal 2017. The decrease in our effective tax rate was driven by an increase in the beneficial impact of foreign earnings at lower rates and an increase in excess tax benefits related to stock-based compensation, partially offset by the net impact of the Tax Act. See Note 12 to the Consolidated Financial Statements for additional information.

Diluted earnings per share were $1.48 in fiscal 2018, up 8% from $1.37 in fiscal 2017. This increase resulted from (a) an increase in reported operating income (net of a $0.10 decrease from the establishment of the Foundation) and (b) the benefit of a lower effective tax rate.

Liquidity and Capital Resources

Our ability to generate cash from operations consistently is one of our most significant financial strengths. Our strong cash flows enable us to invest in our people, invest in our brands, invest in our assets, pay regular dividends, make strategic acquisitions that we believe will enhance shareholder value, repurchase shares of common stock, and, from time to time, pay special dividends. We believe cash flows from operations are sufficient to meet our expected operating and capital requirements for the foreseeable future.

Cash Flow Summary

(Dollars in millions)	2017	2018	2019
Operating activities	$ 656	$ 653	$ 800
Investing activities:			
Acquisition of business	(307)	—	—
Additions to property, plant, and equipment	(112)	(127)	(119)
Other	(20)	(22)	—
	(439)	(149)	(119)
Financing activities:			
Net change in short-term borrowings	(122)	(3)	(71)
Net proceeds from long-term debt	717	345	—
Acquisition of treasury stock	(561)	(1)	(207)
Dividends paid (regular)	(274)	(292)	(310)
Special dividend payment	—	(481)	—
Other	(45)	(34)	(11)
	(285)	(466)	(599)
Foreign exchange effect on cash and cash equivalents	(13)	19	(14)
Net increase (decrease) in cash and cash equivalents	$ (81)	$ 57	$ 68

Fiscal 2019 compared to Fiscal 2018

Cash and cash equivalents increased $68 million in fiscal 2019, compared to an increase of $57 million in fiscal 2018. Cash provided by operations during fiscal 2019 was $800 million, up $147 million from fiscal 2018. The increase was largely attributable to certain capital deployment actions announced and implemented during fiscal 2018. Those actions included a special contribution of $120 million (in addition to other regular funding) for our U.S. pension plans and a $70 million contribution to create the Foundation. Excluding those items, cash provided by operations declined $43 million from fiscal 2018, due largely to the adverse effect of higher tariffs.

Cash used for investing activities was $119 million during fiscal 2019, compared to $149 million for the prior year. The $30 million decline primarily reflects an $19 million reduction in payments for corporate-owned life insurance and an $8 million decrease in capital spending.

Cash used for financing activities was $599 million during fiscal 2019, compared to $466 million for fiscal 2018. The $133 million increase largely reflects a $345 million decline in net proceeds from long-term debt, a $206 million increase in share repurchases, and a $68 million increase in net repayments of short-term debt, partially offset by a $463 million reduction in dividends (largely reflecting a special dividend payment of $481 million in fiscal 2018).

The impact on cash and cash equivalents as a result of exchange rate changes was a decrease of $14 million for fiscal 2019, compared to an increase of $19 million in the prior fiscal year.

Fiscal 2018 compared to Fiscal 2017

Cash and cash equivalents increased $57 million in fiscal 2018, compared to a decrease of $81 million in fiscal 2017. Cash provided by operations was down $3 million from fiscal 2017, as a $124 million increase in discretionary contributions to our pension plans was largely offset by higher earnings (net of a $70 million contribution to establish the Foundation) and a $66 million decline in income tax payments. The decline in income tax payments reflects the impact of the contributions to the pension plans and charitable foundation and the lower federal tax rates resulting from the enactment of the Tax Act.

Cash used for investing activities was $149 million during fiscal 2018, compared to $439 million for the prior year. The $290 million decrease largely reflects $307 million in cash paid to acquire BenRiach in June 2016, partially offset by a $15 million increase in capital spending during the current year. The increase in capital spending is largely attributable to the construction of new distilleries and visitors' centers for both Slane Irish Whiskey and Old Forester and to the modernization and automation of our Brown-Forman Cooperage operation.

Cash used for financing activities was $466 million during fiscal 2018, compared to $285 million for fiscal 2017. The $181 million increase largely reflects a special cash dividend payment of $481 million in April 2018, the repayment of $250 million of notes that matured in January 2018, and a $122 million decrease in proceeds from long-term debt, partially offset by a $560 million decline in share repurchases and a $119 million decrease in net repayments of short-term borrowings.

The impact on cash and cash equivalents as a result of exchange rate changes was an increase of $19 million for fiscal 2018, compared to a decline of $13 million in fiscal 2017.

Capital Expenditures

Over the past several fiscal years, we significantly increased the level of our capital spending in order to build the production platform for our current and expected future growth. Capital expenditures exceeded $100 million for each of the past six fiscal years from 2014 through 2019 compared to, on average, $60 million for the prior six fiscal years.

In fiscal 2019, we continued to modernize and automate the Brown-Forman Cooperage; we expect to complete that project in fiscal 2020. We also invested in expanding capacity, especially at Jack Daniel's Distillery where we completed a multi-year project that (a) extended both the shipping warehouse and processing building, (b) renovated the bottling house, and (c) improved the shipping office.

In fiscal 2020, we expect capital expenditures to be approximately $130 million. We expect capital expenditures in fiscal 2021 and fiscal 2022 to remain at similar levels as we continue to evaluate both cost-saving initiatives and warehouse needs.

Share Repurchase Programs

Since the beginning of fiscal 2017, we have repurchased approximately 19 million shares of our common stock under two separate repurchase programs.

	Shares Purchased (Thousands)		Average Price Per Share, Including Brokerage Commissions		Total Cost of Shares
Period	Class A	Class B	Class A	Class B	(Millions)
May 1, 2016 – April 30, 2017	30	14,757	$ 38.77	$ 37.75	$ 558
May 1, 2018 – April 30, 2019	43	4,187	$ 47.49	$ 47.30	$ 200
	73	18,944			$ 758

Dividends

From fiscal 2017 through fiscal 2019, we paid dividends totaling $1,357 million, including the $481 million special cash dividend in fiscal 2018. As announced on May 23, 2019, our Board of Directors declared a regular quarterly cash dividend of $0.166 per share on our Class A and Class B common stock. Stockholders of record on June 6, 2019, will receive the dividend on July 1, 2019.

Sources of Liquidity

We manage liquidity to meet current obligations, fund capital expenditures, sustain and grow our regular dividends, and return cash to our shareholders from time to time through share repurchases and special dividends while reserving adequate debt capacity for unforeseen events and acquisition opportunities. Investment-grade credit ratings (A1 by Moody's and A- by Standard & Poor's) provide us with financial flexibility when accessing global credit markets.

In addition to our cash and cash equivalent balances, we have access to several liquidity sources to supplement our cash flow from operations. One of those sources is our $800 million commercial paper program that we regularly use to fund our short-term credit needs. Commercial paper outstanding was $215 million at April 30, 2018, and $150 million at April 30, 2019; details of average commercial paper balances are presented below.

(Amounts in millions)	Year Ended April 30, 2018	2019
Average daily commercial paper balance	$ 485	$ 421
Average interest rate	1.39%	2.33%
Average days to maturity	31	31

Our commercial paper program is supported by available commitments under our currently undrawn $800 million bank credit facility that expires on November 10, 2022. Although unlikely, under extreme market conditions, one or more participating banks may not be able to fund its commitments under our credit facility. We believe the debt capital markets are accessible sources of long-term financing that could meet any additional liquidity needs. We believe our current liquidity position is sufficient to meet all of our future financial commitments.

As of April 30, 2019, approximately 70% of our cash and cash equivalents were held by our foreign subsidiaries whose earnings we expect to reinvest indefinitely outside of the United States. During fiscal 2019, we changed our indefinite reinvestment assertion with respect to current year earnings and prior year undistributed earnings for one of those foreign subsidiaries and repatriated approximately $120 million of cash to the United States from this subsidiary. No incremental taxes were due on this distribution of cash beyond the repatriation tax recorded in fiscal 2018. In addition, we changed our indefinite reinvestment assertion with respect to current year earnings and prior year undistributed earnings for additional select foreign subsidiaries. The earnings for these select foreign subsidiaries are no longer indefinitely reinvested and may be distributed within our foreign entity structure; however, they remain indefinitely reinvested outside of the United States. We continue to evaluate our future cash deployment and may decide to repatriate additional cash held by other foreign subsidiaries to the United States. Future repatriations to the United States may require us to provide for and pay additional taxes.

Off-Balance Sheet Arrangements

As of April 30, 2019, we were not involved in any off-balance sheet arrangements that have or are reasonably likely to have a material effect on our financial condition, results of operations, or liquidity.

Long-Term Obligations

We have long-term obligations related to contracts, leases, borrowing arrangements, and employee benefit plans that we enter into in the normal course of business (see Notes 6, 7, and 10 to the Consolidated Financial Statements). The following table summarizes the amounts of those obligations as of April 30, 2019, and the years when they are expected to be paid.[1] We expect to meet these obligations with internally generated funds.

(Dollars in millions)	Total	2020	2021-2022	2023-2024	After 2024
Long-term debt	$ 2,323	$ —	$ —	$ 250	$ 2,073
Interest on long-term debt	1,244	74	148	141	881
Tax Act repatriation tax	67	—	8	20	39
Grape purchases	24	12	10	1	1
Operating leases	59	23	26	8	2
Postretirement benefits[2]	25	25	n/a	n/a	n/a
Agave purchases[3]	25	n/a	n/a	n/a	n/a
Total	$ 3,767	$ 134	$ 192	$ 420	$ 2,996

[1] Excludes liabilities for tax uncertainties, as we cannot reasonably predict their ultimate amount or timing of settlement.

[2] As of April 30, 2019, we have unfunded pension and other postretirement benefit obligations of $204 million. Because we cannot determine the specific periods in which those obligations will be funded, the table above reflects no amounts related to those obligations other than the $25 million of expected contributions in fiscal 2020.

[3] As discussed in Note 6 to the Consolidated Financial Statements, we have obligations to purchase agave, a plant whose sap forms the raw material for tequila. As of April 30, 2019, based on current market prices, obligations under these contracts totaled $25 million. Because we cannot determine the specific periods in which those obligations will be paid, the above table reflects only the total related to those obligations.

Critical Accounting Policies and Estimates

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

Goodwill and Other Intangible Assets

We have obtained most of our brands by acquiring other companies. When we acquire another company, we first allocate the purchase price to identifiable assets and liabilities, including intangible brand names and trademarks ("brand names"), based on estimated fair value. We then record any remaining purchase price as goodwill. We do not amortize goodwill or other intangible assets with indefinite lives. We consider all of our brand names to have indefinite lives.

We assess our goodwill and other indefinite-lived intangible assets for impairment at least annually. Goodwill is impaired when the carrying amount of the related reporting unit exceeds its estimated fair value, in which case we write down the goodwill by the amount of the excess (limited to the carrying amount of the goodwill). We estimate the reporting unit's fair value using discounted estimated future cash flows or market information. Similarly, a brand name is impaired when its carrying amount exceeds its estimated fair value, in which case we write down the brand name to its estimated fair value. We typically estimate the fair value of a brand name using either the "relief from royalty" or "excess earnings" method. We also consider market values for similar assets when available. Considerable management judgment is necessary to estimate fair value, including making assumptions about future cash flows, discount rates, and royalty rates.

We have the option, before quantifying the fair value of a reporting unit or brand name, to evaluate qualitative factors to assess whether it is more likely than not that our goodwill or brand names are impaired. If we determine that is not the case, then we are not required to quantify the fair value. That assessment also takes considerable management judgment.

Based on our assumptions, we believe none of our goodwill or other intangibles are impaired. Further, we estimate the fair values of goodwill and other intangible assets substantially exceed their carrying amounts, with the exception of two brand name intangible assets. As of April 30, 2019, the carrying amounts of these two brand names totaled $360 million. Net sales attributable to these two brand names currently represent approximately 5% of our consolidated net sales.

Reasonably possible changes in the assumptions used to estimate the fair value of either brand name could result in a future impairment charge. For example, we estimate that (a) a 10% decline in projected future cash flows for both brands would result in a total non-cash impairment charge of approximately $5 million and (b) a 1 percentage point change in the discount rate would result in a total non-cash impairment charge of approximately $8 million.

Pension and Other Postretirement Benefits

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

The assets, obligations, and assumptions used to measure pension and retiree medical costs are determined at the beginning of the year ("measurement date"). Because obligations are measured on a discounted basis, the discount rate is a significant assumption. It is based on interest rates for high-quality, long-term corporate debt at each measurement date. The expected return on pension plan assets reflects expected capital market returns for each asset class that are based on historical returns, adjusted for the expected effects of diversification and active management (net of fees) of the assets. The other assumptions also reflect our historical experience and management's best judgment regarding future expectations.

Beginning in fiscal 2018, we changed the method used to estimate the service cost and interest cost components of net periodic benefit cost for our U.S. pension and other postretirement benefit plans. The new estimation approach discounts the individual expected cash flows underlying the service cost and interest cost using the applicable spot rates derived from the yield curve used to discount the cash flows used to measure the benefit obligation at the beginning of the period. Previously, we estimated these service and interest cost components using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. We believe the new approach provides a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows to the corresponding spot yield curve rates. We accounted for this change in estimate prospectively, beginning May 1, 2017. The new approach does not affect the measurement of our plan obligations, but generally results in lower service cost and interest cost in periods when the yield curve slopes upward.

The following table compares the assumed discount rates and expected return on assets used in determining net periodic benefit cost for fiscal 2019 to those to be used in determining that cost for fiscal 2020.

	Pension Benefits		Medical and Life Insurance Benefits	
	2019	2020	2019	2020
Discount rate for service cost	4.30%	4.17%	4.34%	4.24%
Discount rate for interest cost	3.93%	3.57%	3.90%	3.53%
Expected return on plan assets	6.50%	6.50%	n/a	n/a

Using these assumptions, we estimate our pension and other postretirement benefit cost for fiscal 2020 will be approximately $29 million. The following table compares the actual cost for fiscal 2019 to the estimated cost for fiscal 2020.

(Dollars in millions)	2019 Actual	2020 Estimated
Service cost	$ 25	$ 24
Non-operating costs	22	5
Total	$ 47	$ 29

Decreasing/increasing the assumed discount rates by 50 basis points would increase/decrease the total fiscal 2020 cost by approximately $6 million (including $2 million of service cost and $4 million of non-operating costs). Decreasing/increasing the assumed return on plan assets by 50 basis points would increase/decrease the total fiscal 2020 cost by approximately $4 million (consisting only of non-operating costs).

Income Taxes

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

Years can elapse before we can resolve a particular matter for which we may have established a tax liability. Although predicting the final outcome or the timing of resolution of any particular tax matter can be difficult, we believe our liabilities reflect the likely outcome of known tax contingencies. Unfavorable settlement of any particular issue could require use of our cash. Conversely, a favorable resolution could result in reduced cash tax payments, the reversal of previously established liabilities, or some combination of these results, which could reduce our effective tax rate.

Updated Accounting Standards

See Note 2 to the Consolidated Financial Statements for information about updated accounting standards that we have recently adopted or will adopt in future periods.

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

Risk Management Framework

Success in business requires risk-taking, but we must balance risk and reward appropriately. Our enterprise risk management process is intended to ensure that we take risks knowingly and thoughtfully and that we balance potential risks and rewards. Our integrated enterprise risk management framework is designed to identify, evaluate, communicate, and appropriately mitigate risks across our operations. Within this framework:

- Our Board of Directors is responsible for overseeing our enterprise risk assessment and mitigation processes and procedures. The Board itself oversees some strategic enterprise risks and delegates responsibility for other risks to committees that report to the Board regularly on matters within their purview, and to management.
    - The Audit Committee oversees policies and processes related to enterprise risk management, compliance with legal and regulatory requirements, and financial reporting and accounting control risks.
    - The Compensation Committee periodically reviews our compensation policies and practices to assess whether they could lead to unnecessary risk taking.
- Our Chief Ethics, Compliance, and Risk Officer is responsible for Enterprise Risk Management and reports to the Board at least annually. Our Enterprise Risk Management program includes systematically identifying and evaluating the major

risks we face, identifying people responsible for managing each risk, ensuring that risk mitigation plans are in place and, together with internal audit, verifying that mitigation plans are being followed.

- Our Risk Management function identifies and assesses potential operational hazards and safety and security risks, and facilitates ongoing communication about those risks with our executive leaders. Within Risk Management, our crisis management team facilitates simulations with the appropriate function and executive leaders to increase awareness and preparedness.
- Our Internal Audit Department evaluates the ongoing effectiveness of our key internal controls through periodic audit and review procedures.
- The Chief Ethics, Compliance, and Risk Officer helps ensure that all of our employees' actions globally comply with all applicable laws, our Code of Conduct, and our internal policies. The Chief Ethics, Compliance, and Risk Officer reports the status of our compliance efforts four times a year to the Audit Committee.

Market risks

We face market risks arising from changes in foreign currency exchange rates, commodity prices, and interest rates. We manage market risks through procurement strategies as well as the use of derivative and other financial instruments. Our risk management program is governed by policies that authorize and control the nature and scope of transactions that we use to mitigate market risks. Our policy permits the use of derivative financial instruments to mitigate market risks but prohibits their use for speculative purposes.

Foreign currency exchange rate risk. Foreign currency fluctuations affect our net investments in foreign subsidiaries and foreign currency-denominated cash flows. In general, we expect our cash flows to be negatively affected by a stronger dollar and positively affected by a weaker dollar. Our most significant foreign currency exposures include the euro (EUR), the British pound (GBP), the Australian dollar (AUD), the Polish zloty (PLN), the Mexican peso (MXN), and the Russian ruble (RUB). We manage our foreign currency exposures through derivative financial instruments, principally foreign currency forward contracts, and debt denominated in foreign currency. We had outstanding currency derivatives with notional amounts totaling $1,098 million and $1,241 million at April 30, 2018 and 2019, respectively.

We estimate that a hypothetical 10% weakening of the dollar compared to exchange rates of hedged currencies as of April 30, 2019, would decrease the fair value of our then-existing foreign currency derivative contracts by approximately $51 million. This hypothetical change in fair value does not consider the expected inverse change in the underlying foreign currency exposures.

Commodity price risk. Commodity price changes can affect our production and supply chain costs. Our most significant commodities exposures include corn, malted barely, rye, natural gas, agave, and wood. We manage certain exposures through a combination of purchase orders and long-term supply contracts.

Interest rate risk. Interest rate changes affect (a) the fair value of our fixed-rate debt, and (b) cash flows and earnings related to our variable-rate debt and interest-bearing investments. In addition to currently outstanding debt, any potential future debt offerings are subject to interest rate risk. Our interest rate exposures include U.S. Treasury rates, European Central Bank rates, British government rates, and LIBOR.

As of April 30, 2019, our cash and cash equivalents ($307 million) and variable-rate debt ($150 million) were exposed to interest rate changes. Based on the then-existing balances of these items, a hypothetical one percentage point increase in interest rates would result in a negligible decrease in net interest expense.

See Notes 14 and 15 to the Consolidated Financial Statements in "Item 8. Financial Statements and Supplementary Data" (the Consolidated Financial Statements) for additional information on our foreign currency exchange rate risk. See Note 6 to the Consolidated Financial Statements for details on our grape and agave purchase obligations, which are exposed to commodity price risk, and "Critical Accounting Policies and Estimates" in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of our pension and other postretirement plans' exposure to interest rate risks. Also see "Item 1A. Risk Factors" for details on how economic conditions affecting market risks also affect the demand for and pricing of our products and how we are affected by exchange rate fluctuations.

Item 8. ***Financial Statements and Supplementary Data***

Table of Contents

Reports of Management

Management's Responsibility for Financial Statements

Our management is responsible for preparing, presenting, and ensuring the integrity of the financial information presented in this report. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States, including amounts based on management's best estimates and judgments. In management's opinion, the consolidated financial statements fairly present the Company's financial position, results of operations, and cash flows.

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

Management's Report on Internal Control over Financial Reporting

Management is also responsible for establishing and maintaining effective internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

As of the end of our fiscal year, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework and criteria in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of April 30, 2019. PwC, which audited and reported on the Company's consolidated financial statements, has audited the effectiveness of our internal control over financial reporting as of April 30, 2019, as stated in their report.

Dated: June 13, 2019

By: /s/ Lawson E. Whiting

Lawson E. Whiting
President and Chief Executive Officer

By: /s/ Jane C. Morreau

Jane C. Morreau
Executive Vice President and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
of Brown-Forman Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Brown-Forman Corporation and its subsidiaries (the "Company") as of April 30, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, stockholders' equity and cash flows for each of the three years in the period ended April 30, 2019, including the related notes and schedule of valuation and qualifying accounts for each of the three years in the period ended April 30, 2019 appearing under Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of April 30, 2019, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of April 30, 2019 and 2018, and the results of their operations and their cash flows for each of the three years in the period ended April 30, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2019, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
June 13, 2019

We have served as the Company's auditor since 1933.

Brown-Forman Corporation and Subsidiaries
Consolidated Statements of Operations
(Dollars in millions, except per share amounts)

Year Ended April 30,	2017	2018	2019
Sales	$ 3,857	$ 4,201	$ 4,276
Excise taxes	863	953	952
Net sales	2,994	3,248	3,324
Cost of sales	973	1,046	1,158
Gross profit	2,021	2,202	2,166
Advertising expenses	372	405	396
Selling, general, and administrative expenses	657	765	641
Other expense (income), net	(18)	(16)	(15)
Operating income	1,010	1,048	1,144
Non-operating postretirement expense	21	9	22
Interest income	(3)	(6)	(8)
Interest expense	59	68	88
Income before income taxes	933	977	1,042
Income taxes	264	260	207
Net income	$ 669	$ 717	$ 835
Earnings per share:			
Basic	$ 1.38	$ 1.49	$ 1.74
Diluted	$ 1.37	$ 1.48	$ 1.73

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

Brown-Forman Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income
(Dollars in millions)

Year Ended April 30,	2017	2018	2019
Net income	$ 669	$ 717	$ 835
Other comprehensive income (loss), net of tax:			
Currency translation adjustments	(73)	24	(27)
Cash flow hedge adjustments	—	(28)	48
Postretirement benefits adjustments	33	16	(6)
Net other comprehensive income (loss)	(40)	12	15
Comprehensive income	$ 629	$ 729	$ 850

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

Brown-Forman Corporation and Subsidiaries
Consolidated Balance Sheets
(Dollars in millions)

April 30,	2018	2019
Assets		
Cash and cash equivalents	$ 239	$ 307
Accounts receivable, net	639	609
Inventories:		
Barreled whiskey	947	1,004
Finished goods	225	279
Work in process	117	152
Raw materials and supplies	90	85
Total inventories	1,379	1,520
Other current assets	298	283
Total current assets	2,555	2,719
Property, plant, and equipment, net	780	816
Goodwill	763	753
Other intangible assets	670	645
Deferred tax assets	16	16
Other assets	192	190
Total assets	$ 4,976	$ 5,139
Liabilities		
Accounts payable and accrued expenses	$ 581	$ 544
Accrued income taxes	25	9
Short-term borrowings	215	150
Total current liabilities	821	703
Long-term debt	2,341	2,290
Deferred tax liabilities	85	145
Accrued pension and other postretirement benefits	191	197
Other liabilities	222	157
Total liabilities	3,660	3,492
Commitments and contingencies		
Stockholders' Equity		
Common stock:		
Class A, voting, $0.15 par value (170,000,000 shares authorized; 170,000,000 shares issued)	25	25
Class B, nonvoting, $0.15 par value (400,000,000 shares authorized; 314,532,000 shares issued)	47	47
Additional paid-in capital	4	—
Retained earnings	1,730	2,238
Accumulated other comprehensive income (loss), net of tax	(378)	(363)
Treasury stock, at cost (3,531,000 and 7,360,000 shares in 2018 and 2019, respectively)	(112)	(300)
Total stockholders' equity	1,316	1,647
Total liabilities and stockholders' equity	$ 4,976	$ 5,139

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

Brown-Forman Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(Dollars in millions)

Year Ended April 30,	2017	2018	2019
Cash flows from operating activities:			
Net income	$ 669	$ 717	$ 835
Adjustments to reconcile net income to net cash provided by operations:			
Depreciation and amortization	58	64	72
Stock-based compensation expense	14	19	14
Deferred income tax provision (benefit)	(10)	(69)	38
U.S. Tax Act repatriation tax provision (benefit)	—	91	(4)
Other, net	11	(8)	8
Changes in assets and liabilities, excluding the effects of acquisition of business:			
Accounts receivable	6	(70)	23
Inventories	(86)	(102)	(162)
Other current assets	12	29	30
Accounts payable and accrued expenses	(17)	58	(43)
Accrued income taxes	(11)	8	(16)
Other operating assets and liabilities	10	(84)	5
Cash provided by operating activities	656	653	800
Cash flows from investing activities:			
Acquisition of business, net of cash acquired	(307)	—	—
Additions to property, plant, and equipment	(112)	(127)	(119)
Payments for corporate-owned life insurance	(17)	(21)	(2)
Proceeds from corporate-owned life insurance	—	—	4
Computer software expenditures	(3)	(1)	(2)
Cash used for investing activities	(439)	(149)	(119)
Cash flows from financing activities:			
Net change in short-term borrowings	(122)	(3)	(71)
Repayment of long-term debt	—	(250)	—
Proceeds from long-term debt	717	595	—
Debt issuance costs	(5)	(6)	—
Net payments related to exercise of stock-based awards	(10)	(28)	(11)
Acquisition of treasury stock	(561)	(1)	(207)
Dividends paid	(274)	(773)	(310)
Repayment of short-term obligation associated with acquisition of business	(30)	—	—
Cash used for financing activities	(285)	(466)	(599)
Effect of exchange rate changes on cash and cash equivalents	(13)	19	(14)
Net increase (decrease) in cash and cash equivalents	(81)	57	68
Cash and cash equivalents, beginning of period	263	182	239
Cash and cash equivalents, end of period	$ 182	$ 239	$ 307
Supplemental disclosure of cash paid for:			
Interest	$ 48	$ 65	$ 90
Income taxes	$ 266	$ 200	$ 201

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

Brown-Forman Corporation and Subsidiaries
Consolidated Statements of Stockholders' Equity
(Dollars in millions, except per share amounts)

	Class A Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	AOCI	Treasury Stock	Total
Balance at April 30, 2016	$ 13	$ 21	$ 114	$ 4,065	$ (350)	$ (2,301)	$ 1,562
Cumulative effect of change in accounting principle (Note 2)				10			10
Stock split (Note 8)	12	22	(34)				—
Net income				669			669
Net other comprehensive income (loss)					(40)		(40)
Cash dividends ($0.564 per share)				(274)			(274)
Acquisition of treasury stock						(561)	(561)
Stock-based compensation expense			14				14
Stock issued under compensation plans						19	19
Loss on issuance of treasury stock issued under compensation plans			(29)				(29)
Balance at April 30, 2017	25	43	65	4,470	(390)	(2,843)	1,370
Retirement of treasury stock (Note 8)		(10)	(8)	(2,684)		2,702	—
Stock split (Note 8)		14	(14)				—
Net income				717			717
Net other comprehensive income (loss)					12		12
Cash dividends ($1.608 per share)				(773)			(773)
Acquisition of treasury stock						(1)	(1)
Stock-based compensation expense			19				19
Stock issued under compensation plans						30	30
Loss on issuance of treasury stock issued under compensation plans			(58)				(58)
Balance at April 30, 2018	25	47	4	1,730	(378)	(112)	1,316
Cumulative effect of change in accounting principle (Note 2)				(5)			(5)
Net income				835			835
Net other comprehensive income (loss)					15		15
Cash dividends ($0.648 per share)				(310)			(310)
Acquisition of treasury stock						(207)	(207)
Stock-based compensation expense			14				14
Stock issued under compensation plans						19	19
Loss on issuance of treasury stock issued under compensation plans			(18)	(12)			(30)
Balance at April 30, 2019	$ 25	$ 47	$ —	$ 2,238	$ (363)	$ (300)	$ 1,647

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

1. Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States (GAAP). We also apply the following accounting policies when preparing our consolidated financial statements:

Principles of consolidation. Our consolidated financial statements include the accounts of all subsidiaries in which we have a controlling financial interest. We eliminate all intercompany transactions.

Estimates. To prepare financial statements that conform with GAAP, our management must make informed estimates that affect how we report revenues, expenses, assets, and liabilities, including contingent assets and liabilities. Actual results could differ from these estimates.

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

Allowance for doubtful accounts. We evaluate the collectability of accounts receivable based on a combination of factors. When we are aware of circumstances that may impair a specific customer's ability to meet its financial obligations, we record a specific allowance to reduce the net recognized receivable to the amount we believe will be collected. We write off the uncollectable amount against the allowance when we have exhausted our collection efforts. The allowance for doubtful accounts was $7 as of both April 30, 2018 and 2019.

Inventories. Inventories are valued at the lower of cost or net realizable value. Approximately 52% of our consolidated inventories are valued using the last-in, first-out (LIFO) cost method, which we use for the majority of our U.S. inventories. We value the remainder of our inventories primarily using the first-in, first-out (FIFO) cost method. FIFO cost approximates current replacement cost. If we had used the FIFO method for all inventories, they would have been $290 and $303 higher than reported at April 30, 2018 and 2019, respectively.

Because we age most of our whiskeys in barrels for three to six years, we bottle and sell only a portion of our whiskey inventory each year. Following industry practice, we classify all barreled whiskey as a current asset. We include warehousing, insurance, ad valorem taxes, and other carrying charges applicable to barreled whiskey in inventory costs.

We classify bulk wine, agave inventories, tequila, and liquid in bottling tanks as work in process.

Property, plant, and equipment. We state property, plant, and equipment at cost less accumulated depreciation. We calculate depreciation on a straight-line basis using our estimates of useful life, which are 20–40 years for buildings and improvements; 3–10 years for machinery, equipment, vehicles, furniture, and fixtures; and 3–7 years for capitalized software.

We assess our property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of those assets may not be recoverable. When we do not expect to recover the carrying value of an asset (or asset group) through undiscounted future cash flows, we write it down to its estimated fair value. We determine fair value using discounted estimated future cash flows, considering market values for similar assets when available.

When we retire or dispose of property, plant, and equipment, we remove its cost and accumulated depreciation from our balance sheet and reflect any gain or loss in operating income. We expense the costs of repairing and maintaining our property, plant, and equipment as we incur them.

Goodwill and other intangible assets. We have obtained most of our brands by acquiring other companies. When we acquire another company, we first allocate the purchase price to identifiable assets and liabilities, including intangible brand names and trademarks ("brand names"), based on estimated fair value. We then record any remaining purchase price as goodwill. We do not amortize goodwill or other intangible assets with indefinite lives. We consider all of our brand names to have indefinite lives.

We assess our goodwill and other indefinite-lived intangible assets for impairment at least annually. Goodwill is impaired when the carrying amount of the related reporting unit exceeds its estimated fair value, in which case we write down the goodwill by the amount of the excess (limited to the carrying amount of the goodwill). We estimate the reporting unit's fair value using discounted estimated future cash flows or market information. Similarly, a brand name is impaired when its carrying amount exceeds its estimated fair value, in which case we write down the brand name to its estimated fair value. We typically estimate the fair value of a brand name using either the "relief from royalty" or "excess earnings" method. We also consider market values for similar assets when available. Considerable management judgment is necessary to estimate fair value, including the selection of assumptions about future cash flows, discount rates, and royalty rates.

We have the option, before quantifying the fair value of a reporting unit or brand name, to evaluate qualitative factors to assess whether it is more likely than not that our goodwill or brand names are impaired. If we determine that is not the case, then we are not required to quantify the fair value. That assessment also takes considerable management judgment.

Revenue recognition. Our net sales predominantly reflect global sales of beverage alcohol consumer products. We sell these products under contracts with different types of customers, depending on the market. The customer is most often a distributor, wholesaler, or retailer.

Each contract typically includes a single performance obligation to transfer control of the products to the customer. Depending on the contract, control is transferred when the products are either shipped or delivered to the customer, at which point we recognize the transaction price for those products as net sales. The transaction price recognized at that point reflects our estimate of the consideration to be received in exchange for the products. The actual amount may ultimately differ due to the effect of various customer incentives and trade promotion activities. In making our estimates, we consider our historical experience and current expectations, as applicable. Subsequent adjustments recognized for changes in estimated transaction prices are typically not material.

Net sales exclude taxes we collect from customers that are imposed by various governments on our sales, and are reduced by payments to customers unless made in exchange for distinct goods or services with fair values approximating the payments. Net sales include any amounts we bill customers for shipping and handling activities related to the products. We recognize the cost of those activities in cost of sales during the same period in which we recognize the related net sales. Sales returns, which are permitted only in limited situations, are not material. Customer payment terms generally range from 30 to 90 days. There are no significant amounts of contract assets or liabilities.

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

Advertising costs. We expense the costs of advertising during the year when the advertisements first take place.

Selling, general, and administrative expenses. Selling, general, and administrative expenses include the costs associated with our sales force, administrative staff and facilities, and other expenses related to our non-manufacturing functions.

Stock-based compensation. We use stock-based awards as part of our incentive compensation for eligible employees and directors. We recognize the grant-date fair value of an award as compensation expense on a straight-line basis over the requisite service period, which typically corresponds to the vesting period for the award. Upon forfeiture of an award prior to vesting, we reverse any previously-recognized compensation expense related to that award. We classify stock-based compensation expense within selling, general, and administrative expenses.

As we recognize compensation expense for a stock-based award, we concurrently recognize a related deferred tax asset. The subsequent vesting or exercise of the award will generally result in an actual tax benefit that differs from the deferred tax asset that had been recorded. The excess (deficiency) of the actual tax benefit over (under) the previously-recorded tax asset is recognized as income tax benefit (expense) on the date of vesting or exercise.

Income taxes. We base our annual provision for income taxes on the pre-tax income reflected in our consolidated statement of operations. We establish deferred tax liabilities or assets for temporary differences between GAAP and tax reporting bases and later adjust them to reflect changes in tax rates expected to be in effect when the temporary differences reverse. We record a valuation allowance as necessary to reduce a deferred tax asset to the amount that we believe is more likely than not to be realized. We do not provide deferred income taxes on undistributed earnings of foreign subsidiaries that we expect to permanently reinvest. We record a deferred tax charge in prepaid taxes for the difference between GAAP and tax reporting bases with respect to the elimination of intercompany profit in ending inventory.

We assess our uncertain income tax positions in two steps. First, we evaluate whether the tax position will more likely than not, based on its technical merits, be sustained upon examination, including resolution of any related appeals or litigation. For a tax position that does not meet this first criterion, we recognize no tax benefit. For a tax position that does meet the first criterion, we recognize a tax benefit in an amount equal to the largest amount of benefit that we believe has more than a 50% likelihood of being realized upon ultimate resolution. We record interest and penalties on uncertain tax positions as income tax expense.

Foreign currency transactions and translation. We report all gains and losses from foreign currency transactions (those denominated in a currency other than the entity's functional currency) in current income. The U.S. dollar is the functional currency for most of our consolidated entities. The local currency is the functional currency for some of our consolidated foreign entities.

We translate the financial statements of those foreign entities into U.S. dollars, using the exchange rate in effect at the balance sheet date to translate assets and liabilities, and using the average exchange rate for the reporting period to translate income and expenses. We record the resulting translation adjustments in other comprehensive income (loss).

Reclassifications. We have reclassified some previously reported expense amounts related to certain marketing research and promotional agency costs to conform to the current year classification. These immaterial reclassifications between advertising expenses and selling, general, and administrative expenses had no impact on operating income or net income.

2. Adoption of Updated Accounting Standards

We adopted the following Accounting Standards Update (ASU) issued by the Financial Accounting Standards Board (FASB) as of May 1, 2016:

- ASU 2016-09: Improvements to Employee Share-Based Payment Accounting. This new guidance amends certain aspects of the accounting for stock-based compensation, including the income tax consequences. Under the new guidance, we recognize all tax benefits related to stock-based compensation as an income tax benefit in our statement of operations, and include all income tax cash flows within operating activities in our statement of cash flows. Under the previous accounting guidance, we recognized some of those tax benefits (excess tax benefits) as additional paid-in capital and classified that amount as a financing activity in our statement of cash flows. We adopted these provisions of the new guidance on a prospective basis.

  Also, under the new guidance, we recognize the excess tax benefits during the period in which the related awards vest or are exercised. Under the previous accounting guidance, we recognized those benefits during the period in which they reduced taxes payable. We adopted this provision of the new guidance on a modified retrospective basis through a cumulative-effect adjustment that increased retained earnings as of May 1, 2016, by $10.

We adopted the following ASUs as of May 1, 2018:

- ASU 2014-09: Revenue from Contracts with Customers. This update, codified along with various amendments as Accounting Standards Codification Topic 606 (ASC 606), replaces previous revenue recognition guidance. The core principle of ASC 606 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that it expects to be entitled to in exchange for those goods or services. ASC 606 also requires more financial statement disclosures than were required by previous revenue recognition standards.

  We adopted ASC 606 using the modified retrospective method. As a result, we recorded an adjustment that decreased retained earnings as of May 1, 2018, by $25 (net of tax). The adjustment reflects the cumulative effect on that date of applying our updated revenue recognition policy, under which we recognize the cost of certain customer incentives earlier than we did before adopting ASC 606. Although this change in timing did not have a significant impact on a full-year basis, there was some change in the timing of recognition across periods. Additionally, some payments to customers that we classified as expenses before adopting the new standard are classified as reductions of net sales under our new policy.

The following table shows how the adoption of ASC 606 impacted our consolidated statement of operations for the year ended April 30, 2019:

	Year Ended April 30, 2019		
	Under Prior Guidance	As Reported Under ASC 606	Effect of Adoption
Sales	$ 4,299	$ 4,276	$ (23)
Excise taxes	952	952	—
Net sales	3,347	3,324	(23)
Cost of sales	1,157	1,158	1
Gross profit	2,190	2,166	(24)
Advertising expenses	410	396	(14)
Selling, general, and administrative expenses	649	641	(8)
Other expense (income), net	(15)	(15)	—
Operating income	1,146	1,144	(2)
Non-operating postretirement expense	22	22	—
Interest income	(8)	(8)	—
Interest expense	88	88	—
Income before income taxes	1,044	1,042	(2)
Income taxes	208	207	(1)
Net income	$ 836	$ 835	$ (1)
Earnings per share:			
Basic	$ 1.74	$ 1.74	$ —
Diluted	$ 1.73	$ 1.73	$ —

The following table shows how the adoption of ASC 606 impacted our consolidated balance sheet as of April 30, 2019:

	As of April 30, 2019		
	Under Prior Guidance	As Reported Under ASC 606	Effect of Adoption
Assets:			
Other current assets	$ 284	$ 283	$ (1)
Deferred tax assets	15	16	1
Total assets	5,139	5,139	—
Liabilities:			
Accounts payable and accrued expenses	$ 511	$ 544	$ 33
Accrued income taxes	8	9	1
Deferred tax liabilities	153	145	(8)
Total liabilities	3,466	3,492	26
Stockholders' Equity:			
Retained earnings	$ 2,264	$ 2,238	$ (26)
Total stockholders' equity	1,673	1,647	(26)

- ASU 2016-15: Classification of Certain Cash Receipts and Cash Payments. This new guidance addresses eight specific issues related to the classification of certain cash receipts and cash payments on the statement of cash flows. The impact of adopting the new guidance was limited to a change in our classification of cash payments for premiums on corporate-owned life insurance policies, which we previously reflected in operating activities. Under the new guidance, we classify those payments as investing activities. We retrospectively adjusted prior year cash flow statements to conform to the new classification. As a result, we reclassified payments (from operating activities to investing activities) of $17 and $21 for fiscal 2017 and 2018, respectively.

- ASU 2016-16: Income Taxes: Intra-Entity Transfers of Assets Other Than Inventory. This revised guidance requires the recognition of the income tax consequences (expense or benefit) of an intercompany transfer of assets other than inventory when the transfer occurs. It maintains the existing requirement to defer the recognition of the income tax consequences of an intercompany transfer of inventory until the inventory is sold to an outside party. We applied the guidance on a modified retrospective basis through a cumulative-effect adjustment that increased retained earnings as of May 1, 2018, by $20. This includes $27 related to the intercompany transfer of assets described in Note 12. The $7 offset is related to deferred taxes established for other intercompany transfers of assets.

- ASU 2017-07: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost. This new guidance addresses the presentation of the net periodic cost (NPC) associated with pension and other postretirement benefit plans. The guidance requires the service cost component of the NPC to be reported in the statement of operations in the same line item(s) as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of the NPC are to be presented separately from the service cost and outside of income from operations. In addition, the guidance allows only the service cost component of NPC to be eligible for capitalization when applicable. We applied the guidance retrospectively for the presentation in the statement of operations and prospectively for the capitalization of service cost. The retrospective application increased previously-reported operating income for fiscal 2017 and fiscal 2018 by $21 and $9, respectively. As the retrospective application merely reclassified amounts from operating income to non-operating expense, there was no effect on previously-reported net income or earnings per share.

We will adopt the following ASUs as of May 1, 2019:

- ASU 2016-02: Leases. This update, codified along with various amendments as Accounting Standards Codification Topic 842 (ASC 842), replaces existing lease accounting guidance. Under ASC 842, a lessee should recognize on its balance sheet a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. ASC 842 permits an entity to make an accounting policy election not to recognize lease assets and liabilities for leases with a term of 12 months or less. It also requires additional quantitative and qualitative disclosures about leasing arrangements.

  We will adopt ASC 842 as of May 1, 2019, using a modified retrospective transition approach for leases existing at that date. For the transition, we plan to elect to use the package of practical expedients to not reassess (a) whether existing contracts are or contain leases, (b) the classification of existing leases, and (c) initial direct costs for existing leases.

  We are in the final stages of the project to implement the new standard, which has included collecting and evaluating data about our lease arrangements (including potential embedded leases), assessing policy elections, implementing a new lease accounting system, and identifying and making other changes to our processes and controls to meet the requirements of the new standard. Although subject to change as we complete the implementation of the new standard, we currently expect to record lease liabilities and right-of use assets of approximately $55 upon adoption. We do not currently expect adoption to have a material impact on our results of operations, stockholders' equity, or cash flows.

- ASU 2018-02: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This new guidance would allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act enacted by the U.S. government in December 2017. We currently plan to make the reclassification, which we estimate will increase retained earnings and decrease accumulated other comprehensive income as of May 1, 2019, by approximately $40.

There are no other new accounting standards or updates to be adopted that we currently believe might have a significant impact on our consolidated financial statements.

3. Balance Sheet Information

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

April 30,	2018	2019
Other current assets:		
Prepaid taxes	$ 196	$ 191
Other	102	92
	$ 298	$ 283
Property, plant, and equipment:		
Land	$ 82	$ 82
Buildings	568	617
Equipment	725	769
Construction in process	61	57
	1,436	1,525
Less accumulated depreciation	656	709
	$ 780	$ 816
Accounts payable and accrued expenses:		
Accounts payable, trade	$ 154	$ 150
Accrued expenses:		
Advertising and promotion	136	160
Compensation and commissions	99	84
Excise and other non-income taxes	77	63
Other	115	87
	427	394
	$ 581	$ 544
Accumulated other comprehensive income (loss), net of tax:		
Currency translation adjustments	$ (180)	$ (207)
Cash flow hedge adjustments	(17)	31
Postretirement benefits adjustments	(181)	(187)
	$ (378)	$ (363)

4. Earnings per Share

We calculate basic earnings per share by dividing net income available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share further includes the dilutive effect of stock-based compensation awards. We calculate that dilutive effect using the "treasury stock method" (as defined by GAAP).

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

	2017	2018	2019
Net income available to common stockholders	$ 669	$ 717	$ 835
Share data (in thousands):			
Basic average common shares outstanding	484,635	480,319	478,956
Dilutive effect of stock-based awards	3,442	3,929	3,111
Diluted average common shares outstanding	488,077	484,248	482,067
Basic earnings per share	$ 1.38	$ 1.49	$ 1.74
Diluted earnings per share	$ 1.37	$ 1.48	$ 1.73

We excluded common stock-based awards for approximately 2,145,000 shares, 805,000 shares, and 447,000 shares from the calculation of diluted earnings per share for 2017, 2018, and 2019, respectively, because they were not dilutive for those periods under the treasury stock method.

5. Goodwill and Other Intangible Assets

The following table shows the changes in goodwill (which include no accumulated impairment losses) and other intangible assets over the past two years:

	Goodwill	Other Intangible Assets
Balance as of April 30, 2017	$ 753	$ 641
Foreign currency translation adjustment	10	31
Impairment	—	(2)
Balance as of April 30, 2018	763	670
Foreign currency translation adjustment	(10)	(25)
Balance as of April 30, 2019	$ 753	$ 645

Our other intangible assets consist of trademarks and brand names, all with indefinite useful lives. During fiscal 2018, we recorded a $2 impairment charge related to the write-off of the carrying amount of an immaterial discontinued brand name.

6. Commitments and Contingencies

Commitments. We made rental payments for real estate, vehicles, and office, computer, and manufacturing equipment under operating leases of $23, $26, and $28 during 2017, 2018, and 2019, respectively. We have commitments related to minimum lease payments of $23 in 2020, $16 in 2021, $10 in 2022, $5 in 2023, $3 in 2024, and $2 after 2024.

We have contracted with various growers and wineries to supply some of our future grape and bulk wine requirements. Many of these contracts call for prices to be adjusted annually up or down, according to market conditions. Some contracts set a fixed purchase price that might be higher or lower than prevailing market prices. We have total purchase obligations related to both types of contracts of $12 in 2020, $6 in 2021, $4 in 2022, $1 in 2023, $0 in 2024, and $1 after 2024.

We also have contracts for the purchase of agave, which is used to produce tequila. These contracts provide for prices to be determined based on market conditions at the time of harvest, which, although not specified, is expected to occur over the next 10 years. As of April 30, 2019, based on current market prices, obligations under these contracts total $25.

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 then adjust the accrual as appropriate to reflect changes in facts and circumstances. We do not believe it is reasonably possible that these existing loss contingencies, individually or in the aggregate, would have a material adverse effect on our financial position, results of operations, or liquidity. No material accrued loss contingencies are recorded as of April 30, 2019.

Guaranty. We have guaranteed the repayment by a third-party importer of its obligation under a bank credit facility that it uses in connection with its importation of our products in Russia. If the importer were to default on that obligation, which we believe is unlikely, our maximum possible exposure under the existing terms of the guaranty would be approximately $10 (subject to changes in foreign currency exchange rates). Both the fair value and carrying amount of the guaranty are insignificant.

As of April 30, 2019, our actual exposure under the guaranty of the importer's obligation is approximately $4. We also have accounts receivable from that importer of approximately $5 at that date, which we expect to collect in full.

Based on the financial support we provide to the importer, we believe it meets the definition of a variable interest entity. However, because we do not control this entity, it is not included in our consolidated financial statements.

7. Debt and Credit Facilities

Our long-term debt (net of unamortized discounts and issuance costs) consisted of:

April 30,	2018	2019
2.25% senior notes, $250 principal amount, due January 15, 2023	$ 248	$ 249
3.50% senior notes, $300 principal amount, due April 15, 2025	296	297
1.20% senior notes, €300 principal amount, due July 7, 2026	361	333
2.60% senior notes, £300 principal amount, due July 7, 2028	408	383
4.00% senior notes, $300 principal amount, due April 15, 2038	293	293
3.75% senior notes, $250 principal amount, due January 15, 2043	248	248
4.50% senior notes, $500 principal amount, due July 15, 2045	487	487
	$ 2,341	$ 2,290

Debt payments required over the next five fiscal years consist of $0 in 2020, $0 in 2021, $0 in 2022, $250 in 2023, $0 in 2024, and $2,073 after 2024.

The senior notes contain terms and covenants customary of these types of unsecured securities, including limitations on the amount of secured debt we can issue.

As of April 30, 2018, our short-term borrowings consisted of $215 of commercial paper, with an average interest rate of 2.04% and an average remaining maturity of 23 days. As of April 30, 2019, our short-term borrowings consisted of $150 of commercial paper, with an average interest rate of 2.60% and an average remaining maturity of 18 days.

We have a committed revolving credit agreement with various U.S. and international banks for $800 that expires in November 2022. At April 30, 2019, there were no borrowings outstanding under this facility.

8. Common Stock

The following table shows the change in outstanding common shares during each of the last three years:

	Outstanding		
(Shares in thousands)	Class A	Class B	Total
Balance at April 30, 2016	169,060	325,293	494,353
Acquisition of treasury stock	(77)	(14,768)	(14,845)
Stock issued under compensation plans	68	530	598
Balance at April 30, 2017	169,051	311,055	480,106
Acquisition of treasury stock	(25)	(6)	(31)
Stock issued under compensation plans	36	890	926
Balance at April 30, 2018	169,062	311,939	481,001
Acquisition of treasury stock	(145)	(4,212)	(4,357)
Stock issued under compensation plans	82	446	528
Balance at April 30, 2019	168,999	308,173	477,172

During fiscal 2017, our Board of Directors approved a stock split, effected as a stock dividend, that resulted in the issuance of one new share of Class A common stock for each share of Class A common stock outstanding and one new share of Class B common stock for each share of Class B common stock outstanding. The new shares were distributed on August 18, 2016, to stockholders of record as of August 8, 2016.

During fiscal 2018, we retired 67,000,000 shares of Class B common stock previously held as treasury shares.

During fiscal 2018, our Board of Directors approved another stock split effected as a stock dividend. For every four shares of either Class A or Class B common stock held, shareholders of record as of the close of business on February 7, 2018, received one share of Class B common stock, with any fractional shares payable in cash. The additional shares and cash for fractional shares were distributed to stockholders on February 28, 2018.

The following table shows the effects of the stock splits and treasury stock retirement on the number of issued common shares:

	Issued		
(Shares in thousands)	Class A	Class B	Total
Balance at April 30, 2016	85,000	142,313	227,313
Stock split	85,000	142,313	227,313
Balance at April 30, 2017	170,000	284,626	454,626
Retirement of treasury stock	—	(67,000)	(67,000)
Stock split	—	96,906	96,906
Balance at April 30, 2018 and 2019	170,000	314,532	484,532

Except for the pre-split share balances and activity included in the above table, all share and per share amounts reported in these consolidated financial statements and related notes are presented on a split-adjusted basis.

9. Net Sales

The following table shows our net sales by geography:

	2017	2018	2019
United States	$ 1,444	$ 1,539	$ 1,574
Developed International[1]	852	908	917
Emerging[2]	487	575	597
Travel Retail[3]	123	139	140
Non-branded and bulk[4]	88	87	96
	$ 2,994	$ 3,248	$ 3,324

[1]Represents net sales of branded products to "advanced economies" as defined by the International Monetary Fund (IMF), excluding the United States. Our largest developed international markets are the United Kingdom, Australia, Germany, France, and Japan.

[2]Represents net sales of branded products to "emerging and developing economies" as defined by the IMF. Our largest emerging markets are Mexico, Poland, Russia, and Brazil.

[3]Represents net sales of branded products to global duty-free customers, other travel retail customers, and the U.S. military regardless of customer location.

[4]Includes net sales of used barrels, bulk whiskey and wine, and contract bottling regardless of customer location.

The following table shows our net sales by product category:

	2017	2018	2019
Whiskey[1]	$ 2,328	$ 2,543	$ 2,608
Tequila[2]	214	247	263
Vodka[3]	118	130	124
Wine[4]	188	187	187
Rest of portfolio	58	54	46
Non-branded and bulk[5]	88	87	96
	$ 2,994	$ 3,248	$ 3,324

[1]Includes all whiskey spirits and whiskey-based flavored liqueurs, ready-to-drink, and ready-to-pour products. The brands included in this category are the Jack Daniel's family of brands, Woodford Reserve, Canadian Mist, GlenDronach, BenRiach, Glenglassaugh, Old Forester, Early Times, Slane Irish Whiskey, and Coopers' Craft.

[2]Includes el Jimador, Herradura, New Mix, Pepe Lopez, and Antiguo.

[3]Includes Finlandia.

[4]Includes Korbel Champagne and Sonoma-Cutrer wines.

[5]Includes net sales of used barrels, bulk whiskey and wine, and contract bottling regardless of customer location.

10. Pension and Other Postretirement Benefits

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

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

	Pension Benefits		Medical and Life Insurance Benefits	
	2018	2019	2018	2019
Obligation at beginning of year	$ 893	$ 903	$ 52	$ 50
Service cost	24	24	1	1
Interest cost	29	34	1	2
Net actuarial loss (gain)	2	28	(1)	—
Plan amendments	6	—	—	—
Retiree contributions	—	—	1	1
Benefits paid	(51)	(81)	(4)	(4)
Obligation at end of year	$ 903	$ 908	$ 50	$ 50

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

As shown in the previous table, the change in the value of our pension and other postretirement benefit obligations also includes the effect of benefit payments and retiree contributions. Expected benefit payments (net of retiree contributions) over the next 10 years are as follows:

	Pension Benefits	Medical and Life Insurance Benefits
2020	$ 59	$ 3
2021	58	3
2022	59	3
2023	60	3
2024	61	3
2025 – 2029	414	16

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

Asset allocation is the most important method for achieving our investment goals and is based on our assessment of the plans' long-term return objectives and the appropriate balances needed for liquidity, stability, and diversification. As of April 30, 2019, our target asset allocation is a mix of 40% public equity investments, 47% fixed income investments, and 13% alternative investments.

The following table shows the fair value of pension plan assets by category as of the end of the last two years. (Fair value levels are defined in Note 15.)

	Level 1	Level 2	Level 3	Total
April 30, 2018				
Equity securities	$ 89	$ —	$ —	$ 89
Cash and temporary investments	—	—	—	—
Limited partnership interest[1]	—	—	4	4
	$ 89	$ —	$ 4	93
Investments measured at net asset value:				
Commingled trust funds[2]:				
Equity funds				226
Fixed income funds				362
Real estate funds				66
Short-term investments				5
Limited partnership interests[3]				27
Hedge funds[4]				1
Total				$ 780
April 30, 2019				
Equity securities	$ 79	$ —	$ —	$ 79
Cash and temporary investments	29	—	—	29
Limited partnership interest[1]	—	—	3	3
	$ 108	$ —	$ 3	111
Investments measured at net asset value:				
Commingled trust funds[2]:				
Equity funds				157
Fixed income funds				370
Real estate funds				66
Short-term investments				23
Limited partnership interests[3]				27
Hedge funds[4]				—
Total				$ 754

[1] This limited partnership interest was initially valued at cost and has been adjusted to fair value as determined in good faith by management of the partnership using various factors, and does not meet the requirements for reporting at the net asset value (NAV). The valuation requires significant judgment due to the absence of quoted market prices, the inherent lack of liquidity, and the long-term nature of the investment. This limited partnership has a term expiring in 2020, although this period may be extended.
[2] Commingled trust fund valuations are based on the NAV of the funds as determined by the fund administrators and reviewed by us. NAV represents the underlying assets owned by the fund, minus liabilities and divided by the number of shares or units outstanding. Generally, for commingled trust funds other than real estate, redemptions are permitted daily with no notice period. The real estate fund is redeemable quarterly with 110 days' notice.
[3] These limited partnership interests were initially valued at cost and have been adjusted using NAV per audited financial statements. Investments are generally not eligible for immediate redemption and have original terms averaging 10 to 13 years, although those periods may be extended.
[4] Hedge fund valuations are based primarily on the NAV of the funds as determined by fund administrators and reviewed by us. During our review, we determine whether it is necessary to adjust a valuation for inherent liquidity and redemption issues that may exist within a fund's underlying assets or fund unit values.

The following table shows how the fair value of the Level 3 assets changed during each of the last two years. There were no transfers of assets between Level 3 and either of the other two levels.

	Level 3
Balance as of April 30, 2017	$ 4
Return on assets held at end of year	1
Sales and settlements	(1)
Balance as of April 30, 2018	4
Sales and settlements	(1)
Balance as of April 30, 2019	$ 3

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

	Pension Benefits		Medical and Life Insurance Benefits	
	2018	2019	2018	2019
Assets at beginning of year	$ 623	$ 780	$ —	$ —
Actual return on assets	53	34	—	—
Retiree contributions	—	—	1	1
Company contributions	155	21	3	3
Benefits paid	(51)	(81)	(4)	(4)
Assets at end of year	$ 780	$ 754	$ —	$ —

We currently expect to contribute $21 to our pension plans and $4 to our postretirement medical and life insurance benefit plans during 2020.

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

	Pension Benefits		Medical and Life Insurance Benefits	
April 30,	2018	2019	2018	2019
Assets	$ 780	$ 754	$ —	$ —
Obligations	(903)	(908)	(50)	(50)
Funded status	$ (123)	$ (154)	$ (50)	$ (50)

The funded status is recorded on the accompanying consolidated balance sheets as follows:

April 30,	Pension Benefits		Medical and Life Insurance Benefits	
	2018	2019	2018	2019
Other assets	$ 26	$ 2	$ —	$ —
Accounts payable and accrued expenses	(5)	(6)	(3)	(3)
Accrued postretirement benefits	(144)	(150)	(47)	(47)
Net liability	$ (123)	$ (154)	$ (50)	$ (50)
Accumulated other comprehensive income (loss), before tax:				
Net actuarial gain (loss)	$ (291)	$ (298)	$ (10)	$ (10)
Prior service credit (cost)	(9)	(8)	13	10
	$ (300)	$ (306)	$ 3	$ —

The following table compares our pension plans whose assets exceed their accumulated benefit obligations with those whose obligations exceed their assets. (As noted above, we have no assets set aside for postretirement medical or life insurance benefits.)

April 30,	Plan Assets		Accumulated Benefit Obligation		Projected Benefit Obligation	
	2018	2019	2018	2019	2018	2019
Plans with assets in excess of accumulated benefit obligation	$ 780	$ 754	$ 669	$ 668	$ 754	$ 752
Plans with accumulated benefit obligation in excess of assets	—	—	123	136	149	156
Total	$ 780	$ 754	$ 792	$ 804	$ 903	$ 908

Pension cost. The following table shows the components of the pension cost recognized during each of the last three years. The amount for each year includes amortization of the prior service cost/credit and net actuarial loss/gain included in accumulated other comprehensive loss as of the beginning of the year.

	Pension Benefits		
	2017	2018	2019
Service cost	$ 26	$ 24	$ 24
Interest cost	35	29	34
Expected return on assets	(41)	(41)	(47)
Amortization of:			
Prior service cost (credit)	1	1	1
Net actuarial loss (gain)	25	21	19
Settlement charge	1	—	15
Net cost	$ 47	$ 34	$ 46

The prior service cost/credit, which represents the effect of plan amendments on benefit obligations, is amortized on a straight-line basis over the average remaining service period of the employees expected to receive the benefits. The net actuarial loss/gain results from experience different from that assumed or from a change in actuarial assumptions (including the difference between actual and expected return on plan assets), and is amortized over at least that same period. The estimated amount of prior service cost and net actuarial loss that will be amortized from accumulated other comprehensive loss into pension cost in 2020 is $1 and $19, respectively.

Other postretirement benefits cost. The following table shows the components of the postretirement medical and life insurance benefits cost that we recognized during each of the last three years.

	Medical and Life Insurance Benefits		
	2017	2018	2019
Service cost	$ 1	$ 1	$ 1
Interest cost	2	1	2
Amortization of:			
Prior service cost (credit)	(3)	(3)	(3)
Net actuarial loss (gain)	1	1	1
Net cost	$ 1	$ —	$ 1

The estimated amount of prior service credit and net actuarial loss that will be amortized from accumulated other comprehensive loss into postretirement medical and life insurance benefits cost in 2020 is $3 and $1, respectively.

Other comprehensive income (loss). Prior service cost/credit and net actuarial loss/gain are recognized in other comprehensive income or loss (OCI) during the period in which they arise. These amounts are later amortized from accumulated OCI into pension and other postretirement benefit cost over future periods as described above. The following table shows the pre-tax effect of these amounts on OCI during each of the last three years.

	Pension Benefits			Medical and Life Insurance Benefits		
	2017	2018	2019	2017	2018	2019
Prior service credit (cost)	$ (1)	$ (6)	$ —	$ 4	$ —	$ —
Net actuarial gain (loss)	24	10	(41)	—	1	—
Amortization reclassified to earnings:						
Prior service cost (credit)	1	1	1	(3)	(3)	(3)
Net actuarial loss (gain)	26	21	34	1	1	1
Net amount recognized in OCI	$ 50	$ 26	$ (6)	$ 2	$ (1)	$ (2)

Assumptions and sensitivity. We use various assumptions to determine the obligations and cost related to our pension and other postretirement benefit plans. The weighted-average assumptions used in computing benefit plan obligations as of the end of the last two years were as follows:

	Pension Benefits		Medical and Life Insurance Benefits	
	2018	2019	2018	2019
Discount rate	4.23%	4.04%	4.20%	3.98%
Rate of salary increase	4.00%	4.00%	n/a	n/a

The weighted-average assumptions used in computing benefit plan cost during each of the last three years were as follows:

	Pension Benefits			Medical and Life Insurance Benefits		
	2017	2018	2019	2017	2018	2019
Discount rate for service cost	4.02%	4.29%	4.30%	3.96%	4.39%	4.34%
Discount rate for interest cost	4.02%	3.40%	3.93%	3.96%	3.35%	3.90%
Rate of salary increase	4.00%	4.00%	4.00%	n/a	n/a	n/a
Expected return on plan assets	7.00%	6.75%	6.50%	n/a	n/a	n/a

The assumed discount rates are determined using a yield curve based on the interest rates of high-quality debt securities with maturities corresponding to the expected timing of our benefit payments. Beginning in fiscal 2018, we changed the method used to estimate the service cost and interest cost for these benefit plans. The new estimation approach discounts the individual expected cash flows underlying the service cost and interest cost using the applicable spot rates derived from the yield curve used to discount the cash flows used to measure the benefit obligation at the beginning of the period. Previously, we estimated these service and interest cost components using a single weighted-average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. We believe the new approach provides a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and the corresponding spot yield curve rates.

The assumed rate of salary increase reflects the expected average annual increase in salaries as a result of inflation, merit increases, and promotions over the service period of the plan participants.

The expected return on plan assets represents the long-term rate of return that we assume will be earned over the life of the pension assets. The assumption reflects expected capital market returns for each asset class, which are based on historical returns, adjusted for the expected effects of diversification and active management (net of fees).

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

	Medical and Life Insurance Benefits	
	2018	**2019**
Health care cost trend rate assumed for next year	7.70%	7.30%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00%	5.00%
Year that the rate reaches the ultimate trend rate	2025	2025

A one percentage point change in the assumed health care cost trend rate would not have significantly changed the accumulated postretirement benefit obligation as of April 30, 2019, or the aggregate service and interest costs for 2019.

Savings plans. We also sponsor various defined contribution benefit plans that together cover substantially all U.S. employees. Employees can make voluntary contributions in accordance with their respective plans, which include a 401(k) tax deferral option. We match a percentage of each employee's contributions in accordance with plan terms. We expensed $11, $12, and $12 for matching contributions during 2017, 2018, and 2019, respectively.

International plans. The information presented above for defined benefit plans and defined contribution benefit plans reflects amounts for U.S. plans only. Information about similar international plans is not presented due to immateriality.

11. Stock-Based Compensation

The Brown-Forman 2013 Omnibus Compensation Plan is our incentive compensation plan, designed to reward participants (including eligible officers, employees, and non-employee directors) for company performance. Under the Plan, we can grant stock-based incentive awards for up to 20,750,000 shares of common stock to eligible participants until July 28, 2023. As of April 30, 2019, awards for approximately 14,141,000 shares remain available for issuance under the Plan. We try to limit the source of shares delivered to participants under the Plan to treasury shares that we purchase from time to time on the open market (in connection with a publicly announced share repurchase program), in private transactions, or otherwise.

Awards granted under the Plan include stock-settled stock appreciation rights (SSARs), restricted stock units (RSUs), and deferred stock units (DSUs).

SSARs. We grant SSARs at an exercise price equal to the closing market price of the underlying stock on the grant date. SSARs become exercisable after three years from the first day of the fiscal year of grant and generally are exercisable for seven years after that date. The following table presents information about SSARs outstanding as of April 30, 2019, and for the year then ended.

	Number of SSARs (in thousands)	Weighted-Average Exercise Price per SSAR	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at April 30, 2018	7,215	$ 29.67		
Granted	605	54.00		
Exercised	(903)	17.13		
Forfeited or expired	(65)	52.49		
Outstanding at April 30, 2019	6,852	$ 33.25	4.9	$ 138
Exercisable at April 30, 2019	4,381	$ 28.10	3.6	$ 110

We use the Black-Scholes pricing model to calculate the grant-date fair value of a SSAR. The weighted-average grant-date fair values and related valuation assumptions for the SSARS granted during each of the last three years were as follows:

	2017	2018	2019
Grant-date fair value	$ 5.73	$ 6.79	$ 11.06
Valuation assumptions:			
Expected term (years)	7.00	7.00	7.00
Risk-free interest rate	1.4%	2.2%	2.9%
Expected volatility	16.3%	15.6%	17.1%
Expected dividend yield	1.6%	1.5%	1.4%

The expected term is based on past exercise experience for similar awards. The risk-free interest rate is based on zero-coupon U.S. Treasury rates as of the date of grant. Expected volatility and dividend yield are based on historical data, with consideration of other factors when applicable.

RSUs. RSUs consist predominantly of performance-based RSUs that vest at the end of a three-year performance period that begins on the first day of the fiscal year of grant. Performance is measured based on the relative ranking of the total shareholder return of our Class B common stock during the three-year performance period compared to that of the companies within the Standard & Poor's Consumer Staples Index at the end of the performance period, with specific payout levels ranging from 50% to 150%. At the end of the performance period, the RSUs are converted to common shares that are subject to an additional one-year holding requirement. The number of shares is determined by adjusting the RSUs by the performance multiplier and adjusting upward to account for dividends paid on our common stock during the second and third years of the performance period.

The following table presents information about RSUs outstanding as of April 30, 2019, and for the year then ended.

	Number of RSUs (in thousands)	Weighted-Average Fair Value at Grant Date
Outstanding at April 30, 2018	418	$ 42.90
Granted	98	$ 55.29
Converted to common shares	(123)	$ 45.44
Forfeited	(11)	$ 55.15
Outstanding at April 30, 2019	382	$ 44.91

We calculate the grant-date fair value of a performance based RSU using a Monte Carlo simulation technique. The weighted average grant-date fair values and related valuation assumptions for these awards granted during each of the last three years were as follows:

	2017	2018	2019
Grant-date fair value	$ 38.07	$ 46.93	$ 55.29
Valuation assumptions:			
Risk-free interest rate	0.8%	1.5%	2.7%
Expected volatility	17.8%	18.9%	20.8%
Expected dividend yield	1.3%	1.4%	1.2%
Remaining performance period (years) as of grant date	2.8	2.8	2.8

DSUs. DSUs are granted to our non-employee directors. Each DSU represents the right to receive one share of common stock based on the closing price of the shares on the date of grant. Outstanding DSUs are credited with dividend-equivalent DSUs when dividends are paid on our common stock. Each annual grant vests after one year. DSUs are paid out in shares after the completion of a director's tenure on the board plus a six-month waiting period. The director may elect to receive the distribution either in a single lump sum or in ten equal annual installments. As of April 30, 2019, there were approximately 216,000 outstanding DSUs, of which approximately 193,000 were vested.

The grant-date fair value of a DSU is the closing market price of the underlying stock on the grant date. The weighted average grant-date fair values for these awards granted during each of the last three years were as follows:

	2017	2018	2019
Grant-date fair value	$ 42.06	$ 41.81	$ 54.20

Additional information. The pre-tax stock-based compensation expense and related deferred income tax benefits recognized during the last three fiscal years were as follows:

	2017	2018	2019
Pre-tax compensation expense	$ 14	$ 19	$ 14
Deferred tax benefit	5	6	2

As of April 30, 2019, there was $5 of total unrecognized compensation cost related to non-vested stock-based awards. That cost is expected to be recognized over a weighted-average period of 1.6 years. Further information related to our stock-based awards for the last three years is as follows:

	2017	2018	2019
Intrinsic value of SSARs exercised	$ 28	$ 73	$ 31
Fair value of shares vested[1]	8	6	20
Excess tax benefit from exercise / vesting of awards	9	18	7

[1]The fair value of shares vested in fiscal 2019 includes $10 related to a one-time performance-based special grant of restricted stock issued in fiscal 2014 to our Chief Executive Officer (who retired in fiscal 2019). During the performance period, dividends accrued and the award was adjusted for all applicable stock splits during the vesting period, subject to the same performance measures as the initial grant. The resulting shares vested on June 1, 2018.

12. Income Taxes

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

	2017	2018	2019
United States	$ 806	$ 747	$ 863
Foreign	127	230	179
	$ 933	$ 977	$ 1,042

The income shown above was determined according to GAAP. Because those standards sometimes differ from the tax rules used to calculate taxable income, there are differences between: (a) the amount of taxable income and pretax financial income for a year and (b) the tax bases of assets or liabilities and their amounts as recorded in our financial statements. As a result, we recognize a current tax liability for the estimated income tax payable on the current tax return, and deferred tax liabilities (income tax payable on income that will be recognized on future tax returns) and deferred tax assets (income tax refunds from deductions that will be recognized on future tax returns) for the estimated effects of the differences mentioned above.

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

	2017	2018	2019
Current:			
U.S. federal	$ 226	$ 265	$ 107
Foreign	40	47	34
State and local	8	17	28
	274	329	169
Deferred:			
U.S. federal	(1)	(48)	37
Foreign	(9)	(13)	4
State and local	—	(8)	(3)
	(10)	(69)	38
	$ 264	$ 260	$ 207

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (Tax Act). The Tax Act significantly revised the future, ongoing U.S. corporate income tax by, among other things, lowering U.S. corporate income tax rates and implementing a territorial tax system. Because we have an April 30 fiscal year-end, the lower corporate income tax rate was phased in, resulting in a U.S. statutory federal rate of 30.4% for our fiscal year ended April 30, 2018, and 21% for fiscal 2019 and subsequent fiscal years. For the year ended April 30, 2019, the reduction of the U.S. statutory federal rate from 35% (the pre-Tax Act rate) to 21% resulted in a tax benefit of $115.

There were also certain transitional impacts of the Tax Act. As part of the transition to the new territorial tax system, the Tax Act imposed a one-time repatriation tax on deemed repatriation of historical earnings of foreign subsidiaries. In addition, we adjusted our U.S. deferred tax assets and liabilities to the lower federal base rate of 21%. These transitional impacts resulted in a provisional net charge of $43 for the year ended April 30, 2018, composed of a provisional repatriation U.S. tax charge of $91 and a provisional net deferred tax benefit of $48. In the fiscal year ended April 30, 2019, we recorded a benefit of $4 as an adjustment to the provisional repatriation tax.

The changes included in the Tax Act are broad and complex. The U.S. Securities and Exchange Commission issued rules that allowed for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. As of April 30, 2019, the amounts recorded for the Tax Act for the one-time repatriation tax and the adjustment to our U.S. deferred tax assets and liabilities have been finalized and are no longer deemed to be provisional.

The Tax Act also established new tax provisions that impact our financial statements beginning in fiscal 2019. These new provisions include (a) Global Intangible Low-Tax Income (GILTI), a new inclusion rule affecting non-routine income earned by foreign subsidiaries; (b) Base Erosion Anti-Abuse Tax (BEAT), a new minimum tax; (c) Foreign-Derived Intangible Income (FDII), a new preferential tax rate for domestic income earned from serving foreign markets; (d) repeal of the domestic production activity deduction; and (e) limitations on the deductibility of certain executive compensation. For the fiscal year ended April 30, 2019, the net impact of these provisions was $12 of additional tax.

As noted, certain income earned by foreign subsidiaries must be included in U.S. taxable income under the GILTI provisions. The FASB allows an accounting policy election to recognize deferred taxes for temporary differences expected to reverse as GILTI either in future years (deferred method) or as a current period expense when incurred (period cost method). We have elected to account for GILTI using the period cost method.

As of April 30, 2019, we had approximately $1,266 of undistributed earnings from our foreign subsidiaries ($1,270 at April 30, 2018). Most of these earnings have been previously subject to tax, primarily as a result of the one-time repatriation tax on foreign earnings required by the Tax Act. Historically, we have asserted that the undistributed earnings of our foreign subsidiaries are reinvested indefinitely outside the United States. During fiscal 2019, we changed our indefinite reinvestment assertion with respect to current year earnings and prior year undistributed earnings for one of those foreign subsidiaries (but not for its other outside basis differences) and repatriated $120 of cash to the United States from this subsidiary. No incremental taxes were due on this distribution of cash beyond the repatriation tax recorded in fiscal year 2018. In addition, we changed our indefinite reinvestment assertion with respect to current year earnings and prior year undistributed earnings for additional select foreign subsidiaries (but not other outside basis differences). Although these earnings are no longer indefinitely reinvested and may now be distributed within our foreign entity structure, they remain indefinitely reinvested outside the United States. No deferred taxes have been recorded, because any applicable income taxes would be insignificant and no withholding taxes would be due on their distribution. We have not changed the indefinite reinvestment assertion on the undistributed earnings or other outside basis differences of any of our other remaining foreign subsidiaries, and no deferred taxes have been provided. If the undistributed earnings were not considered permanently reinvested, deferred tax liabilities would have been provided for any applicable income taxes and withholding taxes payable in various countries, which would not be significant. A determination of the unrecognized deferred tax liabilities on the other outside basis differences reinvested indefinitely at April 30, 2019, is not practicable due to the complexities in the calculations. The other outside basis differences are primarily related to differences between U.S. GAAP and tax basis that arose through purchase accounting. These basis differences could reverse through sales of foreign subsidiaries or other transactions, none of which are considered probable as of April 30, 2019.

Our consolidated effective tax rate usually differs from current statutory rates due to the recognition of amounts for events or transactions with no tax consequences. The following table reconciles our effective tax rate to the federal statutory tax rate in the United States:

	Percent of Income Before Taxes		
	2017	2018	2019
U.S. federal statutory rate	35.0%	30.4%	21.0%
State taxes, net of U.S. federal tax benefit	0.9%	0.8%	2.1%
Income taxed at other than U.S. federal statutory rate	(1.7%)	(3.4%)	(0.1%)
Tax benefit from foreign-derived sales	—%	—%	(1.7%)
Adjustments related to prior years	(0.7%)	(0.9%)	(1.2%)
Tax benefit from U.S. manufacturing	(2.4%)	(2.5%)	—%
Amortization of deferred tax benefit from intercompany transactions	(1.7%)	(1.6%)	—%
Excess tax benefits from stock-based awards	(1.0%)	(1.8%)	(0.7%)
Impact of Tax Act	—%	2.5%	(0.4%)
Other, net	(0.1%)	3.1%	0.8%
Effective rate	28.3%	26.6%	19.8%

Deferred tax assets and liabilities as of the end of each of the last two years were as follows:

April 30,	2018	2019
Deferred tax assets:		
Postretirement and other benefits	$ 89	$ 87
Accrued liabilities and other	36	23
Inventories	48	34
Loss and credit carryforwards	51	55
Valuation allowance	(29)	(25)
Total deferred tax assets, net	195	174
Deferred tax liabilities:		
Intangible assets	(199)	(218)
Property, plant, and equipment	(64)	(73)
Other	(1)	(12)
Total deferred tax liabilities	(264)	(303)
Net deferred tax liability	$ (69)	$ (129)

Details of the loss and credit carryforwards and related valuation allowances as of the end of each of the last two years are as follows:

	April 30, 2018			April 30, 2019			
	Gross Amount	Deferred Tax Asset	Valuation Allowance	Gross Amount	Deferred Tax Asset	Valuation Allowance	Expiration (as of April 30, 2019)
Finland net operating losses	$ 94	$ 19	$ —	$ 105	$ 21	$ —	2024-2029
Brazil net operating losses	48	16	(16)	42	14	(14)	None
United Kingdom non-trading losses	29	6	(6)	27	5	(5)	None
Various state net operating losses and credits	34	2	—	68	6	—	Various[1]
Other	41	8	(7)	54	9	(6)	Various[2]
	$ 246	$ 51	$ (29)	$ 296	$ 55	$ (25)	

[1]As of April 30, 2019, the net deferred tax asset amount includes credit carryforwards of $2 that do not expire and loss and credit carryforwards of $4 that expire in varying amounts from 2023 to 2039.

[2]As of April 30, 2019, the gross amount includes loss carryforwards of $32 that do not expire and $22 that expire in varying amounts over the next 10 years.

Although the losses in Brazil can be carried forward indefinitely, it is uncertain whether we will realize sufficient taxable income to allow us to use these losses. The non-trading losses in the United Kingdom can also be carried forward indefinitely. However, we know of no significant transactions that will let us use them.

During fiscal 2014, we deferred a tax benefit of $95 that resulted primarily from the release of certain deferred tax liabilities in connection with an intercompany transfer of assets, composed primarily of an intangible asset. We amortized the deferred benefit to tax expense over approximately six years for financial reporting purposes, in accordance with Accounting Standard Codification (ASC) 740-10-25-3(e) (Income Taxes) and ASC 810-45-8 (Consolidation), resulting in a cumulative tax benefit of $68 through April 30, 2018. The remaining balance of the deferred benefit, which is included in "other liabilities" on the accompanying consolidated balance sheet as of April 30, 2018, was $27. As discussed in Note 2, revised accounting guidance (ASU 2016-16) requires the recognition of income tax consequences of intercompany transfers of assets other than inventory when the transfer occurs. Our adoption of this revised guidance resulted in this balance being recognized as an increase in retained earnings rather than as a reduction in income tax expense.

At April 30, 2019, we had $11 of gross unrecognized tax benefits, $9 of which would reduce our effective income tax rate if recognized. A reconciliation of the beginning and ending unrecognized tax benefits follows:

	2017	2018	2019
Unrecognized tax benefits at beginning of year	$ 9	$ 9	$ 11
Additions for tax positions provided in prior periods	2	5	1
Additions for tax positions provided in current period	—	1	1
Decreases for tax positions provided in prior years	(2)	(4)	(2)
Unrecognized tax benefits at end of year	$ 9	$ 11	$ 11

We file income tax returns in the United States, including several state and local jurisdictions, as well as in several other countries in which we conduct business. The major jurisdictions and their earliest fiscal years that are currently open for tax examinations are 2014 for one state in the United States; 2017 in the United Kingdom; 2015 in Australia; 2014 in Finland, Germany, Poland, and the Netherlands; and 2013 in Brazil and Mexico. The audit of our fiscal 2017 U.S. federal tax return was concluded in the second quarter of fiscal 2019; we expect the audit of the fiscal 2018 U.S. federal tax return to be concluded in the first half of fiscal 2020. In addition, we are participating in the Internal Revenue Service's Compliance Assurance Program for our fiscal 2019 tax year.

We believe there will be no material change in our gross unrecognized tax benefits in the next 12 months.

13. Acquisition of Business

On June 1, 2016, we acquired The BenRiach Distillery Company Limited (BenRiach) for aggregate consideration of $407, consisting of a purchase price of $341 and $66 in assumed debt and transaction-related obligations that we have since paid. The acquisition, which brought three single malt Scotch whisky brands into our portfolio, included brand trademarks, inventories, three malt distilleries, a bottling plant, and BenRiach's headquarters in Edinburgh, Scotland.

The purchase price of $341 included cash of $307 paid at the acquisition date for 90% of the voting interests in BenRiach and a liability of $34 related to a put and call option agreement for the remaining 10% equity shares. Under that agreement, we could choose (or be required) to purchase the remaining 10% for £24 ($34 at the exchange rate on June 1, 2016) during the one-year period ending November 14, 2017.

The purchase price of $341 was allocated based on management's estimates and independent appraisals as follows:

	June 1, 2016
Accounts receivable	$ 11
Inventories	158
Other current assets	1
Property, plant, and equipment	19
Goodwill	183
Trademarks and brand names	65
Total assets	437
Accounts payable and accrued expenses	12
Short-term borrowings	59
Deferred tax liabilities	25
Total liabilities	96
Net assets acquired	$ 341

Goodwill is calculated as the excess of the purchase price over the fair value of the net identifiable assets acquired. The goodwill resulting from this acquisition is primarily attributable to: (a) the value of leveraging our distribution network and brand-building expertise to grow global sales of the existing single malt Scotch whisky brands acquired, (b) the valuable opportunity to develop new products and line extensions in the especially attractive premium Scotch whisky category, and (c) the accumulated knowledge and expertise of the organized workforce employed by the acquired business. None of the goodwill amount of $183 is expected to be deductible for tax purposes.

On November 17, 2016, we purchased the remaining 10% interest in BenRiach for cash of £24 ($30 at the exchange rate on that date) by exercising the call option described above. That cash payment is classified as a financing activity in the accompanying consolidated statement of cash flows.

BenRiach's results of operations have been included in our consolidated financial statements since the acquisition date. Actual and pro forma results are not presented due to immateriality.

14. Derivative Financial Instruments and Hedging Activities

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

We use currency derivative contracts to limit our exposure to the currency exchange risk that we cannot mitigate internally by using netting strategies. We designate most of these contracts as cash flow hedges of forecasted transactions (expected to occur within three years). We record all changes in the fair value of cash flow hedges (except any ineffective portion) in accumulated other comprehensive income (AOCI) until the underlying hedged transaction occurs, at which time we reclassify that amount into earnings. We assess the effectiveness of these hedges based on changes in forward exchange rates. The ineffective portion of the changes in fair value of our hedges (recognized immediately in earnings) during the periods presented in this report was not material.

We had outstanding currency derivatives, related primarily to our euro, British pound, and Australian dollar exposures, with notional amounts totaling $1,098 and $1,241 at April 30, 2018 and 2019, respectively.

We also use foreign currency-denominated debt to help manage our currency exchange risk. The amount of foreign currency-denominated debt designated as net investment hedges was $633 and $635 as of April 30, 2018 and 2019, respectively. These net investment hedges are intended to mitigate foreign exchange exposure related to non-U.S. dollar net investments in certain foreign subsidiaries. Any change in value of the designated portion of the hedging instruments is recorded in AOCI, offsetting the foreign currency translation adjustment of the related net investments that is also recorded in AOCI. There was no ineffectiveness related to our net investment hedges in any of the periods presented in these financial statements.

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

We use forward purchase contracts with suppliers to protect against corn price volatility. We expect to physically take delivery of the corn underlying each contract and use it for production over a reasonable period of time. Accordingly, we account for these contracts as normal purchases rather than as derivative instruments.

The following table presents the pre-tax impact that changes in the fair value of our derivative instruments and non-derivative hedging instruments had on AOCI and earnings during each of the last three years:

	Classification in Statement of Operations	2017	2018	2019
Derivative Instruments				
Currency derivatives designated as cash flow hedges:				
Net gain (loss) recognized in AOCI	n/a	$ 41	$ (54)	$ 69
Net gain (loss) reclassified from AOCI into earnings	Sales	40	(11)	6
Currency derivatives designated as net investment hedge:				
Net gain (loss) recognized in AOCI	n/a	8	—	—
Currency derivatives not designated as hedging instruments:				
Net gain (loss) recognized in earnings	Sales	2	(5)	6
Net gain (loss) recognized in earnings	Other income	(5)	9	6
Non-Derivative Hedging Instruments				
Foreign currency-denominated debt designated as net investment hedge:				
Net gain (loss) recognized in AOCI	n/a	2	(41)	45
Foreign currency-denominated debt not designated as hedging instrument:				
Net gain (loss) recognized in earnings	Other income	3	(21)	9

We expect to reclassify $15 of deferred net gains on cash flow hedges recorded in AOCI as of April 30, 2019, to earnings during fiscal 2020. This reclassification would offset the anticipated earnings impact of the underlying hedged exposures. The actual amounts that we ultimately reclassify to earnings will depend on the exchange rates in effect when the underlying hedged transactions occur. The maximum term of outstanding derivative contracts was 36 months at both April 30, 2018 and 2019.

The following table presents the fair values of our derivative instruments as of April 30, 2018 and 2019:

	Balance Sheet Classification	Fair Value of Derivatives in a Gain Position	Fair Value of Derivatives in a Loss Position
April 30, 2018			
Designated as cash flow hedges:			
Currency derivatives	Other current assets	$ 2	$ (2)
Currency derivatives	Other assets	1	—
Currency derivatives	Accrued expenses	4	(23)
Currency derivatives	Other liabilities	2	(18)
Not designated as hedges:			
Currency derivatives	Accrued expenses	1	(5)
April 30, 2019			
Designated as cash flow hedges:			
Currency derivatives	Other current assets	21	(2)
Currency derivatives	Other assets	22	(1)
Currency derivatives	Accrued expenses	—	(5)
Currency derivatives	Other liabilities	—	(1)
Not designated as hedges:			
Currency derivatives	Accrued expenses	—	—

The fair values reflected in the above table are presented on a gross basis. However, as discussed further below, the fair values of those instruments subject to net settlement agreements are presented on a net basis in our balance sheets.

In our statements of cash flows, we classify cash flows related to cash flow hedges in the same category as the cash flows from the hedged items.

Credit risk. We are exposed to credit-related losses if the counterparties to our derivative contracts default. This credit risk is limited to the fair value of the contracts. To manage this risk, we contract only with major financial institutions that have earned investment-grade credit ratings and with whom we have standard International Swaps and Derivatives Association (ISDA) agreements that allow for net settlement of the derivative contracts. Also, we have established counterparty credit guidelines that we monitor regularly, and we monetize contracts when we believe it is warranted. Because of these safeguards, we believe we have no derivative positions that warrant credit valuation adjustments.

Some of our derivative instruments require us to maintain a specific level of creditworthiness, which we have maintained. If our creditworthiness were to fall below that level, then the counterparties to our derivative instruments could request immediate payment or collateralization for derivative instruments in net liability positions. The aggregate fair value of all derivatives with creditworthiness requirements that were in a net liability position was $38 and $6 at April 30, 2018 and 2019, respectively.

Offsetting. As noted above, our derivative contracts are governed by ISDA agreements that allow for net settlement of derivative contracts with the same counterparty. It is our policy to present the fair values of current derivatives (that is, those with a remaining term of 12 months or less) with the same counterparty on a net basis in our balance sheets. Similarly, we present the fair values of noncurrent derivatives with the same counterparty on a net basis. We do not net current derivatives with noncurrent derivatives in our balance sheets.

The following table summarizes the gross and net amounts of our derivative contracts:

	Gross Amounts of Recognized Assets (Liabilities)	Gross Amounts Offset in Balance Sheet	Net Amounts Presented in Balance Sheet	Gross Amounts Not Offset in Balance Sheet	Net Amounts
April 30, 2018					
Derivative assets	$ 10	$ (9)	$ 1	$ (1)	$ —
Derivative liabilities	(48)	9	(39)	1	(38)
April 30, 2019					
Derivative assets	43	(3)	40	—	40
Derivative liabilities	(9)	3	(6)	—	(6)

No cash collateral was received or pledged related to our derivative contracts as of April 30, 2018 or 2019.

15. Fair Value Measurements

The following table summarizes the assets and liabilities measured or disclosed at fair value on a recurring basis:

	2018		2019	
April 30,	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	$ 239	$ 239	$ 307	$ 307
Currency derivatives	1	1	40	40
Liabilities:				
Currency derivatives	39	39	6	6
Short-term borrowings	215	215	150	150
Long-term debt	2,341	2,386	2,290	2,399

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. We categorize the fair values of assets and liabilities into three levels based upon the assumptions (inputs) used to determine those values. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant management judgment. The three levels are:

- Level 1 ─ Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 ─ Observable inputs other than those included in Level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, or other inputs that are observable or can be derived from or corroborated by observable market data.
- Level 3 ─ Unobservable inputs supported by little or no market activity.

We determine the fair values of our currency derivatives (forward contracts) using standard valuation models. The significant inputs used in these models, which are readily available in public markets or can be derived from observable market transactions, include the applicable spot exchange rates, forward exchange rates, and interest rates. These fair value measurements are categorized as Level 2 within the valuation hierarchy.

We determine the fair value of long-term debt primarily based on the prices at which identical or similar debt has recently traded in the market and also considering the overall market conditions on the date of valuation. These fair value measurements are categorized as Level 2 within the valuation hierarchy.

The fair values of cash, cash equivalents, and short-term borrowings approximate the carrying amounts due to the short maturities of these instruments.

We measure some assets and liabilities at fair value on a nonrecurring basis. That is, we do not measure them at fair value on an ongoing basis, but we do adjust them to fair value in some circumstances (for example, when we determine that an asset is impaired). No material nonrecurring fair value measurements were required during the periods presented in these financial statements.

16. Other Comprehensive Income

The following table presents the components of net other comprehensive income (loss) during each of the last three years:

	Pre-Tax	Tax	Net
Year Ended April 30, 2017			
Currency translation adjustments:			
Net gain (loss) on currency translation	$ (71)	$ (4)	$ (75)
Reclassification to earnings	3	(1)	2
Other comprehensive income (loss), net	(68)	(5)	(73)
Cash flow hedge adjustments:			
Net gain (loss) on hedging instruments	41	(17)	24
Reclassification to earnings[1]	(40)	16	(24)
Other comprehensive income (loss), net	1	(1)	—
Postretirement benefits adjustments:			
Net actuarial gain (loss) and prior service cost	28	(10)	18
Reclassification to earnings[2]	25	(10)	15
Other comprehensive income (loss), net	53	(20)	33
Total other comprehensive income (loss), net	$ (14)	$ (26)	$ (40)
Year Ended April 30, 2018			
Currency translation adjustments:			
Net gain (loss) on currency translation	$ 12	$ 12	$ 24
Reclassification to earnings	—	—	—
Other comprehensive income (loss), net	12	12	24
Cash flow hedge adjustments:			
Net gain (loss) on hedging instruments	(54)	18	(36)
Reclassification to earnings[1]	11	(3)	8
Other comprehensive income (loss), net	(43)	15	(28)
Postretirement benefits adjustments:			
Net actuarial gain (loss) and prior service cost	5	(2)	3
Reclassification to earnings[2]	20	(7)	13
Other comprehensive income (loss), net	25	(9)	16
Total other comprehensive income (loss), net	$ (6)	$ 18	$ 12
Year Ended April 30, 2019			
Currency translation adjustments:			
Net gain (loss) on currency translation	$ (16)	$ (11)	$ (27)
Reclassification to earnings	—	—	—
Other comprehensive income (loss), net	(16)	(11)	(27)
Cash flow hedge adjustments:			
Net gain (loss) on hedging instruments	69	(16)	53
Reclassification to earnings[1]	(6)	1	(5)
Other comprehensive income (loss), net	63	(15)	48
Postretirement benefits adjustments:			
Net actuarial gain (loss) and prior service cost	(41)	10	(31)
Reclassification to earnings[2]	33	(8)	25
Other comprehensive income (loss), net	(8)	2	(6)
Total other comprehensive income (loss), net	$ 39	$ (24)	$ 15

[1]Pre-tax amount is classified as sales in the accompanying consolidated statements of operations.
[2]Pre-tax amount is classified as non-operating postretirement expense in the accompanying consolidated statements of operations.

17. Supplemental Information

The following table presents net sales by geography:

	2017	2018	2019
Net sales:			
United States	$ 1,444	$ 1,539	$ 1,574
Europe	770	864	871
Australia	151	163	164
Other	629	682	715
	$ 2,994	$ 3,248	$ 3,324

Net sales are attributed to countries based on where customers are located. See Note 9 for additional information about net sales, including net sales by product category.

The net book value of property, plant, and equipment located outside the United States was $111 and $107 as of April 30, 2018 and 2019, respectively. Other long-lived assets located outside the United States are not significant.

We have concluded that our business constitutes a single operating segment.

Quarterly Financial Information (Unaudited)
(Expressed in millions, except per share amounts)

	Fiscal 2018					Fiscal 2019				
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
Net sales	$ 723	$ 914	$ 878	$ 733	$ 3,248	$ 766	$ 910	$ 904	$ 744	$ 3,324
Gross profit	493	610	587	512	2,202	523	590	571	482	2,166
Net income	178	239	190	110	717	200	249	227	159	835
Basic EPS	0.37	0.50	0.39	0.23	1.49	0.42	0.52	0.47	0.33	1.74
Diluted EPS	0.37	0.49	0.39	0.23	1.48	0.41	0.52	0.47	0.33	1.73
Cash dividends per share:										
Declared	0.292	—	1.316	—	1.608	0.316	—	0.332	—	0.648
Paid	0.146	0.146	0.158	1.158	1.608	0.158	0.158	0.166	0.166	0.648

Notes:

1. Quarterly amounts may not add to amounts for the year due to rounding. Further, quarterly earnings per share (EPS) amounts may not add to amounts for the year because quarterly and annual EPS calculations are performed separately.

2. Cash dividends for fiscal 2018 include a special dividend of $1.00 per share.

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

None.

Item 9A. ***Controls and Procedures***

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) (our principal executive and principal financial officers), has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of fiscal 2019. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures: (a) are effective to ensure that information required to be disclosed by the Company in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms; and (b) 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.

Changes in Internal Control over Financial Reporting. There has been no change in our internal control over financial reporting during the quarter ended April 30, 2019, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting and Report of Independent Registered Public Accounting Firm. Management's report on our internal control over financial reporting as of April 30, 2019, and our independent registered public accounting firm's report on our internal control over financial reporting are set forth in "Item 8. Financial Statements and Supplementary Data."

Item 9B. ***Other Information***

None.

PART III

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

Information on our Executive Officers is included under the caption "Employees and Executive Officers" in Part I of this report. For the other information required by this item, see the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 25, 2019, which information is incorporated into this report by reference: (a) "Election of Directors" (for biographical information on directors and family relationships); (b) "Code of Conduct" (for information on our Code of Ethics); (c) "Delinquent Section 16(a) Reports" (for information on compliance with Section 16 of the Exchange Act); (d) "Selection of Directors" (for information on the procedures by which security holders may recommend nominees to the Company's Board of Directors); and (e) "Corporate Governance" (for information on our Audit Committee).

Item 11. ***Executive Compensation***

For the information required by this item, refer to the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 25, 2019, which information is incorporated into this report by reference: (a) "Compensation Discussion and Analysis"; (b) "Compensation Tables"; (c) "Director Compensation"; (d) "Compensation Committee Interlocks and Insider Participation"; (e) "Compensation Committee Report"; and (f) "Pay Ratio Disclosure."

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

For equity compensation plan information, refer to "Item 5. Market for the Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities." For the other information required by this item, refer to the section entitled "Stock Ownership" of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 25, 2019, which information is incorporated into this report by reference.

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

For the information required by this item, refer to the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 25, 2019, which information is incorporated into this report by reference: (a) "Certain Relationships and Related Transactions"; and (b) "Our Independent Directors."

Item 14. ***Principal Accounting Fees and Services***

For the information required by this item, refer to the following sections of our definitive proxy statement for the Annual Meeting of Stockholders to be held July 25, 2019, which information is incorporated into this report by reference: (a) “Fees Paid to Independent Registered Public Accounting Firm”; and (b) “Audit Committee Pre-Approval Policies and Procedures.”

PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

		Page
(a)(1)	Financial Statements	
	The following documents are included in Item 8 of this report:	
	Report of Independent Registered Public Accounting Firm	56
	Consolidated Statements of Operations	58
	Consolidated Statements of Comprehensive Income	59
	Consolidated Balance Sheets	60
	Consolidated Statements of Cash Flows	61
	Consolidated Statements of Stockholders’ Equity	62
	Notes to Consolidated Financial Statements	63
(a)(2)	Financial Statement Schedule:	
	Schedule II – Valuation and Qualifying Accounts	97

We have omitted all other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission either because they are not required under the related instructions, because the information required is included in the consolidated financial statements and notes thereto, or because they do not apply.

(a)(3) *Exhibits:*

The following documents are filed with this report:

Exhibit Index

4.1	Description of Brown-Forman Corporation’s Class A Common Stock, par value $0.15 per share, and Class B Common Stock, par value $0.15 per share.
4.2	Description of Brown-Forman Corporation’s 1.200% Notes due 2026.
4.3	Description of Brown-Forman Corporation’s 2.600% Notes due 2028.
21	Subsidiaries of the Registrant.
23	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
31.1	CEO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	CFO Certification pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32	CEO and CFO Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (not considered to be filed).
101	The following materials from Brown-Forman Corporation’s Annual Report on Form 10-K for the fiscal year ended April 30, 2019, formatted in XBRL (eXtensible Business Reporting Language): (a) Consolidated Statements of Operations, (b) Consolidated Statements of Comprehensive Income, (c) Consolidated Balance Sheets, (d) Consolidated Statements of Cash Flows, (e) Consolidated Statements of Stockholders’ Equity, and (f) Notes to Consolidated Financial Statements.

The following documents have been previously filed:

Exhibit Index

3.1	Restated Certificate of Incorporation of registrant, incorporated into this report by reference to Exhibit 3.1 of Brown-Forman Corporation’s Quarterly Report on Form 10-Q for the quarter ended July 31, 2012, filed on September 5, 2012 (File No. 002-26821).
3.2	Certificate of Amendment of Restated Certificate of Incorporation of registrant, incorporated into this report by reference to Exhibit 3.1 of Brown-Forman Corporation’s Form 8-K filed on August 9, 2016 (File No. 001-00123).

Exhibit Index

3.3	By-laws of registrant, as amended and restated on January 29, 2019, incorporated into this report by reference to Exhibit 3.2 of Brown-Forman Corporation's Form 8-K filed on January 30, 2019 (File No. 001-00123).
4.4	Indenture dated as of April 2, 2007, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, incorporated into this report by reference to Exhibit 4.1 of Brown-Forman Corporation's Form 8-K filed on April 3, 2007 (File No. 002-26821).
4.5	First Supplemental Indenture dated as of December 13, 2010, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, incorporated into this report by reference to Exhibit 4.2 of Brown-Forman Corporation's Form S-3ASR Registration Statement filed on December 13, 2010 (File No. 333-171126).
4.6	Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, incorporated into this report by reference to Exhibit 4.3 of Brown-Forman Corporation's Form S-3ASR Registration Statement filed on June 24, 2015 (File No. 333-205183).
4.7	Form of 2.25% Note due 2023, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on December 12, 2012 (File No. 002-26821).
4.8	Form of 1.200% Note due 2026, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on July 8, 2016 (File No. 002-26821).
4.9	Form of 2.600% Note due Note due 2028, incorporated into this report by reference to Exhibit 4.6 of Brown-Forman Corporation's Form 8-K filed on July 8, 2016 (File No. 002-26821).
4.10	Form of 3.500% Note due 2025, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on March 26, 2018 (File No. 001-00123).
4.11	Form of 3.75% Note due 2043, incorporated into this report by reference to Exhibit 4.6 of Brown-Forman Corporation's Form 8-K filed on December 12, 2012 (File No. 002-26821).
4.12	Form of 4.00% Note due 2038, incorporated into this report by reference to Exhibit 4.6 of Brown-Forman Corporation's Form 8-K filed on March 26, 2018 (File No. 001-00123).
4.13	Form of 4.500% Notes due 2045, incorporated into this report by reference to Exhibit 4.5 of Brown-Forman Corporation's Form 8-K filed on June 29, 2015 (File No. 002-26821).
4.14	Officer's Certificate dated December 12, 2012, pursuant to Sections 1.01, 2.02, 3.01, and 3.03 of the Indenture dated as of April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 2.25% Notes due 2023, and the 3.75% Notes due 2043, incorporated into this report by reference to Exhibit 4.3 of Brown-Forman Corporation's Form 8-K filed on December 12, 2012 (File No. 002-26821).
4.15	Officer's Certificate dated June 29, 2015, pursuant to Sections 1.02, 2.02, 3.01 and 3.03 of the Indenture dated as of April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, and the Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 4.500% Notes due 2045, incorporated into this report by reference to Exhibit 4.4 of Brown-Forman Corporation's Form 8-K filed on June 29, 2015 (File No. 002-26821).
4.16	Officers' Certificate dated July 7, 2016, pursuant to Sections 1.01, 2.02, 3.01, and 3.03 of the Indenture dated as of April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, and the Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 1.200% Notes due 2026 and the 2.600% Notes due 2028, incorporated into this report by reference to Exhibit 4.4 of Brown-Forman Corporation's Form 8-K filed on July 8, 2016 (File No. 002-26821).
4.17	Officers' Certificate dated March 26, 2018, pursuant to Sections 1.02, 2.02, 3.01, and 3.03 of the Indenture dated April 2, 2007, as supplemented by the First Supplemental Indenture dated as of December 13, 2010, and the Second Supplemental Indenture dated as of June 24, 2015, between Brown-Forman Corporation and U.S. Bank National Association, as Trustee, setting forth the terms of the 3.500% Note due 2025 and the 4.000% Note due 2038, incorporated into this report by reference to Exhibit 4.4 of Brown-Forman Corporation's Form 8-K filed on March 26, 2018 (File No. 001-00123).
10.1	A description of the Brown-Forman Savings Plan, incorporated into this report by reference to page 10 of Brown-Forman Corporation's definitive proxy statement filed on June 27, 1996, in connection with its 1996 Annual Meeting of Stockholders (File No. 001-00123).*
10.2	Brown-Forman Corporation Nonqualified Savings Plan, incorporated into this report by reference to Exhibit 4.1 of Brown-Forman Corporation's Form S-8 Registration Statement filed on September 24, 2010 (File No. 333-169564).*
10.3	Brown-Forman Corporation 2004 Omnibus Compensation Plan, as amended, incorporated into this report by reference to Exhibit A of Brown-Forman Corporation's proxy statement filed on June 26, 2009, in connection with its 2009 Annual Meeting of Stockholders (File No. 002-26821).*
10.4	Form of Employee Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10(g) of Brown-Forman Corporation's Form 8-K filed on August 2, 2006 (File No. 002-26821).*

Exhibit Index

10.5	Form of Non-Employee Director Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10(i) of Brown-Forman Corporation's Form 8-K filed on August 2, 2006 (File No. 002-26821).*
10.6	2010 Form of Employee Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.7	2010 Form of Non-Employee Director Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.2 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.8	2010 Form of Restricted Stock Award Agreement, incorporated into this report by reference to Exhibit 10.3 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.9	2010 Form of Restricted Stock Unit Award Agreement, incorporated into this report by reference to Exhibit 10.4 of Brown-Forman Corporation's Form 8-K filed on July 23, 2010 (File No. 002-26821).*
10.10	Brown-Forman Corporation Amended and Restated Supplemental Executive Retirement Plan and First Amendment thereto, incorporated into this report by reference to Exhibit 10(a) of Brown-Forman Corporation's Annual Report on Form 10-K for the year ended April 30, 2010, filed on June 25, 2010 (File No. 002-26821).*
10.11	Second Amendment to the Brown-Forman Corporation Amended and Restated Supplemental Executive Retirement Plan, incorporated into this report by reference to Exhibit 10(a) of Brown-Forman Corporation's Quarterly Report on Form 10-Q for the quarter ended January 31, 2011, filed on March 9, 2011 (File No. 002-26821).*
10.12	Brown-Forman Corporation Amended and Restated Non-Employee Director Deferred Stock Unit Program, incorporated into this report by reference to Exhibit 10.2 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.13	Brown-Forman Corporation 2013 Omnibus Compensation Plan, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.14	Form of Employee Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.3 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.15	Form of Restricted Stock Unit Award Agreement, incorporated into this report by reference to Exhibit 10.4 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.16	Form of Restricted Stock Award Agreement, incorporated into this report by reference to Exhibit 10.5 of Brown-Forman Corporation's Form 8-K filed on July 26, 2013 (File No. 002-26821).*
10.17	Form of Employee Stock-Settled Stock Appreciation Right Award Agreement, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on August 1, 2016 (File No. 001-00123).*
10.18	Form of Performance-Based Restricted Stock Unit Award Agreement (Class A), incorporated into this report by reference to Exhibit 10.2 of Brown-Forman Corporation's Form 8-K filed on August 1, 2016 (File No. 001-00123).*
10.19	Form of Performance-Based Restricted Stock Unit Award Agreement (Class B), incorporated into this report by reference to Exhibit 10.3 of Brown-Forman Corporation's Form 8-K filed on August 1, 2016 (File No. 001-00123).*
10.20	Five-Year Credit Agreement, dated as of November 10, 2017, among Brown-Forman Corporation, certain borrowing subsidiaries and certain lenders party thereto, JPMorgan Chase Bank, N.A., PNC Bank, National Association and Wells Fargo Bank, National Association, as Co-Documentation Agents, U.S. Bank National Association, as Administrative Agent, and U.S. Bank National Association, Barclays Bank PLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, and Citigroup Global Markets Inc., as Co-Syndication Agents, Joint Lead Arrangers and Joint Bookrunners, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on November 13, 2017 (File No. 001-00123).
10.21	Letter Agreement between Brown-Forman Corporation and Jill A. Jones dated May 14, 2018, incorporated into this report by reference to Exhibit 10.1 of Brown-Forman Corporation's Form 8-K filed on May 16, 2018 (File No. 001-00123).

* *Indicates management contract, compensatory plan, or arrangement.*

Item 16. ***Form 10-K Summary***

None.

SIGNATURES

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

BROWN-FORMAN CORPORATION
(Registrant)

/s/ Lawson E. Whiting

By: Lawson E. Whiting
President and Chief Executive Officer

Date: June 13, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities on June 13, 2019, as indicated:

/s/ Geo. Garvin Brown IV

By: Geo. Garvin Brown IV
Director, Chairman of the Board

/s/ Lawson E. Whiting

By: Lawson E. Whiting
Director, President and Chief
Executive Officer of the Company
(Principal Executive Officer)

/s/ Patrick Bousquet-Chavanne

By: Patrick Bousquet-Chavanne
Director

/s/ Campbell P. Brown

By: Campbell P. Brown
Director

/s/ Stuart R. Brown

By: Stuart R. Brown
Director

/s/ Bruce L. Byrnes

By: Bruce L. Byrnes
Director

/s/ John D. Cook

By: John D. Cook
Director

/s/ Marshall B. Farrer

By: Marshall B. Farrer
Director

/s/ Laura L. Frazier

By: Laura L. Frazier
Director

/s/ Kathleen M. Gutmann

By: Kathleen M. Gutmann
Director

/s/ Augusta Brown Holland

By: Augusta Brown Holland
Director

/s/ Michael J. Roney

By: Michael J. Roney
Director

/s/ Tracy L. Skeans

By: Tracy L. Skeans
Director

/s/ Michael A. Todman

By: Michael A. Todman
Director

/s/ Paul C. Varga

By: Paul C. Varga
Director

/s/ Jane C. Morreau

By: Jane C. Morreau
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

/s/ Kelli B. Nelson

By: Kelli B. Nelson
Senior Vice President and Chief Accounting Officer
(Principal Accounting Officer)

Brown-Forman Corporation and Subsidiaries
Schedule II – Valuation and Qualifying Accounts
For the Years Ended April 30, 2017, 2018, and 2019
(Expressed in millions)

Col. A Description	Col. B Balance at Beginning of Period	Col. C(1) Additions Charged to Costs and Expenses	Col. C(2) Additions Charged to Other Accounts	Col. D Deductions	Col. E Balance at End of Period
2017					
Allowance for doubtful accounts	$ 9	$ —	$ —	$ 2 (1)	$ 7
Deferred tax valuation allowance	$ 25	$ 5	$ 2	$ 2	$ 30
2018					
Allowance for doubtful accounts	$ 7	$ —	$ —	$ —	$ 7
Deferred tax valuation allowance	$ 30	$ 3	$ 1	$ 5	$ 29
2019					
Allowance for doubtful accounts	$ 7	$ 1	$ —	$ 1 (1)	$ 7
Deferred tax valuation allowance	$ 29	$ 1	$ 1	$ 6	$ 25

(1) Doubtful accounts written off, net of recoveries.

Exhibit 4.1

DESCRIPTION OF CAPITAL STOCK

General

The following is a description of the material terms of the capital stock of Brown-Forman Corporation (the "Company"). This description is not complete and is qualified by reference to the Company's restated certificate of incorporation (the "Certificate of Incorporation") and its amended and restated bylaws (the "Bylaws"). The Certificate of Incorporation and the Bylaws are filed as exhibits to the Company's Annual Report on Form 10-K and are qualified by reference to such documents. Additionally, the following description of certain provisions of Delaware law is not complete and is qualified by reference to the Delaware General Corporation Law ("DGCL").

Under the Certificate of Incorporation, the Company's authorized capital stock consists of 570,000,000 shares of common stock divided into (a) 170,000,000 shares of Class A Common Stock, $0.15 par value per share ("Class A Common Stock"), and (b) 400,000,000 shares of Class B Common Stock, $0.15 par value per share ("Class B Common Stock," and collectively with Class A Common Stock, "Common Stock").

As of April 30, 2019, 168,999,423 shares of Class A Common Stock were outstanding and 308,172,788 shares of Class B Common Stock were outstanding. All outstanding shares of Common Stock are fully-paid and non-assessable. Any additional shares of Common Stock the Company issues will also be fully-paid and non-assessable.

Common Stock

Voting Rights

The holders of Class A Common Stock have full and exclusive voting powers. Each holder of Class A Common Stock is entitled to one vote for each share of Class A Common Stock held on all matters submitted to a vote of stockholders, except as otherwise expressly provided in the Certificate of Incorporation or required by applicable law. The Certificate of Incorporation does not provide for cumulative voting for the election of directors.

Holders of Class B Common Stock have no voting powers, except as provided by the laws of Delaware.

Dividend and Liquidation Rights

Dividends and Distributions. Holders of Common Stock are entitled to receive, when, and if declared by the board of directors, out of any assets legally available therefor, such dividends as may be declared from time to time by the board of directors.

Liquidation Rights. In the event of the liquidation, dissolution, or winding-up of the Company, the remaining assets legally available for distribution to stockholders shall be distributed ratably among the holders of Common Stock.

Other Rights. Holders of Common Stock have no preemptive rights and no right to convert their Common Stock into any other securities. The Common Stock is not subject to any redemption or sinking fund provisions.

Anti-Takeover Provisions

Certain provisions of the Certificate of Incorporation and the Bylaws and Delaware law could have an anti-takeover effect and could delay, discourage or prevent a tender offer or takeover attempt that a stockholder might consider to be in its best interests, including attempts that might otherwise result in a premium being paid over the market price of the Company's Common Stock.

Certificate of Incorporation and Bylaw Provisions

The Certificate of Incorporation and the Bylaws contain provisions that could have the effect of delaying or preventing changes in control or changes in the Company's management without the consent of the Company's board of directors, including, among other things:

- no cumulative voting in the election of directors, which limits the ability of minority stockholders to elect director candidates;

- the right of the Company's board of directors to elect a director to fill a vacancy in the Company's board of directors, which prevents stockholders from being able to fill vacancies on the Company's board of directors;
- the requirement that a special meeting of stockholders may be called only by a majority vote of the Company's board of directors, the executive committee of the Company's board of directors, the chairman of the Company's board of directors (or the presiding chairman), the Company's president, or by the Company's secretary at the request in writing of one or more stockholders owning a majority of the Company's Class A Common Stock, which could delay the ability of the Company's stockholders to force consideration of a proposal or to take action;
- the ability of the Company's board of directors, by majority vote, to amend the Bylaws, which may allow the Company's board of directors to take additional actions to prevent a hostile acquisition and inhibit the ability of an acquirer to amend the Bylaws to facilitate a hostile acquisition; and
- advance notice procedures with which stockholders must comply to nominate candidates to the Company's board of directors or to propose matters to be acted upon at a stockholders' meeting, which may preclude stockholders from bringing matters before a meeting of stockholders or from making nominations for directors at a meeting of stockholders if the proper procedures are not followed.

Delaware Law

The Company is subject to Section 203 of the DGCL, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon the closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (i) persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines business combination to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge, or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges, or other financial benefits by or through the corporation.

In general, Section 203 defines an "interested stockholder" as an entity or person who, together with the person's affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock is Computershare Trust Company, N.A.

Listing

Class A Common Stock and Class B Common Stock is listed on the New York Stock Exchange under the symbols "BFA" and "BFB," respectively.

DESCRIPTION OF 1.200% NOTES DUE 2026

The following is a description of the material terms of the 1.200% notes due 2026 (the "2026 notes") of Brown-Forman Corporation (the "Company"). This description is not complete and is qualified by reference to the indenture (the "base indenture") dated as of April 2, 2007 between the Company and U.S. Bank National Association, as trustee, as supplemented by the first supplemental indenture dated as of December 13, 2010 and the second supplemental indenture dated as of June 24, 2015 (collectively with the base indenture, the "indenture"), and the Officer's Certificate dated as of July 7, 2016, pursuant to Section 1.01, 2.02, and 3.01 of the indenture, setting forth the terms of the 2.600% notes due 2028 and the 2026 notes (the "officer's certificate").

General

The Company issued the 2026 notes under the indenture. The 2026 notes are a series of debt securities issued under the indenture. The 2026 notes are governed by, and construed in accordance with, the laws of the State of New York.

The 2026 notes are listed on the New York Stock Exchange under the symbol "BF26."

U.S. Bank National Association acts as trustee for the 2026 notes. U.S. Bank National Association also serves as trustee under certain indentures related to other securities that the Company has issued or guaranteed.

Issuance in Euro

All payments of interest and principal, including payments made upon any redemption or repurchase of the 2026 notes, will be made in euro; provided that if the euro is unavailable to the Company due to the imposition of exchange controls or other circumstances beyond the Company's control or if the euro is no longer being used by the then member states of the European Monetary Union that have adopted the euro as their currency or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the 2026 notes will be made in U.S. dollars until the euro is again available to the Company or so used. In such circumstances, the amount payable on any date in euro will be converted into U.S. dollars at the rate mandated by the Board of Governors of the Federal Reserve System as of the close of business on the second business day prior to the relevant payment date or, if the Board of Governors of the Federal Reserve System has not announced a rate of conversion, on the basis of the most recent U.S. dollar/euro exchange rate published in *The Wall Street Journal* on or prior to the second business day prior to the relevant payment date or, in the event *The Wall Street Journal* has not published such exchange rate, the rate will be determined in the Company's sole discretion on the basis of the most recently available market exchange rate for the euro.

Principal, Maturity and Interest

The 2026 notes were limited initially to €300 million in aggregate principal amount. The Company may re-open the 2026 notes and issue an unlimited aggregate principal amount of additional 2026 notes from time to time. Any such additional 2026 notes, together with the 2026 notes originally issued, will constitute a single series of 2026 notes under the indenture. No additional 2026 notes may be issued if an Event of Default (as defined below) has occurred with respect to the 2026 notes or if such additional 2026 notes will not be fungible with the previously issued 2026 notes for Federal income tax purposes. The Company issued the 2026 notes in denominations of €100,000 and integral multiples of €1,000 in excess thereof.

Interest on the 2026 notes accrues at the rate of 1.200% per year. The Company pays interest on the 2026 notes annually in arrears on July 7 of each year. The Company makes each interest payment to the persons who are the registered holders of the 2026 notes on the immediately preceding June 23. Interest on the 2026 notes accrues from the last interest payment date on which interest was paid on the 2026 notes or, if no interest has been paid on the 2026 notes, from the date of original issue.

Interest on the 2026 notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the 2026 notes (or July 7, 2017, if no interest has been paid on the 2026 notes), to, but excluding, the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

If any interest payment date would otherwise be a day that is not a business day, such interest payment date will be postponed to the next date that is a business day. If the maturity date of the 2026 notes falls on a day that is not a business day, the related payment of principal and interest will be made on the next business day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next business day. For these purposes, a "business day" is any day that is not a Saturday, Sunday or other day on which banking institutions in New York City, London or another place of payment on the 2026 notes are authorized or required by law to close and on which the Trans-European Automated Real-Time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, is open.

The 2026 notes will mature on July 7, 2026 unless the 2026 notes are previously redeemed or repurchased in whole.

Ranking

The Company's obligations to pay principal, interest, and premium, if any, on the 2026 notes are the Company's general unsecured senior obligations and rank equally with all of its other unsecured senior indebtedness from time to time outstanding. As of April 30, 2019, the Company had approximately $[•] million of unsecured senior debt. Of that amount, approximately $ [•] million was indebtedness of the Company's subsidiaries. Because the creditors of the Company's subsidiaries have direct claims on the subsidiaries and their assets, the claims of holders of the Company's debt securities are "structurally subordinated" to any existing and future liabilities of the Company's subsidiaries. This means that the creditors of the Company's subsidiaries have priority in their claims on the assets of the Company's subsidiaries over the Company's creditors. In addition, a substantial portion of the Company's ordinary course liabilities, including accounts payable and accrued liabilities, as reflected on the Company's consolidated balance sheet at April 30, 2019, were incurred by the Company's subsidiaries. The indenture does not contain any covenants or provisions that would afford the holders of the 2026 notes protection in the event of a highly leveraged or similar transaction.

Certain Covenants

Limitation on Liens

The indenture provides that if the Company or any of its Subsidiaries (as defined in the indenture) incurs, issues, assumes or guarantees any Indebtedness (as defined in the indenture) secured by a Mortgage (as defined in the indenture) on Principal Property (as defined in the indenture) of the Company or of any Subsidiary or on any shares of capital stock or Indebtedness (owed to the Company or any other Subsidiary) of any Subsidiary that owns Principal Property, the Company will secure, or cause such Subsidiary to secure, all outstanding 2026 notes equally and ratably with such secured Indebtedness, unless after giving effect thereto the aggregate amount of all such secured Indebtedness, together with all Attributable Debt (as defined in the indenture) of the Company and of its Subsidiaries in respect of sale and lease-back transactions involving Principal Properties (other than certain sale and lease-back transactions that are permitted under "Limitation on Sale and Leaseback Transactions") would constitute 15% or less of the Company's and its consolidated Subsidiaries' Consolidated Net Assets (as defined in the indenture) upon such incurrence, issuance, assumption or guarantee. This restriction will not apply in the case of:

- Mortgages affecting property of any person existing at the time such person becomes a Subsidiary or at the time it is acquired by the Company or a Subsidiary or arising thereafter under contractual commitments entered into prior to and not in contemplation of such person's becoming a Subsidiary or being acquired by the Company or a Subsidiary;
- Mortgages existing at the time of acquisition of the property affected by such Mortgage, or Mortgages incurred to secure payment of all or part of the purchase price of such property or to secure Indebtedness incurred prior to, at the time of, or within 180 days after, the acquisition of such property for the purpose of financing all or part of the purchase price of such property (provided such Mortgages are limited to such property and improvements to such property);
- Mortgages placed into effect prior to, at the time of, or within 180 days of completion of construction of new facilities (or any improvements to existing facilities) to secure all or part of the cost of construction or improvement of such facilities, or to secure Indebtedness incurred to provide funds for any such purpose (provided such Mortgages are limited to the property or portion thereof upon which the construction being so financed occurred and improvements the cost of construction of which is being so financed);
- Pledges or deposits in the ordinary course of business and in connection with bids, tenders, contracts or statutory obligations or to secure surety or performance bonds;
- Mortgages imposed by law, such as carriers', warehousemen's and mechanics' and materialmen's liens, arising in the ordinary course of business;

- Mortgages for taxes or assessments or governmental charges or levies, so long as such taxes or assessments or governmental charges or levies are not due and payable, or the same can be paid thereafter without penalty, or the same are being contested in good faith;
- minor encumbrances, easements or reservations that do not in the aggregate materially adversely affect the value of the properties or impair their use;
- Mortgages in respect of judgments that do not result in an event of default under the indenture;
- Mortgages that secure only debt owing by a Subsidiary to the Company or to a Subsidiary of the Company;
- Mortgages required by any contract or statute in order to permit the Company or a Subsidiary to perform any contract or subcontract made by it with or at the request of the United States of America or any state, or any department, agency, instrumentality or political subdivision of any of the foregoing or the District of Columbia, and Mortgages on property owned or leased by the Company or a Subsidiary (a) to secure any Indebtedness incurred for the purpose of financing (including any industrial development bond financing) all or any part of the purchase price or the cost of constructing, expanding or improving the property subject thereto (provided such Mortgages are limited to the property or portion thereof upon which the construction being so financed occurred and the improvements the cost of construction of which is being so financed), or (b) needed to permit the construction, improvement, attachment or removal of any equipment designed primarily for the purpose of air or water pollution control, provided that such Mortgages will not extend to other property or assets of the Company or any Subsidiary;
- landlords' liens on property held under lease;
- Mortgages, if any, in existence on April 2, 2007; and
- certain extensions, renewals, replacements or refundings of Mortgages referred to in the foregoing clauses.

Limitation on Sale and Lease-back Transactions

The indenture provides that neither the Company nor any of its Subsidiaries may enter into any sale and lease-back transaction involving Principal Property acquired or placed into service more than 180 days prior to such transaction, whereby such property has been or is to be sold or transferred by the Company or any Subsidiary, unless:

- the Company or such Subsidiary would at the time of entering into such transaction be entitled to create Indebtedness secured by a Mortgage on such property as described in "- Limitations on Liens" above in an amount equal to the Attributable Debt with respect to the sale and lease-back transaction without equally and ratably securing the outstanding 2026 notes; or
- the Company applies to the retirement or prepayment (other than any mandatory retirement or prepayment) of the Company's Funded Debt (as defined in the indenture), or to the acquisition, development or improvement of Principal Property, an amount equal to the net proceeds from the sale of the Principal Property so leased within 180 days of the effective date of any such sale and lease-back transaction, provided that the amount to be applied to the retirement or prepayment of our Funded Debt shall be reduced by the principal amount of any 2026 notes delivered by the Company to the trustee within 180 days after such sale and lease-back transaction for retirement and cancellation.

This restriction will not apply to any sale and lease-back transaction (i) involving the taking back of a lease for a period of three years or less; (ii) involving industrial development or pollution control financing; or (iii) between the Company and a Subsidiary or between Subsidiaries.

Merger, Consolidation or Sale of Assets

The indenture prohibits the Company from merging into or consolidating with any other corporation or selling, leasing or conveying substantially all of its assets and the assets of its Subsidiaries, taken as a whole, to any person, unless:

- either the Company is the continuing corporation or the successor corporation or the person that acquires by sale, lease or conveyance all or substantially all of the Company's or its Subsidiaries' assets is a corporation organized under the laws of the United States of America, any state thereof, or the District of Columbia, and expressly assumes the due and punctual payment of the principal of, and premium, if any, and interest on all the 2026 notes and the due and punctual performance and observance of every covenant and condition of the indenture to be performed or observed by the Company, by supplemental indenture satisfactory to the trustee, executed and delivered to the trustee by such corporation;

- immediately after giving effect to such transaction, no Event of Default described under the caption "Events of Default and Remedies" below or event which, after notice or lapse of time or both would become an Event of Default, has happened and is continuing; and
- the Company has delivered to the trustee an opinion of counsel stating that such transaction and such supplemental indenture comply with the indenture provisions and that the Company has complied with all conditions precedent in the indenture relating to such transaction.

Upon any consolidation or merger with or into any other person or any sale, conveyance, lease, or other transfer of all or substantially all of the Company's or its Subsidiaries' assets to any person, the successor corporation will succeed to, and be substituted for, the Company under the indenture and each outstanding 2026 note, and the Company will be relieved of all obligations and covenants under the indenture and each outstanding 2026 note to the extent the Company was the predecessor person.

Events of Default and Remedies

The following constitute "Events of Default" under the indenture governing the 2028 notes:

(1) default in paying interest on the 2026 notes when it becomes due and the default continues for a period of 30 days or more;

(2) default in paying principal, or premium, if any, on the 2026 notes when due;

(3) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due, and such default continues for 30 days or more;

(4) default in the performance, or breach, of any covenant in the indenture (other than defaults specified in clause (1), (2) or (3) above) and the default or breach continues for a period of 60 days or more after the Company receives written notice from the trustee or the Company and the trustee receive notice from the holders of at least 25% in aggregate principal amount of the outstanding 2026 notes;

(5) the Company defaults in the payment of any scheduled principal of or interest on any of the Company's Indebtedness or any Indebtedness of any of its Subsidiaries (other than the 2026 notes), aggregating more than $50 million in principal amount, when due and payable after giving effect to any applicable grace period;

(6) the Company defaults in the performance of any other term or provision of any of the Company's Indebtedness or any Indebtedness of any of its Subsidiaries (other than the 2026 notes) in excess of $50 million principal amount that results in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration has not been rescinded or annulled, or such Indebtedness has not been discharged, within a period of 15 days after there has been given to the Company by the trustee or to the Company and the trustee by the holders of at least 25% in aggregate principal amount of the 2026 notes then outstanding, a written notice specifying such default or defaults;

(7) one or more judgments, decrees, or orders is entered against the Company or any of its Significant Subsidiaries (as defined in the indenture) by a court from which no appeal may be or is taken for the payment of money, either individually or in the aggregate, in excess of $50 million, and the continuance of such judgment, decree, or order remains unsatisfied and in effect for any period of 45 consecutive days after the amount of the judgment, decree or order is due without a stay of execution; and

(8) certain events of bankruptcy, insolvency, reorganization, administration or similar proceedings with respect to the Company have occurred.

If an Event of Default (other than an Event of Default specified in clause (8) with respect to the Company) under the indenture occurs with respect to the 2026 notes and is continuing, then the trustee or the holders of at least 51% in principal amount of the outstanding 2026 notes may by written notice require the Company to repay immediately the entire principal amount of the outstanding 2026 notes, together with all accrued and unpaid interest and premium, if any.

If an Event of Default under the indenture specified in clause (8) with respect to the Company occurs and is continuing, then the entire principal amount of the outstanding 2026 notes will automatically become due and payable immediately without any declaration or other act on the part of the trustee or any holder.

After a declaration of acceleration, the holders of a majority in principal amount of outstanding 2020 notes may rescind this accelerated payment requirement if all existing Events of Default, except for nonpayment of the principal and interest on the 2026 notes that has become due solely as a result of the accelerated payment requirement, have been cured or waived and if the rescission of acceleration would not conflict with any judgment or decree. The holders of a majority in principal amount of the outstanding 2026 notes also have the right to waive past defaults, except a default in paying principal or interest on any outstanding debt security, or in respect of a covenant or a provision that cannot be modified or amended without the consent of all holders of the 2026 notes.

Holders of at least 51% in principal amount of the outstanding 2026 notes may seek to institute a proceeding only after they have notified the trustee of a continuing Event of Default in writing and made a written request, and offered reasonable indemnity, to the trustee to institute a proceeding and the trustee has failed to do so within 60 days after it received this notice. In addition, within this 60-day period the trustee must not have received directions inconsistent with this written request by holders of a majority in principal amount of the outstanding 2026 notes. These limitations do not apply, however, to a suit instituted by a holder of a debt security for the enforcement of the payment of principal, interest or any premium on or after the due dates for such payment.

During the existence of an Event of Default, the trustee is required to exercise the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent man would under the circumstances in the conduct of that person's own affairs. If an Event of Default has occurred and is continuing, the trustee is not under any obligation to exercise any of its rights or powers at the request or direction of any of the holders unless the holders have offered to the trustee reasonable security or indemnity. Subject to certain provisions, the holders of a majority in principal amount of the outstanding 2026 notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust, or power conferred on the trustee.

The trustee will, within 90 days after any default occurs, give notice of the default to the holders of the 2026 notes, unless the default was already cured or waived. Unless there is a default in paying principal, interest or any premium when due, the trustee can withhold giving notice to the holders if it determines in good faith that the withholding of notice is in the interest of the holders.

The indenture requires that the Company must deliver to the trustee within 120 days after the end of each fiscal year an officers' certificate stating whether such officers have knowledge of any default under the indenture and, if so, specifying such default and the nature thereof.

Modification and Waiver

The indenture or the 2026 notes may be amended or modified without the consent of any holder of 2026 notes in order to:

- evidence a successor to the trustee;
- cure ambiguities, defects or inconsistencies;
- provide for the assumption of the Company's obligations in the case of a merger or consolidation or transfer of all or substantially all of the Company's assets that complies with the covenant described above under "- Merger, Consolidation or Sale of Assets";
- make any change that would provide any additional rights or benefits to the holders of the 2026 notes;
- add guarantors or co-obligors with respect to the 2026 notes;
- secure the 2026 notes;
- establish the form or forms of 2026 notes;
- add additional Events of Default with respect to the 2026 notes;
- maintain the qualification of the indenture under the Trust Indenture Act; or
- make any change that does not adversely affect in any material respect the interests of any holder.

Other amendments and modifications of the indenture or the 2026 notes issued may be made with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding debt securities of each series affected by the amendment or modification. However, no modification or amendment may, without the consent of the holder of each outstanding 2026 note:

- reduce the principal amount, or extend the fixed maturity, of the 2026 notes;

- alter or waive the redemption or repayment provisions of the 2026 notes;
- change the currency in which principal, any premium or interest is paid;
- reduce the percentage in principal amount outstanding of 2026 notes that must consent to an amendment, supplement or waiver or consent to take any action;
- impair the right to institute suit for the enforcement of any payment on the 2026 notes;
- waive a payment default with respect to the 2026 notes or any guarantor;
- reduce the interest rate or extend the time for payment of interest on the 2026 notes;
- adversely affect the ranking of the 2026 notes; or
- release any guarantor or co-obligor from any of its obligations under its guarantee or the indenture, except in compliance with the terms of the indenture.

Satisfaction, Discharge and Covenant Defeasance

The Company may terminate its obligations under the indenture with respect to the outstanding 2026 notes, when:

- either:
  - all 2026 notes issued that have been authenticated and delivered have been delivered to the trustee for cancellation; or
  - all 2026 notes issued that have not been delivered to the trustee for cancellation have become due and payable, will become due and payable within one year, or are to be called for redemption within one year and the Company has made arrangements satisfactory to the trustee for the giving of notice of redemption by such trustee in the Company's name and at its expense, and in each case, the Company has irrevocably deposited or caused to be deposited with the trustee sufficient funds to pay and discharge the entire indebtedness on the 2026 notes;
- the Company has paid or caused to be paid all other sums then due and payable under the indenture; and
- the Company delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

The Company may elect to have its obligations under the indenture discharged with respect to the outstanding 2026 notes ("legal defeasance"). Legal defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding 2026 notes under the indenture, except for:

- the rights of holders of the 2026 notes to receive principal, interest and any premium when due;
- the Company's obligations with respect to the 2026 notes concerning issuing temporary 2026 notes, registration of transfer of 2026 notes, mutilated, destroyed, lost or stolen 2026 notes and the maintenance of an office or agency for payment for security payments held in trust;
- the rights, powers, trusts, duties and immunities of the trustee; and
- the defeasance provisions of the indenture.

In addition, the Company may elect to have its obligations released with respect to certain covenants in the indenture ("covenant defeasance"). If the Company so elects, any failure to comply with these obligations will not constitute a default or an Event of Default with respect to the 2026 notes. In the event covenant defeasance occurs, certain events, not including non-payment, bankruptcy and insolvency events, described under "Events of Default and Remedies" above will no longer constitute an Event of Default for the 2026 notes.

In order to exercise either legal defeasance or covenant defeasance with respect to outstanding 2026 notes:

- the Company must irrevocably have deposited or caused to be deposited with the trustee as trust funds for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to the benefits of the holders of the 2026 notes:
  - money in an amount;

- U.S. government obligations (or equivalent government obligations in the case of 2026 notes denominated in other than U.S. dollars or a specified currency) that will provide, not later than one day before the due date of any payment, money in an amount; or
- a combination of money and U.S. government obligations (or equivalent government obligations, as applicable) in an amount, in each case sufficient, in the written opinion (with respect to U.S. or equivalent government obligations or a combination of money and U.S. or equivalent government obligations, as applicable) of a nationally recognized firm of independent public accountants to pay and discharge, and that will be applied by the trustee to pay and discharge, all of the principal, interest and premium, if any, at due date or maturity;

- in the case of legal defeasance, the Company has delivered to the trustee an opinion of counsel stating that, under then applicable Federal income tax law or a ruling published by the Internal Revenue Service, the holders of the 2026 notes will not recognize income, gain or loss for Federal income tax purposes as a result of the deposit, defeasance and discharge to be effected and will be subject to the same Federal income tax as would be the case if the deposit, defeasance and discharge did not occur;
- in the case of covenant defeasance, the Company has delivered to the trustee an opinion of counsel to the effect that the holders of the 2026 notes will not recognize income, gain or loss for Federal income tax purposes as a result of the deposit and covenant defeasance to be effected and will be subject to the same Federal income tax as would be the case if the deposit and covenant defeasance did not occur;
- no Event of Default or default with respect to the outstanding 2026 notes has occurred and is continuing at the time of such deposit after giving effect to the deposit or, in the case of legal defeasance, no default relating to bankruptcy or insolvency has occurred and is continuing at any time on or before the 91st day after the date of such deposit, it being understood that this condition is not deemed satisfied until after the 91st day;
- the legal defeasance or covenant defeasance will not cause the trustee to have a conflicting interest within the meaning of the Trust Indenture Act, assuming all 2026 notes were in default within the meaning of the Trust Indenture Act;
- the legal defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party;
- the legal defeasance or covenant defeasance will not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940, as amended, unless the trust is registered under the Investment Company Act of 1940, as amended, or exempt from registration;
- if the 2026 notes are to be redeemed prior to their maturity, notice of such redemption shall have been duly given; and
- the Company has delivered to the trustee an officers' certificate and an opinion of counsel stating that all conditions precedent with respect to the legal defeasance or covenant defeasance have been complied with.

Optional Redemption

The 2026 notes are redeemable at the Company's option at any time in whole or from time to time in part in €1,000 increments (provided that any remaining principal amount thereof shall be at least the minimum authorized denomination thereof). If the 2026 notes are redeemed before April 7, 2026 (three months prior to the maturity date, or the "par call date"), the redemption price will equal the greater of:

- 100% of the principal amount of the 2026 notes to be redeemed; and
- the sum of the present values of the remaining scheduled payments of principal and interest on the 2026 notes to be redeemed assuming the 2026 notes mature on the par call date (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis (ACTUAL/ACTUAL (ICMA)), at the Comparable Government Bond Rate (as defined below) plus 20 basis points.

If the 2026 notes are redeemed on or after the par call date, the redemption price for the 2026 notes will equal 100% of the principal amount of the 2026 notes being redeemed, plus accrued and unpaid interest to, but not including, the redemption date.

"*Comparable Government Bond*" means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by the Company, a German government bond whose maturity is closest to the par call date, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other German government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, German government bonds selected by the Company, determine to be appropriate for determining the Comparable Government Bond Rate.

"*Comparable Government Bond Rate*" means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the 2026 notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by the Company.

If less than all of the 2026 notes are to be redeemed, and the 2026 notes are global notes, the 2026 notes to be redeemed will be selected by Euroclear or Clearsteam in accordance with their standard procedures. If the 2026 notes to be redeemed are not global notes then held by Euroclear or Clearstream, the trustee will select the 2026 notes to be redeemed on a *pro rata* basis, by lot, or by any other method the trustee deems fair and appropriate. If the 2026 notes are listed on any national securities exchange, Euroclear or Clearstream will select 2026 notes in compliance with the requirements of the principal national securities exchange on which the 2026 notes are listed. Notwithstanding the foregoing, if less than all of the 2026 notes are to be redeemed, no 2026 notes of a principal amount of €100,000 or less shall be redeemed in part. If money sufficient to pay the redemption price on the 2026 notes (or portions thereof) to be redeemed on the redemption date is deposited with the paying agent on or before the redemption date and certain other conditions are satisfied, then on and after such redemption date, interest will cease to accrue on such 2026 notes (or such portion thereof) called for redemption.

Optional Redemption for Tax Reasons

The 2026 notes may be redeemed at our option in whole, but not in part, on not less than 15 nor more than 45 days' prior notice, at 100% of the principal amount, together with accrued and unpaid interest, if any, to, but excluding, the redemption date if, as a result of any change in, or amendment to, the laws, regulations or rulings of the United States (or any political subdivision or taxing authority thereof or therein having power to tax), or any change in official position regarding application or interpretation of those laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change, amendment, application or interpretation is announced and becomes effective on or after the original issue date with respect to the 2026 notes, the Company becomes or, based upon a written opinion of independent counsel selected by the Company, will become obligated to pay additional amounts as described below in "- Payment of Additional Amounts" and that obligation cannot be avoided by taking reasonable measures available to the Company, as determined by the Company in its sole discretion acting in good faith.

Payment of Additional Amounts

All payments of principal, interest, and premium, if any, in respect of the 2026 notes will be made free and clear of, and without withholding or deduction for, any present or future taxes, assessments, duties or governmental charges of whatever nature imposed, levied or collected by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), unless such withholding or deduction is required by law or the official interpretation or administration thereof.

In addition, for so long as the 2026 notes are outstanding and the provisions of the Directive continue to have effect, the Company will maintain a paying agent in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to the Directive, or any law implementing or complying with or introduced in order to conform to such directive (so long as there is such a member state).

The Company will, subject to the exceptions and limitations set forth below, pay as additional interest in respect of the 2026 notes such additional amounts as are necessary in order that the net payment by the Company of the principal of, premium, if any, and interest in respect of the 2026 notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment, duties or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), will not be less than the amount provided in the 2026 notes to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply:

(1) to the extent any tax, assessment or other governmental charge would not have been imposed but for the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:

a. being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;

b. having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the 2026 notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States;

c. being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for U.S. Federal income tax purposes or a corporation that has accumulated earnings to avoid U.S. Federal income tax;

d. being or having been a "10-percent shareholder" of the Company as defined in section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code") or any successor provision; or

e. being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in section 881(c)(3)(A) of the Code or any successor provision;

(2) to any holder that is not the sole beneficial owner of the 2026 notes, or a portion of the 2026 notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;

(3) to the extent any tax, assessment or other governmental charge that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the 2026 notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding by the Company or a paying agent from the payment;

(5) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any 2026 notes, if such payment can be made without such withholding by any other paying agent;

(6) to any estate, inheritance, gift, sales, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge, or excise tax imposed on the transfer of 2026 notes;

(7) to any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to the Directive, or any law implementing or complying with or introduced in order to conform to, such directive;

(8) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any note as a result of the presentation of any note for payment (where presentation is required) by or on behalf of a holder of 2026 notes, if such payment could have been made without such withholding by presenting the relevant note to at least one other paying agent in a member state of the European Union;

(9) to the extent any tax, assessment or other governmental charge would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later except to the extent that the beneficiary or holder thereof would have been entitled to the payment of additional amounts had such note been presented for payment on any day during such 30-day period;

(10) to any tax, assessment or other governmental charge imposed under sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code; or

(11) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), (9) and (10).

The 2026 notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the 2026 notes. Except as specifically provided above, the Company is not required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

Mandatory Redemption; Sinking Fund

No mandatory redemption obligation is applicable to the 2026 notes. The 2026 notes are not subject to, nor have the benefit of, a sinking fund.

DESCRIPTION OF 2.600% NOTES DUE 2028

The following is a description of the material terms of the 2.600% notes due 2028 (the “2028 notes”) of Brown-Forman Corporation (the “Company”). This description is not complete and is qualified by reference to the indenture (the “base indenture”) dated as of April 2, 2007 between the Company and U.S. Bank National Association, as trustee, as supplemented by the first supplemental indenture dated as of December 13, 2010 and the second supplemental indenture dated as of June 24, 2015 (collectively with the base indenture, the “indenture”), and the Officer’s Certificate dated as of July 7, 2016, pursuant to Section 1.01, 2.02, and 3.01 of the indenture, setting forth the terms of the 1.200% notes due 2026 and the 2028 notes (the “officer’s certificate”).

General

The Company issued the 2028 notes under the indenture. The 2028 notes are a series of debt securities issued under the indenture. The 2028 notes are governed by, and construed in accordance with, the laws of the State of New York.

The 2028 notes are listed on the New York Stock Exchange under the symbol “BF28.”

U.S. Bank National Association acts as trustee for the 2028 notes. U.S. Bank National Association also serves as trustee under certain indentures related to other securities that the Company has issued or guaranteed.

Issuance in Sterling

All payments of interest and principal, including payments made upon any redemption or repurchase of the 2028 notes, will be made in sterling; provided that if the sterling is unavailable to the Company due to the imposition of exchange controls or other circumstances beyond the Company’s control or for the settlement of transactions by public institutions of or within the international banking community, then all payments in respect of the 2028 notes will be made in U.S. dollars until the sterling is again available to the Company or so used. In such circumstances, the amount payable on any date in sterling will be converted into U.S. dollars at the rate mandated by the Board of Governors of the Federal Reserve System as of the close of business on the second business day prior to the relevant payment date or, if the Board of Governors of the Federal Reserve System has not announced a rate of conversion, on the basis of the most recent U.S. dollar/sterling exchange rate published in *The Wall Street Journal* on or prior to the second business day prior to the relevant payment date or, in the event *The Wall Street Journal* has not published such exchange rate, the rate will be determined in the Company’s sole discretion on the basis of the most recently available market exchange rate for the sterling.

Principal, Maturity and Interest

The 2028 notes were limited initially to £300 million in aggregate principal amount. The Company may re-open the 2028 notes and issue an unlimited aggregate principal amount of additional 2028 notes from time to time. Any such additional 2028 notes, together with the 2028 notes originally issued, will constitute a single series of 2028 notes under the indenture. No additional 2028 notes may be issued if an Event of Default (as defined below) has occurred with respect to the 2028 notes or if such additional 2028 notes will not be fungible with the previously issued 2028 notes for Federal income tax purposes. The Company issued the 2028 notes in denominations of £100,000 and integral multiples of £1,000 in excess thereof.

Interest on the 2028 notes accrues at the rate of 2.600% per year. The Company pays interest on the 2028 notes annually in arrears on July 7 of each year. The Company makes each interest payment to the persons who are the registered holders of the 2028 notes on the immediately preceding June 23. Interest on the 2028 notes accrues from the last interest payment date on which interest was paid on the 2028 notes or, if no interest has been paid on the 2028 notes, from the date of original issue.

Interest on the 2028 notes is computed on the basis of the actual number of days in the period for which interest is being calculated and the actual number of days from and including the last date on which interest was paid on the 2028 notes (or July 7, 2017, if no interest has been paid on the 2028 notes), to, but excluding, the next scheduled interest payment date. This payment convention is referred to as ACTUAL/ACTUAL (ICMA) as defined in the rulebook of the International Capital Market Association.

If any interest payment date would otherwise be a day that is not a business day, such interest payment date will be postponed to the next date that is a business day. If the maturity date of the 2028 notes falls on a day that is not a business day, the related payment of principal and interest will be made on the next business day as if it were made on the date such payment was due, and no interest will accrue on the amounts so payable for the period from and after such date to the next business day.

For these purposes, a "business day" is any day that is not a Saturday, Sunday or other day on which banking institutions in New York City, London or another place of payment on the 2028 notes are authorized or required by law to close and on which the Trans-European Automated Real-Time Gross Settlement Express Transfer system (the TARGET2 system), or any successor thereto, is open.

The 2028 notes will mature on July 7, 2028 unless the 2028 notes are previously redeemed or repurchased in whole.

Ranking

The Company's obligations to pay principal, interest, and premium, if any, on the 2028 notes are the Company's general unsecured senior obligations and rank equally with all of its other unsecured senior indebtedness from time to time outstanding. As of April 30, 2019, the Company had approximately $2,440 million of unsecured senior debt. Of that amount, none of that amount was indebtedness of the Company's subsidiaries. Because the creditors of the Company's subsidiaries have direct claims on the subsidiaries and their assets, the claims of holders of the Company's debt securities are "structurally subordinated" to any existing and future liabilities of the Company's subsidiaries. This means that the creditors of the Company's subsidiaries have priority in their claims on the assets of the Company's subsidiaries over the Company's creditors. In addition, a substantial portion of the Company's ordinary course liabilities, including accounts payable and accrued liabilities, as reflected on the Company's consolidated balance sheet at April 30, 2019, were incurred by the Company's subsidiaries. The indenture does not contain any covenants or provisions that would afford the holders of the 2028 notes protection in the event of a highly leveraged or similar transaction.

Certain Covenants

Limitation on Liens

The indenture provides that if the Company or any of its Subsidiaries (as defined in the indenture) incurs, issues, assumes or guarantees any Indebtedness (as defined in the indenture) secured by a Mortgage (as defined in the indenture) on Principal Property (as defined in the indenture) of the Company or of any Subsidiary or on any shares of capital stock or Indebtedness (owed to the Company or any other Subsidiary) of any Subsidiary that owns Principal Property, the Company will secure, or cause such Subsidiary to secure, all outstanding 2028 notes equally and ratably with such secured Indebtedness, unless after giving effect thereto the aggregate amount of all such secured Indebtedness, together with all Attributable Debt (as defined in the indenture) of the Company and of its Subsidiaries in respect of sale and lease-back transactions involving Principal Properties (other than certain sale and lease-back transactions that are permitted under "Limitation on Sale and Leaseback Transactions") would constitute 15% or less of the Company's and its consolidated Subsidiaries' Consolidated Net Assets (as defined in the indenture) upon such incurrence, issuance, assumption or guarantee. This restriction will not apply in the case of:

- Mortgages affecting property of any person existing at the time such person becomes a Subsidiary or at the time it is acquired by the Company or a Subsidiary or arising thereafter under contractual commitments entered into prior to and not in contemplation of such person's becoming a Subsidiary or being acquired by the Company or a Subsidiary;
- Mortgages existing at the time of acquisition of the property affected by such Mortgage, or Mortgages incurred to secure payment of all or part of the purchase price of such property or to secure Indebtedness incurred prior to, at the time of, or within 180 days after, the acquisition of such property for the purpose of financing all or part of the purchase price of such property (provided such Mortgages are limited to such property and improvements to such property);
- Mortgages placed into effect prior to, at the time of, or within 180 days of completion of construction of new facilities (or any improvements to existing facilities) to secure all or part of the cost of construction or improvement of such facilities, or to secure Indebtedness incurred to provide funds for any such purpose (provided such Mortgages are limited to the property or portion thereof upon which the construction being so financed occurred and improvements the cost of construction of which is being so financed);
- Pledges or deposits in the ordinary course of business and in connection with bids, tenders, contracts or statutory obligations or to secure surety or performance bonds;
- Mortgages imposed by law, such as carriers', warehousemen's and mechanics' and materialmen's liens, arising in the ordinary course of business;
- Mortgages for taxes or assessments or governmental charges or levies, so long as such taxes or assessments or governmental charges or levies are not due and payable, or the same can be paid thereafter without penalty, or the same are being contested in good faith;

- minor encumbrances, easements or reservations that do not in the aggregate materially adversely affect the value of the properties or impair their use;
- Mortgages in respect of judgments that do not result in an event of default under the indenture;
- Mortgages that secure only debt owing by a Subsidiary to the Company or to a Subsidiary of the Company;
- Mortgages required by any contract or statute in order to permit the Company or a Subsidiary to perform any contract or subcontract made by it with or at the request of the United States of America or any state, or any department, agency, instrumentality or political subdivision of any of the foregoing or the District of Columbia, and Mortgages on property owned or leased by the Company or a Subsidiary (a) to secure any Indebtedness incurred for the purpose of financing (including any industrial development bond financing) all or any part of the purchase price or the cost of constructing, expanding or improving the property subject thereto (provided such Mortgages are limited to the property or portion thereof upon which the construction being so financed occurred and the improvements the cost of construction of which is being so financed), or (b) needed to permit the construction, improvement, attachment or removal of any equipment designed primarily for the purpose of air or water pollution control, provided that such Mortgages will not extend to other property or assets of the Company or any Subsidiary;
- landlords' liens on property held under lease;
- Mortgages, if any, in existence on April 2, 2007; and
- certain extensions, renewals, replacements or refundings of Mortgages referred to in the foregoing clauses.

Limitation on Sale and Lease-back Transactions

The indenture provides that neither the Company nor any of its Subsidiaries may enter into any sale and lease-back transaction involving Principal Property acquired or placed into service more than 180 days prior to such transaction, whereby such property has been or is to be sold or transferred by the Company or any Subsidiary, unless:

- the Company or such Subsidiary would at the time of entering into such transaction be entitled to create Indebtedness secured by a Mortgage on such property as described in "- Limitations on Liens" above in an amount equal to the Attributable Debt with respect to the sale and lease-back transaction without equally and ratably securing the outstanding 2028 notes; or
- the Company applies to the retirement or prepayment (other than any mandatory retirement or prepayment) of the Company's Funded Debt (as defined in the indenture), or to the acquisition, development or improvement of Principal Property, an amount equal to the net proceeds from the sale of the Principal Property so leased within 180 days of the effective date of any such sale and lease-back transaction, provided that the amount to be applied to the retirement or prepayment of our Funded Debt shall be reduced by the principal amount of any 2028 notes delivered by the Company to the trustee within 180 days after such sale and lease-back transaction for retirement and cancellation.

This restriction will not apply to any sale and lease-back transaction (i) involving the taking back of a lease for a period of three years or less; (ii) involving industrial development or pollution control financing; or (iii) between the Company and a Subsidiary or between Subsidiaries.

Merger, Consolidation or Sale of Assets

The indenture prohibits the Company from merging into or consolidating with any other corporation or selling, leasing or conveying substantially all of its assets and the assets of its Subsidiaries, taken as a whole, to any person, unless:

- either the Company is the continuing corporation or the successor corporation or the person that acquires by sale, lease or conveyance all or substantially all of the Company's or its Subsidiaries' assets is a corporation organized under the laws of the United States of America, any state thereof, or the District of Columbia, and expressly assumes the due and punctual payment of the principal of, and premium, if any, and interest on all the 2028 notes and the due and punctual performance and observance of every covenant and condition of the indenture to be performed or observed by the Company, by supplemental indenture satisfactory to the trustee, executed and delivered to the trustee by such corporation;
- immediately after giving effect to such transaction, no Event of Default described under the caption "Events of Default and Remedies" below or event which, after notice or lapse of time or both would become an Event of Default, has happened and is continuing; and

- the Company has delivered to the trustee an opinion of counsel stating that such transaction and such supplemental indenture comply with the indenture provisions and that the Company has complied with all conditions precedent in the indenture relating to such transaction.

Upon any consolidation or merger with or into any other person or any sale, conveyance, lease, or other transfer of all or substantially all of the Company's or its Subsidiaries' assets to any person, the successor corporation will succeed to, and be substituted for, the Company under the indenture and each outstanding 2028 note, and the Company will be relieved of all obligations and covenants under the indenture and each outstanding 2028 note to the extent the Company was the predecessor person.

Events of Default and Remedies

The following constitute "Events of Default" under the indenture governing the 2028 notes:

(1) default in paying interest on the 2028 notes when it becomes due and the default continues for a period of 30 days or more;

(2) default in paying principal, or premium, if any, on the 2028 notes when due;

(3) default is made in the payment of any sinking or purchase fund or analogous obligation when the same becomes due, and such default continues for 30 days or more;

(4) default in the performance, or breach, of any covenant in the indenture (other than defaults specified in clause (1), (2) or (3) above) and the default or breach continues for a period of 60 days or more after the Company receives written notice from the trustee or the Company and the trustee receive notice from the holders of at least 25% in aggregate principal amount of the outstanding 2028 notes;

(5) the Company defaults in the payment of any scheduled principal of or interest on any of the Company's Indebtedness or any Indebtedness of any of its Subsidiaries (other than the 2028 notes), aggregating more than $50 million in principal amount, when due and payable after giving effect to any applicable grace period;

(6) the Company defaults in the performance of any other term or provision of any of the Company's Indebtedness or any Indebtedness of any of its Subsidiaries (other than the 2028 notes) in excess of $50 million principal amount that results in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise become due and payable, and such acceleration has not been rescinded or annulled, or such Indebtedness has not been discharged, within a period of 15 days after there has been given to the Company by the trustee or to the Company and the trustee by the holders of at least 25% in aggregate principal amount of the 2028 notes then outstanding, a written notice specifying such default or defaults;

(7) one or more judgments, decrees, or orders is entered against the Company or any of its Significant Subsidiaries (as defined in the indenture) by a court from which no appeal may be or is taken for the payment of money, either individually or in the aggregate, in excess of $50 million, and the continuance of such judgment, decree, or order remains unsatisfied and in effect for any period of 45 consecutive days after the amount of the judgment, decree or order is due without a stay of execution; and

(8) certain events of bankruptcy, insolvency, reorganization, administration or similar proceedings with respect to the Company have occurred.

If an Event of Default (other than an Event of Default specified in clause (8) with respect to the Company) under the indenture occurs with respect to the 2028 notes and is continuing, then the trustee or the holders of at least 51% in principal amount of the outstanding 2028 notes may by written notice require the Company to repay immediately the entire principal amount of the outstanding 2028 notes, together with all accrued and unpaid interest and premium, if any.

If an Event of Default under the indenture specified in clause (8) with respect to the Company occurs and is continuing, then the entire principal amount of the outstanding 2028 notes will automatically become due and payable immediately without any declaration or other act on the part of the trustee or any holder.

After a declaration of acceleration, the holders of a majority in principal amount of outstanding 2028 notes may rescind this accelerated payment requirement if all existing Events of Default, except for nonpayment of the principal and interest on the 2028 notes that has become due solely as a result of the accelerated payment requirement, have been cured or waived and if the rescission of acceleration would not conflict with any judgment or decree. The holders of a majority in principal amount of the outstanding 2028 notes also have the right to waive past defaults, except a default in paying principal or interest on any outstanding debt security, or in respect of a covenant or a provision that cannot be modified or amended without the consent of all holders of the 2028 notes.

Holders of at least 51% in principal amount of the outstanding 2028 notes may seek to institute a proceeding only after they have notified the trustee of a continuing Event of Default in writing and made a written request, and offered reasonable indemnity, to the trustee to institute a proceeding and the trustee has failed to do so within 60 days after it received this notice. In addition, within this 60-day period the trustee must not have received directions inconsistent with this written request by holders of a majority in principal amount of the outstanding 2028 notes. These limitations do not apply, however, to a suit instituted by a holder of a debt security for the enforcement of the payment of principal, interest or any premium on or after the due dates for such payment.

During the existence of an Event of Default, the trustee is required to exercise the rights and powers vested in it under the indenture and use the same degree of care and skill in its exercise as a prudent man would under the circumstances in the conduct of that person's own affairs. If an Event of Default has occurred and is continuing, the trustee is not under any obligation to exercise any of its rights or powers at the request or direction of any of the holders unless the holders have offered to the trustee reasonable security or indemnity. Subject to certain provisions, the holders of a majority in principal amount of the outstanding 2028 notes have the right to direct the time, method and place of conducting any proceeding for any remedy available to the trustee, or exercising any trust, or power conferred on the trustee.

The trustee will, within 90 days after any default occurs, give notice of the default to the holders of the 2028 notes, unless the default was already cured or waived. Unless there is a default in paying principal, interest or any premium when due, the trustee can withhold giving notice to the holders if it determines in good faith that the withholding of notice is in the interest of the holders.

The indenture requires that the Company must deliver to the trustee within 120 days after the end of each fiscal year an officers' certificate stating whether such officers have knowledge of any default under the indenture and, if so, specifying such default and the nature thereof.

Modification and Waiver

The indenture or the 2028 notes may be amended or modified without the consent of any holder of 2028 notes in order to:

- evidence a successor to the trustee;
- cure ambiguities, defects or inconsistencies;
- provide for the assumption of the Company's obligations in the case of a merger or consolidation or transfer of all or substantially all of the Company's assets that complies with the covenant described above under "- Merger, Consolidation or Sale of Assets";
- make any change that would provide any additional rights or benefits to the holders of the 2028 notes;
- add guarantors or co-obligors with respect to the 2028 notes;
- secure the 2028 notes;
- establish the form or forms of 2028 notes;
- add additional Events of Default with respect to the 2028 notes;
- maintain the qualification of the indenture under the Trust Indenture Act; or
- make any change that does not adversely affect in any material respect the interests of any holder.

Other amendments and modifications of the indenture or the 2028 notes issued may be made with the consent of the holders of not less than a majority of the aggregate principal amount of the outstanding debt securities of each series affected by the amendment or modification. However, no modification or amendment may, without the consent of the holder of each outstanding 2028 note:

- reduce the principal amount, or extend the fixed maturity, of the 2028 notes;
- alter or waive the redemption or repayment provisions of the 2028 notes;
- change the currency in which principal, any premium or interest is paid;

- reduce the percentage in principal amount outstanding of 2028 notes that must consent to an amendment, supplement or waiver or consent to take any action;
- impair the right to institute suit for the enforcement of any payment on the 2028 notes;
- waive a payment default with respect to the 2028 notes or any guarantor;
- reduce the interest rate or extend the time for payment of interest on the 2028 notes;
- adversely affect the ranking of the 2028 notes; or
- release any guarantor or co-obligor from any of its obligations under its guarantee or the indenture, except in compliance with the terms of the indenture.

Satisfaction, Discharge and Covenant Defeasance

The Company may terminate its obligations under the indenture with respect to the outstanding 2028 notes, when:

- either:
  - all 2028 notes issued that have been authenticated and delivered have been delivered to the trustee for cancellation; or
  - all 2028 notes issued that have not been delivered to the trustee for cancellation have become due and payable, will become due and payable within one year, or are to be called for redemption within one year and the Company has made arrangements satisfactory to the trustee for the giving of notice of redemption by such trustee in the Company's name and at its expense, and in each case, the Company has irrevocably deposited or caused to be deposited with the trustee sufficient funds to pay and discharge the entire indebtedness on the 2028 notes;
- the Company has paid or caused to be paid all other sums then due and payable under the indenture; and
- the Company delivered to the trustee an officers' certificate and an opinion of counsel, each stating that all conditions precedent under the indenture relating to the satisfaction and discharge of the indenture have been complied with.

The Company may elect to have its obligations under the indenture discharged with respect to the outstanding 2028 notes ("legal defeasance"). Legal defeasance means that the Company will be deemed to have paid and discharged the entire indebtedness represented by the outstanding 2028 notes under the indenture, except for:

- the rights of holders of the 2028 notes to receive principal, interest and any premium when due;
- the Company's obligations with respect to the 2028 notes concerning issuing temporary 2028 notes, registration of transfer of 2028 notes, mutilated, destroyed, lost or stolen 2028 notes and the maintenance of an office or agency for payment for security payments held in trust;
- the rights, powers, trusts, duties and immunities of the trustee; and
- the defeasance provisions of the indenture.

In addition, the Company may elect to have its obligations released with respect to certain covenants in the indenture ("covenant defeasance"). If the Company so elects, any failure to comply with these obligations will not constitute a default or an Event of Default with respect to the 2028 notes. In the event covenant defeasance occurs, certain events, not including non-payment, bankruptcy and insolvency events, described under "Events of Default and Remedies" above will no longer constitute an Event of Default for the 2028 notes.

In order to exercise either legal defeasance or covenant defeasance with respect to outstanding 2028 notes:

- the Company must irrevocably have deposited or caused to be deposited with the trustee as trust funds for the purpose of making the following payments, specifically pledged as security for, and dedicated solely to the benefits of the holders of the 2028 notes:
  - money in an amount;
  - U.S. government obligations (or equivalent government obligations in the case of 2028 notes denominated in other than U.S. dollars or a specified currency) that will provide, not later than one day before the due date of any payment, money in an amount; or

- a combination of money and U.S. government obligations (or equivalent government obligations, as applicable) in an amount, in each case sufficient, in the written opinion (with respect to U.S. or equivalent government obligations or a combination of money and U.S. or equivalent government obligations, as applicable) of a nationally recognized firm of independent public accountants to pay and discharge, and that will be applied by the trustee to pay and discharge, all of the principal, interest and premium, if any, at due date or maturity;

- in the case of legal defeasance, the Company has delivered to the trustee an opinion of counsel stating that, under then applicable Federal income tax law or a ruling published by the Internal Revenue Service, the holders of the 2028 notes will not recognize income, gain or loss for Federal income tax purposes as a result of the deposit, defeasance and discharge to be effected and will be subject to the same Federal income tax as would be the case if the deposit, defeasance and discharge did not occur;
- in the case of covenant defeasance, the Company has delivered to the trustee an opinion of counsel to the effect that the holders of the 2028 notes will not recognize income, gain or loss for Federal income tax purposes as a result of the deposit and covenant defeasance to be effected and will be subject to the same Federal income tax as would be the case if the deposit and covenant defeasance did not occur;
- no Event of Default or default with respect to the outstanding 2028 notes has occurred and is continuing at the time of such deposit after giving effect to the deposit or, in the case of legal defeasance, no default relating to bankruptcy or insolvency has occurred and is continuing at any time on or before the 91st day after the date of such deposit, it being understood that this condition is not deemed satisfied until after the 91st day;
- the legal defeasance or covenant defeasance will not cause the trustee to have a conflicting interest within the meaning of the Trust Indenture Act, assuming all 2028 notes were in default within the meaning of the Trust Indenture Act;
- the legal defeasance or covenant defeasance will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which the Company is a party;
- the legal defeasance or covenant defeasance will not result in the trust arising from such deposit constituting an investment company within the meaning of the Investment Company Act of 1940, as amended, unless the trust is registered under the Investment Company Act of 1940, as amended, or exempt from registration;
- if the 2028 notes are to be redeemed prior to their maturity, notice of such redemption shall have been duly given; and
- the Company has delivered to the trustee an officers’ certificate and an opinion of counsel stating that all conditions precedent with respect to the legal defeasance or covenant defeasance have been complied with.

Optional Redemption

The 2028 notes are redeemable at the Company’s option at any time in whole or from time to time in part in £1,000 increments (provided that any remaining principal amount thereof shall be at least the minimum authorized denomination thereof). If the 2028 notes are redeemed before April 7, 2028 (three months prior to the maturity date, or the “par call date”), the redemption price will equal the greater of:

- 100% of the principal amount of the 2028 notes to be redeemed; and
- the sum of the present values of the remaining scheduled payments of principal and interest on the 2028 notes to be redeemed assuming the 2028 notes mature on the par call date (exclusive of interest accrued to the date of redemption) discounted to the date of redemption on an annual basis (ACTUAL/ACTUAL (ICMA)), at the Comparable Government Bond Rate (as defined below) plus 25 basis points.

If the 2028 notes are redeemed on or after the par call date, the redemption price for the 2028 notes will equal 100% of the principal amount of the 2028 notes being redeemed, plus accrued and unpaid interest to, but not including, the redemption date.

“*Comparable Government Bond*” means, in relation to any Comparable Government Bond Rate calculation, at the discretion of an independent investment bank selected by the Company, a United Kingdom government bond whose maturity is closest to the par call date, or if such independent investment bank in its discretion determines that such similar bond is not in issue, such other United Kingdom government bond as such independent investment bank may, with the advice of three brokers of, and/or market makers in, United Kingdom government bonds selected by the Company, determine to be appropriate for determining the Comparable Government Bond Rate.

"*Comparable Government Bond Rate*" means the price, expressed as a percentage (rounded to three decimal places, with 0.0005 being rounded upwards), at which the gross redemption yield on the 2028 notes to be redeemed, if they were to be purchased at such price on the third business day prior to the date fixed for redemption, would be equal to the gross redemption yield on such business day of the Comparable Government Bond on the basis of the middle market price of the Comparable Government Bond prevailing at 11:00 a.m. (London time) on such business day as determined by an independent investment bank selected by the Company.

If less than all of the 2028 notes are to be redeemed, and the 2028 notes are global notes, the 2028 notes to be redeemed will be selected by Euroclear or Clearsteam in accordance with their standard procedures. If the 2028 notes to be redeemed are not global notes then held by Euroclear or Clearstream, the trustee will select the 2028 notes to be redeemed on a *pro rata* basis, by lot, or by any other method the trustee deems fair and appropriate. If the 2028 notes are listed on any national securities exchange, Euroclear or Clearstream will select 2028 notes in compliance with the requirements of the principal national securities exchange on which the 2028 notes are listed. Notwithstanding the foregoing, if less than all of the 2028 notes are to be redeemed, no 2028 notes of a principal amount of £100,000 or less shall be redeemed in part. If money sufficient to pay the redemption price on the 2028 notes (or portions thereof) to be redeemed on the redemption date is deposited with the paying agent on or before the redemption date and certain other conditions are satisfied, then on and after such redemption date, interest will cease to accrue on such 2028 notes (or such portion thereof) called for redemption.

Optional Redemption for Tax Reasons

The 2028 notes may be redeemed at our option in whole, but not in part, on not less than 15 nor more than 45 days' prior notice, at 100% of the principal amount, together with accrued and unpaid interest, if any, to, but excluding, the redemption date if, as a result of any change in, or amendment to, the laws, regulations or rulings of the United States (or any political subdivision or taxing authority thereof or therein having power to tax), or any change in official position regarding application or interpretation of those laws, regulations or rulings (including a holding by a court of competent jurisdiction), which change, amendment, application or interpretation is announced and becomes effective on or after the original issue date with respect to the 2028 notes, the Company becomes or, based upon a written opinion of independent counsel selected by the Company, will become obligated to pay additional amounts as described below in "- Payment of Additional Amounts" and that obligation cannot be avoided by taking reasonable measures available to the Company, as determined by the Company in its sole discretion acting in good faith.

Payment of Additional Amounts

All payments of principal, interest, and premium, if any, in respect of the 2028 notes will be made free and clear of, and without withholding or deduction for, any present or future taxes, assessments, duties or governmental charges of whatever nature imposed, levied or collected by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), unless such withholding or deduction is required by law or the official interpretation or administration thereof.

In addition, for so long as the 2028 notes are outstanding and the provisions of the Directive continue to have effect, the Company will maintain a paying agent in a member state of the European Union that is not obligated to withhold or deduct tax pursuant to the Directive, or any law implementing or complying with or introduced in order to conform to such directive (so long as there is such a member state).

The Company will, subject to the exceptions and limitations set forth below, pay as additional interest in respect of the 2028 notes such additional amounts as are necessary in order that the net payment by the Company of the principal of, premium, if any, and interest in respect of the 2028 notes to a holder who is not a United States person (as defined below), after withholding or deduction for any present or future tax, assessment, duties or other governmental charge imposed by the United States (or any political subdivision or taxing authority thereof or therein having power to tax), will not be less than the amount provided in the 2028 notes to be then due and payable; provided, however, that the foregoing obligation to pay additional amounts shall not apply:

(1) to the extent any tax, assessment or other governmental charge would not have been imposed but for the holder (or the beneficial owner for whose benefit such holder holds such note), or a fiduciary, settlor, beneficiary, member or shareholder of the holder if the holder is an estate, trust, partnership or corporation, or a person holding a power over an estate or trust administered by a fiduciary holder, being considered as:

a. being or having been engaged in a trade or business in the United States or having or having had a permanent establishment in the United States;

b. having a current or former connection with the United States (other than a connection arising solely as a result of the ownership of the 2028 notes, the receipt of any payment or the enforcement of any rights hereunder), including being or having been a citizen or resident of the United States;

c. being or having been a personal holding company, a passive foreign investment company or a controlled foreign corporation for U.S. Federal income tax purposes or a corporation that has accumulated earnings to avoid U.S. Federal income tax;

d. being or having been a "10-percent shareholder" of the Company as defined in section 871(h)(3) of the United States Internal Revenue Code of 1986, as amended (the "Code") or any successor provision; or

e. being a bank receiving payments on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, as described in section 881(c)(3)(A) of the Code or any successor provision;

(2) to any holder that is not the sole beneficial owner of the 2028 notes, or a portion of the 2028 notes, or that is a fiduciary, partnership or limited liability company, but only to the extent that a beneficial owner with respect to the holder, a beneficiary or settlor with respect to the fiduciary, or a beneficial owner or member of the partnership or limited liability company would not have been entitled to the payment of an additional amount had the beneficiary, settlor, beneficial owner or member received directly its beneficial or distributive share of the payment;

(3) to the extent any tax, assessment or other governmental charge that would not have been imposed but for the failure of the holder or any other person to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of the holder or beneficial owner of the 2028 notes, if compliance is required by statute, by regulation of the United States or any taxing authority therein or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other governmental charge;

(4) to any tax, assessment or other governmental charge that is imposed otherwise than by withholding by the Company or a paying agent from the payment;

(5) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any 2028 notes, if such payment can be made without such withholding by any other paying agent;

(6) to any estate, inheritance, gift, sales, transfer, wealth, capital gains or personal property tax or similar tax, assessment or other governmental charge, or excise tax imposed on the transfer of 2028 notes;

(7) to any withholding or deduction that is imposed on a payment to an individual and that is required to be made pursuant to the Directive, or any law implementing or complying with or introduced in order to conform to, such directive;

(8) to any tax, assessment or other governmental charge required to be withheld by any paying agent from any payment of principal of or interest on any note as a result of the presentation of any note for payment (where presentation is required) by or on behalf of a holder of 2028 notes, if such payment could have been made without such withholding by presenting the relevant note to at least one other paying agent in a member state of the European Union;

(9) to the extent any tax, assessment or other governmental charge would not have been imposed but for the presentation by the holder of any note, where presentation is required, for payment on a date more than 30 days after the date on which payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later except to the extent that the beneficiary or holder thereof would have been entitled to the payment of additional amounts had such note been presented for payment on any day during such 30-day period;

(10) to any tax, assessment or other governmental charge imposed under sections 1471 through 1474 of the Code (or any amended or successor provisions), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to section 1471(b) of the Code or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code; or

(11) in the case of any combination of items (1), (2), (3), (4), (5), (6), (7), (8), (9) and (10).

The 2028 notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable to the 2028 notes. Except as specifically provided above, the Company is not required to make any payment for any tax, assessment or other governmental charge imposed by any government or a political subdivision or taxing authority of or in any government or political subdivision.

Mandatory Redemption; Sinking Fund

No mandatory redemption obligation is applicable to the 2028 notes. The 2028 notes are not subject to, nor have the benefit of, a sinking fund.

SUBSIDIARIES OF THE REGISTRANT

Name	Percentage of Securities Owned	State or Jurisdiction Of Incorporation
Amercain Investments, C.V.	100% (1)	Netherlands
AMG Trading, L.L.C.	100%	Delaware
The BenRiach Distillery Company Limited	100% (2)	Scotland
BF FINCO, S. de R.L. de C.V.	100% (3)	Mexico
B-F Holding Hungary 2 Kft.	100% (4)	Hungary
B-F Korea, L.L.C.	100% (5)	Delaware
BFC Tequila Limited	100% (6)	Ireland
Brown-Forman Arrow Continental Europe, L.L.C.	100%	Kentucky
Brown-Forman Australia Pty. Ltd.	100% (5)	Australia
Brown-Forman Beverages Europe, Ltd.	100% (5)	United Kingdom
Brown-Forman Beverages Japan, L.L.C.	100%	Delaware
Brown-Forman Beverages North Asia, L.L.C.	100%	Delaware
Brown-Forman Beverages (Shanghai) Co., Ltd.	100% (7)	China
Brown-Forman Beverages Worldwide, Comercio de Bebidas Ltda.	100% (8)	Brazil
Brown-Forman Bulgaria, e.o.o.d.	100% (5)	Bulgaria
Brown-Forman Colombia S.A.S	100% (5)	Colombia
Brown-Forman Czechia, s.r.o.	100% (9)	Czech Republic
Brown-Forman Deutschland GmbH	100% (10)	Germany
Brown-Forman Distillery, Inc.	100%	Delaware
Brown-Forman Dutch Holding, B.V.	100% (5)	Netherlands
Brown-Forman Finland Oy	100% (5)	Finland
Brown-Forman France	100% (5)	France
Brown-Forman Greece E.P.E.	100% (11)	Greece
Brown-Forman Holding Mexico S.A. de C.V.	100% (12)	Mexico
Brown-Forman Hong Kong Ltd.	100% (13)	Hong Kong
Brown-Forman Hungary 1 Kft.	100% (14)	Hungary
Brown-Forman Hungary Kft.	100% (5)	Hungary
Brown-Forman India Private Limited	100% (15)	India
Brown-Forman International, Inc.	100%	Delaware
Brown-Forman Italy, Inc.	100%	Kentucky
Brown-Forman Korea Ltd.	100% (13)	Korea
Brown-Forman Latvia L.L.C.	100% (5)	Latvia
Brown-Forman Ljubljana Marketing, d.o.o	100% (5)	Slovenia
Brown-Forman Middle East FZ-LLC	100% (5)	United Arab Emirates
Brown-Forman Netherlands, B.V.	100% (16)	Netherlands
Brown-Forman New Zealand	100%	New Zealand
Brown-Forman Polska Sp. z o.o.	100% (9)	Poland
Brown-Forman Ro S.R.L.	100% (11)	Romania
Brown-Forman Rus L.L.C.	100% (17)	Russia
Brown-Forman S1, d.o.o.	100% (5)	Serbia
Brown-Forman Scotland Limited	100% (4)	Scotland
Brown-Forman South Africa Pty Ltd.	100% (5)	South Africa
Brown-Forman Spain, S.L.	100% (5)	Spain
Brown-Forman Spirits (Shanghai) Co., Ltd.	100% (7)	China
Brown-Forman Spirits Trading, L.L.C.	100% (5)	Turkey

Name	Percentage of Securities Owned	State or Jurisdiction Of Incorporation
Brown-Forman Tequila Mexico, S. de R.L. de C.V.	100% [18]	Mexico
Brown-Forman Thailand, L.L.C.	100%	Delaware
Brown-Forman Worldwide, L.L.C.	100%	Delaware
Brown-Forman Worldwide (Shanghai) Co., Ltd.	100% [19]	China
Canadian Mist Distillers, Limited	100%	Ontario, Canada
Chambord Liqueur Royale de France	100%	France
Cosesa-BF S. de R.L. de C.V.	100% [21]	Mexico
Jack Daniel Distillery, Lem Motlow, Prop., Inc.	100% [22]	Tennessee
Jack Daniel's Properties, Inc.	100%	Delaware
Limited Liability Company Brown-Forman Ukraine	100%	Ukraine
Longnorth Limited	100% [16] [20]	Ireland
Magnolia Investments of Alabama, L.L.C.	100% [23]	Delaware
Slane Castle Irish Whiskey Homeplace Limited	100% [24]	Ireland
Slane Castle Irish Whiskey Limited	100% [5]	Ireland
Sonoma-Cutrer Vineyards, Inc.	100%	California
Valle de Amatitan, S.A. de C.V.	100% [18]	Mexico
Washington Investments, L.L.C.	100%	Kentucky

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

(1) Owned 99.991% by Brown-Forman Hungary 1 Kft. and 0.009% by B-F Holding Hungary 2 Kft.
(2) Owned by Brown-Forman Scotland Limited.
(3) Owned 99% by Brown-Forman Dutch Holding B.V. and 1% by Brown-Forman Beverages Europe, Ltd.
(4) Owned by Brown-Forman Hungary 1 Kft.
(5) Owned by Brown-Forman Netherlands, B.V.
(6) Owned by Longnorth Limited.
(7) Owned by Brown-Forman Hong Kong Ltd.
(8) Owned 99% by Brown-Forman Corporation and 1% by Brown-Forman Distillery, Inc.
(9) Owned 81.8% by Brown-Forman Netherlands, B.V. and 18.2% by Brown-Forman Beverages Europe, Ltd.
(10) Owned by Brown-Forman Beverages Europe, Ltd.
(11) Owned 90% by Brown-Forman Netherlands B.V. and 10% Brown-Forman Dutch Holding B.V.
(12) Owned 52.01% by Brown-Forman Netherlands, B.V. and 47.99% by Brown-Forman Corporation.
(13) Owned by B-F Korea, L.L.C.
(14) Owned by AMG Trading, L.L.C.
(15) Owned 99.98% by Brown-Forman Netherlands B.V. and 0.02% Brown-Forman Dutch Holding B.V.
(16) Owned by Amercain Investments C.V.
(17) Owned 90% by Brown-Forman Netherlands B.V. and 10% Brown-Forman Deutschland GmbH.
(18) Owned 99% by Brown-Forman Holding Mexico S.A. de C.V. and 1% by Brown-Forman Distillery, Inc.
(19) Owned by Brown-Forman Beverages North Asia, L.L.C.
(20) Includes qualifying shares assigned to Brown-Forman Corporation.
(21) Owned 99.9972% by BF FINCO S. de R.L. de C.V. and 0.00277% by Brown-Forman Beverages Europe, Ltd.
(22) Owned by Jack Daniel's Properties, Inc.
(23) Owned by Jack Daniel Distillery, Lem Motlow, Prop., Inc.
(24) Owned by Slane Castle Irish Whiskey Limited.

Exhibit 23

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-38649, 333-74567, 333-89294, 333-117630, 333-169564, and 333-190122) of Brown-Forman Corporation of our report dated June 13, 2019 relating to the financial statements and financial statement schedule and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Louisville, Kentucky
June 13, 2019

Exhibit 31.1

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

I, Lawson E. Whiting, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brown-Forman Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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 functions):

    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.

Dated: June 13, 2019

By: /s/ Lawson E. Whiting

Lawson E. Whiting

President and Chief Executive Officer

Exhibit 31.2

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

I, Jane C. Morreau, certify that:

1. I have reviewed this Annual Report on Form 10-K of Brown-Forman Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

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 functions):

    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.

Dated: June 13, 2019

By: /s/ Jane C. Morreau

Jane C. Morreau

Executive Vice President and Chief Financial Officer

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

In connection with the Annual Report of Brown-Forman Corporation ("the Company") on Form 10-K for the period ended April 30, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in the capacity as an officer of the Company, that:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: June 13, 2019

By: /s/ Lawson E. Whiting
Lawson E. Whiting
President and Chief Executive Officer

By: /s/ Jane C. Morreau
Jane C. Morreau
Executive Vice President and Chief Financial Officer

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

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

THIS PAGE INTENTIONALLY LEFT BLANK

CORPORATE INFORMATION

CORPORATE HEADQUARTERS

850 Dixie Highway / Louisville, Kentucky 40210 / (502) 585-1100
www.brown-forman.com / brown-forman@b-f.com

LISTED

New York Stock Exchange—BFA/BFB

STOCKHOLDERS

As of April 30, 2019, there were 2,527 holders of record of Class A Common Stock and 5,202 holders of record of Class B Common Stock. Stockholders reside in all 50 states and in 20 foreign countries.

REGISTRAR, TRANSFER AGENT, AND DIVIDEND DISBURSING AGENT

Computershare
web.queries@computershare.com
(866) 622-1917 (U.S., Canada, Puerto Rico)
(781) 575-4735 (International)
Correspondence: P.O. Box 505000 / Louisville, KY 40233
Overnight Correspondence: 462 South 4th Street, Suite 1600
Louisville, KY 40202

EMPLOYEES

As of April 30, 2019, Brown-Forman employed approximately 4,700 employees, excluding those employed on a part-time or temporary basis. Brown-Forman Corporation is committed to equality of opportunity in all aspects of employment. It has been and will continue to be the policy of Brown-Forman to provide full and equal employment opportunities to all employees and potential employees without regard to race, color, religion, national or ethnic origin, veteran status, age, gender, gender identity or expression, sexual orientation, genetic information, physical or mental disability, or any other legally protected status. It is also the policy of Brown-Forman to take affirmative action to employ and to advance in employment all persons regardless of race, color, religion, national or ethnic origin, veteran status, age, gender, gender identity or expression, sexual orientation, genetic information, physical or mental disability, or any other legally protected status, and to base all employment decisions only on valid job requirements. This policy applies to all terms, conditions, and privileges of employment, such as those pertaining to selection, training, transfer, promotion, compensation, and educational assistance programs.

FORM 10-K

Our 2019 Form 10-K is included with this 2019 Annual & Corporate Responsibility Report in its entirety except for exhibits. Interested stockholders may obtain without charge a copy of our Form 10-K, or a copy of any exhibit, upon written request to: Investor Relations, Brown-Forman Corporation, 850 Dixie Highway, Louisville, Kentucky 40210. The Form 10-K can also be downloaded from the company's website at www.brown-forman.com. Click on the "Investors" section of the website and then on Financial Reports & Filings to view the Form 10-K and other important documents.

FORWARD-LOOKING STATEMENTS

The 2019 Annual & Corporate Responsibility Report and the embedded electronic content referenced herein contain "forward-looking statements" as defined under U.S. federal securities laws. By their nature, forward-looking statements involve risks, uncertainties and other factors (many beyond our control) that could cause our actual results to differ materially from our historical experience or from our current expectations or projections. 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. For a description of these risks and uncertainties, please see "Forward-Looking Statement Information," which precedes Part I, Item 1, Business, as well as Item 1A, Risk Factors, of the Form 10-K included with this 2019 Annual & Corporate Responsibility Report.

USE OF NON-GAAP FINANCIAL INFORMATION

Certain matters discussed in this Annual Report include measures not derived in accordance with generally accepted accounting principles ("GAAP"), including "return on average invested capital" and "underlying" changes in income statement line items. Reconciliations of these measures to the most closely comparable GAAP measures, and reasons for the company's use of these measures, are presented in Part II, Item 7, around "Management's Discussion and Analysis of Financial Condition and Results of Operations," under the heading "Non-GAAP Financial Measures" of the Form 10-K incorporated into this 2019 Annual & Corporate Responsibility Report.

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

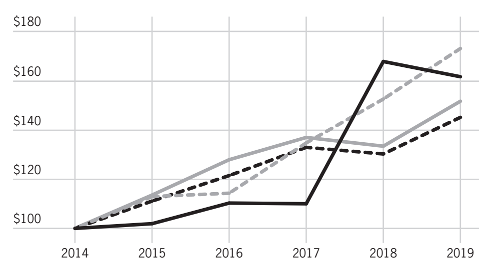
PricewaterhouseCoopers LLP

STOCK PERFORMANCE GRAPH

This graph compares the cumulative total shareholder return of our Class B Common Stock against the Standard & Poor's 500 Index, the Dow Jones U.S. Consumer Goods Index, and the Dow Jones U.S. Food & Beverage Index. The graph assumes $100 was invested on April 30, 2014, and that all dividends were reinvested. The cumulative returns shown on the graph represent the value that these investments would have had on April 30 in the years since 2014.

INDEXED TOTAL SHAREHOLDER RETURN

as of April 30, 2019, dividends reinvested



	2014	2015	2016	2017	2018	2019
BF Class B Shares	$100	$102	$110	$110	$168	$162
S&P 500 Index	$100	$113	$114	$135	$153	$173
Dow Jones U.S. Consumer Goods	$100	$111	$122	$133	$130	$145
Dow Jones U.S. Food and Beverage	$100	$114	$128	$137	$134	$152

ENVIRONMENTAL STEWARDSHIP

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

MIX
Paper from responsible sources
FSC® C002933
FSC www.fsc.org

This Annual Report is printed on FSC®-certified paper.

This is our seventh report to provide Corporate Responsibility (CR) information. This year we transitioned from a stand-alone biennial CR report to a blended annual and CR report to reflect the integration happening within our business and the expectation of stakeholders for this information to be reported together. Unless otherwise noted, all CR data relates to fiscal 2019. Our greenhouse gas emissions are externally verified annually by Stantec.

Additional CR information is available on www.brown-forman.com/responsibility:

- Responsibility pages including videos, policies, and downloadable documents
- Data Scorecard
- GRI Content Index containing disclosures from the Global Reporting Initiative (GRI) Standards sustainability reporting guidelines

Over the years, Brown-Forman has conducted formal and informal assessments to determine the topics most important to its stakeholders and to the company, that represent the greatest impacts along our value chain.

We were involved in developing reporting standards for the alcoholic beverages sector through the Sustainability Accounting Standards Board in 2015, as members of the "Consumption I" industry working group. Insights gained through that process have helped guide the content of our CR reporting. We conducted an issues assessment in 2015, resulting in the list of priority issues. For more information, please visit our website.

If you would like to get in touch with us about any of the issues discussed in this report, please email brown-forman@b-f.com or write to us at: Brown-Forman Corporation, 850 Dixie Hwy., Louisville, Kentucky, 40210, U.S.A.

Design by Addison www.addison.com

EVERYTHING WE DO TODAY DETERMINES WHO AND WHERE WE WILL BE TOMORROW.

As this next generation begins, so does our 150th year. We look forward to celebrating our past, in part by doing what we have always done: making the most of our future.

BROWN-FORMAN

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