BEAM INC
Form 10-K
February 29, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

Commission file number 1-9076

Beam Inc.

(Exact name of registrant as specified in its charter)

Delaware	**13-3295276**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

510 Lake Cook Road, Deerfield, IL 60015

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: (847) 948-8888

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $3.125 per share	New York Stock Exchange, Inc.
$2.67 Convertible Preferred Stock, without par value	New York Stock Exchange, Inc.
8 $^{5}/8$% Debentures Due 2021	New York Stock Exchange, Inc.
7 $^{7}/8$% Debentures Due 2023	New York Stock Exchange, Inc.

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 x 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 x

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 x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

The aggregate market value of the registrant s voting stock held by non-affiliates of the registrant at June 30, 2011 (the last day of our most recent second quarter) was $9,804,656,695. The number of shares outstanding of the registrant s common stock, par value $3.125 per share, at January 31, 2012, was 156,720,910.

DOCUMENTS INCORPORATED BY REFERENCE

Certain information contained in the registrant s Proxy Statement for the Annual Meeting of Stockholders to be held on April 24, 2012 (to be filed not later than 120 days after the end of the registrant s fiscal year) (the 2012 Proxy Statement) is incorporated by reference into Part III hereof.

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PART I

Disclosure Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). Actual results, performance or achievements could differ materially from those projected in the forward-looking statements as a result of a number of risks, uncertainties and other factors. For a discussion of important factors that could cause our results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by our forward-looking statements, please refer to Item 1. Business Forward-Looking Statements, Item 1A. Risk Factors and the financial statement line item discussions set forth in Item 7. Management s Discussion and Analysis of Financial Conditions and Results of Operations below.

Item 1. Business.

Overview

Beam Inc. is a leading premium spirits company that makes and sells branded distilled spirits products in major markets worldwide. Our principal products include bourbon whiskey, Scotch whisky, Canadian whisky, tequila, cognac, rum, cordials, and ready-to-drink pre-mixed cocktails. Our portfolio includes several of the world s top premium spirits brands and some of the industry s fastest growing innovations. We use the terms Beam, the Company, we, us and our to refer to the business of Beam Inc. and its consolidated subsidiaries.

Our portfolio consists of brands we identify as Power Brands, Rising Stars, Local Jewels and Value Creators. The Power Brands are our core brand equities, with global reach in premium categories and large annual sales volume. Rising Stars are smaller premium brands in priority markets that we believe have excellent growth profiles that receive substantial brand investment to drive expansion. Brands identified as Local Jewels act as Power Brands in local markets. Value Creators include a variety of brands competing across multiple categories. Our Power Brands and Rising Stars, which are the focus of our brand investment, are listed below.

Power Brands:	Jim Beam Bourbon, Maker s Mark Bourbon, Sauza Tequila, Courvoisier Cognac, Canadian Club Whisky and Teacher s Scotch
Rising Stars:	Laphroaig Scotch, Knob Creek Bourbon, Basil Hayden s Bourbon, Kilbeggan Irish Whiskey, Cruzan Rum, Hornitos Tequila, EFFEN Vodka, Pucker Vodka, Skinnygirl Cocktails, and Sourz Liqueurs

The principal markets for our spirits products are North America, Australia and Europe, and we continue to invest in emerging markets such as India, Brazil, Russia, Central Europe, Asia, and other geographies. We operate our business on the basis of geographical regions, consisting of North America, Europe/Middle East/Africa (EMEA), and Asia-Pacific/South America (APSA). Approximately 50% of our net sales are to markets outside the United States.

Our spirits products are primarily sold through direct sales forces to distributors. We also sell spirits products through joint ventures with The Edrington Group Ltd., as well as through third-party distributors and global or regional duty free customers.

Separation Transactions

On December 8, 2010, Beam (then known as Fortune Brands, Inc.) announced that its Board of Directors approved in principle a separation of the Company s three business segments. The announced plan included the tax-free spin-off of the Home & Security business (Home & Security) into an independent publicly-traded company and the sale or tax-free spin-off of the Golf business (the Golf business) with the continuation of Beam as an independent publicly-traded pure-play spirits company. The Company concluded that the separation of the three businesses would significantly enhance each business s long-term growth and return prospects and offer substantially greater total long-term value to shareholders. On July 29, 2011, the Company completed the sale of the Golf business to a company formed by Fila Korea Ltd. and Mirae Asset Private Equity of Korea. On October 3, 2011, the Company completed the spin-off of Home & Security by distributing 100% of the outstanding shares of common stock of Home & Security to holders of the Company s common stock (the Spin-Off). Following the completion of the Spin-Off, the Company changed its name from Fortune Brands, Inc. to Beam Inc. The sale of the Golf business and the Spin-Off are together referred to in this Form 10-K as the Separation Transactions.

By separating the three businesses, the Company believes it has significantly enhanced each business s long-term growth and return prospects, as well as offered substantially greater total long-term value to stockholders. Refer to Note 3, *Discontinued Operations*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for more information on the Separation Transactions.

Strategy

We strive to enhance shareholder value by executing our Vision Into Action strategy, including:

- profitably building our core distilled spirits brands to drive sales and earnings growth and enhance returns on a long-term basis; and
- positioning our brands to outperform their respective markets by:
  - Creating Famous Brands
  - Building Winning Markets
  - Fueling Our Growth

We seek to Create Famous Brands by building our core brand equities, principally for our Power Brands and Rising Stars. To strengthen our brands and their connection with consumers, we invest in impactful communications, such as television advertising, digital and print media, and local market in-store marketing. We also seek to create profitable growth through product innovation, expanded category participation, speed to market and synergy-driven acquisitions.

We seek to Build Winning Markets through effective distribution and enhancing the presence of our brands, particularly in key markets. We amplify our scale in select markets by aligning with key strategic partners, such as Coca-Cola Amatil in Australia and The Edrington Group in more than 20 global markets. These alliances complement our distribution in other key markets, including our strong U.S. sales organization and performance-based contracts with partners such as Southern Wine & Spirits in the U.S. and our company-owned distribution in markets such as Germany and India.

We seek to Fuel Our Growth by optimizing our supply chains, designing products to maximize value for money for consumers, exercising disciplined capital and cost management, and building an effective and efficient organization. We believe that we promote organizational excellence by developing a winning culture with highly engaged employees.

Acquisitions and Divestitures

While our first priority is internal growth, we also strive to enhance shareholder value through acquisitions and divestitures, joint ventures, alliances, share repurchases, and other strategic alternatives. With an empowered and accountable regional organizational structure focused on leveraging our broad portfolio of brands and distribution assets to outperform our market, we believe we achieve a scale with agility that is a source of competitive advantage. In March 2011, we acquired the Skinnygirl ready-to-drink cocktail business. In January 2012, we completed the acquisition of Cooley Distillery plc, an award-winning independent Irish whiskey producer. Through these two transactions, we entered into two of the industry s fastest growing categories, leveraging our global distribution network and supply chain.

Our other acquisitions and divestitures completed in recent years include the following:

- In 2010, we sold certain non-strategic German spirits brands and related assets (August) and sold the Cockburn s port brand and inventory (December) for aggregate proceeds of $49.2 million.

In June 2009, we acquired the EFFEN super-premium vodka brand and related assets from the Sazerac Company, Inc. and sold the Old Taylor whiskey brand and assets to Sazerac.

In April 2009, we paid 49.9 million (approximately $66.2 million, net of cash acquired) to purchase 100% of the interests in seven subsidiaries of Maxxium Worldwide B.V., our former international spirits sales distribution joint venture. In addition, we paid 30.9 million (approximately $41.7 million) to acquire 50% ownership in five Maxxium joint venture entities.

On an ongoing basis, we review our portfolio of brands and evaluate options for increasing shareholder value. In addition to acquisitions and divestitures, we consider other corporate strategies intended to enhance shareholder value, including share repurchases and changes to our dividend payments. We cannot predict whether or when any particular strategy might be implemented or what the financial effect thereof might be upon the Company s results of operations, cash flows or financial condition.

Segments

Our three reportable segments are the geographic regions of North America, EMEA and APSA. Each segment is engaged in the manufacture and sale of distilled spirits products. Approximately 50% of our consolidated net sales were generated in the U.S. (based on country of destination) in the year ended December 31, 2011. For additional financial information by segment, refer to Note 22, *Segment Information*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report. For a description of the risks attendant to operating outside the United States, see Item 1A Risk Factors.

Trademarks

We sell our products under a number of trademarks, brand names and trade names that are important to our continued success. We own most of our key trademarks, including the trademarks for each of our Power Brands, but we also use trademarks under long-term licenses for brands such as DeKuyper (the #1 cordials line in the U.S.), which is produced and sold in the U.S. and Mexico under a license of unlimited duration. Our business could be adversely affected by the loss of any major brand or by material infringement of our intellectual property rights. We are also subject to intellectual property risks because existing trademark laws offer only limited protection, and the laws of some countries in which our products are or may be developed, manufactured or sold may not fully protect our products from infringement by others.

Seasonality

The peak season for our business is the fourth calendar quarter due to holiday buying, modestly benefiting fourth quarter margins. Approximately 28%, 30%, and 31% of our net sales for the fiscal years ended December 31, 2011, 2010, and 2009, respectively, were in the fourth quarter.

Customers and Distributors

Our spirits products are primarily sold through direct sales forces to distributors. In addition, we sell spirits products through our joint ventures with The Edrington Group and global or regional duty free customers. We also sell our products through governmental liquor authorities in jurisdictions where aspects of the purchase and distribution of alcoholic beverages are under government control. Examples of such authorities are the eighteen control states (and one county) in the United States and the Liquor Control Boards in Canada. In each of the years ended December 31, 2011, 2010, and 2009, the Company s 50% owned joint ventures with The Edrington Group and Southern Wine & Spirits accounted in the aggregate for approximately 30% of our total sales.

Competition

The global distilled spirits industry is very competitive. Based on volume information from independent industry statistical sources, we are the fourth largest premium spirits company in the world (the largest U.S. based) as well as the second largest in the U.S. We compete on the basis of product quality, brand image, price, service and innovation in response to consumer preferences. While the industry is highly fragmented, major competitors include Brown-Forman Corporation, Diageo PLC, Pernod Ricard S.A., Bacardi Limited, Davide Campari Milano-S.p.A., Rémy Cointreau S.A., and Constellation Brands, Inc.

Raw Materials and Other Supplies

The principal raw materials for the production, storage and aging of distilled products are primarily corn and other grains for whiskies and other spirits, agave for tequila, molasses for rum, grapes for cognac and fortified wines, new or used oak barrels, plastic and glass for bottles. These materials are generally readily available from a number of sources, except that new oak barrels are available from only a few sources. Beam has a long-term supply agreement with a third-party supplier for the purchase of new oak barrels. This agreement requires a minimum of three years notice prior to termination. In addition, we purchase barrels from two other suppliers on a year-to-year basis pursuant to purchase orders. We purchase grains, malts, and grapes primarily from independent growers under long-term supply contracts or on the spot market and we grow our own agave supply. From time to time, these raw materials are affected by weather and other forces that may impact production and quality.

Inventory

Because whiskeys/whiskies, cognacs, brandies, rum and some tequila varieties are aged for various periods (generally from three to ten years for whiskies, for example), we maintain substantial inventories of maturing product in warehouse facilities. Production of maturing inventory is generally scheduled to meet demand years into the future, and production schedules are adjusted from time to time to bring inventories into balance with estimated future demand. In addition, we may, from time to time, purchase or sell maturing spirits to manage estimated future demand.

Regulatory Environment

The production, storage, transportation, distribution and sale of our products are subject to regulation by federal, state, local and foreign authorities. Various countries and local jurisdictions prohibit or restrict the marketing or sale of distilled spirits and fortified wines in whole or in part.

The Alcohol and Tobacco Tax and Trade Bureau of the United States Treasury Department regulates the U.S. spirits industry with respect to production, blending, bottling, sales, advertising, and transportation of industry products. Also, each state in the United States regulates the advertising, promotion, transportation, sale, and distribution of such products.

In many of the key markets for our business, distilled spirits are subject to federal excise taxes and/or customs duties, as well as state/provincial, local and other taxes. Beverage alcohol sales could be adversely impacted by increases to excise tax rates, which are considered from time to time by U.S. states and municipalities and in other key markets for our business. The effect of any future excise tax increases in any jurisdiction cannot be determined, but it is possible that any future excise tax increases could have an adverse effect on our business, financial condition and results of operations.

Environmental Matters

The Company is subject to both U.S. and international laws and regulations relating to the protection of the environment. In the U.S., the laws and regulations include the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act and Superfund (the environmental program established in the Comprehensive Environmental Response, Compensation, and Liability Act to address abandoned hazardous waste sites), which imposes joint and severable liability on each potentially responsible party. Outside the U.S., we are subject to applicable multi-national, national and local environmental laws and regulations in the countries in which we do business. Refer to Note 18, *Commitments and Contingencies*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for more information about pending environmental matters.

Employees

As of December 31, 2011, the Company and its subsidiaries had approximately 3,200 employees, of which approximately 1,500 were based in the United States. Approximately 38% of our employees are covered by collective bargaining agreements, of which approximately 36% are subject to agreements that will expire within one year from the filing date of this Form 10-K. We believe our employee relations are good.

Additional Company Information

The Company was incorporated under the laws of Delaware in 1985 and conducted no business until 1986. American Brands, Inc., a New Jersey corporation organized in 1904 (American New Jersey), was merged into The American Tobacco Company on December 31, 1985, and the shares of the principal first-tier subsidiaries formerly held by American New Jersey were transferred to the Company. In addition, the Company assumed all liabilities and obligations in respect of the public debt securities of American New Jersey outstanding immediately prior to the merger. On May 30, 1997, the Company s name was changed from American Brands, Inc. to Fortune Brands, Inc. Following the Spin-Off on October 3, 2011, the Company became a standalone spirits company under the name Beam Inc.

The Company s website address is www.beamglobal.com. The Company s Annual Report 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 the Company s website as soon as reasonably practicable after the reports are filed or furnished electronically with the SEC. We also make available on our website, or in printed form upon request, free of charge, our Corporate Governance Principles, Code of Conduct and Ethics, Code of Ethics for Chief Executive Officer and Senior Financial Officers, Charters for the Committees of our Board of Directors and other information related to the Company.

The public may read and copy any materials we file with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. The public may obtain information about the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Forward-Looking Statements

This Annual Report on Form 10-K contains statements relating to future results, or states our intentions, beliefs and expectations or predictions for the future. Readers are cautioned that these are forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995, which involve a number of risks and uncertainties. Words such as anticipates, believes, continues, estimates, expects, targets, goa intends, may, opportunity, plans, potential, projects, forecasts, should, will, seeks, strives and similar expressions are inten forward-looking statements. Readers are cautioned that these forward-looking statements speak only as of the date hereof, and the Company does not assume any obligation to update, amend or clarify them to reflect events, new information or circumstances occurring after the date of this Report. Actual results may differ materially from those projected as a result of certain risks and uncertainties, including but not limited to:

general economic conditions and credit market instability, particularly in Europe;

competitive market pressures (including pricing pressures);

changes in consumer preferences and trends;

risks pertaining to strategic acquisitions, joint ventures, and alliances, particularly financial and integration risks;

commodity and energy price volatility;

risks associated with doing business outside the United States, including currency exchange rate risks;

inability to attract and retain qualified personnel;

the impact of excise tax increases and customs duties on distilled spirits or changes to government financial incentives;

dependence on performance of distributors and other marketing arrangements;

customer defaults and related bad debt expense;

any possible downgrades of the Company s credit ratings;

costs of certain employee and retiree benefits and returns on pension assets;

tax law changes and/or interpretation of existing tax laws;

potential liabilities, costs and uncertainties of litigation;

- ability to secure and maintain rights to trademarks and tradenames;
- impairment in the carrying value of goodwill or other acquired intangible assets;
- disruptions at production facilities;
- risks related to the Home & Security Spin-Off; and
- other risks and uncertainties detailed from time to time in the Company s SEC filings.

Further information about factors that could materially affect Beam, including our results of operations and financial condition, is contained in the Risk Factors section in Part I, Item 1A of this report.

Item 1A. Risk Factors.

We believe that the following risks and uncertainties may be material to our business. Additional risks and uncertainties that we currently consider to be immaterial may also adversely affect our business. If any of the following risks actually occur, our business, results of operations, cash flows, and financial condition could be materially and adversely impacted.

Current global economic challenges may continue and a recovery may be slow or reverse, adversely impacting our results of operations, cash flows and financial condition.

Stable economic conditions globally, including strong employment, consumer confidence and credit availability, are important not only to the basic health of our consumer markets, but also to our own financial condition. There are presently significant challenges in the global economy, including high unemployment rates, low consumer confidence, record budget deficits and levels of government debt, and fragile credit and housing markets. In addition, instability in the global credit markets, including the recent European economic and financial turmoil related to sovereign debt issues in certain countries, the instability in the geopolitical environment in many parts of the world and other disruptions, may continue to put pressure on global economic conditions. As a result, consumers increased price consciousness may endure, which may affect consumers willingness to pay for premium brands as well as the overall level of spirits consumption, particularly in bars, restaurants, nightclubs and other public environments where consumers drink spirits. Furthermore, our suppliers and customers could experience cash flow problems, increased costs or reduced availability of financing, credit defaults, and other financial hardships. These factors may increase our bad debt expense, cause us to reduce the levels of unsecured credit that we provide to customers and otherwise adversely impact our results of operations, cash flows and financial condition. A prolonged global economic stagnation may impact our access to long-term capital markets, result in increased interest rates on our corporate debt, and weaken operating cash flow and liquidity. Decreased cash flow and liquidity could potentially impact our ability to finance operations, pay dividends, complete acquisitions and repurchase shares in the future.

Demand for our spirits products may be adversely affected by many factors, including changes in consumer preferences and trends.

Consumer preferences may shift due to a variety of factors including changes in demographic and social trends, public health initiatives, product innovations, changes in travel, vacation or leisure activity patterns and a downturn in economic conditions, which may reduce consumers willingness to purchase distilled spirits products or cause a shift in consumer preferences toward beer, wine or non-alcoholic beverages. In addition, concerns about health issues relating to alcohol consumption, dietary effects, regulatory action or any litigation against companies in the industry may have an adverse effect on our business. Our success depends in part on fulfilling available opportunities to meet consumer needs and anticipating changes in consumer preferences with successful new products and product innovations. While we devote significant focus to the development of new products, we may not be successful in their development or these new products may not be commercially successful. In addition, global economic conditions or market trends could cause consumer preferences to trend away from our premium spirits brands and categories toward lower cost alternatives, which may also adversely impact our results of operations and cash flows.

We face substantial competition in our industry and many factors may prevent us from competing successfully.

We compete on the basis of product taste and quality, brand image, price, service and ability to innovate in response to consumer preferences. It is possible that our competitors may either respond to industry conditions or consumer trends more rapidly or effectively or resort to price competition to sustain market share, both of which could adversely affect our sales and profitability. Further, while we believe that our scale, portfolio breadth and entrepreneurial organization relative to that of our competitors gives us the ability to outperform our market, we nevertheless face a risk that a continuing consolidation of the large distilled spirits companies could cause us to experience competitive disadvantages. Our inability to manage these and other competitive factors successfully could adversely affect our results of operations, cash flows and financial condition.

Risks associated with our strategic acquisitions, joint ventures, and alliances could adversely affect our business.

We continue to consider acquisitions, joint ventures, and alliances as a means of enhancing shareowner value. Acquisitions and joint ventures involve risks and uncertainties, including:

- difficulties integrating acquired companies and operating joint ventures;

- retaining the acquired businesses customers and brands, and achieving the expected financial results and benefits of transactions, such as cost savings, and revenue increases from expanded geographic or product presence;

loss of key employees from acquired companies;

implementing and maintaining consistent standards, controls, procedures, policies and information systems;

- exposure to unknown liabilities; and

- diversion of management s attention from other business concerns.

Future acquisitions could cause us to incur additional debt or issue shares of capital stock, which could lead to dilution in earnings per share and return on capital.

Risks associated with commodity price volatility and energy availability could adversely affect our business.

We are exposed to risks associated with commodity price volatility arising from supply conditions, geopolitical and economic variables, weather, and other unpredictable external factors. We buy commodities such as corn and other grains, molasses, grapes, glass and plastic for the production, packaging and distribution of our products. We also grow agave plants for tequila production. Availability, increases and volatility in the prices of these commodities, as well as products sourced from third parties and energy used in making, distributing and transporting our products, could increase the manufacturing and distribution costs of our products. While in the past we have been able to mitigate the impact of these cost increases through productivity improvements and pricing adjustments, there is no assurance that we will be able to offset such cost increases in the future.

If we are unable to effectively manage organizational productivity and global supply chain efficiency and flexibility, then our business could be adversely affected.

We need to continually evaluate our organizational productivity and global supply chains and assess opportunities to reduce costs. We must also enhance quality, speed and flexibility to meet changing and uncertain market conditions. Our success also depends in part on refining our cost structure and supply chains so that we have flexibility and are able to respond to market pressures to protect profitability and cash flow or ramp up quickly and effectively to meet demand. Failure to achieve the desired level of quality, capacity or cost reductions could adversely affect our financial results. Despite our efforts to control costs and increase efficiency in our facilities, increased competition could still cause us to realize lower operating margins and profitability.

We manufacture, source and sell many products internationally and are exposed to risks associated with doing business globally.

We manufacture, source or sell our products in the United States, Europe, Australia, Canada, Mexico, India, Brazil, Russia and other countries. Accordingly, we are subject to risks associated with potential disruption caused by changes in political, economic and social environments, including civil and political unrest, terrorism, possible expropriation, local labor conditions, changes in laws and governmental regulations and policies in many countries outside the United States. We are also subject to U.S. laws affecting the activities of U.S. companies abroad, including tax laws, anti-corruption laws and laws regarding the enforcement of contract and intellectual property rights. Our success will depend, in part, on our ability to overcome the challenges we encounter with respect to these factors and other matters affecting U.S. companies with global operations.

We are exposed to fluctuations in currency exchange rates that could negatively impact our business.

While we hedge certain foreign currency transactions, a change in the value of local currencies where we manufacture, source or sell our products impacts our financial statements when translated into U.S. dollars. In addition, fluctuations in currency can adversely impact the cost position in local currency of our products, making it more difficult for us to compete. The exchange rates between some of the major foreign currencies in which we operate (including the Australian dollar, British pound sterling, euro, Canadian dollar, Indian rupee and Mexican peso) and the U.S. dollar have fluctuated significantly in recent years and are likely to continue to do so in the future.

Our operations may be adversely affected by failure to maintain or renegotiate distribution, supply, manufacturing or license agreements on favorable terms.

We have a number of distribution, supply, manufacturing and license agreements for our spirits products. These agreements vary depending on the particular brand, but tend to be for a fixed number of years. There can be no assurance that we will be able to renew these agreements on favorable terms or that these agreements will not be terminated. Termination of these agreements or failure to renew these agreements on favorable terms could have a negative affect on our results of operations and financial condition.

Our failure to attract and retain qualified personnel could adversely affect our business.

Our success depends in part on the efforts and abilities of our senior management team and key employees. Their motivation, skills, experience and industry contacts significantly benefit our operations and administration. The failure to attract, motivate and retain members of our senior management team and key employees could have a negative effect on our operating results.

Changes in regulatory standards could adversely affect our business.

Our business is subject to extensive domestic and international regulatory requirements regarding distribution, production, labeling, and marketing. Changes to regulation of the beverage alcohol industry could include increased limitations on advertising and promotional activities or other non-tariff measures that could adversely impact our business. In addition, we face government regulations pertaining to the health and safety of our employees and our consumers as well as regulations addressing the impact of our business on the environment, domestically as well as internationally. Compliance with these health, safety and environmental regulations may require us to alter our manufacturing processes and our sourcing. Such actions could adversely impact our results of operations, cash flows and financial condition, and our inability to effectively and timely comply with such regulations could adversely impact our competitive position.

Changes in excise taxes, incentives and customs duties related to distilled spirits could adversely affect our business.

Distilled spirits are subject to excise taxation in many markets at the federal, state and/or local level. Any increase in federal, state or local excise taxes could have an adverse effect on our business by increasing prices and reducing demand, particularly if excise tax levels increase substantially relative to those for beer and wine. For example, in April 2008 the Australian government increased excise taxes specifically on ready-to-drink spirits products by 70%, equating to a 25% price increase to consumers, which adversely impacted demand for Jim Beam and Cola and other pre-mixed products. We are also the recipient of certain U.S. governmental economic development incentives in connection with our manufacture of rum. The amount and availability of these incentives in future periods cannot be assured. Any reduction in incentives would have an adverse effect on our business by increasing production costs. In addition, distilled spirits products are the subject of customs duties in many countries around the world. An unanticipated increase in customs duties in the markets where we sell our products could also adversely affect our results of operations and cash flows.

Downgrades of our credit ratings could adversely affect our business.

A downgrade of our credit rating by Moody s, Standard & Poor s or Fitch could result in an increase to our interest expense and cost of capital and impact our future ability to access credit, particularly if the downgrade were to a non-investment grade rating. Downgrades of our credit ratings would also adversely affect the fair value and marketability of our outstanding debt. In addition, a downgrade could weaken operating cash flow and liquidity, potentially adversely impacting our ability to pay dividends, fund acquisitions and repurchase shares.

We rely on the performance of wholesale distributors and other marketing arrangements and could be adversely affected by consolidation, poor performance or other disruptions in our distribution channels and customers.

Our spirits products are sold principally through wholesale distributors for resale to retail outlets. The replacement, poor performance or financial default of a major distributor or one of its major customers could adversely affect our business. Industry consolidation could also adversely affect our margins and profitability. Though large customers can offer efficiencies and unique opportunities, they can also seek to make significant changes in their volume of purchases, represent a large number of competing products, negotiate more favorable terms and seek price reductions, which could negatively impact our financial results.

Costs and funding requirements of certain employee and retiree benefits may continue to accelerate.

Increases in the costs of medical and pension benefits may continue and negatively affect our business as a result of increased usage of medical benefits by current and retired employees and medical cost inflation in the United States, the effect of potential declines in the stock and bond markets on the performance of our pension plan assets, potential reductions in the discount rate used to determine the present value of our benefit obligations, and changes in legal and accounting standards that may increase the funding of, and the expense reflected for, employee benefits.

Future tax law changes and/or interpretation of existing tax laws may adversely affect our effective income tax rate and the resolution of unrecognized tax benefits.

We are subject to income taxation in the U.S. as well as internationally. It is possible that future income tax legislation may be enacted that could have a material impact on our worldwide income tax provision. We are routinely audited by income tax authorities in many jurisdictions. Although we believe that our recorded tax estimates are reasonable and appropriate, there are inherent uncertainties in these estimates. As a result, the ultimate outcome from any audit could be materially different from amounts reflected in our income tax provisions and accruals. Future settlements of income tax audits may have a material effect on earnings between the period of initial recognition of tax estimates in the financial statements and the timing of ultimate tax audit settlement. In addition, it is possible that future income tax legislation may be enacted that could have a material impact on our worldwide income tax provision.

Potential liabilities and costs from litigation and other legal proceedings could adversely affect our business.

From time to time we are subject to various lawsuits, claims, disputes and investigations in the normal conduct of our operations. These include, but are not limited to, commercial disputes, including purported class actions, employment claims, actions by tax and customs authorities, and environmental matters. Some of these legal proceedings include claims for substantial or unspecified damages. It is possible that some of the actions could be decided unfavorably and could adversely affect our results of operations, cash flows or financial condition. In addition, 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 results of operations and cash flows.

Numerous legal actions are pending in various jurisdictions against leading tobacco manufacturers based upon allegations that cancer and other ailments have resulted from tobacco use. The Company has been named in some of these actions relating to tobacco products made and sold by former subsidiaries. See Item 3 Legal Proceedings. It is not possible to predict the outcome of pending tobacco-related litigation, and it is possible that some of these actions could be decided unfavorably. Management believes that the Company has meritorious defenses, including the fact that the Company never made or sold tobacco, and the Company is indemnified for any losses. However, damages claimed in some of these cases range into the billions of dollars and, as a result, any failure of the indemnitor to satisfy its indemnification obligations could result in a material adverse affect on the Company.

Historical financial statements may not be reflective of our future results of operations, cash flows, and financial condition.

Although we believe that this report contains material information necessary to make an informed assessment of our assets and liabilities, financial position, profits and losses and prospects, historical financial statements do not represent what our results of operations, cash flows, or financial position will be in the future. This is particularly true in light of the significant changes to the Company s business and operations following the Separation Transactions during 2011.

Our inability to secure and maintain rights to intellectual property could adversely affect our business.

We have many trademarks, brand names and trade names that are important to our business. Our business could be adversely affected by the loss of any major brand or by material infringement of our intellectual property rights. We are also subject to intellectual property risks because existing trade secret and trademark laws offer only limited protection, and the laws of some countries in which our products are or may be developed, manufactured or sold may not fully protect our products from infringement by others. In addition, others may assert intellectual property infringement claims against us or our customers.

An impairment in the carrying value of goodwill or other acquired intangible assets could negatively affect our operating results and stockholders equity.

The carrying value of goodwill represents the fair value of acquired businesses in excess of identifiable assets and liabilities as of the acquisition date, net of any cumulative impairments. The carrying value of other intangible assets represents the fair value of trademarks, tradenames and other acquired intangible assets as of the acquisition date, net of impairments and accumulated amortization. Goodwill and other acquired intangible assets expected to contribute indefinitely to our cash flows are not amortized, but must be evaluated for impairment by our management at least annually. If carrying value exceeds current fair value as determined based on the discounted future cash flows of the related business, the intangible asset is considered impaired and is reduced to fair value via a non-cash charge to earnings. For example, in connection with our annual indefinite-lived intangible asset impairment testing in the fourth quarter of 2011, we recorded impairment charges of $31.3 million to adjust the Larios and DYC tradenames to fair value. Events and conditions that could result in future impairments include a change in expected global consumer spending and timing of the recovery from the global recession, and decreases in market growth rates in certain categories in our business, among others. In addition, future impairment could be caused by changes in competition, a significant product liability or intellectual property claim, or other factors leading to reduction in expected long-term sales or profitability. If the value of goodwill or other acquired intangible assets is impaired, our earnings and stockholders equity could be adversely affected.

A disruption at our production facilities could adversely impact our results of operations, cash flows and financial condition.

Because whiskeys/whiskies, cognacs, brandies, ports, rum and some tequila varieties are aged for various periods, we maintain substantial inventories of maturing product in warehouse facilities. If there were a catastrophic failure at one of our major distillation or bottling facilities, our business would be adversely affected. The loss of a substantial amount of aged inventory through fire, other natural or man-made disaster, contamination, or otherwise could result in a significant reduction in supply of the affected product or products. Similarly, if we experienced a disruption in the supply of barrels in which to age our products, our business could suffer. A consequence of any of these supply disruptions could be our inability to meet consumer demand for the affected products for a period of time. In addition, there can be no assurance that insurance proceeds would cover the replacement value of our inventory of maturing products or other assets if they were to be lost.

We may not realize the anticipated benefits of the Spin-Off of Home & Security.

At the time of the Spin-Off of Home & Security, our board of directors, after consultation with independent financial and legal advisors, believed that the Spin-Off would allow the Company to achieve the benefit of focus, result in enhanced long-term growth and return prospects, and offer greater total long-term value to stockholders. There is no assurance that these long-term benefits will be realized. Furthermore, while we believe that the Spin-Off will qualify as tax-free under Section 355 of the U.S. Internal Revenue Code, and we received a private letter ruling from the IRS substantially to that effect, it is not a certainty. Both the Company and our stockholders could incur significant U.S. federal income tax liabilities if taxing authorities conclude that the Spin-Off distribution is taxable.

Indemnification agreements with Home & Security and other divested businesses may not fully protect us against certain liabilities.

In connection with the Spin-Off, Home & Security agreed to indemnify us for any losses relating to the conduct of the Home & Security business. We have entered into similar agreements with other divested businesses. There can be no assurance that the indemnity agreements will be sufficient to protect us against the full amount of any liabilities that may arise, or that the indemnitors will be able to fully satisfy their indemnification obligations. The failure to receive amounts for which we are entitled to indemnification could adversely affect our results of operations, cash flows and financial condition.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The Company leases its principal executive offices in Deerfield, Illinois. The following table indicates the principal properties of the Company and its subsidiaries as of December 31, 2011:

	Owned	**Leased**
Production and Warehouse Facilities:		
Canada	6	
France	8	
India	1	9
Mexico	3	6
Spain	11	
U.K.	3	
U.S. Kentucky	13	2
U.S. Virgin Islands	3	
Total	48	17
Distribution Facilities:		
Germany (EMEA)		1
India (APSA)		9
Spain (EMEA)	1	
Total	1	10
Total	49	27

The production and warehouse facilities listed above support the operations of each of our segments. In addition to the leased property located in Deerfield, Illinois, the Company also leases properties located in Australia, India, Mexico, and Spain related to corporate and administrative functions.

We are of the opinion that the properties are suitable for our business and have production capacities adequate to meet the needs of our business.

Item 3. Legal Proceedings.
Tobacco Litigation

On December 22, 1994, we sold The American Tobacco Company (ATCO) subsidiary to Brown & Williamson Tobacco Corporation (now known as Brown & Williamson Holding, Inc.) (B&W). In connection with the sale, B&W and ATCO, which subsequently merged into B&W, agreed, under an Indemnification Agreement (the Indemnification Agreement), to indemnify the Company against claims including legal expenses arising from smoking and health and fire safe cigarette matters relating to the tobacco business of ATCO.

On July 30, 2004, B&W and R.J. Reynolds Tobacco Holdings, Inc. announced that they had completed the combination of their respective U.S. tobacco businesses, previously conducted by B&W (and ATCO) and R.J. Reynolds Tobacco Co., by forming a new combined company known as R.J. Reynolds Tobacco Company. As a result of the combination and in accordance with the Indemnification Agreement, the new R.J. Reynolds Tobacco Company assumed the indemnification obligations under the Indemnification Agreement relating to the U.S. business previously conducted by B&W (and ATCO). B&W has not been released from any of its obligations under the Indemnification Agreement. We refer to B&W and the new R.J. Reynolds Tobacco Company as the Indemnitor under the Indemnification Agreement.

The Indemnitor has complied with the terms of the Indemnification Agreement since 1994, and we are not aware of any inability on the part of the Indemnitor to satisfy its indemnity obligations.

Numerous legal actions, proceedings and claims are pending in various jurisdictions against leading tobacco manufacturers, including B&W both individually and as successor by merger to ATCO, based upon allegations that cancer and other ailments have resulted from tobacco use. The Company has been named as a defendant in some of these cases. These claims have generally fallen within three categories: (i) smoking and health cases alleging personal injury brought on behalf of individual plaintiffs, (ii) smoking and health cases alleging personal injury and other damages and purporting to be brought on behalf of classes of individual plaintiffs, and (iii) health care cost recovery cases, including class actions, brought by foreign governments, unions, health trusts, taxpayers and others seeking reimbursement for health care expenditures allegedly caused by cigarette smoking. Damages claimed in some of the cases range into the billions of dollars.

It is not possible to predict the outcome of the pending tobacco-related litigation, and it is possible that some of these actions could be decided unfavorably. Management is unable to make a reasonable estimate of the amount or range of loss that could result from an unfavorable outcome of the pending litigation. Management believes that there are a number of meritorious defenses to the pending actions, including the fact that the Company never made or sold tobacco, and these actions are being vigorously contested by the Indemnitor. Management believes that the pending actions will not have a material adverse effect upon the results of operations, cash flows or financial condition of the Company because it believes it has meritorious defenses, and because the Company is indemnified under the Indemnification Agreement.

On September 14, 2011, in connection with the Spin-Off, the Company agreed to indemnify Home & Security for any losses arising from smoking and health or fire-safe cigarette matters relating to the tobacco business of any of the Company s predecessors or former subsidiaries.

Pending Cases

As of February 1, 2012, there were five smoking and health cases pending on behalf of individual plaintiffs in which the Company has been named as one of the defendants, compared with five cases reported in our Annual Report on Form 10-K for the year ended December 31, 2010. As of February 1, 2012, there were no purported smoking and health class actions or health care recovery actions pending against the Company. For a list of pending cases, see Exhibit 99 to this Annual Report on Form 10-K.

Terminated Cases

There were no tobacco-related cases terminated in 2011 in which the Company was named as one of the defendants.

Certain Developments Affecting the Indemnitor

On July 14, 2000, in Engle v. R.J. Reynolds Tobacco Company, et al., a Florida state case brought against B&W (individually and as successor to ATCO) and other U.S. tobacco manufacturers on behalf of a class of Florida residents allegedly injured as a result of their alleged addiction to cigarettes containing nicotine, a jury awarded a total of $144.87 billion in punitive damages against the defendants, including $17.59 billion against B&W. On July 6, 2006, the Florida Supreme Court vacated the jury s $145 billion punitive damage award and also decertified the class and reinstated compensatory damages to the two named plaintiffs, and permitted individual members of the former class to file separate lawsuits within one year of issuance of the mandate (which was ultimately

issued January 11, 2007). As of February 1, 2012, B&W and/or R.J. Reynolds Tobacco Company had been served in over 6,500 pending cases (the Engle progeny cases), 56 of which have been tried to verdict and 38 of which resulted in adverse judgments against tobacco companies. Of those 38 adverse judgments, 30 resulted in adverse judgments against the Indemnitor. The Indemnitor is appealing 27 of these adverse judgments and, as of February 1, 2012, the Indemnitor s time to file an appeal from the other three of these adverse judgments had not yet expired. Twenty-three of these appeals remained pending as of February 1, 2012. In each of the four appeals that were decided, the Florida intermediate appellate courts affirmed final judgments in favor of plaintiffs. On December 16, 2011, the Indemnitor petitioned the United States Supreme Court for writ of certiorari in these four appeals. These certiorari petitions remain pending. The Company is not a party to any of the Engle progeny cases.

In September 1999, the United States government filed a recoupment lawsuit in Federal Court in Washington, D.C. against the leading tobacco manufacturers (including the Indemnitor and B&W individually and as a successor to ATCO) seeking recovery of costs paid by the Federal government for claimed smoking-related illness. On August 17, 2006, the Court issued a final judgment and remedial order, which found that the defendants violated federal civil RICO law by defrauding the public with regard to smoking and health issues. The court did not award monetary damages to the government, but did order the defendants to, among other things, remove descriptors such as low tar, light or ultra light from cigarette packages and to publish certain corrective statements regarding smoking and health issues. On May 22, 2009, the U.S. Court of Appeals for the District of Columbia unanimously affirmed the district court s RICO liability judgment against several defendants, including the Indemnitor, and remanded for further factual findings and clarification as to whether liability should be imposed against B&W. The District Court issued an order on December 22, 2010, on consent of the parties, ruling that B&W is no longer subject to the injunctive remedies in the case. These remedies are still being litigated in the District Court.

On March 21, 2003, a judgment for $7.1 billion in compensatory and $3 billion in punitive damages was entered by an Illinois state court against Philip Morris, Inc. in Price, et al. v. Philip Morris, Inc., a class action alleging that certain advertising for light or low tar cigarettes was deceptive under the Illinois Consumer Fraud Act. On September 28, 2011, after several years of appellate proceedings, the Supreme Court of Illinois remanded the case to the trial court for further proceedings. Class actions involving similar allegations as Price (Howard, et al. v. Brown & Williamson Tobacco Corp. and Turner v. R.J. Reynolds Tobacco Co.) are pending against B&W and R.J. Reynolds Tobacco Company, respectively, in the same court. Proceedings in the Howard and Turner cases have been stayed or are otherwise inactive pending resolution of the Price litigation. The Company is not a party to the Price, Howard or Turner litigation.

Resolution of Health Care Cost Recovery Actions by State, U.S. Territories and the District of Columbia

In 1998, certain U.S. tobacco companies, including B&W, entered into a Master Settlement Agreement (the MSA) with certain state attorneys general that resulted in the dismissal of all remaining health care reimbursement lawsuits brought by 52 government entities, including 46 states, American Samoa, Guam, Puerto Rico, the U.S. Virgin Islands, the Northern Mariana Islands and the District of Columbia. Although the Company is not a party to the MSA and is not bound by any of its payment obligations or other restrictions, the Company understands that it is a released party under the terms of the MSA, which provides for the release of claims not only against participating manufacturers, but also against their predecessors, successors, and past, present and future affiliates.

Under the MSA, participating manufacturers were required to make initial payments through 2003, with additional payments to the settling parties required to continue in perpetuity (starting at $4.5 billion in 2000 and increasing to $9 billion in 2018 and thereafter). Payments to a strategic contribution fund for individual states from 2008 to 2017, and a public health foundation until 2008, were also required. Ongoing payments are to be allocated according to market share and are subject to various credits and adjustments, depending on industry volume. The MSA also calls for the participating manufacturers to pay attorneys fees for the states attorneys in the settled litigation.

Other Legal Proceedings

From time to time the Company is subject to various other lawsuits, claims, disputes and investigations in the normal conduct of its operations. These include, but are not limited to, commercial disputes, including purported class actions, employment claims, actions by tax and customs authorities, and environmental matters. Some of these legal proceedings include claims for substantial or unspecified damages. We believe that there are meritorious defenses to these actions and are contesting them vigorously. We do not believe that any currently pending legal proceedings to which we are a party will have a material adverse effect, individually or in the aggregate, on our results of operations, cash flows or financial condition.

Item 4. Mine Safety Disclosures.
Not applicable.

Item 4A. Executive Officers of the Registrant.
The name, present position and offices with the Company, principal occupations during the past five years and age of each of the Company s present executive officers are set forth below. References to Beam Global Spirits & Wine, Inc. are to the spirits operating segment of Fortune Brands, Inc. prior to the Spin-Off on October 3, 2011.

Name	Present positions and offices with the Company and principal occupations during the past five years	Age
Matthew J. Shattock	President and Chief Executive Officer of the Company since October 2011; President and Chief Executive Officer of Beam Global Spirits & Wine, Inc. from March 2009 to October 2011; Region President of Cadbury Plc, a confectionary company, from 2003 to 2008.	49
Robert F. Probst	Senior Vice President and Chief Financial Officer since October 2011; Senior Vice President and Chief Financial Officer of Beam Global Spirits & Wine, Inc. from September 2008 to October 2011; Vice President Finance at Baxter International Inc., a global diversified healthcare company, from January 2005 to September 2008 where he was a divisional chief financial officer responsible for financial services, strategic planning and business development.	44
William A. Newlands	Senior Vice President and President, North America since October 2011; Senior Vice President and President, North America of Beam Global Spirits & Wine, Inc. from December 2010 to October 2011; Senior Vice President and President, USA of Beam Global Spirits & Wine, Inc. from February 2008 to December 2010; President of Beam Wine Estates from July 2005 to February 2008.	53
Albert Baladi	Senior Vice President and President, Europe/Middle East/Africa since October 2011; Senior Vice President and President, Europe/Middle East/Africa of Beam Global Spirits & Wine, Inc. from March 2011 to October 2011; Managing Director, South Pacific of YUM! Restaurants International, a division of YUM! Brands, Inc., the world s largest quickserve restaurant company, from January 2008 to February 2011, where he led the business in Australia and New Zealand; Chief Operations and Development Officer of YUM! Restaurants International, from May 2007 to December 2007, where he led the operations and development functions with primary responsibility over goals and strategies; General Manager at Pepsi-Lipton International, a beverage products joint venture, from January 2004 to April 2007, where he developed and managed business strategy.	47
Philip A. Baldock	Senior Vice President and President, Asia-Pacific/South America since October 2011; Senior Vice President and President, Asia-Pacific/South America of Beam Global Spirits & Wine, Inc. from November 2010 to October 2011; Managing Director, Asia-Pacific Region of Beam Global Spirits & Wine, Inc. from January 2005 to November 2010.	51
Donard P. Gaynor	Senior Vice President Corporate Development since October 2011; Senior Vice President Corporate Development of Beam Global Spirits & Wine, Inc. from January 2011 to October 2011; Senior Vice President and Managing Director, International of Beam Global Spirits & Wine, Inc. from September 2003 to December 2010.	55

Name	Present positions and offices with the Company and principal occupations during the past five years	Age
Kevin B. George	Senior Vice President and Chief Marketing Officer since October 2011; Senior Vice President and Chief Marketing Officer of Beam Global Spirits & Wine, Inc. from September 2009 to October 2011; Vice President and General Manager, Unilever N.V., one of the world s leading suppliers of fast-moving consumer goods, from August 2006 to September 2009, where he managed one of Unilever s three U.S. business units.	45
Ian Gourlay	Senior Vice President Global Operations and Supply Chain since October 2011; Senior Vice President Global Operations and Supply Chain of Beam Global Spirits & Wine, Inc. from September 2005 to October 2011.	56
C. Clarkson Hine	Senior Vice President Corporate Communications and Public Affairs since October 2011; Vice President Corporate Communications and Public Affairs from January 2009 to October 2011; Vice President Corporate Communications from September 1999 to January 2009.	48
Mindy Mackenzie	Senior Vice President and Chief Human Resources Officer since October 2011; Senior Vice President Human Resources of Beam Global Spirits & Wine, Inc. from January 2010 to October 2011; Vice President Human Resources and Communications APAC of Campbell Soup Company, a global manufacturer of branded convenience food products, from January 2008 to December 2010, where she directed all regional human resources and communication programs; Vice President, Corporate Human Resources of Campbell Soup Company from June 2006 to December 2007, where she provided global human resources support.	41
Kenton R. Rose	Senior Vice President, General Counsel and Chief Administrative Officer and Secretary since October 2011; Senior Vice President, General Counsel and Chief Administrative Officer of Beam Global Spirits & Wine, Inc. from October 2001 to October 2011.	54
Leo A. Mierzwicki	Vice President and Global Controller since October 2011; Vice President, Controller of Beam Global Spirits & Wine, Inc. from May 2009 to October 2011; Assistant Controller of Trane Inc. (f/k/a American Standard Co.), a global manufacturer of heating, ventilation and air conditioning equipment, from July 2007 to September 2008, where he was responsible for controllership and financial planning and analysis; Chief Financial Officer of Liberty Lane Partners, a private equity investment firm, from January 2007 to June 2007, where he directed finance and reporting matters.	42

In the case of each of the above-listed executive officers, the occupations given were the principal occupation and employment during the periods indicated. No executive officers are related to any other executive officer. No executive officer was selected pursuant to any arrangement or understanding between the executive officer and any other person. All executive officers are elected annually by the Board of Directors.

PART II

Item 5. Market for the Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.
Quarterly Composite Common Stock Prices and Common Stock Cash Dividend Payments

	2011			2010		
	High	**Low**	**Dividend Per Share of Common Stock**	**High**	**Low**	**Dividend per Share of Common Stock**
First Quarter	$ 63.51	$ 58.89	$ 0.19	$ 50.08	$ 39.84	$ 0.19
Second Quarter	65.48	61.62	0.19	55.68	39.09	0.19
Third Quarter	65.42	50.88	0.19	50.39	37.05	0.19
Fourth Quarter	54.49[(1)]	42.30[(1)]	0.19	63.51	49.02	0.19
Total			$ 0.76			$ 0.76

(1) On October 3, 2011, we completed the Spin-Off by paying a pro rata dividend of one share of Home & Security common stock for each share of our common stock held on September 20, 2011, the record date for the Spin-Off. On October 3, 2011, the last trading day before the Spin-Off became effective, the closing price of our common stock, trading regular way (that is, with an entitlement to shares of Home & Security common stock distributed in the Spin-Off), was $54.20. On October 4, 2011, the first day of trading after the Spin-Off, the opening price of our common stock was $43.55 per share and the opening price of Home & Security common stock was $12.19 per share.

The Company s common stock is listed on the New York Stock Exchange, which is the principal market for this security. The high and low prices are as reported in the consolidated transaction reporting system.

On January 27, 2012, we announced that our board of directors approved an 8% increase in the dividend on the Company s common stock. Beginning with the payment date of March 1, 2012, the dividend will increase 6 cents per share to an annual rate of $0.82 (payable 20.5 cents per quarter) from $0.76 per share (19 cents per quarter). We currently expect to pay quarterly cash dividends in the future, but such payments are dependent upon our financial condition, results of operations, capital requirements and other factors, including those set forth in the section entitled Item 1A. Risk Factors.

On January 31, 2012, there were 16,938 record holders of the Company s common stock, par value $3.125 per share.

Stock Performance Graph

The graph below compares the cumulative total shareholder return of the Company s common stock for the last five years with the cumulative total return for the same period of the S&P 500 Index, the former Fortune Brands peer group and the new Beam Inc. peer group (described below). The former Fortune Brands peer group is presented to provide a meaningful comparison of Beam s stock performance relative to its peers during the periods prior to the Separation Transactions. On October 3, 2011, Beam Inc. spun-off its entire interest in Fortune Brands Home & Security, Inc. to its stockholders. The Spin-Off is treated as a special dividend for the purposes of calculating total shareholder return, with the then current market value of the distributed shares being deemed to have been reinvested on the Spin-Off date in shares of Beam Inc. A vertical line is included on the graph below to separate periods that include the combined Fortune Brands businesses from periods that only include the standalone Beam Inc. spirits business (October 3, 2011).

BEAM INC. TOTAL SHAREHOLDER RETURNS

(With Dividend Reinvestment)

The foregoing performance graph is being furnished as part of this Form 10-K solely in accordance with the requirement under Rule 14a-3(b)(9) to furnish our stockholders with such information, and therefore, shall not be deemed to be filed or incorporated by reference into any filings by the Company under the Securities Act or the Exchange Act.

The weighted average total return for Beam Inc. common stock and the three indices is calculated from an assumed initial investment of $100 and assumes dividend reinvestment, including the impact of the distribution of Home & Security common stock in the Spin-Off.

New Beam Peer Group

The new Beam peer group is the Dow Jones Food & Beverage Titans 30 Index, a published index that represents leading companies in the global food and beverage sector based on market capitalization, revenue, and net profit.

Former Fortune Brands, Inc. Peer Group

The former Fortune Brands, Inc. peer group was comprised of the following publicly traded companies in industries corresponding to the three businesses of Fortune Brands, Inc. prior to the Separation Transactions:

Spirits: Brown-Forman Corporation, Constellation Brands, Inc., Diageo PLC, Pernod Ricard S.A. and Rémy Cointreau S.A.;

Home & Security: Stanley Black & Decker, Inc., Masco Corporation, and Newell Rubbermaid Inc. and

Golf: Adidas Salomon AG, Callaway Golf Company, Mizuno Corporation and NIKE, Inc.

The weighted average total return of the entire peer group, for each year, is calculated in the following manner:

(1) the total return of each peer group member is calculated by dividing the change in market value of a share of its common stock, assuming periodic dividend reinvestment, by the cumulative value of a share of its common stock at the beginning of the year;

(2) each peer group member s total return is then weighted within its industry segment based on its market capitalization at the beginning of the year, relative to the market capitalization of the entire segment, and the sum of such weighted returns results in a weighted average total return for that segment; and

(3) each segment s weighted average total return is then weighted based on the percentage of sales, excluding excise taxes, as required by SEC regulations, of that segment of the Company for the year, as compared with total Company sales, excluding excise taxes, and the sum of such weighted returns results in a weighted average total return for the entire peer group.

Item 6. Selected Financial Data.

The selected financial data should be read in conjunction with the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

Reclassifications

We changed our presentation of excise taxes from a gross basis (included in sales and cost of goods sold) to a net basis in 2011. Financial information for prior periods has been reclassified to conform to the current year presentation.

We completed the sale of our Golf business and the spin-off of our Home & Security business in 2011. The operating results of those businesses are reported as discontinued operations for all periods presented in accordance with generally accepted accounting principles in the U.S. (GAAP). See Note 1, *Description of Business, Basis of Presentation, and Summary of Significant Accounting Policies Changes in Basis of Presentation and Accounting*, of the Notes to the Consolidated Financial Statements.

(In millions, except per share amounts)	**For the year ended December 31,**				
	2011	**2010**	**2009**	**2008**	**2007**
Income Statement Data					
Sales [(a)]	$ 2,871.7	$ 2,665.9	$ 2,469.6	$ 2,480.9	$ 2,606.8
Less: excise taxes	(560.6)	(571.0)	(489.3)	(503.8)	(510.9)
Net sales [(a)]	2,311.1	2,094.9	1,980.3	1,977.1	2,095.9
Cost of goods sold [(b)]	987.8	865.0	782.7	791.5	831.7
Gross profit	1,323.3	1,229.9	1,197.6	1,185.6	1,264.2
Advertising and marketing expense	358.7	307.6	275.7	331.3	341.2
Selling, general and administrative expense [(c) (d)]	430.0	416.1	384.2	292.6	247.8
Amortization of intangible assets	16.3	16.3	17.3	16.4	12.7
Business separation costs	83.8	2.3			
Restructuring charges	7.7	15.4	28.8	32.3	2.6
Asset impairment charges	31.3		92.5	27.2	
Loss (gain) on sale of brands and related assets		16.0			(45.6)
Operating income	395.5	456.2	399.1	485.8	705.5
Interest expense	117.4	143.7	143.6	139.8	169.4
Loss on early extinguishment of debt	149.2				
Other (income) expense [(e)]	(40.4)	(33.2)	7.5	(279.9)	(35.2)
Income from continuing operations	169.3	345.7	248.0	625.9	571.3
Income taxes	36.0	36.2	13.3	120.5	137.8
Income from continuing operations, net of tax	133.3	309.5	234.7	505.4	433.5
Earnings per common share continuing operations					
Basic	$ 0.86	$ 2.03	$ 1.56	$ 3.80	$ 2.72
Diluted	$ 0.85	$ 2.01	$ 1.55	$ 3.76	$ 2.66
Weighted-average common shares outstanding					
Basic	154.6	152.4	150.3	151.7	153.1
Diluted	157.8	154.3	151.8	153.7	156.5
Cash Flow Data					
Cash dividends declared per share of common stock	$ 0.76	$ 0.76	$ 1.01	$ 1.72	$ 1.62

	As of December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
Balance Sheet Data					
Total assets	$ 7,491.8	$ 12,674.0	$ 12,370.6	$ 12,091.9	$ 13,956.9
Total assets (net of assets of discontinued operations)	7,491.8	8,262.2	7,903.0	7,370.1	8,135.5

Short-term debt [f]	28.4	611.4	39.9	17.9	411.9
Long-term debt	1,902.1	3,620.6	4,389.4	4,664.7	3,913.9

(a) Includes $46.3 million benefit in 2011 associated with transition to our new long-term distribution agreement in Australia.

(b) Includes $22.7 million in 2011 related to the Australia distribution agreement transition and restructuring-related charges of $15.6 million, $3.6 million, and $0.6 million in 2011, 2010, and 2009, respectively, primarily related to restructuring activities discussed in Note 7, *Restructuring and Other Charges*, of the Notes to the Consolidated Financial Statements.

(c) Includes $28 million of acquisition-related contingent consideration in 2011. Refer to Note 2, *Acquisitions and Dispositions*, of the Notes to the Consolidated Financial Statements for more information.

(d) Includes restructuring-related charges of $0.9 million, $6.9 million, and $4.6 million in 2011, 2010, and 2009, respectively, primarily related to restructuring activities discussed in Note 7, *Restructuring and Other Charges*, of the Notes to the Consolidated Financial Statements.

(e) Includes nontaxable income tax indemnification payments related to foreign tax jurisdictions for periods prior to our acquisitions of the businesses of $27 million in 2011 and $37 million in 2010.

(f) Includes notes payables and current portion of long-term debt.

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

The following information should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions, which could cause actual results to differ materially from management s expectations. Please see the Disclosure Regarding Forward-Looking Statements section in Part I, Item 1 of this report and the Risk Factors section in Part I, Item 1A of this report.

We use the terms Beam, the Company, we, us, and our to refer to the business of Beam Inc. and its subsidiaries.

EXECUTIVE SUMMARY

We are a leading premium spirits company that makes and sells branded distilled spirits products in major markets worldwide. Our principal products include bourbon whiskey, Scotch whisky, Canadian whisky, tequila, cognac, rum, cordials, and ready-to-drink pre-mixed cocktails. Our portfolio includes several of the world s top premium spirits brands and some of the industry s fastest growing innovations.

Separation Transactions

On December 8, 2010, Beam (then known as Fortune Brands, Inc.) announced that the Board of Directors approved in principle a separation of the Company s three business segments. The announced plan included the tax-free spin-off of the home and security products business and the sale or tax-free spin-off of the golf business with the continuation of Beam as an independent publicly-traded pure-play spirits company. The Company concluded that the separation of the three businesses would significantly enhance each business s long-term growth and return prospects and offer substantially greater total long-term value to shareholders.

On July 29, 2011, we completed the sale of the Acushnet Company golf business (the Golf business) to a company formed by Fila Korea Ltd. and Mirae Asset Private Equity of Korea. On October 3, 2011, we completed the spin-off of Fortune Brands Home & Security, Inc. (Home & Security) by distributing 100% of the outstanding shares of common stock of Home & Security to holders of our common stock (the Spin-Off). The sale of the Golf business and the Spin-Off are together referred to in this Form 10-K as the Separation Transactions. Both the Golf business and Home & Security have been reported as discontinued operations for all periods presented.

Upon completion of the Spin-Off, we changed our name from Fortune Brands, Inc. to Beam Inc. and began trading on the NYSE under the ticker BEAM on October 4, 2011.

Operating Segments

Following the Separation Transactions, our operating segments, based on the internal, regional organization used by management for making operating decisions and assessing performance, are as follows:

Segment	**Key Countries/Markets**

Segment	Countries
North America	United States, Canada and Mexico
EMEA (Europe/Middle East/Africa)	Spain, United Kingdom, Germany, Russia, Turkey, Ireland, Italy, Hungary, Czech Republic, Romania, South Africa, North America Duty Free and Europe Travel Retail
APSA (Asia-Pacific/South America)	Australia, New Zealand, South East Asia, China, Brazil, India, South Korea and Japan

Each operating segment derives revenues from the sale of distilled spirits.

Financial Impact of Separation Transactions and Other Matters

Certain items had a significant impact on our financial results in 2011, 2010 and 2009. These include the impact of the Separation Transactions, changes in foreign currency exchange rates, acquisition and disposition-related items, restructuring and other related charges and income tax related matters.

In 2011, our financial results included the following:

- Business separation costs of $83.8 million ($67.6 million net of tax or $0.43 per share) incurred in connection with the Separation Transactions, principally transaction and professional advisory fees, severance and other employee related costs;
- Corporate and other general and administrative overhead costs related to the former Fortune Brands, Inc. management structure through the Spin-Off (October 3, 2011) of $60.5 million ($38.1 million net of tax or $0.24 per share);
- Acquisition related contingent consideration of $28 million ($17.4 million net of tax, or $0.11 per share) recorded based on the actual and forecasted performance of the business acquired in 2011;
- Restructuring and other related charges of $25.4 million ($16.0 million net of tax or $0.10 per share) primarily related to a facility consolidation and other supply chain and distribution cost reduction initiatives in North America as well as other organizational streamlining initiatives;
- Higher net sales of $46.3 million and operating income of $23.6 million ($16.5 million net of tax or $0.10 per share) related to the one-time sale of product recorded in connection with our transition to a new long-term distribution agreement in Australia;
- A favorable impact of foreign exchange compared to 2010 of $64 million on net sales and $16 million on operating income ($11 million net of tax or $0.07 per share);
- Asset impairment charges related to indefinite-lived trade names for Whisky DYC and Larios of $31.3 million ($21.9 million net of tax or $0.14 per share);
- Other income benefited from a nontaxable distribution from our Maxxium investment of $10.2 million ($0.06 per share) and nontaxable income tax indemnification payments of $27 million ($0.17 per share) related to foreign tax jurisdictions for periods prior to our acquisitions of the businesses;
- Loss on early extinguishment of debt of $149.2 million ($96.2 million net of tax or $0.61 per share);
- Income tax expense was impacted by the tax effects of the significant items described above and the impact of tax assessments associated with the resolution of routine foreign and US income tax audit examinations, including an unfavorable $25.5 million related to Mexican tax audits and a favorable $19 million related to Germany tax audits.

In 2010, our financial results included the following:

- A favorable impact of foreign exchange compared to 2009 of $11.2 million on net sales and $3.3 million on operating income;

Business separation costs of $2.3 million ($1.5 million net of tax or $0.01 per share) incurred in connection with the Separation Transactions principally for transaction and professional advisory fees;

Corporate and other general and administrative overhead costs related to the former Fortune Brands, Inc. management structure of $85.8 million ($55.4 million net of tax or $0.36 per share);

Restructuring and other related charges of $26 million ($16.7 million net of tax or $0.11 per share) primarily related to a facility consolidation and other supply chain and distribution cost reduction initiatives in North America as well as other organizational streamlining initiatives;

Lower net sales as a result of the sale of certain non-strategic spirits brands in Germany and the Cockburn s port brand and a loss on the sale of such brands of $16 million ($19 million net of tax or $0.12 per share);

Other income benefited from nontaxable income tax indemnification payments of $37 million related to foreign tax jurisdictions for periods prior to our acquisitions of the business.

Income tax expense was impacted by the tax effects of the significant items described above and a favorable $46 million related to tax assessments associated with the resolution of routine foreign and US income tax audit examinations.

In 2009, our financial results included the following:

The incremental impact of the acquisitions on net sales ($106 million) of Cruzan rum and sales of third-party brands within distribution businesses acquired from Maxxium, our prior international spirits sales and distribution venture;

Restructuring and other related charges of $34 million ($22 million net of tax or $0.14 per share);

Asset impairment charges related to indefinite-live intangible tradenames in North America of $92.5 million ($66.8 million net of tax or $0.44 per share).

Business Outlook

We believe that the long-term demographic trends are favorable for the continued profitable growth of western premium spirits. We believe that the continued management and investment focus on the best growth and return opportunities, including innovation, advertising, and more effective routes to market, position us well for long-term growth. We expect our global spirits market to grow value in the range of 3% during 2012 supported by solid growth in mature markets such as the U.S. and double-digit growth in key emerging markets (such as Brazil, India, China and Russia).

Factors that could adversely affect future results in our business include macro-economic challenges and changes in market trends, competitive pricing and other activities, changes in foreign exchange rates, reductions in customer inventory levels, changes to government financial incentives, increases in commodity and energy prices, future increases in excise taxes and customs duties, continued consolidation in the distributor and retail tiers, increased regulatory enforcement, and potential impairment charges.

RESULTS OF OPERATIONS

The following discussion and analysis of our results from continuing operations for 2011 compared to 2010 and 2010 compared to 2009 addresses changes in net sales, operating expenses and income from continuing operations. We calculate foreign exchange translation effects by translating current year results at prior year exchange rates. Approximately 50 percent of our business is outside the U.S., therefore changes in foreign exchange rates (particularly the Australian dollar and the Euro) can have a significant impact on our reported results of operations when translated and presented in U.S. dollars.

Consolidated Results for 2011 Compared to 2010

Net sales

Net sales increased $216.2 million or 10% from $2.1 billion in 2010 to $2.3 billion in 2011. The increase in net sales was driven by an increase in volume of 3% as well as favorable product mix of 5%. Our Power Brands and Rising Stars brands grew 12% and 52%, respectively, reflecting strong growth at the premium end of our portfolio, achieved through a significant increase in advertising and marketing expense behind these brands as well as innovation in 2011. The remaining increase in net sales is attributed to favorable foreign currency exchange of 3% and the impact of a one-time sale of inventory related to transitioning to our new long-term distribution agreement in Australia of 2%, partially offset by the combination of the ongoing impact of our Australia distributor agreement and the net impact of acquisitions and divestitures (primarily due to the sale of non-strategic German spirits brands and inventories and the Cockburn s port business in 2010) of 3%. In 2011, we transitioned from an agency agreement to a manufacturing and distribution agreement in Australia. Under the new agreement, our net sales are lower as our distributor is now responsible for and incurs distribution and selling costs that were previously incurred by Beam.

Cost of goods sold

Cost of goods sold increased $122.8 million or 14% from $865 million in 2010 to $988 million in 2011. Cost of goods sold increased 10% primarily due to higher sales, start-up costs associated with new products, an increase in commodities (including corn, rye and other grains) and other raw material costs of approximately $20 million, partially offset by the favorable impact of our productivity initiatives achieved under our Fuel Our Growth strategy. The remaining increase in cost of goods sold is primarily attributed to the unfavorable impact of foreign currency translation (approximately $34 million), the impact of a one-time sale of inventory related to transitioning to our new long-term distribution agreement in Australia (net of the ongoing impact of the Australia agreement), and $10 million of higher charges in 2011 versus 2010, partially offset by the above mentioned net impact of acquisition and divestitures.

Advertising and marketing expense

Advertising and marketing expense increased $51 million or 17% from $308 million in 2010 to $359 million in 2011. We substantially increased advertising and marketing expense in the year to build and enhance our core brand equities, principally our Power Brands and Rising Stars, drive net sales growth in the year and position our brands for long-term growth. We increased advertising and marketing expense across all segments, principally North America and Asia-Pacific/South America.

Selling, general and administrative expense

Selling, general and administrative expense increased $14 million or 3% from $416 million in 2010 to $430 million in 2011. Increased strategic investments in new product development to support innovation initiatives, higher variable selling costs in North America resulting from strong sales growth (particularly in the U.S.), and selling and administrative costs in APSA incurred to build infrastructure regionally and within our key emerging markets increased selling, general and administrative expense, collectively, by approximately 7%. These higher costs were partially offset by the favorable impact of lower Fortune Brands corporate overhead.

In 2011, selling, general and administrative expenses included corporate and other general and administrative overhead costs related to the former Fortune Brands, Inc. management structure through the Spin-Off (October 3, 2011) of approximately $61 million as compared to approximately $86 million for 2010, a decrease of $25 million, which was partially offset by incremental corporate costs incurred by Beam in the fourth quarter of 2011. Selling, general and administrative expense for 2011 also included acquisition-related contingent consideration of $28 million based on the actual and forecasted performance of the acquired business. Selling expenses under our new manufacturing and distribution agreement in Australia decreased in 2011, because our distributor is responsible for selling costs under the new agreement. In addition, other charges included in selling, general and administrative expense decreased by $6 million from 2010.

Business separation costs

Business separation costs incurred in connection with the Separation Transactions were $83.8 million and $2.3 million in the years ended December 31, 2011 and 2010, respectively. Business separation costs for 2011 consisted of $43.4 million of financial, legal and other separation-related advisory fees, as well as $40.4 million of employee-related costs primarily related to termination benefits and incremental stock-based compensation expense incurred as a result of the modification of certain outstanding Fortune Brands equity awards in anticipation of the conversion of these awards to Beam and Home & Security equity awards. Business separation costs of $2.3 million in 2010 principally related to transaction and professional advisory fees incurred in connection with the Separation Transactions.

Restructuring charges

In 2011, restructuring charges of $7.7 million related to distribution and supply-chain initiatives, facility consolidations, and organizational streamlining initiatives. We completed a significant supply-chain initiative towards the end of 2011 with the consolidation of our U.S. bottling facilities into our expanded operations and center of excellence in Frankfort, Kentucky. In 2010, restructuring charges of $15.4 million related to organizational streamlining initiatives.

Asset impairment charges

We recorded a non-cash impairment charge of $31 million to reduce the Larios and DYC tradenames to their estimated fair value in December 2011. The asset impairment was due to the combined effect of the economic downturn on sales in key geographic markets (principally Spain), as well as the effect of substantially higher interest rates. Refer to Critical Accounting Policies and Estimates Goodwill and Indefinite-Lived Intangible Assets below and Note 12, Goodwill and Other Intangible Assets, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for more information. There were no asset impairment charges in 2010.

Loss on sale of brands and related assets

In December 2010, we sold the Cockburn s port brand and related U.S., U.K. and Portugal inventory. In connection with the sale, we recorded a pre-tax loss of $7.4 million ($6.8 million after tax). In August 2010, we sold certain non-strategic German spirits brands and related assets. In connection with the sale, we recorded a pre-tax loss of $8.6 million ($12.4 million after tax).

Operating income

Operating income decreased $61 million or 13% from $456.2 million in 2010 to $395.5 million in 2011. Our consolidated operating income was significantly impacted by several unusual items described above, including business separation costs ($83.8 million), asset impairment charges ($31.3 million) and contingent consideration for a business acquisition ($25 million), partially offset by the one-time benefit of the sale of product under our new Australia distribution agreement ($24 million). The unfavorable increase in unusual costs was also partially offset by favorable foreign currency impacts ($15.5 million), lower Fortune Brands corporate costs in 2011 as compared to 2010 ($25 million) as a result of the Spin-Off occurring at the start of fourth quarter of 2011 and the absence of a loss on sale of non-strategic brands in 2010 of $16 million.

Interest expense

Interest expense decreased $26.3 million, or 18%, primarily due to lower average borrowings, as well as lower average interest rates. We reduced our outstanding debt by approximately $2.3 billion during 2011. Refer to the section Liquidity and Capital Resources below for additional information regarding the reduction of debt during 2011.

Loss on early extinguishment of debt

The loss on early extinguishment of debt of $149.2 million consists of $155.0 million of purchase premiums and $7.2 million of accelerated unamortized debt issuance costs, partially offset by $13.0 million attributed to the amortization/write-off of deferred gains on terminated interest rate swaps related to the extinguished debt. Refer to the section Liquidity and Capital Resources below for additional information regarding the reduction of debt during 2011.

Other (income) expense

Other income increased $7.2 million or 22% from $33.2 million in 2010 to $40.4 million in 2011. In 2011, we recognized income of $26 million upon receipt of tax indemnification payments from Pernod Ricard in connection with Mexican income tax audit settlements and a $10 million distribution related to the winding down of a joint venture investment. In 2010, we recognized income of $37 million upon receipt of tax indemnification payments from Pernod Ricard in connection with Spanish income tax audit settlements. Other (income) expense also includes non-operating (income) expense, such as interest income, transaction gains and losses related to foreign currency denominated transactions as well as equity (income) and expense.

Income taxes

Our effective income tax rate was 21.3% and 10.5% for 2011 and 2010, respectively. The effective income tax rate in 2011 was unfavorably impacted by non-deductible business separation costs and a tax assessment related to the settlement of a Mexican income tax audit. The effective tax rate in 2011 was favorably impacted by the tax-free treatment of indemnification income received in connection with a settlement of the Mexican income tax audit and the resolution of a German tax audit. The effective income tax rate in 2010 was favorably impacted by tax benefits of approximately $46 million related to final settlement of U.S. and Spanish federal income tax audits. The effective tax rate in 2010 was also favorably impacted by the tax-free treatment of indemnification proceeds received in connection with the settlement of a Spanish income tax audit. See Note 9, *Income Taxes*, of the Notes to the Consolidated Financial Statements for additional information related to our effective tax rate in 2011 and 2010.

Income from discontinued operations

Income from discontinued operations, net of tax, was $782.2 million in 2011 compared to $186.5 million in 2010, reflecting the discontinued operations of both our former Golf business and former Home & Security business. During 2011, we recorded a gain of $687 million on the sale of the Golf business.

Segment Results for 2011 Compared to 2010

The following table sets forth net sales and operating income by operating segment for 2011 and 2010 as reported and adjusted to exclude the impact of foreign exchange translation, a non-GAAP measure described below (in millions):

Net Sales				Excluding Foreign Exchange Translation	
	2011	2010	% Change Reported	2011 Adjusted Amount	% Change Adjusted
North America	$ 1,271.5	$ 1,161.8	9.4%	$ 1,266.3	9.0%
EMEA	505.9	477.8	5.9%	483.9	1.3%
APSA	487.4	455.3	7.1%	450.6	(1.0)%
Segment net sales	2,264.8	2,094.9	8.1%	2,200.8	5.1%
Foreign exchange				64.0	n/m
Australia distribution one-time sale	46.3			46.3	n/m
Net sales	$ 2,311.1	$ 2,094.9	10.3%	$ 2,311.1	10.3%

Operating Income				Excluding Foreign Exchange Translation	
	2011	2010	% Change Reported	2011 Adjusted Amount	% Change Adjusted
North America	$ 360.9	$ 359.8	0.3%	$ 363.1	0.9%
EMEA	120.3	98.7	21.9%	111.1	12.6%
APSA	91.0	93.8	(3.0)%	82.5	(12.0)%
Segment operating income	572.2	552.3	3.6%	556.7	0.8%
Foreign exchange				(15.5)	
Restructuring charges	7.7	15.4		7.7	
Other charges	133.0	28.8		133.0	
Unallocated corporate costs	36.0	51.9		36.0	
Operating income	$ 395.5	$ 456.2	(13.3)%	$ 395.5	(13.3)%

Segment net sales and operating income in the following discussion are stated excluding the impact of foreign exchange translation. We calculate foreign exchange translation effects by translating current year results at prior year exchange rates. These amounts are non-GAAP measures which management believes are useful for evaluating performance without foreign exchange impacts. These measures may not be comparable to similar measures used by other companies.

North America

North America net sales increased $104.5 million or 9% from $1.2 billion in 2010 to $1.3 billion in 2011. Favorable product mix and increased volume each contributed roughly equally to year-over-year sales growth. Net sales volume and product mix benefited from new product innovations, such as Pucker Flavored Vodka, Jim Beam Devil s Cut and Red Stag, as well as the acquisition and growth of the Skinnygirl ready-to-drink cocktail brand in addition to strength in our Power Brands and Rising Stars brands. By geographic market, sales increases in the U.S. and Canada were partially offset by a decrease in Mexico driven by a transition to a new distributor in the fourth quarter.

North America operating income increased by $3 million or 1% from $360 million in 2010 to $363 million in 2011. Operating income increased at a rate below the increase in net sales principally due to double digit increases in advertising and marketing expense, new product start-up and innovation costs, including Skinnygirl, as well as higher commodity costs without the benefit of price increases.

Europe/Middle East/Africa

EMEA net sales increased $6 million or 1% from $478 million in 2010 to $484 million in 2011. The increase in net sales includes the adverse impact of the July 2010 divestiture of non-strategic local German brands (approximately $30 million or 7%). Net sales benefited primarily from volume and favorable product mix, including new product innovations, such as Sourz Raspberry and Jim Beam Red Stag as well strong growth of our Power Brands in Germany, Russia and travel retail, partially offset by decreases in economically challenged markets, including the U.K. and Spain.

EMEA operating income increased $12 million or 13% from $99 million in 2010 to $111 million in 2011 resulting from favorable product and market mix, including our Power Brands in Germany, Russia, the U.K. and travel retail as well as effective cost management, productivity initiatives and the divestiture of non-strategic German brands and the Cockburn s port business in 2010 which carried lower average margins.

Asia-Pacific/South America

APSA net sales decreased $4 million or 1% from $455 million in 2010 to $451 million in 2011 driven by the adverse impact on net sales of 9% related to the ongoing impact of our new distribution agreement in Australia. In 2011, we transitioned from an agency agreement to a manufacturing and distribution agreement in Australia. Under the new agreement, our net sales are lower as our distributor is now responsible for and incurs distribution and selling costs that were previously incurred by Beam. The adverse impact of the new Australian agreement on reported net sales was mostly offset by volume increases for Power Brands Jim Beam, Canadian Club, and Teacher s in the APSA segment, primarily in Australia and emerging markets such as India.

APSA operating income decreased $11 million or 12% from $94 million in 2010 to $83 million in 2011 as a result of our planned investments within the segment to support long-term growth, including an investment in sales and distribution infrastructure in India and Brazil as well as double digit increases advertising and marketing to support brand-building in Australia.

Consolidated Results for 2010 Compared to 2009

Net sales

Net sales increased $115 million or 6% from $2.0 billion in 2009 to $2.1 billion in 2010, driven by growth in each of our operating segments. Growth was predominantly driven by volume growth from our Power Brands, benefiting from innovation, strength in emerging markets and the travel retail channel, and increased brand investment. Foreign exchange also favorably impacted net sales by approximately $11 million. Divestitures of non-strategic brands in Germany in August 2010 adversely impacted net sales growth by approximately $16 million, or 1%.

Cost of goods sold

Cost of goods sold increased $82.3 million, or 10%, from $783 million in 2009 to $865 million in 2010. Growth in cost of goods sold was primarily due to increased sales volume and increased cost associated with product mix in 2010 as compared to 2009. Cost increases were moderate, concentrated in the price of energy and grains.

Advertising and marketing expense

Advertising and marketing expense increased $31.9 million, or 12%, primarily due to planned increases in all segments to support core brand equities, new product innovations, and long-term growth. The growth in spend was focused on our Power Brands, including Jim Beam, Maker s Mark and Courvoisier, and was concentrated in the U.S. and across several emerging markets in EMEA and APSA.

Selling, general and administrative expense

Selling, general and administrative costs increased $31.9 million, or 8%, from $384 million in 2009 to $416 million in 2010. Selling, general and administrative expense was unfavorably impacted in 2010 by costs associated with our new international sales and distribution structures following the dissolution in 2009 of the Maxxium international joint venture, which accounted for approximately 2 percentage points of growth in selling, general and administrative expenses. Excluding this impact, selling, general and administrative expense grew approximately 6% driven by higher sales-related costs, foreign currency, and other inflationary pressures on general and administrative costs.

Restructuring charges

In 2010, restructuring charges of $15.4 million are related to organizational streamlining initiatives. In 2009, restructuring charges of $28.8 million related to business repositioning, including strategic sales and distribution initiatives in international markets and U.S. supply chain activities.

Asset impairment charges

In connection with our annual indefinite-lived intangible asset impairment testing in the fourth quarter of 2009, we recorded impairment charges of $92.5 million to adjust the carrying value of tradenames, primarily Sauza, to an estimated aggregate fair value of $782.8 million.

The fair value declined below book value primarily due to the combined effect of the economic downturn and excess agave supply on sales in key geographic markets, particularly Mexico and the U.S., and the expectation of more moderate market growth rates for the overall tequila spirits category for the foreseeable future. Refer to Critical Accounting Policies and Estimates Goodwill and Indefinite-Lived Intangible Assets below and Note 12, *Goodwill and Other Intangible Assets*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for more information.

Loss on sale of brands and related assets

In December 2010, we sold the non-strategic Cockburn s port brand and related U.S., U.K. and Portugal inventory. In connection with the sale, we recorded a pre-tax loss of $7.4 million ($6.8 million after tax).

In August 2010, we sold certain non-strategic German spirits brands and related assets. In connection with the sale, we recorded a pre-tax loss of $8.6 million ($12.4 million after tax).

Operating income

Operating income increased $57.1 million or 14.3% from $399 million in 2009 to $456 million in 2010. The increase in operating income was primarily due to a $115 million increase in net sales, partially offset by higher costs of goods sold and other expenses that were due to the increase in net sales. In addition, as discussed above, our consolidated operating income was impacted by certain charges that impact the comparability of year-over-year results. The most significant of these charges was a $92.5 million impairment charge in 2009 primarily to decrease the carrying value of the Sauza tradename to estimated fair value. The Company did not incur any tradename impairments in 2010.

Other (income) expense

Other (income) expense, net, was income of $33.2 million in 2010 compared to expense of $7.5 million in 2009. The 2010 period included tax indemnification income of $37 million from Pernod Ricard in connection with Spanish income tax audit settlements. The 2009 period included a distribution of $12.5 million related to our former Maxxium joint venture.

Income taxes

Our effective income tax rate was 10.5% and 5.4% for 2010 and 2009, respectively. The effective income tax rate in 2010 was favorably impacted by tax benefits of approximately $46 million related to final settlement of U.S. and Spanish federal income tax audits. The effective tax rate in 2010 was also favorably impacted by the tax-free treatment of indemnification proceeds received in connection with the settlement of a Spanish income tax audit. The effective income tax rate in 2009 was favorably impacted by tax benefits from restructuring and other charges relative to the lower taxed income before these charges. The income tax rate in 2009 was unfavorably impacted by a net tax expense of $8.8 million related to the correction of prior year items, which were determined to be immaterial to the years to which they relate. See Note 9, *Income Taxes*, of the Notes to the Consolidated Financial Statements for additional information related to our effective tax rate in 2010 and 2009.

Income from discontinued operations, net of tax

Discontinued operations include the results of our former Golf and Home businesses which were sold and spun-off in 2011. Income from discontinued operations, net of tax, increased from $12.4 million in 2009 to $186.5 million in 2010, primarily due to increased sales, lower restructuring and other charges (approximately $70 million) and a pre-tax gain on the sale of the Cobra golf product line (approximately $11 million).

Segment Results for 2010 Compared to 2009

The following table sets forth net sales and operating income by operating segment for 2010 and 2009 as reported and adjusted to exclude the impact of foreign exchange translation, a non-GAAP measure (in millions):

Net Sales				**Excluding Foreign Exchange Translation**	
	2010	**2009**	**% Change Reported**	**2010 Adjusted Amount**	**% Change Adjusted**
North America	$ 1,161.8	$ 1,090.9	6.5%	$ 1,148.9	5.3%
EMEA	477.8	489.3	(2.4)%	503.1	2.8%
APSA	455.3	400.1	13.8%	431.7	7.9%
Segment net sales	2,094.9	1,980.3	5.8%	2,083.7	5.2%
Foreign exchange				11.2	n/m
Net sales	$ 2,094.9	$ 1,980.3	5.8%	$ 2,094.9	5.8%

Operating Income				**Excluding Foreign Exchange Translation**	
	2010	**2009**	**% Change Reported**	**2010 Adjusted Amount**	**% Change Adjusted**
North America	$ 359.8	$ 354.8	1.4%	$ 352.6	(0.6)%
EMEA	98.7	120.2	(17.9)%	111.5	(7.2)%
APSA	93.8	98.5	(4.8)%	91.5	(7.1)%
Segment operating income	552.3	573.5	(3.7)%	555.6	(3.1)%
Foreign exchange				3.3	
Restructuring charges	15.4	28.8		15.4	
Other charges	28.8	97.7		28.8	
Unallocated corporate costs	51.9	47.9		51.9	
Operating income	$ 456.2	$ 399.1	14.3%	$ 456.2	14.3%

The following discussion presents segment net sales and operating income excluding the impact of foreign exchange, a non-GAAP presentation. See the discussion in Segment Results for 2011 Compared to 2010 above for additional information related to the use of non-GAAP measures.

North America

Net sales increased $58 million or 5% from $1.09 billion in 2009 to $1.15 billion in 2010 in North America. Regionally, while each market in the North America segment recorded year-over-year sales increases, the U.S. was the most significant driver of growth, with volume growth concentrated in our bourbon and cognac categories. Volume gains were partially offset by proactive price repositionings in North America, primarily in U.S. tequila, bourbon and economy vodka.

North America operating income decreased $2 million or 1% from $355 million in 2009 to $353 million in 2010. The operating income decrease in North America was driven by a double digit increase in advertising and marketing expense, focused on supporting core brand equities, new product innovations, such as Red Stag by Jim Beam, and long-term growth.

Europe/Middle East/Africa

EMEA net sales increased 3%, or $14 million, from $489 million in 2009 to $503 million in 2010. Despite challenging economic conditions in Western Europe, and the divestiture of our German brands in mid-2010, EMEA delivered growth on the strength of distribution gains in the UK, growth of Power Brands in Russia, and a rebound of our global travel retail business.

Operating income in EMEA declined $9 million or 7% from $120 million in 2009 to $111 million in 2010 due to investment in marketing and advertising at a rate ahead of sales and adverse product mix across our highest growth markets.

Asia-Pacific/South America

Net sales in APSA grew $32 million or 8% from $400 million in 2009 to $432 million in 2010. Net sales in APSA benefited from growth in emerging markets, including India, Brazil and Southeast Asia, offset by price declines on core product lines in Australia. This challenging pricing environment, combined with unfavorable market mix and transitional costs in select emerging markets, drove a 7% decrease in operating income from $99 million in 2009 to $92 million in 2010.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capitalization

Total debt decreased by $2.3 billion during the year ended December 31, 2011 to $1.9 billion. The ratio of total debt to total capital decreased to 32.0% at December 31, 2011 from 42.7% at December 31, 2010, primarily due to the retirement of debt (as discussed below), partly offset by the Spin-Off of Home & Security and changes in foreign exchange rates.

In December 2011, we executed a $750 million, 5-year committed revolving credit agreement (the Credit Agreement) to be used for general corporate purposes. As of December 31, 2011, there were no amounts outstanding under this Credit Agreement. The Credit Agreement replaced Beam s $750 million, 3-year credit agreement that was scheduled to mature in February 2013. Amounts may be borrowed under the Credit Agreement in U.S. Dollars, Euros or British Pounds Sterling. Interest on Eurocurrency loans will accrue at LIBOR (with interest periods of 1, 2, 3 or 6 months) plus spreads based on credit ratings assigned to Beam s outstanding senior unsecured debt. Interest on alternate base rate loans will accrue at the highest of (i) the administrative agent s prime rate, (ii) the federal funds effective rate plus 1/2 of 1% per annum or (iii) the Adjusted London Interbank Offered Rate (as defined in the Credit Agreement) plus 1% per annum. Beam may also request competitive bids or negotiated rates for interest on loans under the Credit Agreement. Beam may, subject to the satisfaction of certain conditions, request that the aggregate principal amount of the facility be increased by up to $250 million in the aggregate. The Credit Agreement contains, among other things, conditions precedent, covenants, representations and warranties and events of default customary for facilities of this type. Such covenants include certain limitations on secured debt, sale-leaseback transactions, subsidiary debt and guarantees, fundamental changes and transactions with affiliates. The Credit Agreement also includes financial covenants under which Beam is required to maintain (i) a minimum ratio of consolidated EBITDA to consolidated interest expense of 3.00 to 1.00 and (ii) a maximum ratio of debt to capitalization of 0.55 to 1.00. Consolidated interest expense is as disclosed in our financial statements. Total capital is defined as debt plus equity and deferred taxes and excluding the impact of future impairment charges. There were no events of default under the Credit Agreement as of December 31, 2011. None of our other debt instruments include financial ratio covenants.

We believe that the cash on hand, together with funds from operations and the Credit Agreement provide sufficient liquidity to fund our current operating and financing needs. We believe the Credit Agreement was arranged with a strong and diversified group of financial institutions.

In November 2011, we extinguished a portion of our outstanding 4% Notes due 2013. The total cash paid to holders of the 4% Notes was approximately 298 million ($408 million), which included approximately 281 million ($386 million) in debt principal, approximately 9 million ($12 million) of accrued interest, and approximately 8 million ($10 million) of purchase premiums. Also in November 2011, we repaid in full our outstanding 3% Notes due 2012. Total cash paid to holders of the 3% Notes was approximately $411 million, which included $400 million in debt principal, approximately $5 million of accrued interest, and approximately $6 million of purchase premiums.

In August 2011, we completed a tender offer in which we repurchased $911.0 million in aggregate principal amount of various notes and debentures. The total cash paid to holders of the tendered notes and debentures was approximately $1.06 billion, which consisted of $911.0 million in debt principal, $7.9 million in accrued interest, and $139.0 million in purchase premiums. The tender offer was financed from cash received from the sale of our Golf business which closed on July 29, 2011.

In January 2011, we repaid the remaining $590.6 million of outstanding notes that matured on January 15, 2011 using cash on hand.

We have an investment grade credit rating from three credit rating agencies. A downgrade of our credit ratings or a renewed global economic decline or credit crisis may impact our access to long-term capital markets, increase interest rates on some of our corporate debt, and weaken operating cash flow and liquidity, potentially adversely impacting our ability to pay dividends, fund acquisitions and repurchase shares in the future.

As of December 31, 2011, we had total cash and cash equivalents of $218.3 million, a majority of which was held in foreign currencies at non-U.S. subsidiaries. We manage our global cash requirements considering (i) available funds among the many

subsidiaries through which we conduct business, (ii) the geographic location of our liquidity needs, and (iii) the cost to access international cash balances. The permanent repatriation of non-U.S. cash balances from certain subsidiaries could have adverse tax consequences as we may be required to pay and record income tax expense on those funds to the extent they were previously considered permanently reinvested. We do not believe that any such transfer of cash would have a material impact on our results of operations or financial position.

In 2012, expected pension plan contributions include approximately $30 million for the required settlement of pension liabilities for certain former Fortune executives due to their termination in connection with the Separation Transactions. In the first quarter of 2012, we used approximately $95 million of available cash to acquire the outstanding common shares of Cooley Distillery plc and repay its outstanding debt.

Cash Flows

Below is a summary of cash flows for the years ended December 31, 2011, 2010 and 2009 (in millions). Cash flows presented include the results of discontinued operations. The net decrease in cash related to discontinued operations represents the change in specifically identifiable cash of the discontinued operations and not their total cash activity.

	2011	2010	2009
Net cash provided by operating activities	$ 454.5	$ 770.6	$ 866.3
Net cash provided by (used in) investing activities	918.2	(73.0)	(213.2)
Net cash used in financing activities	(2,002.5)	(248.5)	(432.3)
Effect of foreign exchange rate changes on cash	(16.6)	(1.6)	33.1
Change in cash included in assets of discontinued operations	53.2	(0.8)	(11.3)
Net (decrease) increase in cash and cash equivalents	$ (593.2)	$ 446.7	$ 242.6

Operating Activities

Net cash provided by operating activities was $454.5 million in 2011 compared to $770.6 million in 2010. The decrease of $316.1 million was primarily due to a decrease in cash provided by the Golf business (which was sold in July 2011) and the Home & Security business (which was spun-off in October 2011), and higher cash payments related to business separation costs.

Net cash provided by operating activities was $770.6 million in 2010 compared to $866.3 million in 2009. The decrease of $95.7 million was mostly due to higher accounts receivable due to increased sales and higher inventory levels in the Home & Security and Golf businesses to support anticipated growth and new products introductions in 2011, partially offset by higher net income.

Investing Activities

Net cash provided by investing activities was $918.2 million in 2011 compared to $73.0 million of net cash used in investing activities in 2010. The increase of $991.2 million was primarily due to higher net proceeds received in 2011 from the sale of assets, including net proceeds of $1.3 billion from the sale of the Golf business. Partially offsetting this increase was $115.8 million of cash transferred to Home & Security in connection with the Spin-Off and net cash used in 2011 for acquisitions of $45.6 million. Capital expenditures were $218.5 million in 2011, of which $166 million related to continuing operations.

Net cash used in investing activities was $73.0 million in 2010 compared to $213.2 million in 2009. The decrease of $140.2 million was primarily due to proceeds from 2010 asset sales including dispositions of the Cobra golf product line, certain German spirits brands and related assets and the Cockburn s port brand. The favorable impact of asset sales was partially offset by higher capital expenditures of $65.5 million. In addition, net cash used in investing activities in 2009 included the purchase of the Beam international sales and distribution companies in April 2009 (approximately $66 million net of cash acquired), approximately $42 million to acquire 50% ownership in five other Maxxium joint ventures, and a return of our investment from Maxxium (approximately $58 million).

Financing Activities

Net cash used in financing activities was $2,002.5 million in 2011 compared to $248.5 million in 2010. The increase of $1,754.0 million was primarily due to higher repayments of debt of $2.3 billion (discussed above in the Liquidity and Capitalization section). Partially offsetting the cash used to repay debt was a $500 million dividend received from Home & Security in connection with the Spin-Off (reflected in Issuance of debt in the Consolidated Statement of Cash Flows). Immediately prior to the effective time of the Spin-Off, we received debt proceeds of $500

million from short-term debt financing that was issued by Home & Security and guaranteed by the Company prior to the debt being refinanced with a long-term Home & Security debt issuance after the Spin-Off. Also partially offsetting the increase in cash used in financing activities were higher proceeds from the exercise of stock options.

Net cash used in financing activities was $248.5 million in 2010 compared to $432.3 million in 2009. The decrease of $183.8 million was primarily due to lower debt repayments ($122.2 million, net of issuance of debt), lower dividends paid in 2010 ($36.0 million) and higher proceeds from the exercise of stock options ($33.7 million).

Dividends

A summary of 2011 dividend activity for the Company s common stock is shown below:

Dividend Amount	Declaration Date	Record Date	Payment Date
$0.19 per share	January 25, 2011	February 9, 2011	March 1, 2011
$0.19 per share	April 26, 2011	May 11, 2011	June 1, 2011
$0.19 per share	July 26, 2011	August 10, 2011	September 1, 2011
$0.19 per share	September 28, 2011	November 9, 2011	December 1, 2011

A summary of 2011 dividend activity for the Company s $2.67 Convertible Preferred stock is shown below:

Dividend Amount	Declaration Date	Record Date	Payment Date
$0.6675 per share	January 25, 2011	February 9, 2011	March 10, 2011
$0.6675 per share	April 26, 2011	May 11, 2011	June 10, 2011
$0.6675 per share	July 26, 2011	August 10, 2011	September 10, 2011
$0.6675 per share	September 28, 2011	November 9, 2011	December 10, 2011

On January 27, 2012, we announced that our board of directors approved an 8% increase in the dividend on the Company s common stock. Beginning with the payment date of March 1, 2012, the dividend will increase 6 cents per share to an annual rate of $0.82 (payable 20.5 cents per quarter) from $0.76 per share (19 cents per quarter). We currently expect to pay quarterly cash dividends in the future, but such payments are dependent upon our financial condition, results of operations, capital requirements and other factors, including those set forth in the section entitled Item 1A. Risk Factors.

Customer Credit Risk

We routinely grant unsecured credit to customers in the normal course of business. Accounts receivable were $385.8 million as of December 31, 2011 and are recorded at their stated amount less allowances for discounts and doubtful accounts. Allowances for doubtful accounts include provisions for certain customers where a risk of default has been specifically identified, as well as provisions based on other factors, such as the evaluation of historical write-offs, aging of balances and other qualitative and quantitative factors, when it is determined that some default is probable and estimable but cannot yet be associated with specific customers. The assessment of the likelihood of customer defaults is based on various factors, including the length of time the receivables are past due, the historical collection experience and existing economic conditions. In accordance with our policy, our allowance for discounts and doubtful accounts was $9.8 million and $10.9 million as of December 31, 2011 and 2010, respectively. Adverse conditions in the global economy and credit markets may reduce our customers ability to access sufficient liquidity and capital to fund their operations and make our estimation of customer defaults inherently uncertain. While we believe current allowances for doubtful accounts are adequate, it is possible that weakening economic conditions may cause significantly higher levels of customer defaults and bad debt expense in future periods.

Counterparty Risk

The counterparties to our derivative contracts are major financial institutions. Although our theoretical risk is the replacement cost at the then estimated fair value of these instruments, we believe that the risk of incurring losses is unlikely and that the losses, if any, would be immaterial to our results of operations, cash flows or financial condition. The fair value of our derivative assets at December 31, 2011 was $3.7 million. The estimated fair value of our derivative contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices.

Pension Plans

We sponsor defined benefit pension plans that are funded by a portfolio of investments maintained within benefit plan trusts. We met all of our U.S. minimum funding requirements for 2011. In 2012, we will be required to contribute approximately $30 million for the distribution of pension benefits to certain Fortune Brands executives due to their terminations at the end of 2011 in connection with the Separation Transactions. The Company is not required to make any contributions in 2012 to comply with U.S. minimum funding requirements. For the foreseeable future, we believe that we have sufficient liquidity to meet the minimum funding that may be required by law, including under the

Pension Protection Act of 2006. As of December 31, 2011, the fair value of our total pension plan assets was $319.5 million, representing 71% of the accumulated benefit obligation liability.

Guarantees and Commitments

Three of our 50%-owned foreign joint ventures have euro-denominated credit facilities, which we have partially guaranteed. Our maximum guarantee exposure, assuming the credit facilities are fully utilized, is a total U.S. dollar equivalent of $22.2 million, of which our guarantee exposure was $16.2 million based on facilities utilized at December 31, 2011. The Company has not recorded a liability for these guarantees.

We also guarantee a lease for ACCO World Corporation, the office products business we divested in a spin-off in 2005. The liability related to this guarantee is not material. We will continue to guarantee payment of certain real estate leases, with lease payments totaling approximately $9.9 million, through April 2013.

Contractual Obligations and Other Commercial Commitments

The following table and discussion represent our obligations and commitments to make future payments under contracts, such as debt and lease agreements, and under contingent commitments, such as debt guarantees, as of December 31, 2011 (in millions).

	Payments Due by Period as of December 31, 2011				
Contractual Obligations [a]	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
Short-term borrowings	$ 28.4	$ 28.4	$	$	$
Long-term debt[b]	1,863.7		790.6	400.0	673.1
Operating leases	65.0	13.3	21.6	16.7	13.4
Interest payments on long-term debt	1,009.4	107.4	184.3	122.2	595.5
Purchase obligations[c]	209.2	127.1	55.2	26.6	0.3
Pension and postretirement contributions[d]	35.6	35.6			
Total	$ 3,211.3	$ 311.8	$ 1,051.7	$ 565.5	$ 1,282.3

(a) Total contractual obligations do not include income taxes payable or long-term income taxes payable for uncertain tax positions. We are unable to reasonably estimate the timing of future payments related to uncertain tax positions. Refer to Note 9, *Income Taxes*, of the Notes to the Consolidated Financial Statements in Item 8 of this Form 10-K for more information on uncertain tax positions.

(b) Future payments for long-term debt exclude deferred gains related to interest rate swaps that are recorded in long-term debt.

(c) Purchase obligations include: contracts for raw material and finished goods purchases; advertising, selling and administrative services; and capital expenditures.

(d) Minimum required pension and postretirement contributions cannot be determined beyond 2012.

Recently Issued Accounting Standards

The information required by this Item is provided in Note 1 of the Notes to the Consolidated Financial Statements in Item 8 of this Form 10-K and is hereby incorporated herein by reference.

Critical Accounting Policies and Estimates

Our significant accounting policies are described in Note 1 of the Notes to Consolidated Financial Statements in Item 8 of this Form 10-K. The Consolidated Financial Statements are prepared in conformity with GAAP. Preparation of the financial statements requires us to make judgments, estimates and assumptions that affect the amounts of assets and liabilities in the financial statements and revenues and expenses during the reporting periods. We believe the policies discussed below are the Company s critical accounting policies as they include the more significant, subjective and complex judgments and estimates made when preparing our consolidated financial statements.

Customer Program Costs

Customer programs and incentives are a common practice in our business. We incur customer program costs to promote sales of products and to maintain competitive pricing. Customer program costs and incentives, including rebates and promotion and volume allowances, are generally accounted for in either sales or advertising and marketing expense at the later of the time the program is initiated or the revenue is recognized.

The costs recognized in sales include, but are not limited to, volume allowances and rebates, and promotional allowances. The costs typically recognized in advertising and marketing expense include point of sale materials and media costs. These costs are recorded at the later of the time of sale or the implementation of the program based on management s best estimates. Estimates are based on historical and projected experience for each type of program or customer. Volume allowances are accrued based on management s estimates of customer volume achievement and other factors incorporated into customer agreements, such as new product purchases and store sell-through support. Management periodically reviews accruals for these rebates and allowances, and adjusts accruals when circumstances indicate (typically as a result of a change in volume expectations).

Income Taxes

In accordance with authoritative guidance on income taxes, we establish deferred tax liabilities or assets for temporary differences between financial and tax reporting bases and subsequently adjust them to reflect changes in tax rates expected to be in effect when the temporary differences reverse. We record a valuation allowance reducing deferred tax assets when it is more likely than not that such assets will not be realized.

We do not provide deferred income taxes on undistributed earnings of foreign subsidiaries that we expect to permanently reinvest.

Inventories

We record inventory on the first-in, first-out (FIFO) method. In accordance with generally recognized trade practice, maturing spirits inventories are classified as current assets, although the majority of these inventories ordinarily will not be sold within one year, due to the duration of aging processes. Inventory provisions are recorded to reduce inventory to the lower of cost or market value for obsolete or slow moving inventory based on assumptions about future demand and marketability of products, the impact of new product introductions, inventory turns, product spoilage and specific identification of items, such as product discontinuance, engineering/material changes, or regulatory-related changes.

Long-lived Assets

We test a long-lived asset (including amortizable identifiable intangible assets) or asset group for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When such events occur, we compare the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset or asset group to the carrying amount of the long-lived asset or asset group. The cash flows are based on our best estimate of future cash flows derived from the most recent business projections. If this comparison indicates that there is an impairment, the amount of the impairment is calculated based on fair value. Fair value is estimated primarily using discounted expected future cash flows on a market-participant basis.

Goodwill and Indefinite-lived Intangible Assets

In accordance with authoritative guidance on goodwill and other intangible assets, goodwill is not amortized but is tested for impairment at least annually in the fourth quarter, and written down when impaired. An interim impairment test is performed if an event occurs or conditions change that would more likely than not reduce the fair value of the reporting unit below the carrying value.

As a result of the Separation Transactions and the corresponding change in our operating segments, we re-evaluated our reporting units, allocated goodwill to the new reporting units, and completed an interim goodwill impairment test. As a result of that interim impairment test, the Company concluded that no impairment of goodwill existed.

During 2011, we adopted new authoritative accounting guidance that allows us to first assess qualitative factors to determine whether it is necessary to perform the two-step quantitative goodwill impairment test. We are no longer required to calculate the fair value of a reporting unit unless we determine, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. If we determine, based on a qualitative assessment, that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we evaluate the recoverability of goodwill by estimating the future cash flows of the reporting units to which the goodwill relates, and then discount the future cash flows at a market-participant-derived weighted-average cost of capital. In determining the estimated future cash flows, we consider current and projected future levels of income based on management s plans for that business; business trends, prospects and market and economic conditions; and market-participant considerations. Our reporting units are our operating segments. When the estimated fair value of a reporting unit is less than its carrying value, we measure and recognize the amount of the goodwill impairment loss, if any. Impairment losses, limited to the carrying value of goodwill, represent the excess of the carrying value of a reporting unit s goodwill over the implied fair value of that goodwill. The implied fair value of a reporting unit s goodwill is estimated based on a hypothetical allocation of each reporting unit s fair value to all of its underlying assets and liabilities in accordance with the authoritative guidance on goodwill and other intangible assets. Our cash flow projections are significantly influenced by longer-term market growth rates in particular spirits categories and geographies and expected profit margins. As a result of our qualitative assessment completed as of December 31, 2011 the Company concluded that no impairment of goodwill exists. Based on our estimates of fair value for each of our reporting units, we believe there are no reporting units for which a decline in fair value of 10% could trigger an impairment of goodwill.

We amortize purchased intangible assets other than goodwill over their useful lives unless those lives are determined to be indefinite. The determination of the useful life of an intangible asset other than goodwill is based on factors including historical tradename performance with respect to consumer name recognition, geographic market presence, market share, and plans for ongoing tradename support and promotion. Certain of our tradenames have been assigned an indefinite life as we currently anticipate that these tradenames will contribute cash flows to the Company indefinitely. Indefinite-lived intangible assets are not amortized, but are evaluated at least annually to determine whether the indefinite useful life is appropriate. We review indefinite-lived intangible assets for impairment annually in the fourth quarter, and whenever market or business events indicate there may be a potential impairment of that intangible. Impairment losses are recorded to the extent that the carrying value of the indefinite-lived intangible asset exceeds its fair value. We measure fair value using the standard relief-from-royalty approach which estimates the present value of royalty income that could be hypothetically earned by licensing the brand name to a third party over the remaining useful life. The Company recorded an impairment of indefinite-lived tradenames of $31.3 million and $92.5 million in 2011 and 2009, respectively (refer to Note 12, *Goodwill and Other Intangible Assets*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for more information). As of December 31, 2011 (after the impairment charge), the two tradenames impaired in 2011 had an aggregate book value of $157.4 million. As of December 31, 2011, except for the two tradenames impaired in 2011, a 10% reduction in the fair value of the Company s indefinite-lived tradenames would not trigger an impairment charge. The significant estimates and assumptions that influence the fair value of a tradename include the expected branded product sales included in our operating plans, longer-term market growth rates in particular spirits categories and geographies, expected profit margins on products sold using the brands, terminal value, revenue growth rates, and the weighted average cost of capital.

The Company cannot predict the occurrence of certain events or changes in circumstances that might adversely affect the carrying value of goodwill and indefinite-lived intangible assets. Such events may include, but are not limited to, the impact of the economic environment; a material negative change in relationships with significant customers; or strategic decisions made in response to economic and competitive conditions. In addition, certain assumptions and estimates used in determining the fair value of our goodwill and indefinite-lived tradenames are outside the control of management, including interest rates (in the U.S. and abroad), exchange rates, the cost of capital, and tax rates. Due to the uncertainty of the aforementioned items, the Company cannot predict whether a future impairment will result.

Pension and Postretirement Benefit Plans

We provide a range of benefits to our employees and retired employees, including pension, postretirement, post-employment and health care benefits. We record amounts relating to these plans based on calculations specified by GAAP, which include various actuarial assumptions, including discount rates, assumed rates of return, compensation increases, turnover rates and health care cost trend rates. We review our actuarial assumptions on an annual basis and make modifications to the assumptions based on current economic conditions and trends. We use a market-related value method of plan assets to calculate pension costs, recognizing each year s asset gains or losses over a five-year period. The expected return on plan assets is determined based on the nature of the plans investments and our expectations for long-term rates of return. Compensation increases reflect expected future compensation trends. The discount rate used to measure obligations is based on a spot-rate yield curve that matches projected future benefit payments with the appropriate interest rate applicable to the timing of the projected future benefit payments. The bond portfolio used for the selection of the discount rate is generally comprised of high quality bonds specific to the country of the plan.

The effects of actual results differing from our assumptions and the effects of changing assumptions are included in unamortized net gains and losses. Unamortized gains and losses, if outside a specified corridor, are amortized over future periods and, therefore, generally affect our recognized expense in future periods. Amounts are recognized as a component of net expense over the expected future years of service (approximately 25 years and 13 years for the U.S. plans and non-U.S. plans, respectively). The amortization period for actuarial losses is much longer for the U.S. plans as compared to the non-U.S. plans because for the U.S. plans we amortize losses over the estimated life of the participant rather than the service period due to the freezing of benefits related to our U.S. plans. We believe that the assumptions utilized in recording our obligations under our plans are reasonable based on our experience; however, differences in actual experience or changes in the assumptions may materially affect our financial position or results of operations.

The unfunded status of our U.S. pension plans increased by approximately $50 million in 2011 primarily due to a significant decrease in the assumed discount rate and plan asset returns that were essentially flat in 2011. See Note 17, *Pension and Other Postretirement Benefits*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for more information related to plan assets, obligations, and assumptions.

A hypothetical 25 basis point increase/decrease to the assumed weighted-average discount rate used in the actuarial valuation of our pension plan obligation at December 31, 2011 would decrease/increase estimated pre-tax annual 2012 expense by approximately $0.4 million. A hypothetical 25 basis point increase/decrease to the assumed weighted-average long-term rate of return on plan assets used in the actuarial valuation of our pension plan obligation at December 31, 2011 would decrease/increase estimated pre-tax annual 2012 expense by approximately $0.9 million.

Refer to Note 17, *Pension and Other Postretirement Benefits*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report for more information on our pension plans and the impact of a 1% increase/decrease in the health care cost trend rate on expense related to our other postretirement benefit plan obligation and expense.

Litigation Contingencies

We are subject to risks related to threatened or pending litigation and are routinely defendants in lawsuits associated with the normal conduct of business. Liabilities and costs associated with litigation related loss contingencies require estimates and judgments based on our knowledge of the facts and circumstances surrounding each matter and the advice of our legal counsel. We record liabilities for litigation related losses when a loss is probable and we can reasonably estimate the amount of the loss. We evaluate the measurement of recorded liabilities each reporting period based on the current facts and circumstances specific to each matter. The ultimate losses incurred upon final resolution of litigation related loss contingencies may differ materially from the estimated liability recorded at a particular balance sheet date. Changes in estimates are recorded in earnings in the period in which such changes occur.

See Note 18, *Commitments and Contingencies*, to the Consolidated Financial Statements in Item 8 to this Form 10-K.

Environmental Matters

As required by federal and state laws, we are involved in remediation activities to address hazardous waste contamination. Uncertainties about the status of laws, regulations, remediation technologies and information related to individual sites make it difficult to develop accurate financial estimates of environmental remediation exposures. We accrue for expenses associated with environmental remediation obligations when such amounts are probable and can be reasonably estimated. We adjust accruals as new information develops or circumstances change, and accruals are not discounted. At December 31, 2011 and 2010, we had accruals of $8.6 million and $10.9 million, respectively, to cover environmental compliance and remediation activities. We believe that the cost of complying with the present environmental protection laws will not have a material adverse effect on our results of operations, cash flows or financial condition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.
Market Risk

We are exposed to various market risks, including changes in interest rates, foreign currency exchange rates and commodity prices. Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates, foreign currency exchange rates and commodity prices. We do not enter into derivatives or other financial instruments for trading or speculative purposes. We enter into financial instruments to manage and reduce the impact of changes in interest rates, foreign currency exchange rates and commodity prices. The counterparties are major financial institutions.

Interest Rate Risk

We may, from time to time, enter into interest rate swap agreements to manage our exposure to interest rate changes. Swap agreements involve the exchange of fixed and variable interest rate payments without exchanging the notional principal amount. The notional amount of swaps outstanding at December 31, 2010 was $900 million. These swap agreements hedged changes in the fair value of a portion of our existing fixed rate debt that result from changes in a benchmark interest rate (U.S. LIBOR). The swap agreements were designated and classified as fair value hedges in accordance with the authoritative guidance on derivatives and hedging. During the third quarter of 2011, we terminated all of our interest rate swaps with a notional amount of $900 million in conjunction with planned debt retirements (see Note 15, *Debt*, of the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report).

The fair market value of long-term fixed interest rate debt is impacted by interest rate risk and credit risk. Generally, the fair market value of fixed interest rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of our $1,902.1 million and $4,211.2 million total long-term debt (including current portion) at December 31, 2011 and 2010 was approximately $2,015.4 million and $4,258.8 million, respectively. The fair value is determined from quoted market prices, where available, and from investment bankers with respect to interest rates considering credit ratings and the remaining terms to maturity. A hypothetical 10% increase from prevailing interest rates as of December 31, 2011 and 2010 would have resulted in a decrease in fair value of fixed interest rate debt by $73.9 million and $76.0 million, respectively.

Based on variable rate debt outstanding (including the impact of swaps) at December 31, 2011 and 2010, a hypothetical 100 basis point change in interest rates affecting the Company s variable rate borrowings (including related hedge instruments) would impact pre-tax interest expense by $0.3 million and $9.8 million, respectively. The Company s interest rate exposure was greater in 2010 due to the interest rate swaps that were terminated in 2011.

Foreign Exchange Rate Risk

We enter into forward foreign exchange contracts principally to hedge currency fluctuations in transactions denominated in foreign currencies, thereby limiting our risk that would otherwise result from changes in exchange rates. The periods of the forward foreign exchange contracts correspond to the periods of the hedged transactions. We periodically enter into forward foreign exchange contracts to hedge a portion of our net investments in foreign subsidiaries. The estimated fair value of foreign currency contracts represents the amount required to enter into offsetting contracts with similar remaining maturities based on quoted market prices.

The estimated potential loss under foreign exchange contracts from movement in foreign exchange rates would not have a material impact on our results of operations, cash flows or financial condition. As part of our risk management procedure, we use a value-at-risk (VAR) sensitivity analysis model to estimate the maximum potential economic loss from adverse changes in foreign exchange rates over a one-day period given a 95% confidence level. The VAR model uses historical foreign exchange rates to estimate the volatility and correlation of these rates in future periods. The estimated maximum one-day loss from the Company s foreign currency exchange contracts using the VAR model was $6.0 million and $5.1 million at December 31, 2011 and 2010, respectively. The 95% confidence interval signifies our degree of confidence that actual losses under foreign exchange contracts would not exceed the estimated losses. The amounts disregard the possibility that foreign currency exchange rates could move in our favor. The VAR model assumes that all movements in the foreign exchange rates will be adverse. These amounts should not be considered projections of future losses, since actual results may differ significantly depending upon activity in the global financial markets. The VAR model is a risk analysis tool and should not be construed as an endorsement of the VAR model or the accuracy of the related assumptions.

Commodity Price Risk

We are subject to commodity price volatility caused by weather, supply conditions, geopolitical and economic variables, and other unpredictable external factors. From time to time, we use derivative contracts to manage our exposure to commodity price volatility.

Item 8. Financial Statements and Supplementary Data.

BEAM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

(In millions, except per share amounts)	For years ended December 31,		
	2011	**2010**	**2009**
Sales	$ 2,871.7	$ 2,665.9	$ 2,469.6
Less: Excise taxes	(560.6)	(571.0)	(489.3)
Net sales	2,311.1	2,094.9	1,980.3
Cost of goods sold	987.8	865.0	782.7
Gross profit	1,323.3	1,229.9	1,197.6
Advertising and marketing expense	358.7	307.6	275.7
Selling, general and administrative expense	430.0	416.1	384.2
Amortization of intangible assets	16.3	16.3	17.3
Business separation costs	83.8	2.3	
Restructuring charges	7.7	15.4	28.8
Asset impairment charges	31.3		92.5
Loss on the sale of brands and related assets		16.0	
Operating income	395.5	456.2	399.1
Interest expense	117.4	143.7	143.6
Loss on early extinguishment of debt	149.2		
Other (income) expense	(40.4)	(33.2)	7.5
Income from continuing operations before income taxes	169.3	345.7	248.0
Income taxes	36.0	36.2	13.3
Income from continuing operations Beam Inc.	133.3	309.5	234.7
Income from discontinued operations, net of tax	782.2	186.5	12.4
Net income	$ 915.5	$ 496.0	$ 247.1
Less: Noncontrolling interests related to discontinued operations	4.1	8.4	4.3
Net income attributable to Beam Inc.	$ 911.4	$ 487.6	$ 242.8
Basic earnings per Beam Inc. common share			
Continuing operations	$ 0.86	$ 2.03	$ 1.56
Discontinued operations	5.03	1.17	0.05
Net income	$ 5.89	$ 3.20	$ 1.61
Diluted earnings per Beam Inc. common share			
Continuing operations	$ 0.85	$ 2.01	$ 1.55
Discontinued operations	4.93	1.15	0.05
Net income	$ 5.78	$ 3.16	$ 1.60
Cash dividends per share paid on common stock	$ 0.76	$ 0.76	$ 1.01
Weighted-average common shares outstanding basic	154.6	152.4	150.3
Weighted-average common shares outstanding diluted	157.8	154.3	151.8

See Notes to Consolidated Financial Statements.

BEAM INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(In millions, except per share amounts)	**December 31, 2011**	**2010**
Assets		
Current assets		
Cash and cash equivalents	$ 218.3	$ 811.5
Accounts receivable from customers	364.8	400.9
Accounts receivable from related parties	21.0	30.2
Inventories	1,551.5	1,523.1
Other current assets	278.8	286.3
Current assets discontinued operations		1,291.0
Total current assets	2,434.4	4,343.0
Property, plant and equipment	729.7	668.2
Goodwill	2,103.9	2,137.5
Other intangible assets	2,099.0	2,226.8
Investments in affiliates	42.2	51.9
Other non-current assets	82.6	125.8
Non-current assets discontinued operations		3,120.8
Total assets	$ 7,491.8	$ 12,674.0
Liabilities		
Current liabilities		
Notes payable and current portion of long-term debt	$ 28.4	$ 611.4
Accounts payable to vendors	134.1	149.7
Accounts payable to related parties	36.0	39.6
Other current liabilities	560.2	521.0
Current liabilities discontinued operations		785.2
Total current liabilities	758.7	2,106.9
Long-term debt	1,902.1	3,620.6
Deferred income taxes	375.1	393.1
Accrued pension and postretirement benefits	118.7	93.1
Other non-current liabilities	237.5	168.7
Non-current liabilities discontinued operations		603.6
Total liabilities	$ 3,392.1	$ 6,986.0
Equity		
Beam Inc. stockholders equity		
$2.67 Convertible Preferred stock	4.7	4.9
Common stock, par value $3.125 per share, 750.0 shares authorized, 234.9 shares issued, and 155.9 shares outstanding at December 31, 2011	734.0	734.0
Paid-in capital	882.4	820.2
Accumulated other comprehensive loss	(304.1)	(172.0)
Retained earnings	5,892.6	7,499.3
Treasury stock, at cost	(3,109.9)	(3,215.3)
Total Beam Inc. stockholders equity	4,099.7	5,671.1
Noncontrolling interest discontinued operations		16.9
Total equity	4,099.7	5,688.0

Total liabilities and equity	$ 7,491.8	$ 12,674.0

See Notes to Consolidated Financial Statements.

BEAM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(In millions)	For years ended December 31,		
	2011	**2010**	**2009**
Operating activities			
Net income	$ 915.5	$ 496.0	$ 247.1
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	171.8	210.2	218.3
Amortization	27.6	34.9	36.4
Stock-based compensation	52.1	56.0	40.9
Deferred income taxes	(50.6)	54.7	(57.6)
Tax benefit from income tax audit settlements		(42.3)	
Loss on early extinguishment of debt	149.2		
(Gain) loss on the sale of assets	(686.6)	4.7	
Gain on distribution from Maxxium	(10.2)		(12.5)
Asset impairment charges	31.3		92.5
Changes in assets and liabilities, net of acquisitions and dispositions:			
Accounts receivable	(79.1)	(18.0)	134.5
Inventories	(64.8)	(119.0)	70.0
Accounts payable	(14.1)	44.7	54.3
Other assets	14.5	108.1	70.1
Accrued expenses and other liabilities	(2.1)	(59.4)	(27.7)
Net cash provided by operating activities	454.5	770.6	866.3
Investing activities			
Capital expenditures	(218.5)	(223.0)	(157.5)
Proceeds from the disposition of assets	1,275.6	142.4	15.9
Acquisitions, net of cash acquired	(45.6)		(121.9)
Return of investment in affiliates	22.5		58.4
Repayment of loans by affiliates, net		7.6	(8.1)
Cash transfer to Fortune Brands Home & Security Inc. in spin-off	(115.8)		
Net cash provided by (used in) investing activities	918.2	(73.0)	(213.2)
Financing activities			
(Decrease) increase in short-term notes payable, net	(34.4)	1.3	11.1
Issuance of debt	500.0		895.8
Repayment of long-term debt	(2,440.9)	(166.5)	(1,194.3)
Dividends to stockholders	(117.8)	(116.2)	(152.2)
Proceeds received from exercise of stock options	102.3	40.6	6.9
Tax benefit on exercise of stock options	4.2	4.0	0.4
Dividends paid to noncontrolling interests	(0.8)	(4.8)	
Other financing activities, net	(15.1)	(6.9)	
Net cash used in financing activities	(2,002.5)	(248.5)	(432.3)
Effect of foreign exchange rate changes on cash	(16.6)	(1.6)	33.1
Net (decrease) increase in cash and cash equivalents	(646.4)	447.5	253.9
Change in cash included in assets of discontinued operations	53.2	(0.8)	(11.3)
Cash and cash equivalents at beginning of year	811.5	364.8	122.2
Cash and cash equivalents at end of year	$ 218.3	$ 811.5	$ 364.8
Cash paid during the year for (including discontinued operations):			

Interest	$ 210.8	$ 208.7	$ 222.2
Income taxes	125.0	119.5	77.0

See Notes to Consolidated Financial Statements.

BEAM INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF EQUITY

(In millions except per share amounts)	$2.67 Convertible Preferred Stock	Common Stock	Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock, At Cost	Non-controlling Interests	Total Equity