

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

FORM 10-K

(Mark One)

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

For the fiscal year ended February 29, 2004

OR

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

For the transition period from _____ to _____

Commission File Number 001-08495

CONSTELLATION BRANDS, INC.

(Exact name of registrant as specified in its charter)

Delaware ----- (State or other jurisdiction of incorporation or organization)	16-0716709 ----- (I.R.S. Employer Identification No.)
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370 Woodcliff Drive, Suite 300, Fairport, New York 14450

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (585) 218-3600

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

Title of each class -----	Name of each exchange on which registered -----
Class A Common Stock (par value \$.01 per share)	New York Stock Exchange
Class B Common Stock (par value \$.01 per share)	New York Stock Exchange
Depository Shares Each Representing 1/40 of a Share of 5.75% Series A Mandatory Convertible Preferred Stock (par value \$.01 per share)	New York Stock Exchange

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

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

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No
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The aggregate market value of the voting common equity held by non-affiliates of the Registrant, based upon the closing sales prices of the Registrant's Class A and Class B Common Stock as reported on the New York Stock Exchange as of the last business day of the Registrant's most recently completed second fiscal quarter was \$2,670,810,814. The Registrant has no non-voting common equity.

The number of shares outstanding with respect to each of the classes of common stock of Constellation Brands, Inc., as of April 30, 2004, is set forth below:

Class -----	Number of Shares Outstanding -----
Class A Common Stock, par value \$.01 per share	94,775,414
Class B Common Stock, par value \$.01 per share	12,057,130

DOCUMENTS INCORPORATED BY REFERENCE

The proxy statement of Constellation Brands, Inc. to be issued for the Annual Meeting of Stockholders to be held [July 20, 2004] is incorporated by reference in Part III to the extent described therein.

This Annual Report on Form 10-K contains forward-looking statements. In connection therewith, please see the cautionary statements and risk factors contained in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations - Cautionary Information Regarding Forward-Looking Statements" and elsewhere in this Report which identify important factors which could cause actual results to differ materially from any such forward-looking statements.

PART I

ITEM 1. BUSINESS

INTRODUCTION

Unless the context otherwise requires, the term "Company" refers to Constellation Brands, Inc. and its subsidiaries, and all references to "net sales" refer to gross sales less promotions, returns and allowances, and excise taxes to conform with the Company's method of classification. All references to "Fiscal 2004", "Fiscal 2003" and "Fiscal 2002" shall refer to the Company's fiscal year ended the last day of February of the indicated year. All references to "Fiscal 2005" shall refer to the Company's fiscal year ending February 28, 2005.

Market share and industry data disclosed in this Annual Report on Form 10-K have been obtained from the following industry and government publications: Adams Liquor Handbook; Adams Wine Handbook; Adams Beer Handbook; Adams Media Handbook Advance; The U.S. Wine Market: Impact Databank Review and Forecast; The U.S. Beer Market: Impact Databank Review and Forecast; The U.S. Spirits Market: Impact Databank Review and Forecast; International Wine and Spirit Record; Australian Wine and Brandy Reports; NACM; AC Nielsen; IRI; and The Drink Pocketbook. The Company has not independently verified this data. Unless otherwise noted, all references to market share data are based on unit volume and unless otherwise noted, the most recent complete industry data available are for calendar 2003.

The Company is a leading international producer and marketer of beverage alcohol brands with a broad portfolio across the wine, spirits and imported beer categories. The Company has the largest wine business in the world and is the largest multi-category supplier of beverage alcohol in the United States; a leading producer and exporter of wine from Australia and New Zealand; and both a major producer and independent drinks wholesaler in the United Kingdom. The Company's strong market positions increase its purchasing power and make the Company a supplier of choice to its customers.

With its broad product portfolio, the Company believes it is distinctly positioned to satisfy an array of consumer preferences across all beverage alcohol categories and price points. Many of the Company's products are recognized leaders in their respective categories. Leading brands in the Company's portfolio include Corona Extra, Modelo Especial, Pacifico, St. Pauli Girl, Franciscan Oakville Estate, Simi, Estancia, Ravenswood, Blackstone, Banrock Station, Hardys, Nobilo, Houghton, Leasingham, Almaden, Inglenook, Arbor Mist, Vendange, Alice White, Stowells, Black Velvet, Fleischmann's, Schenley, Ten High and Blackthorn.

The Company is a Delaware corporation incorporated on December 4, 1972, as the successor to a business founded in 1945. Since the Company's founding in 1945 as a producer and marketer of wine products, the Company has grown through a combination of internal growth and acquisitions. The Company's internal growth has been driven by leveraging the Company's existing portfolio of leading brands, developing new products, new packaging and line extensions, and focusing on the faster growing sectors of the beverage alcohol industry.

The Company has successfully integrated a number of major acquisitions that have broadened its portfolio and increased its market share, net sales, operating income and cash flow. Through these acquisitions, the Company has become more competitive by: diversifying its portfolio; developing strong market positions in the growing beverage alcohol product categories of varietal table wine and imported beer; strengthening its relationships with wholesalers; expanding its distribution and enhancing its production capabilities; and

acquiring additional management, operational, marketing, and research and development expertise.

In April 2003, the Company completed the acquisition of BRL Hardy Limited, now known as Hardy Wine Company Limited ("Hardy"), Australia's largest producer of wine, which enhanced the Company's overall growth prospects and gave the Company an immediate presence in the Australian domestic and export markets. As a result of the acquisition of Hardy, the Company also acquired the remaining 50% ownership of Pacific Wine Partners LLC ("PWP"), the joint venture the Company established with Hardy in July 2001 that produces, markets and sells a portfolio of premium wine in the United States, including a range of Australian imports. The acquisition of Hardy along with the remaining interest in PWP is referred to together as the "Hardy Acquisition." Among the well-known brands acquired in the Hardy Acquisition are Banrock Station, Hardys Nottage Hill, Hardys Stamp and VR, Eileen Hardy, Sir James, Omni, Nobilo, Leasingham and Houghton. For more information about this and other recent acquisitions, see "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this Annual Report on Form 10-K.

BUSINESS SEGMENTS

As a result of the Hardy Acquisition, the Company has changed the structure of its internal organization to consist of two business divisions, Constellation Wines and Constellation Beers and Spirits. Separate division chief executives report directly to the Company's chief operating officer. Consequently, the Company reports its operating results in three segments: Constellation Wines (branded wine, and U.K. wholesale and other), Constellation Beers and Spirits (imported beers and distilled spirits) and Corporate Operations and Other (primarily corporate related items and other). The new business segments, described more fully below, reflect how the Company's operations are being managed, how operating performance within the Company is being evaluated by senior management and the structure of its internal financial reporting.

Information regarding net sales, operating income and total assets of each of the Company's business segments and information regarding geographic areas is set forth in Note 22 to the Company's consolidated financial statements located in Item 8 of this Annual Report on Form 10-K.

CONSTELLATION WINES

Constellation Wines is the leading producer and marketer of wine in the world. It sells a large number of wine brands across all categories - table wine, dessert wine and sparkling wine - and across all price points - popular, premium, super-premium and ultra-premium. The portfolio of super-premium and ultra-premium wines is supported by vineyard holdings in California, Australia, New Zealand and Chile. As the largest producer and marketer of wine in the world, Constellation Wines has leading market positions in several countries. It is the second largest producer and marketer of wine in the United States, the largest producer and marketer of wine in Australia, and the largest marketer of wine in the United Kingdom. In addition, Constellation Wines exports its wine products to the major wine consuming markets of the world.

In the United States, Constellation Wines sells 18 of the top-selling 100 wine brands and has one of the largest fine wine portfolios. In the United Kingdom, it has seven of the top-selling 20 selling table wine brands to the off-premise market, three of the top-selling 10 table wine brands in the on-premise market and the best selling brand of fortified British wine. In Australia, it has wine brands across all price points and varieties, including the most comprehensive range of premium wine brands, and is the largest producer of cask (box) wines.

Constellation Wines' leading wine brands include Franciscan Oakville Estate, Simi, Estancia, Ravenswood, Blackstone, Banrock Station, Hardys, Nobilo, Houghton, Leasingham, Almaden, Inglenook, Arbor Mist, Vendange, Alice White and Stowells.

Constellation Wines is also the leading independent beverage wholesaler to the on-premise trade in the United Kingdom and has more than 16,000 on-premise accounts. The wholesaling business is wine led, but also involves the distribution of branded distilled spirits, cider, beer, RTDs and soft drinks. While these products are primarily produced by other major drinks companies, they also include Constellation Wines' branded wine, cider and water products.

Constellation Wines is also the second largest producer and marketer of cider in the United Kingdom, with leading cider brands Blackthorn and Gaymer's Olde English, and produces and markets Strathmore, the leading bottled water brand in the United Kingdom on-premise market.

In conjunction with its wine production, Constellation Wines produces and sells bulk wine and other related products and services.

CONSTELLATION BEERS AND SPIRITS

Constellation Beers and Spirits imports and markets a diversified line of beer and produces, bottles, imports and markets a diversified line of distilled

spirits. It is the largest marketer of imported beer in 25 primarily western U.S. states, where it has exclusive rights to distribute the Mexican brands in its portfolio. Constellation Beers and Spirits has exclusive rights to the entire United States for its non-Mexican beer brands. It distributes six of the top 22 imported beer brands in the United States: Corona Extra, Modelo Especial, Pacifico, Corona Light, St. Pauli Girl, and Negra Modelo. Corona Extra is the best selling imported beer in the United States and the seventh best selling beer overall in the United States. It also imports the Tsingtao beer brand from China.

Constellation Beers and Spirits is the third largest producer and marketer of distilled spirits in the United States and exports its distilled spirits to other major distilled spirits consuming markets. Its principal distilled spirits brands include Black Velvet, Barton, Skol, Fleischmann's, Canadian LTD, Montezuma, Ten High, Chi-Chi's prepared cocktails, Mr. Boston, Inver House, and Monte Alban. Substantially all of this segment's distilled spirits unit volume consists of products marketed in the value and mid-premium priced category. Constellation Beers and Spirits also sells bulk distilled spirits and other related products and services.

CORPORATE OPERATIONS AND OTHER

The Corporate Operations and Other segment includes traditional corporate-related items.

MARKETING AND DISTRIBUTION

The Company employs full-time, in-house marketing, sales and customer service organizations within its segments to maintain a high degree of focus on each of its product categories. The organizations use a range of marketing strategies and tactics to build brand equity and increase sales, including market research, consumer and trade advertising, price promotions, point-of-sale materials, event sponsorship and public relations. Where opportunities exist, particularly with national accounts, the Company leverages its sales and marketing skills across the organization.

In North America, the Company's products are primarily distributed by more than 1,000 wholesale distributors as well as state and provincial alcoholic beverage control agencies. As is the case with all other beverage alcohol companies, products sold through state or provincial alcoholic beverage control agencies are subject to obtaining and maintaining listings to sell the Company's products in that agency's state or province. State and provincial governments can affect prices paid by consumers of the Company's products. This is possible either through the imposition of taxes or, in states and provinces in which the government acts as the distributor of the Company's products through an alcoholic beverage control agency, by directly setting retail prices for the Company's products. In the Company's other markets, products are primarily distributed either directly to retailers or through wholesalers and importers. In Australasia, the distribution channels are dominated by a small number of industry leaders. Its U.K. wholesaling business sells and distributes the Company's branded products and those of other major drinks companies through a network of depots located throughout the United Kingdom.

TRADEMARKS AND DISTRIBUTION AGREEMENTS

Trademarks are an important aspect of the Company's business. The Company sells its products under a number of trademarks, which the Company owns or uses under license. Throughout its segments, the Company also has various licenses and distribution agreements for the sale, or the production and sale of its products and products of third parties. These licenses and distribution agreements have varying terms and durations. Agreements include, among others, a long-term license agreement with Hiram Walker & Sons, Inc., which expires in 2116, for the Ten High, Crystal Palace, Northern Light, Lauder's and Imperial Spirits brands, and a long-term license agreement with Chi-Chi's, Inc., which expires in 2117, for the production, marketing and sale of beverage products, alcoholic and non-alcoholic, utilizing the Chi-Chi's brand name.

All of the Company's imported beer products are marketed and sold pursuant to exclusive distribution agreements with the suppliers of these products. These agreements have terms that vary and prohibit the Company from importing other beer from other producers from the same country. The Company's agreement to distribute Corona Extra and other Mexican beer brands exclusively throughout 25 primarily western U.S. states expires in December 2006 and, subject to compliance with certain performance criteria, continued retention of certain Company personnel and other terms under the agreement, will be automatically renewed for additional terms of five years. Changes in control of the Company or of its subsidiaries involved in importing the Mexican beer brands, changes in the position of the Chief Executive Officer of Barton Beers, Ltd., including by death or disability, or the termination of the President of Barton Incorporated, may be a basis for the supplier, unless it consents to such changes, to terminate the agreement. The supplier's consent to such changes may not be unreasonably withheld. Prior to their expiration, all of the Company's imported beer distribution agreements may be terminated if the Company fails to meet certain performance criteria. The Company believes it is currently in compliance with its material imported beer distribution agreements. From time

to time, the Company has failed, and may in the future fail, to satisfy certain performance criteria in its distribution agreements. Although there can be no assurance that the Company's material beer distribution agreements will be renewed, given the Company's long-term relationships with its suppliers, the Company expects that such agreements will be renewed prior to their expiration and does not believe that these agreements will be terminated.

COMPETITION

The beverage alcohol industry is highly competitive. The Company competes on the basis of quality, price, brand recognition and distribution strength. The Company's beverage alcohol products compete with other alcoholic and nonalcoholic beverages for consumer purchases, as well as shelf space in retail stores, restaurant presence and wholesaler attention. The Company competes with numerous multinational producers and distributors of beverage alcohol products, some of which may have greater resources than the Company.

Constellation Wines' principal wine competitors include: E & J Gallo Winery, The Wine Group, Beringer Blass, The Robert Mondavi Corporation and Kendall-Jackson in the United States; Southcorp Wines, Orlando Wyndham and Beringer Blass in Australia; and E & J Gallo Winery, Southcorp Wines, Western Wines, Halewood Vintners and Pernod-Ricard in the United Kingdom. Its wholesale business competes with major brewers who also have wholesale operations, in particular, Scottish Courage, Coors, Interbrew and Carlsberg Tetley, and other independent national and regional wholesalers. Constellation Wines' principal cider competitor is Scottish & Newcastle.

Constellation Beers and Spirits' principal competitors include: Heineken USA, Molson, Labatt USA and Guinness Import Company in the imported beer category as well as domestic producers such as Anheuser Busch, Coors and SAB-Miller; and Diageo, Brown-Forman Beverages, Jim Beam Brands and Heaven Hill Distilleries in the distilled spirits category.

PRODUCTION

In the United States, the Company operates 17 wineries where wine is produced from many varieties of grapes grown principally in the Napa, Sonoma, Monterey and San Joaquin regions of California. In Australia, the Company operates 11 wineries where wine is produced from many varieties of grapes grown in most of the major viticultural regions. Grapes are crushed at most of the Company's wineries and stored as wine until packaged for sale under the Company's brand names or sold in bulk. Most of the Company's wine is packaged and sold within 18 months after the grape crush. In the United States, the Company's inventories of wine are usually at their highest levels in November and December immediately after the crush of each year's grape harvest, and are substantially reduced prior to the subsequent year's crush. Similarly, in Australia, the Company's inventories of wine are usually at their highest levels in April and May immediately after the crush of each year's grape harvest, and are substantially reduced prior to the subsequent year's crush. The Company also operates one winery in Chile and two wineries in New Zealand.

The bourbon whiskeys and domestic blended whiskeys marketed by the Company are primarily produced and aged by the Company at its distillery in Bardstown, Kentucky. The Company's primary distilled spirits bottling facility in the United States is in Owensboro, Kentucky. The majority of the Company's Canadian whisky requirements are produced and aged at its Canadian distilleries in Lethbridge, Alberta, and Valleyfield, Quebec. The Company's requirements of Scotch whisky, tequila, mezcal and the neutral grain spirits it uses in the production of gin, vodka and other spirits products, are primarily purchased from various suppliers.

The Company operates three facilities in the United Kingdom that produce, bottle and package wine, cider and water. To produce Stowells, wine is imported in bulk from various countries and packaged at the Company's facility at Bristol. The Bristol facility also produces fortified British wine and wine style drinks. All cider production takes place at the Company's facility at Shepton Mallet. The Strathmore brand of bottled water is sourced and bottled in Forfar, Scotland.

SOURCES AND AVAILABILITY OF PRODUCTION MATERIALS

The principal components in the production of the Company's branded beverage alcohol products are agricultural products, such as grapes and grain, and packaging materials (primarily glass).

Most of the Company's annual grape requirements are satisfied by purchases from each year's harvest which normally begins in August and runs through October in the United States and begins in February and runs through May in Australia. The Company believes that it has adequate sources of grape supplies to meet its sales expectations. However, in the event demand for certain wine products exceeds expectations, the Company would seek to source the extra requirements from the bulk wine markets, but could experience shortages.

The Company receives grapes from approximately 800 independent growers in the United States and 1,450 growers in Australia. The Company enters into

written purchase agreements with a majority of these growers and pricing generally varies year-to-year based on then-current market prices. In Australia, approximately 800 of the 1,450 growers belong to a grape growers' cooperative. The Company purchases the majority of its Australian grape requirements from this cooperative under a long-term arrangement. In the United Kingdom, the Company produces wine from materials purchased either on a contract basis or on the open market.

The Company currently owns or leases approximately 14,500 acres of land and vineyards, either fully bearing or under development, in California (U.S.), New York (U.S.), Australia, Chile and New Zealand. This acreage supplies only a small percentage of the Company's overall total wine needs. However, most of this acreage is used to supply a large portion of the grapes used for the production of the Company's super-premium and ultra-premium wines. The Company continues to consider the purchase or lease of additional vineyards, and additional land for vineyard plantings, to supplement its grape supply.

The distilled spirits manufactured by the Company require various agricultural products, neutral grain spirits and bulk spirits. The Company fulfills its requirements through purchases from various sources by contractual arrangement and through purchases on the open market. The Company believes that adequate supplies of the aforementioned products are available at the present time.

In the United Kingdom, the Company sources apples for cider production primarily through long-term supply arrangements with owners of apple orchards. There are adequate supplies of apples at this particular time.

The Company utilizes glass and polyethylene terephthalate ("PET") bottles and other materials such as caps, corks, capsules, labels, wine bags and cardboard cartons in the bottling and packaging of its products. Glass bottle costs are one of the largest components of the Company's cost of product sold. In the United States and Australia, the glass bottle industry is highly concentrated with only a small number of producers. The Company has traditionally obtained, and continues to obtain, its glass requirements from a limited number of producers. Currently, substantially all of the Company's glass container requirements for its United States operations are supplied by one producer and most of the Company's glass container requirements for its Australian operations are supplied by another producer. The Company has not experienced difficulty in satisfying its requirements with respect to any of the foregoing and considers its sources of supply to be adequate. However, the inability of any of the Company's glass bottle suppliers to satisfy the Company's requirements could adversely affect the Company's operations.

GOVERNMENT REGULATION

The Company is subject to a range of regulations in the countries in which it operates. Where it produces products, the Company is subject to environmental laws and regulations and may be required to obtain permits and licenses to operate its facilities. Where it markets and sells products, it may be subject to laws and regulations on trademark and brand registration, packaging and labeling, distribution methods and relationships, pricing and price changes, sales promotions, advertising and public relations. The Company is also subject to rules and regulations relating to changes in officers or directors, ownership or control.

The Company believes it is in compliance in all material respects with all applicable governmental laws and regulations in the countries in which it operates. The Company also believes that the cost of administration and compliance with, and liability under, such laws and regulations does not have, and is not expected to have, a material adverse impact on its financial condition, results of operations or cash flows.

SEASONALITY

The beverage alcohol industry is subject to seasonality in each major category. As a result, in response to wholesaler and retailer demand which precedes consumer purchases, the Company's wine and spirits sales are typically highest during the third quarter of its fiscal year, primarily due to seasonal holiday buying, and its imported beer sales are typically highest during the first and second quarters of the Company's fiscal year, which correspond to the Spring and Summer periods in the United States.

EMPLOYEES

As of the end of April 2004, the Company had approximately 7,800 full-time employees throughout the world. Approximately 3,200 full-time employees were in the United States and approximately 4,600 full-time employees were outside of the United States, in countries including Australia, the United Kingdom, Canada and New Zealand. Additional workers may be employed by the Company during the peak and grape crushing seasons. The Company considers its employee relations generally to be good.

COMPANY INFORMATION

The Company's internet address is <http://www.cbrands.com>. The Company's filings with the Securities and Exchange Commission ("SEC"), including its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15 (d) of the Securities Exchange Act of 1934, are accessible free of charge at <http://www.cbrands.com> as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC. Alternatively, such reports may be accessed at the internet address of the SEC, which is <http://www.sec.gov>. Also, the public may read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The Company has adopted a Chief Executive Officer and Senior Financial Executive Code of Ethics that specifically applies to its chief executive officer, its principal financial officer, and controller. This Chief Executive Officer and Senior Financial Executive Code of Ethics meets the requirements as set forth in the Securities Exchange Act of 1934, Item 406 of Regulation S-K. The Company has posted on its internet website a copy of the Chief Executive Officer and Senior Financial Officer Code of Ethics. It is accessible at <http://www.cbrands.com/CBI/investors.htm>.

The Company also has adopted a Code of Business Ethics and Conduct that applies to all employees, directors and officers, including each person who is subject to the Chief Executive Officer and Senior Financial Executive Code of Ethics. The Code of Business Ethics and Conduct is also available on the Company's internet website, together with its Board of Directors Corporate Governance Guidelines and the Charters of the Board's Audit Committee, Human Resources Committee (which serves as the Board's compensation committee) and Corporate Governance Committee (which serves as the Board's nominating committee). These materials are accessible at <http://www.cbrands.com/CBI/investors.htm>. Additionally, amendments to, and waivers granted to the Company's directors and executive officers under the Company's codes of ethics, if any, will be posted in this area of the Company's website. A copy of the Code of Business Ethics and Conduct and/or the Board of Directors Corporate Governance Guidelines and committee charters are available in print to any shareholder who requests it. Shareholders should direct such requests to Mark Maring, Vice President Investor Relations, 370 Woodcliff Drive, Suite 300, Fairport, New York 14450.

The foregoing information regarding the Company's website and its content is for your convenience only. The content of the Company's website is not deemed to be incorporated by reference in this report or filed with the SEC.

ITEM 2. PROPERTIES

Through its business segments, the Company operates wineries, distilling plants, bottling plants, and cider and water producing facilities, most of which include warehousing and distribution facilities on the premises. The Company also operates separate distribution centers under the Constellation Wines segment's wholesaling business. In addition to the Company's properties described below, certain of the Company's businesses maintain office space for sales and similar activities and offsite warehouse and distribution facilities in a variety of geographic locations.

The Company believes that its facilities, taken as a whole, are in good condition and working order and have adequate capacity to meet its needs for the foreseeable future.

The following discussion details the properties associated with the Company's three business segments.

CONSTELLATION WINES

Through the Constellation Wines segment, the Company maintains facilities in the United States, Australia, New Zealand, the United Kingdom, Chile and the Republic of Ireland. These facilities include wineries, bottling plants, cider and water producing facilities, warehousing and distribution facilities, distribution centers and office facilities. The segment maintains owned and/or leased division offices in Canandaigua, New York; St. Helena, California; Gonzales, California; Reynella, South Australia; Bristol, England and Esher, England.

United States -----

In the United States, the Company through its Constellation Wines segment operates two wineries in New York, located in Canandaigua and Naples; 12 wineries in California, located in Gonzales, Healdsburg, Kenwood, Soledad, Rutherford, Ukiah, two in Lodi, two in Madera and two in Sonoma; two wineries in Washington, located in Woodinville and Sunnyside; and one winery in Caldwell, Idaho. All of these wineries are owned, except for the wineries in Caldwell (Idaho) and Woodinville (Washington), which are leased. The Constellation Wines

segment considers its principal wineries in the United States to be the Mission Bell winery in Madera (California), the Canandaigua winery in Canandaigua (New York), the Ravenswood wineries in Sonoma (California), the Franciscan Vineyards winery in Rutherford (California) and the Blackstone Winery in Gonzales (California). The Mission Bell winery crushes grapes, produces, bottles and distributes wine and produces specialty concentrates and Mega Colors for sale. The Canandaigua winery crushes grapes and produces, bottles and distributes wine. The other principal wineries crush grapes, vinify, cellar and bottle wine. In Fiscal 2004, the segment closed and sold wineries located in Fresno and Escalon (California) and closed a winery located in Batavia (New York).

Through the Constellation Wines segment, the Company owns or leases approximately 5,400 acres of vineyards, either fully bearing or under development, in California and New York to supply a portion of the grapes used in the production of wine.

Australasia -----

Through the Constellation Wines segment, the Company owns and operates 11 Australian wineries, six of which are in South Australia, two in Western Australia and the other three in New South Wales, Australian Capital Territory and Tasmania. Additionally, through this segment the Company also owns two wineries in New Zealand. All but one of these Australasian wineries crush grapes, vinify and cellar wine. Four include bottling and/or packaging operations. The facility in Reynella, South Australia bottles a significant portion of the wine produced in Australia, produces all Australian sparkling wines and cellars wines. The Company considers the segment's principal facilities in Australasia to be the Berri Estates winery located in Glossop and the bottling facility located in Reynella, both in South Australia.

Through the Constellation Wines segment, the Company owns or has interests in approximately 6,200 plantable acres of vineyards in South Australia, the Australian Capital Territory, Western Australia, Victoria, and Tasmania, and approximately 1,900 acres of vineyards, either fully bearing or under development, in New Zealand.

Europe -----

Through the Constellation Wines segment, in the United Kingdom the Company owns and operates two facilities in England, located in Bristol and Shepton Mallet and one facility in Scotland, located in Forfar. The Bristol facility is considered a principal facility and produces, bottles and packages wine; the Shepton Mallet facility produces, bottles and packages cider; and the Forfar facility produces, bottles and packages water products. The Constellation Wines segment also owns another facility in Taunton, England, which it plans to sell since the operations have been consolidated into the Shepton Mallet facility. In Fiscal 2004, the Company sold its interest in a winery in France.

Through this segment, the Company operates a National Distribution Centre, located at a leased facility in Severnside, England, to distribute the Company's products that are produced at the Bristol and Shepton Mallet facilities as well as products imported from other wine suppliers. To support its wholesaling business, the Company operates 11 distribution centers located throughout the United Kingdom, 10 of which are leased. These 11 distribution centers are used to distribute products produced by third parties, as well as by the Company. The Company has been and will continue consolidating the operations of its United Kingdom wholesaling distribution centers.

Additionally, through the Constellation Wines segment, the Company leases warehouse and office facilities in Dublin and leases back office facilities in Cork in support of the Company's business of marketing and distributing alcoholic beverages in the Republic of Ireland.

Chile -----

Through the Constellation Wines segment, the Company also operates, through a majority owned subsidiary, a winery in the Casablanca Valley, Chile, that crushes grapes and vinifies, cellars and bottles wine. Through this segment, the Company also owns or leases approximately 1,000 acres of vineyards, either fully bearing or under development, in Chile for the production of wine.

CONSTELLATION BEERS AND SPIRITS

Through the Constellation Beers and Spirits segment, the Company maintains leased division offices in Chicago, Illinois. On behalf of the segment's beer business, the Company contracts with five providers of warehouse space and services in eight locations throughout the United States.

Through this segment, the Company owns and operates four distilling plants, two in the United States and two in Canada. The two distilling plants in the United States are located in Bardstown, Kentucky and Albany, Georgia. The two distilling plants in Canada are located in Valleyfield, Quebec and Lethbridge,

Alberta. The Company considers this segment's principal distilling plants to be the facilities located in Bardstown (Kentucky), Valleyfield (Quebec) and Lethbridge (Alberta). The Bardstown facility distills, bottles and warehouses distilled spirits products for the Company and, on a contractual basis, for other industry members. The two Canadian facilities distill, bottle and store Canadian whisky for the segment, and distill and/or bottle and store Canadian whisky, vodka, rum, gin and liqueurs for third parties.

In the United States, the Company through its Constellation Beers and Spirits segment also operates three bottling plants, located in Atlanta, Georgia; Owensboro, Kentucky and Carson, California. The facilities located in Atlanta (Georgia) and Owensboro (Kentucky) are owned, while the facility in Carson (California) is operated and leased through an arrangement involving an ongoing management contract. The Company considers this segment's bottling plant located in Owensboro to be one of the segment's principal facilities. The Owensboro facility bottles and warehouses distilled spirits products for the segment and is also utilized for contract bottling.

CORPORATE OPERATIONS AND OTHER

The Company's corporate headquarters are located in leased offices in Fairport, New York.

ITEM 3. LEGAL PROCEEDINGS

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In the course of their business, the Company and its subsidiaries are subject to litigation from time to time. Although the amount of any liability with respect to such litigation cannot be determined, in the opinion of management such liability will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- - - - -

Not Applicable.

EXECUTIVE OFFICERS OF THE COMPANY

Information with respect to the current executive officers of the Company is as follows:

NAME	AGE	OFFICE OR POSITION HELD
Richard Sands	53	Chairman of the Board and Chief Executive Officer
Robert Sands	45	President and Chief Operating Officer
Alexander L. Berk	54	Chief Executive Officer, Constellation Beers and Spirits, and President and Chief Executive Officer, Barton Incorporated
F. Paul Hetterich	41	Executive Vice President, Business Development and Corporate Strategy
Stephen B. Millar	60	Chief Executive Officer, Constellation Wines
Thomas J. Mullin	52	Executive Vice President and General Counsel
Thomas S. Summer	50	Executive Vice President and Chief Financial Officer
W. Keith Wilson	53	Executive Vice President and Chief Human Resources Officer

Richard Sands, Ph.D., is the Chairman of the Board and Chief Executive Officer of the Company. He has been employed by the Company in various capacities since 1979. He was elected Chief Executive Officer in October 1993 and has served as a director since 1982. In September 1999, Mr. Sands was elected Chairman of the Board. He served as Executive Vice President from 1982 to May 1986, as President from May 1986 to December 2002 and as Chief Operating Officer from May 1986 to October 1993. He is the brother of Robert Sands.

Robert Sands was appointed President and Chief Operating Officer of the Company in December 2002 and has served as a director since January 1990. Mr. Sands also had served as Group President from April 2000 through December 2002, as Chief Executive Officer, International from December 1998 through April 2000, as Executive Vice President from October 1993 through April 2000, as General Counsel from June 1986 through May 2000, and as Vice President from June 1990 through October 1993. He is the brother of Richard Sands.

Alexander L. Berk is the Chief Executive Officer of Constellation Beers and Spirits and the President and Chief Executive Officer of Barton Incorporated. Since 1990 and prior to becoming Chief Executive Officer of Barton Incorporated in March 1998, Mr. Berk was President and Chief Operating Officer of Barton Incorporated and from 1988 to 1990, he was the President and Chief Executive Officer of Schenley Industries. Mr. Berk has been in the beverage alcohol industry for most of his career, serving in various positions.

F. Paul Hetterich has been the Company's Executive Vice President, Business

Development and Corporate Strategy since June 2003. From April 2001 to June 2003, Mr. Hetterich served as the Company's Senior Vice President, Corporate Development. Prior to that, Mr. Hetterich held several increasingly senior positions in the Company's marketing and business development groups. Mr. Hetterich has been with the Company since 1986.

Stephen B. Millar is the Chief Executive Officer of Constellation Wines and has held this position since the closing of the Hardy Acquisition. Prior to the Company's acquisition of Hardy, Mr. Millar was Hardy's Managing Director and had held this position since 1991. Mr. Millar currently serves in leadership roles in a number of industry organizations. He is an Executive Council Member and Chairman of the Audit Committee of the Winemakers' Federation of Australia. He also serves as the President of the Australian Wine and Brandy Producers' Association, as the Deputy Chairman of the International Trade Advisory Committee and the Australian Wine Export Council and as a Council Member of the South Australian Wine Industry Council.

Thomas J. Mullin joined the Company as Executive Vice President and General Counsel in May 2000. Prior to joining the Company, Mr. Mullin served as President and Chief Executive Officer of TD Waterhouse Bank, NA since February 2000, of CT USA, F.S.B. since September 1998, and of CT USA, Inc. since March 1997. He also served as Executive Vice President, Business Development and Corporate Strategy of C.T. Financial Services, Inc. from March 1997 through February 2000. From 1985 through 1997, Mr. Mullin served as Vice Chairman and Senior Executive Vice President of First Federal Savings and Loan Association of Rochester, New York and from 1982 through 1985, he was a partner in the law firm of Phillips, Lytle, Hitchcock, Blaine & Huber.

Thomas S. Summer joined the Company in April 1997 as Senior Vice President and Chief Financial Officer and in April 2000 was elected Executive Vice President. From November 1991 to April 1997, Mr. Summer served as Vice President, Treasurer of Cardinal Health, Inc., a large national health care services company, where he was responsible for directing financing strategies and treasury matters. Prior to that, from November 1987 to November 1991, Mr. Summer held several positions in corporate finance and international treasury with PepsiCo, Inc.

W. Keith Wilson joined the Company in January 2002 as Senior Vice President, Human Resources, and in September 2002, he was elected Chief Human Resources Officer and in April 2003 he was elected Executive Vice President. From 1999 to 2001, Mr. Wilson served as Senior Vice President, Global Human Resources of Xerox Engineering Systems, a subsidiary of Xerox Corporation, that engineers, manufactures and sells hi-tech reprographics equipment and software worldwide. From 1990 to 1999, he served in various senior human resource positions with the banking, marketing and real estate and relocation businesses of Prudential Life Insurance of America, an insurance company that also provides other financial products.

Executive officers of the Company are generally chosen or elected to their positions annually and hold office until the earlier of their removal or resignation or until their successors are chosen and qualified.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Class A Common Stock (the "Class A Stock") and Class B Common Stock (the "Class B Stock") trade on the New York Stock Exchange (Registered ("NYSE")) under the symbols STZ and STZ.B, respectively. The following tables set forth for the periods indicated the high and low sales prices of the Class A Stock and the Class B Stock as reported on the NYSE.

<TABLE>
<CAPTION>

		CLASS A STOCK			
		1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
		-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Fiscal 2003					
High	\$	31.62	\$ 32.00	\$ 29.80	\$ 26.26
Low	\$	25.25	\$ 24.10	\$ 21.99	\$ 22.30
Fiscal 2004					
High	\$	27.65	\$ 31.80	\$ 34.65	\$ 35.92
Low	\$	21.90	\$ 26.61	\$ 28.70	\$ 29.30
		CLASS B STOCK			
		1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER
		-----	-----	-----	-----

Fiscal 2003					
High	\$ 31.50	\$ 32.50	\$ 30.05	\$ 26.10	
Low	\$ 25.50	\$ 25.29	\$ 21.64	\$ 22.55	
Fiscal 2004					
High	\$ 27.65	\$ 31.95	\$ 34.25	\$ 35.85	
Low	\$ 22.75	\$ 27.35	\$ 29.00	\$ 30.25	

</TABLE>

At April 30, 2004, the number of holders of record of Class A Stock and Class B Stock of the Company were 1,000 and 237, respectively.

With respect to its common stock, the Company's policy is to retain all of its earnings to finance the development and expansion of its business, and the Company has not paid any cash dividends on its common stock since its initial public offering in 1973. In addition, under the terms of the Company's senior credit facility, the Company is currently constrained from paying cash dividends on its common stock. Also, the indentures for the Company's outstanding senior notes and senior subordinated notes may restrict the payment of cash dividends on its common stock under certain circumstances. Any indentures for debt securities issued in the future and any credit agreements entered into in the future may also restrict or prohibit the payment of cash dividends on common stock.

ITEM 6. SELECTED FINANCIAL DATA

<TABLE>
<CAPTION>

	For the Years Ended				
	February 29, 2004	February 28, 2003	February 28, 2002	February 28, 2001	February 29, 2000
(in thousands, except per share data)					
<S>	<C>	<C>	<C>	<C>	<C>
Sales	\$ 4,469,270	\$ 3,583,082	\$ 3,420,213	\$ 2,983,629	\$ 2,909,954
Less-excise taxes	(916,841)	(851,470)	(813,455)	(757,609)	(748,230)
Net sales	3,552,429	2,731,612	2,606,758	2,226,020	2,161,724
Cost of product sold	(2,576,641)	(1,970,897)	(1,911,598)	(1,647,081)	(1,626,804)
Gross profit	975,788	760,715	695,160	578,939	534,920
Selling, general and administrative expenses(1)	(457,277)	(350,993)	(355,269)	(308,071)	(294,369)
Restructuring and related charges(2)	(31,154)	(4,764)	-	-	-
Nonrecurring charges(3)	-	-	-	-	(5,510)
Operating income	487,357	404,958	339,891	270,868	235,041
Gain on change in fair value of derivative instruments	1,181	23,129	-	-	-
Equity in earnings of joint ventures	542	12,236	1,667	-	-
Interest expense, net	(144,683)	(105,387)	(114,189)	(108,631)	(106,082)
Income before income taxes	344,397	334,936	227,369	162,237	128,959
Provision for income taxes(1)	(123,983)	(131,630)	(90,948)	(64,895)	(51,584)
Net income	220,414	203,306	136,421	97,342	77,375
Dividends on preferred stock	(5,746)	-	-	-	-
Income available to common stockholders	\$ 214,668	\$ 203,306	\$ 136,421	\$ 97,342	\$ 77,375
Earnings per common share(4):					
Basic	\$ 2.13	\$ 2.26	\$ 1.60	\$ 1.33	\$ 1.07
Diluted	\$ 2.06	\$ 2.19	\$ 1.55	\$ 1.30	\$ 1.05
Supplemental data restated for effect of SFAS No. 142:					
Adjusted operating income	\$ 487,357	\$ 404,958	\$ 369,780	\$ 290,372	\$ 254,833
Adjusted net income	\$ 220,414	\$ 203,306	\$ 155,367	\$ 111,635	\$ 91,793
Adjusted income available					

to common stockholders	\$ 214,668	\$ 203,306	\$ 155,367	\$ 111,635	\$ 91,793
	=====	=====	=====	=====	=====
Adjusted earnings per common share:					
Basic	\$ 2.13	\$ 2.26	\$ 1.82	\$ 1.52	\$ 1.27
	=====	=====	=====	=====	=====
Diluted	\$ 2.06	\$ 2.19	\$ 1.77	\$ 1.49	\$ 1.24
	=====	=====	=====	=====	=====
Total assets	\$ 5,558,673	\$ 3,196,330	\$ 3,069,385	\$ 2,512,169	\$ 2,348,791
	=====	=====	=====	=====	=====
Long-term debt, including current maturities	\$ 2,046,098	\$ 1,262,895	\$ 1,374,792	\$ 1,361,613	\$ 1,289,788
	=====	=====	=====	=====	=====

<FN>

- (1) Effective March 1, 2003, the Company completed its adoption of Statement of Financial Accounting Standards No. 145 ("SFAS No. 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." Accordingly, the adoption of the provisions rescinding Statement of Financial Accounting Standards No. 4 ("SFAS No. 4"), "Reporting Gains and Losses from Extinguishment of Debt," resulted in a reclassification of the extraordinary loss related to the extinguishment of debt recorded in the fourth quarter of fiscal 2002 (\$1.6 million, net of income taxes), by increasing selling, general and administrative expenses (\$2.6 million) and decreasing the provision for income taxes (\$1.0 million).
- (2) For a detailed discussion of restructuring and related charges for the years ended February 29, 2004, and February 28, 2003, see Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 7 of this Annual Report on Form 10-K under the captions "Fiscal 2004 Compared to Fiscal 2003 - Restructuring and Related Charges" and "Fiscal 2003 Compared to Fiscal 2002 - Restructuring and Related Charges," respectively.
- (3) The Company incurred nonrecurring charges of \$5.5 million for the year ended February 29, 2000, related to (i) the closure of a cider production facility within the U.K. Brands and Wholesale segment in the United Kingdom and (ii) a management reorganization within the Popular and Premium Wine segment in the United States.
- (4) All per share data have been adjusted to give effect to the two-for-one splits of the Company's two classes of common stock in each of May 2002 and May 2001.

</TABLE>

For the years ended February 29, 2004, and February 28, 2003, see Management's Discussion and Analysis of Financial Condition and Results of Operations under Item 7 of this Annual Report on Form 10-K and the Consolidated Financial Statements and notes thereto under Item 8 of this Annual Report on Form 10-K.

Effective March 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets." SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No. 17, "Intangible Assets." Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives and are subject to review for impairment. Upon adoption of SFAS No. 142, the Company determined that certain of its intangible assets met the criteria to be considered indefinite lived and, accordingly, ceased their amortization effective March 1, 2002. These intangible assets consisted principally of trademarks. The Company's trademarks relate to well established brands owned by the Company which were previously amortized over 40 years. Intangible assets determined to have a finite life, primarily distribution agreements, continue to be amortized over their estimated useful lives which were not modified as a result of adopting SFAS No. 142. The supplemental data section above presents operating income, income before extraordinary item, net income, and earnings per share information for the comparative periods as if the nonamortization provisions of SFAS No. 142 had been applied as of March 1, 1999.

The consolidated financial statements for the years ended February 29, 2004, and February 28, 2003, were audited by KPMG LLP. The consolidated financial statements for the years ended February 28, 2002, February 28, 2001, and February 29, 2000, were audited by Arthur Andersen LLP and the reports for those years have not been reissued by Arthur Andersen LLP.

OVERVIEW
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The Company generates revenue through the production, marketing and sale of beverage alcohol products, primarily in North America, Europe and Australia. The Company has a broad portfolio of brands across the wine, imported beer and distilled spirits categories, and with the acquisition of Hardy in Fiscal 2004 solidified its position as the world's largest wine company.

The Company's business strategy is to remain focused across the beverage alcohol industry by offering a broad range of products in each of the Company's three major categories: wine, beer and spirits. The Company intends to keep its portfolio positioned for superior top-line growth while maximizing the profitability of its brands. In addition, the Company seeks to increase its relative importance to key customers in major markets by increasing its share of their overall purchasing, which is increasingly important in a consolidating industry. The Company's strategy of breadth across categories and geographies, and strengthening scale in core markets, is designed to deliver long-term profitable growth. This strategy allows the Company more investment choices, provides flexibility to address changing market conditions and creates stronger routes-to-market.

The Company's businesses fall within one of two areas: growth or scale. The growth businesses represent approximately 60% of the Company's Fiscal 2004 net sales and include approximately half of the Company's branded wine business (specifically premium wines in the U.S. and wines in the U.K.), imported beer in the U.S. and the U.K. wholesale business. The scale businesses represent approximately 40% of Fiscal 2004 net sales and include spirits, the remaining half of the Company's branded wine business, cider, and non-branded sales. The scale businesses are operated to maximize profitability and cash flow and to maintain strong routes-to-market. With a solid foundation of growth and scale businesses, the Company expects to continue to be able to leverage sales growth into even higher growth in earnings and cash flow.

The U.S. beer industry has experienced a healthy pricing environment over the last several years; however, this could change due to market dynamics. Beginning January 2004, the Company raised prices to its wholesalers on the Company's imported Mexican beer brands. The timing of this price increase resulted in a shift in sales volume from Fiscal 2005 to Fiscal 2004 due to wholesaler buy-in ahead of the price increase. As a result of the wholesaler buy-in and as retailers and consumers adapt to the higher price, the Company expects a negative impact on volume trends for Fiscal 2005.

The Company remains committed to its long-term financial model of growing sales (both organically and through acquisitions), expanding margins and increasing cash flow to achieve superior earnings per share growth and improve return on invested capital.

INTRODUCTION
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The Company is a leading international producer and marketer of beverage alcohol brands with a broad portfolio across the wine, spirits and imported beer categories. The Company has the largest wine business in the world and is the largest multi-category supplier of beverage alcohol in the United States; a leading producer and exporter of wine from Australia and New Zealand; and both a major producer and independent drinks wholesaler in the United Kingdom.

Through February 28, 2003, the Company reported its operating results in five segments: Popular and Premium Wine (branded popular and premium wine and brandy, and other, primarily grape juice concentrate and bulk wine); Imported Beer and Spirits (primarily imported beer and distilled spirits); U.K. Brands and Wholesale (branded wine, cider, and bottled water, and wholesale wine, distilled spirits, cider, beer, RTDs and soft drinks); Fine Wine (primarily branded super-premium and ultra-premium wine); and Corporate Operations and Other (primarily corporate related items). As a result of the Hardy Acquisition (as defined below), the Company has changed the structure of its internal organization to consist of two business divisions, Constellation Wines and Constellation Beers and Spirits. Separate division chief executives report directly to the Company's chief operating officer. Consequently, the Company reports its operating results in three segments: Constellation Wines (branded wine, and U.K. wholesale and other), Constellation Beers and Spirits (imported beer and distilled spirits) and Corporate Operations and Other (primarily corporate related items and other). Amounts included in the Corporate Operations and Other segment consist of general corporate administration and finance expenses. These amounts include costs of executive management, investor relations, internal audit, treasury, tax, corporate development, legal, financial reporting, professional fees and public relations. Any costs incurred at the corporate office that are applicable to the segments are allocated to the appropriate segment. The amounts included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in the chief

operating decision maker's evaluation of the operating income performance of the other operating segments. The new business segments reflect how the Company's operations are being managed, how operating performance within the Company is being evaluated by senior management and the structure of its internal financial reporting. In addition, the Company changed its definition of operating income for segment purposes to exclude restructuring and related charges and unusual costs that affect comparability. Accordingly, the financial information for Fiscal 2003 and Fiscal 2002 (as defined below) have been restated to conform to the new segment presentation.

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for the year ended February 29, 2004 ("Fiscal 2004"), compared to the year ended February 28, 2003 ("Fiscal 2003"), and Fiscal 2003 compared to the year ended February 28, 2002 ("Fiscal 2002"), and (ii) financial liquidity and capital resources for Fiscal 2004. This discussion and analysis also identifies certain restructuring and related charges expected to affect consolidated results of operations of the Company for the year ended February 28, 2005 ("Fiscal 2005"). This discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto included herein.

As discussed in Note 1 to the financial statements, the Company adopted SFAS No. 142 on March 1, 2002. Upon the adoption of SFAS No. 142, the Company ceased amortization of goodwill and indefinite lived intangible assets. Retroactive application of SFAS No. 142 is not permitted.

ACQUISITIONS IN FISCAL 2004, FISCAL 2003 AND FISCAL 2002 AND JOINT VENTURE

ACQUISITION OF HARDY

On March 27, 2003, the Company acquired control of BRL Hardy Limited, now known as Hardy Wine Company Limited ("Hardy"), and on April 9, 2003, the Company completed its acquisition of all of Hardy's outstanding capital stock. As a result of the acquisition of Hardy, the Company also acquired the remaining 50% ownership of Pacific Wine Partners LLC ("PWP"), the joint venture the Company established with Hardy in July 2001. The acquisition of Hardy along with the remaining interest in PWP is referred to together as the "Hardy Acquisition." Through this acquisition, the Company acquired Australia's largest wine producer with interests in wineries and vineyards in most of Australia's major wine regions as well as New Zealand and the United States. Hardy has a comprehensive portfolio of wine products across all price points with a strong focus on premium wine production. Hardy's wines are distributed worldwide through a network of marketing and sales operations, with the majority of sales generated in Australia, the United Kingdom and the United States.

Total consideration paid in cash and Class A Common Stock to the Hardy shareholders was \$1,137.4 million. Additionally, the Company recorded direct acquisition costs of \$17.7 million. The acquisition date for accounting purposes is March 27, 2003. The Company has recorded a \$1.6 million reduction in the purchase price to reflect imputed interest between the accounting acquisition date and the final payment of consideration. This charge is included as interest expense in the Consolidated Statement of Income for the year ended February 29, 2004. The cash portion of the purchase price paid to the Hardy shareholders and optionholders (\$1,060.2 million) was financed with \$660.2 million of borrowings under the Company's March 2003 Credit Agreement (as defined below) and \$400.0 million of borrowings under the Company's Bridge Agreement (as defined below). Additionally, the Company issued 3,288,913 shares of the Company's Class A Common Stock, which were valued at \$77.2 million based on the simple average of the closing market price of the Company's Class A Common Stock beginning two days before and ending two days after April 4, 2003, the day the Hardy shareholders elected the form of consideration they wished to receive. The purchase price was based primarily on a discounted cash flow analysis that contemplated, among other things, the value of a broader geographic distribution in strategic international markets and a presence in the important Australian winemaking regions. The Company and Hardy have complementary businesses that share a common growth orientation and operating philosophy. The Hardy Acquisition supports the Company's strategy of growth and breadth across categories and geographies, and strengthens its competitive position in its core markets. The purchase price and resulting goodwill were primarily based on the growth opportunities of the brand portfolio of Hardy. In particular, the Company believes there are growth opportunities for Australian wines in the United Kingdom, United States and other wine markets. This acquisition supports the Company's strategy of driving long-term growth and positions the Company to capitalize on the growth opportunities in "new world" wine markets.

The results of operations of Hardy and PWP have been reported in the Company's Constellation Wines segment as of March 27, 2003.

ACQUISITION OF RAVENSWOOD WINERY

On July 2, 2001, the Company acquired all of the outstanding capital stock of Ravenswood Winery, Inc. (the "Ravenswood Acquisition"), a leading premium wine producer based in Sonoma, California. On June 30, 2002, Ravenswood Winery, Inc. was merged into Franciscan Vineyards, Inc. (a wholly-owned subsidiary of

the Company). The Ravenswood business produces, markets and sells super-premium and ultra-premium California wine, primarily under the Ravenswood brand name. The vast majority of the wine the Ravenswood business produces and sells is red wine, including the number one super-premium Zinfandel in the United States. The results of operations of the Ravenswood business are reported in the Constellation Wines segment and have been included in the consolidated results of operations of the Company since the date of acquisition.

ACQUISITION OF THE CORUS ASSETS

On March 26, 2001, in an asset acquisition, the Company acquired certain wine brands, wineries, working capital (primarily inventories), and other related assets from Corus Brands, Inc. (the "Corus Assets"). In this acquisition, the Company acquired several well-known premium wine brands primarily sold in the northwestern United States, including Covey Run, Columbia, Ste. Chapelle and Alice White. In connection with the transaction, the Company also entered into long-term grape supply agreements with affiliates of Corus Brands, Inc. covering more than 1,000 acres of Washington and Idaho vineyards. The results of operations of the Corus Assets are reported in the Constellation Wines segment and have been included in the consolidated results of operations of the Company since the date of acquisition.

ACQUISITION OF THE TURNER ROAD VINTNERS ASSETS

On March 5, 2001, in an asset acquisition, the Company acquired several well-known premium wine brands, including Vendange, Nathanson Creek, Heritage, and Talus, working capital (primarily inventories), two wineries in California, and other related assets from Sebastiani Vineyards, Inc. and Tuolomne River Vintners Group (the "Turner Road Vintners Assets"). The results of operations of the Turner Road Vintners Assets are reported in the Constellation Wines segment and have been included in the consolidated results of operations of the Company since the date of acquisition.

PACIFIC WINE PARTNERS

On July 31, 2001, the Company and Hardy completed the formation of PWP, a joint venture owned equally by the Company and Hardy through March 26, 2003. Pacific Wine Partners LLC ("PWP") produces, markets and sells a portfolio of premium wine in the United States, including a range of Australian imports. PWP also exports certain of its U.S.-produced wines to other countries. In connection with the initial formation of the joint venture, PWP was given the exclusive distribution rights in the United States and the Caribbean to several brands, including Banrock Station, Hardys, Leasingham, Barossa Valley Estate and Chateau Reynella from Australia; and Nobilo from New Zealand. PWP also owns Farallon, a premium California coastal wine. In addition, PWP owns a winery and controls 1,400 acres of vineyards in Monterey County, California.

On October 16, 2001, the Company announced that PWP completed the purchase of certain assets of Blackstone Winery, including the Blackstone brand and the Codera wine business in Sonoma County.

As a result of the Hardy Acquisition, PWP became a wholly-owned subsidiary of the Company. Accordingly, as noted above, its results of operations have been consolidated and reported in the Constellation Wines segment since March 27, 2003. Prior to March 27, 2003, the investment in PWP was accounted for using the equity method; accordingly, the results of operations of PWP from July 31, 2001, through March 26, 2003, were included in the equity in earnings of joint ventures line in the Consolidated Statements of Income of the Company.

RESULTS OF OPERATIONS

FISCAL 2004 COMPARED TO FISCAL 2003

NET SALES

The following table sets forth the net sales (in thousands of dollars) by operating segment of the Company for Fiscal 2004 and Fiscal 2003.

<TABLE>
<CAPTION>

	Fiscal 2004 Compared to Fiscal 2003		
	Net Sales		
	2004	2003	%Increase
<S>	<C>	<C>	<C>
Constellation Wines:			
Branded wines	\$ 1,549,750	\$ 983,505	57.6%
Wholesale and other	846,306	689,794	22.7%
Constellation Wines net sales	\$ 2,396,056	\$ 1,673,299	43.2%

Constellation Beers and Spirits:			
Imported beers	\$ 862,637	\$ 776,006	11.2%
Spirits	284,551	282,307	0.8%

Constellation Beers and Spirits net sales	\$ 1,147,188	\$ 1,058,313	8.4%

Corporate Operations and Other	\$ -	\$ -	N/A

Unusual gain	\$ 9,185	\$ -	N/A

Consolidated Net Sales	\$ 3,552,429	\$ 2,731,612	30.0%
=====			

</TABLE>

Net sales for Fiscal 2004 increased to \$3,552.4 million from \$2,731.6 million for Fiscal 2003, an increase of \$820.8 million, or 30.0%. This increase resulted primarily from the inclusion of \$571.4 million of net sales of products acquired in the Hardy Acquisition as well as increases in imported beer sales of \$86.6 million and U.K. wholesale sales of \$61.1 million (on a local currency basis). In addition, net sales benefited from a favorable foreign currency impact of \$74.6 million.

Constellation Wines

Net sales for the Constellation Wines segment for Fiscal 2004 increased to \$2,396.1 million from \$1,673.3 million for Fiscal 2003, an increase of \$722.8 million, or 43.2%. Branded wine net sales increased \$566.2 million, primarily due to the addition of \$548.4 million of net sales of branded wine acquired in the Hardy Acquisition. Wholesale and other net sales increased \$156.5 million primarily due to a favorable foreign currency impact of \$63.1 million, growth in the U.K. wholesale business of \$61.1 million (on a local currency basis), and the addition of \$23.0 million of net sales of bulk wine acquired in the Hardy Acquisition. The net sales increase in the U.K. Wholesale business on a local currency basis is primarily due to the addition of new accounts and increased average delivery sizes as the Company's national accounts business continues to grow. The Company continues to face competitive discounting within select markets and geographies driven in part by excess grape supplies. The Company believes that the grape supply/demand cycle should come into balance over the next couple of years. The Company has taken a strategy of preserving the long-term brand equity of its portfolio and investing its marketing dollars in the higher growth sectors of the wine business.

Constellation Beers and Spirits

Net sales for the Constellation Beers and Spirits segment for Fiscal 2004 increased to \$1,147.2 million from \$1,058.3 million for Fiscal 2003, an increase of \$88.9 million, or 8.4%. This increase resulted primarily from volume gains on the Company's imported beer portfolio, which increased \$86.6 million. Spirits net sales remained relatively flat as increased branded spirits sales were offset by lower bulk whisky and contract production sales.

GROSS PROFIT

The Company's gross profit increased to \$975.8 million for Fiscal 2004 from \$760.7 million for Fiscal 2003, an increase of \$215.1 million, or 28.3%. The Constellation Wines segment's gross profit increased \$200.4 million primarily due to gross profit on the sales of branded wine acquired in the Hardy Acquisition. The Constellation Beers and Spirits segment's gross profit increased \$42.5 million primarily due to the volume growth in the segment's imported beer portfolio. These increases were partially offset by \$27.8 million of net unusual costs which consist of certain items that are excluded by management in their evaluation of the results of each operating segment. These net costs represent the flow through of inventory step-up associated with the Hardy Acquisition of \$22.5 million and the write-down of concentrate inventory recorded in connection with the Company's decision to exit the commodity concentrate product line of \$16.8 million (see additional discussion under "Restructuring and Related Charges" below), partially offset by the relief from certain excise tax, duty and other costs incurred in prior years of \$11.5 million, which was recognized in the fourth quarter of fiscal 2004. Gross profit as a percent of net sales decreased slightly to 27.5% for Fiscal 2004 from 27.8% for Fiscal 2003 as an increase in gross profit margin from sales of higher margin wine brands acquired in the Hardy Acquisition was more than offset by the net unusual costs discussed above and a decrease in gross profit margin on the Constellation Wines' U.K. wholesale business.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased to \$457.3 million for Fiscal 2004 from \$351.0 million for Fiscal 2003, an increase of \$106.3 million, or 30.3%. The Constellation Wines segment's selling, general and administrative expenses increased \$76.8 million primarily due to \$67.7 million of selling, general and administrative expenses from the addition of the Hardy and PWP businesses. The Constellation Beers and Spirits segment's selling, general and administrative expenses increased \$7.9 million due to increased

imported beer and spirits advertising and selling expenses to support the growth across this segment's businesses, partially offset by foreign currency gains. The Corporate Operations and Other segment's general and administrative expenses increased \$8.9 million primarily due to additional deferred financing costs associated with the Company's new bank credit facility and increased general and administrative expenses to support the Company's growth. In addition, there was a \$12.7 million increase in selling, general and administrative expenses related to unusual costs which consist of certain items that are excluded by management in their evaluation of the results of each operating segment. These costs consist primarily of the additional amortized deferred financing costs associated with the bridge financing in connection with the Hardy Acquisition of \$11.6 million. Selling, general and administrative expenses as a percent of net sales increased slightly to 12.9% for Fiscal 2004 as compared to 12.8% for Fiscal 2003 due primarily to the unusual costs and the increased general and administrative expenses within the Corporate Operations and Other segment as discussed above.

RESTRUCTURING AND RELATED CHARGES

The Company recorded \$31.2 million of restructuring and related charges for Fiscal 2004 associated with the restructuring plan of the Constellation Wines segment. Restructuring and related charges resulted from (i) \$10.0 million related to the realignment of business operations and (ii) \$21.2 million related to exiting the commodity concentrate product line in the U.S. and selling its winery located in Escalon, California. In total, the Company recorded \$38.0 million of costs associated with exiting the commodity concentrate product line and selling its Escalon facility allocated between cost of product sold (\$16.8 million) and restructuring and related charges (\$21.2 million).

The Company recorded \$4.8 million of restructuring and related charges for Fiscal 2003 associated with an asset impairment charge in connection with two of Constellation Wines segment's production facilities.

In Fiscal 2005, the Company expects to incur additional restructuring and related charges of \$11.6 million associated with the restructuring plan of the Constellation Wines segment. These charges are expected to consist of \$7.2 million related to the further realignment of business operations in the Constellation Wines segment and \$4.4 million related to renegotiating existing grape contracts as a result of exiting the commodity concentrate product line and selling the Escalon facility.

Approximately half of the total charges in connection with exiting the commodity concentrate product line and selling the Escalon facility are non-cash charges.

OPERATING INCOME

The following table sets forth the operating income (loss) (in thousands of dollars) by operating segment of the Company for Fiscal 2004 and Fiscal 2003.

<TABLE>
<CAPTION>

	Fiscal 2004 Compared to Fiscal 2003		
	Operating Income (Loss)		
	2004	2003	%Increase
<S>	<C>	<C>	<C>
Constellation Wines	\$ 348,132	\$ 224,556	55.0%
Constellation Beers and Spirits	252,533	217,963	15.9%
Corporate Operations and Other	(41,717)	(32,797)	27.2%
Total Reportable Segments	558,948	409,722	36.4%
Restructuring and Related Charges and Unusual Costs	(71,591)	(4,764)	1402.7%
Consolidated Operating Income	\$ 487,357	\$ 404,958	20.3%

</TABLE>

Restructuring and related charges and unusual costs of \$71.6 million and \$4.8 million for Fiscal 2004 and Fiscal 2003, respectively, consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. Fiscal 2004 costs represent the flow through of inventory step-up and the amortization of deferred financing costs associated with the Hardy Acquisition of \$22.5 million and \$11.6 million, respectively, and costs associated with exiting the commodity concentrate product line and the Company's realignment of its business operations in the wine segment, including the write-down of concentrate inventory of \$16.8 million and restructuring and related charges of \$31.2 million, partially offset by the relief from certain excise taxes, duty and other costs incurred in prior years of \$10.4 million. Fiscal 2003 costs represent restructuring and related charges associated with the Company's realignment of its business operations in the wine segment. As a

result of these costs and the above factors, consolidated operating income increased to \$487.4 million for Fiscal 2004 from \$405.0 million for Fiscal 2003, an increase of \$82.4 million, or 20.3%.

GAIN ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS

The Company entered into a foreign currency collar contract in February 2003 in connection with the Hardy Acquisition to lock in a range for the cost of the acquisition in U.S. dollars. As of February 28, 2003, this derivative instrument had a fair value of \$23.1 million. Under SFAS No. 133, a transaction that involves a business combination is not eligible for hedge accounting treatment. As such, the derivative was recorded on the balance sheet at its fair value with the change in the fair value recognized separately on the Company's Consolidated Statements of Income. During the first quarter of fiscal 2004, the gain on change in fair value of the derivative instrument of \$1.2 million was recognized separately on the Company's Consolidated Statement of Income.

EQUITY IN EARNINGS OF JOINT VENTURES

The Company's equity in earnings of joint ventures decreased to \$0.5 million in Fiscal 2004 from \$12.2 million in Fiscal 2003 due to the acquisition of the remaining 50% ownership of PWP in March 2003 resulting in consolidation of PWP's results of operations since the date of acquisition.

INTEREST EXPENSE, NET

Interest expense, net of interest income of \$3.6 million and \$0.8 million for Fiscal 2004 and Fiscal 2003, respectively, increased to \$144.7 million for Fiscal 2004 from \$105.4 million for Fiscal 2003, an increase of \$39.3 million, or 37.3%. The increase resulted from higher average borrowings due to the financing of the Hardy Acquisition, partially offset by a lower average borrowing rate, and \$1.7 million of imputed interest expense related to the Hardy Acquisition.

PROVISION FOR INCOME TAXES

The Company's effective tax rate for Fiscal 2004 declined to 36.0% from 39.3% for Fiscal 2003 as a result of the Hardy Acquisition, which significantly increased the allocation of income to jurisdictions with lower income tax rates.

NET INCOME

As a result of the above factors, net income increased to \$220.4 million for Fiscal 2004 from \$203.3 million for Fiscal 2003, an increase of \$17.1 million, or 8.4%.

FISCAL 2003 COMPARED TO FISCAL 2002

NET SALES

The following table sets forth the net sales (in thousands of dollars) by operating segment of the Company for Fiscal 2003 and Fiscal 2002.

<TABLE>
<CAPTION>

	Fiscal 2003 Compared to Fiscal 2002		
	Net Sales		
	2003	2002	%Increase
<S>	<C>	<C>	<C>
Constellation Wines:			
Branded wines	\$ 983,505	\$ 963,514	2.1%
Wholesale and other	689,794	641,589	7.5%
Constellation Wines net sales	\$ 1,673,299	\$ 1,605,103	4.2%
Constellation Beers and Spirits:			
Imported beers	\$ 776,006	\$ 726,953	6.7%
Spirits	282,307	274,702	2.8%
Constellation Beers and Spirits net sales	\$ 1,058,313	\$ 1,001,655	5.7%
Corporate Operations and Other	\$ -	\$ -	N/A
Consolidated Net Sales	\$ 2,731,612	\$ 2,606,758	4.8%

</TABLE>

Net sales for Fiscal 2003 increased to \$2,731.6 million from \$2,606.8

million for Fiscal 2002, an increase of \$124.9 million, or 4.8%. This increase resulted primarily from increased sales of imported beer of \$49.1 million and the impact of foreign currency changes of \$50.7 million in the Constellation Wines segment. Also contributing to the sales growth were increased sales in U.K. wholesale of \$28.6 million (on a local currency basis), fine wine sales of \$23.8 million and spirits sales of \$7.6 million, offset by lower bulk wine, grape juice concentrate sales of \$14.7 million, popular and premium branded wine sales of \$13.9 million and U.K. branded sales of \$9.4 million (on a local currency basis).

Constellation Wines

Net sales for the Constellation Wines segment for Fiscal 2003 increased to \$1,673.3 million from \$1,605.1 million for Fiscal 2002, an increase of \$68.2 million, or 4.2%. Branded wines sales increased \$20.0 million due to increased fine wine sales of \$23.8 million and a favorable foreign currency impact of \$9.3 million partially offset by lower popular and premium wine sales of \$13.9 million. The increase in fine wine sales resulted from an additional four months of sales of the brands acquired in the acquisition of Ravenswood Winery, Inc. ("Ravenswood"), completed in July 2001, of \$14.1 million, as well as an increase of \$9.7 million due to volume growth in the fine wine business partially offset by higher promotional costs and a shift towards lower priced fine wine brands. Popular and premium wine sales declined \$13.9 million on lower volume offset slightly by higher average selling prices. Volumes were negatively impacted as a result of increased promotional spending in the industry, which the Company did not participate in heavily. In this competitive pricing environment, the Company continues to be selective in its promotional activities, focusing instead on growth areas, long-term brand building initiatives and increased profitability. Wholesale and other sales increased \$48.2 million primarily due to a favorable foreign currency impact of \$41.4 million and a \$28.6 million local currency increase in U.K. wholesale sales due to the addition of new accounts and increased average delivery sizes, partially offset by lower bulk wine, grape juice concentrate and cider sales of \$24.7 million.

Constellation Beers and Spirits

Net sales for the Constellation Beers and Spirits segment for Fiscal 2003 increased to \$1,058.3 million from \$1,001.7 million for Fiscal 2002, an increase of \$56.7 million, or 5.7%. This increase resulted primarily from a \$49.1 million increase in imported beer sales. The growth in imported beer sales was due to a price increase on the Company's Mexican beer portfolio, which took effect in the first quarter of fiscal 2003. Spirits sales increased \$7.6 million due primarily to increased bulk whiskey sales of \$6.4 million, along with a slight increase in branded sales of \$1.2 million.

GROSS PROFIT

The Company's gross profit increased to \$760.7 million for Fiscal 2003 from \$695.2 million for Fiscal 2002, an increase of \$65.6 million, or 9.4%. The Constellation Wines segment's gross profit increased \$30.8 million due to lower wine costs, the additional four months of sales of the brands acquired in the Ravenswood Acquisition (completed in July 2001), a favorable mix of sales towards higher margin popular and premium wine, and a favorable foreign currency impact. These increases were partially offset by lower gross profit on the segment's reduced bulk wine and grape juice concentrate sales. The Constellation Beers and Spirits segment's gross profit increased \$34.8 million due to increased gross profit on imported beer sales and increased gross profit on spirits sales. The increased gross profit on imported beer sales is primarily due to increased average selling prices in the Company's Mexican beer portfolio and the increased gross profit on the segment's spirits business is due to a favorable mix of sales towards higher margin products and lower average spirits costs. As a result of the foregoing, gross profit as a percent of net sales increased to 27.8% for Fiscal 2003 from 26.7% for Fiscal 2002.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses decreased to \$351.0 million for Fiscal 2003 from \$355.3 million for Fiscal 2002, a decrease of \$4.3 million, or (1.2%). The Company adopted SFAS No. 142 on March 1, 2002, and, accordingly, stopped amortizing goodwill and other indefinite lived intangible assets. Therefore, the decrease of \$4.3 million consists of a decrease of \$27.3 million of amortization expense from Fiscal 2002 offset by an increase of \$23.0 million. The Constellation Wines segment's selling, general and administrative expenses decreased \$2.6 million due to lower amortization expense of \$19.1 million partially offset by (i) higher selling costs to support the growth in the U.K. wholesale business, (ii) increased selling and advertising costs on certain popular and premium wine brands, and (iii) higher selling, general and administrative expenses to support the growth in the fine wine business. The Constellation Beers and Spirits segment's selling, general and administrative expenses decreased \$4.4 million due to lower amortization expense of \$8.2 million partially offset by increased selling, general and administrative expenses to support the growth in the imported beer portfolio. The Corporate Operations and Other segment's selling, general and administrative expenses increased \$2.7 million primarily due to increased personnel costs to support the

Company's growth. Selling, general and administrative expenses as a percent of net sales decreased to 12.8% for Fiscal 2003 as compared to 13.6% for Fiscal 2002. This decrease was due to the reduced amortization expense noted above partially offset by (i) the percent increase in general and administrative expenses growing at a faster rate than the percent increase in net sales across all segments, and (ii) the percent increase in the Constellation Wines segment's U.K. wholesale and U.K. branded wine selling costs being greater than the percent increase in the U.K. wholesale and U.K. branded wine net sales.

RESTRUCTURING AND RELATED CHARGES

The Company recorded a property, plant and equipment impairment charge of \$4.8 million in Fiscal 2003 in connection with the planned closure of two of its production facilities within its Constellation Wines segment in Fiscal 2004. During Fiscal 2004, the Company began the realignment of its business operations within this segment to further improve productivity. This realignment is not expected to have an impact on brand sales. No such charges were incurred in Fiscal 2002.

OPERATING INCOME

The following table sets forth the operating income (loss) (in thousands of dollars) by operating segment of the Company for Fiscal 2003 and Fiscal 2002.

<TABLE>
<CAPTION>

	Fiscal 2003 Compared to Fiscal 2002		
	Operating Income (Loss)		
	2003	2002	%Increase
<S>	<C>	<C>	<C>
Constellation Wines	\$ 224,556	\$ 191,227	17.4%
Constellation Beers and Spirits	217,963	178,805	21.9%
Corporate Operations and Other	(32,797)	(30,141)	8.8%
Total Reportable Segments	409,722	339,891	20.5%
Restructuring and Related Charges and Unusual Costs	(4,764)	-	N/A
Consolidated Operating Income . .	\$ 404,958	\$ 339,891	19.1%

</TABLE>

Restructuring and related charges and unusual costs of \$4.8 million for Fiscal 2003 consist of certain costs that are excluded by management in their evaluation of the results of each operating segment. These costs represent restructuring and related charges associated with the Company's realignment of its business operations in the wine segment. As a result of the above factors, operating income increased to \$405.0 million for Fiscal 2003 from \$339.9 million for Fiscal 2002, an increase of \$65.1 million, or 19.1%. Fiscal 2002 operating income for Constellation Wines and Constellation Beers and Spirits included amortization expense of \$19.1 million and \$8.2 million, respectively.

GAIN ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS

In February 2003, the Company entered into a foreign currency collar contract in connection with the Hardy Acquisition to lock in a range for the cost of the acquisition in U.S. dollars. As of February 28, 2003, this derivative instrument had a fair value of \$23.1 million. Under SFAS No. 133, a transaction that involves a business combination is not eligible for hedge accounting treatment. As such, the derivative was recorded on the balance sheet at its fair value with the change in the fair value recognized separately on the Company's Consolidated Statements of Income.

EQUITY IN EARNINGS OF JOINT VENTURES

The Company's equity in earnings of joint venture increased to \$12.2 million in Fiscal 2003 from \$1.7 million in Fiscal 2002. Due to the formation of the joint venture in July 2001, there were seven months of earnings in Fiscal 2002 versus twelve months of earnings in Fiscal 2003. In addition, Fiscal 2003 benefited from an additional seven months of earnings due to the joint venture's purchase of certain assets of the Blackstone Winery, including the Blackstone brand and the Codera wine business in Sonoma County, which was completed in October 2001.

INTEREST EXPENSE, NET

Interest expense, net of interest income of \$0.8 million and \$1.6 million for Fiscal 2003 and Fiscal 2002, respectively, decreased to \$105.4 million for Fiscal 2003 from \$114.2 million for Fiscal 2002, a decrease of \$8.8 million, or (7.7)%. The decrease resulted from decreases in both the average borrowings for the year and the average interest rate for the year.

PROVISION FOR INCOME TAXES

The Company's effective tax rate for Fiscal 2003 declined to 39.3% from 40.0% for Fiscal 2002 as a result of the adoption of SFAS No. 142 on March 1, 2002.

NET INCOME

As a result of the above factors, net income increased to \$203.3 million for Fiscal 2003 from \$136.4 million for Fiscal 2002, an increase of \$66.9 million, or 49.0%.

FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

GENERAL

The Company's principal use of cash in its operating activities is for purchasing and carrying inventories and carrying seasonal accounts receivable. The Company's primary source of liquidity has historically been cash flow from operations, except during annual grape harvests when the Company has relied on short-term borrowings. In the United States, the annual grape crush normally begins in August and runs through October. In Australia, the annual grape crush normally begins in February and runs through May. The Company generally begins taking delivery of grapes at the beginning of the crush season with payments for such grapes beginning to come due one month later. The Company's short-term borrowings to support such purchases generally reach their highest levels one to two months after the crush season has ended. Historically, the Company has used cash flow from operating activities to repay its short-term borrowings and fund capital expenditures. The Company will continue to use its short-term borrowings to support its working capital requirements. The Company believes that cash provided by operating activities and its financing activities, primarily short-term borrowings, will provide adequate resources to satisfy its working capital, scheduled principal and interest payments on debt, preferred dividend payment requirements, and anticipated capital expenditure requirements for both its short-term and long-term capital needs.

FISCAL 2004 CASH FLOWS

OPERATING ACTIVITIES

Net cash provided by operating activities for Fiscal 2004 was \$340.3 million, which resulted from \$220.4 million of net income, plus \$137.9 million of net noncash items charged to the Consolidated Statement of Income, less \$18.0 million representing the net change in the Company's operating assets and liabilities. The net non-cash items consisted primarily of depreciation of property, plant and equipment, deferred tax provision and amortization of intangible and other assets. The net change in operating assets and liabilities resulted primarily from an increase in accounts receivable and a decrease in accounts payable, partially offset by a decrease in inventories and an increase in accrued advertising and promotion.

INVESTING ACTIVITIES

Net cash used in investing activities for Fiscal 2004 was \$1,158.5 million, which resulted primarily from net cash paid of \$1,069.5 million for the purchases of businesses and \$105.1 million of capital expenditures.

FINANCING ACTIVITIES

Net cash provided by financing activities for Fiscal 2004 was \$745.2 million resulting primarily from proceeds of \$1,600.0 million from issuance of long-term debt, including \$1,060.2 million of long-term debt incurred to acquire Hardy, plus net proceeds from the 2003 Equity Offerings (as defined below) of \$426.1 million. This amount was partially offset by principal payments of long-term debt of \$1,282.3 million.

FISCAL 2003 CASH FLOWS

OPERATING ACTIVITIES

Net cash provided by operating activities for Fiscal 2003 was \$236.1 million, which resulted from \$203.3 million of net income, plus \$53.2 million of net noncash items charged to the Consolidated Statement of Income, less \$20.4 million representing the net change in the Company's operating assets and liabilities. The net noncash items consisted primarily of depreciation of property, plant and equipment and provision for deferred taxes, partially offset by a gain on changes in fair value of derivative instrument. The net change in operating assets and liabilities resulted primarily from an increase in inventories and a reduction in accrued excise taxes and adverse grape contracts partially offset by increases in accrued income taxes payable and accrued advertising and promotion expenses.

INVESTING ACTIVITIES

Net cash used in investing activities for Fiscal 2003 was \$72.0 million, which resulted primarily from \$71.6 million of capital expenditures.

FINANCING ACTIVITIES

Net cash used in financing activities for Fiscal 2003 was \$161.5 million resulting primarily from \$151.1 million of principal payments of long-term debt and \$51.9 million of net repayments of notes payable. These debt payments were partially funded by \$28.7 million of proceeds from employee stock option exercises and \$10.0 million of proceeds from long-term debt which was used for the repayment of debt at one of the Company's Chilean subsidiaries.

During June 1998, the Company's Board of Directors authorized the repurchase of up to \$100.0 million of its Class A Common Stock and Class B Common Stock. The repurchase of common stock will be accomplished, from time to time, in management's discretion and depending upon market conditions, through open market or privately negotiated transactions. The Company may finance such repurchases through cash generated from operations or through the senior credit facility. The repurchased shares will become treasury shares. As of May 14, 2004, the Company had purchased a total of 4,075,344 shares of Class A Common Stock at an aggregate cost of \$44.9 million, or at an average cost of \$11.01 per share. Of this total amount, no shares were repurchased during Fiscal 2004, Fiscal 2003 or Fiscal 2002.

DEBT

Total debt outstanding as of February 29, 2004, amounted to \$2,047.9 million, an increase of \$782.4 million from February 28, 2003. The ratio of total debt to total capitalization decreased to 46.3% as of February 29, 2004, from 51.9% as of February 28, 2003.

SENIOR CREDIT FACILITY

Credit Agreement

In connection with the Hardy Acquisition, on January 16, 2003, the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, as a lender and administrative agent (the "Administrative Agent"), and certain other lenders entered into a new credit agreement (as subsequently amended and restated as of March 19, 2003, the "March 2003 Credit Agreement"). In October 2003, the Company entered into a Second Amended and Restated Credit Agreement (the "October Credit Agreement") that (i) refinanced the then outstanding principal balance under the Tranche B Term Loan facility on essentially the same terms as the Tranche B Term Loan facility under the March 2003 Credit Agreement, but at a lower Applicable Rate (as such term is defined in the October Credit Agreement) and (ii) otherwise restated the terms of the March 2003 Credit Agreement, as amended. The October Credit Agreement was further amended during February 2004 (the "Credit Agreement"). The March 2003 Credit Agreement provided for aggregate credit facilities of \$1.6 billion consisting of a \$400.0 million Tranche A Term Loan facility due in February 2008, an \$800.0 million Tranche B Term Loan facility due in November 2008 and a \$400.0 million Revolving Credit facility (including an Australian Dollar revolving sub-facility of up to A\$10.0 million and a sub-facility for letters of credit of up to \$40.0 million) which expires on February 29, 2008. Proceeds of the March 2003 Credit Agreement were used to pay off the Company's obligations under its prior senior credit facility, to fund a portion of the cash required to pay the former Hardy shareholders and to pay indebtedness outstanding under certain of Hardy's credit facilities. The Company uses the remaining availability under the Credit Agreement to fund its working capital needs on an on-going basis.

The Tranche A Term Loan facility and the Tranche B Term Loan facility were fully drawn on March 27, 2003. As of February 29, 2004, the Company has made \$40.0 million of scheduled and required payments on the Tranche A Term Loan facility. In August 2003, the Company paid \$100.0 million of the Tranche B Term Loan facility. In October 2003, the Company paid an additional \$200.0 million of the Tranche B Term Loan facility. As of February 29, 2004, the required annual repayments of the Tranche A Term Loan and the Tranche B Term Loan are as follows:

<TABLE>
<CAPTION>

	Tranche A Term Loan -----	Tranche B Term Loan -----	Total -----
(in thousands)			
<S>	<C>	<C>	<C>
2005	\$ 60,000	\$ -	\$ 60,000
2006	80,000	54,420	134,420
2007	100,000	54,420	154,420
2008	120,000	119,048	239,048
2009	-	272,112	272,112

-----	-----	-----
\$ 360,000	\$ 500,000	\$ 860,000
=====	=====	=====

</TABLE>

The rate of interest payable, at the Company's option, is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company's Debt Ratio (as defined in the Credit Agreement) and, with respect to LIBOR borrowings, ranges between 1.50% and 2.50%. As of February 29, 2004, the LIBOR margin for the Revolving Credit facility and the Tranche A Term Loan facility is 1.75%, while the LIBOR margin on the Tranche B Term Loan facility is 2.00%.

The Company's obligations are guaranteed by certain subsidiaries of the Company ("Guarantors") and the Company is obligated to pledge collateral of (i) 100% of the capital stock of all of the Company's U.S. subsidiaries and (ii) 65% of the voting capital stock of certain foreign subsidiaries of the Company.

The Company and its subsidiaries are subject to customary lending covenants including those restricting additional liens, the incurrence of additional indebtedness (including guarantees of indebtedness), the sale of assets, the payment of dividends, transactions with affiliates and the making of certain investments, in each case subject to baskets, exceptions and/or thresholds. As a result of the prepayment of the Bridge Loans (as defined below) with the proceeds from the 2003 Equity Offerings (see Note 16), the requirement under certain circumstances for the Company and the Guarantors to pledge certain assets consisting of, among other things, inventory, accounts receivable and trademarks to secure the obligations under the Credit Agreement, ceased to apply. The primary financial covenants require the maintenance of a debt coverage ratio, a senior debt coverage ratio, a fixed charge ratio and an interest coverage ratio. As of February 29, 2004, the Company is in compliance with all of its covenants under its Credit Agreement.

As of February 29, 2004, under the Credit Agreement, the Company had outstanding Tranche A Term Loans of \$360.0 million bearing a weighted average interest rate of 2.9%, Tranche B Term Loans of \$500.0 million bearing a weighted average interest rate of 3.2%, undrawn revolving letters of credit of \$18.6 million, and \$381.4 million in revolving loans available to be drawn. There were no outstanding revolving loans under the Credit Agreement as of February 29, 2004.

Bridge Agreement

On January 16, 2003, the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, as a lender and Administrative Agent, and certain other lenders (such other lenders, together with the Administrative Agent, are collectively referred to herein as the "Bridge Lenders") entered into a bridge loan agreement which was amended and restated as of March 26, 2003, containing commitments of the Bridge Lenders to make bridge loans (the "Bridge Loans") of up to, in the aggregate, \$450.0 million (the "Bridge Agreement"). On April 9, 2003, the Company used \$400.0 million of the Bridge Loans to fund a portion of the cash required to pay the former Hardy shareholders. On July 30, 2003, the Company used proceeds from the 2003 Equity Offerings to prepay the \$400.0 million Bridge Loans in their entirety.

SUBSIDIARY FACILITIES

The Company has additional line of credit arrangements available totaling \$91.5 million and \$44.5 million as of February 29, 2004, and February 28, 2003, respectively. These lines support the borrowing needs of certain of the Company's foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of February 29, 2004, and February 28, 2003, amounts outstanding under the subsidiary revolving credit facilities were \$1.8 million and \$0.6 million, respectively.

SENIOR NOTES

On August 4, 1999, the Company issued \$200.0 million aggregate principal amount of 8 5/8% Senior Notes due August 2006 (the "August 1999 Senior Notes"). Interest on the August 1999 Senior Notes is payable semiannually on February 1 and August 1. As of February 29, 2004, the Company had outstanding \$200.0 million aggregate principal amount of August 1999 Senior Notes.

On November 17, 1999, the Company issued (pound) 75.0 million (\$121.7 million upon issuance) aggregate principal amount of 8 1/2% Senior Notes due November 2009 (the "Sterling Senior Notes"). Interest on the Sterling Senior Notes is payable semiannually on May 15 and November 15. In March 2000, the Company exchanged (pound) 75.0 million aggregate principal amount of 8 1/2% Series B Senior Notes due in November 2009 (the "Sterling Series B Senior Notes") for all of the Sterling Senior Notes. The terms of the Sterling Series B Senior Notes are identical in all material respects to the Sterling Senior Notes. In October 2000, the Company exchanged (pound) 74.0 million aggregate principal amount of Sterling Series C Senior Notes (as defined below) for

(pound) 74.0 million of the Sterling Series B Notes. The terms of the Sterling Series C Senior Notes are identical in all material respects to the Sterling Series B Senior Notes. As of February 29, 2004, the Company had outstanding (pound) 1.0 million (\$1.9 million) aggregate principal amount of Sterling Series B Senior Notes.

On May 15, 2000, the Company issued (pound) 80.0 million (\$120.0 million upon issuance) aggregate principal amount of 8 1/2% Series C Senior Notes due November 2009 at an issuance price of (pound) 79.6 million (\$119.4 million upon issuance, net of \$0.6 million unamortized discount, with an effective interest rate of 8.6%) (the "Sterling Series C Senior Notes"). Interest on the Sterling Series C Senior Notes is payable semiannually on May 15 and November 15. As of February 29, 2004, the Company had outstanding (pound) 154.0 million (\$287.2 million, net of \$0.5 million unamortized discount) aggregate principal amount of Sterling Series C Senior Notes.

On February 21, 2001, the Company issued \$200.0 million aggregate principal amount of 8% Senior Notes due February 2008 (the "February 2001 Senior Notes"). The net proceeds of the offering (\$197.0 million) were used to partially fund the acquisition of the Turner Road Vintners Assets. Interest on the February 2001 Senior Notes is payable semiannually on February 15 and August 15. In July 2001, the Company exchanged \$200.0 million aggregate principal amount of 8% Series B Senior Notes due February 2008 (the "February 2001 Series B Senior Notes") for all of the February 2001 Senior Notes. The terms of the February 2001 Series B Senior Notes are identical in all material respects to the February 2001 Senior Notes. As of February 29, 2004, the Company had outstanding \$200.0 million aggregate principal amount of February 2001 Senior Notes.

The senior notes described above are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount and a make whole payment based on the present value of the future payments at the adjusted Treasury rate or adjusted Gilt rate plus 50 basis points. The senior notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. Certain of the Company's significant operating subsidiaries guarantee the senior notes, on a senior basis.

SENIOR SUBORDINATED NOTES

On March 4, 1999, the Company issued \$200.0 million aggregate principal amount of 8 1/2% Senior Subordinated Notes due March 2009 ("Senior Subordinated Notes"). Interest on the Senior Subordinated Notes is payable semiannually on March 1 and September 1. The Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after March 1, 2004. As of February 29, 2004, the Company had outstanding \$200.0 million aggregate principal amount of Senior Subordinated Notes. On February 10, 2004, the Company issued a Notice of Redemption for its Senior Subordinated Notes. The Senior Subordinated Notes were redeemed with proceeds from the Revolving Credit facility on March 11, 2004, at 104.25% of par plus accrued interest. In the first quarter of fiscal 2005, the Company recorded a charge of \$10.3 million related to this redemption.

On January 23, 2002, the Company issued \$250.0 million aggregate principal amount of 8 1/8% Senior Subordinated Notes due January 2012 ("January 2002 Senior Subordinated Notes"). The net proceeds of the offering (\$247.2 million) were used primarily to repay the Company's \$195.0 million aggregate principal amount of 8 3/4% Senior Subordinated Notes due in December 2003. The remaining net proceeds of the offering were used to repay a portion of the outstanding indebtedness under the Company's then existing senior credit facility. Interest on the January 2002 Senior Subordinated Notes is payable semiannually on January 15 and July 15. The January 2002 Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after January 15, 2007. The Company may also redeem up to 35% of the January 2002 Senior Subordinated Notes using the proceeds of certain equity offerings completed before January 15, 2005. The January 2002 Senior Subordinated Notes are unsecured and subordinated to the prior payment in full of all senior indebtedness of the Company, which includes the senior credit facility. The January 2002 Senior Subordinated Notes are guaranteed, on a senior subordinated basis, by certain of the Company's significant operating subsidiaries. As of February 29, 2004, the Company had outstanding \$250.0 million aggregate principal amount of January 2002 Senior Subordinated Notes.

GUARANTEES

A foreign subsidiary of the Company has guaranteed debt of a joint venture in the maximum amount of \$4.2 million as of February 29, 2004. The liability for this guarantee is not material and the Company does not have any collateral from this entity.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table sets forth information about the Company's long-term contractual obligations outstanding at February 29, 2004. It brings together data for easy reference from the consolidated balance sheet and from individual

notes to the Company's consolidated financial statements. See Notes 10, 12, 13, 14 and 15 to the Company's consolidated financial statements located in Item 8 of this Annual Report on Form 10-K for detailed discussion of items noted in the following table.

<TABLE>
<CAPTION>

	PAYMENTS DUE BY PERIOD				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
CONTRACTUAL OBLIGATIONS					
Notes payable to banks	\$ 1,792	\$ 1,792	\$ -	\$ -	\$ -
Long-term debt (excluding unamortized discount)	2,046,617	267,245	508,163	1,012,872	258,337
Operating leases	301,310	39,155	67,623	39,597	154,935
Other long term liabilities	225,094	51,674	80,930	50,819	41,671
Unconditional purchase obligations(1)	2,298,051	359,391	635,244	381,487	921,929
Total contractual cash obligations	\$ 4,872,864	\$ 719,257	\$ 1,291,960	\$ 1,484,775	\$ 1,376,872

<FN>

(1) Total unconditional purchase obligations consist of \$20.3 million for contracts to purchase various spirits over the next five fiscal years, \$2,131.3 million for contracts to purchase grapes over the next fifteen fiscal years, \$78.9 million for contracts to purchase bulk wine over the next four fiscal years, and \$67.5 million for processing contracts over the next 16 years. See Note 15 to the Company's consolidated financial statements located in Item 8 of this Annual Report on Form 10-K for a detailed discussion of these items.

</TABLE>

EQUITY OFFERINGS

During July 2003, the Company completed a public offering of 9,800,000 shares of its Class A Common Stock resulting in net proceeds to the Company, after deducting underwriting discounts and expenses, of \$261.2 million. In addition, the Company also completed a public offering of 170,500 shares of its 5.75% Series A Mandatory Convertible Preferred Stock ("Preferred Stock") resulting in net proceeds to the Company, after deducting underwriting discounts and expenses, of \$164.9 million. The Class A Common Stock offering and the Preferred Stock offering are referred to together as the "2003 Equity Offerings." The majority of the net proceeds from the 2003 Equity Offerings were used to repay the Bridge Loans that were incurred to partially finance the Hardy Acquisition. The remaining proceeds were used to repay term loan borrowings under the March 2003 Credit Agreement.

During March 2001, the Company completed a public offering of 8,740,000 shares of its Class A Common Stock, which was held as treasury stock. This resulted in net proceeds to the Company, after deducting underwriting discounts and expenses, of \$139.4 million. The net proceeds were used to repay revolving loan borrowings under the senior credit facility of which a portion was incurred to partially finance the acquisition of the Turner Road Vintners Assets.

During October 2001, the Company sold 645,000 shares of its Class A Common Stock, which was held as treasury stock, in connection with a public offering of Class A Common Stock by stockholders of the Company. The net proceeds to the Company, after deducting underwriting discounts, of \$12.1 million were used to repay borrowings under the senior credit facility.

CAPITAL EXPENDITURES

During Fiscal 2004, the Company incurred \$105.1 million for capital expenditures. The Company plans to spend approximately \$125.0 million for capital expenditures in Fiscal 2005. In addition, the Company continues to consider the purchase, lease and development of vineyards and may incur additional expenditures for vineyards if opportunities become available. See "Business - Sources and Availability of Raw Materials" under Item 1 of this Annual Report on Form 10-K. Management reviews the capital expenditure program periodically and modifies it as required to meet current business needs.

EFFECTS OF INFLATION AND CHANGING PRICES

The Company's results of operations and financial condition have not been significantly affected by inflation and changing prices. The Company has been able, subject to normal competitive conditions, to pass along rising costs through increased selling prices. There can be no assurances, however, that the Company will continue to be able to pass along rising costs through increased

selling prices.

CRITICAL ACCOUNTING POLICIES

The Company's significant accounting policies are more fully described in Note 1 to the Company's consolidated financial statements located in Item 8 of this Annual Report on Form 10-K. However, certain of the Company's accounting policies are particularly important to the portrayal of the Company's financial position and results of operations and require the application of significant judgment by the Company's management; as a result they are subject to an inherent degree of uncertainty. In applying those policies, the Company's management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on the Company's historical experience, the Company's observance of trends in the industry, information provided by the Company's customers and information available from other outside sources, as appropriate. On an ongoing basis, the Company reviews its estimates to ensure that they appropriately reflect changes in the Company's business. The Company's critical accounting policies include:

- Accounting for promotional activities. Sales reflect reductions attributable to consideration given to customers in various customer incentive programs, including pricing discounts on single transactions, volume discounts, promotional and advertising allowances, coupons, and rebates. Certain customer incentive programs require management to estimate the cost of those programs. The accrued liability for these programs is determined through analysis of programs offered, historical trends, expectations regarding customer and consumer participation, sales and payment trends, and experience with payment patterns associated with similar programs that had been previously offered. If assumptions included in the Company's estimates were to change or market conditions were to change, then material incremental reductions to revenue could be required, which would have a material adverse impact on the Company's financial statements. Promotional costs were \$336.4 million, \$231.6 million and \$223.9 million for Fiscal 2004, Fiscal 2003 and Fiscal 2002, respectively.
- Inventory valuation. Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method. The Company assesses the valuation of its inventories and reduces the carrying value of those inventories that are obsolete or in excess of the Company's forecasted usage to their estimated net realizable value. The Company estimates the net realizable value of such inventories based on analyses and assumptions including, but not limited to, historical usage, future demand and market requirements. Reductions to the carrying value of inventories are recorded in cost of goods sold. If the future demand for the Company's products is less favorable than the Company's forecasts, then the value of the inventories may be required to be reduced, which could result in material additional expense to the Company and have a material adverse impact on the Company's financial statements.
- Accounting for business combinations. The acquisition of businesses is an important element of the Company's strategy. Under the purchase method, the Company is required to record the net assets acquired at the estimated fair value at the date of acquisition. The determination of the fair value of the assets acquired and liabilities assumed requires the Company to make estimates and assumptions that affect the Company's financial statements. For example, the Company's acquisitions typically result in goodwill and other intangible assets; the value and estimated life of those assets may affect the amount of future period amortization expense for intangible assets with finite lives as well as possible impairment charges that may be incurred.
- Impairment of goodwill and intangible assets with indefinite lives. Intangible assets with indefinite lives consist primarily of trademarks as well as agency relationships. The Company is required to analyze its goodwill and other intangible assets with indefinite lives for impairment on an annual basis as well as when events and circumstances indicate that an impairment may have occurred. Certain factors that may occur and indicate that an impairment exists include, but are not limited to, operating results that are lower than expected and adverse industry or market economic trends. The impairment testing requires management to estimate the fair value of the assets or reporting unit and record an impairment loss for the excess of the carrying value over the fair value. The estimate of fair value of the assets is generally determined on the basis of discounted future cash flows. The estimate of fair value of the reporting unit is generally determined on the basis of discounted future cash flows supplemented by the market approach. In estimating the fair value, management must make assumptions and projections regarding such items as future cash flows, future revenues, future earnings and other factors. The assumptions used in the estimate of fair value are generally consistent with the past performance of each reporting unit and other intangible assets and are also consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing

economic and competitive conditions. If these estimates or their related assumptions change in the future, the Company may be required to record an impairment loss for these assets. The recording of any resulting impairment loss could have a material adverse impact on the Company's financial statements.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In December 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 (revised December 2003) ("FIN No. 46(R)", "Consolidation of Variable Interest Entities--an interpretation of ARB No. 51", which will replace FASB Interpretation No. 46 ("FIN No. 46"), "Consolidation of Variable Interest Entities," upon its effective date. FIN No. 46(R) retains many of the basic concepts introduced in FIN No. 46; however, it also introduces a new scope exception for certain types of entities that qualify as a business as defined in FIN No. 46(R) and revises the method of calculating expected losses and residual returns for determination of primary beneficiaries, including new guidance for assessing variable interests. The application of the transition requirements of FIN No. 46(R) with regard to special purpose entities and existing variable interest entities did not result in any entities requiring consolidation or any additional disclosures. The Company is continuing to evaluate the impact of FIN No. 46(R) for its adoption as of May 31, 2004. However, it is not expected to have a material impact on the Company's consolidated financial statements.

In December 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132 (revised 2003) ("SFAS No. 132(R)", "Employers' Disclosures about Pensions and Other Postretirement Benefits--an amendment of FASB Statements No. 87, 88, and 106." SFAS No. 132(R) supersedes Statement of Financial Accounting Standards No. 132 ("SFAS No. 132"), by revising employers' disclosures about pension plans and other postretirement benefit plans. SFAS No. 132(R) requires additional disclosures to those in SFAS No. 132 regarding the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. SFAS No. 132(R) also amends Accounting Principles Board Opinion No. 28 ("APB Opinion No. 28"), "Interim Financial Reporting," to require additional disclosures for interim periods. The Company has adopted certain of the annual disclosure provisions of SFAS No. 132(R), primarily those related to its U.S. postretirement plan, for the fiscal year ending February 29, 2004. The Company is required to adopt the remaining annual disclosure provisions, primarily those related to its foreign plans, for the fiscal year ending February 28, 2005. The Company is required to adopt the amendment to APB Opinion No. 28 for financial reports containing condensed financial statements for interim periods beginning March 1, 2004.

In March 2004, the Financial Accounting Standards Board issued a proposed statement, "Share-Based Payment, an amendment of FASB Statements No. 123 and 95." The objective of the proposed statement is to require recognition in an entity's financial statements of the cost of employee services received in exchange for equity instruments issued, and liabilities incurred, to employees in share-based payment (or compensation) transactions based on the fair value of the instruments at the grant date. The proposed statement would eliminate the alternative of continuing to account for share-based payment arrangements with employees under APB No. 25 and require that the compensation cost resulting from all share-based payment transactions be recognized in an entity's financial statements. If adopted in its current form, the proposed statement would be effective for awards that are granted, modified, or settled in fiscal years beginning after December 15, 2004. Also, if adopted in its current form, the proposed statement could result in a significant charge to the Company's Consolidated Statement of Income for the fiscal year ended February 28, 2006.

CAUTIONARY INFORMATION 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 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control, that could cause actual results to differ materially from those set forth in, or implied by, such forward-looking statements. All statements other than statements of historical facts included in this Annual Report on Form 10-K, including the statements under Item 1 "Business" and Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" regarding the Company's business strategy, future financial position, prospects, plans and objectives of management, as well as information concerning expected actions of third parties are forward-looking statements. When used in this Annual Report on Form 10-K, the words "anticipate," "intend," "expect," and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. All forward-looking statements speak only as of the date of this Annual Report on Form 10-K. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. In addition to the risks and uncertainties of ordinary business operations, important factors that

could cause actual results to differ materially from those set forth in, or implied, by the Company's forward-looking statements contained in this Annual Report on Form 10-K are as follows:

THE COMPANY'S INDEBTEDNESS COULD HAVE A MATERIAL ADVERSE EFFECT ON ITS FINANCIAL HEALTH.

The Company has incurred substantial indebtedness to finance its acquisitions and may incur substantial additional indebtedness in the future to finance further acquisitions or for other purposes. The Company's ability to satisfy its debt obligations outstanding from time to time will depend upon the Company's future operating performance, which is subject to prevailing economic conditions, levels of interest rates and financial, business and other factors, many of which are beyond the Company's control. Therefore, there can be no assurance that the Company's cash flow from operations will be sufficient to meet all of its debt service requirements and to fund its capital expenditure requirements.

The Company's current and future debt service obligations and covenants could have important consequences. These consequences include, or may include, the following:

- the Company's ability to obtain financing for future working capital needs or acquisitions or other purposes may be limited;
- a significant portion of the Company's cash flow from operations will be dedicated to the payment of principal and interest on its indebtedness and dividends on its Series A mandatory convertible preferred stock, thereby reducing funds available for operations, expansion or distributions;
- the Company's ability to conduct its business could be limited by restrictive covenants; and
- the Company may be more vulnerable to adverse economic conditions than less leveraged competitors and, thus, may be limited in its ability to withstand competitive pressures.

The restrictive covenants and provisions in the Company's senior credit facility and its indentures under which its debt securities are issued include, among others, those restricting additional liens, additional borrowing, the sale of assets, changes of control, the payment of dividends, transactions with affiliates, the making of investments and certain other fundamental changes. The senior credit facility also contains restrictions on acquisitions and certain financial ratio tests including a debt coverage ratio, a senior debt coverage ratio, a fixed charges ratio and an interest coverage ratio. These restrictions could limit the Company's ability to conduct business. A failure to comply with the obligations contained in the senior credit facility, its existing indentures or other loan agreements or indentures entered into in the future could result in an event of default under such agreements, which could require the Company to immediately repay the related debt and also debt under other agreements that may contain cross-acceleration or cross-default provisions.

THE COMPANY'S ACQUISITION OR JOINT VENTURE STRATEGIES MAY NOT BE SUCCESSFUL.

The Company has made a number of acquisitions, including the recent acquisitions of Hardy, Ravenswood, the Turner Road Vintners Assets, and the Corus Assets, and anticipates that it may, from time to time, acquire additional businesses, assets or securities of companies that the Company believes would provide a strategic fit with its business. In addition, the Company has entered joint ventures and may enter into additional joint ventures. Acquired businesses will need to be integrated with the Company's existing operations. There can be no assurance that the Company will effectively assimilate the business or product offerings of acquired companies into its business or product offerings. Acquisitions are also accompanied by risks such as potential exposure to unknown liabilities of acquired companies and the possible loss of key employees and customers of the acquired business. Acquisitions are subject to risks associated with the difficulty and expense of integrating the operations and personnel of the acquired companies, the potential disruption to the Company's business and the diversion of management time and attention. The Company shares control of its existing joint ventures and may not have majority interest or control of future joint ventures, and, therefore, there is the risk that the Company's joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with those of the joint venture or the Company. There is also risk that the Company's joint venture partners may be unable to meet their economic or other obligations and that the Company may be required to fulfill those obligations alone. The Company's failure or the failure of an entity in which the Company has a joint venture interest to adequately manage the risks associated with any acquisitions or joint ventures could have a material adverse effect on the Company's financial condition or results of operations.

COMPETITION COULD HAVE A MATERIAL ADVERSE EFFECT ON THE COMPANY'S BUSINESS.

The Company is in a highly competitive industry and the dollar amount and unit volume of its sales could be negatively affected by its inability to maintain or increase prices, changes in geographic or product mix, a general

decline in beverage alcohol consumption or the decision of the Company's wholesale customers, retailers or consumers to purchase competitive products instead of the Company's products. Wholesaler, retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of the Company's products, including their quality or pricing, compared to competitive products. Unit volume and dollar sales could also be affected by pricing, purchasing, financing, operational, advertising or promotional decisions made by wholesalers, state and provincial agencies, and retailers which could affect their supply of, or consumer demand for, the Company's products. The Company could also experience higher than expected selling, general and administrative expenses if the Company finds it necessary to increase the number of its personnel or advertising or promotional expenditures to maintain its competitive position or for other reasons.

AN INCREASE IN EXCISE TAXES OR GOVERNMENT REGULATIONS COULD HAVE A MATERIAL ADVERSE EFFECT ON THE COMPANY'S BUSINESS.

In the United States, the United Kingdom, Australia and other countries in which the Company operates, the Company is subject to imposition of excise and other taxes on beverage alcohol products in varying amounts which have been subject to change. Significant increases in excise or other taxes on beverage alcohol products could materially and adversely affect the Company's financial condition or results of operations. Recently, many states have considered proposals to increase, and some of these states have increased, state alcohol excise taxes. In addition, the beverage alcohol products industry is subject to extensive regulation by federal, state, local and foreign governmental agencies concerning such matters as licensing, trade and pricing practices, permitted and required labeling, advertising and relations with wholesalers and retailers. Certain federal and state regulations also require warning labels and signage. New or revised regulations or increased licensing fees, requirements or taxes could also have a material adverse effect on the Company's financial condition or results of operations.

THE COMPANY RELIES ON THE PERFORMANCE OF WHOLESALE DISTRIBUTORS, MAJOR RETAILERS AND CHAINS FOR THE SUCCESS OF ITS BUSINESS.

In the United States, the Company sells its products principally to wholesalers for resale to retail outlets including grocery stores, package liquor stores, club and discount stores and restaurants. In the United Kingdom and Australia, the Company sells its products principally to wholesalers and directly to major retailers and chains. The replacement or poor performance of the Company's major wholesalers, retailers or chains, or the Company's inability to collect accounts receivable from the Company's major wholesalers, retailers or chains could materially and adversely affect the Company's results of operations and financial condition. Distribution channels for beverage alcohol products have been consolidating in recent years. In addition, wholesalers and retailers of the Company's products offer products which compete directly with the Company's products for retail shelf space and consumer purchases. Accordingly, there is a risk that wholesalers or retailers may give higher priority to products of the Company's competitors. In the future, the Company's wholesalers and retailers may not continue to purchase the Company's products or provide the Company's products with adequate levels of promotional support.

THE COMPANY'S BUSINESS COULD BE ADVERSELY AFFECTED BY A DECLINE IN THE CONSUMPTION OF PRODUCTS THE COMPANY SELLS.

Although since 1995 there have been modest increases in consumption of beverage alcohol in most of the Company's product categories, there have been periods in the past in which there were substantial declines in the overall per capita consumption of beverage alcohol products in the United States and other markets in which the Company participates. A limited or general decline in consumption in one or more of the Company's product categories could occur in the future due to a variety of factors, including:

- a general decline in economic conditions;
- increased concern about the health consequences of consuming beverage alcohol products and about drinking and driving;
- a trend toward a healthier diet including lighter, lower calorie beverages such as diet soft drinks, juices and water products;
- increased activity of anti-alcohol consumer groups; and
- increased federal, state or foreign excise or other taxes on beverage alcohol products.

THE COMPANY GENERALLY PURCHASES RAW MATERIALS UNDER SHORT-TERM SUPPLY CONTRACTS AND THE COMPANY IS SUBJECT TO SUBSTANTIAL PRICE FLUCTUATIONS FOR GRAPES AND GRAPE-RELATED MATERIALS; AND THE COMPANY HAS A LIMITED GROUP OF SUPPLIERS OF GLASS BOTTLES.

The Company's business is heavily dependent upon raw materials, such as grapes, grape juice concentrate, grains, alcohol and packaging materials from third-party suppliers. The Company could experience raw material supply, production or shipment difficulties that could adversely affect the Company's ability to supply goods to its customers. The Company is also directly affected by increases in the costs of raw materials. In the past, the Company has experienced dramatic increases in the cost of grapes. Although the Company

believes it has adequate sources of grape supplies, in the event demand for certain wine products exceeds expectations, the Company could experience shortages.

One of the Company's largest components of cost of goods sold is that of glass bottles, which, in the United States and Australia, have only a small number of producers. Currently, substantially all of the Company's glass container requirements for its United States operations are supplied by one producer and most of the Company's glass container requirements for its Australian operations are supplied by another producer. The inability of any of the Company's glass bottle suppliers to satisfy its requirements could adversely affect the Company's business.

THE COMPANY'S GLOBAL OPERATIONS SUBJECT IT TO RISKS RELATED TO CURRENCY RATE FLUCTUATIONS AND GEOPOLITICAL UNCERTAINTY WHICH COULD HAVE A MATERIAL ADVERSE EFFECT ON THE COMPANY'S BUSINESS.

The Company has operations in different countries throughout the world and, therefore, is subject to the risks associated with currency fluctuations. Subsequent to the Hardy Acquisition, the Company's exposure to foreign currency risk has increased significantly as a result of having additional international operations in Australia, New Zealand and the United Kingdom. The Company could experience changes in its ability to obtain or hedge against fluctuations in exchange rates. The Company could also be affected by nationalizations or unstable governments or legal systems or intergovernmental disputes. These currency, economic and political uncertainties may have a material adverse effect on the Company's results of operations, especially to the extent these matters, or the decisions, policies or economic strength of the Company's suppliers, affect the Company's global operations.

THE COMPANY HAS A MATERIAL AMOUNT OF GOODWILL, AND IF THE COMPANY IS REQUIRED TO WRITE-DOWN GOODWILL, IT WOULD REDUCE THE COMPANY'S NET INCOME, WHICH IN TURN COULD MATERIALLY AND ADVERSELY AFFECT THE COMPANY'S RESULTS OF OPERATIONS.

As of February 29, 2004, goodwill represented approximately \$1,540.6 million, or 27.7% of the Company's total assets. Goodwill is the amount by which the costs of an acquisition accounted for using the purchase method exceeds the fair value of the net assets acquired. The Company adopted Statement of Financial Accounting Standard No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets," in its entirety, on March 1, 2002. Under SFAS No. 142, goodwill is no longer amortized, but instead is subject to a periodic impairment evaluation based on the fair value of the reporting unit. Reductions in the Company's net income caused by a write-down of goodwill could materially and adversely affect the Company's results of operations.

THE TERMINATION OR NON-RENEWAL OF IMPORTED BEER DISTRIBUTION AGREEMENTS COULD HAVE A MATERIAL ADVERSE EFFECT ON THE COMPANY'S BUSINESS.

All of the Company's imported beer products are marketed and sold pursuant to exclusive distribution agreements with the suppliers of these products and are subject to renewal from time to time. The Company's agreement to distribute Corona Extra and its other Mexican beer brands in 25 primarily western U.S. states expires in December 2006 and, subject to compliance with certain performance criteria, continued retention of certain personnel and other terms of the agreement, will be automatically renewed for additional terms of five years. Changes in control of the Company or its subsidiaries involved in importing the Mexican beer brands, or changes in the chief executive officer of such subsidiaries, may be a basis for the supplier, unless it consents to such changes, to terminate the agreement. The supplier's consent to such changes may not be unreasonably withheld. Prior to their expiration, all of the Company's imported beer distribution agreements may be terminated if the Company fails to meet certain performance criteria. The Company believes that it is currently in compliance with all of its material imported beer distribution agreements. From time to time the Company has failed, and may in the future fail, to satisfy certain performance criteria in the Company's distribution agreements. It is possible that the Company's beer distribution agreements may not be renewed or may be terminated prior to expiration.

THE COMPANY'S FINANCIAL STATEMENTS FOR THE THREE FISCAL YEARS ENDED FEBRUARY 28, 2002, WERE AUDITED BY ARTHUR ANDERSEN LLP.

The Company's consolidated financial statements for the three fiscal years ended February 28, 2002, were audited by Arthur Andersen LLP, independent public accountants.

On August 31, 2002, Arthur Andersen LLP ceased to practice before the SEC. Therefore, Arthur Andersen LLP did not participate in the preparation of this Annual Report on Form 10-K, did not reissue its audit report with respect to the financial statements included in this Form 10-K, and did not consent to the inclusion of a copy of its previously issued audit report in this Form 10-K. As a result, holders of the Company's securities may have no effective remedy against Arthur Andersen LLP in connection with a material misstatement or omission in the financial statements to which its audit report relates. In addition, even if such holders were able to assert such a claim, because it has ceased operations, Arthur Andersen LLP may fail or otherwise have insufficient

assets to satisfy claims made by holders of the Company's securities that might arise under federal securities laws or otherwise with respect to the audit report of Arthur Andersen LLP.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company, as a result of its global operating and financing activities, is exposed to market risk associated with changes in interest rates and foreign currency exchange rates. To manage the volatility relating to these risks, the Company periodically enters into derivative transactions including foreign currency exchange contracts and interest rate swap agreements. The Company uses derivative instruments solely to reduce the financial impact of these risks and does not use derivative instruments for trading purposes.

Foreign currency forward contracts and foreign currency options are used to hedge existing foreign currency denominated assets and liabilities, forecasted foreign currency denominated sales both to third parties as well as intercompany sales, and intercompany principal and interest payments. As of February 29, 2004, the Company had exposures to foreign currency risk primarily related to the Australian Dollar, Euro, New Zealand Dollar, British Pound Sterling, Canadian Dollar and Mexican Peso.

As of February 29, 2004, and February 28, 2003, the Company had outstanding derivative contracts with a notional value of \$735.8 million and \$11.6 million, respectively. Using a sensitivity analysis based on estimated fair value of open contracts using forward rates, if the U.S. dollar had been 10% weaker as of February 29, 2004, and February 28, 2003, the fair value of open foreign exchange contracts would have been increased by \$6.8 million and \$2.4 million, respectively. Losses or gains from the revaluation or settlement of the related underlying positions would substantially offset such gains or losses.

The fair value of fixed rate debt is subject to interest rate risk. The fair value of fixed rate debt will increase as interest rates fall and decrease as interest rates rise. The estimated fair value of the Company's total fixed rate debt, including current maturities, was \$1,274.8 million and \$1,138.3 million as of February 29, 2004, and February 28, 2003, respectively. A hypothetical 1% increase from prevailing interest rates as of February 29, 2004, and February 28, 2003, would have resulted in a decrease in fair value of fixed interest rate long-term debt by \$52.9 million and \$53.1 million, respectively.

In addition to the \$1.3 billion fair value of fixed rate debt outstanding, the Company also had variable rate debt outstanding (primarily LIBOR based) as of February 29, 2004, and February 28, 2003, of \$860.0 million and \$147.4 million, respectively. A hypothetical 1% increase from prevailing interest rates as of February 29, 2004, and February 28, 2003, would result in an increase in cash required for interest payments on variable interest rate debt during the next five fiscal years as follows:

	February 29, 2004	February 28, 2003
2004	\$7.4 million	\$1.1 million
2005	\$8.3 million	\$0.3 million
2006	\$7.3 million	\$ -
2007	\$5.9 million	\$ -
2008	\$3.9 million	\$ -
2009	\$1.4 million	\$ -

The Company has on occasion entered into interest rate swap agreements to reduce its exposure to interest rate changes relative to its variable rate debt. As of February 29, 2004, and February 28, 2003, the Company had no interest rate swap agreements outstanding.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

FEBRUARY 29, 2004

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Parent company financial statements of the Registrant have been omitted because the Registrant is primarily an operating company and no subsidiary included in the consolidated financial statements has minority equity interest and/or noncurrent indebtedness, not guaranteed by the Registrant, in excess of 5% of total consolidated assets.

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Constellation Brands, Inc.:

We have audited the accompanying consolidated balance sheets of Constellation Brands, Inc. and subsidiaries as of February 29, 2004 and February 28, 2003 and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. The February 28, 2002 consolidated statements of income, stockholders' equity and cash flows of Constellation Brands, Inc. and subsidiaries were audited by other auditors who have ceased operations. Those auditors expressed an unqualified opinion on those consolidated financial statements, before the revisions described in Notes 1, 2, 5, 11 and 22 to the consolidated financial statements, in their report dated April 9, 2002.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Constellation Brands, Inc. and subsidiaries as of February 29, 2004 and February 28, 2003, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed above, the accompanying consolidated statements of income, stockholders' equity and cash flows of Constellation Brands, Inc. and subsidiaries for the year ended February 28, 2002 were audited by other auditors who have ceased operations. As described in Note 5, the consolidated financial statements have been revised to include the transitional disclosures required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, which was adopted by the Company as of March 1, 2002. In our opinion, these disclosures for 2002 in Note 5 are appropriate. Additionally, as described in Note 2, the consolidated statement of income for the year ended February 28, 2002 has been revised to reflect reclassifications of certain consumer and trade promotional expenses as required by Emerging Issues Task Force Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer (EITF 01-9), which was also adopted by the Company as of March 1, 2002; as described in Notes 2 and 11, the consolidated statement of income and disclosure for income taxes for the year ended February 28, 2002 have been revised to reflect the reclassification of the extraordinary loss, net of income taxes, related to the extinguishment of debt by increasing selling, general and administrative expenses and adjusting the provision for income taxes as required by Statement of Financial Accounting Standards No. 145, Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections (FASB No. 145), which was fully adopted by the Company as of March 1, 2003; as described in Note 1, the proforma disclosures of net income and earnings per common share related to stock-based compensation for the year ended February 28, 2002 have been adjusted from the amounts originally reported; and as described in Note 22, the Company changed the composition of its reportable segments, and the amounts in the 2002 consolidated financial statements relating to reportable segments have been restated to conform to the current composition of reportable segments. We audited the adjustments that were applied to restate

the 2002 consolidated financial statements for the adoption of EITF 01-9 and FASB No. 145, to restate the disclosure of amounts of pro forma net income and earnings per share related to stock-based compensation for the year ended February 28, 2002 and to restate the disclosures for reportable segments reflected in the 2002 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we were not engaged to audit, review, or apply any procedures to the February 28, 2002 consolidated statements of income, stockholders' equity and cash flows of Constellation Brands, Inc. and subsidiaries, other than with respect to such disclosures and adjustments; accordingly, we do not express an opinion or any other form of assurance on the February 28, 2002 consolidated financial statements taken as a whole.

/s/ KPMG LLP

Rochester, New York
April 7, 2004

THE FOLLOWING REPORT IS A COPY OF A REPORT PREVIOUSLY ISSUED BY ARTHUR ANDERSEN LLP AND HAS NOT BEEN REISSUED BY ARTHUR ANDERSEN LLP. AS DESCRIBED IN NOTE 2 TO THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS, IN THE YEAR ENDED FEBRUARY 28, 2003, THE COMPANY ADOPTED THE PROVISIONS OF EMERGING ISSUES TASK FORCE ISSUE NO. 01-9, ACCOUNTING FOR CONSIDERATION GIVEN BY A VENDOR TO A CUSTOMER, WHICH REQUIRED RECLASSIFICATION OF CERTAIN CONSUMER AND TRADE PROMOTIONAL EXPENSES IN CONSOLIDATED STATEMENTS OF INCOME FOR THE YEAR ENDED FEBRUARY 28, 2002. ALSO, IN THE YEAR ENDED FEBRUARY 28, 2003, THE COMPANY ADOPTED STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 142, GOODWILL AND OTHER INTANGIBLE ASSETS (SFAS NO. 142). INCLUDED IN NOTE 5 ARE TRANSITIONAL DISCLOSURES FOR THE YEAR ENDED FEBRUARY 28, 2002 THAT ARE REQUIRED BY SFAS NO. 142. IN THE YEAR ENDED FEBRUARY 29, 2004, THE COMPANY ADOPTED THE PROVISIONS OF STATEMENT OF FINANCIAL ACCOUNTING STANDARDS NO. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS, WHICH REQUIRES THE RECLASSIFICATION OF THE EXTRAORDINARY LOSS RELATED TO THE EXTINGUISHMENT OF DEBT RECORDED IN THE YEAR ENDED FEBRUARY 28, 2002, BY INCREASING SELLING, GENERAL AND ADMINISTRATIVE EXPENSES AND DECREASING THE PROVISION FOR INCOME TAXES. NOTES 2 AND 11 REFLECT THE ADJUSTMENTS TO THE CONSOLIDATED STATEMENT OF INCOME AND DISCLOSURE FOR INCOME TAXES FOR THE YEAR ENDED FEBRUARY 28, 2002. ALSO, AS DESCRIBED IN NOTE 1 TO THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS, IN THE YEAR ENDED FEBRUARY 28, 2003, THE COMPANY ADJUSTED THE PRO FORMA DISCLOSURE OF NET INCOME AND EARNINGS PER COMMON SHARE RELATED TO STOCK-BASED COMPENSATION FOR THE YEAR ENDED FEBRUARY 28, 2002 FROM THE AMOUNTS ORIGINALLY REPORTED. LASTLY, AS DESCRIBED IN NOTE 22 TO THE ACCOMPANYING CONSOLIDATED FINANCIAL STATEMENTS, IN THE YEAR ENDED FEBRUARY 29, 2004, THE COMPANY CHANGED THE COMPOSITION OF ITS REPORTABLE SEGMENTS. AMOUNTS FOR THE YEAR ENDED FEBRUARY 28, 2002, HAVE BEEN RESTATED TO CONFORM TO THE CURRENT COMPOSITION OF REPORTABLE SEGMENTS. THE ARTHUR ANDERSEN LLP REPORT DOES NOT EXTEND TO THESE CHANGES IN THE 2002 CONSOLIDATED FINANCIAL STATEMENTS. THE TRANSITIONAL DISCLOSURES IN AND THE ADJUSTMENTS TO THE FISCAL 2002 CONSOLIDATED FINANCIAL STATEMENTS WERE REPORTED ON BY KPMG LLP AS STATED IN THEIR REPORT APPEARING HEREIN.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Constellation Brands, Inc.:

We have audited the accompanying consolidated balance sheets of Constellation Brands, Inc. (a Delaware corporation) and subsidiaries as of February 28, 2002 and February 28, 2001, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended February 28, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Constellation Brands, Inc. and subsidiaries as of February 28, 2002 and February 28, 2001, and the results of their operations and their cash flows for each of the three years in the period ended February 28, 2002 in conformity with accounting principles generally accepted in the United States.

/s/ Arthur Andersen LLP

Rochester, New York
April 9, 2002

<TABLE>
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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	February 29, 2004	February 28, 2003
	-----	-----
<S>	<C>	<C>
ASSETS		

CURRENT ASSETS:		
Cash and cash investments	\$ 37,136	\$ 13,810
Accounts receivable, net	635,910	399,095
Inventories, net	1,261,378	819,912
Prepaid expenses and other	137,047	97,284
	-----	-----
Total current assets	2,071,471	1,330,101
PROPERTY, PLANT AND EQUIPMENT, net	1,097,362	602,469
GOODWILL	1,540,637	722,223
INTANGIBLE ASSETS, net	744,978	382,428
OTHER ASSETS	104,225	159,109
	-----	-----
Total assets	\$ 5,558,673	\$ 3,196,330
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		

CURRENT LIABILITIES:		
Notes payable to banks	\$ 1,792	\$ 2,623
Current maturities of long-term debt	267,245	71,264
Accounts payable	270,291	171,073
Accrued excise taxes	48,465	36,421
Other accrued expenses and liabilities	442,009	303,827
	-----	-----
Total current liabilities	1,029,802	585,208
LONG-TERM DEBT, less current maturities	1,778,853	1,191,631
DEFERRED INCOME TAXES	187,410	145,239
OTHER LIABILITIES	184,989	99,268
	-----	-----
STOCKHOLDERS' EQUITY:		
Preferred Stock, \$.01 par value-		
Authorized, 1,000,000 shares;		
Issued, 170,500 shares at February 29, 2004, and none at February 28, 2003 (Aggregate liquidation preference of \$172,951 at February 29, 2004)	2	-
Class A Common Stock, \$.01 par value-		
Authorized, 275,000,000 shares;		
Issued, 97,150,219 shares at February 29, 2004, and 81,435,135 shares at February 28, 2003	971	814
Class B Convertible Common Stock, \$.01 par value-		
Authorized, 30,000,000 shares;		
Issued, 14,564,630 shares at February 29, 2004, and 14,578,490 shares at February 28, 2003	146	146
Additional paid-in capital	1,024,048	469,724
Retained earnings	1,010,193	795,525
Accumulated other comprehensive income (loss)	372,302	(59,257)
	-----	-----
	2,407,662	1,206,952
	-----	-----
Less-Treasury stock-		
Class A Common Stock, 2,583,608 shares at February 29, 2004, and 2,749,384 shares at February 28, 2003, at cost	(27,786)	(29,610)
Class B Convertible Common Stock, 2,502,900 shares at February 29, 2004, and February 28, 2003, at cost	(2,207)	(2,207)
	-----	-----
	(29,993)	(31,817)
Less-Unearned compensation-restricted stock awards	(50)	(151)
	-----	-----
Total stockholders' equity	2,377,619	1,174,984
	-----	-----
Total liabilities and stockholders' equity	\$ 5,558,673	\$ 3,196,330
	=====	=====

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

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<CAPTION>

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
<S>	<C>	<C>	<C>
SALES	\$ 4,469,270	\$ 3,583,082	\$ 3,420,213
Less - Excise taxes	(916,841)	(851,470)	(813,455)
Net sales	3,552,429	2,731,612	2,606,758
COST OF PRODUCT SOLD	(2,576,641)	(1,970,897)	(1,911,598)
Gross profit	975,788	760,715	695,160
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(457,277)	(350,993)	(355,269)
RESTRUCTURING AND RELATED CHARGES	(31,154)	(4,764)	-
Operating income	487,357	404,958	339,891
GAIN ON CHANGE IN FAIR VALUE OF DERIVATIVE INSTRUMENTS	1,181	23,129	-
EQUITY IN EARNINGS OF JOINT VENTURE	542	12,236	1,667
INTEREST EXPENSE, net	(144,683)	(105,387)	(114,189)
Income before income taxes	344,397	334,936	227,369
PROVISION FOR INCOME TAXES	(123,983)	(131,630)	(90,948)
NET INCOME	220,414	203,306	136,421
Dividends on preferred stock	(5,746)	-	-
INCOME AVAILABLE TO COMMON STOCKHOLDERS	\$ 214,668	\$ 203,306	\$ 136,421
SHARE DATA:			
Earnings per common share:			
Basic	\$ 2.13	\$ 2.26	\$ 1.60
Diluted	\$ 2.06	\$ 2.19	\$ 1.55
Weighted average common shares outstanding:			
Basic	100,702	89,856	85,505
Diluted	106,948	92,746	87,825
SUPPLEMENTAL DATA RESTATED FOR EFFECT OF SFAS NO. 142:			
Adjusted operating income	\$ 487,357	\$ 404,958	\$ 367,190
Adjusted net income	\$ 220,414	\$ 203,306	\$ 155,367
Adjusted income available to common stockholders	\$ 214,668	\$ 203,306	\$ 155,367
Adjusted earnings per common share:			
Basic	\$ 2.13	\$ 2.26	\$ 1.82
Diluted	\$ 2.06	\$ 2.19	\$ 1.77

<FN>

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

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)

Accumulated

Total	Preferred	Common Stock		Additional	Retained	Other	Treasury	Unearned
	Stock	Class A	Class B	Paid-in Capital	Earnings	Comprehensive Loss	Stock	Compensation
---	-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>								
BALANCE, February 28, 2001	\$ -	\$ 749	\$ 148	\$ 267,206	\$ 455,798	\$ (26,004)	\$ (81,478)	\$
(151) \$ 616,268								
Comprehensive income:								
Net income for								
Fiscal 2002	-	-	-	-	136,421	-	-	-
136,421								
Other comprehensive								
(loss) income, net								
of tax:								
Foreign currency								
translation								
adjustments	-	-	-	-	-	(9,239)	-	-
(9,239)								
Unrealized gain on								
cash flow hedges:								
Net derivative								
gains, net of								
tax effect								
of \$105	-	-	-	-	-	212	-	-
212								
Reclassification								
adjustments,								
net of tax								
effect of \$92	-	-	-	-	-	(191)	-	-
(191)								

Unrealized gain on								
cash flow hedges								
21								

Other comprehensive								
loss, net of tax								
(9,218)								

Comprehensive income								
127,203								
Conversion of 196,798								
Class B Convertible								
Common shares to								
Class A Common shares	-	2	(2)	-	-	-	-	-
-								
Exercise of 4,234,440								
Class A stock options	-	42	-	45,602	-	-	-	-
45,644								
Employee stock								
purchases of 120,674								
treasury shares	-	-	-	639	-	-	1,347	-
1,986								
Amortization of								
unearned restricted								
stock compensation	-	-	-	-	-	-	-	-
101								
101								
Issuance of 9,385,000								
treasury shares, net								
of fees	-	-	-	104,714	-	-	46,765	-
151,479								
Tax benefit on Class A								
stock options								
exercised	-	-	-	12,836	-	-	-	-
12,836								
Tax benefit on								
disposition of								
employee stock								
purchases	-	-	-	65	-	-	-	-
65								
Other	-	-	-	154	-	-	-	-
154								

---	-----	-----	-----	-----	-----	-----	-----	-----
BALANCE, February 28, 2002	-	793	146	431,216	592,219	(35,222)	(33,366)	

(50)	955,736								
Comprehensive income:									
Net income for									
Fiscal 2003									
-	-	-	-	-	203,306	-	-	-	-
203,306									
Other comprehensive									
(loss) income, net									
of tax:									
Foreign currency									
translation									
adjustments,									
net of tax									
effect of									
\$6,254									
-	-	-	-	-	-	18,521	-	-	-
18,521									
Reclassification									
adjustments for									
net derivative									
gains, net of									
tax effect on \$13									
-	-	-	-	-	-	(21)	-	-	-
(21)									
Minimum pension									
liability									
adjustment, net									
of tax effect									
of \$18,681									
-	-	-	-	-	-	(42,535)	-	-	-
(42,535)									

Other comprehensive									
loss, net of tax									
(24,035)									

Comprehensive income									
179,271									
Conversion of 29,900									
Class B Convertible									
Common shares to									
Class A Common									
shares									
-	-	-	-	-	-	-	-	-	-
-									
Exercise of 2,096,061									
Class A stock options									
-	21	-	28,148	-	-	-	-	-	-
28,169									
Employee stock									
purchases of 139,062									
treasury shares									
-	-	-	1,410	-	-	-	1,475	-	-
2,885									
Issuance of 7,080									
restricted Class A									
Common shares									
-	-	-	127	-	-	-	74	-	-
(201)									
Amortization of									
unearned restricted									
stock compensation									
-	-	-	-	-	-	-	-	-	-
100	100								
Tax benefit on Class A									
stock options									
exercised									
-	-	-	8,440	-	-	-	-	-	-
8,440									
Tax benefit on									
disposition of									
employee stock									
purchases									
-	-	-	74	-	-	-	-	-	-
74									
Other									
-	-	-	309	-	-	-	-	-	-
309									

-- -----									
BALANCE, February 28,									
2003									
-	814	146	469,724	795,525	(59,257)	(31,817)			
(151)	1,174,984								
Comprehensive income:									
Net income for									
Fiscal 2004									
-	-	-	-	220,414	-	-	-	-	-
220,414									
Other comprehensive									
income (loss),									
net of tax:									
Foreign currency									
translation									
adjustments,									
net of tax effect									

BALANCE, February 29,
2004 \$ 2 \$ 971 \$ 146 \$1,024,048 \$1,010,193 \$ 372,302 \$(29,993) \$
(50) \$2,377,619

<FN> The accompanying notes to consolidated financial statements are an integral part of these statements.

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
<S> CASH FLOWS FROM OPERATING ACTIVITIES:	<C>	<C>	<C>
Net income	\$ 220,414	\$ 203,306	\$ 136,421
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	80,079	54,147	51,873
Deferred tax provision	31,398	21,050	3,675
Amortization of goodwill and intangible assets	21,875	5,942	33,531
Loss on sale of assets and restructuring charges	5,127	7,263	324
Loss on extinguishment of debt	800	-	2,590
Stock-based compensation expense	233	100	101
Amortization of discount on long-term debt	93	60	516
Gain on change in fair value of derivative instrument	(1,181)	(23,129)	-
Equity in earnings of joint venture	(542)	(12,236)	(1,667)
Change in operating assets and liabilities, net of effects from purchases of businesses:			
Accounts receivable, net	(63,036)	6,164	(44,804)
Inventories, net	96,051	(40,676)	(19,130)
Prepaid expenses and other current assets	2,192	(11,612)	566
Accounts payable	(61,647)	10,135	19,069
Accrued excise taxes	7,658	(25,029)	4,502
Other accrued expenses and liabilities	11,417	42,882	29,960
Other assets and liabilities, net	(10,624)	(2,314)	(4,228)
Total adjustments	119,893	32,747	76,878
Net cash provided by operating activities	340,307	236,053	213,299
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of businesses, net of cash acquired	(1,069,470)	-	(472,832)
Purchases of property, plant and equipment	(105,094)	(71,575)	(71,148)
Payment of accrued earn-out amount	(2,035)	(1,674)	-
Proceeds from sale of assets	13,449	1,288	35,815
Proceeds from sale of business	3,814	-	-
Proceeds from sale of marketable equity securities	849	-	-
Investment in joint venture	-	-	(77,282)
Net cash used in investing activities	(1,158,487)	(71,961)	(585,447)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of long-term debt	1,600,000	10,000	252,539
Proceeds from equity offerings, net of fees	426,086	-	151,479
Exercise of employee stock options	36,017	28,706	45,027
Proceeds from employee stock purchases	3,481	2,885	1,986
Principal payments of long-term debt	(1,282,274)	(151,134)	(260,982)
Payment of issuance costs of long-term debt	(33,748)	(20)	(4,537)
Payment of dividends	(3,295)	-	-
Net (repayment of) proceeds from notes payable	(1,113)	(51,921)	51,403
Net cash provided by (used in) financing activities	745,154	(161,484)	236,915
Effect of exchange rate changes on cash and cash investments	96,352	2,241	(1,478)
NET INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	23,326	4,849	(136,711)
CASH AND CASH INVESTMENTS, beginning of year	13,810	8,961	145,672

CASH AND CASH INVESTMENTS, end of year	\$ 37,136	\$ 13,810	\$ 8,961
	=====	=====	=====

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid during the year for:

Interest	\$ 137,359	\$ 103,161	\$ 122,121
	=====	=====	=====
Income taxes	\$ 76,990	\$ 67,187	\$ 75,054
	=====	=====	=====

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING

AND FINANCING ACTIVITIES:

Fair value of assets acquired, including cash acquired	\$ 1,776,064	\$ -	\$ 617,487
Liabilities assumed	(621,578)	-	(138,913)
	-----	-----	-----
Net assets acquired	1,154,486	-	478,574
Less - stock issuance	(77,243)	-	-
Less - direct acquisition costs accrued or previously paid	(5,939)	-	-
Less - cash acquired	(1,834)	-	(5,742)
	-----	-----	-----
Net cash paid for purchases of businesses	\$ 1,069,470	\$ -	\$ 472,832
	=====	=====	=====
Property, plant and equipment contributed to joint venture	\$ -	\$ -	\$ 30,020
	=====	=====	=====

<FN>

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

</TABLE>

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FEBRUARY 29, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

DESCRIPTION OF BUSINESS -

Constellation Brands, Inc. and its subsidiaries (the "Company") operate primarily in the beverage alcohol industry. The Company is a leading international producer and marketer of beverage alcohol brands with a broad portfolio across the wine, spirits and imported beer categories. The Company has the largest wine business in the world and is the largest multi-category supplier of beverage alcohol in the United States ("U.S."); a leading producer and exporter of wine from Australia and New Zealand; and both a major producer and independent drinks wholesaler in the United Kingdom ("U.K."). In North America, the Company distributes its products through wholesale distributors. In Australia, the Company distributes its products directly to off-premise accounts, such as major retail chains, on-premise accounts, such as hotels and restaurants, and large wholesalers. In the U.K., the Company distributes its products directly to off-premise accounts, such as major retail chains, and to other wholesalers. Through the Company's U.K. wholesale business, the Company distributes its branded products and those of other major drinks companies to on-premise accounts: pubs, clubs, hotels and restaurants.

PRINCIPLES OF CONSOLIDATION -

The consolidated financial statements of the Company include the accounts of Constellation Brands, Inc. and all of its subsidiaries. All intercompany accounts and transactions have been eliminated.

MANAGEMENT'S USE OF ESTIMATES -

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION -

Sales are recognized when title passes to the customer, which is generally when the product is shipped. Amounts billed to customers for shipping and handling are classified as sales. Sales reflect reductions attributable to consideration given to customers in various customer incentive programs, including pricing discounts on single transactions, volume discounts, promotional and advertising allowances, coupons, and rebates.

COST OF PRODUCT SOLD -

The types of costs included in cost of product sold are raw materials, packaging materials, manufacturing costs, plant administrative support and overheads, and freight and warehouse costs (including distribution network costs). Distribution network costs include inbound freight charges and outbound shipping and handling costs, purchasing and receiving costs, inspection costs, warehousing and internal transfer costs.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES -

The types of costs included in selling, general and administrative expenses

consist predominately of advertising and non-manufacturing administrative and overhead costs. Distribution network costs are not included in the Company's selling, general and administrative expenses, but are included in cost of product sold as described above. The Company expenses advertising costs as incurred, shown or distributed. Prepaid advertising costs at February 29, 2004 and February 28, 2003, were not material. Advertising expense for the years ended February 29, 2004, February 28, 2003, and February 28, 2002, was \$116.1 million, \$89.6 million and \$87.0 million, respectively.

FOREIGN CURRENCY TRANSLATION -

The "functional currency" for translating the accounts of the Company's operations outside the U.S. is the local currency. The translation from the applicable foreign currencies to U.S. dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. The resulting translation adjustments are recorded as a component of Accumulated Other Comprehensive Income (Loss) ("AOCI"). Gains or losses resulting from foreign currency denominated transactions are included in selling, general and administrative expenses in the Company's Consolidated Statements of Income. The Company engages in foreign currency denominated transactions with customers, suppliers and non-U.S. subsidiaries. Aggregate foreign currency transaction gains were \$16.6 million in Fiscal 2004. Aggregate foreign currency transaction gains were not material in Fiscal 2003 and Fiscal 2002.

CASH INVESTMENTS -

Cash investments consist of highly liquid investments with an original maturity when purchased of three months or less and are stated at cost, which approximates market value. The amounts at February 29, 2004, and February 28, 2003, are not significant.

ALLOWANCE FOR DOUBTFUL ACCOUNTS -

The Company records an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. The majority of the accounts receivable balance is generated from sales to independent distributors with whom the Company has a predetermined collection date arranged through electronic funds transfer. The allowance for doubtful accounts was \$17.2 million and \$13.8 million as of February 29, 2004, and February 28, 2003, respectively.

FAIR VALUE OF FINANCIAL INSTRUMENTS -

To meet the reporting requirements of Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," the Company calculates the fair value of financial instruments using quoted market prices whenever available. When quoted market prices are not available, the Company uses standard pricing models for various types of financial instruments (such as forwards, options, swaps, etc.) which take into account the present value of estimated future cash flows.

The carrying amount and estimated fair value of the Company's financial instruments are summarized as follows:

<TABLE>
<CAPTION>

	February 29, 2004		February 28, 2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in thousands)				
<S>	<C>	<C>	<C>	<C>
Assets:				
Cash and cash investments	\$ 37,136	\$ 37,136	\$ 13,810	\$ 13,810
Accounts receivable	\$ 635,910	\$ 635,910	\$ 399,095	\$ 399,095
Investment in marketable equity securities	\$ 14,945	\$ 14,945	\$ -	\$ -
Currency forward contracts	\$ 69,993	\$ 69,993	\$ 23,573	\$ 23,573
Liabilities:				
Notes payable to banks	\$ 1,792	\$ 1,792	\$ 2,623	\$ 2,623
Accounts payable	\$ 270,291	\$ 270,291	\$ 171,073	\$ 171,073
Long-term debt, including current portion	\$ 2,046,098	\$ 2,181,782	\$ 1,262,895	\$ 1,307,976
Currency forward contracts	\$ 1,839	\$ 1,839	\$ -	\$ -

</TABLE>

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

CASH AND CASH INVESTMENTS, ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE: The carrying amounts approximate fair value due to the short maturity of these instruments.

INVESTMENT IN MARKETABLE EQUITY SECURITIES: The fair value is estimated based on quoted market prices.

CURRENCY FORWARD CONTRACTS: The fair value is estimated based on quoted market prices.

NOTES PAYABLE TO BANKS: These instruments are variable interest rate bearing notes for which the carrying value approximates the fair value.

LONG-TERM DEBT: The senior credit facility is subject to variable interest rates which are frequently reset; accordingly, the carrying value of this debt approximates its fair value. The fair value of the remaining long-term debt, which is all fixed rate, is estimated by discounting cash flows using interest rates currently available for debt with similar terms and maturities.

DERIVATIVE INSTRUMENTS -

As a multinational company, the Company is exposed to market risk from changes in foreign currency exchange rates and interest rates that could affect the Company's results of operations and financial condition. Accordingly, the Company's results of operations are exposed to some volatility, which is minimized or eliminated whenever possible. The amount of volatility realized will vary based upon the effectiveness and level of derivative instruments outstanding during a particular period of time, as well as the currency and interest rate market movements during that same period.

The Company enters into derivative instruments, including interest rate swaps, foreign currency forwards, and/or purchased foreign currency options to manage interest rate and foreign currency risks. In accordance with Statement of Financial Standards No. 133 ("SFAS No. 133"), "Accounting for Derivative Instruments and Hedging Activities", as amended, the Company recognizes all derivatives as either assets or liabilities on the balance sheet and measures those instruments at fair value. The fair values of the Company's derivative instruments change with fluctuations in interest rates and/or currency rates and are designed so that any changes in their values are offset by changes in the values of the underlying exposures. The Company's derivative instruments are held solely to hedge economic exposures. The Company follows strict policies to manage interest rate and foreign currency risks, including prohibitions on derivative market-making or other speculative activities. As of February 29, 2004, and February 28, 2003, the Company did not have any interest rate swap agreements outstanding. As of February 29, 2004, and February 28, 2003, the Company had foreign exchange contracts outstanding with a notional value of \$735.8 million and \$11.6 million, respectively.

To qualify for hedge accounting under SFAS No. 133, the details of the hedging relationship must be formally documented at inception of the arrangement, including the risk management objective, hedging strategy, hedged item, specific risk that is being hedged, the derivative instrument, how effectiveness is being assessed and how ineffectiveness will be measured. The derivative must be highly effective in offsetting either changes in the fair value or cash flows, as appropriate, of the risk being hedged. Effectiveness is evaluated on a retrospective and prospective basis based on quantitative measures.

Certain of the Company's derivative instruments do not qualify for SFAS No. 133 hedge accounting treatment; for others, the Company does not maintain the required documentation to apply hedge accounting treatment. In both of these instances, the mark to fair value is reported currently through earnings. Furthermore, when it is determined that a derivative is not, or has ceased to be, highly effective as a hedge, the Company discontinues hedge accounting prospectively. The Company discontinues hedge accounting prospectively when (1) the derivative is no longer highly effective in offsetting changes in the cash flows of a hedged item; (2) the derivative expires or is sold, terminated, or exercised; (3) it is no longer probable that the forecasted transaction will occur; or (4) management determines that designating the derivative as a hedging instrument is no longer appropriate.

CASH FLOW HEDGES:

The Company is exposed to fluctuations in foreign currency cash flows related primarily to sales to third parties, intercompany sales, available for sale securities and intercompany loans and interest payments. Forward and option contracts are used to hedge some of these risks. Effectiveness is assessed based on changes in forward rates. Derivatives used to manage cash flow exposures generally mature within 24 months or less, with a maximum maturity of five years.

The Company records the fair value of its foreign exchange contracts qualifying for cash flow hedge accounting treatment in its consolidated balance sheet with the related gain or loss on those contracts deferred in stockholders' equity (as a component of AOCI). These deferred gains or losses are recognized in the Company's Consolidated Statement of Income in the same period in which the underlying hedged items are recognized, and on the same line item as the underlying hedged items. However, to the extent that any derivative instrument is not considered to be perfectly effective in offsetting the change in the value of the hedged item, the amount related to the ineffective portion of this derivative instrument is immediately recognized in the Company's Consolidated Statement of Income.

The Company expects \$14.1 million of net gains to be reclassified from AOCI

to earnings within the next 12 months. The amount of hedge ineffectiveness associated with the Company's designated cash flow hedge instruments recognized in the Company's Consolidated Statements of Income during the years ended February 29, 2004, February 28, 2003, and February 28, 2002, was immaterial. All components of the Company's derivative instruments' gains or losses are included in the assessment of hedge effectiveness. In addition, the amount of net gains reclassified into earnings as a result of the discontinuance of cash flow hedge accounting due to the probability that the original forecasted transaction would not occur by the end of the originally specified time period was immaterial for the years ended February 29, 2004, February 28, 2003, and February 28, 2002.

FAIR VALUE HEDGES:

Fair value hedges are hedges that offset the risk of changes in the fair values of recorded assets and liabilities, and firm commitments. The Company records changes in fair value of derivative instruments which are designated and deemed effective as fair value hedges, in earnings offset by the corresponding changes in the fair value of the hedged items.

The Company is exposed to fluctuations in the value of foreign currency denominated receivables and payables, foreign currency investments, primarily consisting of loans to subsidiaries and cash flows related primarily to repatriation of those loans/investments. Forward contracts, generally less than 12 months in duration, are used to hedge some of these risks. Effectiveness is assessed based on changes in forward rates. Gains and losses on the derivative instruments used to hedge the foreign exchange volatility associated with foreign currency dominated receivables and payables is recorded within selling, general and administrative expenses.

The amount of hedge ineffectiveness associated with the Company's designated fair value hedge instruments recognized in the Company's Consolidated Statements of Income during the years ended February 29, 2004, February 28, 2003, and February 28, 2002, was immaterial. All components of the Company's derivative instruments' gains or losses are included in the assessment of hedge effectiveness. There were no gains or losses recognized in earnings resulting from a hedged firm commitment no longer qualifying as a fair value hedge.

NET INVESTMENT HEDGES:

Net investment hedges are hedges that use derivative instruments or non-derivative instruments to hedge the foreign currency exposure of a net investment in a foreign operation. The Company manages currency exposures resulting from its net investments in foreign subsidiaries principally with debt denominated in the related foreign currency. Gains and losses on these instruments are recorded as foreign currency translation adjustment in AOCI. Currently, the Company has designated the Sterling Senior Notes and the Sterling Series C Senior Notes (as defined in Note 10) totaling (pound) 155.0 million aggregate principal amount as a hedge against the net investment in the Company's U.K. subsidiary. For the years ended February 29, 2004, February 28, 2003, and February 28, 2002, net (losses) gains of (\$45.9) million, (\$24.0) million, and \$4.4 million, respectively, are included in foreign currency translation adjustments within AOCI.

COUNTERPARTY CREDIT RISK:

Counterparty risk relates to losses the Company could incur if a counterparty defaults on a derivative contract. The Company manages exposure to counterparty credit risk by requiring specified minimum credit standards and diversification of counterparties. The Company enters into master agreements with our counterparties that allow netting of certain exposures in order to manage this risk. All of the Company's counterpart exposures are with counterparts that have investment grade ratings. The Company has procedures to monitor the credit exposure for both mark to market and future potential exposures.

INVENTORIES -

Inventories are stated at the lower of cost (computed in accordance with the first-in, first-out method) or market. Elements of cost include materials, labor and overhead and are classified as follows:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
	-----	-----
(in thousands)		
<S>	<C>	<C>
Raw materials and supplies	\$ 49,633	\$ 26,472
In-process inventories	803,200	534,073
Finished case goods	408,545	259,367
	-----	-----
	\$ 1,261,378	\$ 819,912
	=====	=====

</TABLE>

A substantial portion of barreled whiskey and brandy will not be sold

within one year because of the duration of the aging process. All barreled whiskey and brandy are classified as in-process inventories and are included in current assets, in accordance with industry practice. Bulk wine inventories are also included as in-process inventories within current assets, in accordance with the general practices of the wine industry, although a portion of such inventories may be aged for periods greater than one year. Warehousing, insurance, ad valorem taxes and other carrying charges applicable to barreled whiskey and brandy held for aging are included in inventory costs.

The Company assesses the valuation of its inventories and reduces the carrying value of those inventories that are obsolete or in excess of the Company's forecasted usage to their estimated net realizable value. The Company estimates the net realizable value of such inventories based on analyses and assumptions including, but not limited to, historical usage, future demand and market requirements. Reductions to the carrying value of inventories are recorded in cost of goods sold. If the future demand for the Company's products is less favorable than the Company's forecasts, then the value of the inventories may be required to be reduced, which would result in additional expense to the Company and affect its results of operations.

PROPERTY, PLANT AND EQUIPMENT -

Property, plant and equipment is stated at cost. Major additions and betterments are charged to property accounts, while maintenance and repairs are charged to operations as incurred. The cost of properties sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts at the time of disposal and resulting gains and losses are included as a component of operating income.

DEPRECIATION -

Depreciation is computed primarily using the straight-line method over the following estimated useful lives:

<TABLE>
<CAPTION>

Depreciable Life in Years

<S>	<C>
Land improvements	15 to 32
Vineyards	26
Buildings and improvements	10 to 44
Machinery and equipment	3 to 35
Motor vehicles	3 to 7

</TABLE>

GOODWILL AND OTHER INTANGIBLE ASSETS -

Effective March 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 ("SFAS No. 142"), "Goodwill and Other Intangible Assets." SFAS No. 142 addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes Accounting Principles Board Opinion No. 17, "Intangible Assets." Under SFAS No. 142, goodwill and indefinite lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Additionally, in the year of adoption, a transitional impairment test is also required. The Company uses December 31 as its annual impairment test measurement date. Intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives and are also subject to review for impairment. Upon adoption of SFAS No. 142, the Company determined that certain of its intangible assets met the criteria to be considered indefinite lived and, accordingly, ceased their amortization effective March 1, 2002. These intangible assets consisted principally of trademarks. The Company's trademarks relate to well established brands owned by the Company which were previously amortized over 40 years. Intangible assets determined to have a finite life, primarily distribution agreements, continue to be amortized over their estimated useful lives which did not require modification as a result of adopting SFAS No. 142. Nonamortizable intangible assets are tested for impairment in accordance with the provisions of SFAS No. 142 and amortizable intangible assets are tested for impairment in accordance with the provisions of SFAS No. 144 (as defined below). Note 6 provides a summary of intangible assets segregated between amortizable and nonamortizable amounts. No instances of impairment were noted on the Company's goodwill and other intangible assets for the years ended February 29, 2004, February 28, 2003, and February 28, 2002.

OTHER ASSETS -

Other assets include the following: (i) deferred financing costs which are stated at cost, net of accumulated amortization, and are amortized on an effective interest basis over the term of the related debt; (ii) derivative assets which are stated at fair value (see discussion above); (iii) investments in marketable securities which are stated at fair value (see Note 7); and (iv) investments in joint ventures which are carried under the equity method of accounting (see Note 8).

LONG-LIVED ASSETS IMPAIRMENT -

Effective March 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144 ("SFAS No. 144"), "Accounting for the Impairment or

Disposal of Long-Lived Assets," which addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 supersedes Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of a segment of a business (as previously defined in that Opinion). In accordance with SFAS No. 144, the Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell and are no longer depreciated.

Pursuant to this policy and in connection with the restructuring plan of the Constellation Wines segment (see Note 20), the Company recorded losses of \$2.1 million on the disposal of certain property, plant and equipment in Fiscal 2004. These losses are included in restructuring and related charges on the Company's Consolidated Statements of Income as they are part of the restructuring plan.

In Fiscal 2003, the Company recorded an asset impairment charge of \$4.8 million in connection with two of the production facilities disposed of in Fiscal 2004 under the Constellation Wines segment's restructuring plan. One of the facilities, which was held and used prior to its sale in the fourth quarter of Fiscal 2004, was written down to its appraised value and comprised most of the impairment charge. The other facility, which was held for sale in Fiscal 2004, was written down to a value based on the Company's estimate of salvage value. These assets were sold in the second quarter of Fiscal 2004. This impairment charge is included in restructuring and related charges on the Company's Consolidated Statements of Income since it is part of the realignment of its business operations. The impaired assets consist primarily of buildings, machinery and equipment located at the two production facilities. The charge resulted from the determination that the assets' undiscounted future cash flows were less than their carrying values.

The Company recorded an asset impairment charge of \$1.4 million in Fiscal 2002 in connection with the sale of the Stevens Point Brewery in March 2002. This charge has been included in selling, general and administrative expenses.

INCOME TAXES -

The Company uses the asset and liability method of accounting for income taxes. This method accounts for deferred income taxes by applying statutory rates in effect at the balance sheet date to the difference between the financial reporting and tax bases of assets and liabilities.

ENVIRONMENTAL -

Environmental expenditures that relate to current operations or to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities for environmental risks or components thereof are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company's commitment to a formal plan of action. Liabilities for environmental costs were not material at February 29, 2004, and February 28, 2003.

EARNINGS PER COMMON SHARE -

Basic earnings per common share excludes the effect of common stock equivalents and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding during the period for Class A Common Stock and Class B Convertible Common Stock. Diluted earnings per common share reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per common share assumes the exercise of stock options using the treasury stock method and assumes the conversion of Preferred Stock (see Note 16) using the "if converted" method.

STOCK-BASED EMPLOYEE COMPENSATION PLANS -

As of February 29, 2004, the Company has four stock-based employee compensation plans, which are described more fully in Note 16. The Company applies the intrinsic value method described in Accounting Principles Board Opinion No. 25 ("APB No. 25"), "Accounting for Stock Issued to Employees," and related interpretations in accounting for these plans. In accordance with APB No. 25, the compensation cost for stock options is recognized in income based on the excess, if any, of the quoted market price of the stock at the grant date of the award or other measurement date over the amount an employee must pay to acquire the stock. The Company utilizes the disclosure-only provisions of Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," as amended. Options granted under

the Company's plans have an exercise price equal to the market value of the underlying common stock on the date of grant; therefore, no incremental compensation expense has been recognized for grants made to employees under the Company's stock option plans. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

<TABLE>
<CAPTION>

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
(in thousands, except per share data)			
<S>	<C>	<C>	<C>
Net income, as reported	\$ 220,414	\$ 203,306	\$ 136,421
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	160	248	153
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(16,582)	(13,695)	(25,609)
Pro forma net income	\$ 203,992	\$ 189,859	\$ 110,965
Earnings per common share:			
Basic--as reported	\$ 2.13	\$ 2.26	\$ 1.60
Basic--pro forma	\$ 1.97	\$ 2.11	\$ 1.30
Diluted--as reported	\$ 2.06	\$ 2.19	\$ 1.55
Diluted--pro forma	\$ 1.90	\$ 2.03	\$ 1.25

</TABLE>

As reported in the Company's Annual Report on Form 10-K for the year ended February 28, 2003, pro forma net income for the year ended February 28, 2002, was adjusted from the amount originally reported to properly reflect the increased expense, net of income tax benefits, primarily attributable to the accelerated vesting of certain options during Fiscal 2002. The accelerated vesting was attributable to the attainment of preexisting performance rights set forth in the stock option grants. The impact of the accelerated vesting was not reflected in the Fiscal 2002 amount originally reported. The pro forma net income amount reflected above for Fiscal 2002 was reduced by \$12.9 million for this matter. Basic pro forma earnings per common share and diluted pro forma earnings per common share for Fiscal 2002 were reduced by \$0.15 and \$0.16, respectively.

2. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS:

Effective March 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143 ("SFAS No. 143"), "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. The adoption of SFAS No. 143 did not have a material impact on the Company's consolidated financial statements.

Effective March 1, 2003, the Company completed its adoption of Statement of Financial Accounting Standards No. 145 ("SFAS No. 145"), "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections." SFAS No. 145 rescinds Statement of Financial Accounting Standards No. 4 ("SFAS No. 4"), "Reporting Gains and Losses from Extinguishment of Debt," Statement of Financial Accounting Standards No. 44, "Accounting for Intangible Assets of Motor Carriers," and Statement of Financial Accounting Standards No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." In addition, SFAS No. 145 amends Statement of Financial Accounting Standards No. 13, "Accounting for Leases," to eliminate an inconsistency between required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. Lastly, SFAS No. 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. The adoption of the provisions rescinding SFAS No. 4 resulted in a reclassification of the extraordinary loss related to the extinguishment of debt recorded in the fourth quarter of Fiscal 2002 (\$1.6 million, net of income taxes), by increasing selling, general and administrative expenses (\$2.6 million) and decreasing the provision for income taxes (\$1.0 million). The adoption of the remaining provisions of SFAS No. 145 did not have a material impact on the Company's consolidated financial statements.

Effective March 1, 2003, the Company completed its adoption of Statement of Financial Accounting Standards No. 148 ("SFAS No. 148"), "Accounting for

Stock-Based Compensation--Transition and Disclosure." SFAS No. 148 amends Statement of Financial Accounting Standards No. 123 ("SFAS No. 123"), "Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. SFAS No. 148 also amends the disclosure provisions of SFAS No. 123 to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. Lastly, SFAS No. 148 amends Accounting Principles Board Opinion No. 28 ("APB Opinion No. 28"), "Interim Financial Reporting," to require disclosure about those effects in interim financial information. The Company has adopted the disclosure provisions only of SFAS No. 148. The adoption of SFAS No. 148 did not have a material impact on the Company's consolidated financial statements.

Effective July 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 149 ("SFAS No. 149"), "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," in its entirety. SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133. The adoption of SFAS No. 149 did not have a material impact on the Company's consolidated financial statements.

Effective August 1, 2003, the Company adopted EITF Issue No. 00-21 ("EITF No. 00-21"), "Revenue Arrangements with Multiple Deliverables." EITF No. 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. EITF No. 00-21 also addresses how arrangement consideration should be measured and allocated to the separate units of accounting in the arrangement. The adoption of EITF No. 00-21 did not have a material impact on the Company's consolidated financial statements.

Effective September 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 150 ("SFAS No. 150"), "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that an issuer classify a financial instrument that is within the scope of SFAS No. 150 as a liability. The adoption of SFAS No. 150 did not have a material impact on the Company's consolidated financial statements.

Also, as reported in the Company's Annual Report on Form 10-K for the year ended February 28, 2003, effective March 1, 2002, the Company adopted EITF Issue No. 01-9 ("EITF No. 01-9"), "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)," which codified various issues related to certain promotional payments under EITF Issue No. 00-14, "Accounting for Certain Sales Incentives," EITF Issue No. 00-22, "Accounting for 'Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future," and EITF Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products." EITF No. 01-9 addresses the recognition, measurement and income statement classification of consideration given by a vendor to a customer (including both a reseller of the vendor's products and an entity that purchases the vendor's products from a reseller). EITF No. 01-9, among other things, requires that certain consideration given by a vendor to a customer be characterized as a reduction of revenue when recognized in the vendor's income statement. Prior to its adoption of EITF No. 01-9 effective March 1, 2002, the Company reported such costs as selling, general and administrative expenses. As a result of adopting EITF No. 01-9, the Company restated the amounts originally reported for net sales, cost of product sold, and selling, general and administrative expenses for the year ended February 28, 2002. Net sales were reduced by \$213.8 million; cost of product sold was increased by \$10.1 million; and selling, general and administrative expenses were reduced by \$223.9 million. This reclassification did not affect operating income or net income.

3. ACQUISITIONS:

TURNER ROAD VINTNERS ASSETS ACQUISITION -

On March 5, 2001, in an asset acquisition, the Company acquired several well-known premium wine brands, including Vendange, Nathanson Creek, Heritage, and Talus, working capital (primarily inventories), two wineries in California, and other related assets from Sebastiani Vineyards, Inc. and Tuolomne River Vintners Group (the "Turner Road Vintners Assets"). The purchase price of the Turner Road Vintners Assets, including direct acquisition costs, was \$279.4 million. In addition, the Company assumed indebtedness of \$9.4 million. The acquisition was financed by the proceeds from the sale of the February 2001 Senior Notes (as defined in Note 10) and revolving loan borrowings under the senior credit facility. The Turner Road Vintners Assets acquisition was accounted for using the purchase method; accordingly, the acquired net assets were recorded at fair value at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired (goodwill), \$146.2 million, is no longer being amortized, but is tested for impairment at least annually in accordance with the provisions of SFAS No. 142. The results of operations of the Turner Road Vintners Assets are reported in the Constellation

Wines segment and have been included in the Consolidated Statements of Income since the date of acquisition.

CORUS ASSETS ACQUISITION -

On March 26, 2001, in an asset acquisition, the Company acquired certain wine brands, wineries, working capital (primarily inventories), and other related assets from Corus Brands, Inc. (the "Corus Assets"). In this acquisition, the Company acquired several well-known premium wine brands primarily sold in the northwestern United States, including Covey Run, Columbia, Ste. Chapelle and Alice White. The purchase price of the Corus Assets, including direct acquisition costs, was \$48.9 million plus an earn-out over six years based on the performance of the brands. In addition, the Company assumed indebtedness of \$3.0 million. As of February 29, 2004, the Company has paid an earn-out in the amount of \$3.7 million. In connection with the transaction, the Company also entered into long-term grape supply agreements with affiliates of Corus Brands, Inc. covering more than 1,000 acres of Washington and Idaho vineyards. The acquisition was financed with revolving loan borrowings under the senior credit facility. The Corus Assets acquisition was accounted for using the purchase method; accordingly, the acquired net assets were recorded at fair value at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired (goodwill), \$48.5 million, is no longer being amortized, but is tested for impairment at least annually in accordance with the provisions of SFAS No. 142. The results of operations of the Corus Assets are reported in the Constellation Wines segment and have been included in the Consolidated Statements of Income since the date of acquisition.

RAVENSWOOD ACQUISITION -

On July 2, 2001, the Company acquired all of the outstanding capital stock of Ravenswood Winery, Inc. (the "Ravenswood Acquisition"). The Ravenswood business produces, markets and sells super-premium and ultra-premium California wine, primarily under the Ravenswood brand name. The purchase price of the Ravenswood Acquisition, including direct acquisition costs, was \$149.7 million. In addition, the Company assumed indebtedness of \$2.8 million. The purchase price was financed with revolving loan borrowings under the senior credit facility. The Ravenswood Acquisition was accounted for using the purchase method; accordingly, the acquired net assets were recorded at fair value at the date of acquisition. The excess of the purchase price over the fair value of the net assets acquired (goodwill), \$99.8 million, is not amortizable and is tested for impairment at least annually in accordance with the provisions of SFAS No. 142. The Ravenswood Acquisition was consistent with the Company's strategy of further penetrating the higher gross profit margin super-premium and ultra-premium wine categories. The results of operations of the Ravenswood business are reported in the Constellation Wines segment and have been included in the Consolidated Statements of Income since the date of acquisition.

The following table summarizes the fair values of the assets acquired and liabilities assumed in the Ravenswood Acquisition at July 2, 2001, as adjusted for the final appraisal:

(in thousands)		
Current assets	\$	34,396
Property, plant and equipment		14,994
Goodwill		99,756
Trademarks		45,600
Other assets		26

Total assets acquired		194,772

Current liabilities		12,523
Long-term liabilities		32,593

Total liabilities assumed		45,116

Net assets acquired	\$	149,656
		=====

The trademarks are not subject to amortization. None of the goodwill is expected to be deductible for tax purposes.

HARDY ACQUISITION -

On March 27, 2003, the Company acquired control of BRL Hardy Limited, now known as Hardy Wine Company Limited ("Hardy"), and on April 9, 2003, the Company completed its acquisition of all of Hardy's outstanding capital stock. As a result of the acquisition of Hardy, the Company also acquired the remaining 50% ownership of Pacific Wine Partners LLC ("PWP"), the joint venture the Company established with Hardy in July 2001. The acquisition of Hardy along with the remaining interest in PWP is referred to together as the "Hardy Acquisition." Through this acquisition, the Company acquired Australia's largest wine producer with interests in wineries and vineyards in most of Australia's major wine regions as well as New Zealand and the United States. In addition, Hardy has significant marketing and sales operations in the United Kingdom.

Total consideration paid in cash and Class A Common Stock to the Hardy

shareholders was \$1,137.4 million. Additionally, the Company recorded direct acquisition costs of \$17.7 million. The acquisition date for accounting purposes is March 27, 2003. The Company has recorded a \$1.6 million reduction in the purchase price to reflect imputed interest between the accounting acquisition date and the final payment of consideration. This charge is included as interest expense in the Consolidated Statement of Income for the year ended February 29, 2004. The cash portion of the purchase price paid to the Hardy shareholders and optionholders (\$1,060.2 million) was financed with \$660.2 million of borrowings under the Company's March 2003 Credit Agreement (as defined in Note 10) and \$400.0 million of borrowings under the Company's Bridge Agreement (as defined in Note 10). Additionally, the Company issued 3,288,913 shares of the Company's Class A Common Stock, which were valued at \$77.2 million based on the simple average of the closing market price of the Company's Class A Common Stock beginning two days before and ending two days after April 4, 2003, the day the Hardy shareholders elected the form of consideration they wished to receive. The purchase price was based primarily on a discounted cash flow analysis that contemplated, among other things, the value of a broader geographic distribution in strategic international markets and a presence in the important Australian winemaking regions. The Company and Hardy have complementary businesses that share a common growth orientation and operating philosophy. The Hardy Acquisition supports the Company's strategy of growth and breadth across categories and geographies, and strengthens its competitive position in its core markets. The purchase price and resulting goodwill were primarily based on the growth opportunities of the brand portfolio of Hardy. In particular, the Company believes there are growth opportunities for Australian wines in the United Kingdom, United States and other wine markets. This acquisition supports the Company's strategy of driving long-term growth and positions the Company to capitalize on the growth opportunities in "new world" wine markets.

The results of operations of Hardy and PWP are reported in the Constellation Wines segment and have been included in the Consolidated Statements of Income since the accounting acquisition date.

The following table summarizes the estimated fair values of the Hardy Acquisition assets acquired and liabilities assumed at the date of acquisition. The purchase price allocation period ended on March 27, 2004, and the Company will record final adjustments to the valuation of certain assets in the first quarter of fiscal 2005; however, these adjustments are not material. The Company is in the process of finalizing the tax bases of assets acquired and liabilities assumed. Accordingly, deferred tax assets and deferred tax liabilities associated with temporary differences may be subject to further adjustments. Estimated fair values at March 27, 2003, are as follows:

(in thousands)	
Current assets	\$ 535,374
Property, plant and equipment	332,125
Other assets	27,672
Trademarks	262,733
Goodwill	615,251

Total assets acquired	1,773,155
Current liabilities	294,204
Long-term liabilities	325,478

Total liabilities assumed	619,682

Net assets acquired	\$ 1,153,473
	=====

The trademarks are not subject to amortization. None of the goodwill is expected to be deductible for tax purposes.

The following table sets forth the unaudited pro forma results of operations of the Company for the years ended February 29, 2004, and February 28, 2003, respectively. The unaudited pro forma results of operations give effect to the Hardy Acquisition as if it occurred on March 1, 2002. The unaudited pro forma results of operations are presented after giving effect to certain adjustments for depreciation, amortization of deferred financing costs, interest expense on the acquisition financing and related income tax effects. The unaudited pro forma results of operations are based upon currently available information and certain assumptions that the Company believes are reasonable under the circumstances. The unaudited pro forma results of operations for the year ended February 28, 2003, do not reflect total pretax nonrecurring charges of \$30.3 million (\$0.23 per share on a diluted basis) related to transaction costs, primarily for the payment of stock options, which were incurred by Hardy prior to the acquisition, partially offset by the one-time tax benefit from a change in Australian tax consolidation rules effective January 1, 2003, related to acquisition basis adjustments to fair value of \$10.6 million (\$0.11 per share on a diluted basis). The unaudited pro forma results of operations do not purport to present what the Company's results of operations would actually have been if the aforementioned transactions had in fact occurred on such date or at the beginning of the period indicated, nor do they project the Company's

financial position or results of operations at any future date or for any future period.

<TABLE>
<CAPTION>

	For the Years Ended	
	February 29, 2004	February 28, 2003
(in thousands, except per share data)		
<S>	<C>	<C>
Net sales	\$ 3,583,297	\$ 3,247,474
Income before income taxes	\$ 346,184	\$ 340,412
Net income	\$ 222,835	\$ 216,756
Income available to common stockholders	\$ 217,089	\$ 216,756
Earnings per common share:		
Basic	\$ 2.15	\$ 2.33
	=====	=====
Diluted	\$ 2.08	\$ 2.26
	=====	=====
Weighted average common shares outstanding:		
Basic	101,052	93,145
Diluted	107,298	96,035

</TABLE>

4. PROPERTY, PLANT AND EQUIPMENT:

The major components of property, plant and equipment are as follows:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
(in thousands)		
<S>	<C>	<C>
Land and land improvements	\$ 209,959	\$ 84,758
Vineyards	68,633	37,394
Buildings and improvements	297,128	173,943
Machinery and equipment	800,043	551,271
Motor vehicles	13,707	5,468
Construction in progress	59,663	32,839
	-----	-----
	1,449,133	885,673
Less - Accumulated depreciation	(351,771)	(283,204)
	-----	-----
	\$ 1,097,362	\$ 602,469
	=====	=====

</TABLE>

5. GOODWILL:

As discussed in Note 1, effective March 1, 2002, the Company adopted SFAS No. 142. The following table presents earnings and earnings per share information for the comparative periods as if Statement of Financial Accounting Standards No. 141 ("SFAS No. 141"), "Business Combinations," and the nonamortization provisions of SFAS No. 142 had been applied beginning March 1, 2001:

<TABLE>
<CAPTION>

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
(in thousands, except per share data)			
<S>	<C>	<C>	<C>
Reported net income	\$ 220,414	\$ 203,306	\$ 136,421
Add back: amortization of goodwill	-	-	16,114
Add back: amortization of intangibles reclassified to goodwill	-	-	2,147
Add back: amortization of indefinite lived intangible assets	-	-	9,038
Less: income tax effect	-	-	(8,353)
	-----	-----	-----
Adjusted net income	\$ 220,414	\$ 203,306	\$ 155,367
	=====	=====	=====

BASIC EARNINGS PER COMMON SHARE:			
Reported net income	\$	2.13	\$ 2.26 \$ 1.60
Add back: amortization of goodwill		-	- 0.19
Add back: amortization of intangibles reclassified to goodwill		-	- 0.02
Add back: amortization of indefinite lived intangible assets		-	- 0.11
Less: income tax effect		-	- (0.10)
Adjusted net income	\$	2.13	\$ 2.26 \$ 1.82

DILUTED EARNINGS PER COMMON SHARE:			
Reported net income	\$	2.06	\$ 2.19 \$ 1.55
Add back: amortization of goodwill		-	- 0.18
Add back: amortization of intangibles reclassified to goodwill		-	- 0.03
Add back: amortization of indefinite lived intangible assets		-	- 0.10
Less: income tax effect		-	- (0.09)
Adjusted net income	\$	2.06	\$ 2.19 \$ 1.77

</TABLE>

The changes in the carrying amount of goodwill for the year ended February 29, 2004, are as follows:

<TABLE>
<CAPTION>

	Constellation Wines	Constellation Beers and Spirits	Consolidated
(in thousands)			
<S>	<C>	<C>	<C>
Balance, February 28, 2003	\$ 590,263	\$ 131,960	\$ 722,223
Purchase accounting allocations	650,070	-	650,070
Foreign currency translation adjustments	165,054	1,327	166,381
Purchase price earn-out	2,412	-	2,412
Other	(449)	-	(449)
Balance, February 29, 2004	\$ 1,407,350	\$ 133,287	\$ 1,540,637

</TABLE>

The Constellation Wines purchase accounting allocations of goodwill totaling \$650.1 million consist of \$615.3 million of goodwill resulting from the Hardy Acquisition, \$33.4 million of goodwill previously included as part of the Company's investment in PWP, and \$1.4 million of goodwill resulting from an immaterial business acquisition.

6. INTANGIBLE ASSETS:

The major components of intangible assets are:

<TABLE>
<CAPTION>

	February 29, 2004		February 28, 2003	
	Gross Carrying Amount	Net Carrying Amount	Gross Carrying Amount	Net Carrying Amount
(in thousands)				
<S>	<C>	<C>	<C>	<C>
Amortizable intangible assets:				
Distribution agreements	\$ 12,883	\$ 4,455	\$ 10,158	\$ 4,434
Other	4,021	64	4,003	370
Total	\$ 16,904	4,519	\$ 14,161	4,804
Nonamortizable intangible assets:				
Trademarks		722,047		357,166
Agency relationships		18,412		20,458
Total		740,459		377,624
Total intangible assets		\$ 744,978		\$ 382,428

</TABLE>

The difference between the gross carrying amount and net carrying amount for each item presented is attributable to accumulated amortization. Amortization expense for intangible assets was \$2.6 million, \$2.2 million and \$13.4 million for the years ended February 29, 2004, February 28, 2003, and February 28, 2002, respectively. Estimated amortization expense for each of the five succeeding fiscal years is as follows:

(in thousands)	
2005	\$ 2,823
2006	\$ 1,318
2007	\$ 341
2008	\$ 25
2009	\$ 12

7. OTHER ASSETS:

The major components of other assets are as follows:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
	-----	-----
(in thousands)		
<S>	<C>	<C>
Deferred financing costs	\$ 54,186	\$ 28,555
Derivative assets	41,517	-
Investment in marketable equity securities	14,945	-
Investment in joint ventures	8,412	123,064
Other	7,454	18,418
	-----	-----
	126,514	170,037
Less - Accumulated amortization	(22,289)	(10,928)
	-----	-----
	\$ 104,225	\$ 159,109
	=====	=====

</TABLE>

The Company's investment in marketable equity securities is classified as an available-for-sale security. As such, gross unrealized losses of \$0.6 million are included, net of applicable income taxes, within AOCI as of February 29, 2004. The Company uses the average cost method as its basis on which cost is determined in computing realized gains or losses. Realized gains on sales of securities during the year ended February 29, 2004, are immaterial.

Amortization expense for other assets was included in selling, general and administrative expenses and was \$19.3 million, \$3.7 million and \$4.0 million for the years ended February 29, 2004, February 28, 2003, and February 28, 2002, respectively. Amortization expense for the year ended February 29, 2004, includes \$7.9 million related to amortization of the deferred financing costs associated with the Bridge Loans (as defined in Note 10). As of February 29, 2004, the deferred financing costs associated with the Bridge Loans have been fully amortized.

8. INVESTMENT IN JOINT VENTURE:

On March 27, 2003, as part of the Hardy Acquisition, the Company acquired the remaining 50% ownership of PWP, the joint venture formed on July 31, 2001, which was previously owned equally by the Company and Hardy. Prior to March 27, 2003, the Company's investment was accounted for under the equity method. Since the Hardy Acquisition, PWP has become a wholly-owned subsidiary of the Company and its results of operations have been included in the Consolidated Statements of Income since March 27, 2003.

In addition, in connection with the Hardy Acquisition, the Company acquired several investments which are being accounted for under the equity method. The majority of these investments consist of 50% owned joint venture arrangements. As of February 29, 2004, the Company's investment balance in these equity investments was \$8.4 million.

9. OTHER ACCRUED EXPENSES AND LIABILITIES:

The major components of other accrued expenses and liabilities are as follows:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
	-----	-----
(in thousands)		

<S>	<C>	<C>
Advertising and promotions	\$ 132,821	\$ 63,155
Income taxes payable	57,065	58,347
Salaries and commissions	49,834	35,769
Adverse grape contracts	40,105	10,244
Interest	25,470	22,019
Other	136,714	114,293
	-----	-----
	\$ 442,009	\$ 303,827
	=====	=====

</TABLE>

10. BORROWINGS:

Borrowings consist of the following:

<TABLE>
<CAPTION>

	February 29, 2004			February 28, 2003
	Current	Long-term	Total	Total
	-----	-----	-----	-----
(in thousands)				
<S>	<C>	<C>	<C>	<C>
Notes Payable to Banks:				
-				
Senior Credit Facility - Revolving Credit Loans	\$ -	\$ -	\$ -	\$ 2,000
Other	1,792	-	1,792	623
	-----	-----	-----	-----
	\$ 1,792	\$ -	\$ 1,792	\$ 2,623
	=====	=====	=====	=====
Long-term Debt:				
-				
Senior Credit Facility - Term Loans	\$ 60,000	\$ 800,000	\$ 860,000	\$ 145,363
Senior Notes	-	689,099	689,099	643,229
Senior Subordinated Notes	200,000	250,000	450,000	450,000
Other Long-term Debt	7,245	39,754	46,999	24,303
	-----	-----	-----	-----
	\$ 267,245	\$ 1,778,853	\$ 2,046,098	\$ 1,262,895
	=====	=====	=====	=====

</TABLE>

SENIOR CREDIT FACILITY -

In connection with the Hardy Acquisition, on January 16, 2003, the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, as a lender and administrative agent (the "Administrative Agent"), and certain other lenders entered into a new credit agreement (as subsequently amended and restated as of March 19, 2003, the "March 2003 Credit Agreement"). In October 2003, the Company entered into a Second Amended and Restated Credit Agreement (the "October Credit Agreement") that (i) refinanced the then outstanding principal balance under the Tranche B Term Loan facility on essentially the same terms as the Tranche B Term Loan facility under the March 2003 Credit Agreement, but at a lower Applicable Rate (as such term is defined in the October Credit Agreement) and (ii) otherwise restated the terms of the March 2003 Credit Agreement, as amended. The October Credit Agreement was further amended during February 2004 (the "Credit Agreement"). The March 2003 Credit Agreement provided for aggregate credit facilities of \$1.6 billion consisting of a \$400.0 million Tranche A Term Loan facility due in February 2008, an \$800.0 million Tranche B Term Loan facility due in November 2008 and a \$400.0 million Revolving Credit facility (including an Australian Dollar revolving sub-facility of up to A\$10.0 million and a sub-facility for letters of credit of up to \$40.0 million) which expires on February 29, 2008. Proceeds of the March 2003 Credit Agreement were used to pay off the Company's obligations under its prior senior credit facility, to fund a portion of the cash required to pay the former Hardy shareholders and to pay indebtedness outstanding under certain of Hardy's credit facilities. The Company uses the remaining availability under the Credit Agreement to fund its working capital needs on an on-going basis.

The Tranche A Term Loan facility and the Tranche B Term Loan facility were fully drawn on March 27, 2003. As of February 29, 2004, the Company has made \$40.0 million of scheduled and required payments on the Tranche A Term Loan facility. In August 2003, the Company paid \$100.0 million of the Tranche B Term Loan facility. In October 2003, the Company paid an additional \$200.0 million of the Tranche B Term Loan facility. As of February 29, 2004, the required annual repayments of the Tranche A Term Loan and the Tranche B Term Loan are as follows:

<TABLE>
<CAPTION>

Tranche A Tranche B

	Term Loan	Term Loan	Total
	-----	-----	-----
(in thousands)			
<S>	<C>	<C>	<C>
2005	\$ 60,000	\$ -	\$ 60,000
2006	80,000	54,420	134,420
2007	100,000	54,420	154,420
2008	120,000	119,048	239,048
2009	-	272,112	272,112
	-----	-----	-----
	\$ 360,000	\$ 500,000	\$ 860,000
	=====	=====	=====

</TABLE>

The rate of interest payable, at the Company's option, is a function of LIBOR plus a margin, the federal funds rate plus a margin, or the prime rate plus a margin. The margin is adjustable based upon the Company's Debt Ratio (as defined in the Credit Agreement) and, with respect to LIBOR borrowings, ranges between 1.50% and 2.50%. As of February 29, 2004, the LIBOR margin for the Revolving Credit facility and the Tranche A Term Loan facility is 1.75%, while the LIBOR margin on the Tranche B Term Loan facility is 2.00%.

The Company's obligations are guaranteed by certain subsidiaries of the Company ("Guarantors") and the Company is obligated to pledge collateral of (i) 100% of the capital stock of all of the Company's U.S. subsidiaries and (ii) 65% of the voting capital stock of certain foreign subsidiaries of the Company.

The Company and its subsidiaries are subject to customary lending covenants including those restricting additional liens, the incurrence of additional indebtedness (including guarantees of indebtedness), the sale of assets, the payment of dividends, transactions with affiliates and the making of certain investments, in each case subject to baskets, exceptions and/or thresholds. As a result of the prepayment of the Bridge Loans (as defined below) with the proceeds from the 2003 Equity Offerings (see Note 16), the requirement under certain circumstances for the Company and the Guarantors to pledge certain assets consisting of, among other things, inventory, accounts receivable and trademarks to secure the obligations under the Credit Agreement, ceased to apply. The primary financial covenants require the maintenance of a debt coverage ratio, a senior debt coverage ratio, a fixed charge ratio and an interest coverage ratio. As of February 29, 2004, the Company is in compliance with all of its covenants under its Credit Agreement.

As of February 29, 2004, under the Credit Agreement, the Company had outstanding Tranche A Term Loans of \$360.0 million bearing a weighted average interest rate of 2.9%, Tranche B Term Loans of \$500.0 million bearing a weighted average interest rate of 3.2%, undrawn revolving letters of credit of \$18.6 million, and \$381.4 million in revolving loans available to be drawn. There were no outstanding revolving loans under the Credit Agreement as of February 29, 2004.

BRIDGE FACILITY -

On January 16, 2003, the Company, certain subsidiaries of the Company, JPMorgan Chase Bank, as a lender and Administrative Agent, and certain other lenders (such other lenders, together with the Administrative Agent, are collectively referred to herein as the "Bridge Lenders") entered into a bridge loan agreement which was amended and restated as of March 26, 2003, containing commitments of the Bridge Lenders to make bridge loans (the "Bridge Loans") of up to, in the aggregate, \$450.0 million (the "Bridge Agreement"). On April 9, 2003, the Company used \$400.0 million of the Bridge Loans to fund a portion of the cash required to pay the former Hardy shareholders. On July 30, 2003, the Company used proceeds from the 2003 Equity Offerings to prepay the \$400.0 million Bridge Loans in their entirety.

SUBSIDIARY FACILITIES -

The Company has additional line of credit arrangements available totaling \$91.5 million and \$44.5 million as of February 29, 2004, and February 28, 2003, respectively. These lines support the borrowing needs of certain of the Company's foreign subsidiary operations. Interest rates and other terms of these borrowings vary from country to country, depending on local market conditions. As of February 29, 2004, and February 28, 2003, amounts outstanding under the subsidiary revolving credit facilities were \$1.8 million and \$0.6 million, respectively.

SENIOR NOTES -

On August 4, 1999, the Company issued \$200.0 million aggregate principal amount of 8 5/8% Senior Notes due August 2006 (the "August 1999 Senior Notes"). Interest on the August 1999 Senior Notes is payable semiannually on February 1 and August 1. As of February 29, 2004, the Company had outstanding \$200.0 million aggregate principal amount of August 1999 Senior Notes.

On November 17, 1999, the Company issued (pound) 75.0 million (\$121.7 million upon issuance) aggregate principal amount of 8 1/2% Senior Notes due November 2009 (the "Sterling Senior Notes"). Interest on the Sterling Senior Notes is payable semiannually on May 15 and November 15. In March 2000, the Company exchanged (pound) 75.0 million aggregate principal amount of 8 1/2%

Series B Senior Notes due in November 2009 (the "Sterling Series B Senior Notes") for all of the Sterling Senior Notes. The terms of the Sterling Series B Senior Notes are identical in all material respects to the Sterling Senior Notes. In October 2000, the Company exchanged (pound) 74.0 million aggregate principal amount of Sterling Series C Senior Notes (as defined below) for (pound) 74.0 million of the Sterling Series B Notes. The terms of the Sterling Series C Senior Notes are identical in all material respects to the Sterling Series B Senior Notes. As of February 29, 2004, the Company had outstanding (pound) 1.0 million (\$1.9 million) aggregate principal amount of Sterling Series B Senior Notes.

On May 15, 2000, the Company issued (pound) 80.0 million (\$120.0 million upon issuance) aggregate principal amount of 8 1/2% Series C Senior Notes due November 2009 at an issuance price of (pound) 79.6 million (\$119.4 million upon issuance, net of \$0.6 million unamortized discount, with an effective interest rate of 8.6%) (the "Sterling Series C Senior Notes"). Interest on the Sterling Series C Senior Notes is payable semiannually on May 15 and November 15. As of February 29, 2004, the Company had outstanding (pound) 154.0 million (\$287.2 million, net of \$0.5 million unamortized discount) aggregate principal amount of Sterling Series C Senior Notes.

On February 21, 2001, the Company issued \$200.0 million aggregate principal amount of 8% Senior Notes due February 2008 (the "February 2001 Senior Notes"). The net proceeds of the offering (\$197.0 million) were used to partially fund the acquisition of the Turner Road Vintners Assets. Interest on the February 2001 Senior Notes is payable semiannually on February 15 and August 15. In July 2001, the Company exchanged \$200.0 million aggregate principal amount of 8% Series B Senior Notes due February 2008 (the "February 2001 Series B Senior Notes") for all of the February 2001 Senior Notes. The terms of the February 2001 Series B Senior Notes are identical in all material respects to the February 2001 Senior Notes. As of February 29, 2004, the Company had outstanding \$200.0 million aggregate principal amount of February 2001 Senior Notes.

The senior notes described above are redeemable, in whole or in part, at the option of the Company at any time at a redemption price equal to 100% of the outstanding principal amount and a make whole payment based on the present value of the future payments at the adjusted Treasury rate or adjusted Gilt rate plus 50 basis points. The senior notes are unsecured senior obligations and rank equally in right of payment to all existing and future unsecured senior indebtedness of the Company. Certain of the Company's significant operating subsidiaries guarantee the senior notes, on a senior basis.

SENIOR SUBORDINATED NOTES -

On March 4, 1999, the Company issued \$200.0 million aggregate principal amount of 8 1/2% Senior Subordinated Notes due March 2009 ("Senior Subordinated Notes"). Interest on the Senior Subordinated Notes is payable semiannually on March 1 and September 1. The Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after March 1, 2004. As of February 29, 2004, the Company had outstanding \$200.0 million aggregate principal amount of Senior Subordinated Notes. On February 10, 2004, the Company issued a Notice of Redemption for its Senior Subordinated Notes. The Senior Subordinated Notes were redeemed with proceeds from the Revolving Credit facility on March 11, 2004, at 104.25% of par plus accrued interest. In the first quarter of fiscal 2005, the Company recorded a charge of \$10.3 million related to this redemption.

On January 23, 2002, the Company issued \$250.0 million aggregate principal amount of 8 1/8% Senior Subordinated Notes due January 2012 ("January 2002 Senior Subordinated Notes"). The net proceeds of the offering (\$247.2 million) were used primarily to repay the Company's \$195.0 million aggregate principal amount of 8 3/4% Senior Subordinated Notes due in December 2003. The remaining net proceeds of the offering were used to repay a portion of the outstanding indebtedness under the Company's then existing senior credit facility. Interest on the January 2002 Senior Subordinated Notes is payable semiannually on January 15 and July 15. The January 2002 Senior Subordinated Notes are redeemable at the option of the Company, in whole or in part, at any time on or after January 15, 2007. The Company may also redeem up to 35% of the January 2002 Senior Subordinated Notes using the proceeds of certain equity offerings completed before January 15, 2005. The January 2002 Senior Subordinated Notes are unsecured and subordinated to the prior payment in full of all senior indebtedness of the Company, which includes the senior credit facility. The January 2002 Senior Subordinated Notes are guaranteed, on a senior subordinated basis, by certain of the Company's significant operating subsidiaries. As of February 29, 2004, the Company had outstanding \$250.0 million aggregate principal amount of January 2002 Senior Subordinated Notes.

TRUST INDENTURES -

The Company's various Trust Indentures relating to the senior notes and senior subordinated notes contain certain covenants, including, but not limited to: (i) limitation on indebtedness; (ii) limitation on restricted payments; (iii) limitation on transactions with affiliates; (iv) limitation on senior subordinated indebtedness; (v) limitation on liens; (vi) limitation on sale of assets; (vii) limitation on issuance of guarantees of and pledges for indebtedness; (viii) restriction on transfer of assets; (ix) limitation on subsidiary capital stock; (x) limitation on dividends and other payment

restrictions affecting subsidiaries; and (xi) restrictions on mergers, consolidations and the transfer of all or substantially all of the assets of the Company to another person. The limitation on indebtedness covenant is governed by a rolling four quarter fixed charge ratio requiring a specified minimum.

DEBT PAYMENTS -

Principal payments required under long-term debt obligations (excluding unamortized discount of \$0.5 million) during the next five fiscal years and thereafter are as follows:

(in thousands)	
2005	\$ 267,245
2006	141,682
2007	366,481
2008	445,356
2009	567,516
Thereafter	258,337

	\$ 2,046,617
	=====

GUARANTEES -

A foreign subsidiary of the Company has guaranteed debt of a joint venture in the maximum amount of \$4.2 million as of February 29, 2004. The liability for this guarantee is not material and the Company does not have any collateral from this entity.

11. INCOME TAXES:

Income before income taxes was generated as follows:

<TABLE>
<CAPTION>

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
	-----	-----	-----
(in thousands)			
<S>	<C>	<C>	<C>
Domestic	\$ 289,960	\$ 294,557	\$ 199,600
Foreign	54,437	40,379	27,769
	-----	-----	-----
	\$ 344,397	\$ 334,936	\$ 227,369
	=====	=====	=====

</TABLE>

The income tax provision consisted of the following:

<TABLE>
<CAPTION>

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
	-----	-----	-----
(in thousands)			
<S>	<C>	<C>	<C>
Current:			
Federal	\$ 68,125	\$ 79,472	\$ 63,917
State	13,698	13,807	10,800
Foreign	14,116	17,301	12,556
	-----	-----	-----
Total current	95,939	110,580	87,273
	-----	-----	-----
Deferred:			
Federal	18,843	16,290	(492)
State	6,180	2,502	(251)
Foreign	3,021	2,258	4,418
	-----	-----	-----
Total deferred	28,044	21,050	3,675
	-----	-----	-----
Income tax provision	\$ 123,983	\$ 131,630	\$ 90,948
	=====	=====	=====

</TABLE>

The foreign provision for income taxes is based on foreign pretax earnings. Earnings of foreign subsidiaries would be subject to U.S. income taxation on repatriation to the U.S. The Company's consolidated financial statements fully provide for any related tax liability on amounts that may be repatriated.

Deferred tax assets and liabilities reflect the future income tax effects of temporary differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates that apply to taxable income.

Significant components of deferred tax assets (liabilities) consist of the following:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
	-----	-----
(in thousands)		
<S>	<C>	<C>
Deferred tax assets:		
- - - - -		
Inventory	\$ 23,347	\$ -
Employee benefits	20,696	15,100
Net operating losses	15,477	-
Insurance accruals	5,682	6,061
Prepaid and other assets	815	9,156
Restructuring accruals	-	1,198
Other accruals	23,433	15,778
	-----	-----
Gross deferred tax assets	89,450	47,293
Valuation allowances	(2,712)	-
	-----	-----
Deferred tax assets, net	86,738	47,293
	-----	-----
Deferred tax liabilities:		
- - - - -		
Property, plant and equipment	\$ (96,059)	\$ (73,705)
Intangible assets	(147,271)	(101,338)
Derivative instruments	(17,883)	(9,081)
Inventory	-	(1,140)
Provision for unremitted earnings	(2,547)	-
	-----	-----
Total deferred tax liabilities	(263,760)	(185,264)
	-----	-----
Deferred tax liabilities, net	(177,022)	(137,971)
Less: Current deferred tax assets, net	10,388	7,268
	-----	-----
Long-term deferred tax liabilities, net	\$ (187,410)	\$ (145,239)
	=====	=====

</TABLE>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. Management considers the reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon this assessment, management believes it is more likely than not that the Company will realize the benefits of these deductible differences, net of any valuation allowances.

Operating loss carryforwards totaling \$47.7 million at February 29, 2004, are being carried forward in a number of U.S. and foreign jurisdictions where the Company is permitted to use tax operating losses from prior periods to reduce future taxable income. Of these operating loss carryforwards, \$6.6 million will expire in 2019 and \$41.1 million may be carried forward indefinitely. In addition, certain tax credits generated of \$8.6 million are available to future income taxes. These credits will expire, if not utilized, in 2007 through 2009.

The Company is subject to ongoing tax examinations and assessments in various jurisdictions. Accordingly, the Company provides for additional tax expense based on probable outcomes of such matters. The Internal Revenue Service is currently examining tax returns for the years ended February 29, 2000, February 28, 2001, February 28, 2002, and February 28, 2003. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, the Company believes the reserves reflect the probable outcome of known tax contingencies. Unfavorable settlement of any particular issue would require use of cash. Favorable resolution would be recognized as a reduction to the effective tax rate in the year of resolution.

A reconciliation of the total tax provision to the amount computed by applying the statutory U.S. Federal income tax rate to income before provision for income taxes is as follows:

<TABLE>

<CAPTION>

	For the Years Ended					
	February 29, 2004		February 28, 2003		February 28, 2002	
	Amount	% of Pretax Income	Amount	% of Pretax Income	Amount	% of
Pretax Income						
(in thousands)						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Income tax provision at statutory rate	\$ 120,521	35.0	\$ 117,228	35.0	\$ 79,580	
35.0						
State and local income taxes, net of federal income tax benefit	13,032	3.8	10,601	3.2	6,812	
3.0						
Earnings of subsidiaries taxed at other than U.S. statutory rate	(12,170)	(3.5)	1,838	0.5	1,105	
0.5						
Miscellaneous items, net	2,600	0.7	1,963	0.6	3,451	
1.5						
	\$ 123,983	36.0	\$ 131,630	39.3	\$ 90,948	
40.0						

</TABLE>

The effect of earnings of foreign subsidiaries includes the difference between the U.S. statutory rate and local jurisdiction tax rates, as well as the provision for incremental U.S. taxes on unremitted earnings of foreign subsidiaries offset by foreign tax credits and other foreign adjustments.

12. OTHER LIABILITIES:

The major components of other liabilities are as follows:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
(in thousands)		
<S>	<C>	<C>
Accrued pension liability	\$ 55,221	\$ 36,351
Adverse grape contracts (Note 15)	83,464	22,550
Other	46,304	40,367
	\$ 184,989	\$ 99,268

</TABLE>

13. PROFIT SHARING AND RETIREMENT SAVINGS PLANS:

The Company's retirement and profit sharing plan, the Constellation Brands, Inc. 401(k) and Profit Sharing Plan (the "Plan"), covers substantially all U.S. employees, excluding those employees covered by collective bargaining agreements. The 401(k) portion of the Plan permits eligible employees to defer a portion of their compensation (as defined in the Plan) on a pretax basis. Participants may defer up to 50% of their compensation for the year, subject to limitations of the Plan. The Company makes a matching contribution of 50% of the first 6% of compensation a participant defers. The amount of the Company's contribution under the profit sharing portion of the Plan is a discretionary amount as determined by the Board of Directors on an annual basis, subject to limitations of the Plan. Company contributions under the Plan were \$10.8 million, \$10.9 million, and \$10.5 million for the years ended February 29, 2004, February 28, 2003, and February 28, 2002, respectively.

During the year ended February 29, 2004, in connection with the Hardy Acquisition, the Company acquired the BRL Hardy Superannuation Fund (now known as the Hardy Wine Company Superannuation Plan) (the "Hardy Plan") which covers substantially all salaried Australian employees. The Hardy Plan has a defined benefit component and a defined contribution component. The Company also has a statutory obligation to provide a minimum defined contribution on behalf of any Australian employees who are not covered by the Hardy Plan. Additionally in Fiscal 2004, the Company instituted a defined contribution plan that covers

substantially all of its U.K. employees. Company contributions under the defined contribution component of the Hardy Plan, the Australian statutory obligation, and the U.K. defined contribution plan aggregated \$6.5 million for the year ended February 29, 2004.

The Company also has defined benefit pension plans that cover certain of its non-U.S. employees. These consist of a Canadian plan, an U.K. plan and the defined benefit component of the Hardy Plan. During the year ended February 29, 2004, the Company ceased future accruals for active employees under its U.K. plan. There were no curtailment charges arising from this event. Net periodic benefit cost (income) reported in the Consolidated Statements of Income for these plans includes the following components:

<TABLE>
<CAPTION>

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
(in thousands)			
<S>	<C>	<C>	<C>
Service cost	\$ 2,202	\$ 4,245	\$ 4,298
Interest cost	14,471	12,055	11,549
Expected return on plan assets	(15,155)	(14,639)	(15,867)
Amortization of prior service cost	9	8	8
Recognized net actuarial loss (gain)	2,019	843	(33)
Net periodic benefit cost (income)	\$ 3,546	\$ 2,512	\$ (45)

</TABLE>

The following table summarizes the funded status of the Company's defined benefit pension plans and the related amounts included in the Consolidated Balance Sheets:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
(in thousands)		
<S>	<C>	<C>
Change in benefit obligation:		
Benefit obligation as of March 1	\$ 220,686	\$ 186,722
Service cost	2,202	4,245
Interest cost	14,471	12,055
Plan participants' contributions	235	1,638
Actuarial loss	19,079	3,423
Acquisition	10,764	-
Benefits paid	(11,013)	(7,706)
Foreign currency exchange rate changes	45,184	20,309
Benefit obligation as of the last day of February	\$ 301,608	\$ 220,686
Change in plan assets:		
Fair value of plan assets as of March 1	\$ 175,819	\$ 181,815
Actual return on plan assets	21,618	(19,794)
Acquisition	9,601	-
Plan participants' contributions	235	1,638
Employer contribution	3,983	979
Benefits paid	(11,013)	(7,706)
Foreign currency exchange rate changes	36,071	18,887
Fair value of plan assets as of the last day of February	\$ 236,314	\$ 175,819
Funded status of the plan as of the last day of February:		
Funded status	\$ (65,294)	\$ (44,867)
Unrecognized prior service cost	18	24
Unrecognized actuarial loss	93,926	69,732
Net amount recognized	\$ 28,650	\$ 24,889

Amounts recognized in the Consolidated Balance Sheets consist of:

Prepaid benefit cost	\$ 97	\$ -
Accrued benefit liability	(55,221)	(36,351)
Intangible asset	18	24
Deferred tax asset	25,569	18,681
Accumulated other comprehensive loss	58,187	42,535

Net amount recognized	\$ 28,650	\$ 24,889
-----------------------	-----------	-----------

</TABLE>

As of February 29, 2004, and February 28, 2003, the accumulated benefit obligation for all defined benefit pension plans was \$290.3 million and \$212.2 million, respectively. The following table summarizes the projected benefit obligation, accumulated benefit obligation and fair value of plan assets for those pension plans with an accumulated benefit obligation in excess of plan assets:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
(in thousands)		
<S>	<C>	<C>
Projected benefit obligation	\$ 286,617	\$ 220,686
Accumulated benefit obligation	\$ 275,508	\$ 212,170
Fair value of plan assets	\$ 220,287	\$ 175,819

The increase in minimum pension liability included in AOCI for the years ended February 29, 2004, and February 28, 2003, were \$15.6 million and \$42.5 million, respectively.

The following table sets forth the weighted average assumptions used in developing the net periodic pension expense for the years ended February 29, 2004, and February 28, 2003:

<TABLE>
<CAPTION>

	For the Years Ended	
	February 29, 2004	February 28, 2003
<S>	<C>	<C>
Rate of return on plan assets	7.32%	7.78%
Discount rate	5.85%	6.06%
Rate of compensation increase	4.16%	3.75%

The following table sets forth the weighted average assumptions used in developing the benefit obligation as of February 29, 2004, and February 28, 2003:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
<S>	<C>	<C>
Rate of return on plan assets	7.62%	7.54%
Discount rate	5.57%	5.80%
Rate of compensation increase	3.34%	3.50%

14. POSTRETIREMENT BENEFITS:

The Company currently sponsors multiple unfunded postretirement benefit plans for certain of its Constellation Beers and Spirits segment employees. During Fiscal 2004, an amendment to one of the unfunded postretirement benefit plans modifying the eligibility requirements and retiree contributions decreased the postretirement benefit obligation by \$0.6 million.

The status of the plans is as follows:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
(in thousands)		
<S>	<C>	<C>
Change in benefit obligation:		
Benefit obligation as of March 1	\$ 4,471	\$ 4,676
Service cost	147	135
Interest cost	282	260

Benefits paid	(159)	(145)
Plan amendment	(645)	-
Actuarial loss (gain)	1,177	(566)
Foreign currency exchange rate changes	187	111
	-----	-----
Benefit obligation as of the last day of February	\$ 5,460	\$ 4,471
	=====	=====
Funded status as of the last day of February:		
Funded status	\$ (5,460)	\$ (4,471)
Unrecognized prior service cost	(311)	323
Unrecognized net loss (gain)	926	(168)
	-----	-----
Accrued benefit liability	\$ (4,845)	\$ (4,316)
	=====	=====

</TABLE>

Net periodic benefit cost reported in the Consolidated Statements of Income includes the following components:

<TABLE>
<CAPTION>

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
	-----	-----	-----
(in thousands)			
<S>	<C>	<C>	<C>
Service cost	\$ 147	\$ 135	\$ 155
Interest cost	282	260	305
Amortization of prior service cost	7	41	41
Recognized net actuarial gain (loss)	19	(20)	9
	-----	-----	-----
Net periodic benefit cost	\$ 455	\$ 416	\$ 510
	=====	=====	=====

</TABLE>

The following table sets forth the weighted average assumptions used in developing the benefit obligation as of February 29, 2004, and February 28, 2003:

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
	-----	-----
<S>	<C>	<C>
Discount rate	6.00%	6.46%
Rate of compensation increase	3.50%	4.00%

</TABLE>

The following table sets forth the weighted average assumptions used in developing the net periodic non-pension postretirement expense for the years ended February 29, 2004, and February 28, 2003:

<TABLE>
<CAPTION>

	For the Years Ended	
	February 29, 2004	February 28, 2003
	-----	-----
<S>	<C>	<C>
Discount rate	6.46%	6.50%
Rate of compensation increase	4.00%	4.00%

</TABLE>

The following table sets forth the assumed health care cost trend rates as of February 29, 2004, and February 28, 2003:

<TABLE>
<CAPTION>

	February 29, 2004		February 28, 2003	
	U.S. Plan	Non-U.S. Plan	U.S. Plan	Non-U.S. Plan
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Health care cost trend rate assumed for next year	5.1%	10.5%	6.2%	10.3%
Rate to which the cost trend rate is assumed to				

decline to (the ultimate trend rate)	4.0%	4.7%	4.0%	4.7%
Year that the rate reaches the ultimate trend rate	2005	2011	2005	2010

Assumed health care trend rates could have a significant effect on the amount reported for health care plans. A one percent change in assumed health care cost trend rates would have the following effects:

<TABLE>
<CAPTION>

	1% Increase	1% Decrease
	-----	-----
(in thousands)		
<S>	<C>	<C>
Effect on total service and interest cost components	\$ 56	\$ (47)
Effect on postretirement benefit obligation	\$ 623	\$ (540)

15. COMMITMENTS AND CONTINGENCIES:

OPERATING LEASES -

Step rent provisions, escalation clauses, capital improvement funding and other lease concessions, when present in the Company's leases, are taken into account in computing the minimum lease payments. The minimum lease payments for the Company's operating leases are recognized on a straight-line basis over the minimum lease term. Future payments under noncancelable operating leases having initial or remaining terms of one year or more are as follows during the next five fiscal years and thereafter:

(in thousands)	
2005	\$ 39,155
2006	33,621
2007	34,002
2008	21,209
2009	18,388
Thereafter	154,935

	\$ 301,310
	=====

Rental expense was \$38.7 million, \$25.3 million, and \$24.0 million for Fiscal 2004, Fiscal 2003, and Fiscal 2002, respectively.

PURCHASE COMMITMENTS AND CONTINGENCIES -

The Company has agreements with suppliers to purchase various spirits of which certain agreements are denominated in British pound sterling and Canadian dollars. The maximum future obligation under these agreements, based upon exchange rates at February 29, 2004, aggregate \$20.3 million for contracts expiring through December 2007.

All of the Company's imported beer products are marketed and sold pursuant to exclusive distribution agreements from the suppliers of these products. The Company's agreement to distribute Corona Extra and its other Mexican beer brands exclusively throughout 25 primarily western U.S. states expires in December 2006, with automatic five year renewals thereafter, subject to compliance with certain performance criteria and other terms under the agreement. The remaining agreements expire through December 2008. Prior to their expiration, these agreements may be terminated if the Company fails to meet certain performance criteria. At February 29, 2004, the Company believes it is in compliance with all of its material distribution agreements and, given the Company's long-term relationships with its suppliers, the Company does not believe that these agreements will be terminated.

In connection with previous acquisitions as well as with the Hardy Acquisition, the Company has assumed grape purchase contracts with certain growers and suppliers. In addition, the Company has entered into other grape purchase contracts with various growers and suppliers in the normal course of business. Under the grape purchase contracts, the Company is committed to purchase all grape production yielded from a specified number of acres for a period of time from one to fifteen years. The actual tonnage and price of grapes that must be purchased by the Company will vary each year depending on certain factors, including weather, time of harvest, overall market conditions and the agricultural practices and location of the growers and suppliers under contract. The Company purchased \$284.0 million and \$166.6 million of grapes under contracts during Fiscal 2004 and Fiscal 2003, respectively. Based on current production yields and published grape prices, the Company estimates that the aggregate purchases under these contracts over the remaining terms of the contracts will be \$2,131.3 million.

In connection with the Turner Road Vintners Assets acquisition, the Corus Assets acquisition and the Hardy Acquisition, the Company established a reserve for the estimated loss on firm purchase commitments assumed at the time of acquisition. As of February 29, 2004, the remaining balance on this reserve is \$123.6 million.

The Company's aggregate obligations under bulk wine purchase contracts will be \$78.9 million over the remaining terms of the contracts which extend through fiscal 2008.

In connection with the Hardy Acquisition, the Company assumed certain processing contracts which commits the Company to utilize outside services to process and/or package a minimum volume quantity. In addition, the Company entered into a new processing contract in Fiscal 2004 utilizing outside services to process a minimum volume of brandy at prices which are dependent on the processing ingredients provided by the Company. The Company's aggregate obligations under these processing contracts will be \$67.5 million over the remaining terms of the contracts which extend through December 2014.

EMPLOYMENT CONTRACTS -

The Company has employment contracts with certain of its executive officers and certain other management personnel with automatic one year renewals unless terminated by either party. These agreements provide for minimum salaries, as adjusted for annual increases, and may include incentive bonuses based upon attainment of specified management goals. In addition, these agreements provide for severance payments in the event of specified termination of employment. As of February 29, 2004, the aggregate commitment for future compensation and severance, excluding incentive bonuses, was \$8.0 million, none of which was accruable at that date.

EMPLOYEES COVERED BY COLLECTIVE BARGAINING AGREEMENTS -

Approximately 31.2% of the Company's full-time employees are covered by collective bargaining agreements at February 29, 2004. Agreements expiring within one year cover approximately 11.9% of the Company's full-time employees.

LEGAL MATTERS -

In the course of its business, the Company is subject to litigation from time to time. Although the amount of any liability with respect to such litigation cannot be determined, in the opinion of management such liability will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

16. STOCKHOLDERS' EQUITY:

COMMON STOCK -

The Company has two classes of common stock: Class A Common Stock and Class B Convertible Common Stock. Class B Convertible Common Stock shares are convertible into shares of Class A Common Stock on a one-to-one basis at any time at the option of the holder. Holders of Class B Convertible Common Stock are entitled to ten votes per share. Holders of Class A Common Stock are entitled to one vote per share and a cash dividend premium. If the Company pays a cash dividend on Class B Convertible Common Stock, each share of Class A Common Stock will receive an amount at least ten percent greater than the amount of the cash dividend per share paid on Class B Convertible Common Stock. In addition, the Board of Directors may declare and pay a dividend on Class A Common Stock without paying any dividend on Class B Convertible Common Stock. However, under the terms of the Company's senior credit facility, the Company is currently constrained from paying cash dividends on its common stock. In addition, the indentures for the Company's outstanding senior notes and senior subordinated notes may restrict the payment of cash dividends on its common stock under certain circumstances.

In July 2002, the stockholders of the Company approved an increase in the number of authorized shares of Class A Common Stock from 120,000,000 shares to 275,000,000 shares and Class B Convertible Common Stock from 20,000,000 shares to 30,000,000 shares, thereby increasing the aggregate number of authorized shares of the Company to 306,000,000 shares.

At February 29, 2004, there were 94,566,611 shares of Class A Common Stock and 12,061,730 shares of Class B Convertible Common Stock outstanding, net of treasury stock.

STOCK REPURCHASE AUTHORIZATION -

In June 1998, the Company's Board of Directors authorized the repurchase of up to \$100.0 million of its Class A Common Stock and Class B Convertible Common Stock. The Company may finance such purchases, which will become treasury shares, through cash generated from operations or through the senior credit facility. No shares were repurchased during Fiscal 2004, Fiscal 2003 and Fiscal 2002.

PREFERRED STOCK -

In Fiscal 2004, the Company issued 5.75% Series A Mandatory Convertible Preferred Stock ("Preferred Stock") (see "Equity Offerings" discussion below). Dividends are cumulative and payable quarterly, if declared, in cash, shares of the Company's Class A Common Stock, or a combination thereof, at the discretion of the Company. Dividends are payable, if declared, on the first business day of March, June, September, and December of each year, commencing on December 1, 2003. On September 1, 2006, the automatic conversion date, each share of Preferred Stock will automatically convert into, subject to certain anti-dilution adjustments, between 29.276 and 35.716 shares of the Company's

Class A Common Stock, depending on the then applicable market price of the Company's Class A Common Stock, in accordance with the following table:

Applicable market price -----	Conversion rate -----
Less than or equal to \$28.00	35.716 shares
Between \$28.00 and \$34.16	35.716 to 29.276 shares
Equal to or greater than \$34.16	29.276 shares

The applicable market price is the average of the closing prices per share of the Company's Class A Common Stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding the applicable conversion date. At any time prior to September 1, 2006, holders may elect to convert each share of Preferred Stock, subject to certain anti-dilution adjustments, into 29.276 shares of the Company's Class A Common Stock. If the closing market price of the Company's Class A Common Stock exceeds \$51.24 for at least 20 trading days within a period of 30 consecutive trading days, the Company may elect, subject to certain limitations and anti-dilution adjustments, to cause the conversion of all, but not less than all, of the then outstanding shares of Preferred Stock into shares of the Company's Class A Common Stock at a conversion rate of 29.276 shares of the Company's Class A Common Stock. In order for the Company to cause the early conversion of the Preferred Stock, the Company must pay all accrued and unpaid dividends on the Preferred Stock as well as the present value of all remaining dividend payments through and including September 1, 2006. If the Company is involved in a merger in which at least 30% of the consideration for all or any class of the Company's common stock consists of cash or cash equivalents, then on or after the date of such merger, each holder will have the right to convert each share of Preferred Stock into the number of shares of the Company's Class A Common Stock applicable on the automatic conversion date. The Preferred Stock ranks senior in right of payment to all of the Company's common stock and has a liquidation preference of \$1,000 per share, plus accrued and unpaid dividends.

As of February 29, 2004, 170,500 shares of Preferred Stock were outstanding and \$2.5 million of dividends were accrued.

EQUITY OFFERINGS -

During March 2001, the Company completed a public offering of 8,740,000 shares of its Class A Common Stock, which was held as treasury stock. This resulted in net proceeds to the Company, after deducting underwriting discounts and expenses, of \$139.4 million. The net proceeds were used to repay revolving loan borrowings under the senior credit facility of which a portion was incurred to partially finance the acquisition of the Turner Road Vintners Assets.

During October 2001, the Company sold 645,000 shares of its Class A Common Stock, which was held as treasury stock, in connection with a public offering of Class A Common Stock by stockholders of the Company. The net proceeds to the Company, after deducting underwriting discounts, of \$12.1 million were used to repay borrowings under the senior credit facility.

During July 2003, the Company completed a public offering of 9,800,000 shares of its Class A Common Stock resulting in net proceeds to the Company, after deducting underwriting discounts and expenses, of \$261.1 million. In addition, the Company also completed a public offering of 170,500 shares of its 5.75% Series A Mandatory Convertible Preferred Stock resulting in net proceeds to the Company, after deducting underwriting discounts and expenses, of \$164.9 million. The Class A Common Stock offering and the Preferred Stock offering are referred to together as the "2003 Equity Offerings." The majority of the net proceeds from the 2003 Equity Offerings were used to repay the Bridge Loans that were incurred to partially finance the Hardy Acquisition. The remaining proceeds were used to repay term loan borrowings under the March 2003 Credit Agreement.

LONG-TERM STOCK INCENTIVE PLAN -

Under the Company's Long-Term Stock Incentive Plan, nonqualified stock options, stock appreciation rights, restricted stock and other stock-based awards may be granted to employees, officers and directors of the Company. The aggregate number of shares of the Company's Class A Common Stock available for awards under the Company's Long-Term Stock Incentive Plan is 28,000,000 shares. The exercise price, vesting period and term of nonqualified stock options granted are established by the committee administering the plan (the "Committee"). Grants of stock appreciation rights, restricted stock and other stock-based awards may contain such vesting, terms, conditions and other requirements as the Committee may establish. During Fiscal 2004, Fiscal 2003 and Fiscal 2002, no stock appreciation rights were granted. No restricted stock was granted during Fiscal 2004. During Fiscal 2003, 7,080 shares of restricted Class A Common Stock were granted at a weighted average grant date fair value of \$28.41 per share. No restricted stock was granted during Fiscal 2002.

INCENTIVE STOCK OPTION PLAN -

Under the Company's Incentive Stock Option Plan, incentive stock options may be granted to employees, including officers, of the Company. Grants, in the aggregate, may not exceed 4,000,000 shares of the Company's Class A Common Stock. The exercise price of any incentive stock option may not be less than the fair market value of the Company's Class A Common Stock on the date of grant. The vesting period and term of incentive stock options granted are

established by the Committee. The maximum term of incentive stock options is ten years.

A summary of stock option activity under the Company's Long-Term Stock Incentive Plan and the Incentive Stock Option Plan is as follows:

<TABLE>
<CAPTION>

	Shares Under Option	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>
Balance, February 28, 2001	12,308,804	\$ 10.97	4,816,884	\$ 8.51
Options granted	5,115,100	\$ 19.12		
Options exercised	(4,234,440)	\$ 11.20		
Options forfeited/canceled	(711,656)	\$ 15.49		
Balance, February 28, 2002	12,477,808	\$ 14.12	7,565,199	\$ 12.31
Options granted	1,243,200	\$ 27.20		
Options exercised	(2,096,061)	\$ 13.44		
Options forfeited/canceled	(217,016)	\$ 20.06		
Balance, February 28, 2003	11,407,931	\$ 15.55	8,345,855	\$ 13.58
Options granted	2,816,357	\$ 23.86		
Options exercised	(2,612,311)	\$ 13.87		
Options forfeited/canceled	(324,504)	\$ 25.61		
Balance, February 29, 2004	11,287,473	\$ 17.73	8,821,298	\$ 15.80

</TABLE>

The following table summarizes information about stock options outstanding at February 29, 2004:

<TABLE>
<CAPTION>

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
\$ 4.25 - \$10.25	1,486,583	2.6 years	\$ 7.71	1,486,583	\$ 7.71
\$11.19 - \$17.74	4,621,375	5.9 years	\$ 14.49	4,541,215	\$ 14.50
\$18.75 - \$32.38	5,179,515	8.4 years	\$ 23.49	2,793,500	\$ 22.21
	11,287,473	6.6 years	\$ 17.73	8,821,298	\$ 15.80

</TABLE>

The weighted average fair value of options granted during Fiscal 2004, Fiscal 2003 and Fiscal 2002 was \$9.74, \$12.18 and \$8.99, respectively. The fair value of options is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 3.2% for Fiscal 2004, 5.0% for Fiscal 2003 and 4.7% for Fiscal 2002; volatility of 35.7% for Fiscal 2004, 36.7% for Fiscal 2003 and 41.0% for Fiscal 2002; and expected option life of 6.2 years for Fiscal 2004, 6.0 years for Fiscal 2003 and 6.0 years for Fiscal 2002. The dividend yield was 0% for Fiscal 2004, Fiscal 2003 and Fiscal 2002. Forfeitures are recognized as they occur.

Employee stock purchase plans -

The Company has a stock purchase plan under which 4,500,000 shares of Class A Common Stock may be issued. Under the terms of the plan, eligible employees may purchase shares of the Company's Class A Common Stock through payroll deductions. The purchase price is the lower of 85% of the fair market value of the stock on the first or last day of the purchase period. During Fiscal 2004, Fiscal 2003 and Fiscal 2002, employees purchased 137,985 shares, 138,304 shares and 120,674 shares, respectively.

The weighted average fair value of purchase rights granted during Fiscal 2004, Fiscal 2003 and Fiscal 2002 was \$6.60, \$7.02 and \$5.59, respectively. The fair value of purchase rights is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 1.0% for Fiscal 2004, 1.4% for Fiscal 2003 and 2.6% for Fiscal 2002; volatility of 22.2% for Fiscal 2004, 40.3% for Fiscal 2003 and 33.2% for Fiscal 2002; and expected purchase right life of 0.5 years for Fiscal 2004, Fiscal 2003 and Fiscal 2002. The dividend yield was 0%

for Fiscal 2004, Fiscal 2003 and Fiscal 2002.

The Company has a stock purchase plan under which 2,000,000 shares of the Company's Class A Common Stock may be issued to eligible employees and directors of the Company's United Kingdom subsidiaries. Under the terms of the plan, participants may purchase shares of the Company's Class A Common Stock through payroll deductions. The purchase price may be no less than 80% of the closing price of the stock on the day the purchase price is fixed by the committee administering the plan. During Fiscal 2004 and Fiscal 2003, employees purchased 27,791 shares and 758 shares, respectively. During Fiscal 2002, there were no shares purchased under this plan.

The weighted average fair value of purchase rights granted during Fiscal 2002 was \$6.26. There were no purchase rights granted during Fiscal 2004 and Fiscal 2003. The fair value of purchase rights is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions for Fiscal 2002: risk-free interest rate of 4.9%; volatility of 36.2%; and expected purchase right life of 3.8 years. The dividend yield was 0% for Fiscal 2002.

17. EARNINGS PER COMMON SHARE:

Earnings per common share are as follows:

<TABLE>
<CAPTION>

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
(in thousands, except per share data)			
<S>	<C>	<C>	<C>
Net income	\$ 220,414	\$ 203,306	\$ 136,421
Dividends on preferred stock	(5,746)	-	-
Income available to common stockholders	\$ 214,668	\$ 203,306	\$ 136,421
Weighted average common shares outstanding - basic	100,702	89,856	85,505
Stock options	3,314	2,890	2,320
Preferred stock	2,932	-	-
Weighted average common shares outstanding - diluted	106,948	92,746	87,825
Earnings per common share:			
Earnings per common share - basic	\$ 2.13	\$ 2.26	\$ 1.60
Earnings per common share - diluted	\$ 2.06	\$ 2.19	\$ 1.55

</TABLE>

Stock options to purchase 0.1 million, 1.1 million and 2.2 million shares of Class A Common Stock at a weighted average price per share of \$31.09, \$27.41 and \$20.70 were outstanding during the years ended February 29, 2004, February 28, 2003, and February 28, 2002, respectively, but were not included in the computation of the diluted earnings per common share because the stock options' exercise price was greater than the average market price of the Class A Common Stock for the respective periods.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS):

Accumulated other comprehensive loss, net of tax effects, includes the following components:

<TABLE>
<CAPTION>

	Foreign Currency Translation Adjustments	Net Unrealized Gains on Derivatives	Unrealized Loss On Marketable Equity Securities	Minimum Pension Liability Adjustment	Accumulated Other Comprehensive Income (Loss)
(in thousands)					
<S>	<C>	<C>	<C>	<C>	<C>
Balance, February 28, 2003	\$ (16,722)	\$ -	\$ -	\$ (42,535)	\$ (59,257)
Current period change	410,694	36,949	(432)	(15,652)	431,559
Balance, February 29, 2004	\$ 393,972	\$ 36,949	\$ (432)	\$ (58,187)	\$ 372,302

</TABLE>

19. SIGNIFICANT CUSTOMERS AND CONCENTRATION OF CREDIT RISK:

Sales to the five largest customers represented 20.6%, 21.2%, and 19.1% of the Company's sales for the years ended February 29, 2004, February 28, 2003, and February 28, 2002, respectively. No single customer was responsible for greater than 10% of sales during these years. Accounts receivable from the Company's largest customer, Southern Wine and Spirits, represented 8.3%, 11.4%, and 10.0% of the Company's total accounts receivable as of February 29, 2004, February 28, 2003, and February 28, 2002, respectively. Sales to the Company's five largest customers are expected to continue to represent a significant portion of the Company's revenues. The Company's arrangements with certain of its customers may, generally, be terminated by either party with prior notice. The Company performs ongoing credit evaluations of its customers' financial position, and management of the Company is of the opinion that any risk of significant loss is reduced due to the diversity of customers and geographic sales area.

The Company purchases the majority of its glass inventories from a limited number of suppliers. Glass bottle costs are one of the largest components of the Company's cost of product sold. The glass bottle industry is highly concentrated with only a small number of producers. The inability of any of the Company's glass bottle suppliers to satisfy the Company's requirements could adversely affect the Company's operations.

20. RESTRUCTURING AND RELATED CHARGES:

For the year ended February 29, 2004, the Company recorded \$31.2 million of restructuring and related charges associated with the restructuring plan of the Constellation Wines segment. Restructuring and related charges resulted from (i) the realignment of business operations and (ii) the decision to exit the commodity concentrate product line in the U.S. and sell its winery located in Escalon, California. In addition, in connection with the Company's decision to exit the commodity concentrate product line in the U.S., the Company recorded a write-down of concentrate inventory of \$16.8 million, which was recorded in cost of product sold. For the year ended February 28, 2003, the Company recorded restructuring and related charges associated with an asset impairment charge of \$4.8 million in connection with two of Constellation Wines segment's production facilities (see Note 1). No restructuring and related charges were recorded for the year ended February 28, 2002.

The restructuring and related charges of \$31.2 million for the year ended February 29, 2004, included \$6.9 million of employee termination benefit costs, \$17.7 million of grape contract termination costs, \$1.9 million of facility consolidation and relocation costs, and \$4.7 million of other related charges, which consisted of a \$2.1 million loss on the sale of the Escalon facility and \$2.6 million of other costs related to the realignment of the business operations in the Constellation Wines segment.

The Company estimates that the completion of the restructuring actions will include (i) a total of \$9.9 million of employee termination benefit costs through February 28, 2005, of which \$6.9 million has been incurred through February 29, 2004, (ii) a total of \$22.1 million of grape contract termination costs through February 28, 2005, of which \$17.7 million has been incurred through February 29, 2004, and (iii) a total of \$4.8 million of facility consolidation and relocation costs through February 28, 2005, of which \$1.9 million has been incurred through February 29, 2004. The Company has incurred other costs related to the restructuring plan for the disposal of fixed assets and other costs of realigning the business operations of the Constellation Wines segment and expects to incur additional costs of realigning the business operations of \$1.3 million during the year ending February 28, 2005.

The following table illustrates the changes in the restructuring liability balance since February 28, 2003:

<TABLE>
<CAPTION>

	Employee Termination Benefit Costs	Grape Contract Termination Costs	Facility Consolidation/ Relocation Costs	Total
	-----	-----	-----	-----
(in thousands)				
<S>	<C>	<C>	<C>	<C>
Balance, February 28, 2003	\$ -	\$ -	\$ -	\$ -
Restructuring charges	6,834	17,697	1,935	26,466
Cash expenditures	(5,295)	(16,649)	(1,935)	(23,879)
	-----	-----	-----	-----
Balance, February 29, 2004	\$ 1,539	\$ 1,048	\$ -	\$ 2,587
	=====	=====	=====	=====

</TABLE>

21. CONDENSED CONSOLIDATING FINANCIAL INFORMATION:

The following information sets forth the condensed consolidating balance sheets as of February 29, 2004, and February 28, 2003, the condensed consolidating statements of income and cash flows for each of the three years in the period ended February 29, 2004, for the Company, the parent company, the combined subsidiaries of the Company which guarantee the Company's senior notes and senior subordinated notes ("Subsidiary Guarantors") and the combined subsidiaries of the Company which are not Subsidiary Guarantors, primarily Matthew Clark and Hardy and their subsidiaries, which are included in the Constellation Wines segment ("Subsidiary Nonguarantors"). The Subsidiary Guarantors are wholly owned and the guarantees are full, unconditional, joint and several obligations of each of the Subsidiary Guarantors. Separate financial statements for the Subsidiary Guarantors of the Company are not presented because the Company has determined that such financial statements would not be material to investors. The accounting policies of the parent company, the Subsidiary Guarantors and the Subsidiary Nonguarantors are the same as those described for the Company in the Summary of Significant Accounting Policies in Note 1 and include recently adopted accounting pronouncements described in Note 2. There are no restrictions on the ability of the Subsidiary Guarantors to transfer funds to the Company in the form of cash dividends, loans or advances.

<TABLE>
<CAPTION>

	Parent Company	Subsidiary Guarantors	Subsidiary Nonguarantors	Eliminations	
Consolidated	-----	-----	-----	-----	
(in thousands)					
<S>	<C>	<C>	<C>	<C>	
<C>					
Condensed Consolidating Balance Sheet					

at February 29, 2004					

Current assets:					
Cash and cash investments	\$ 1,048	\$ 3,931	\$ 32,157	\$ -	\$
37,136					
Accounts receivable, net	137,422	127,004	371,484	-	
635,910					
Inventories, net	9,922	621,866	636,962	(7,372)	
1,261,378					
Prepaid expenses and other					
current assets	8,734	68,596	59,717	-	
137,047					
Intercompany (payable) receivable	(381,765)	(150,962)	532,727	-	
-					

Total current assets	(224,639)	670,435	1,633,047	(7,372)	
2,071,471					
Property, plant and equipment, net	50,022	353,693	693,647	-	
1,097,362					
Investments in subsidiaries	4,270,871	1,852,036	-	(6,122,907)	
-					
Goodwill	50,338	496,691	993,608	-	
1,540,637					
Intangible assets, net	10,572	314,423	419,983	-	
744,978					
Other assets	36,041	2,146	66,038	-	
104,225					

Total assets	\$ 4,193,205	\$ 3,689,424	\$ 3,806,323	\$ (6,130,279)	\$
5,558,673					
=====					
Current liabilities:					
Notes payable to banks	\$ -	\$ -	\$ 1,792	\$ -	\$
1,792					
Current maturities of long-term debt	260,061	3,542	3,642	-	
267,245					
Accounts payable	33,631	60,327	176,333	-	
270,291					
Accrued excise taxes	8,005	15,053	25,407	-	
48,465					
Other accrued expenses and liabilities	151,534	11,956	278,519	-	
442,009					

Total current liabilities	453,231	90,878	485,693	-	
1,029,802					
Long-term debt, less current maturities	1,739,221	7,510	32,122	-	

1,778,853				
Deferred income taxes	56,815	98,119	32,476	-
187,410				
Other liabilities	6,209	21,646	157,134	-
184,989				
Stockholders' equity:				
Preferred stock	2	-	-	-
2				
Class A and Class B common stock	1,117	6,434	141,582	(148,016)
1,117				
Additional paid-in capital	1,024,048	1,829,418	2,660,711	(4,490,129)
1,024,048				
Retained earnings	1,017,565	1,425,789	58,973	(1,492,134)
1,010,193				
Accumulated other comprehensive income (loss)	(74,960)	209,630	237,632	-
372,302				
Treasury stock and other	(30,043)	-	-	-
(30,043)				

Total stockholders' equity	1,937,729	3,471,271	3,098,898	(6,130,279)
2,377,619				

Total liabilities and stockholders' equity	\$ 4,193,205	\$ 3,689,424	\$ 3,806,323	\$ (6,130,279) \$
5,558,673				
=====				

Condensed Consolidating Balance Sheet

at February 28, 2003

Current assets:

Cash and cash investments	\$ 1,426	\$ 1,248	\$ 11,136	\$ -	\$
13,810					
Accounts receivable, net	120,554	141,156	137,385	-	
399,095					
Inventories, net	20,378	654,945	144,664	(75)	
819,912					
Prepaid expenses and other current assets	31,452	52,411	13,421	-	
97,284					
Intercompany (payable) receivable	(177,332)	136,002	41,330	-	
-					

Total current assets	(3,522)	985,762	347,936	(75)	
1,330,101					
Property, plant and equipment, net	46,379	358,180	197,910	-	
602,469					
Investments in subsidiaries	2,590,889	601,156	-	(3,192,045)	
-					
Goodwill	51,172	495,636	175,415	-	
722,223					
Intangible assets, net	10,918	315,952	55,558	-	
382,428					
Other assets	31,599	126,375	1,135	-	
159,109					

Total assets	\$ 2,727,435	\$ 2,883,061	\$ 777,954	\$ (3,192,120)	\$
3,196,330					
=====					

Current liabilities:

Notes payable to banks	\$ 2,000	\$ -	\$ 623	\$ -	\$
2,623					
Current maturities of long-term debt	67,137	3,470	657	-	
71,264					
Accounts payable	37,567	58,843	74,663	-	
171,073					
Accrued excise taxes	7,447	15,711	13,263	-	
36,421					
Other accrued expenses and liabilities	138,963	46,664	118,200	-	
303,827					

Total current liabilities	253,114	124,688	207,406	-	
585,208					
Long-term debt, less current maturities	1,171,694	10,810	9,127	-	
1,191,631					

Deferred income taxes	48,475	79,656	17,108	-
145,239				
Other liabilities	8,718	29,446	61,104	-
99,268				
Stockholders' equity:				
Class A and Class B common stock	960	6,434	64,867	(71,301)
960				
Additional paid-in capital	469,724	1,221,076	436,466	(1,657,542)
469,724				
Retained earnings	795,600	1,363,379	99,823	(1,463,277)
795,525				
Accumulated other comprehensive				
income (loss)	11,118	47,572	(117,947)	-
(59,257)				
Treasury stock and other	(31,968)	-	-	-
(31,968)				
-----	-----	-----	-----	-----
Total stockholders' equity	1,245,434	2,638,461	483,209	(3,192,120)
1,174,984				
-----	-----	-----	-----	-----
Total liabilities and				
stockholders' equity	\$ 2,727,435	\$ 2,883,061	\$ 777,954	\$ (3,192,120) \$
3,196,330				
=====	=====	=====	=====	=====

Condensed Consolidating Statement of Income

for the Year Ended February 29, 2004

Gross sales	\$ 814,042	\$ 1,757,950	\$ 1,987,657	\$ (90,379)	\$
4,469,270					
Less - excise taxes	(143,964)	(412,999)	(359,878)	-	
(916,841)					
-----	-----	-----	-----	-----	
Net sales	670,078	1,344,951	1,627,779	(90,379)	
3,552,429					
Cost of product sold	(553,391)	(818,612)	(1,287,720)	83,082	
(2,576,641)					
-----	-----	-----	-----	-----	
Gross profit	116,687	526,339	340,059	(7,297)	
975,788					
Selling, general and administrative					
expenses	(115,163)	(163,805)	(178,309)	-	
(457,277)					
Restructuring and related charges	-	(28,232)	(2,922)	-	
(31,154)					
-----	-----	-----	-----	-----	
Operating income (loss)	1,524	334,302	158,828	(7,297)	
487,357					
Gain on change in fair value of					
derivative instruments	1,181	-	-	-	
1,181					
Equity in earnings of					
subsidiary/joint venture	215,775	98,212	2	(313,447)	
542					
Interest income (expense), net	15,945	(154,842)	(5,786)	-	
(144,683)					
-----	-----	-----	-----	-----	
Income before income taxes	234,425	277,672	153,044	(320,744)	
344,397					
Provision for income taxes	(6,714)	(61,897)	(55,372)	-	
(123,983)					
-----	-----	-----	-----	-----	
Net income	227,711	215,775	97,672	(320,744)	
220,414					
Dividends on preferred stock	(5,746)	-	-	-	
(5,746)					
-----	-----	-----	-----	-----	
Income available to common					
stockholders	\$ 221,965	\$ 215,775	\$ 97,672	\$ (320,744) \$	
214,668					
=====	=====	=====	=====	=====	

Condensed Consolidating Statement of Income

for the Year Ended February 28, 2003

Gross sales	\$ 817,458	\$ 1,989,490	\$ 1,145,520	\$ (369,386)	\$
3,583,082					
Less - excise taxes	(148,129)	(412,022)	(291,319)	-	
(851,470)					

Net sales	669,329	1,577,468	854,201	(369,386)	
2,731,612					
Cost of product sold	(558,811)	(1,088,899)	(692,558)	369,371	
(1,970,897)					

Gross profit	110,518	488,569	161,643	(15)	
760,715					
Selling, general and administrative					
expenses	(109,576)	(146,037)	(95,380)	-	
(350,993)					
Restructuring charges	-	(4,764)	-	-	
(4,764)					

Operating income	942	337,768	66,263	(15)	
404,958					
Gain on change in fair value of					
derivative instruments	23,129	-	-	-	
23,129					
Equity in earnings of					
subsidiary/joint venture	186,448	55,129	-	(229,341)	
12,236					
Interest expense, net	11,648	(114,051)	(2,984)	-	
(105,387)					

Income before income taxes	222,167	278,846	63,279	(229,356)	
334,936					
Provision for income taxes	(18,846)	(92,398)	(20,386)	-	
(131,630)					

Net income	\$ 203,321	\$ 186,448	\$ 42,893	\$ (229,356)	\$
203,306					
=====					

Condensed Consolidating Statement of

Income for the Year Ended February 28, 2002

Gross sales	\$ 832,065	\$ 1,954,585	\$ 1,032,130	\$ (398,567)	\$
3,420,213					
Less - excise taxes	(147,446)	(408,532)	(257,477)	-	
(813,455)					

Net sales	684,619	1,546,053	774,653	(398,567)	
2,606,758					
Cost of product sold	(511,714)	(1,172,935)	(625,522)	398,573	
(1,911,598)					

Gross profit	172,905	373,118	149,131	6	
695,160					
Selling, general and administrative					
expenses	(92,891)	(167,521)	(94,857)	-	
(355,269)					

Operating income	80,014	205,597	54,274	6	
339,891					
Equity in earnings of					
subsidiary/joint venture	90,620	34,488	-	(123,441)	
1,667					
Interest expense, net	(3,689)	(106,610)	(3,890)	-	
(114,189)					

Income before income taxes	166,945	133,475	50,384	(123,435)	
227,369					
Provision for income taxes	(30,530)	(42,855)	(17,563)	-	
(90,948)					

Net income	\$ 136,415	\$ 90,620	\$ 32,821	\$ (123,435)	\$
136,421					

=====

Condensed Consolidating Statement of Cash
 Flows for the Year Ended February 29, 2004

Net cash provided by (used in) operating activities	\$ 397,785	\$ 117,754	\$ (175,232)	\$ -	\$
340,307					

Cash flows from investing activities:

Purchases of businesses, net of cash (1,069,470)	-	(1,069,470)	-	-	
Purchases of property, plant and equipment (105,094)	(25,063)	(17,365)	(62,666)	-	
Payment of accrued earn-out amount (2,035)	-	(2,035)	-	-	
Proceeds from sale of assets 13,449	-	5,892	7,557	-	
Proceeds from sale of business 3,814	-	-	3,814	-	
Proceeds from sale of marketable equity securities 849	-	-	849	-	
-----	-----	-----	-----	-----	-----
Net cash used in investing activities (1,158,487)	(25,063)	(1,082,978)	(50,446)	-	
-----	-----	-----	-----	-----	-----

Cash flows from financing activities:

Proceeds from issuance of long-term debt, net of discount 1,600,000	1,600,000	-	-	-	
Proceeds from equity offerings, net of fees 426,086	426,086	-	-	-	
Exercise of employee stock options 36,017	36,017	-	-	-	
Proceeds from employee stock purchases 3,481	3,481	-	-	-	
Intercompany financing activities, net -	(1,474,100)	756,757	717,343	-	
Principal payments of long-term debt (1,282,274)	(885,359)	(3,518)	(393,397)	-	
Payment of issuance costs of long-term debt (33,748)	(33,748)	-	-	-	
Payment of dividends (3,295)	(3,295)	-	-	-	
Net (repayment of) proceeds from notes payable (1,113)	(2,000)	(1,400)	2,287	-	
-----	-----	-----	-----	-----	-----
Net cash (used in) provided by financing activities 745,154	(332,918)	751,839	326,233	-	
-----	-----	-----	-----	-----	-----

Effect of exchange rate changes on cash and cash investments 96,352	(40,182)	216,068	(79,534)	-	
-----	-----	-----	-----	-----	-----

Net (decrease) increase in cash and cash investments 23,326	(378)	2,683	21,021	-	
Cash and cash investments, beginning of period 13,810	1,426	1,248	11,136	-	
-----	-----	-----	-----	-----	-----

Cash and cash investments, end of period 37,136	\$ 1,048	\$ 3,931	\$ 32,157	\$ -	\$
---	----------	----------	-----------	------	----

=====					
Condensed Consolidating Statement of Cash					
Flows for the Year Ended February 28, 2003					

Net cash provided by operating activities	\$ 135,057	\$ 83,491	\$ 17,505	\$ -	\$ -
236,053					
Cash flows from investing activities:					
Purchases of property, plant and equipment	(15,541)	(39,451)	(16,583)	-	-
(71,575)					
Payment of accrued earn-out amount	-	(1,674)	-	-	-
(1,674)					
Proceeds from sale of assets	1	409	878	-	-
1,288					

Net cash used in investing activities	(15,540)	(40,716)	(15,705)	-	-
(71,961)					

Cash flows from financing activities:					
Principal payments of long-term debt	(141,423)	(3,458)	(6,253)	-	-
(151,134)					
Net repayment of notes payable	(48,000)	-	(3,921)	-	-
(51,921)					
Payment of issuance costs of long-term debt	(20)	-	-	-	-
(20)					
Exercise of employee stock options	28,706	-	-	-	-
28,706					
Proceeds from issuance of long-term debt, net of discount	-	-	10,000	-	-
10,000					
Proceeds from employee stock purchases	2,885	-	-	-	-
2,885					
Other	-	142	(142)	-	-
-					

Net cash used in financing activities	(157,852)	(3,316)	(316)	-	-
(161,484)					

Effect of exchange rate changes on cash and cash investments	38,923	(40,295)	3,613	-	-
2,241					

Net increase (decrease) in cash and cash investments	588	(836)	5,097	-	-
4,849					
Cash and cash investments, beginning of year	838	2,084	6,039	-	-
8,961					

Cash and cash investments, end of year	\$ 1,426	\$ 1,248	\$ 11,136	\$ -	\$ -
13,810					
=====					

=====					
Condensed Consolidating Statement of Cash					
Flows for the Year Ended February 28, 2002					

Net cash provided by operating activities	\$ 110,056	\$ 82,669	\$ 20,574	\$ -	\$ -
213,299					
Cash flows from investing activities:					
Purchases of businesses, net of cash acquired	(478,574)	5,742	-	-	-
(472,832)					
Investment in joint venture	-	(77,282)	-	-	-
(77,282)					
Purchases of property, plant and					

equipment (71,148)	(11,544)	(43,812)	(15,792)	-
Proceeds from sale of assets 35,815	-	35,466	349	-
-----	-----	-----	-----	-----
Net cash used in investing activities (585,447)	(490,118)	(79,886)	(15,443)	-
-----	-----	-----	-----	-----
Cash flows from financing activities:				
Proceeds from issuance of long-term debt, net of discount 252,539	250,000	-	2,539	-
Proceeds from equity offerings, net of fees 151,479	151,479	-	-	-
Net proceeds from notes payable 51,403	50,000	-	1,403	-
Exercise of employee stock options 45,027	45,027	-	-	-
Proceeds from employee stock purchases 1,986	1,986	-	-	-
Principal payments of long-term debt (260,982)	(249,720)	(9,346)	(1,916)	-
Payment of issuance costs of long-term debt (4,537)	(4,537)	-	-	-
-----	-----	-----	-----	-----
Net cash provided by (used in) financing activities 236,915	244,235	(9,346)	2,026	-
-----	-----	-----	-----	-----
Effect of exchange rate changes on cash and cash investments (1,478)	(5,439)	5,408	(1,447)	-
-----	-----	-----	-----	-----
Net (decrease) increase in cash and cash investments (136,711)	(141,266)	(1,155)	5,710	-
Cash and cash investments, beginning of year 145,672	142,104	3,239	329	-
-----	-----	-----	-----	-----
Cash and cash investments, end of year 8,961	\$ 838	\$ 2,084	\$ 6,039	\$ -
=====	=====	=====	=====	=====

</TABLE>

22. BUSINESS SEGMENT INFORMATION:

As a result of the Hardy Acquisition, the Company has changed the structure of its internal organization to consist of two business divisions, Constellation Wines and Constellation Beers and Spirits. Separate division chief executives report directly to the Company's chief operating officer. Consequently, the Company reports its operating results in three segments: Constellation Wines (branded wine, and U.K. wholesale and other), Constellation Beers and Spirits (imported beers and distilled spirits) and Corporate Operations and Other (primarily corporate related items and other). Amounts included in the Corporate Operations and Other segment consist of general corporate administration and finance expenses. These amounts include costs of executive management, investor relations, internal audit, treasury, tax, corporate development, legal, financial reporting, professional fees and public relations. Any costs incurred at the corporate office that are applicable to the segments are allocated to the appropriate segment. The amounts included in the Corporate Operations and Other segment are general costs that are applicable to the consolidated group and are therefore not allocated to the other reportable segments. All costs reported within the Corporate Operations and Other segment are not included in the chief operating decision maker's evaluation of the operating income performance of the other operating segments. The new business segments reflect how the Company's operations are being managed, how operating performance within the Company is being evaluated by senior management and the structure of its internal financial reporting. In addition, the Company changed its definition of operating income for segment purposes to exclude restructuring and related charges and unusual costs that affect comparability. Accordingly, the financial information for the years ended February 28, 2003, and February 28, 2002, has been restated to

conform to the new segment presentation. For the year ended February 29, 2004, restructuring and related charges and unusual costs consist of the flow through of inventory step-up and financing costs associated with the Hardy Acquisition of \$22.5 million and \$11.6 million, respectively, and restructuring and related charges of \$48.0 million, including a write-down of commodity concentrate inventory of \$16.8 million, partially offset by the relief from certain excise tax, duty and other costs incurred in prior years of \$10.4 million. For the year ended February 28, 2003, restructuring and related charges and unusual costs consist of an asset impairment charge of \$4.8 million recorded in connection with the Company's realignment of its business operations within the Constellation Wines segment. For the year ended February 28, 2002, restructuring and related charges and unusual costs consist of the write-off of the remaining deferred financing costs and unamortized discount associated with certain of the Company's senior subordinated notes which were redeemed in February 2002 of \$2.6 million. The Company evaluates performance based on operating income of the respective business units. The accounting policies of the segments are the same as those described for the Company in the Summary of Significant Accounting Policies in Note 1 and include the recently adopted accounting pronouncements described in Note 2. Transactions between segments consist mainly of sales of products and are accounted for at cost plus an applicable margin.

Segment information is as follows:

<TABLE>
<CAPTION>

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
(in thousands)			
<S>	<C>	<C>	<C>
Constellation Wines:			

Net sales:			
Branded wine	\$ 1,549,750	\$ 983,505	\$ 963,514
Wholesale and other	846,306	689,794	641,589
	-----	-----	-----
Net sales	\$ 2,396,056	\$ 1,673,299	\$ 1,605,103
Segment operating income	\$ 348,132	\$ 224,556	\$ 191,227
Equity in earnings of joint venture	\$ 542	\$ 12,236	\$ 1,667
Long-lived assets	\$ 1,004,906	\$ 509,598	\$ 492,252
Investment in joint venture	\$ 8,412	\$ 123,064	\$ 110,520
Total assets	\$ 4,789,199	\$ 2,429,890	\$ 2,323,295
Capital expenditures	\$ 94,147	\$ 57,551	\$ 58,616
Depreciation and amortization	\$ 73,046	\$ 46,167	\$ 63,043
Constellation Beers and Spirits:			

Net sales:			
Imported beers	\$ 862,637	\$ 776,006	\$ 726,953
Spirits	284,551	282,307	274,702
	-----	-----	-----
Net sales	\$ 1,147,188	\$ 1,058,313	\$ 1,001,655
Segment operating income	\$ 252,533	\$ 217,963	\$ 178,805
Long-lived assets	\$ 80,388	\$ 79,757	\$ 78,516
Total assets	\$ 718,380	\$ 700,545	\$ 711,484
Capital expenditures	\$ 7,497	\$ 8,722	\$ 8,350
Depreciation and amortization	\$ 9,491	\$ 9,732	\$ 17,940
Corporate Operations and Other:			

Net sales	\$ -	\$ -	\$ -
Segment operating loss	\$ (41,717)	\$ (32,797)	\$ (27,551)
Long-lived assets	\$ 12,068	\$ 13,114	\$ 7,996
Total assets	\$ 51,094	\$ 65,895	\$ 34,606
Capital expenditures	\$ 3,450	\$ 5,302	\$ 4,182
Depreciation and amortization	\$ 19,417	\$ 4,190	\$ 4,421
Restructuring and Related			

Charges and Unusual Costs:			

Net sales	\$ 9,185	\$ -	\$ -
Operating loss	\$ (71,591)	\$ (4,764)	\$ (2,590)
Consolidated:			

Net sales	\$ 3,552,429	\$ 2,731,612	\$ 2,606,758
Operating income	\$ 487,357	\$ 404,958	\$ 339,891
Equity in earnings of joint venture	\$ 542	\$ 12,236	\$ 1,667
Long-lived assets	\$ 1,097,362	\$ 602,469	\$ 578,764
Investment in joint venture	\$ 8,412	\$ 123,064	\$ 110,520
Total assets	\$ 5,558,673	\$ 3,196,330	\$ 3,069,385

Capital expenditures	\$	105,094	\$	71,575	\$	71,148
Depreciation and amortization	\$	101,954	\$	60,089	\$	85,404

The Company's areas of operations are principally in the United States. Operations outside the United States are primarily in the United Kingdom and Australia and are included within the Constellation Wines segment.

Geographic data is as follows:

<TABLE>
<CAPTION>

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
(in thousands)			
<S>	<C>	<C>	<C>
Net Sales			
-			
United States	\$ 2,169,798	\$ 1,941,794	\$ 1,886,861
Non-U.S.	1,382,631	789,818	719,897
Total	\$ 3,552,429	\$ 2,731,612	\$ 2,606,758

Significant non-U.S. revenue sources include:

United Kingdom	\$ 1,128,022	\$ 789,818	\$ 719,897
Australia	\$ 205,696	\$ -	\$ -
New Zealand	\$ 32,533	\$ -	\$ -

<TABLE>
<CAPTION>

	February 29, 2004	February 28, 2003
	<S>	<C>
Long-lived assets		
-		
United States	\$ 518,015	\$ 454,016
Non-U.S.	579,347	148,453
Total	\$ 1,097,362	\$ 602,469

Significant non-U.S. long-lived assets include:

United Kingdom	\$ 183,214	\$ 148,453
Australia	\$ 340,510	\$ -
New Zealand	\$ 55,532	\$ -

23. ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED:

In December 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46 (revised December 2003) ("FIN No. 46(R)", "Consolidation of Variable Interest Entities--an interpretation of ARB No. 51", which will replace FASB Interpretation No. 46 ("FIN No. 46"), "Consolidation of Variable Interest Entities," upon its effective date. FIN No. 46(R) retains many of the basic concepts introduced in FIN No. 46; however, it also introduces a new scope exception for certain types of entities that qualify as a business as defined in FIN No. 46(R) and revises the method of calculating expected losses and residual returns for determination of primary beneficiaries, including new guidance for assessing variable interests. The application of the transition requirements of FIN No. 46(R) with regard to special purpose entities and existing variable interest entities did not result in any entities requiring consolidation or any additional disclosures. The Company is continuing to evaluate the impact of FIN No. 46(R) for its adoption as of May 31, 2004. However, it is not expected to have a material impact on the Company's consolidated financial statements.

In December 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 132 (revised 2003) ("SFAS No. 132(R)", "Employers' Disclosures about Pensions and Other Postretirement Benefits--an amendment of FASB Statements No. 87, 88, and 106." SFAS No. 132(R) supersedes Statement of Financial Accounting Standards No. 132 ("SFAS No. 132"), by revising employers' disclosures about pension plans and other postretirement benefit plans. SFAS No. 132(R) requires additional disclosures to those in SFAS No. 132 regarding the assets, obligations, cash flows, and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. SFAS No. 132(R) also amends Accounting Principles Board Opinion No. 28 ("APB Opinion No. 28"), "Interim Financial Reporting," to require additional

disclosures for interim periods. The Company has adopted certain of the annual disclosure provisions of SFAS No. 132(R), primarily those related to its U.S. postretirement plan, for the fiscal year ending February 29, 2004. The Company is required to adopt the remaining annual disclosure provisions, primarily those related to its foreign plans, for the fiscal year ending February 28, 2005. The Company is required to adopt the amendment to APB Opinion No. 28 for financial reports containing condensed financial statements for interim periods beginning March 1, 2004.

In March 2004, the Financial Accounting Standards Board issued a proposed statement, "Share-Based Payment, an amendment of FASB Statements No. 123 and 95." The objective of the proposed statement is to require recognition in an entity's financial statements of the cost of employee services received in exchange for equity instruments issued, and liabilities incurred, to employees in share-based payment (or compensation) transactions based on the fair value of the instruments at the grant date. The proposed statement would eliminate the alternative of continuing to account for share-based payment arrangements with employees under APB No. 25 and require that the compensation cost resulting from all share-based payment transactions be recognized in an entity's financial statements. If adopted in its current form, the proposed statement would be effective for awards that are granted, modified, or settled in fiscal years beginning after December 15, 2004. Also, if adopted in its current form, the proposed statement could result in a significant charge to the Company's Consolidated Statement of Income for the fiscal year ended February 28, 2006.

24. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED):

A summary of selected quarterly financial information is as follows:

<TABLE>
<CAPTION>

Fiscal 2004	QUARTER ENDED					Full Year
	May 31, 2003	August 31, 2003	November 30, 2003	February 29, 2004		
(in thousands, except per share data)						
Net sales(1)	\$ 772,801	\$ 911,065	\$ 987,248	\$ 881,315	\$ 3,552,429	
Gross profit(1)	\$ 209,085	\$ 240,532	\$ 282,616	\$ 243,555	\$ 975,788	
Net income(2)	\$ 39,189	\$ 35,564	\$ 82,840	\$ 62,821	\$ 220,414	
Earnings per common share(3):						
Basic	\$ 0.42	\$ 0.35	\$ 0.76	\$ 0.57	\$ 2.13	
Diluted	\$ 0.41	\$ 0.34	\$ 0.73	\$ 0.55	\$ 2.06	

Fiscal 2003	QUARTER ENDED					Full Year
	May 31, 2002	August 31, 2002	November 30, 2002	February 28, 2003		
(in thousands, except per share data)						
Net sales	\$ 650,393	\$ 689,806	\$ 738,379	\$ 653,034	\$ 2,731,612	
Gross profit	\$ 176,726	\$ 193,262	\$ 213,494	\$ 177,233	\$ 760,715	
Net income(4)	\$ 37,369	\$ 49,572	\$ 64,344	\$ 52,021	\$ 203,306	
Earnings per common share(3):						
Basic	\$ 0.42	\$ 0.55	\$ 0.71	\$ 0.57	\$ 2.26	
Diluted	\$ 0.40	\$ 0.53	\$ 0.69	\$ 0.56	\$ 2.19	

<FN>

(1) In the third quarter of fiscal 2004, the Company revised its accounting policy with regard to the income statement presentation of the reclassification adjustments of cash flow hedges of certain sales transactions. These cash flow hedges are used to reduce the risk of foreign currency exchange rate fluctuations resulting from the sale of product denominated in various foreign currencies. As such, the Company's revised accounting policy is to report the reclassification adjustments from AOCI to sales. Previously, the Company reported such reclassification adjustments in selling, general and administrative expenses. This change in accounting policy resulted in a reclassification which increased selling, general and administrative expenses and sales by \$1.2 million and \$2.3 million for the three months ended May 31, 2003, and August 31, 2003, respectively. No such reclassification was required for the comparable prior year periods. This reclassification did not affect operating income or net income.

(2) In Fiscal 2004, the Company recorded net unusual costs consisting of the flow through of inventory step-up and financing costs associated with the

Hardy Acquisition; restructuring and related charges resulting from (i) the realignment of business operations in the Constellation Wines segment and (ii) the Company's decision to exit the commodity concentrate product line in the U.S. and sell its winery located in Escalon, California; and gains from the relief of certain excise tax, duty and other costs incurred in prior years. The following table identifies these items, net of income taxes, by quarter and in the aggregate for Fiscal 2004:

</TABLE>

<TABLE>
<CAPTION>

Fiscal 2004	QUARTER ENDED				Full Year
	May 31, 2003	August 31, 2003	November 30, 2003	February 29, 2004	
(in thousands, net of tax)					
Flow through of inventory step-up	\$ 3,531	\$ 5,770	\$ 1,741	\$ 3,340	\$ 14,382
Financing costs	2,582	3,334	1,490	-	7,406
Concentrate inventory write-down	-	10,769	-	-	10,769
Restructuring charges	1,482	10,934	5,176	2,347	19,939
Relief of certain excise tax, duty and other costs	-	-	-	(6,678)	(6,678)
Total restructuring and related charges and unusual costs	\$ 7,595	\$ 30,807	\$ 8,407	\$ (991)	\$ 45,818

<FN>

(3) The sum of the quarterly earnings per common share in Fiscal 2004 and Fiscal 2003 may not equal the total computed for the respective years as the earnings per common share are computed independently for each of the quarters presented and for the full year.

(4) During the fourth quarter of Fiscal 2003, the Company's Constellation Wines segment recorded an asset impairment charge of \$4.8 million in connection with the planned closure of two of its production facilities in Fiscal 2004.

</TABLE>

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Information required by this item has been previously reported in the Company's Current Report on Form 8-K dated April 4, 2002, and Form 8-K/A filed May 24, 2002.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and its Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by this report, that the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. In connection with that evaluation, no changes were identified in the Company's "internal control over financial reporting" (as defined in the Securities Exchange Act of 1934 Rules 13a-15(f) and 15d-15(f)) that occurred during the Company's fiscal quarter ended February 29, 2004 (the Company's fourth fiscal quarter) that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this Item (except for the information regarding executive officers required by Item 401 of Regulation S-K which is included in Part I hereof in accordance with General Instruction G(3)) is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 20, 2004, under those sections of the proxy statement to be titled "Election of Directors", "The Board of Directors and Committees of the Board" and "Section 16(a) Beneficial Ownership Reporting Compliance", which proxy statement will be

filed within 120 days after the end of the Company's fiscal year.

The Company has adopted a code of ethics that applies to its chief executive officer and its senior financial officers. The Company's Chief Executive Officer and Senior Financial Executive Code of Ethics is located on the Company's internet website at <http://www.cbrands.com/investors.htm>. Amendments to, and waivers granted under, our Chief Executive Officer and Senior Financial Executive Code of Ethics, if any, will be posted to our website as well.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 20, 2004, under that section of the proxy statement to be titled "Executive Compensation" and that caption to be titled "Director Compensation" under "Election of Directors", which proxy statement will be filed within 120 days after the end of the Company's fiscal year.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 20, 2004, under those sections of the proxy statement to be titled "Beneficial Ownership" and "Stock Ownership of Management", which proxy statement will be filed within 120 days after the end of the Company's fiscal year. Additional information required by this item is as follows:

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets forth information with respect to the Company's compensation plans under which its equity securities may be issued, as of February 29, 2004. The equity compensation plans approved by security holders include the Company's Long-Term Stock Incentive Plan, Incentive Stock Option Plan and 1989 Employee Stock Purchase Plan. The equity compensation plans not approved by security holders include the Company's UK Sharesave Scheme (the "UK Plan"). Under the UK Plan, 2,000,000 shares of Class A Stock may be issued to eligible United Kingdom employees and directors of the Company in offerings that typically extend from three to five years. Under the terms of the UK Plan, participants may purchase shares of Class A Stock at the end of the offering period through payroll deductions made during the offering period. The payroll deductions are kept in interest bearing accounts until the participant either exercises the option at the end of the offering or withdraws from the offering. The exercise price for each offering is fixed at the beginning of the offering by the committee administering the plan and may be no less than 80% of the closing price of the stock on the day the exercise price is fixed. If a participant ceases to be employed by the Company, that participant may exercise the option during a period of time specified in the UK Plan or may withdraw from the offering. During the year ended February 29, 2004, an aggregate of 27,791 shares were issued pursuant to the UK Plan.

<TABLE>
<CAPTION>

EQUITY COMPENSATION PLAN INFORMATION

Plan Category	(a)	(b)	(c)
	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
<S>	<C>	<C>	<C>
Equity compensation plans approved by security holders	11,287,473	\$17.73	9,425,948
Equity compensation plans not approved by security holders (1)	-	-	1,971,451
Total	11,287,473	\$17.73	11,397,399

(1) There are currently two ongoing offerings under the UK Plan. The exercise prices for shares that may be purchased at the end of these offerings are \$12.6093 and \$14.21, respectively. The number of options outstanding that represent the right to purchase shares at the end of the offerings is not determinable because the exchange rate is not known and because the Company cannot predict the level of participation by employees during the remaining term of the offerings.

</TABLE>

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 20, 2004, under that section of the proxy statement to be titled "Executive Compensation", which proxy statement will be filed within 120 days after the end of the Company's fiscal year.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item is incorporated herein by reference to the Company's proxy statement to be issued in connection with the Annual Meeting of Stockholders of the Company to be held on July 20, 2004, under the relevant portion of the sections of the proxy statement to be titled "Audit Committee Report".

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) 1. Financial Statements

The following consolidated financial statements of the Company are submitted herewith:

Reports of Independent Public Accountants - KPMG LLP and Arthur Andersen LLP

Consolidated Balance Sheets - February 29, 2004, and February 28, 2003

Consolidated Statements of Income for the years ended February 29, 2004, February 28, 2003, and February 28, 2002

Consolidated Statements of Changes in Stockholders' Equity for the years ended February 29, 2004, February 28, 2003, and February 28, 2002

Consolidated Statements of Cash Flows for the years ended February 29, 2004, February 28, 2003, and February 28, 2002

Notes to Consolidated Financial Statements

2. Financial Statement Schedules

Schedules are not submitted because they are not applicable or not required under Regulation S-X or because the required information is included in the financial statements or notes thereto.

Parent company financial statements of the Registrant have been omitted because the Registrant is primarily an operating company and no subsidiary included in the consolidated financial statements has minority equity interests and/or noncurrent indebtedness, not guaranteed by the Registrant, in excess of 5% of total consolidated assets.

3. Exhibits required to be filed by Item 601 of Regulation S-K

For the exhibits that are filed herewith or incorporated herein by reference, see the Index to Exhibits located on Page 97 of this Report. The Index to Exhibits is incorporated herein by reference.

(b) Reports on Form 8-K

The following Reports on Form 8-K were filed by the Company with the Securities and Exchange Commission during the fourth quarter of the fiscal year ended February 29, 2004:

- (i) Form 8-K dated January 6, 2004 and filed as of January 6, 2004. This Form 8-K reported information under Items 7, 9 and 12 and included (i) the Company's Condensed Consolidated Balance Sheets as of November 30, 2003 and February 28, 2003; (ii) the Company's

Condensed Consolidated Statements of Income on a Reported Basis for the three months ended November 30, 2003 and November 30, 2002; (iii) the Company's Supplemental Consolidated Statements of Income on a Comparable Basis for the three months ended November 30, 2003 and November 30, 2002; (iv) the Company's Consolidated Statements of Income on a Reported Basis for the nine months ended November 30, 2003 and November 30, 2002; (v) the Company's Supplemental Consolidated Statements of Income on a Comparable Basis for the nine months ended November 30, 2003 and November 30, 2002; (vi) the Company's Consolidated Statements of Cash Flows for the nine months ended November 30, 2003 and November 30, 2002; (vii) the Company's Reconciliation of Reported and Comparable Historical Information for the three months ended November 30, 2003 and November 30, 2002 and the nine months ended November 30, 2003 and November 30, 2002; and (viii) the Company's Reconciliation of Reported and Comparable Diluted Earnings Per Share Guidance. *

- (ii) Form 8-K dated February 10, 2004 and filed as of February 10, 2004. This Form 8-K reported information under Items 7 and 9. *
- (iii) Form 8-K dated February 24, 2004 and filed as of February 25, 2004. This Form 8-K reported information under Items 7 and 9, and included the Company's Reconciliation of Reported and Comparable Information. *

*Designates Form 8-K was furnished rather than filed.

SIGNATURES

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

Dated: May 14, 2004

CONSTELLATION BRANDS, INC.

By: /s/ Richard Sands

Richard Sands, Chairman of the
Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Richard Sands

Richard Sands, Director, Chairman
of the Board and Chief Executive
Officer (principal executive
officer)
Dated: May 14, 2004

/s/ Thomas S. Summer

Thomas S. Summer, Executive Vice
President and Chief Financial
Officer (principal financial
officer and principal accounting
officer)
Dated: May 14, 2004

/s/ Robert Sands

Robert Sands, Director
Dated: May 14, 2004

/s/ George Bresler

George Bresler, Director
Dated: May 14, 2004

/s/ James A. Locke III

James A. Locke III, Director
Dated: May 14, 2004

/s/ Thomas C. McDermott

Thomas C. McDermott, Director
Dated: May 14, 2004

/s/ Paul L. Smith

Paul L. Smith, Director
Dated: May 14, 2004

/s/ Jeananne K. Hauswald

Jeananne K. Hauswald, Director
Dated: May 14, 2004

INDEX TO EXHIBITS

EXHIBIT NO.

- 2.1 Purchase Agreement dated as of January 30, 2001, by and among Sebastiani Vineyards, Inc., Tuolomne River Vintners Group and Canandaigua Wine Company, Inc. (a wholly-owned subsidiary of the Company) (filed as Exhibit 2.5 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2001 and incorporated herein

- by reference).
- 2.2 First Amendment to Purchase Agreement and Pro Forma Closing Balance Sheet, dated as of March 5, 2001, by and among Sebastiani Vineyards, Inc., Tuolomne River Vintners Group and Canandaigua Wine Company, Inc. (filed as Exhibit 2.5 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2001 and incorporated herein by reference).
 - 2.3 Second Amendment to Purchase Agreement, dated as of March 5, 2001, by and among Sebastiani Vineyards, Inc., Tuolomne River Vintners Group and Canandaigua Wine Company, Inc. (filed as Exhibit 2.6 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 2001 and incorporated herein by reference).
 - 2.4 Agreement and Plan of Merger by and among Constellation Brands, Inc., VVW Acquisition Corp. and Ravenswood Winery, Inc. dated as of April 10, 2001 (filed as Exhibit 2.5 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2001 and incorporated herein by reference).
 - 2.5 Implementation Deed dated 17 January 2003 between Constellation Brands, Inc. and BRL Hardy Limited (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated January 21, 2003 and incorporated herein by reference).
 - 2.6 Transaction Compensation Agreement dated 17 January 2003 between Constellation Brands, Inc. and BRL Hardy Limited (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K dated January 21, 2003 and incorporated herein by reference).
 - 2.7 No Solicitation Agreement dated 13 January 2003 between Constellation Brands, Inc. and BRL Hardy Limited (filed as Exhibit 99.3 to the Company's Current Report on Form 8-K dated January 21, 2003 and incorporated herein by reference).
 - 2.8 Backstop Fee Agreement dated 13 January 2003 between Constellation Brands, Inc. and BRL Hardy Limited (filed as Exhibit 99.4 to the Company's Current Report on Form 8-K dated January 21, 2003 and incorporated herein by reference).
 - 2.9 Letter Agreement dated 6 February 2003 between Constellation Brands, Inc. and BRL Hardy Limited (filed as Exhibit 2.5 to the Company's Current Report on Form 8-K dated March 27, 2003 and incorporated herein by reference).
 - 3.1 Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2002 and incorporated herein by reference).
 - 3.2 Certificate of Designations of 5.75% Series A Mandatory Convertible Preferred Stock of the Company (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 24, 2003, filed July 30, 2003 and incorporated herein by reference).
 - 3.3 By-Laws of the Company (filed as Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2002 and incorporated herein by reference).
 - 4.1 Indenture, dated as of February 25, 1999, among the Company, as issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K dated February 25, 1999 (Commission File No. 001-08495) and incorporated herein by reference).
 - 4.2 Supplemental Indenture No. 1, with respect to 8 1/2% Senior Subordinated Notes due 2009, dated as of February 25, 1999, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 99.2 to the Company's Current Report on Form 8-K dated February 25, 1999 (Commission File No. 001-08495) and incorporated herein by reference).
 - 4.3 Supplemental Indenture No. 2, with respect to 8 5/8% Senior Notes due 2006, dated as of August 4, 1999, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 28, 1999 (Commission File No. 001-08495) and incorporated herein by reference).
 - 4.4 Supplemental Indenture No. 3, dated as of August 6, 1999, by and among the Company, Canandaigua B.V., Barton Canada, Ltd., Simi Winery, Inc., Franciscan Vineyards, Inc., Allberry, Inc., M.J. Lewis Corp., Cloud Peak

- Corporation, Mt. Veeder Corporation, SCV-EPI Vineyards, Inc., and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.20 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1999 (Commission File No. 001-08495) and incorporated herein by reference).
- 4.5 Supplemental Indenture No. 4, with respect to 8 1/2% Senior Notes due 2009, dated as of May 15, 2000, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.17 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2000 and incorporated herein by reference).
- 4.6 Supplemental Indenture No. 5, dated as of September 14, 2000, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor Trustee to The Bank of New York), as Trustee (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference).
- 4.7 Supplemental Indenture No. 6, dated as of August 21, 2001, among the Company, Ravenswood Winery, Inc. and BNY Midwest Trust Company (successor trustee to Harris Trust and Savings Bank and The Bank of New York, as applicable), as Trustee (filed as Exhibit 4.6 to the Company's Registration Statement on Form S-3 (Pre-effective Amendment No. 1) (Registration No. 333-63480) and incorporated herein by reference).
- 4.8 Supplemental Indenture No. 7, dated as of January 23, 2002, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated January 17, 2002 and incorporated herein by reference).
- 4.9 Supplemental Indenture No. 8, dated as of March 27, 2003, by and among the Company, CBI Australia Holdings Pty Limited (ACN 103 359 299), Constellation Australia Pty Limited (ACN 103 362 232) and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.9 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2003 and incorporated herein by reference).
- 4.10 Credit Agreement, dated as of October 6, 1999, between the Company, certain principal subsidiaries, and certain banks for which JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank) acts as Administrative Agent, The Bank of Nova Scotia acts as Syndication Agent, and Credit Suisse First Boston and Citicorp USA, Inc. acts as Co-Documentation Agents (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1999 (Commission File No. 001-08495) and incorporated herein by reference).
- 4.11 Amendment No. 1 to Credit Agreement, dated as of February 13, 2001, between the Company, certain principal subsidiaries, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as administrative agent for certain banks (filed as Exhibit 4.20 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2001 and incorporated herein by reference).
- 4.12 Amendment No. 2 to the Credit Agreement, dated as of May 16, 2001 between the Company, certain principal subsidiaries, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as administrative agent for certain banks (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2001 and incorporated herein by reference).
- 4.13 Amendment No. 3 to the Credit Agreement, dated as of September 7, 2001 between the Company, certain principal subsidiaries, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as administrative agent for certain banks (filed as Exhibit 4.7 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001 and incorporated herein by reference).
- 4.14 Amendment No. 4 to the Credit Agreement, dated as of January 15, 2002 between the Company, certain principal subsidiaries, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as administrative agent for certain banks (filed as Exhibit 4.14 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2002 and incorporated herein by reference).
- 4.15 Guarantee Assumption Agreement, dated as of July 2, 2001, by Ravenswood Winery, Inc., in favor of JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as administrative agent, pursuant to the Credit Agreement dated as of October 6, 1999, as amended (filed as Exhibit 4.6 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001 and incorporated herein by reference).

- 4.16 Indenture, with respect to 8 1/2% Senior Notes due 2009, dated as of November 17, 1999, among the Company, as Issuer, certain principal subsidiaries, as Guarantors, and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-4 (Registration No. 333-94369) and incorporated herein by reference).
- 4.17 Supplemental Indenture No. 1, dated as of August 21, 2001, among the Company, Ravenswood Winery, Inc. and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001 and incorporated herein by reference).
- 4.18 Supplemental Indenture No. 2, dated as of March 27, 2003, among the Company, CBI Australia Holdings Pty Limited (ACN 103 359 299), Constellation Australia Pty Limited (ACN 103 362 232) and BNY Midwest Trust Company (successor to Harris Trust and Savings Bank), as Trustee (filed as Exhibit 4.18 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2003 and incorporated herein by reference).
- 4.19 Indenture, with respect to 8% Senior Notes due 2008, dated as of February 21, 2001, by and among the Company, as Issuer, certain principal subsidiaries, as Guarantors and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.1 to the Company's Registration Statement filed on Form S-4 (Registration No. 333-60720) and incorporated herein by reference).
- 4.20 Supplemental Indenture No. 1, dated as of August 21, 2001, among the Company, Ravenswood Winery, Inc. and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.7 to the Company's Pre-effective Amendment No. 1 to its Registration Statement on Form S-3 (Registration No. 333-63480) and incorporated herein by reference).
- 4.21 Supplemental Indenture No. 2, dated as of March 27, 2003, among the Company, CBI Australia Holdings Pty Limited (ACN 103 359 299), Constellation Australia Pty Limited (ACN 103 362 232) and BNY Midwest Trust Company, as Trustee (filed as Exhibit 4.21 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2003 and incorporated herein by reference).
- 4.22 Amended and Restated Credit Agreement, dated as of March 19, 2003, among the Company and certain of its subsidiaries, the lenders named therein, JPMorgan Chase Bank, as Administrative Agent, and JPMorgan Europe Limited, as London Agent (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 27, 2003 and incorporated herein by reference).
- 4.23 Amendment No. 1 to the Amended and Restated Credit Agreement, dated as of July 18, 2003, among the Company and certain of its subsidiaries, and JPMorgan Chase Bank, as Administrative Agent (filed as Exhibit 4.17 to the Company's Report on Form 10-Q for the fiscal quarter ended August 31, 2003 and incorporated herein by reference).
- 4.24 Second Amended and Restated Credit Agreement, dated as of October 31, 2003, among the Company and certain of its subsidiaries, the lenders named therein, JPMorgan Chase Bank, as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent (filed as Exhibit 4.18 to the Company's Report on Form 10-Q for the fiscal quarter ended November 30, 2003 and incorporated herein by reference).
- 4.25 Amendment No. 1, dated as of February 10, 2004, to the Second Amended and Restated Credit Agreement, dated as of October 31, 2003, among Constellation Brands, Inc., the Subsidiary Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, as Administrative Agent (filed herewith).
- 4.26 Amended and Restated Bridge Loan Agreement, dated as of January 16, 2003 and amended and restated as of March 26, 2003, among the Company and certain of its subsidiaries, the lenders named therein, and JPMorgan Chase Bank, as Administrative Agent (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 27, 2003 and incorporated herein by reference).
- 4.27 Certificate of Designations of 5.75% Series A Mandatory Convertible Preferred Stock of the Company (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 24, 2003, filed July 30, 2003 and incorporated herein by reference).
- 4.28 Deposit Agreement, dated as of July 30, 2003, by and among the Company, Mellon Investor Services LLC and all holders from time to time of Depositary Receipts evidencing Depositary Shares Representing 5.75% Series A Mandatory Convertible Preferred Stock of the Company (filed as

Exhibit 4.2 to the Company's Current Report on Form 8-K dated July 24, 2003, filed July 30, 2003 and incorporated herein by reference).

- 10.1 Marvin Sands Split Dollar Insurance Agreement (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 1993 (Commission File No. 001-08495) and also filed herewith).
- 10.2 Employment Agreement between Barton Incorporated and Alexander L. Berk dated as of September 1, 1990 as amended by Amendment No. 1 to Employment Agreement between Barton Incorporated and Alexander L. Berk dated November 11, 1996 (filed as Exhibit 10.7 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1998 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.3 Amendment No. 2 to Employment Agreement between Barton Incorporated and Alexander L. Berk dated October 20, 1998 (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1999 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.4 Long-Term Stock Incentive Plan, which amends and restates the Canandaigua Wine Company, Inc. Stock Option and Stock Appreciation Right Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1997 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.5 Amendment Number One to the Company's Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.6 Amendment Number Two to the Company's Long-Term Stock Incentive Plan (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1999 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.7 Amendment Number Three to the Company's Long-Term Stock Incentive Plan (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference).*
- 10.8 Amendment Number Four to the Company's Long-Term Stock Incentive Plan (filed as Exhibit 10.9 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2001 and incorporated herein by reference).*
- 10.9 Incentive Stock Option Plan of the Company (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.10 Amendment Number One to the Company's Incentive Stock Option Plan (filed as Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.11 Amendment Number Two to the Company's Incentive Stock Option Plan (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2000 and incorporated herein by reference).*
- 10.12 Amendment Number Three to the Company's Incentive Stock Option Plan (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2001 and incorporated herein by reference).*
- 10.13 Annual Management Incentive Plan of the Company (filed as Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 1997 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.14 Amendment Number One to the Company's Annual Management Incentive Plan (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1998 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.15 Amendment Number Two to the Company's Annual Management Incentive Plan (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2001 and incorporated herein by reference).*
- 10.16 Lease, effective December 25, 1997, by and among Matthew Clark Brands Limited and Pontsarn Investments Limited (filed as Exhibit 10.13 to the Company's Annual Report on Form 10-K for the fiscal year ended February

- 28, 1999 (Commission File No. 001-08495) and incorporated herein by reference).
- 10.17 Supplemental Executive Retirement Plan of the Company (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 1999 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.18 First Amendment to the Company's Supplemental Executive Retirement Plan (filed as Exhibit 10 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 1999 (Commission File No. 001-08495) and incorporated herein by reference).*
- 10.19 Second Amendment to the Company's Supplemental Executive Retirement Plan (filed as Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2001 and incorporated herein by reference).*
- 10.20 Credit Agreement, dated as of October 6, 1999, between the Company, certain principal subsidiaries, and certain banks for which JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank) acts as Administrative Agent, The Bank of Nova Scotia acts as Syndication Agent, and Credit Suisse First Boston and Citicorp USA, Inc. acts as Co-Documentation Agents (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1999 (Commission File No. 001-08495) and incorporated herein by reference).
- 10.21 Amendment No. 1 to the Credit Agreement, dated as of February 13, 2001, between the Company, certain principal subsidiaries, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as administrative agent for certain banks (filed as Exhibit 4.20 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2001 and incorporated herein by reference).
- 10.22 Amendment No. 2 to the Credit Agreement, dated as of May 16, 2001 between the Company, certain principal subsidiaries, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as administrative agent for certain banks (filed as Exhibit 4.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2001 and incorporated herein by reference).
- 10.23 Amendment No. 3 to the Credit Agreement, dated as of September 7, 2001 between the Company, certain principal subsidiaries, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as administrative agent for certain banks (filed as Exhibit 4.7 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001 and incorporated herein by reference).
- 10.24 Amendment No. 4 to the Credit Agreement, dated as of January 15, 2002 between the Company, certain principal subsidiaries, and JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as administrative agent for certain banks (filed as Exhibit 4.14 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2002 and incorporated herein by reference).
- 10.25 Guarantee Assumption Agreement, dated as of July 2, 2001, by Ravenswood Winery, Inc., in favor of JPMorgan Chase Bank (formerly known as The Chase Manhattan Bank), as administrative agent, pursuant to the Credit Agreement dated as of October 6, 1999, as amended (filed as Exhibit 4.6 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001 and incorporated herein by reference).
- 10.26 Amended and Restated Credit Agreement, dated as of March 19, 2003, among the Company and certain of its subsidiaries, the lenders named therein, JPMorgan Chase Bank, as Administrative Agent, and JPMorgan Europe Limited, as London Agent (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 27, 2003 and incorporated herein by reference).
- 10.27 Amendment No. 1 to the Amended and Restated Credit Agreement, dated as of July 18, 2003, among the Company and certain of its subsidiaries, and JPMorgan Chase Bank, as Administrative Agent (filed as Exhibit 4.17 to the Company's Report on Form 10-Q for the fiscal quarter ended August 31, 2003 and incorporated herein by reference).
- 10.28 Second Amended and Restated Credit Agreement, dated as of October 31, 2003, among the Company and certain of its subsidiaries, the lenders named therein, JPMorgan Chase Bank, as Administrative Agent, and J.P. Morgan Europe Limited, as London Agent (filed as Exhibit 4.18 to the Company's Report on Form 10-Q for the fiscal quarter ended November 30, 2003 and incorporated herein by reference).
- 10.29 Amendment No. 1, dated as of February 10, 2004, to the Second Amended and Restated Credit Agreement, dated as of October 31, 2003, among

Constellation Brands, Inc., the Subsidiary Guarantors party thereto, the Lenders party thereto and JPMorgan Chase Bank, as Administrative Agent (filed as Exhibit 4.25 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2004 and incorporated herein by reference).

- 10.30 Amended and Restated Bridge Loan Agreement, dated as of January 16, 2003 and amended and restated as of March 26, 2003, among the Company and certain of its subsidiaries, the lenders named therein, and JPMorgan Chase Bank, as Administrative Agent (filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 27, 2003 and incorporated herein by reference).
- 10.31 Letter Agreement between the Company and Thomas S. Summer, dated March 10, 1997, addressing compensation (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the fiscal year ended February 29, 2000 and incorporated herein by reference).*
- 10.32 The Constellation Brands UK Sharesave Scheme, as amended (filed as Exhibit 10.29 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2002 and incorporated herein by reference).
- 10.33 Letter Agreement between the Company and Thomas J. Mullin, dated February 18, 2000, addressing compensation (filed as Exhibit 10.31 to the Company's Annual Report on Form 10-K for the fiscal year ended February 28, 2003 and incorporated herein by reference).*
- 10.34 Letter Agreement between the Company and Stephen B. Millar, dated 9 April 2003, addressing compensation (filed herewith).*
- 10.35 Non-Competition Agreement between Stephen Brian Millar and BRL Hardy Limited (now known as Hardy Wine Company Limited) dated April 8, 2003 (filed herewith).*
- 10.36 Memorandum of Agreement (Service Contract) between BRL Hardy Limited (now known as Hardy Wine Company Limited) and Stephen Brian Millar dated 11 June 1996 (filed herewith).*
- 10.37 BRL Hardy Superannuation Fund Deed of Variation dated 7 October 1998, together with Amending Deed No. 5 made on 23 December 1999, Amending Deed No. 6 made on 20 January 2003 and Amending Deed No. 7 made on 9 February 2004 (filed herewith).*
- 11.1 Statement re Computation of Per Share Earnings (filed herewith).
- 21.1 Subsidiaries of Company (filed herewith).
- 23.1 Consent of KPMG LLP (filed herewith).
- 23.2 Information Regarding Consent of Arthur Andersen (filed herewith).
- 31.1 Certificate of Chief Executive Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).
- 31.2 Certificate of Chief Financial Officer pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended (filed herewith).
- 32.1 Certificate of Chief Executive Officer pursuant to Section 18 U.S.C. 1350 (filed herewith).
- 32.2 Certificate of Chief Financial Officer pursuant to Section 18 U.S.C. 1350 (filed herewith).
- 99.1 1989 Employee Stock Purchase Plan (Restated June 27, 2001) (filed as Exhibit 99.1 to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended August 31, 2001 and incorporated herein by reference).

* Designates management contract or compensatory plan or arrangement.

AMENDMENT NO. 1

AMENDMENT NO. 1 dated as of February 10, 2004, between CONSTELLATION BRANDS, INC., a Delaware corporation (the "Borrower"); each of the Subsidiaries of the Borrower identified under the caption "SUBSIDIARY GUARANTORS" on the signature pages hereto (individually, a "Subsidiary Guarantor" and, collectively the "Subsidiary Guarantors" and, together with the Borrower, the "Obligors"); and JPMORGAN CHASE BANK, as administrative agent for the Lenders referred to below (in such capacity, together with its successors in such capacity, the "Administrative Agent").

The Borrower, the Subsidiary Guarantors, certain financial institutions (the "Lenders"), certain other parties and the Administrative Agent are parties to a Second Amended and Restated Credit Agreement dated as of October 31, 2003 (as in effect on the date hereof, the "Credit Agreement"). The Obligors and the Administrative Agent (having previously obtained the authorization of the Required Lenders) wish to amend the Credit Agreement in certain respects and, accordingly, the parties hereto hereby agree as follows:

Section 1. DEFINITIONS. Except as otherwise defined in this Amendment No. 1, terms defined in the Credit Agreement (as amended hereby) are used herein as defined therein.

Section 2. AMENDMENTS. Subject to the satisfaction of the conditions specified in Section 4 hereof, but with effect on and after the date hereof, the Credit Agreement is amended as follows:

(a) Section 1.01 of the Credit Agreement is amended by adding the following definition in its appropriate alphabetical location:

"'Senior Subordinated Notes due 2009' means the Borrower's 8.50% Senior Subordinated Notes due 2009 in an original aggregate principal amount of U.S. \$200,000,000."

(b) The second sentence of Section 7.11 of the Credit Agreement is amended and restated to read in its entirety as follows:

"Neither the Borrower nor any of its Subsidiaries shall purchase, redeem, retire or otherwise acquire for value, or set apart any money for a sinking, defeasance or other analogous fund for, the purchase, redemption, retirement or other acquisition of, or make any voluntary payment or prepayment of the principal of or interest on, or any other amount owing in respect of, any Subordinated Indebtedness, except that (i) the Borrower may make payments on the regularly-scheduled payment dates with respect to the principal of and interest on the Subordinated Indebtedness as in effect on the date hereof (or, as to any Subordinated Indebtedness issued after the date hereof, as originally in effect), (ii) so long as no Default shall have occurred and be continuing (or will occur as a result of such payment), from the proceeds of Subordinated Indebtedness issued in accordance with the first paragraph of this Section, the Borrower may redeem or prepay Subordinated Indebtedness that is being refinanced with such proceeds, (iii) from the proceeds of Revolving Loans and/or cash held by the Borrower or any Subsidiary, the Borrower may redeem the Senior Subordinated Notes due 2009 in an aggregate amount (including any associated premium thereon) not to exceed the sum of U.S.\$208,500,000 plus any accrued but unpaid interest thereon and any expenses associated with such redemption, so long as at the time of any such redemption and after giving effect thereto (x) no Default shall have occurred and be continuing and (y) the Borrower shall be in compliance with Section 7.10 (the determination of such ratios to be calculated under the assumption that such redemption and any related Borrowing of Revolving Loans and application of cash occurred at the beginning of the respective period), and prior to any such redemption the Borrower shall deliver to the Administrative Agent a certificate of a Financial Officer to the effect specified in this clause (iii) and setting forth in reasonable detail the computations necessary to determine compliance with the foregoing clause (iii)(y) and (iv) the Borrower or any Subsidiary may acquire Subordinated Indebtedness to the extent that the Borrower's investment therein is permitted by Section 7.06(i)."

Section 3. REPRESENTATIONS AND WARRANTIES. The Borrower represents and warrants to the Lenders and the Administrative Agent that (i) the representations and warranties set forth in the Credit Agreement, and of each Obligor in each of the other Loan Documents to which it is party (but as to such other Loan Documents, in all material respects), are true and correct on and as of the date hereof as if made on and as of the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, such representation or warranty shall be true and correct as of such specific date) and as if each reference to the "Credit Agreement", or similar words of import, included reference to this Amendment No. 1 and (ii) at

the time of and immediately after giving effect to this Amendment No. 1, no Default has occurred and is continuing.

Section 4. CONDITIONS PRECEDENT. The amendments set forth in Section 2 hereof shall become effective, as of the date hereof, upon the execution and delivery of this Amendment No. 1 by the Obligors and the Administrative Agent.

Section 5. MISCELLANEOUS. Except as herein provided, the Credit Agreement shall remain unchanged and in full force and effect. This Amendment No. 1 may be executed in any number of counterparts, all of which taken together shall constitute one and the same amendatory instrument and any of the parties hereto may execute this Amendment No. 1 by signing any such counterpart. This Amendment No. 1 shall be governed by, and construed in accordance with, the law of the State of New York.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment No. 1 to be duly executed and delivered as of the day and year first above written.

CONSTELLATION BRANDS, INC.

By /s/ Thomas S. Summer

Name: Thomas S. Summer
Title: Executive Vice President
and Chief Executive Officer

SUBSIDIARY GUARANTORS

ALLBERRY, INC.
CLOUD PEAK CORPORATION
FRANCISCAN VINEYARDS, INC.
MT. VEEDER CORPORATION

By /s/ Thomas S. Summer

Name: Thomas S. Summer
Title: Vice President and Treasurer

ROBERTS TRADING CORP.

By /s/ Thomas S. Summer

Name: Thomas S. Summer
Title: President and Treasurer

CONSTELLATION INTERNATIONAL HOLDINGS LIMITED
CANANDAIGUA WINE COMPANY, INC.

By /s/ Thomas S. Summer

Name: Thomas S. Summer
Title: Treasurer

BARTON INCORPORATED
BARTON BRANDS, LTD.
BARTON BEERS, LTD.
BARTON BEERS OF WISCONSIN, LTD.
BARTON BRANDS OF CALIFORNIA, INC.
BARTON BRANDS OF GEORGIA, INC.
BARTON CANADA, LTD.
BARTON DISTILLERS IMPORT CORP.
MONARCH IMPORT COMPANY
BARTON FINANCIAL CORPORATION

By /s/ Thomas S. Summer

Name: Thomas S. Summer
Title: Vice President

CANANDAIGUA LIMITED

By /s/ Thomas S. Summer

Name: Thomas S. Summer

Title: Finance Director

CBI AUSTRALIA HOLDINGS PTY LIMITED

By /s/ Thomas S. Summer

Name: Thomas S. Summer
Title: Authorized Signatory

CONSTELLATION AUSTRALIA PTY LIMITED

By /s/ Thomas S. Summer

Name: Thomas S. Summer
Title: Authorized Signatory

JPMORGAN CHASE BANK,
as Administrative Agent

By /s/ Laura J. Cumming

Name: Laura J. Cumming
Title: Vice President

AGREEMENT

THIS AGREEMENT, made this 20th day of December, 1990, by and between CANANDAIGUA WINE COMPANY, INC., a corporation organized and existing under the laws of the State of Delaware (hereinafter called the "Corporation"), and ROBERT S. SANDS, as Trustee of the Marvin Sands Trust under Agreement dated November 19, 1990 (hereinafter called the "Trustee");

WHEREAS, Marvin Sands (hereinafter called the "Employee") has been a capable, efficient and valued employee of the Corporation since 1972; and

WHEREAS, the Corporation desires to provide the Employee with added compensation in recognition of his valued services by providing adequate protection for the family of the Employee and his spouse in the event of their deaths;

NOW, THEREFORE, in consideration of covenants contained herein, it is mutually acknowledged and agreed that:

1. The Trust is the sole and absolute owner of Prudential Mutual Life Insurance Company Policy No. 79 662 805 and has designated the beneficiary thereof.

2. The Policy shall be subject to the terms and conditions of this Agreement.

3. It is the intention of the parties to this Agreement that the Trustee shall retain all rights which the Policy grants to the owner thereof except as hereinafter specified. All provisions of this Agreement shall be construed so as to carry out such intention.

a. Following the collateral assignment of the Policy as hereinafter provided, the Corporation shall be responsible for the timely payment to the insurer of any premium, payment, assessment, or other charge necessary to keep the Policy in force until such time as either the Corporation surrenders or cancels the Policy or the later death of the Employee and his spouse. The Trustee shall be responsible for the timely payment to the Corporation or to the insurer of that portion of any premium payment, assessment or other charge equal to the "economic benefit" to the Employee and/or his spouse calculated in accordance with the United States Treasury Department rules then in effect. The Trustee shall be responsible for the timely notification to the Corporation of the manner in which the Trustee proposes to pay the portion of the premium payment as hereinabove provided.

b. The total amount of all premium advances applied to the Policy by the Corporation shall constitute indebtedness from the Trustee to the Corporation. To secure the repayment of this indebtedness, as it may exist from time to time, the Trustee shall execute and deliver to the Corporation, at or before the time of the first premium advance made by the Corporation hereunder, a collateral assignment of this Policy. Such collateral assignment shall be in the form of the collateral assignment attached to this Agreement as Schedule A.

c. Following such collateral assignment, the Corporation may borrow against the Policy up to the amount permitted under the provisions of the Policy, provided, however, that the Corporation shall not permit the indebtedness on the Policy to exceed the Policy's loan value (as the term is defined under the Policy).

d. Following the assignment of the Policy, the Corporation shall have the sole right to surrender, cancel, or convert the Policy. Upon the surrender, cancellation, or conversion of the Policy, the Corporation shall have the unqualified right to receive directly from the insurer the amount it has paid for premiums on the Policy which is not reportable as income by the Employee or his spouse (less any amount which the Corporation has borrowed from the cash value of the Policy). Following the receipt of said amount, all of obligations of the Corporation and the Trustee shall be terminated. The Corporation shall be under no obligation to obtain a new insurance policy if said Policy is surrendered or cancelled.

e. The Trustee shall have the right to designate the beneficiary of the portion of the death proceeds to which the Corporation is not entitled, as hereinafter specified in paragraph "6(b)." The Corporation, as holder of the Policy as collateral assignee, will make the Policy available to the insurer or the Trustee in order to effectuate any change in the beneficiary designation which the Trustee may desire to make, subject to the rights of the Corporation as defined in this Agreement.

4. The Trustee shall take no action with respect to the Policy which would in any way compromise or jeopardize the Corporation's right to be repaid such amounts, without the express written consent of the Corporation.

5. The Corporation shall have the right to keep said Policy in force during the lifetimes of the Employee and his spouse, including any period following the Employee's retirement from the service of the Corporation.

6. a. Upon the death of the second to die of the Employee and his spouse, the Corporation shall promptly take all actions necessary to obtain the death benefits provided under the Policy.

b. The Corporation shall have the unqualified right to receive from the death benefits an amount equal to the premiums it has paid which are not reportable as income by the Employee or his spouse (less any amount which the Corporation has borrowed from the cash value of the Policy). The balance of the death benefits provided under the Policy, if any, shall be paid directly to the beneficiary or beneficiaries designated by the Trustee, in the manner and in the amount or amounts provided in the beneficiary designation provisions of the Policy. No amount shall be paid from such death benefits to the beneficiary or beneficiaries designated by the Trustee until the full amount due the Corporation hereunder has been paid.

7. Repayment of the amounts of the premiums on the Policy paid by the Corporation and not reportable as income by the Employee or his spouse shall be made from the cash surrender value of the Policy (as defined therein) if the Corporation surrenders or cancels the Policy. Payment of the amount payable to the Corporation upon the death of the second to die of the Employee and his spouse shall be made from the death proceeds of the Policy.

8. a. This Agreement shall terminate, without notice, upon the occurrence of any of the following events: (1) the total cessation of the business of the Corporation; (2) the bankruptcy, receivership or dissolution of the Corporation; or (3) the termination of the Employee's employment by the Corporation other than by reason of his death or retirement.

b. In addition, either the Trustee or the Corporation may terminate this Agreement, provided that no premiums under the Policy are overdue, by written notice to the other party. Such termination shall be effective thirty days from the date of such notice.

9. The Corporation shall release its interests in the Policy, cancel the collateral assignment, and transfer physical possession of the Policy to the Trustee upon its receipt of sums in satisfaction of the total indebtedness owed by the Trustee to the Corporation, as hereinabove provided. Such release, cancellation, and transfer shall terminate all mutual obligations of the parties to this Agreement.

10. This Agreement may not be amended, altered or modified, except by a written instrument signed by the parties hereto, or their respective successors or assigns, and may not be otherwise terminated except as provided herein.

11. The rights of either party to this Agreement may be assigned; and a party wishing to make an assignment need not obtain the consent of the other party to this Agreement to such assignment.

12. This Agreement shall be binding upon and inure to the benefit of the Corporation and the Trustee and their respective successors and assigns.

13. Any notice, consent or demand required or permitted to be given under the provisions of this Agreement shall be in writing, and shall be signed by the party giving or making the same. If such notice, consent or demand is mailed to a party hereto, it shall be sent by United States certified mail, postage prepaid, addressed to such party's last known address as shown on the records of the Corporation. The date of such mailing shall be deemed the date of notice, consent or demand.

14. Richard E. Sands is hereby designated the "named fiduciary" of this plan. The named fiduciary, Richard E. Sands, shall be responsible for the management, control and administration of the plan. The named fiduciary may allocate to others certain aspects of the management and operation responsibilities of the plan, including the employment of advisors and the delegation of any ministerial duties to qualified individuals.

15. CLAIMS PROCEDURE

A. FILING OF BENEFIT CLAIMS

(1) When a participant, beneficiary, or his duly authorized representative have a claim which may be covered under the provisions of the insurance policy, he or she should contact the named fiduciary.

(2) Claim forms and claim information can be obtained from the named fiduciary.

(3) The claim must be in writing on a Benefit Claim Form and delivered to the named fiduciary either in person or by mail, postage paid. The named fiduciary will forward the claim form to the authorized representative of

the insurer.

A. INITIAL DISPOSITION OF BENEFIT CLAIMS

(1) Within ninety (90) days after receipt of a claim, the insurer shall send to the claimant, by mail, postage prepaid, a notice granting or denying, in whole or in part, a claim for benefits.

(2) If a claim for benefits is denied, the insurer shall provide the claimant written notice setting forth in a manner calculated to be understood by the claimant:

(a) The specific reason or reasons for the denial;

(b) Specific reference to pertinent plan provisions on which the denial is based;

(c) A description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and

(d) Appropriate information as to the steps to be taken if the participant or beneficiary wishes to submit his or her claim for review.

(3) If the claim is payable, a benefit check will be issued to the named fiduciary and forwarded to the claimant.

(4) The ninety- (90) day period may be extended if special circumstances require an extension of time to process the claim for benefits.

(5) Written notice of the extension shall be furnished to the claimant prior to the termination of the initial 90-day period.

(6) The extension notice shall indicate the special circumstances requiring an extension of time and the date by which the insurer expects to render the final decision.

(7) In no event shall such extension exceed a 90 days from the end of the initial 90-day period.

(8) If a notice of denial is not received within the claim being filed, the claim shall be deemed the claimant shall be permitted to proceed to the period of 90 days of denied and review stage.

C. REVIEW PROCEDURE

(1) Within sixty (60) days of:

(a) the receipt by the claimant of written notification denying, in whole or in part, his or her claim, or

(b) a deemed denial resulting from the insurer's failure to provide the claimant with written notice of denial within 90 days of the claim being filed, the claimant or his duly authorized representative, upon written application to the insurer, delivered in person or by certified mail, postage prepaid, may request an opportunity to appeal a denied claim to the insurer or a person designated by the insurer.

(2) The claimant or his representative may:

(a) Request a review upon written application to the plan;

(b) Review pertinent documents; and

(c) Submit issues and comments in writing.

(3) The decision on review shall be made within sixty (60) days of the insurer's receipt of a request for review.

(4) The sixty (60) day period may be extended if special circumstances require an extension of time to process the review.

(5) If an extension is required:

(a) written notice of the extension shall be furnished to the claimant prior to the commencement of the extension, and

(b) a decision shall be rendered as soon as possible but no later than 120 days after the insurer received the request for review.

(6) The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, as well as specific references to the pertinent plan provision on which the decision is based.

(7) If the decision on review is not rendered within sixty (60) days or within 120 days if an extension is granted, then the claim shall be deemed denied on review.

D. OTHER REMEDIES

(1) After exhaustion of the claims procedures, nothing shall prevent any person from pursuing any other legal or equitable remedy otherwise available.

16. This Agreement, and the rights of the parties hereunder, shall be governed by and construed in accordance with the laws of the State of Delaware.

17. Notwithstanding the provisions of this Agreement, Prudential is hereby authorized to act in accordance with the terms of the Policy issued by it as if this Agreement did not exist. Payment or other performance of its obligations under such Policy by Prudential in accordance with the terms of such Policy shall completely discharge Prudential from all claims, suits, and demands of all persons whatsoever.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, in duplicate, as of the day and year first above written.

ATTEST: CANANDAIGUA WINE COMPANY, INC.
/s/ Martin W. O'Toole By: /s/ Richard Sands

Martin W. O'Toole As its: President

ATTEST:
/s/ Martin W. O'Toole By: /s/ Robert S. Sands

Martin W. O'Toole ROBERT S. SANDS, as Trustee of
the Marvin Sands Trust

SCHEDULE A

It is agreed, pursuant to the foregoing Agreement dated _____ that
the following described policy of life insurance shall be subject to the
provisions of said Agreement. Policy No. _____ issued by The Prudential
Insurance Company of America on _____ 19 _____, insuring the lives of
the Employee and his spouse.

Collateral Assignment

Assignment made _____, 19 _____, by Robert S. Sands, as the Trustee of
Marvin Sands Trust dated _____, 19 _____, assignor, to
Canandaigua Wine Company, Inc., assignee.

For value received, the assignor hereby assigns to the assignee Insurance
Policy No. _____ issued by the Prudential Insurance Company of
America on the lives of Marvin and Marilyn D. Sands, as collateral security to
the extent of the indebtedness of the assignor to the assignee.

The assignee, without the consent of the assignor, may apply for a policy
loan in an amount not to exceed the permissible policy loan limits, but not in
excess of premium advances by the assignee.

Except as specifically herein granted to the assignee, the assignor shall
retain all other incidents of ownership in the policy.

Dated _____
ROBERT S. SANDS,
as Trustee, as Assignor
CANANDAIGUA WINE COMPANY, INC.,
as Assignee
Dated _____
By: _____
As its:

BI-BERK
EMPLOYMENT AGREEMENT

THIS AGREEMENT, made and entered into as of September 1, 1990 between BARTON INCORPORATED, a Delaware corporation (the "Company"), and ALEXANDER L. BERK (the "Employee").

W I T N E S S E T H:

WHEREAS, the Employee has been employed in the beverage alcohol industry for a number of years, and his experience, ability and knowledge would be extremely valuable to the Company; and

WHEREAS, the Employee is willing to serve in an executive capacity with the Company on the terms herein provided;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements hereafter set forth, and for other good and valuable considerations, the receipt and sufficiency of which are hereby acknowledged, it is hereby mutually agreed as follows:

1. Employment. Company hereby agrees to employ Employee, and Employee hereby accepts such employment, on the terms and conditions set forth herein, for the "Term" as defined in this Section 1. The Term shall commence on September 1, 1990 and, unless sooner terminated pursuant to Section 5 herein, or extended under the terms of this Section 1, shall end on March 31, 1995. The Term shall be automatically extended for additional one-year periods unless Employee notifies the Board of Directors of the Company (the "Directors"), or the Directors notify Employee, that the notifying party does not wish to extend the then existing Term, which notice must be given in the manner described in Section 10

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hereof at least one hundred eighty (180) days prior to the expiration of the then existing Term.

2. Position and Duties. Employee shall serve as the President and Chief Operating Officer of the Company and as a member of the boards of directors of the Company and its principal subsidiaries, and as a member of a committee comprised of some of the Company's Vice Presidents which consults with and advises the Chief Executive Officer of the Company, but which has no authority over the Chief Executive Officer of the Company (the "Management Committee"). The Employee shall report and be responsible directly to the Chief Executive Officer of the Company, with such powers and duties consistent with his offices as may from time to time be authorized or directed by the Company's Chief Executive Officer. Employee shall devote his full-time services to the employment provided for herein. All services and duties of Employee rendered hereunder shall be performed faithfully, diligently and competently and to the highest standards of loyalty.

3. Place of Employment. In connection with his employment by the Company, the Employee shall not be required to relocate or transfer his principal residence from the metropolitan Chicago, Illinois area and shall not be required to perform services which would make the continuance of his principal residence in such area unreasonably difficult or inconvenient for him.

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4. Compensation.

(a) The Employee shall receive a base salary, which shall be initially at the rate of \$275,000 per annum ("Base Salary"), payable semi-monthly. It is contemplated that the Chief Executive officer will review the Employee's Base Salary each April 1 during the Term hereof commencing April 1, 1991; and, the Chief Executive Officer may, at his discretion, increase the Employee's Base Salary from time to time based upon the Employee's performance and other relevant factors. Any increase in Base Salary shall in no way limit or reduce any other obligation of the Company hereunder; and, once established at an increased specified rate, the Employee's Base Salary hereunder shall not be reduced.

(b) Expenses. In addition, the Company agrees to reimburse all ordinary and necessary expenses incurred by the Employee in performing services hereunder, subject to appropriate accounting in accordance with Company policy.

(c) Participation in Benefit Plans; Fringe Benefits. While employed hereunder, the Employee shall be entitled to participate in or receive benefits under any employee benefit plans and fringe benefits programs which are from time to time made available to key executives of the Company including, without limitation, the Barton Incorporated Management Incentive

(Exhibit 4(c) attached hereto) and the use of a Company owned or leased car, subject to such general modifications, increases or reductions in such employee benefit plans and fringe benefits programs as may be made from time to time by the Company.

(d) Vacations. During each fiscal year of the Company, Employee shall be entitled to 20 business days of paid vacation. The paid vacation days provided for hereunder must be used during the applicable fiscal year or lost, and shall not accumulate from fiscal year to fiscal year.

5. Termination.

(a) Anything herein contained to the contrary notwithstanding, the Employee's employment by the Company shall terminate (subject to the obligations herein provided) prior to the expiration of the Term on the happening of any of the following events:

(i) The death of the Employee;

(ii) The termination of the Employee's employment by the Directors by written notice to Employee at any time within sixty (60) days of the Complete Disability of the employee, as hereinafter defined.

(iii) The termination of the Employee's employment by the Directors for "Cause", as hereinafter defined, by written notice to Employee

at any time within forty-five (45) days of the event constituting "Good Reason" hereunder: or

(iv) The termination of the Employee's employment by the Employee for "Good Reason", as hereinafter defined, by written notice to the Company at any time within forty-five (45) days of the event constituting "Good Reason" hereunder; or

(v) The termination of the Employee's employment upon "Retirement", as hereinafter defined.

(b) As used in this Agreement, the following terms shall be defined as follows:

(i) "Cause" shall mean (X) the willful malfeasance or gross negligence by the Employee in the performance of his duties hereunder, (Y) the willful breach by the Employee of any material provision of this Agreement, or (Z) the engaging by the Employee in misconduct (whether in connection with his duties hereunder or otherwise) which is demonstrably injurious to the Company monetarily or otherwise.

(ii) "Complete Disability" shall mean the inability of the Employee to perform his duties hereunder due to illness, accident or any other physical or mental incapacity, for a period of two hundred seventy (270) days in the aggregate within

any given period of twelve (12) consecutive months during the Term, it being understood that, notwithstanding his complete disability, the Employee shall be entitled to receive the Base Salary provided for herein until the expiration of twelve (12) months from the first day of such inability to perform in the above mentioned two hundred seventy (270) days. Disability because of illness, accident or any other physical or mental incapacity shall not be a basis for discharge by the Company except as provided for herein for Complete Disability.

(iii) Employee shall have "Good Reason" if: (X) without his consent, Employee's authority or responsibilities hereunder are diminished or Employee is removed from the office of President and Chief Operating Officer of the Company, from the boards of directors of the Company or its principal subsidiaries, or from the Management Committee; or (Y) the Company willfully fails to perform any of its material obligations to Employee hereunder, including, without limitation, failing to provide Employee with fringe benefits, or to include Employee in benefit plans, available to other key executives of the Company, requiring Employee to move his principal place of residence outside of the

metropolitan Chicago area or making the continuance of a principal residence in the metropolitan Chicago area unreasonably difficult or inconvenient, or failing to make regular Base Salary payments at the level required in Section 4(a) hereof.

(iv) "Retirement" means retirement in accordance with the Company's retirement policy from time to time in effect generally applicable to the Company's salaried employees, including any "voluntary early retirement" under such policy.

6. Post-Termination Benefits.

(a) If Employee's employment shall be terminated at any time (i) by reason of his death, Complete Disability or Retirement or (ii) by the employee for Good Reason pursuant to Section 5(a) (iv) hereof, or if the Company decides not to extend the Term hereof as provided in Section 1 hereof, the Company shall pay to the Employee a post-termination benefit equal to one hundred percent (100%) of his then current Base Salary.

(b) If Employee's employment shall be terminated by virtue of the expiration of the Term after notice from Employee to the Directors that Employee does not intend to extend the Term as provided in Section 1 hereof, then the Company shall pay to Employee a post-termination benefit equal to one-half of the amount payable under Section 6(a) above.

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(c) The post-termination benefits payable under Sections 6(a) and 6(b) hereof shall be payable in a lump sum as soon as practicable after the date of termination of the Employee's employment.

(d) In the event that the Employee's employment shall be terminated by the Employee for Good Reason pursuant to Section 5(a)(iv) hereof, or if Employee's employment is terminated by the Company for reasons other than the death of Employee, Employee's Complete Disability or Cause under Sections 5(a)(i), 5(a)(ii) and 5(a)(iii) hereof (it being understood that an election by the Company not to extend the Term is not a "termination by the Company" hereunder) the Employee shall be paid a supplementary post-termination benefit in an amount equal to what he otherwise would have been entitled to receive as his share of the Company's contribution to its salaried employees' profit-sharing and retirement plan for the fiscal year in which such termination occurs based on his "compensation" for such fiscal year through the date of termination, if such profit-sharing plan is in effect for such year, and if such plan does not credit Employee with such contributions when payments are made in respect of the circumstances described in this Section 6(d). Said payment, if any, shall be made promptly after the

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Company's contribution to said plan for the fiscal year in which such termination occurs.

(e) It is understood and agreed that the Employee shall not have a duty to seek other employment for the purpose of minimizing any post-termination benefits or liquidated damages payable by the Company hereunder.

(f) In the event the Employee's employment shall be terminated at any time by the Directors for Cause pursuant to Section 5(a) (iii) hereof, the Company shall have no obligation to pay any compensation or other benefits under this Section 6 or otherwise for any period following such termination.

7. Liquidated Damages. In addition to the post-termination benefits payable pursuant to Section 6 hereof, in the event the Employee's employment is terminated by the Employee for Good Reason pursuant to Section 5(a) (iv) hereof, or if Employee's employment is terminated by the Company for reasons other than the death of Employee, Employee's Complete Disability or cause under Sections 5(a) (i), 5(a) (ii) and 5(a) (iii) hereof (it being understood that an election by the Company not to extend the Term is not a "termination by Company" hereunder), the Company shall pay to the Employee, as liquidated damages and in lieu of any further salary payments to the Employee for periods subsequent to the date of termination, an amount equal to the product of (i) his then current Base Salary, multiplied by (ii) the number of years

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(including fractions thereof) remaining in the then Term of this Agreement. The amount so payable shall be payable to the Employee in a lump sum as soon as practicable after the date of termination of the Employee's employment.

8. Non-Competition.

(a) The Employee hereby agrees that he will not, either during the

term of his employment by the Company or thereafter, disclose any material confidential information concerning any aspect of the business of the Company or any of its subsidiaries or affiliates to any person, firm or corporation, except in the furtherance of the interests of the Company and its subsidiaries and affiliates and with the prior written consent of the Company.

(b) The Employee acknowledges that the Company's business is highly competitive and that a violation by Employee of the covenant set forth in this Section 8 would cause immeasurable and irreparable damage to the Company and its subsidiaries and affiliates. The Employee accordingly agrees, without limiting the remedies available to the Company or any of its subsidiaries or affiliates, that any violation of such covenant may be enjoined by any court of competent jurisdiction.

(c) As used in this Section 8, "Company" means the Company, its subsidiaries and affiliates.

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(d) The Company hereby acknowledges that the Employee has informed the Company that the Employee is a limited partner of Virgin Islands Acquisition Partnership ("VIAP"), and a shareholder in and director of VIRIL Acquisition Corp., a New York corporation and the corporate general partner of Virgin Islands Rum Industries Ltd. ("VIRIL"). The Employee has further informed the Company that VIRIL (the majority owner of which is VIAP) owns and operates a rum distillery in the U.S. Virgin Islands and sells its products to various companies throughout the world, including the United States, and that from time to time, VIRIL has sold rum in bulk to the Company's subsidiary, Barton Brands, Ltd. It is understood and agreed that the Employee's ownership in VIAP and its corporate general partner and his offices in such corporate general partner shall not be deemed a violation of this Agreement.

9. Arbitration. Any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Chicago, Illinois in accordance with the rules of the American Arbitration Association then in effect; provided, however, that the Company shall be entitled to seek a restraining order or injunction in any court of competent jurisdiction to prevent any continuing violation of Section 8 hereof. The losing party in any such arbitration shall pay all costs of the arbitration, including the legal fees and expenses of

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all parties with respect thereto. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

10. Notice. Any notice or other communication hereunder to either party shall be deemed validly delivered when delivered personally, on any date on which personal delivery is refused, or 3 days after deposit in the United States mail, registered or certified with proper postage prepaid, addressed as follows:

(a) If to the Company, addressed to:

Barton Incorporated
Suite 1700
55 East Monroe Street
Chicago, Illinois 60603
Attention: Chairman

(b) If to the Employee, addressed to:

Alexander L. Berk
13531 Hughes Place
Dallas, Texas 75240

or to such other addresses as either party may designate for itself or himself by notice given to the other from time to time in accordance with the provisions hereof, except that notices of change of address shall be effective only upon receipt.

11. Successors and Assigns. The provisions hereof shall be binding upon and shall inure to the benefit of the Employee, his heirs, executors and administrators, and the Company, its successors and assigns.

12. Prior Agreements. This agreement supersedes all prior agreements between the parties with respect to the subject matter hereof.

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13. Governing Laws. This agreement shall be governed by the laws of the State of Illinois.

14. Miscellaneous. No provision of this Agreement may be modified, waived

or discharged unless such waiver, modification or discharge is agreed to in writing, and is signed by the Employee and by another executive officer of the Company who has been duly authorized by the Directors. No waiver by any party hereto at any time of any breach by any other party hereto, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to this Agreement have been made by any party which are not set forth expressly in this Agreement.

15. Validity and Severability. The invalidity or unenforceability of any provision hereof shall not affect the enforceability of any other provision of this Agreement, all of which other provisions shall remain in full force and effect (such unenforceable or invalid provision being severable in such instance), nor shall the invalidity or unenforceability of a portion of any provision of this Agreement affect the validity or enforceability of the balance of such provision.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.

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IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the authorized officers or the Company and by the Employee on the date first hereinabove written.

BARTON INCORPORATED

By: /s/ Ellis M. Goodman

/s/ A. Berk

ALEXANDER L. BERK

AMENDMENT NO. 1 TO
EMPLOYMENT AGREEMENT

THIS AMENDMENT NO. 1 TO EMPLOYMENT AGREEMENT (this "Amendment") dated November 11, 1996 is by and between BARTON INCORPORATED, a Delaware corporation (the "Company"), and ALEXANDER L. BERK (the "Employee").

WHEREAS, the Company and Employee are parties to that certain Employment Agreement dated September 1, 1990 (the "Agreement"), and desire to amend the Agreement on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged) the parties hereto agree as follows:

1. Employment. The second sentence of Section 1 of the Agreement is hereby deleted in its entirety and the following inserted therefor:

"The Term shall commence on September 1, 1990 and, unless sooner terminated pursuant to Section 5 herein, or extended under the terms of this Section 1 shall end on February 28, 2001."

2. Post-Termination Benefits. Section 6(a) of the Agreement is hereby deleted in its entirety and the following inserted therefor:

"(a) If Employee's employment shall be terminated at any time (i) by reason of his death, Complete Disability or Retirement or (ii) by the Employee for Good Reason pursuant to Section 5(a)(iv) hereof, or if the Company decides not to extend the Term hereof as provided in Section 1 hereof, the Company shall pay to the Employee a post-termination benefit equal to one hundred percent (100%) of his then current Base Salary plus the amount paid to Employee under the Barton Incorporated Management Incentive Plan for the Company's immediately prior fiscal year."

3. Confidential Information. Employee agrees to keep the fact that this Amendment has been entered into and the terms of this Amendment confidential, except that disclosure of this Amendment to Employee's immediate relatives and financial and legal advisors is permitted.

4. No Further Modifications. Except as specifically set forth herein, the Agreement shall remain in full force and unaffected hereby.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of

the date first above written.

COMPANY:

EMPLOYEE:

BARTON INCORPORATED

/s/ Ellis M. Goodman

Ellis M. Goodman
Chief Executive Officer

/s/ A. Berk

Alexander L. Berk

EXHIBIT 10.3

AMENDMENT NO. 2 TO
EMPLOYMENT AGREEMENT

THIS AMENDMENT NO. 2 TO EMPLOYMENT AGREEMENT (this "Amendment") dated October 20, 1998 is by and between BARTON INCORPORATED, a Delaware corporation (the "Company"), and ALEXANDER L. BERK (the "Employee").

WHEREAS, the Company and Employee are parties to that certain Employment Agreement dated September 1, 1990 (as amended by Amendment No. 1 to Employment Agreement dated November 11, 1996, the "Agreement"), and desire to further amend the Agreement on the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Position and Duties. Paragraph 2 of the Agreement is hereby deleted in its entirety and the following inserted therefor:

"Employee shall serve as the President and Chief Executive Officer of the Company and as a member of the boards of directors of the Company and its principal subsidiaries, and as a member of the Company's Management Committee. The Employee shall report and be responsible directly to the Chief Executive Officer of Canandaigua Brands, Inc. ("CBI"), with such powers and duties consistent with his offices as may from time to time be authorized or directed by CBI's Chief Executive Officer. Employee shall devote his full-time services to the employment provided for herein. All services and duties of Employee rendered hereunder shall be performed faithfully, diligently and competently and to the highest standards of loyalty."

2. No Further Modifications. Except as specifically set forth herein, the Agreement shall remain in full force and unaffected hereby.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the date first above written.

COMPANY:

BARTON INCORPORATED

/s/ Richard Sands

Richard Sands
Vice President

EMPLOYEE:

/s/ A. Berk

Alexander L. Berk

[LOGO]
CONSTELLATION

Constellation Brands, Inc.
300 WillowBrook Office Park
Fairport, New York 14450
phone 585-218-3600
fax 585-218-3601

9 April, 2003

Mr. Stephen Millar
14 Cygnet Street
Novar Gardens, South Australia 5040

Dear Stephen:

This letter is to confirm the terms of your appointment as CEO of Constellation Wines.

Position: CEO Constellation Wines

Report to: Robert Sands, President and COO Constellation Brands, Inc.

Salary: Base Compensation of A\$850,000 per annum, effective 9 April, 2003, subject to all deductions and withholdings required by law. Salary will be reviewed annually by the Human Resources Committee of the Board of Directors at their meeting in April of each year.

Bonus Plan: Beginning on 1 March, 2003, you will participate in the Constellation Annual Management Incentive Plan with a target opportunity (based upon achievement of target objectives) of 60% of base compensation and a maximum opportunity of 120% of base compensation. The FY04 bonus period begins on 1 March, 2003 and ends on 28 February, 2004. As you know, the Human Resources Committee of the Board of Directors approved the enhanced plan for FY04. The enhanced bonus target for FY04 will be 90% with a maximum of 120%.

For FY04 (1 March 2003 through 28 February 2004) the bonus calculation for the CEO Constellation wines will be based 80% on the performance of Constellation Wine Division EBIT and 20% on the performance of Constellation Brands EBIT against the FY04 operating plan.

The current bonus earned for the year ended 31 December, 2002, will be adjusted by 14/12ths which includes the period from 1 January, 2002 through 28 February, 2003.

Long-Term Incentive: With the approval of the Human Resources Committee of the Board of Directors, on or about 8 April, 2003, you will receive an option to purchase 100,000 shares of Constellation Class A common stock at a market price on the date of the grant of such option. You will continue to participate in the company's long-term incentive program and be eligible to receive stock option grants under the plan as recommended by management and approved by the Human Resources Committee.

Superannuation: You will continue to participate in BRL Hardy superannuation plan at a rate of 20% of your base compensation or A\$170,000 for FY04.

Wine Allowance: In order to enjoy Constellation wines with the family and friends, you will be entitled to an allowance of A\$2,380 per year.

Automobile: The company will provide you with an automobile for business use at an amount that is not to exceed A\$40,000 per year and adjusted annual as provided in the plan.

Travel and Entertainment: You will be reimbursed for normal and reasonable expenses incurred in connection with your business responsibilities, subject to the budgets and policies established by the company.

Home phone: The company will reimburse you for the business related usage of telephone, fax and DSL service at home, as well as for a mobile phone.

Additional Benefits: You will be eligible to participate in all of the additional benefits plans available to BRL Hardy employee as amended from time to time.

Paid Time Off: You will be eligible for all paid time off consistent with the current BRL Hardy policy.

Terms and conditions of Employment: The ongoing terms and considerations of your employment are as set out in this letter and the Memorandum of Agreement (Service Contract) entered into by you and BRL Hardy Limited on 11 June 1996. In

the event of any inconsistency between the terms of this letter and the Service Contract, the terms of this letter will prevail.

These terms and conditions will continue unless modified in writing by you and the Company.

You will continue to be employed by BRL Hardy Limited. Wherever the context allows, references to BRL Hardy Limited in this letter and in the Service Contract will be taken to include BRL Hardy Limited's related bodies corporate and related entities, including Constellation Brands Inc.

Non-Compete Agreement: You confirm your agreement to observe those obligations it is confirmed that you will be provided with consideration (an option to purchase 100,000 shares of Constellation Class A common stock, under the terms of the company's long-term incentive plan) in accordance with that Agreement.

Please indicate your acceptance by signing below, and return (confidentially) to Carrie Boscarino.

Sincerely,

/s/ Robert Sands

Robert Sands
President and COO
Constellation Brands, Inc.

Date

/s/ Keith Winson

Keith Wilson
EVP, Chief Human Resources Officer
Constellation Brands, Inc.

4-11-07

Date

Accepted:

/s/ Stephen Millar

Stephen Millar

25-5-03

Date

BRL HARDY LIMITED
Company

STEPHEN BRIAN MILLER
Executive

NON-COMPETITION AGREEMENT

LAWYERS

Levels 23-35 No. 1 O'Connell Street Sydney NSW 2000 Australia
PO Box H3 Australia Square Sydney NSW 1215
www.claytonutz.com
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SYDNEY - MELBOURNE - BRISBANE - PERTH - CANBERRA - DARWIN

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NON-COMPETITION AGREEMENT MADE AT

ON

PARTIES BRL HARDY LIMITED of (INSERT ADDRESS) ("COMPANY")

STEPHEN BRIAN MILLER of 14 Cygnet Street, Novar Gardens in the
State of South Australia 5040 ("EXECUTIVE")

RECITALS

- A. The Executive is employed by the Company as its CEO of the Company and subsequently is to be employed as the Managing Director of Constellation Wine.
- B. The Executive's current terms and conditions of employment are contained in the Memorandum of Agreement (Service Contract) entered into by the Company and the Executive on 11 June 1996 ("SERVICE CONTRACT").
- C. The parties have agreed to enter into a non-competition agreement on the terms set out in this Agreement ("THE AGREEMENT"). The terms of the Agreement operate in conjunction with the terms of the Service Contract.

THE PARTIES AGREE

1. DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS

In this Agreement:

"COMPANY" means BRL Hardy Limited and its Related Bodies Corporate and Related Entities, as those terms are defined in section 9 of the Corporations Act 2001, including without limitation Constellation Brands, Inc. and any other vehicle through which the Company undertakes its business including, without limitation, an incorporated or unincorporated joint venture.

"RESTRAINT AREA" means Australia, New Zealand, Europe, North America (including the United States of America and Canada) and any other material geographical area in which Constellation undertakes its business.

"RESTRAINT PERIOD" means 12 months from the date of Termination.

"TERMINATION" means the cessation of the employment of the Executive under the Service Contract, except where cessation occurs by reason of termination under clause 13 of the Service Contract.

1.2 INTERPRETATION

In this Agreement:

- (a) clause headings are for convenience only and do not affect interpretation; and

unless the context otherwise requires:

- (b) references to a clause are references to a clause of this Agreement;

- (c) references to this Agreement or to any specified provision of this Agreement or to any other agreement or document will be construed as references to this Agreement or the specified provision of this Agreement or that other agreement or document as amended or substituted with the agreement of the relevant parties and in force at any relevant time;
- (d) references to any statute, ordinance or other law include all regulations and other enactments thereunder and all consolidations, amendments, re-enactments or replacements thereof; and
- (e) words importing the singular include the plural and vice versa, words importing a gender include other genders and references to a person will be construed as including an individual, the estate of an individual, firm, body corporate, association (whether incorporated or not), government and governmental, semi-governmental and local authority or agency.

2. NON-COMPETITION

2.1 GRANT OF OPTIONS

Subject to the Effective Date occurring as defined in the Implementation Deed between the Company and Constellation Brands, Inc. dated , the Company will grant to the Executive 100,000 non-qualified options in Constellation Brands, Inc, which will vest at 25% per year from the date of the grant, and which will expire on the day 10 years after the date of the grant. The grant price will be the listed price on the date the grant is approved by the Board of Directors. It is intended that approval of the grant will occur on or about the date of closing.

In consideration of the grant of options, the Executive agrees to enter into this Agreement and to observe the obligations contained in it.

2.2 POST EMPLOYMENT

The Executive represents and warrants that he will not, without the written consent of the Company, during the Restraint Period:

- (a) anywhere within the Restraint Area, directly or indirectly in any capacity (whether as principal, agent, partner, employee, shareholder, unit holder, joint venturer, director, trustee, beneficiary, manager, consultant or adviser) carry on, advise, provide services to or be engaged, concerned or interested in or associated with any business or activity that is competitive with the Company;
- (b) canvass, solicit or endeavour to entice away from the Company any person who or which at the date of Termination was or is a client, customer of or supplier to the Company or was or is in the habit of dealing with the Company; (c) solicit, interfere with or endeavour to entice away any employee of the Company; or
- (d) counsel, procure or otherwise assist any person to do any of the acts referred to in clauses 2.2(b) and (c).

Clause 2.2(a) does not prohibit the holding (whether directly or through nominees) of shares listed on a recognised stock exchange so long as the Executive does not hold more than 5% of the issued capital of any company.

2.3 SCOPE OF RESTRAINT AND SEVERABILITY

(a) In the event a Court or Tribunal of competent jurisdiction is of the view that the restraint referred to in this clause is unenforceable but would be enforceable if a lesser Restraint Period or smaller Restraint Area was substituted, the parties agree that such lesser restraint shall apply to ensure as far as possible the enforceability of the restraint contained in this Agreement;

(b) Notwithstanding clause 2.3(a), if any part or any provision or part of a provision of clause 2.2 is held or found to be void, invalid or otherwise unenforceable, it will be deemed to be severed to the extent that it is void or to the extent of voidability, invalidity or unenforceability, but the remainder of that clause will remain in full force and effect.

2.4 REASONABLENESS

The Executive acknowledges that:

- (a) the restrictions in clause 2.2 are reasonable in all the circumstances and necessary to protect the goodwill of the Company; and
- (b) the remedy of damages may be inadequate to protect the interests of the Company and the Company is entitled to seek and obtain injunctive relief, or any other available relief, for a breach of this Agreement

by the Executive.

2.5 GOVERNING LAW

This Agreement is governed by and will be construed according to the laws of South Australia.

2.6 JURISDICTION

Each Party irrevocably submits to the exclusive jurisdiction of the courts of South Australia, and the courts competent to determine appeals from those courts, with respect to any proceedings which may be brought at any time relating in any way to this Agreement. Notwithstanding the foregoing, the Company may bring an action in any Court of competent jurisdiction anywhere in the world to register and enforce any judgement arising from the said proceedings.

SIGNED as an agreement.

Signed on behalf of BRL HARDY LIMITED by its authorised officer in the presence of:

/a/ Carrie Boscarino ----- Signature of Witness	/s/ Keith Wilson ----- Signature of Authorised Officer
/s/ Carrie Boscarino ----- Name of Witness in full	/s/ Keith Wilson ----- Name of Authorised Officer in full

Signed by STEPHEN BRIAN MILLAR in the presence of:

/s/ Stephen B. Millar

Signature
8 April 2003

/s/ [unreadable]

Signature of Witness

/s/ Benjamin Matthew Dollard

Name of Witness in full

MEMORANDUM OF AGREEMENT

(SERVICE CONTRACT)

BETWEEN

BRL HARDY LIMITED
ACN 008 273 907

AND

STEPHEN BRIAN MILLAR

MEMORANDUM OF AGREEMENT

(SERVICE CONTRACT)

AGREEMENT made the 11th day of June 1996

BETWEEN BRL HARDY LIMITED of Reynell Road, Reynella, South Australia ("BRL Hardy")

AND STEPHEN BRIAN MILLAR of 14 Cygnet Street, Novar Gardens, South Australia ("the Executive")

1. APPOINTMENT AND TERM

- 1.1 Until the termination of this Agreement:-
- (a) BRL Hardy will employ the Executive as its Managing Director, and
 - (b) the Executive will serve BRL Hardy in that position.
- 1.2 This Agreement is made as of 1 April 1996 and will continue for an initial term of 3 years from that date (subject to the rights of either party to terminate it earlier under this Agreement), and will continue from 1 April 1999 until terminated in accordance with this Agreement.
- 1.3 This Agreement replaces the Executive's existing contract of service dated 27 March 1992.

2. RESPONSIBILITIES

- 2.1 The Executive will diligently and faithfully serve BRL Hardy as its Managing Director and will properly exercise all the executive powers ordinarily incidental to that position and any other powers which are conferred upon him by BRL Hardy from time to time.
- 2.2 The Executive will report to the Board of BRL Hardy ("the Board") in respect of all matters connected with his appointment under this Agreement.
- 2.3 The duties and obligations which the Executive has to BRL Hardy under this Agreement or at law and any other duties which may reasonably be required of him at any time by BRL Hardy will be performed by him at BRL Hardy's head office at Reynella and at such other places as may be required for their proper performance, and BRL Hardy will provide the Executive with such facilities and assistance as he may reasonably require for their proper performance.
- 2.4 The Executive will use his best endeavours to promote the interests and welfare of the business of BRL Hardy and will conform with all proper and reasonable instructions that may be given to him from time to time by the Board.
- 2.5 Unless absent on leave or through illness or injury, the Executive will devote the whole of his time and attention during normal working hours, and at such other times as may be reasonably necessary, to the performance of his duties.
- 2.6 For as long as this agreement continues, the Executive will not, without the prior consent of BRL Hardy:
- (a) enter into the service of or be employed in any other capacity or for any other purpose whatever by any person, firm or

corporation other than BRL Hardy or another company in the BRL Hardy Group of companies; nor

- (b) be engaged or concerned in the direction, management or control of any business other than the business of BRL Hardy and the BRL Hardy group of companies.

3. CONFIDENTIALITY

- 3.1 Except in the course of his duties, the Executive must not at any time disclose to any person any information relating to BRL Hardy or the Group or to its customers or employees or any trade secrets of which he may become possessed during the term of this agreement.
- 3.2 These obligations will continue to apply, notwithstanding the termination of the Executive's employment and without limit in time, but will cease to apply to any information which may come into the public domain.

4. REMUNERATION

- 4.1 The Executive is entitled to annual remuneration on the basis of the salary package described in the table below.

Component	\$
-----	-----
Base Salary	\$300,000
Superannuation Contributions @ 20% of base salary	see clause 5
Motor Vehicle	see clause 6
Additional benefits	see clause 7

- 4.2 The Executive's base salary will be paid by equal fortnightly instalments or in such other manner as may be mutually agreed.
- 4.3 On 1 April each year, commencing on 1 April 1997, the Executive's base salary will be reviewed by the Board, with a view to adjusting the salary upwards in accordance with salary standards in the wine industry. The Executive's base salary will not be reduced during the term of this Agreement.

5. SUPERANNUATION

- 5.1 BRL Hardy undertakes to contribute for and on behalf of the Executive to the BRL Hardy Superannuation Fund or to any other fund from time to time kept by BRL Hardy for the benefit of its employees for so long as the Executive remains in the employment of BRL Hardy.
- 5.2 The contributions to be made by BRL Hardy must be maintained at least at the levels presently applying to the Executive.

6. MOTOR VEHICLE

- 6.1 BRL Hardy will provide the Executive with a fully maintained motor vehicle for use during the course of his employment in accordance with BRL Hardy's Motor Vehicle Policy.
- 6.2 BRL Hardy will pay only those costs incurred in running and maintaining the motor vehicle which are consistent with that policy.

7. ADDITIONAL BENEFITS

In addition to the foregoing salary and benefits, BRL Hardy will continue provide a wine allowance and additional benefits to the Executive which are to be maintained at least at current levels.

8. EXPENSES

BRL Hardy will pay to or for the Executive:

- 8.1 all telephone expenses (both business and private), and all reasonable out of pocket expenses incurred by him in connection with the business of BRL Hardy, including expenses of entertaining and travelling.
- 8.2 all relocation expenses for the Executive and the Executive's family and any other associated cost and expenses where it is necessary for the Executive to change his place of residence in order to carry out his duties.

9. ANNUAL LEAVE

- 9.1 The Executive will be entitled to four weeks' leave in each year to be taken at a time or times approved by the Chairman of the Board.
- 9.2 Annual leave not taken will accrue for the benefit of the Executive, but accrued leave is not to exceed 20 weeks without the approval of the Board.

10. DISMISSAL

10.1 If the Executive:-

- (a) is guilty of any gross misconduct in relation to the business or affairs of BRL Hardy; or
- (b) wilfully or unreasonably refuses or fails to perform his major duties; or
- (c) neglects to perform his major duties,

then, after due warning by the Board and consultation with the Chairman, BRL Hardy may dismiss the Executive without notice or payment in lieu of notice.

10.2 If dismissed under sub-clause 10.1 above, the Executive is not entitled to the termination payment referred to in sub-clause 11.3. The question whether there should be any termination payment made, and if so what amount, will be decided by the Board, but if the dismissal is under sub-clause 10.1(c), the minimum termination payment will be equivalent to two thirds of the total payment to which the Executive would have been entitled if his employment had been terminated under clause 11.

10.3 The Executive's employment may not be terminated under this clause 10 without the prior approval of the Board.

10.4 Nothing in this clause 10 restricts or limits the remedies to which the Executive may have recourse at law for breach of contract or otherwise.

11. TERMINATION BY BRL HARDY

11.1 BRL Hardy may terminate this Agreement at any time by giving notice in writing to the Executive.

11.2 The period of notice given must be at least 3 months.

11.3 Upon a notice of termination taking effect, BRL Hardy must pay to the executive a termination payment (in addition to any remuneration payable during the period of notice) equivalent to twice the Executive's total annual remuneration entitlement at the date the notice was given.

11.4 The Executive's total remuneration entitlement includes the salary package described in sub-clause 4.1 and all other benefits provided under this Agreement.

11.5 In lieu of the period mentioned in sub-clause 11.2 above, BRL Hardy may elect to give a shorter period of notice, but must pay to the Executive an amount equal to the Executive's total remuneration entitlement for the balance of the 3 month period in lieu of notice, in addition to any entitlement under sub-clause 11.3.

11.6 This clause 11 does not apply if the Executive is dismissed under sub-clause 10.1 of this Agreement, or if the Executive terminates this Agreement by giving notice under sub-clause 12.1.

12. TERMINATION BY THE EXECUTIVE

12.1 The Executive may terminate this Agreement by giving notice in writing to BRL Hardy.

12.2 The minimum period of notice required to be given by the Executive is 3 months or such shorter period as may be agreed.

12.3 The Executive is also entitled to terminate this agreement without notice if BRL Hardy fails to observe any of the provisions of this Agreement, and fails to remedy such failure within a reasonable period of time after the Executive has requested the failure to be remedied. Termination under this sub-clause does not affect any rights which the Executive has to compensation for breach of contract.

13. REDUNDANCY

13.1 If the Executive's employment as Managing Director ceases because his position has become redundant as a result of:

- (a) a restructuring of the organisation of BRL Hardy or the BRL Hardy Group of companies; or
- (b) any merger or amalgamation of BRL Hardy or its principal business with another company or business; or
- (c) any total or partial take-over of BRL Hardy (including a total or partial take-over of the issued capital of BRL Hardy); or
- (d) the sale or disposal of the whole or part of the undertaking of BRL Hardy; or
- (e) any other cause,

the Executive will promptly be given notice of redundancy by BRL Hardy in writing. Such notice is to be taken for the purposes of this Agreement, to be a notice of termination given under sub-clause 11.1 and the other provisions of Clause 11 will then apply.

13.2 If in the circumstances described in sub-clause 13.1:

- (a) no such notice is given within 7 days of the Executive's position becoming redundant; or
- (b) the Executive ceases to be required to carry out the duties and obligations ordinarily incidental to the position of Managing Director; or
- (c) the Executive is required to change his usual place of residence in order to properly perform his duties,

the Executive may within three months of the occurrence of any of these events give notice of resignation.

13.3 A notice of resignation given under sub-clause 13.2 has the same effect as if BRL Hardy had given notice of termination to the Executive under sub-clause 11.1 and the other provisions of Clause 11 will then apply. For the purposes of this sub-clause such notice of resignation will have been properly given to BRL Hardy if delivered in writing to the registered office of BRL Hardy.

13.4 All payments made to the Executive under clause 11 as a consequence of the receipt by the Executive of a notice of redundancy under sub-clause 13.1 or of the giving by the Executive of a notice of resignation under sub-clause 13.2 (other than for accrued leave entitlements) are to be considered payments in respect of redundancy.

14. COSTS

The costs of preparation, executing and stamping this Agreement will be paid by BRL Hardy.

EXECUTED AS AN AGREEMENT by BRL Hardy and the Executive on the date appearing at the beginning of this Agreement.

Signed for and on behalf of)
 BRL HARDY LIMITED)
 by IRA JOHN PENDRIGHAM) /s/ Ira John Pendrigham
 CHAIRMAN) -----
 in the presence of:)

Signed by)
 STEPHEN BRIAN MILLAR) /s/ Stephen Brian Millar
 in the presence of:) -----

CLAYTON UTZ

DEED OF VARIATION

DEED dated 7 October 1998

BETWEEN BRL HARDY LIMITED ACN 008 273 907 of Reynell Road Reynella South Australia ('PRINCIPAL EMPLOYER')

AND BRL HARDY SUPERANNUATION PTY LTD ACN 058 898 767 of Reynell Road Reynella South Australia ('TRUSTEE')

RECITALS

- A. By deed dated 1 July 1982 and made between Consolidated Co-operative Wineries Limited of the one part and the then trustees of the other part, Consolidated Co-operative Wineries Limited established the Consolidated Co-operative Wineries Limited Employees' Superannuation Fund ('FUND') upon the terms and conditions contained in that deed.
- B. The Fund has since been known by a number of different names, but is now known as the "BRL Hardy Superannuation Fund".
- C. The Fund's deed has since been amended by further amending instruments dated 6 June 1990, 31 March 1993 and 8 June 1994 (which together are called 'GOVERNING RULES').
- D. The Trustee is the current trustee of the Fund.
- E. Clause 15 of the Governing Rules gives the Trustee the power to add to, repeal, amend or alter all or any of the trusts and provisions contained in the Governing Rules, but only with the consent of the Principal Employer.
- F. The Trustee has, with the consent of the Principal Employer, resolved to amend the Governing Rules by rescinding the current operative provisions of the Governing Rules and by replacing them with new operative provisions in the manner contained in this Deed of Variation.

AGREEMENT

1. AMENDMENT

The Governing Rules are altered and modified by rescinding the current operative provisions of the Governing Rules, namely clauses 1 to 30, and by replacing them, with effect from 1 July 1998 ('RELEVANT DATE'), with the clauses and the schedules which are contained in the annexure to this Deed of Variation which is headed "New Provisions - BRL Hardy Superannuation Fund" ('NEW PROVISIONS').

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2. MEMBERSHIP REQUIREMENTS

Any Member of the Fund as at the Relevant Date will be deemed to have complied with any membership requirements contained in the New Provisions, and will continue in the same category of membership as immediately before the Relevant Date.

3. TRANSITIONAL PROVISIONS

3.1 As at the Relevant Date, each Member will have credited to his or her Voluntary Contribution Account that part of the Fund which represents:

- (a) the "Member's Accumulation" in accordance with the Governing Rules in force as at the day before the Relevant Date; and
- (b) any other voluntary contributions which the Member has made personally to the Fund which are not reflected in the "Member's Accumulation"; and
- (c) any other amount or amounts which have been received by the Trustee from another superannuation arrangement, approved deposit fund or eligible rollover fund or from the issuer of some Annuity money or assets in respect of the Member's interest in that superannuation arrangement, approved deposit fund, eligible rollover fund or Annuity.

3.2 As at the Relevant Date, each Category 5 Member will have credited to

his or her Compulsory Employer Contribution Account that part of the Fund which represents the amount which the Member would have received as a withdrawal benefit from the Former Fund under the governing rules of the Former Fund had he or she left Service with his or her Employer on 1 July 1992 other than by reason of illness, injury or retrenchment, as increased or decreased since 1 July 1992 in accordance with the Fund Earning Rate of the Fund (or its equivalent) since that date.

4. ACKNOWLEDGMENT

The Trustee acknowledges that it holds and will continue to hold all moneys, investments and policies of assurance (if any) comprising the Fund on behalf of all of the Members of the Fund in accordance with the provisions of this Deed of Variation or with the New Provisions.

5. NO NEW TRUST

Nothing contained in this Deed of Variation will be deemed to create a new trust or to be a resettlement of the Fund.

6. CONSENT OF PRINCIPAL EMPLOYER

By signing this Deed of Variation, the Principal Employer consents to the alterations and modifications made by it.

7. CONTINUED EFFECT

The Governing Rules, as amended previously and by this Deed of Variation, will in all respects remain in full force and effect.

8. INTERPRETATION

Unless the context indicates a contrary intention, words and expressions used in this Deed of Variation will have the meanings ascribed to them in the New Provisions.

EXECUTED as a deed.

THE COMMON SEAL of BRL HARDY)
LIMITED is affixed in accordance with its)
articles of association in the presence of)

/s/ Stephen B. Millar)
- -----)
Director)

/s/ John Whelan)
- -----)
Director/Secretary)

THE COMMON SEAL of BRL HARDY)
SUPERANNUATION PTY LTD is affixed)
in accordance with its articles of association)
in the presence of)

/s/ John Pendrigh)
- -----)
Director)

/s/ John Whelan)
- -----)
Director/Secretary)

NEW PROVISIONS - BRL HARDY SUPERANNUATION FUND

1. INTERPRETATION

1.1 DEFINITIONS

Unless the context otherwise requires:

"ACCRUED BENEFIT MULTIPLE" means, in relation to each Member who is named in the Second Schedule, the percentage set out next to his or her name in that Schedule.

"ACT" means, as the context requires, any one or more of the SIS Act, the Income Tax Assessment Act 1936, the Income Tax Assessment Act 1997, the SG Act, the Superannuation Contributions Tax (Assessment and Collection) Act 1997, the Superannuation Entities (Taxation) Act 1987 and any regulations made pursuant to any of those Acts.

"ACTUARY" means the actuary for the time being appointed pursuant to this Deed.

"ANNUAL SALARY" means the annual rate of Salary of the Member, relating to the relevant Review Date, as advised to the Trustee by the Employer for the purposes of the Fund (which advice shall be conclusive evidence of the amount of Annual Salary).

"ANNUITY" means an annuity which is an eligible annuity for the purposes of Relevant Law.

"AUDITOR" means the auditor for the time being appointed pursuant to this Deed.

"COMMISSIONER" means, as the context requires, the Commissioner of Taxation, the Insurance and Superannuation Commissioner, the Australian Prudential Regulation Authority or any other regulatory body which has responsibility for the administration of occupational superannuation from time to time.

"COMPULSORY EMPLOYER CONTRIBUTION ACCOUNT" means, in relation to a Category 5 Member, the Compulsory Employer Contribution Account (if any) kept in relation to the Member pursuant to clause 7.1.

"COMPULSORY MEMBER CONTRIBUTION ACCOUNT" means, in relation to a Category 5 Member, the Compulsory Member Contribution Account (if any) kept in relation to the Member pursuant to clause 7.1.

"CONTRIBUTION ACCOUNT" or "CONTRIBUTION ACCOUNTS" means, in relation to a Member, any one or more (as the context requires) of the Member's Compulsory Employer Contribution Account (if any), the Member's Compulsory Member Contribution Account (if any) and the Member's Voluntary Contribution Account (if any) kept in relation to the Member pursuant to clause 7.1.

"DEED" means the deed by which the Fund was established, including the Schedule or Schedules to it, as amended from time to time.

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"DEPENDANT" in relation to a Member means the Spouse and any child of the Member and any other person who, in the opinion of the Trustee, is or was at the relevant date wholly or partially dependent on the Member.

"EMPLOYEE" means a person who is classified by the Employer as being in the permanent Service of the Employer for the purposes of the Fund.

"EMPLOYER" means each or any one (as the context requires) of the Principal Employer, its subsidiary companies and associated corporations or firms which, with the approval of the Principal Employer, applies to the Trustee to become and is accepted as a participant in the Fund, and where the word 'Employer' is used in relation to a Member it means the corporation or firm by which the Member is for the time being employed. An Employer which ceases to have any Employee as a Member of the Fund will then cease to be an Employer for the purposes of the Fund.

"FINAL AVERAGE SALARY" means the average of the amounts of the Member's Annual Salaries relating to the Review Dates which occur within the three years either:

- (a) immediately prior to the Member's Normal Retirement Date; or
- (b) immediately prior to the Member leaving Service,

but if the Member leaves Service within three years of joining the Service of the Employer, the Member's Annual Salary at the date of joining the Service of the Employer will be deemed to have applied at each preceding Review Date.

"FORMER FUND" means the Thomas Hardy & Sons Pty Ltd Retirement and Benefit Fund which was established by certain regulations date 11 December 1968.

"FUND" means all of the assets from time to time held by the Trustee on the trusts declared in this Deed.

"FUND EARNING RATE" means the Fund Earning Rate referred to in clause 15.

"INSURER" in relation to a Policy means the insurer under that Policy and in relation to a Member means the insurer under the Policy which is relevant to that Member.

"INVESTMENT INCOME" means the Investment Income determined in accordance with clause 15.2.

"MEMBER" means an Employee who has been accepted by the Trustee as a Member of the Fund and who has not ceased to be a Member.

"MEMBERSHIP" means the number of years (including any fraction of a year being complete months) for which a Member has been a member of the Fund, or a Member of a particular category of membership, but only in relation to the period commencing on 1 April 1993.

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"NOMINATED DEPENDANT" means a Dependant nominated by a Member as the Nominated Dependant.

"NOMINATED RELATIVE" means a Relative nominated by a Member as the Nominated Relative.

"NORMAL RETIREMENT DATE" means, in relation to a Member:

- (a) the Member's 65th birthday;
- (b) if the Member transferred to the Fund from the Former Fund on 1 April 1993, and if the Member had the option as a Member of the Former Fund to retire at an earlier date, such earlier date as is nominated by that Member in accordance with the terms of that option; or
- (c) such other earlier date as may be nominated for that Member from time to time by the Trustee.

"POLICY" means any policy of assurance entered into by the Trustee in relation to a Member for the purpose of securing to the Trustee, subject to the terms and conditions of that policy, benefits equal to or on account of the benefits payable to or in respect of a Member under this Deed.

"PRINCIPAL EMPLOYER" means

- (a) BRL Hardy Limited;
- (b) any corporation or firm carrying on business in succession to or on reconstruction of the Principal Employer; or
- (c) the Employer which in accordance with this Deed has assumed the responsibilities of the Employer referred to in (a) or (b) of this definition for the purposes of this Deed and the Rules.

"RELATIVE" in relation to a Member or former Member means:

- (a) the parent, grandparent, brother, sister, uncle, aunt, nephew, niece, cousin, grandchild or great-grandchild of the Member;
- (b) any spouse of any of the persons specified in paragraph (a);
- (c) any child of any of the persons specified in paragraph (a) or (b); or
- (d) any other natural person who has applied to the Trustee for payment of a benefit in respect of a Member, to whom the Trustee considers it appropriate to pay a benefit in respect of the Member.

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"RELEVANT LAW" means the Act, as modified in its application to the Fund by any subsisting declaration, modification or exemption granted by the Commissioner and, where the Trustee deems appropriate:

- (a) any announcement of a proposed change to the Act whether or not the change is to have retrospective effect;
- (b) any circular guideline ruling announcement or advice given by the Commissioner;

where the Trustee considers that observance of or compliance with any such announcement circular guideline ruling or advice will either:

- (c) be a prerequisite for or in any way assist the Fund to be a Superannuation Fund in relation to each year of income; or
- (d) be necessary to ensure that the Trustee does not breach the Act.

"REVIEW DATE" means:

- (a) 1 July in each year or such other date as is determined by the Trustee to be applicable generally or in the case of any particular Member as the date in relation to which adjustments to contributions and benefits are to be determined;
- (b) in relation to a new Member, the date on which he or she joins the

Fund.

"ROLLOVER PAYMENT" means any payment made by the Trustee at the request of a Member or former Member or in other circumstances allowed under Relevant Law or acceptable to the Commissioner to any one or more of the following:

- (a) the trustee of an approved deposit fund;
- (b) the trustee of a Superannuation Fund;
- (c) the trustee of an eligible rollover fund;
- (d) the issuer of an Annuity.

"RULES" means the rules contained in the First Schedule to the Deed.

"SALARY" means either:

- (a) the remuneration for services rendered by the Member to the Employer or at which the Member is employed by the Employer but excludes any overtime or special or ex-gratia grant or allowance for residence, travelling or otherwise; or
- (b) in any special case such amount as is for the purposes of the Fund agreed upon between the Member and the Employer.

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"SERVICE" means continuous service with the Employer. For the purposes of this definition an Employee's service shall not cease to be continuous by reason only of:

- (a) a transfer from the service of one Employer to the service of another Employer; or
- (b) the Employee's temporary absence from the service of the Employer:
 - (i) while he or she is engaged in compulsory military service or in service in the armed forces of Australia or its allies in time of war; or
 - (ii) in any other circumstances which for the purposes of the Fund the Employer regards as not resulting in a break in the continuity of the Employee's service; or
- (c) the Employee being entitled to the payment of a benefit under Rule 4 and (in relation to that benefit) his or her temporary absence from the Service of the Employer for the continuous period immediately prior to becoming entitled to that benefit;

and "SERVICE OF THE EMPLOYER" has a corresponding meaning.

"SG ACT" means, as the context requires, the Superannuation Guarantee (Administration) Act 1992 or the Superannuation Guarantee Charge Act 1992.

"SIS ACT" means the Superannuation Industry (Supervision) Act 1993.

"SPOUSE" means a Member's husband or wife or a person who, although not legally married to a Member, lives (or lived at the time of the Member's death) with the Member on a bona fide domestic basis as the husband or wife of the Member.

"SUPERANNUATION FUND" means a superannuation fund which, in the opinion of the trustees of the fund, in the relevant year of income, will be a "complying superannuation fund" for the purposes of Relevant Law.

"TAXATION" includes income tax (including capital gains tax, tax on eligible termination payments and tax on contributions) payroll tax, land tax, stamp duty and any surcharge, levy, impost or other taxes or duties of a like or similar nature.

"TEMPORARY TOTAL DISABLEMENT" in relation to a Member means:

- (a) Temporary Total Disablement as defined in any Policy effected by the Trustee and in force for the time being in respect of the Member or agreed upon from time to time by the Trustee and the relevant Insurer for the purposes of the Policy; or
- (b) (if at any time there is no Policy in force) disablement (other than Total and Permanent Disablement) resulting from an illness or injury to the Member (which

is proved to the satisfaction of the Trustee after considering such medical or other evidence or advice as they may require from time to time) while the Member is in the Service of the Employer and as a result of which:

- (i) the Member has been continuously absent from Service for a period of three consecutive months;
- (ii) during the first two years of any one period of continuous absence from Service the Member is, in the opinion of the Trustee, unable to perform each and every normal duty as an Employee;
- (iii) during the remainder of that period of continuous absence from Service the Member is, in the opinion of the Trustee, unable to engage in any regular remunerative work for which he or she is reasonably fitted by education or training or experience; and
- (iv) the Member remains under the regular care and attention of a legally qualified medical practitioner;

as long as the Trustee is satisfied the illness or injury was not inflicted for the purpose of obtaining a benefit under the Fund;

and "TEMPORARILY TOTALLY DISABLED" has a corresponding meaning.

"TOTAL AND PERMANENT DISABLEMENT" in relation to a Member means:

- (a) Total and Permanent Disablement as defined in any Policy effected by the Trustee and in force for the time being in respect of the Member or agreed upon from time to time by the Trustee and the relevant Insurer for the purposes of the Policy; or
- (b) (if at any time there is no Policy in force) the Member's incapacity to the extent:
 - (i) of the loss of two limbs (where limbs include the whole of one hand or the whole of one foot) or the sight of both eyes or the loss of one limb and the sight of one eye; or
 - (ii) (after a period of six consecutive months' continuous absence from Service on account of illness or injury which is proved to the satisfaction of the Trustee) that in the opinion of the Trustee (after considering such medical or other evidence or advice as it may require from time to time) the Member is unable and unlikely ever again to be able to undertake any form of regular remunerative work for which he or she is reasonably fitted by education or training or experience;

as long as the Trustee is satisfied the illness or injury was not inflicted for the purpose of obtaining a benefit under the Fund;

and "TOTALLY AND PERMANENTLY DISABLED" has a corresponding meaning.

"TRUSTEE" means the persons who, for the time being, are the trustees of the Fund whether original additional or substituted.

"VOLUNTARY CONTRIBUTION ACCOUNT" means, in relation to a Member, the Voluntary Contribution Account (if any) kept in relation to the Member pursuant to clause 7.1.

1.2 INTERPRETATION

Reference to:

- (a) one gender includes the other gender;
- (b) the singular includes the plural and vice versa;
- (c) a person includes a body corporate;
- (d) a statute, regulation or provision of a statute or regulation ("STATUTORY PROVISION") will be construed as a reference to that Statutory Provision as amended or re-enacted from time to time and includes any statute, regulation or provision enacted in replacement of that Statutory Provision;
- (e) a clause or schedule is a reference to a clause or schedule of this Deed (unless the context otherwise requires);

and headings are for convenience only and do not affect the interpretation of this Deed.

1.3 SEVERANCE

If:

- (a) any provision of this Deed is void or voidable or unenforceable in accordance with its terms, but would not be void, voidable, unenforceable or illegal if it were read down and is capable of being read down, the provision must be read down accordingly;
- (b) notwithstanding paragraph (a), a provision of this Deed would still be void, voidable, unenforceable or illegal:
 - (i) if the provision would not be void, voidable, unenforceable or illegal if a word or words were omitted, that word or those words must be severed; and
 - (ii) in any other case, the whole provision must be severed;and the remainder of this Deed will be of full force or effect.

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1.4 WORDS AND EXPRESSIONS DEFINED IN ACT

Unless a word or expression used in this Deed already has a meaning assigned to it under clause 1.1 or 1.2, or unless the context in which a word or expression is used in this Deed indicates a contrary intention, words and expressions used in this Deed will have the meanings assigned to them in the SIS Act and any regulations made pursuant to the SIS Act.

2. THE FUND

2.1 ESTABLISHMENT

The Fund commenced on 1 July 1982 and will continue under the name BRL Hardy Superannuation Fund.

2.2 FUND VESTED IN TRUSTEE

The Fund will be and will continue to be vested in the Trustee and will at all times be held controlled and managed by the Trustee subject to the trusts powers and provisions of this Deed.

3. MEMBERSHIP OF THE FUND

3.1 APPLICATION FOR MEMBERSHIP

Any Employee who has been invited by the Employer to become a Member and who has, if required by the Trustee, lodged with the Trustee an application for membership in such form as the Trustee may determine, will be admitted to membership of the Fund by the Trustee. The Trustee may also admit an Employee to become a Member without an application if the Employer requests the Trustee to do so.

3.2 ADMISSION TO MEMBERSHIP

When the Trustee admits an Employee to membership of the Fund, the Employee will become a Member and will be bound by this Deed.

3.3 SPECIAL CONDITIONS AND CATEGORIES OF MEMBERSHIP

- (a) The terms and conditions applicable to a Member's membership of the Fund, including the contributions and benefits payable to or in respect of the Member, may be varied by written agreement between the Principal Employer, the Trustee and the Member.
- (b) Members may be divided into categories at the Principal Employer's discretion. If at any time there are different categories of membership:
 - (i) the Principal Employer must determine and advise the Trustee of the appropriate category for each Member and of any subsequent change of

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category for a particular Member;

- (ii) a Member may change his or her category of Membership from one category to another with the approval of the Principal

Employer and the Trustee, on whatever terms and conditions are determined by the Trustee and approved by the Principal Employer at that time.

(c) As from 1 July 1997, there will be seven categories of membership, with the benefits for each category of member being as set out in the Rules.

3.4 INFORMATION TO BE GIVEN TO NEW MEMBERS

As soon as practicable after the admission of a person as a Member of the Fund the Trustee will give to that Member any information required by Relevant Law.

3.5 PROVISION OF INFORMATION

Every Member and any person who may become entitled to be paid a benefit from the Fund when requested by the Trustee must furnish such information as the Trustee deems necessary for the purposes of any investigation or otherwise in connection with the Fund. Every Member must submit to medical examinations as required by the Trustee by a registered medical practitioner nominated by the Trustee.

3.6 FAILURE TO COMPLY

If a Member or any other person who becomes entitled to be paid a benefit from the Fund fails to comply with the provisions of clause 3.5 the Trustee may suspend the payment of any contributions in respect of that Member or withhold any benefit in respect of that Member or person until the Member or other person does comply.

3.7 INCORRECT OR MISLEADING INFORMATION

Where a Member or any other person who becomes entitled to be paid a benefit from the Fund furnishes information required pursuant to this Deed which affects or is likely to affect the benefits payable to or in respect of the Member or person and the information supplied is incorrect or misleading or any relevant information is deliberately withheld, the Trustee may in its absolute discretion, but subject always to Relevant Law, alter those benefits in such manner as the Trustee considers appropriate.

4. CONTRIBUTIONS TO THE FUND

4.1 MEMBER CONTRIBUTIONS

- (a) A Category 1, 2, 3, 4 or 6 Member is not required to make any contribution to the Fund.
- (b) A Category 5 Member must contribute to the Fund at the rate of 3.33% of his or

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her Salary, and a Category 7 Member must contribute to the Fund at the rate of 4% of his or her Salary, until in either case the Member:

- (i) leaves Service; or
- (ii) receives the whole of his or her benefit under the Rules (other than a benefit under rule 7); or
- (iii) reaches age 65.

- (c) A Member of any Category may make any voluntary contributions to the Fund which are first approved by the Trustee.

4.2 EMPLOYER CONTRIBUTIONS

Subject to the other provisions of this Deed, the following provisions apply in relation to contributions by each Employer to the Fund:

- (a) each Employer must contribute to the Fund in each year such amount as the Trustee considers necessary, having obtained appropriate actuarial advice but subject always to Relevant Law, to maintain the level of benefits payable from the Fund to the Members;
- (b) each Employer must contribute to the Fund in each year on behalf of each Category 6 Member the minimum amount which the Employer is required to contribute to the Fund on behalf of the Member in order to avoid having to pay the charge under the SG Act in relation to that Member, which contributions may be made (in whole or in part) following agreement between the Principal Employer and the Trustee by the application of an appropriate part of the surplus of the Fund

as determined having regard to appropriate actuarial advice; and

- (c) each Employer may contribute such other amounts as may be agreed from time to time between the Principal Employer and the Member.

4.3 PAYMENT OF CONTRIBUTIONS

Contributions will be paid at the times and in the manner agreed between the Trustee and the Employer but, in any event, contributions must be paid to the Trustee within any maximum period specified by Relevant Law. Unless the Member and the Employer agree otherwise, the Employer may deduct the Member's contributions from the Member's remuneration.

4.4 ACCEPTANCE OF CONTRIBUTIONS

The Trustee:

- (a) may accept contributions from any person in respect of a Member to the extent permitted by Relevant Law;

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- (b) must not accept any contribution if, in the opinion of the Trustee, the acceptance of the contribution would not be permitted by Relevant Law.

4.5 INTEREST ON CONTRIBUTIONS

The Trustee may require an Employer to pay interest on any contributions payable by the Employer which are in arrears at the Fund Earning Rate or such other rate as may be determined by the Trustee.

4.6 FORM OF CONTRIBUTIONS

Subject to Relevant Law and to the Trustee in its discretion allowing such contributions, contributions may be made either in cash or by transfer to the Fund of an asset in specie. If a contribution is made by the transfer of an asset to the Fund, the amount of the transfer will be the market value of that asset at the time of its transfer, and the transfer will be undertaken on such terms and conditions as are determined by the Trustee.

4.7 TERMINATION, REDUCTION OR SUSPENSION OF EMPLOYER CONTRIBUTIONS

- (a) Any Employer may at any time, by giving one month's written notice to the Trustee and Principal Employer of its decision to do so, terminate, reduce or suspend the payment by that Employer of all or any of its contributions to the Fund.
- (b) Upon the expiration of the notice period referred to in paragraph (a), the liability of that Employer to make those payments of contributions to the Fund will cease either wholly or to the extent or for the period or in the circumstances prescribed in the notice, but payments due on or before the date of expiration of the notice period will not be affected.
- (c) If any Employer terminates, reduces or suspends its contributions to the Fund in respect of some or all of the Members for whom it has been contributing, then unless another Employer agrees to continue the contributions in respect of those Members, the Trustee will reduce or modify the benefits in respect of those Members on such basis as the Trustee, after considering the advice of the Actuary, considers fair and equitable. The reduced or modified benefits will, subject to the other provisions of this Deed and the Rules, be dealt with under the Rules in the same manner as if the benefit had not been so reduced or modified.
- (d) If the Principal Employer terminates its contributions to the Fund, but at least one of the Employers continues to contribute, then the Principal Employer will cease to be the Principal Employer for the purposes of this Deed and the Rules. One of the other Employers which is continuing to contribute must then assume the responsibilities of the Principal Employer for the purposes of this Deed and the Rules.

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5. TRANSFERS TO OTHER FUNDS

5.1 TRANSFERS TO OTHER FUNDS

Without in any way affecting any other provision of this Deed giving the Trustee power to transfer a Member's benefit in the Fund to another superannuation arrangement or otherwise deal with the Member's interest in the Fund, but subject to any requirements of Relevant Law, where a

Member joins or is eligible to join a Superannuation Fund ("OTHER FUND"), and

- (a) the Member, with the consent of the Principal Employer, requests that some or all of the Member's benefit in the Fund be transferred to the Other Fund ("TRANSFERRED AMOUNT"); or
- (b) the Trustee wishes to transfer the Transferred Amount to the Other Fund and is permitted by Relevant Law to do so without the Member's consent,

the Trustee with the approval of the Principal Employer may, subject to such conditions and indemnities as the Trustee may require, pay the Transferred Amount to the trustee of the Other Fund or transfer investments of the Fund of equivalent value to the Transferred Amount.

5.2 BENEFITS REDUCTION

The receipt of the Transferred Amount by the trustee of the Other Fund will be a complete discharge to the Trustee of all liabilities in respect of, and the Trustee will have no responsibility to see to the application of, the Transferred Amount.

6. TRANSFERS FROM OTHER FUNDS

Where a Member is or was a member of or is or was a beneficiary under any other superannuation arrangement, approved deposit fund, eligible rollover fund or Annuity, the Trustee may receive from the trustee of the other superannuation arrangement, approved deposit fund or eligible rollover fund or from the issuer of the Annuity money or assets in respect of the Member's interest in the superannuation arrangement, approved deposit fund, eligible rollover fund or Annuity. The Trustee will hold the money or assets received as part of the Fund subject to any requirements of Relevant Law and will either:

- (a) credit the particular Member's Voluntary Contribution Account in such manner as the Trustee, the Member and the Principal Employer agree; or
- (b) hold them in such other manner as the Trustee, the Member and the Principal Employer agree,

to take account of the money and property transferred in respect of that Member under this clause 6.

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7. FUND ACCOUNTS

7.1 CONTRIBUTION ACCOUNTS

- (a) The Trustee will keep a Voluntary Contribution Account in respect of each Member for the purpose of administering the Fund and, in particular, for the purpose of calculating the benefits payable from the Fund, to which account the following amounts will be credited:
 - (i) contributions made by the Member pursuant to clause 4.1(c); and
 - (ii) contributions made by an Employer in respect of the Member pursuant to clause 4.2(b) or 4.2(c).
- (b) The Trustee will keep a Compulsory Employer Contribution Account in respect of each Category 5 Member for the purpose of administering the Fund and, in particular, for the purpose of calculating the benefits payable from the Fund, to which account will be credited the amount, for each financial year of fund membership since 1 July 1992, that would need to have accumulated for that Member (including interest credited and reduced by applicable tax and insurance premiums) to ensure that the Employer avoided and continues to avoid the charge under the SG Act and meets any applicable industrial awards for that year.
- (c) The Trustee will keep a Compulsory Member Contribution Account in respect of each Category 5 Member for the purpose of administering the Fund and, in particular, for the purpose of calculating the benefits payable from the Fund, to which account will be credited contributions made by the Member pursuant to clause 4.1(b).

7.2 CREDITING OF ACCOUNT

In addition to any amounts to be credited to one or more of the Member's Contribution Accounts pursuant to clause 7.1, each Member's Contribution Account or Accounts will, subject to any restrictions imposed by Relevant Law, be credited with:

- (a) such portion of the Investment Income of the Fund (if positive) as the Trustee determines will be credited to each of the Member's Contribution Accounts in accordance with clause 15.3; and
- (b) any other amounts which the Trustee with the consent of the Principal Employer determines will be credited to each of the Member's Contribution Accounts.

7.3 DEBITING OF ACCOUNT

Each of a Member's Contribution Accounts will, subject to any restrictions imposed by Relevant Law, be debited with:

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- (a) such portion of the Investment Income of the Fund (if negative), as the Trustee determines will be debited to each of the Member's Contribution Accounts in accordance with clause 15.3; and
- (b) the amount of any Taxation liability which in the opinion of the Trustee will be incurred by virtue of the Fund's acceptance of any contributions which are to be credited to each of the Member's Contribution Accounts in accordance with clause 16.1; and
- (c) any amount which is paid to the Member pursuant to clause 8.2 and which the Trustees determine will be debited to one or more of the Member's Contribution Accounts; and
- (d) any other amounts which the Trustee with the consent of the Principal Employer determines will be debited to each of the Member's Contribution Accounts.

7.4 ADDITIONAL ACCOUNTS

In addition to the Member's Contribution Accounts, the Trustee may establish and maintain such other accounts as the Trustee deems appropriate.

8. BENEFITS

8.1 Subject to the provisions of this Deed:

- (a) the benefits described in the Rules will be payable from the Fund to a Member in the circumstances described in the Rules;
- (b) benefits may also be paid in such other circumstances as are nominated from time to time by the Trustee and which are permitted by Relevant Law.

8.2 If Relevant Law and the Rules require or permit a Member to cash some or all of the amount standing to the credit of his or her Contribution Accounts, despite not being entitled under the Rules or Relevant Law to any other benefit, the Trustee may cash that part of the Member's benefit, in which case the Trustee will, in accordance with clause 7.3(c), debit one or more of the Member's Contribution Accounts, in such manner as the Trustee considers reasonable and appropriate, with that part of the benefit which has been cashed.

9. PAYMENT OF BENEFITS

9.1 METHOD OF PAYMENT

- (a) Benefits are payable at the principal office for the time being of the Principal Employer or otherwise as may be determined by the Trustee.
- (b) The Trustee may pay a benefit by forwarding a cheque to the postal address last

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notified of the person to whom the benefit is payable or paying the benefit directly to a bank or other account nominated by the person or in such other manner as the Trustee determines.

- (c) All benefits will be expressed and paid in Australian currency unless otherwise specifically agreed between the Member and the Trustee.

9.2 RECEIPT FOR BENEFITS

Any person to whom a benefit is payable must if requested furnish the Trustee with a receipt and release in the form from time to time required by the Trustee.

9.3 TAX ON BENEFITS

The Trustee may deduct from any benefit payable pursuant to this Deed any Taxation.

9.4 PENSIONS AND ANNUITIES

- (a) Upon a Member becoming entitled to be paid a lump sum benefit, the Member may request the Trustee to pay some or all of the Member's benefit as an income benefit. That request must be made in writing and must be received by the Trustee within 30 days from the date on which that Member's entitlement arose or such longer period as the Trustee may in its absolute discretion determine.
- (b) If the Member's request meets the requirements of this clause 9.4, the Trustee must, subject to any requirements of Relevant Law, arrange for the payment of that proportion of the Member's benefit as the Member requested be paid in the form of an income benefit to be paid as an income benefit either by applying the relevant proportion of the benefit in the purchase of an Annuity for the Member in such manner and on such conditions as the Trustee in its absolute discretion determines or, with the consent of the Principal Employer, by paying the relevant proportion of the benefit as a pension of such amount and on such conditions as the Trustee and the recipient of the pension agree.
- (c) If the recipient elects that the pension is to be a pension for the purposes of Relevant Law and that it is to comply with certain minimum standards prescribed by Relevant Law, the agreement between the Trustee and the recipient must include the requirements that ensure both that it is a pension of that type and that it complies with those standards, and this Deed will be deemed to include in it those requirements and those standards but only to the extent that the Deed relates to that pension.

9.5 PAYMENT OF BENEFITS ON DEATH OR DISABLEMENT

- (a) Where any benefit becomes payable to or in respect of a Member pursuant to this Deed and the Member is not alive when the benefit is to be paid, the Trustee may pay or apply the benefit to or for the benefit of such one or more as determined by the Trustee in its absolute discretion of the Nominated Dependants and/or any

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other Dependants of the former Member and/or the Legal Personal Representative of the Member in the manner at the times by the instalments and in such proportions between them (if more than one) as the Trustee may from time to time in its discretion determine. If the Member left no Nominated Dependants or other Dependants and there is no Legal Personal Representative of the Member, the Trustee may pay such portion of the benefit as may be allowed under Relevant Law to the Nominated Relative and/or any other Relative of the Member as determined by the Trustee in its absolute discretion. Any portion of the benefit which is not applied in accordance with this clause will be absolutely forfeited and will remain in the Fund to be dealt with in accordance with clause 11.3.

- (b) Any amount payable on a Member's Total and Permanent Disablement must be paid or applied for the benefit of any one or more of the Member and the Member's Dependants in such shares and proportions and in such manner as the Trustee in its absolute discretion shall decide.
- (c) If a Member dies before the whole of the benefit payable on his or her Total and Permanent Disablement has been paid or applied pursuant to paragraph (b) that benefit or any balance of it must be paid in accordance with paragraph (a).

9.6 PAYMENT TO OTHERS ON BEHALF OF BENEFICIARIES

When any person to whom a benefit becomes payable is under the age of 18 years or when in the opinion of the Trustee it would be in the best interests of that person, the Trustee may pay all or part of any benefit to any other person for application on behalf of that person and the receipt of the person to whom the benefit is paid will be a complete discharge to the Trustee for the payment in respect of the person. The Trustee will not be bound or concerned to see to the application of the benefit so paid.

9.7 BENEFIT PAYMENT RESTRICTIONS

Benefits payable to or in respect of a Member may only be paid to the

Member in cash to the extent permitted by Relevant Law.

9.8 PRESERVED BENEFITS

Any benefits which have become payable to a Member but which are unable to be paid to the Member in cash may, at the discretion of the Trustee, be dealt with in accordance with clause 5.1, clause 9.11 or clause 9.15 or retained in the Fund.

9.9 RETENTION OF BENEFIT IN THE FUND

At the request of a Member or any other person who becomes entitled to be paid a benefit from the Fund, the Trustee may at its absolute discretion but subject to the requirements of Relevant Law, retain all or part of the benefit in the Fund until:

(a) the former Member or person entitled requests that it be paid to him;

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(b) the Member dies; or

(c) the Trustee elects for whatever reason to pay the benefit to the former Member or the person entitled thereto,

whichever first occurs.

9.10 INTEREST ON BENEFITS

If any benefit is retained in the Fund, the Trustee may in its absolute discretion increase the benefit by an amount of interest calculated at the Fund Earning Rate in respect of the period from the date on which the benefit became payable until the date on which the benefit is paid.

9.11 ROLL OVER PAYMENTS

Where a Member or former Member wishes to effect a Roll Over Payment in respect of all or any part of any benefit payable from the Fund he or she must make a request to the Trustee in writing nominating the institution to which the payment is to be made and the amount to be applied as the Roll Over Payment. The Member or former Member must in addition complete and execute such documents as are required to enable the Roll Over Payment to be effected and for it to be recorded by the Commissioner, but in circumstances provided for in Relevant Law or otherwise acceptable to the Commissioner the Trustee may effect a Roll Over Payment in relation to a Member's benefit without the consent of the Member or former Member.

9.12 TRANSFER OF POLICY

Where a Member or any other person is entitled to be paid or the Trustee in its discretion determines to pay a benefit and where the Trustee holds a Policy of any kind in respect of the Member, the Trustee may in its absolute discretion and in lieu of surrendering the Policy assign it to the Member or other person or to such one or more of them to the exclusion of the other or others as the Trustee in its discretion may determine. The value of the Policy as at the date of assignment will be deducted from the benefit payable to the Member or other person. Neither the Trustee nor the Principal Employer will be liable to pay any premiums becoming due and owing under the said Policy as from the date of the assignment.

9.13 TRANSFER OF INVESTMENTS

The Trustee may with the consent of a Member or any other person to whom a benefit is payable and to the extent permitted by Relevant Law transfer investments of the Fund of equivalent value to that Member or other person in lieu of paying the whole or part of the amount otherwise payable.

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9.14 NO BENEFICIAL INTEREST

Notwithstanding any provision of this Deed, no Member or any other person entitled to be paid a benefit from the Fund will have or acquire any beneficial or other interest in a specific asset of the Fund or the assets of the Fund as a whole while such asset or assets remain subject to the provisions of this Deed.

9.15 UNCLAIMED OR UNPAID BENEFITS

The Trustee may deal with any unclaimed money or any benefits which have not been paid to a Member within 90 days (or any other period described by Relevant Law) of the benefit becoming payable in the manner specified

in Relevant Law.

10. ASSIGNMENTS, CHARGES AND MONEYS OWING TO THE FUND OR TO THE EMPLOYER

10.1 ASSIGNMENTS AND CHARGES

The Trustee must not recognise, or in any way encourage or sanction, the assignment of or a charge over the whole or any part of a Member's benefit or his or her interest in it, or a charge over the whole or any part of the Fund, except to the extent that in any case it is permitted by Relevant Law.

10.2 DEDUCTION FROM BENEFIT

Subject to the requirements of Relevant Law, the Trustee may deduct from any part of a Member's benefit and either itself retain or if appropriate pay to the Principal Employer any money owing by the Member to the Trustee or, if the Trustee is satisfied that the Employer's claim is valid, to the Employer, and pay any balance to the Member or other person to whom the benefit would but for this clause have been payable.

11. FORFEITURE OF BENEFITS

11.1 CONDITIONS OF FORFEITURE

Subject to the requirements of Relevant Law, any Member, former Member or after the Member's death, any of the Member's Dependants or the Member's legal personal representative:

- (a) who assigns or charges or attempts to assign or charge any benefit;
- (b) whose benefits whether by his or her own act operation of law an order of any Court or otherwise become payable to or vested in any other person, company, government or other public authority;
- (c) who becomes bankrupt or insolvent; or

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- (d) who in the opinion of the Trustee is mentally ill or of unsound mind or is incapable of managing his or her affairs;

will, to the extent permitted under Relevant Law and at law generally:

- (e) if paragraph (c) applies to a Member, forfeit entitlement to that portion of the benefit which exceeds the Member's pension reasonable benefit limit for the purpose of the Act;
- (f) otherwise, forfeit entitlement to all of his or her benefits and in the case of a Member he or she will cease to be a Member.

11.2 APPLICATION OF CERTAIN FORFEITED BENEFITS

Subject to the requirements of Relevant Law, the Trustee may pay or apply the whole or any part of any benefits which have been forfeited to or for the benefit of the former Member or his or her Dependants or any one or more of them in such proportions between them and on such terms as the Trustee may from time to time in its absolute discretion determine or, if the Member has died, the benefits may be applied in accordance with clause 9.5.

11.3 APPLICATION OF REMAINING FORFEITED BENEFITS

Any forfeited benefits not dealt with in accordance with clause 11.2 will be forfeited to the Fund.

12. THE TRUSTEE

12.1 TRUSTEE MUST BE A CONSTITUTIONAL CORPORATION

There will only be one Trustee and the Trustee must be a constitutional corporation.

12.2 RETIREMENT OF TRUSTEE

The Trustee:

- (a) must immediately retire by written notice to the Principal Employer if the Trustee becomes a disqualified person for the purposes of Relevant Law; and
- (b) may, at any time, retire by giving 60 days' (or such shorter period to which the Principal Employer may agree) written notice to the Principal Employer;

and in either case, the Principal Employer must, by deed, appoint another constitutional corporation to act as Trustee in its place.

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12.3 CONSTITUTION

The Trustee must at all times ensure that its Constitution is consistent with any applicable requirements of Relevant Law.

12.4 CONTINUITY OF OFFICE

A Trustee will, on ceasing to be a Trustee, do everything necessary to vest the Fund in the new Trustee and deliver all records and other books to the new Trustee.

12.5 OFFICE OF TRUSTEE

The office of Trustee must be filled at all times and if a vacancy occurs a new Trustee must be appointed as soon as is reasonably practicable but in any event within 60 days of that vacancy occurring. If for any reason there is at any time no Trustee of the Fund, the Principal Employer will undertake the duties of the Trustee to the extent that it is necessary until the appointment of a new Trustee.

13. TRUSTEE'S POWERS AND MANAGEMENT

13.1 TRUSTEE'S GENERAL POWERS

The Trustee will have power:

- (a) to manage administer and deal with the Fund and all proceedings matters and things connected with the Fund; and
- (b) to enter into and execute all contracts deeds and documents and to do all such matters and things as it considers expedient for the purpose of carrying out the trusts authorities powers and discretions conferred upon the Trustee by this Deed with power, subject to the other provisions of this Deed, to give such undertakings and incur all such obligations relating to the Fund as the Trustee thinks fit;

and such further powers as may be necessary ancillary or incidental to this Deed.

13.2 ADDITIONAL SPECIFIC POWERS

In addition to the powers which it has by law and which are otherwise granted to it by this Deed the Trustee will have the following powers:

- (a) to settle compromise or submit to arbitration any claim matter or thing relating to this Deed or the Fund or to the rights of Members former Members or any other persons claiming to be entitled to be paid a benefit pursuant to this Deed;
- (b) to commence carry on or defend proceedings relating to the Fund or to the rights of Members former Members or other persons claiming to be entitled to be paid a benefit from the Fund;

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- (c) subject to any restrictions contained in Relevant Law, to borrow money and to secure the repayment of that money in any manner and upon any terms with or without security which the Trustee may consider advisable;
- (d) to insure or reinsure any risks contingencies or liabilities of the Fund;
- (e) to underwrite, sub-underwrite or otherwise assume liability for any risk contingency or liability under any superannuation arrangement conducted by the Principal Employer in connection with any transfer of Employees to the Fund;
- (f) to retain the services of and to appoint professional or other advisers or agents in relation to the management administration or investment of the Fund and to pay out of the Fund all expenses of and incidental to the management and administration of the Fund including the fees of any advisers or agents and the remuneration of persons appointed pursuant to this Deed and to revoke any such appointment; and
- (g) to indemnify or undertake to indemnify any person company government or institution in respect of any claim matter or thing relating to the Fund or to the rights of Members, former Members or other

persons entitled in respect of the Fund.

13.3 TRUSTEE DISCRETION

In the exercise of the authorities powers and discretions vested in it pursuant to this Deed, the Trustee will have an absolute and unfettered discretion and may from time to time exercise or enforce all or any of such powers authorities and discretions and will have power generally to do all such things as the Trustee in its absolute discretion considers appropriate in the administration of the Fund and the performance of its obligations under this Deed.

13.4 TRUSTEE MAY ACT ON ADVICE

The Trustee may act on the advice or opinion of any accountant actuary barrister solicitor medical practitioner professional adviser or expert whether or not such advice has been obtained by the Trustee.

13.5 INDEMNITY OF TRUSTEE AND DIRECTORS

The Trustee and each of its directors will be indemnified out of the Fund against all liabilities, losses, costs and expenses (excluding any liability for a monetary penalty under a civil penalty order imposed under the SIS Act) incurred in the exercise or purported exercise or attempted exercise of the trusts powers authorities and discretions vested in the Trustee under this Deed or at law and will have a lien on and may use the moneys forming part of the Fund for the purposes of this indemnity and generally for the payment of all legal and other costs charges and expenses of administering or winding up the Fund and otherwise of performing their duties under this Deed. This indemnity will extend to any payments made to any person whom the Trustee bona fide believes to

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be entitled to it although it may subsequently be found that the person was not in fact so entitled, but will not be available to any person if the person failed to act honestly or intentionally or recklessly failed to exercise the degree of care and diligence that the person was required to exercise. In this clause, the word "Trustee" includes any former Trustee.

13.6 DELEGATION BY TRUSTEE

The Trustee may delegate to any one or more persons firms or companies on such terms as the Trustee may think fit any of the authorities powers and discretions conferred upon the Trustee. Without limiting the generality of the foregoing the Trustee may appoint from time to time such one or more persons firms or companies as the Trustee may think fit to act either as custodian or investment manager or both subject to such conditions as the Trustee may from time to time determine and may delegate to and confer upon such a custodian or investment manager such authorities power or discretions, including the Trustee's power of delegation, as the Trustee may think fit. The Trustee will have power to pay out of the Fund to any such custodian investment manager or other delegate such remuneration for its services as the Trustee considers proper and to remove from time to time any such custodian or investment manager.

13.7 TRUSTEE REMUNERATION

The Trustee will not receive any salary or remuneration from the Fund in respect of its services as Trustee unless otherwise agreed in writing between the Principal Employer and the Trustee, but nothing in this Deed will preclude any firm corporation or partnership of which the Trustee or any of its directors is a partner director shareholder related body corporate (as defined in the Corporations Law) or employee from being paid out of the Fund any proper fees or remuneration for professional or other services rendered by such firm, corporation or partnership in connection with the Fund.

13.8 CONFIDENTIALITY OF INFORMATION

The Trustee and the Principal Employer will regard as strictly confidential so far as practicable all information disclosed to or gained by it in the course of administering the Fund or otherwise in connection with this Deed or anything relating or incidental to it.

13.9 LIABILITY OF TRUSTEE

The Trustee will not be liable for any loss or breach of trust whatsoever other than:

- (a) loss attributable to the Trustee, in relation to a matter affecting the Fund, failing to act honestly or intentionally or recklessly

failing to exercise the degree of care and diligence that the Trustee was required to exercise; or

- (b) liability for a monetary penalty under a civil penalty order made against the Trustee under the SIS Act.

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13.10 LIABILITY OF DIRECTORS OF TRUSTEE

A director of the Trustee will not be liable for any loss or breach of trust whatsoever other than:

- (a) loss attributable to the director, in relation to a matter affecting the Fund, failing to act honestly or intentionally or recklessly failing to exercise the degree of care and diligence that the director was required to exercise; or
- (b) liability for a monetary penalty under a civil penalty order made against the director under the SIS Act.

13.11 INQUIRIES AND COMPLAINTS

The Trustee may, and to the extent required pursuant to Relevant Law, must, establish arrangements under which:

- (a) Members and other beneficiaries have the right to make inquiries into, or complaints about, the operation or management of the Fund in relation to the Member or beneficiary making the inquiry or complaint; and
- (b) those inquiries or complaints will be properly considered and dealt with within 90 days or such other period as may be prescribed by Relevant Law after they are made.

14. INVESTMENTS

14.1 AUTHORISED INVESTMENTS

Subject to:

- (a) the restrictions imposed by Relevant Law on investing in in-house assets;
- (b) any prohibition on acquiring certain kinds of assets from Members or relatives of Members which is prescribed by Relevant Law;
- (c) any prohibition prescribed under Relevant Law against lending money or giving financial assistance to, Members or relatives of Members;
- (d) any other restrictions imposed by Relevant Law;

so much of the moneys forming part of the Fund from time to time as is not required immediately for the payment of benefits or other amounts authorised by this Deed may be invested by the Trustee in any investment whatsoever which the Trustee considers appropriate, including, but without in any way being limited to, the following investments:

- (i) any investment for the time being authorised by the laws of the

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Commonwealth of Australia or any State or Territory thereof for the investment of trust funds;

- (ii) any mortgage on freehold property situated in Australia or elsewhere even though the amount of the loan may exceed two-thirds of the value of the property and whether or not a report or valuation has been obtained on the value of the property;
- (iii) on deposit with or on loan to any bank building society or other financial institution;
- (iv) on deposit with or on loan to the Principal Employer or any other person or organisation whatsoever with or without security and at such rate of interest and upon such terms as the Trustee may deem reasonable notwithstanding that the Trustee may have a direct or indirect interest in the borrowing or may benefit directly or indirectly therefrom;
- (v) the purchase or acquisition in any way of shares or stock of any class or description or of any type of bond mortgage debenture note option or other like security in or of the

Principal Employer or any other company or trust fund, society, unincorporated association or other entity in any part of the world whether or not carrying on business in Australia and whether the shares or stock be fully or partly paid up and whether secured or unsecured, registered or unregistered;

- (vi) any Policy or Annuity whether by proposal purchase or otherwise and any choses in action interest for life or any lesser term or in reversion or howsoever arising;
- (vii) the purchase or acquisition of any interest in real or personal property and the improvement or extension thereof;
- (viii) the purchase or acquisition of or subscription for any unit or sub-unit in any unit trust established or situated anywhere in the world whether individually or jointly and whether such units or sub-units are fully paid up or whether their issue involves any contingent or reserve liability;
- (ix) the discounting of loans mortgages contracts hire purchase agreements or leases; and
- (x) bills of exchange, promissory notes or other negotiable instruments.

14.2 POWER TO SELL AND VARY INVESTMENTS

The Trustee will have power as it sees fit to sell any investments and to vary and transpose any investments into other investments authorised by this Deed.

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14.3 INVESTMENT REQUESTS

The Trustee may from time to time, with the consent of the Principal Employer, allow a Member to make a request of the Trustee in relation to the investment of a portion of the Fund's assets representing the Member's Voluntary Contribution Account on the basis that the Trustee may comply with any such an investment request, but will not be obliged to do so. When an investment is made pursuant to any request made by a Member in accordance with this clause:

- (a) the Trustee must note in the Fund's records that the investment was made in accordance with a Member's investment request and the name of the Member;
- (b) any income or gains or losses of a revenue or capital nature arising from the investment will be credited or, in the case of a loss, debited, to the relevant Member's Voluntary Contribution Account and such amounts will be excluded from the calculation of Investment Income pursuant to clause 15.2;
- (c) any costs, charges or expenses incurred or arising from the investment and any Taxation which is or may become payable in respect of the investment will be debited to the Member's Voluntary Contribution Account and any such amounts will be excluded from the calculation of Investment Income pursuant to clause 15.2.

15. INVESTMENT INCOME AND ACTUARIAL VALUATION

15.1 INVESTMENT STRATEGIES

The Trustee may, if it considers it reasonable and equitable to do so, segregate the Fund into two or more separate parts for investment purposes, with:

- (a) each part or parts being notionally attributed to one or more Categories of Membership;
- (b) each part having an investment strategy which is, or may be, separate and distinct from the investment strategy or strategies for the other part or parts of the Fund.

15.2 INVESTMENT INCOME

At each Review Date or such other date which the Trustee considers appropriate, the Trustee must value all of the assets of the Fund at the Review Date and determine:

- (a) the Investment Income of the Fund in respect of the period since the previous Review Date which will comprise all net income and net capital gains whether realised or unrealised after deducting any capital losses and such allowance for expenses and taxation as the

Trustee considers appropriate; and

- (b) the Fund Earning Rate to be credited (or debited) to a Member's Contribution

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Accounts (if any) in accordance with clause 15.3;

- (c) the Fund Earning Rate to be credited (or debited) in respect of each separate part of the Fund, if it has been segregated in accordance with clause 15.1.

15.3 CREDITING ACCOUNTS

The Trustee will as soon as reasonably practicable after the Review Date credit (if the Fund Earning Rate is positive) or debit (if the Fund Earning Rate is negative) a Member's Voluntary Contribution Account (if any) with interest, at the Fund Earning Rate, on such basis as the Trustee considers equitable having regard to the balances of that account during the period since the last Review Date, the value of the Fund and the requirements of Relevant Law.

15.4 INTERIM FUND EARNING RATE

Subject to Relevant Law, the Trustee may, from time to time, determine an interim Fund Earning Rate which will be used when determining the interest to be credited (or debited) to any account for the purpose of calculating benefits.

15.5 ACTUARIAL REPORT AND VALUATION

The Trustee must appoint an actuary to the Fund. At intervals not exceeding 3 years (or such shorter period as may be required by Relevant Law) the Trustee must arrange for the Actuary to make an investigation and valuation of the Fund and to report on the contributions which are required to be made under clause 4.2(a), and the Trustee will supply such information as may reasonably be required by the Actuary for that purpose. The Trustee must arrange for the Actuary to furnish a written report no later than 12 months after the date of such investigation and valuation and a copy thereof shall be furnished by the Trustee to the Principal Employer.

15.6 ACTUARIAL CERTIFICATE

The report referred to in clause 15.5 must contain a certificate in accordance with the provisions of Relevant Law.

16. COSTS AND EXPENSES AND TAXATION

16.1 COSTS AND EXPENSES

Except as otherwise expressly provided in this Deed:

- (a) all costs charges and expenses incurred in connection with the preparation establishment maintenance administration operation or winding up of the Fund will be borne by the Fund and paid by the Trustee and the Trustee may debit a Member's Voluntary Contribution Account and the Investment Income of the Fund in such manner as it considers equitable and appropriate to reflect the

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payment of or the making of any provision for any such costs charges and expenses; and

- (b) the Trustee will indemnify the Principal Employer in respect of any costs charges or expenses which are properly incurred by the Principal Employer.

The Trustee may, however, accept contributions in respect of such costs charges or expenses from the Principal Employer or may arrange with the Principal Employer for such costs charges or expenses to be paid and borne by the Principal Employer in such manner and in such proportions as the Principal Employer may determine.

16.2 TAXATION

The Trustee may make provision in such manner as it considers appropriate to allow for any anticipated or future liability for Taxation in respect of the Fund and will have power to pay any Taxation in respect of the Fund out of the Fund. The Trustee may debit a Member's Voluntary Contribution Account and the Investment Income of the Fund in such manner as it considers appropriate to reflect the payment of or the making of any provision for any such Taxation. The Trustee will not be liable to

account to any Member or any other person for any payments made by the Trustee in good faith to any duly empowered fiscal authority of the Commonwealth of Australia or any State or Territory of it or any other country or part of a country for Taxation or any other charges upon the Fund or for or on account of the retention of any moneys or assets in the Fund to meet any prospective liability on the part of the Trustee in relation to the Fund to such fiscal authority, notwithstanding that any such payment or provision need not have been made.

17. FUND RECORDS

17.1 ISSUE OF RECEIPTS

A receipt given on behalf of the Fund by the Trustee or by any other person who may from time to time be authorised by the Trustee in writing to receive any moneys of the Fund will be a sufficient discharge to the person by whom the moneys are paid.

17.2 RECORDS AND ACCOUNTS TO BE KEPT

The Trustee must:

- (a) keep account of all moneys received for and disbursed from the Fund and of all dealings in connection therewith;
- (b) collect and pay promptly into a bank or other account of the Fund all moneys from time to time due to the Fund;
- (c) keep appropriate records books and accounts having regard to the requirements of Relevant Law and make suitable arrangements for custody of

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documents relating to the investments of the Fund; and

- (d) prepare accounts and statements in relation to the Fund in accordance with Relevant Law.

17.3 AUDIT

The Trustee must cause the accounts and statements referred to in clause 17.2(d) to be audited by the Auditor at such time or times as required by Relevant Law and the Auditor must give to the Trustee a report in respect of each such audit. If the Auditor is satisfied that the annual return prepared for the Fund for that particular year of income is true and fair he will sign an audit certificate in the prescribed form for lodgement with the Commissioner.

17.4 AVAILABILITY OF DEED

A copy of this Deed must be made available for inspection by any Member on the request of that Member.

17.5 INFORMATION FOR TRUSTEE

The Principal Employer will as and when requested by the Trustee, give to the Trustee all information in its power or possession which may, in the opinion of the Trustee, be necessary or expedient for the management and administration of the Fund. The Trustee may act upon any information given to it by the Principal Employer pursuant to this Deed.

17.6 DISCLOSURE AND REPORTING REQUIREMENTS

The Trustee must provide to Members, former Members, the Principal Employer, the Commissioner and any other persons who ask the Trustee to provide them with information about the Fund such information in relation to the conduct of the Fund and benefits payable from the Fund in such form as required by Relevant Law.

18. APPOINTMENT OF AUDITOR

The Trustee must appoint an Auditor on such conditions as the Trustee determines and who is both appropriately qualified and independent according to the criteria specified by Relevant Law. The Auditor may be a person or a firm.

19. COMPULSORY OR GOVERNMENT SUPERANNUATION

19.1 COMPULSORY SUPERANNUATION

Where at any time an obligation is imposed upon the Principal Employer to make compulsory contributions to a superannuation fund other than this Fund providing retirement death or disablement benefits in respect of Members of the Fund, the Trustee may, as appropriate and taking into

account the advice of the Actuary, either immediately

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agree to reduce the Principal Employer's contributions to the Fund by the amount of the compulsory contribution being made to the other fund in respect of those Members who are members of the other fund, or vary the benefits payable under the Rules to take into account the benefits which would be received from the other fund.

19.2 GOVERNMENT BENEFIT SCHEME

Where a scheme having government support or recognition whether in the Commonwealth of Australia or any State or Territory of it or any other place with which the activities of the Principal Employer are or may for the time being be concerned ("GOVERNMENT SCHEME") provides or will provide Members or their Dependants with benefits which in the sole opinion of the Trustee are of a similar nature to any benefit provided under this Deed, the Trustee with the consent of the Principal Employer may alter or vary in any way whatsoever the provisions of this Deed which in the sole discretion of the Trustee corresponds to the provisions of the Government Scheme.

20. TERMINATION OF THE FUND

20.1 TERMINATION

If:

- (a) the Principal Employer decides for any reason to terminate the Fund and gives one month's written notice to the Trustee of its intention to do so; or
- (b) all of the Employers terminate their contributions to the Fund pursuant to clause 4.7,

then:

- (c) the Fund will be closed to new entrants from a date being the expiration of the one month's notice or the effective date of termination of contributions as the case may be ("CLOSURE DATE");
- (d) no further contributions by and in respect of the Members will be accepted after the Closure Date, but payments due on or before the Closure Date will not be affected;
- (e) the Trustee must cause a valuation to be made of the assets of the Fund (after the payment of all expenses incurred as a result of winding up the Fund);
- (f) the Trustee must, after considering the advice of the Actuary, allocate to Members such part or whole of the value of the Fund as ascertained by the valuation in such shares and proportions and in such manner as the Trustee considers to be fair and equitable;
- (g) the Trustee must then allocate any surplus amount remaining the Fund to any Member, or to any one or more of the Dependants or legal personal

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representatives of any deceased Member, in such shares and proportions as the Trustee in its absolute discretion determines;

- (h) the amounts so allocated under paragraphs (f) and (g) will be held in trust and invested by the Trustee as authorised by this Deed, but any amount allocated to a Dependant or the legal personal representatives of a deceased Member may be paid immediately; and
- (i) the amount so allocated to a Member, plus any accretion and minus any diminution, will subject to the other provisions of this Deed and the Rules be dealt with in the same manner as a benefit in respect of the Member which would otherwise (but for the operation of this clause 20.1) have become payable under the Rules.

20.2 TRUSTEE'S ARRANGEMENTS AND DECISION

- (a) Any amounts paid to any person under clause 20.1 will be in such form and will be provided by such arrangements as the Trustee determines.
- (b) Payments under clause 20.1 will constitute the final resolution of any claim to rights or benefits under this Deed and will be a complete discharge by the Trustee of its obligations under this Deed.

(c) All decision of the Trustee under clause 20.1 and this clause 20.2 will be final and binding on all parties.

21. AMENDMENTS

21.1 AMENDMENTS TO THE TRUST DEED

The provisions of this Deed including this clause may be amended with immediate, prospective or, to such extent as the law allows, retrospective effect from time to time by the Trustee, with the written consent of the Principal Employer, by deed executed by the Trustee, but no amendment ("AMENDMENT") may be made:

- (a) which is not permitted by Relevant Law; or
- (b) which will impose any increase in liability on any Employer or any Member to contribute to the Fund without the Employer's or Member's consent;
- (c) which would in the opinion of the Trustee be to the detriment of the Members or their Dependants generally;
- (d) which would result in any retrospective reduction of any Member's accrued benefits or of retirement benefits in respect of past membership without the prior written consent of the Commissioner or without the consent of all of the Members of the Fund.

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21.2 NOTICE TO MEMBERS

The Trustee must promptly give the Members written notice of any such Amendment if required pursuant to Relevant Law to do so.

22. RELATIONSHIP BETWEEN EMPLOYER AND EMPLOYEE

22.1 EMPLOYER'S POWERS NOT PREJUDICED

Nothing in this Deed will affect the powers of the Employer with regard to the remuneration, terms of employment or dismissal of an Employee or any other dealings between the Employer and Employee. The existence or cessation of any actual or prospective or possible benefit under the Fund will not be grounds for claiming or increasing damages in any action brought against the Employer in respect of any termination of employment or otherwise.

22.2 WORK-RELATED CLAIMS

Nothing in this Deed will in any way affect the right of a Member or his or her personal representative to claim damages or compensation under common law or under any workers' compensation legislation or any other statute in force governing compensation to a Member injured or killed by an accident arising out of or in the course of his or her employment with the Employer.

23. PROPER LAW

This Deed will be governed and construed and will take effect in accordance with the laws of South Australia. The Principal Employer, the Trustee, Members and former Members and their Dependants and Legal Personal Representatives must accept the jurisdiction of the Courts of that State. Section 35b of the Trustee Act 1936 of South Australia has no application to this Deed.

24. RELEVANT LAW

Notwithstanding any other provision of this Deed and in addition to the powers and discretions conferred upon the Trustee by this Deed, the Trustee will be empowered but not, except as provided in this Deed, required to do or procure to be done or refrain from doing such acts matters and things as in the opinion of the Trustee may be necessary or desirable:

- (a) to enable the Fund to become, and continue to be, a regulated superannuation fund; and
- (b) to comply with or satisfy any provision or requirement of Relevant Law or of the Commissioner.

1. LEAVING SERVICE BENEFIT - CATEGORIES 1, 2, 3, 4, AND 7 MEMBERS

- 1.1 Subject to rule 1.2 and rule 1.3, if a Member, other than a Category 5 or Category 6 Member, leaves Service on or before that Member's Normal Retirement Date, the Trustee must pay to that Member a benefit equal to the sum of:
- (a) 20% of the Member's Final Average Salary multiplied by his or her period of Membership as a Category 1 Member; and
 - (b) 17.5% of the Member's Final Average Salary multiplied by his or her period of Membership as a Category 2 Member; and
 - (c) 15% of the Member's Final Average Salary multiplied by his or her period of Membership as a Category 3 Member; and
 - (d) 12.5% of the Member's Final Average Salary multiplied by his or her period of Membership as a Category 4 Member; and
 - (e) 10% of the Member's Final Average Salary multiplied by his or her period of Membership as a Category 7 Member; and
 - (f) an amount determined by multiplying the Member's Final Average Salary by his or her Accrued Benefit Multiple (if any).

For the purposes of this rule 1.1, a Member's period of Membership in any category will be measured in years and any fraction of a year which is a complete month.

- 1.2 If a Member, other than a Category 5 or Category 6 Member, leaves Service before attaining age 55 (other than in circumstances in which a benefit would be payable under rule 4), the benefits which would otherwise be payable in accordance with rule 1.1 will be reduced by 1% (on a simple basis) for each whole year by which the Member's age as at the date of leaving Service is less than age 55, but such reduction will not in any event exceed 20%.
- 1.3 When a Category 1 Member leaves Service, the benefit which he or she will receive pursuant to rule 1.1, reduced if appropriate by rule 1.2, will not exceed seven times his or her Final Average Salary multiplied, if the Member has left Service before his or her Normal Retirement Date, by:

FM

PFM

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where: FM means the period of the Member's actual Membership; and
PFM means the period of Membership which the Member would have had had he or she remained a Member until his or her Normal Retirement Date.

2. LEAVING SERVICE BENEFITS - CATEGORY 5 MEMBERS

- 2.1 If a Category 5 Member leaves Service:
- (a) on that Member's Normal Retirement Date; or
 - (b) after attaining age 60; or
 - (c) after attaining age 55 and obtaining the Employer's consent to early retirement,

the Trustee must pay to that Member a benefit equal to 7.5% of the Member's Final Average Salary multiplied by his or her period of Service.

For the purposes of this rule 2, a Member's period of Service will be measured in years and any fraction of a year which is a complete month, and will include Service both with an Employer and also with either or both of Berri Renmano Ltd and Thomas Hardy & Sons Pty Ltd.

- 2.2 If a Category 5 Member leaves Service in circumstances that do not entitle that Member to a benefit under either rule 2.1 or rule 4, then that Member will be entitled to receive a lump sum benefit in accordance with the following provisions:
- (a) If the Member left Service as a result his or her illness or injury (proof of which is provided to the reasonable satisfaction of the Trustee) or, in the reasonable opinion of the Trustee, on account of retrenchment of staff by the Employer, the Trustee must pay to that

Member a benefit equal to the greater of:

- (i) twice the amount then standing to the credit of the Member's Compulsory Member Contribution Account; and
- (ii) 7.5% of the Member's Final Average Salary multiplied by his or her period of Service, reduced by 3% (on a simple basis) for each whole year (and proportionately for each complete month in any fractions of a year) by which the Member's age as at the date of leaving Service is less than age 55, but such reduction will not in any event exceed 20%.

(b) Otherwise, the Trustee must pay to that Member a benefit calculated pursuant to the following formula:

$$\text{CMCA} \times \text{VF}$$

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where: CMCA is the amount then standing to the credit of his or her Compulsory Member Contribution Account; and

VF is the Member's vesting factor determined by reference to the following table and having regard to the Member's complete years of Membership as at the relevant date:

COMPLETE YEARS OF MEMBERSHIP	VESTING FACTOR
less than 1	100%
1	110%
2	120%
3	130%
4	140%
5	150%
6	160%
7	170%
8	180%
9	190%
10 or more	200%

(c) Notwithstanding rule 2.2(b) above, a Category 5 Member's benefit under that sub-rule will not be greater than 7.5% of the Member's Final Average Salary multiplied by his or her period of Service, reduced by 3% (on a simple basis) for each whole year (and proportionately for each complete month in any fractions of a year) by which the Member's age as at the date of leaving Service is less than age 55, but such reduction will not in any event exceed 20%.

2.3 Notwithstanding rule 2.1 and rule 2.2, a Category 5 Member's benefit under this rule 2 will not be less than the sum of the amount then standing to the credit of the Member's Compulsory Member Contribution Account and the amount then standing to the credit of the Member's Compulsory Employer Contribution Account.

3. LATE RETIREMENT - CATEGORIES 1, 2, 3, 4, 5 AND 7 MEMBERS

If a Member, other than a Category 6 Member, remains in Service after that Member's Normal Retirement Date:

- (a) as at that Member's Normal Retirement Date, the Trustee must credit to that Member's Voluntary Contribution Account the amount which that Member would have received under either rule 1.1 or rule 2.1 had he or she left Service on his or her Normal Retirement Date; and
- (b) when the Member subsequently leaves Service the Member will only be entitled to receive a benefit in accordance with rule 6.

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4. DEATH OR DISABLEMENT - CATEGORIES 1, 2, 3, 4, 5 AND 7 MEMBERS

4.1 If a Member, other than a Category 6 Member, dies or becomes Totally and Permanently Disabled while in Service before attaining his or her Normal Retirement Date, the Trustee must, subject to rule 4.2, pay a lump sum from the Fund which is equal to the amount which would have been payable by the Trustee to that Member at his or her Normal Retirement Date under rule 1 or rule 2, which amount will be determined assuming that:

- (a) the Member would have continued in Service until his or her Normal Retirement Date;
- (b) the Member's Annual Salary at the date of death or disablement would have remained unaltered until his or her Normal Retirement Date; and

- (c) the Member's category of Membership at the date of death or disablement would have remained unaltered until his or her Normal Retirement Date.
- 4.2 If a Member becomes entitled to a benefit under Rule 4.1, the benefit payable will be adjusted in such manner as the Trustee considers equitable having regard to the amount of the insurance granted by the relevant Insurer under the Policy and the conditions relating to it.
5. LEAVING SERVICE BENEFIT - CATEGORY 6 MEMBERS
- 5.1 If a Category 6 Member leaves Service in any circumstances, he or she is entitled to a lump sum benefit which is equal to the amount (if any) standing to the credit of the Member's Voluntary Contribution Account.
- 5.2 If a Category 6 Member dies or becomes Totally and Permanently Disabled while in Service before attaining his or her Normal Retirement Date, the Trustee must, in addition to the benefit payable under rule 5.1, pay to the Member or to his or her personal representatives an additional amount which is equal to the amount (if any) which the Trustee receives under a Policy in relation to the Member's death or Total and Permanent Disablement (except to the extent that any such amount is already reflected in the amount standing to the credit of the Member's Voluntary Contribution Account).
6. ADDITIONAL BENEFIT - CATEGORIES 1, 2, 3, 4, 5 AND 7 MEMBERS
- 6.1 Regardless of the circumstance in which a Member, other than a Category 6 Member, leaves Service, in addition to the benefit to which the Member is entitled under these rules, the Trustee must, subject to rule 6.2, pay an additional lump sum benefit which is equal to the amount (if any) standing to the credit of the Member's Voluntary Contribution Account.
- 6.2 No benefit will be payable under rule 6.1 simply because a Member becomes entitled to a benefit under rule 7.

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7. TEMPORARY DISABLEMENT - CATEGORIES 1, 2, 3, 4, 5 AND 7 MEMBERS
- 7.1 Subject to rule 7.2 and rule 7.4, if a Member, other than a Category 6 Member, becomes Temporarily Totally Disabled while in the Service before his or her Normal Retirement Date, the Trustee must pay to that Member an annual income equal to 75% of the Member's Salary.
- 7.2 If a Member who would otherwise be entitled to receive a benefit under rule 7.1 is also receiving any one or more of:
- (a) a benefit under any statutory provision for workers' compensation;
 - (b) any sick leave payments from his or her Employer; or
 - (c) any other similar compensation in relation to his or her disablement,
- the annual income payable under rule 7.1 must be reduced by an amount equal to the annual equivalent of the workers' compensation so payable or by an amount equal to the other payment or compensation so payable.
- 7.3 Any annual income payable under this rule 7 will be paid by equal monthly instalments in arrears, commencing on the first day of the month immediately following the expiration of the 3 month period after the day on which the Member becomes so disabled. The last monthly instalment will be paid on the first day of the earliest month during which one of the following events occurs:
- (a) the Member returns to active Service;
 - (b) the Member takes up employment with another employer;
 - (c) the Member ceases to be Temporarily Totally Disabled;
 - (d) the Member ceases to be in Service;
 - (e) the Member dies;
 - (f) the Member reaches his or her Normal Retirement Date; or
 - (g) the Member receives his or her 24th monthly instalment under this rule
- 7.4 Any benefit payable under this rule 7 in relation to the Member's Temporary Disablement is to be wholly funded by the proceeds of a Policy providing benefits in respect of disablement in relation to the

Members generally. Accordingly:

- (a) notwithstanding rule 7.1, the Trustee will not be required to pay any amount to a Member under that rule which exceeds the amount which the Trustee receives under that Policy in relation to the Member's disability; and

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- (b) notwithstanding rule 7.1, if the Trustee is unable to cover a Member under that Policy, that Member will not receive a benefit under that rule.

8. MINIMUM BENEFIT

Despite anything to the contrary in these Rules, when a Member leaves Service in any circumstances, the minimum benefit which must be provided to or in respect of that Member will be the "minimum requisite benefit" as specified in the Benefit Certificate which:

- (a) relates to the Fund;
- (b) is or has been prepared for the Fund by the Actuary in accordance with the requirements of the SG Act; and
- (c) is current at the time that the Member leaves Service.

9. AUGMENTATION

Subject to the requirements of Relevant Law, the Trustee may with the approval of the Principal Employer and an Actuary augment from the Fund at any time and from time to time the amount of any benefit payable to or in respect of a Member, as long as the Principal Employer contributes to the Fund such additional amount as is determined by an Actuary to be required to provide such augmented benefit.

SECOND SCHEDULE

ACCRUED BENEFIT MULTIPLES

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
ANDERSON	RV	0.529	HAYMAN	DC	1.152	NUGENT	TJ	1.256
ARBON	AJ	0.587	HELLWEGE	PR	0.656	ORCHARD	CS	0.167
BAKER	BT	1.152	HENSEL	PR	1.094	PARENTE	EC	0.987
BALSHAW	TW	0.225	HORVAT	I	1.817	PETERS-LIDDANE	VG	0.094
BARNARD	NN	0.075	HOWARD	L	0.5	PRESLEY	J	0.6
BARR	AA	0.896	HULSHOF	F	0.573	RAMSAY	AP	0.02
BAYLIS	SF	0.569	HUMPHRYS	J	0.802	RANDELL	SJ	1.069
BECKER	TG	2.664	JAMES	TWB	1.567	ROBINSON	DJ	1.363
BECKMAN	TJ	2.297	JENNINGS	RA	0.385	RODWELL	B	0.145
BECKWITH	P	0.102	JONES	AT	2.406	ROSS	FM	0.657
BEENHAM	GR	1.737	KASSEBAUM	PG	0.683	ROWE	RJ	0.657
BESWICK	JA	0.667	KENNAR	AJ	0.927	SCAMBLER	G	0.656
BEUTEL	LS	2.25	KENNEDY	AM	0.787	SCAMMELL	MD	1.217
BOYLES	D	0.982	KENNEDY	SR	1.272	SHARP	RB	1.55
BRADLEY	M	0.75	KNUTSON	GR	1.933	SMALLACOMBE	DR	0.094
BRIDESON	CI	0.229	KOERNER	JF	0.656	SMALLACOMBE	KR	1.677
BRUHN	MM	1.902	KRETSCHMER	MJ	0.469	SMITH	RN	0.656
BURNETT	AJ	0.969	KURTZER	LJ	1.492	SMITH	I	0.656
CALOGHIRIS	M	0.87	LAPSLEY	PJ	0.74	SOMERVILLE	CM	0.145
CICCARELLI	J	0.677	LEMON	AL	0.525	SPARROW	SP	0.115
CLARK	TB	0.85	LINDSAY	JP	0.025	SPARROW	RJ	2.477
COCK	A	0.706	LINDSAY	N	0.145	STANDFIELD	RJ	2.679
COOK	PM	0.467	LOVERING	IC	0.969	STARKIE	BJ	0.979
COOK	RS	0.85	LUCK	A	0.438	STELLA	R	0.927
COOMBS	WF	2.121	MACHIN	SPA	0.24	STEVENS	GR	0.656
DAVIES	SJ	1.875	MACLEAN	HA	0.01	SULLIVAN	LM	1.221
DAWSON	PJ	0.527	MADDOCKS	AP	0.717	THIELE	AJ	0.125
DE MAMIEL	BW	1.579	MAIO	A	0.359	TSACONAS	CG	0.225
DEERING	GL	0.956	MARKHAM	TR	1.158	VAN DER HEIDEN	P	0.698
DEMPSEY	CK	0.85	MARLING	RD	1.682	VOGT	IR	0.417
DOUGLASS	P	0.688	MATTHEWS	HT	0.148	VOIGT	MA	1.896
DUNDAS	W	0.657	MAY	RA	1.682	WARR	RJ	0.021
EDMONDS	TR	1.652	MCARTHUR	TJ	0.156	WASLEY	AK	1.549
FALLER	MA	0.614	MCCALLUM	DR	1.402	WHEATLEY	DJ	0.531
FINNIS	DJ	0.448	MILLAR	SB	0.277	WIGGINS	BK	0.198
FRASER	RA	2.209	MONTAGUE	R	0.708	WILDEN	WR	1.406
GIBBONS	B	1.656	MURPHY	K	0.781	WILSON	DM	0.35
GOLDSPINK	KM	0.083	NEWTON	TC	1.254	WOODS	DC	0.867
GUTHRIDGE	GJ	0.975	NOLAN	JB	0.656	WRIGHT	BA	0.146

HARDY	WD	2.704	NORTHEY	J	1.704	YOUNG	WB	2.216
HARPER	JW	0.675	NOTTAGE	TH	1.425			

</TABLE>

BRL HARDY SUPERANNUATION FUND

AMENDING DEED NO. 5

BETWEEN

BRL HARDY LIMITED
ACN 008 273 907

("PRINCIPAL EMPLOYER")

AND

BRL HARDY SUPERANNUATION PTY. LTD.
ACN 058 898 767

("TRUSTEE")

1

THIS AMENDING DEED is made on 23 December 1999

BETWEEN: BRL HARDY LIMITED (ACN 008 273 907) of Reynella Road, Reynella, South Australia ("PRINCIPAL EMPLOYER");

AND: BRL HARDY SUPERANNUATION PTY. LTD. (ACN 058 898 767) Reynella Road, Reynella, South Australia ("TRUSTEE").

RECITALS:

- A. By a Trust Deed dated 1 July 1982 ("TRUST DEED") there was established a fund now known as the BRL Hardy Superannuation Fund ("FUND").
- B. The Trust Deed has been amended by Deeds dated 6 June 1990, 31 March 1993, 8 June 1994 and 7 October 1998 (the Trust Deed as amended being called the "PRINCIPAL DEED").
- C. The Trustee is the present Trustee of the Fund.
- D. Clause 21 of the Principal Deed provides that the Trustee, with the written consent of the Principal Employer, may at any time by deed amend the Principal Deed subject to the restrictions contained in that clause.
- E. The Principal Employer and the Trustee desire to amend the provisions of the Principal Deed as set out below and are satisfied that these amendments are made in compliance with Clause 21.

OPERATIVE PROVISIONS:

1. The Trustee, with the consent of the Principal Employer, amends the Principal Deed in the following manner:
 - (a) Delete "Superannuation Entities (Taxation) Act 1987" in the definition of "Act" in clause 1.1 and substitute "Superannuation (Excluded Funds) Taxation Act 1987".
 - (b) Delete "Insurance and Superannuation Commissioner" in the definition of "Commissioner" in clause 1.1 and substitute "Australian Securities and Investments Commission".
 - (c) Insert the following definition immediately before the definition of "Deed" in clause 1.1:

""CONTRIBUTION PERCENTAGE" means in relation to:

 - (a) a Sub-category 8C Member - 11.5%; or
 - (d) Insert the following definitions immediately before the definition of "Insurer" in clause 1.1:

""FUTURE SERVICE MULTIPLE" means, in relation to a Category 8 Member, the Member's Insurance Percentage multiplied by the

2

(b) a Sub-category 8D Member - 9%,

plus an additional 1% in each case if the Member is also a Transferred Member."

number of years (including any fraction of a year being complete months) from the date of the Member's death or disablement until the date which would have been the Member's Normal Retirement Date.

"INSURANCE PERCENTAGE" means in relation to:

- (a) a Sub-category 8A Member - 20%;
- (b) a Sub-category 8B Member - 17.5%;
- (c) a Sub-category 8C Member - 15%; or
- (d) a Sub-category 8D Member - 12.5%."

- (e) Insert the following definition immediately before the definition of "Trustee" in clause 1.1:

"TRANSFERRED MEMBER" means a Member who has transferred to Category 8 in accordance with clause 3.3(d)."

- (f) Insert the following definition immediately before clause 1.2:

"VOLUNTARY INSURED AMOUNT" means, in relation to a Category 8 Member, an amount payable in respect of the Member under a Policy in relation to the Member's death or Total And Permanent Disablement, such amount being subject to agreement between that Member and the Trustee."

- (g) Insert "in addition to paragraph (d)," at the beginning of clause 3.3(b)(i).

- (h) Delete clause 3.3(c) and substitute the following clauses:

"(c) As from:

- (i) 1 July 1997, there will be 7 categories of membership;
and
- (ii) 1 July 1999, there will be 8 categories of membership
(further divided into 4 sub-categories of membership);
and

with the benefits for each category (and sub-category) of member being as set out in the rules.

(d) Any Employee who:

- (i) is a Member of a Category other than Category 8:
 - (A) on 30 September 1999; or
 - (B) after 30 September 1999 and the Principal Employer approves of this clause applying to that Member;
and
- (ii) agrees that on becoming a Category 8 Member he or she will relinquish his or her rights and the rights of his or her dependants and legal personal representatives to receive any benefit under his or her existing Category;
and
- (iii) authorises and requests the transfer to Category 8 of that part of the assets of the Fund which the Trustee determines to be appropriate in all the circumstances,

shall be eligible to become a Category 8 Member and may make written application in such form as the Trustee may require to become a Member from such date as is approved by the Principal Employer and upon acceptance of the aforesaid application by the Trustee shall become a Category 8 Member."

- (i) Delete "4 or 6" in clause 4.1(a) and substitute "4, 6 or 8".

- (j) Delete clause 4.2(b) and substitute the following clause:

"(b) each Employer must contribute to the Fund in each year on behalf of each Category 6 or 8 Member the sum of:

- (i) the minimum amount which the Employer is required to contribute to the Fund on behalf of the Member in order to avoid having to pay the charge under the SG Act in relation to that Member; and

- (ii) in relation to a Sub-category 8C or 8D Member, the additional amount required to increase the total

contribution of the Employer under this paragraph (b) to an amount equal to the Contribution Percentage multiplied by the Member's Salary,

which contribution may be made (in whole or in part) following agreement between the Principal Employer and the Trustee by the application of an appropriate part of the surplus of the Fund as determined having regard to appropriate actuarial advice."

2. The Trustee, with the consent of the Principal Employer, amends the Rules of the Fund in the following manner:

- (a) Delete "Category 5 or Category 6" in rule 1.1 and substitute "Category 5, 6 or 8".
- (b) Delete "Category 5 or Category 6" in rule 1.2 and substitute "Category 5, 6 or 8".
- (c) Delete "Category 6" in rule 3 and substitute "Category 6 or 8".
- (d) Delete "Category 6" in rule 4.1 and substitute "Category 6 or 8".
- (e) Delete "CATEGORY 6" in the heading to rule 5 and substitute "CATEGORY 6 OR 8".
- (f) Delete "Category 6" in rule 5.1 and substitute "Category 6 or 8".
- (g) Insert the following rules immediately after rule 5.2:

"5.3 If a Category 8 Member dies or becomes Totally and Permanently Disabled while in Service before attaining his or her Normal Retirement Date, the Trustee must, in addition to the benefit payable under rule 5.1, pay to the Member or to his or her personal representatives an additional amount which is, subject to rule 5.4, equal to the sum of:

- (a) the Member's Salary at the date of death multiplied by his or her Future Service Multiple; and
- (b) any Voluntary Insured Amount.

5.4 The benefit payable to a Transferred Member under rule 5.3 (including the benefit payable under rule 5.1) may not be less than the sum of:

- (a) the benefit which would have been payable had the Member died or become Totally and Permanently Disabled immediately prior to becoming a Category 8 Member; and
- (b) any Voluntary Insured Amount."

- (h) Delete "Category 6" in rule 6.1 and substitute "Category 6 or 8".
- (i) Delete "5 and 7" in the heading to rule 7 and substitute "5, 7 and 8".

3. The alterations made to the Principal Deed and Rules governing the Fund by this deed take effect on and from 1 July 1999.

EXECUTION:

Executed as a Deed.

THE COMMON SEAL of BRL HARDY)
LIMITED (ACN 008 273 907) was)
affixed in accordance with its Articles)
of Association in the presence of:)

/s/ John Whelan
----- Director

/s/ John Whelan
----- Secretary

THE COMMON SEAL of BRL HARDY)
SUPERANNUATION PTY. LTD.)
(ACN 058 898 767) was affixed in)
accordance with its Articles of)
Association in the presence of:)

/s/ (non-readable)

- ----- Director

/s/ John Whelan

- ----- Director/Secretary

BRL HARDY SUPERANNUATION FUND

AMENDING DEED NO. 6

BETWEEN

BRL HARDY LIMITED
ACN 008 273 907

("PRINCIPAL EMPLOYER")

AND

BRL HARDY SUPERANNUATION PTY. LTD.
ACN 058 898 767

("TRUSTEE")

1
THIS AMENDING DEED is made on 20th January 2003

BETWEEN: BRL HARDY LIMITED (ACN 008 273 907) of Reynella Road, Reynella, South Australia ("PRINCIPAL EMPLOYER");

AND: BRL HARDY SUPERANNUATION PTY. LTD. (ACN 058 898 767) Reynella Road, Reynella, South Australia ("TRUSTEE").

RECITALS:

- A. By a Trust Deed dated 1 July 1982 ("TRUST DEED") there was established a fund now known as the BRL Hardy Superannuation Fund ("FUND").
- B. The Trust Deed has been amended by Deeds dated 6 June 1990, 31 March 1993, 8 June 1994, 7 October 1998 and 23 December 1999 (the Trust Deed as amended being called the "PRINCIPAL DEED").
- C. The Trustee is the present Trustee of the Fund.
- D. Clause 21 of the Principal Deed provides that the Trustee, with the written consent of the Principal Employer, may at any time by deed amend the Principal Deed subject to the restrictions contained in that clause.
- E. The Principal Employer and the Trustee desire to amend the provisions of the Principal Deed as set out below in order to comply with the requirements imposed on superannuation fund trustees under Part VIIIIB of the Family Law Act 1975 and associated Relevant Law and are satisfied that these amendments are made in compliance with Clause 21.

OPERATIVE PROVISIONS:

- A. With effect on and from the date hereof clause 1.1 of the Principal Deed is amended by adding "Corporations Act 2001 and Family Law Act 1975" immediately after "Superannuation Entities (Taxation) Act 1987" in the definition of "Act".
- B. With effect from 28 December 2002, the Deed is amended as follows:
 1. (a) inserting into clause 1.1, the following new definitions in the appropriate alphabetical order:

"NON-MEMBER SPOUSE" has the meaning given to those words as defined under the Family Law Act 1975 and the regulations made thereunder.

"SUPERANNUATION INTEREST" has the meaning given to those words as defined under the Family Law Act 1975 and the regulations made thereunder.

"TRANSFERABLE BENEFIT" means transferable benefit as that term is defined under the Superannuation Industry (Supervision) Act and the regulations made thereunder."; and
 - (b) Adding "Subject to clause 25.1(b) a Non-Member Spouse is not a Member for the purposes of the Deed" at the end of the definition of "Member".
2. The following new clause 25 is inserted immediately after clause 24:

"25. VARIATION OF BENEFITS PURSUANT TO FAMILY LAW

- 25.1 (a) Subject to paragraph (b), the Trustee must not create a new interest in the Fund for or in respect of a Non-Member Spouse under this clause 25 or make a Non-Member Spouse a Member of the Fund.
- (b) A Non-Member Spouse to whom this clause 25 applies and who is already a Member shall continue as a Member for the purposes of the Deed other than in respect of any amount determined under this clause 25 in respect of the Non-Member Spouse unless otherwise decided by the Trustee pursuant to sub-clause 25.2(d) (iv).
- 25.2 Notwithstanding any other provisions of the Deed, but subject to clause 24, the Trustee is empowered to do or to procure to be done any acts, matters or things that are necessary or desirable in order to comply with the Relevant Law including (but not limited to):
- (a) providing information related to a Member's Superannuation Interest in the Fund in accordance with and as required by the Relevant Law. For the purpose of any information provided under this sub-paragraph "accrued benefit multiple" as that term is defined in the Family Law Act 1975 and the regulations made thereunder shall be treated as a reference to such multiple as may be derived from the provisions of the Deed and the Rules used for the purpose of the calculation of a Member's retirement benefit but only taking into account the Member's Fund Membership (and any other period or periods and past benefit multiples that are relevant to the multiple calculation in respect of the Member) under the Deed and the Rules for the period up to and including the "appropriate date" (as that term is defined in the Family Law (Superannuation) Regulations 2001) and where necessary after obtaining the advice of the Actuary;
- (b) flagging a Member's Superannuation Interest or lifting a flag on a Member's Superannuation Interest or benefit in the Fund where and as required by the Relevant Law;
- (c) adjusting or reducing any Member's Superannuation Interest (including any insured benefit) or any other amount in respect of a Member in the Fund to take account of any amount the Trustee considers represents the amount to which a Non-Member Spouse is entitled being calculated having regard to the requirements of the Relevant Law and any acts, matters or things done pursuant to this clause 25 and the Deed; and
- (d) subject to paragraph (c):
- (i) transferring all of the lump sum amount which the Trustee considers represents the Transferable Benefit in respect of the Non-Member Spouse (or such other amount as the Trustee may determine) to another Superannuation Fund or other superannuation arrangement (including an eligible rollover fund) subject to and in accordance with the requirements of the Relevant Law whether with or without the consent of the Non-Member Spouse; or
- (ii) paying to the Non-Member Spouse an amount which the Trustee considers represents the lump sum amount to which the Non-Member Spouse is entitled (or such other amount or amounts as the Trustee may determine) subject to and in accordance with the requirements of the Relevant Law and the Deed; or
- (iii) if sub-paragraph (iv) does not apply, recording in the records of the Fund the amount that the Trustee considers represents the amount to which the Non-Member Spouse is entitled having regard to the requirements of the Relevant Law and adjusting or doing any other act, matter or thing with respect to that record until the Trustee determines to pay or transfer that amount from the Fund as provided under clause 25.2(d) (i) or (d) (ii) above;
- (iv) where a Non-Member Spouse is already a Member, the Trustee may transfer all of the lump sum amount which the Trustee considers represents the Transferable Benefit (or such other amount as the Trustee may determine) in respect of the Non-Member Spouse to an account held or established in respect of the Non-Member Spouse within the Fund (or be provided in such other

manner as the Trustee determines) and such amount must be maintained and adjusted by the Trustee on such basis as the Trustee determines (including allocating any investment earnings under the Deed and imposing any fees incurred under clause 25.2(e) in respect of the Non-Member Spouse) until payment or transfer from the Fund pursuant to clause 25.2(d)(i) or (d)(ii);

(e) imposing any fees, (including charges, taxes or other costs) in relation to any acts, matters or things done by the Trustee under this clause 25 on such terms and conditions as the Trustee determines (including by deduction from any Member's account, interest or benefit in the Fund or from the amount to which a Non-Member Spouse is entitled) subject to the Relevant Law.

25.3 (a) Except where a Non-Member Spouse is already a Member, a Non-Member Spouse is not a Member or eligible to be a Member.

(b) For the purposes of this clause 25 and any amount determined under this clause a Non-Member Spouse only has rights to information and other rights as prescribed by the Relevant Law and under this clause 25 and has no other rights, claims or entitlements against the Fund, the Trustee (or any person acting on behalf of the Trustee) under the Deed."

EXECUTION:

Executed as a Deed.

THE COMMON SEAL of BRL HARDY)
LIMITED (ACN 008 273 907) was)
affixed in accordance with its Articles)
of Association in the presence of:)

/s/ John Whelan
- ----- Director

/s/ John Whelan
- ----- Secretary

THE COMMON SEAL of BRL HARDY)
SUPERANNUATION PTY. LTD.)
(ACN 058 898 767) was affixed in)
accordance with its Articles of)
Association in the presence of:)

/s/ Douglas McCallum
- ----- Director

/s/ John Whelan
- ----- Secretary

BRL HARDY SUPERANNUATION FUND

AMENDING DEED NO. 7

BETWEEN

HARDY WINE COMPANY LTD.
ACN 008 273 907

(the "PRINCIPAL EMPLOYER")

AND

BRL HARDY SUPERANNUATION PTY. LTD.
ACN 058 898 767

(the "TRUSTEE")

THIS AMENDING DEED is made on 9th February 2004

BETWEEN: HARDY WINE COMPANY LIMITED (ACN 008 273 907) of Reynell Road,
Reynella, South Australia ("PRINCIPAL EMPLOYER");

AND: BRL HARDY SUPERANNUATION PTY. LTD. (ACN 058 898 767) Reynella Road,
Reynella, South Australia ("TRUSTEE").

RECITALS:

- A. By a Trust Deed dated 1 July 1982 ("TRUST DEED") there was established a fund now known as the BRL Hardy Superannuation Fund ("FUND").
- B. The Trust Deed has been amended by Deeds dated 6 June 1990, 31 March 1993, 8 June 1994, 7 October 1998, 23 December 1999 and 20 January 2003 (the Trust Deed as amended being called the "PRINCIPAL DEED").
- C. The Trustee is the present Trustee of the Fund.
- D. Clause 21 of the Principal Deed provides that the Trustee, with the written consent of the Principal Employer, may at any time by deed amend the Principal Deed subject to the restrictions contained in that clause.
- E. The Principal Employer and the Trustee desire to amend the provisions of the Principal Deed as set out below and are satisfied that these amendments are made in compliance with Clause 21.

OPERATIVE PROVISIONS:

With effect on and from the date of this Deed, the Principal Deed is amended by adding the following new clause 5.3 immediately after clause 5.2:

"5.3 Notwithstanding any provision of this Deed, but subject always to the Relevant Law, the Trustee may transfer a Member's or beneficiary's benefits (or such greater amount as agreed between the Trustee and the Principal Employer whether on an allocated or unallocated basis) to an Other Fund as permitted by the Relevant Law (including where the Trustee forms the view that the Other Fund to which the transfer is to be made is a "successor fund" as that term is defined by the Relevant Law)".

EXECUTION:

Executed as a Deed.

THE COMMON SEAL of HARDY WINE)
COMPANY LTD. (ACN 008 273 907) was)
affixed in accordance with its Constitution)
in the presence of:)

/s/ David Woods
- ----- Director

/s/ John Whelan
- ----- Secretary

THE COMMON SEAL of BRL HARDY)
SUPERANNUATION PTY. LTD.)
(ACN 058 898 767) was affixed in)
accordance with its Constitution)
in the presence of:)

/s/ David Woods
- ----- Director

/s/ John Whelan
- ----- Secretary

<TABLE>
<CAPTION>

EXHIBIT 11

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES
COMPUTATION OF EARNINGS PER COMMON SHARE
(in thousands, except per share data)

	February 29, 2004		February 28, 2003		February 28, 2002	
	Basic	Diluted	Basic	Diluted	Basic	Diluted
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Net income	\$ 220,414	\$ 220,414	\$ 203,306	\$ 203,306	\$ 136,421	\$ 136,421
Dividends on preferred stock	(5,746)	(5,746)	-	-	-	-
Income available to common stockholders	\$ 214,668	\$ 214,668	\$ 203,306	\$ 203,306	\$ 136,421	\$ 136,421
Shares:						
Weighted average common shares outstanding	100,702	100,702	89,856	89,856	85,505	85,505
Adjustments:						
Stock options	-	3,314	-	2,890	-	2,320
Preferred stock	-	2,932	-	-	-	-
Adjusted weighted average common shares outstanding	100,702	106,948	89,856	92,746	85,505	87,825
Earnings per common share	\$ 2.13	\$ 2.06	\$ 2.26	\$ 2.19	\$ 1.60	\$ 1.55

</TABLE>

EXHIBIT 21.1

SUBSIDIARIES OF CONSTELLATION BRANDS, INC.

SUBSIDIARY	PLACE OF INCORPORATION
-----	-----
Canandaigua Wine Company, Inc. Tradenames:	New York
<ul style="list-style-type: none"> Bisceglia Brothers Wine Co. Batavia Wine Cellars, Inc. Bottini Cellars Casata Vineyards Chateau St. Cyr Cellars Kings Wine Co. Pastene Wine Cellars Pinesbrook Vineyards Chapel Hill The Idaho Vineyard Rock Creek Vineyards Ste. Chapelle Symms Paul Thomas Rock Creek Sawtooth Winery Taste of the West Paul Masson Great Western Almaden Brandies Almaden Imports Almaden Vineyards Arbor Mist Winery Ariesse Champagne Cellars Belaire Creek Cellars Caves Du Domaine Chateau LaSalle Chase-Limogere Cook's Champagne Cellars Cribari & Sons Cribari Cellars Cribari Champagne Cellars Cribari Winery Deer Valley Vineyards 	
<ul style="list-style-type: none"> Dunnewood Vineyards EC Vineyards Galleria Champagne Cellars Paul Garrett Hartley Cellars Inglenook Champagne Cellars Inglenook Estate Cellars Inglenook - Napa Valley Inglenook Vineyard Co. Inglenook Vineyards Jacques Bonet et Fils Charles Le Franc Cellars Charles Le Franc Vineyards Longhorn Vineyards Madera Wineries & Distilleries Manischewitz Vineyards Motif Champagne Cellars Paul Masson Vineyards Paul Masson Winery Mission Bell Wines Navalle Vineyards Nectar Valley Vineyards Sante Vineyards Shewan Jones Ste. Chapelle Winery St. Regis Vineyards T.J. Swann Wines Taylor California Cellars Via Firenze Vineyards Widmer California Vineyards Club Import K. Cider Co. Marcus James Marcus James Vineyards Medallion Imports Medallion Wine Imports Mondoro California Cellars 	

Coastal Vintners
Cypress Ranch
Gonzales & Company
The Great Western Winery
La Cresta Winery
Masson Vineyards
Monterey Wine Cellars
Paul Masson Champagne Cellars
Paul Masson Mountain Vineyards
Paul Masson Pinnacles Vineyards Estate
Paul Masson Sherry Cellars

Paul Masson Vineyards Pinnacles Estate
Pinnacles Vineyards
Redwood Hills
St. Regis
St. Regis Cellars
Saint Regis Vineyard
The San Francisco Wine Merchants
Summit Marketing Company
The Taylor Wine Company
TCC
The Vintners Estates Company
Vivante Cellars
Vintners International
Vintners International Company
Almaden
Bedford Company
Bon Carafe
Brickstone Cellars
Bristol Mountain Vineyards
Chapelle Import Company
Chateau Luzerne Vintners Co.
Chateau Martin Wine Company
Domaine Vineyards
Gold Seal Vineyards
Great Western Winery
Heritage House Wine Company
Italian Swiss Colony
J. Roget Champagne Cellars
Jacques Bonet & Cie
K Cider Company
Knapp Cellars
Lakeside Vineyards
Manischewitz Selections
Manischewitz Wine Company
Monarch Wine Co.
Monarch Wine Importers
Moselweinhaus Import Company
New York Cellars
Pol D'Argent Import Company
R & C Imports
San Marino Wine Cellars
Satin Rose Wine Co.
Skye's Hollow Vineyard
Steidl Wine Company
Sun Country Cellars
Taylor Wine Company
Upper Bay Wine Cellars
Vine City Wine Company
White Rock Products
Widmer Brickstone Winery

Widmer Brickstone Cellars
Widmer Grape Products Company
Widmer Vineyards
Widmer's Champagne Cellars
Widmer's Wine Cellars
Wild Punch Co.
Yanqui Wine Cellars
Canandaigua Wine Company
Cresta Blanca Vineyards
Cresta Blanca Winery
Dunnewood Vineyards & Winery
I.V.C. Wineries
I.V.C. Winery
Mendocino Canyon
Mendocino Creek
Mendocino Ridge
Mendocino Ridge Winery
Mendocino Vineyards
Ukiah Winery
Via Firenze

Farallon
Farallon Cellars
Farallon Vineyards
Farallon Winery
Farallon Winery & Vineyards
Heritage Village Cellars
Heritage Vineyards
Humphrey & Brown International
Wine Marketers
La Terre
La Terre Cellars
La Terre Vineyards
La Terre Winery
Nathanson Creek Cellars
Nathanson Creek Wine Cellar
Nathanson Creek Winery
Sonoma Vendange
Sonoma Vendange Winery
Talus
Talus Cellars
Talus Vineyards
Talus Winery
Turner Road Cellars
Turner Road Vintners
Turner Road Wines
Vendange Wine Cellars
Woodbridge Vineyards
Alice White
AV Winery
Cascade Ridge
Columbia
Columbia Wine & Spirits

Columbia Wine Cellars
Covey Run Winery
Global Wine Marketing
Millennium
PT Farms
Peninsula
Ravenna
Shadow Hill
Shadow Hill Wines
Paul Thomas Cellars
Paul Thomas Farms
Paul Thomas Orchards
Paul Thomas Vineyards
Paul Thomas Wine Cellars
Paul Thomas Winery
Razz
Rushcutters Bay Cellars

Canandaigua Limited
Roberts Trading Corp.
Canandaigua B.V.
CB International Finance S.A.R.L.
Constellation Brands Ireland Limited
Allied Drink Distributors Limited
Constellation International Holdings Limited
Constellation Wines Japan K.K.
Franciscan Vineyards, Inc.

England and Wales
New York
Netherlands
Luxembourg
Republic of Ireland
Republic of Ireland
New York
Japan
Delaware

Tradenames:

Bernstein Vineyards
California Coast Winery
Estancia Vineyards
Estancia
Estancia Estates
FV Reserve
Franciscan
Franciscan Estate Wine
Merchants
Franciscan Oakville Estate
Franciscan Winery
Friars' Table
Mt. Veeder Winegrowers
Mt. Veeder Winery
Nap Val Winery
Oakville Estate
Pickle Canyon Vineyards
Pinnacles Estate
Pinnacles Vineyard
Pinnacles Winery
Redwood Coast Winery
Stonewall Canyon

Stonewall Canyon Cellars	
Stonewall Canyon Creek	
Stonewall Canyon Vineyards	
Stonewall Canyon Winery	
Vina Caliterra	
Caliterra	
Franciscan Estate Selections, Ltd.	
Simi Winery	
Moltepulciano	
Winescapes	
Goldfields	
Simi Winescapes	
Domaine Madeline	
Ravenswood	
Vino Bambino	
Allberry, Inc.	California
Cloud Peak Corporation	California
M.J. Lewis Corp.	California
Mt. Veeder Corporation	California
Tradenames:	
Bernstein Vineyards	
California Coast Winery	
Estancia Vineyards	
Estancia	
Estancia Estates	
FV Reserve	
Franciscan	
Franciscan Estate Wine	
Merchants	
Franciscan Oakville Estate	
Franciscan Winery	
Friars' Table	
Mt. Veeder Winegrowers	
Mt. Veeder Winery	
Nap Val Winery	
Oakville Estate	
Pickle Canyon Vineyards	
Pinnacles Estate	
Pinnacles Vineyard	
Pinnacles Winery	
Redwood Coast Winery	
Stonewall Canyon	
Stonewall Canyon Cellars	
Stonewall Canyon Creek	
Stonewall Canyon Vineyards	
Stonewall Canyon Winery	
Barton Incorporated	Delaware
Barton Brands, Ltd.	Delaware
Tradenames:	
Barton Brands	
Barton Distilling Co.	
Barton Distilling Company	
Barton Imports	
Black Velvet Distilling Company	
Black Velvet Import Co.	
Boston Distiller	
Colony Distilling Co.	
County Line Distillers	
Famous Imported Brands	
Fleischmann Distilling Co.	
Fleischmann Distilling Company	
Glenmore Distilleries	
Glenmore Distilleries Co.	
J. A. Dougherty's Sons, Co., Distillers	
Jacques Bonet Et Fils	
John McNaughton Co.	
McMaster Import Co.	
McMaster Import Company	
Mr. Boston Distiller	
Old Cummins Distillery	
Old Nelson Distillery	
Paul Masson	
Polynesian Products Co.	
Royal Gate Co.	
Schenley Distillers	
Shewan-Jones	
Williams & Churchill, Ltd.	
Barton Beers, Ltd.	Maryland
Tradename:	
Consolidated Pacific Brands	
Barton Brands of California, Inc.	Connecticut
Tradenames:	
Barton Brands, Ltd.	

Barton Distilling Co.
Barton Distilling Company
Barton Imports
Black Velvet Distilling Company
Black Velvet Import Co.
Colony Distilling Co.
County Line Distillers
Famous Imported Brands
Fleischmann Distilling Co.
Fleischmann Distilling Company
J. A. Dougherty's Sons, Co. Distillers
Jacques Bonet Et Fils
Old Blue Springs Distilling Co.
Old Nelson Distillery
Polynesian Products Co.
Royal Gate Co.

Barton Brands of Georgia, Inc.

Georgia

Tradenames:

Barton Brands, Ltd.
Barton Distilling Co.
Barton Distilling Company
Colony Distilling Co.
County Line Distillers
Essex Importers & Distillers, Ltd.
Fleischmann Distilling Co.
Fleischmann Distilling Company
Glenmore Distilleries
Glenmore Distilleries Co.
J. A. Dougherty's Sons, Co., Distillers
Mr. Boston Distiller
Old Cummins Distillery
Old Nelson Distillery
Royal Gate Co.
Schenley Distillers

Barton Canada, Ltd.

Illinois

Barton Distillers Import Corp.

New York

Barton Financial Corporation

Delaware

Barton Beers of Wisconsin, Ltd.

Wisconsin

Monarch Import Company

Illinois

Schenley Distilleries Inc. / Les

Canada

Distilleries Schenley Inc.

Mexico

Barton Mexico, S.A. de C.V.

Matthew Clark plc

England and Wales

Avalon Cellars Limited

England and Wales

Constellation Wines Europe Limited

England and Wales

Freetraders Group Limited

England and Wales

Matthew Clark Wholesale Limited

England and Wales

Constellation Europe Limited

England and Wales

The Gaymer Group Europe Limited

England and Wales

Forth Wines Limited

Scotland

CBI Australia Holdings Pty Limited

Australian Capital Territory

(ACN 103 359 299)

Constellation Australia Pty Limited

Australian Capital Territory

(ACN 103 362 232)

Hardy Wine Company Limited

South Australia

f/k/a BRL Hardy Limited

(ACN 008 273 907)

Tradenames:

BRL Hardy Wine Company
Berri Estates
Renmano Wines
Chateau Reynella Wines
Leasingham Wines
Stanley Wines
Thomas Hardy & Sons
Tallimba Grove Estates
Lauriston Wines
H G Brown Wines
Houghton Wines
The Houghton Wine Company
Wildflower Ridge Estate

Moondah Brook Wines

Netley Brook Wines

Berri Renmano

Hardy's Tintara Winery

Hardy's Reynella Winery

Hardy's Siegersdorf Cellars

Southern Golden Harvest

Hardys Wines

Banrock Station

Reynella Wines

Alexandrina Vineyards	
Walter Reynell & Sons	
Rhine Castle Wines	
Banrock Station Wines	
Yarra Burn	
Yarra Burn Vineyards	
Hardys Hunter Ridge Wines	
The Emu Wine Co	
The Federation Wine Company	
Stonehaven Vineyards	
Stonehaven Vineyards Padthaway	
Wigley Reach Vineyard	
Starvedog Lane Wine Company	
Maidenwood Vineyard	
Winebytes	
The Kamberra Wine Company	
Berri Estate Winery	
The Kamberra Meeting Place	
Classic Clare Wines	
Hardys Leasingham Vineyards	
Flirt Wines	
Bay of Fires Wines	
Annabella Wines	
Constellation Wines	
Hardy Wine Company	
Provis Vineyard	
Fork & Knife	
Bankside Wine Cellars	
Adelaide Commercial Wines	
Valencia Vineyards	
Kelly's Revenge	
Ravenswood Vintners	
Lorikeet Wines	
Tintara Winery	
Vineyards (Australasia) Pty Ltd	South Australia
BRL Hardy Finance Pty Ltd	
f/k/a Berri Renmano Wines (Sales) Pty Ltd	South Australia
GSI Holdings Pty Ltd.	New South Wales
BRL Hardy (USA) Inc.	Delaware
BRL Hardy Investments (USA) Inc.	Delaware
Thomas Hardy Hunter River Pty Ltd	South Australia
The Stanley Wine Company Pty Ltd	South Australia
Houghton Wines (Western Australia) Pty Ltd	Western Australia
Tradenname:	
Houghton Wines Frankland River Estate	
The WA Winegrowers Association Pty Ltd	Western Australia
International Cellars (Aust) Pty Ltd	Australian Capital Territory
Walter Reynell & Sons Wines Pty Ltd	South Australia
BRL Hardy (Investments) Limited	England and Wales
Constellation Wines Canada Limited	Canada
Nobilo Holdings	New Zealand
Nobilo Wine Group Limited	New Zealand
Nobilo Vintners Limited	New Zealand
Valleyfield Vineyard Partnership	New Zealand
Mohaka Vineyard Partnership	New Zealand
Selaks Wines Limited	New Zealand
National Liquor Distributors Limited	New Zealand
Pacific Wine Partners LLC	New York
Tradenames:	
Alice White	
Alice White Vineyards	
Alice White Winery	
Blackstone Cellars	
Blackstone Winery	
California Cellars	
Coastal Vintners	
Deer Valley Vineyards	
Dunnewood Vineyards	
Dunnewood Vineyards & Winery	
Estancia Estates	
Farallon Cellars	
Farallon Vineyards	
Marcus James Vineyards	
Masson Vineyards	
Monterey Wine Cellars	
Mystic Cliffs	
Mystic Cliffs Vineyards	
Nectar Valley Winery	
Paul Masson	
Paul Masson Vineyards	
Paul Masson Winery	
Redwood Hills	
Riverland Vineyards	

Saint Regis Vineyards
Seventh Moon
Seventh Moon Wines
St. Regis
St. Regis Vineyards
Taylor California Cellars
The Great Western Winery
The Taylor Wine Company
International Cellars

In addition to the tradenames listed above, which are used by subsidiaries of the registrant, the registrant uses the following tradenames:

Canandaigua Wine Company
Arbor Mist Winery

Aurora Valley Vineyards
Bisceglia Brothers Wine Co.
Bristol Hills Wine Company
Canandaigua Champagne Cellars
Canandaigua Industries Co.
Carolina Wine Co.
Casata Vineyards
Caves du Domaine
Chapelle Import Company
Charles Jacquin Vineyards Co.
Chateau Donay Wine Cellars
Chateau Luzerne Vintners Co.
Chateau Martin Company
Chelsea Wine Company
Cisco Wine Company
Classic Marketing Co.
Cook's Champagne Cellars
Cook's Sparkling Wine Cellars
Cribari & Sons
Cribari Cellars
Cribari Champagne Cellars
Cribary Winery
Crystal Wine Cellars
Dixie Wine Company
Dunnewood Vineyards & Winery
Eastern Wine Company
F. Heinrich Wine Cellars
Finger Lakes Wine Company
Gay Page Wine Cellars
Global Wine Co.
Gold Seal Vineyards
Golden Age Wine Cellars
Great Western Winery
Guild Wineries & Distilleries
Hammondsport Wine Company
Italian Swiss Colony
J. Roget Champagne Cellars
Jacques Bonet & Cie
K Cider Company
K.C. Arey & Co.
King Solomon Wine Co.
Kings Wine Co.
La Domaine
La Petite Wine Cellars
Lake Island Champagne Cellars
Manischewitz Wine Company
Margo Vintners
Marvino Wine Company
Masada Wine Company
Medallion Wine Imports
Melody Hill Vintners

Monarch Wine Co.
Monarch Wine Imports
Mondoro
Monte Carlo Champagne Cellars
Moselweinhaus Import Company
Mother Vineyard Wine Co.
Moulin Rouge Champagne Cellars
M-R Champagne Co.
New York State Wine Company
Old Rabbinical Bottling Co.
Paul Garrett
Paul Masson Winery
Pol D'Argent Import Company
Premium Champagne Company
Reserve Du Domaine Vineyard

Richards Champagne Cellars
Richards Fils Et Cie Vintners
Richards Wine Company
Satin Rose Wine Co.
Southland Wine Co.
Sun Country Cellars
Taylor California Cellars
Taylor Wine Company
The California Cellars of Chase-Limogere
The Great Western Winery
The Taylor Wine Company
Tiger Wine Company
Upper Bay Wine Cellars
Vine Valley Winery
Vineyard to Wine Cellars
Virginia Dare Wine Company
Wheeler Wine Cellars
Widmer's Wine Cellars
Wild Irish Rose Wine Company
Wilén Brothers Co.
Wilén Wine Co.
Winedale Vineyards
Channing's Perfect Mixer
On The Town
Ricky Quinn's
DNA ENTERPRISES
CDB Travel

Notes:

The names of certain subsidiaries are omitted from the above schedule because such subsidiaries, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary.

The tradenames referenced in the above schedule may or may not be names registered with a governmental authority.

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Constellation Brands, Inc.:

We consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-63480 and 333-110718) and Form S-8 (Nos. 33-26694, 33-56557, 333-88391, 333-57912 and 333-68180) of Constellation Brands, Inc. of our report dated April 7, 2004, with respect to the consolidated balance sheets of Constellation Brands, Inc. and subsidiaries as of February 29, 2004 and February 28, 2003, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended, which report appears in the February 29, 2004 annual report on Form 10-K of Constellation Brands, Inc.

Our report refers to our audit of the disclosures added and reclassifications and adjustments that were applied to restate the February 28, 2002 consolidated financial statements, which were applied to reflect the adoption of recent accounting pronouncements, a change in the Company's reportable segments, and an adjustment of stock-based compensation disclosures, as more fully described in Notes 1, 2, 5, 11 and 22 to the consolidated financial statements. However, we were not engaged to audit, review or apply any procedures to the February 28, 2002 consolidated financial statements other than with respect to such disclosures, reclassifications and adjustments.

/s/ KPMG LLP

Rochester, New York
May 14, 2004

EXHIBIT 23.2

INFORMATION REGARDING CONSENT OF ARTHUR ANDERSEN

Section 11 (a) of the Securities Act of 1933, as amended (the "Securities Act"), provides that if part of a registration statement at the time it becomes effective contains an untrue statement of a material fact, or omits a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may assert a claim against, among others, an accountant who has consented to be named as having certified any part of the registration statement or as having prepared any report for use in connection with the registration statement. In August of 2002, Arthur Andersen LLP ("Andersen") ceased operations and accordingly, Andersen is unable to consent to the incorporation by reference of the Company's previously filed Registration Statements on Form S-8 file numbers 33-26694, 33-56557, 333-88391, 333-57912 and 333-68180 and Form S-3 file numbers 333-63480 and 333-110718 and Andersen's audit report with respect to Constellation Brands, Inc.'s consolidated financial statements as of February 28, 2002 and February 28, 2001 and for the three years ended February 28, 2002. Under these circumstances, Rule 437a under the Securities Act permits Constellation Brands, Inc. to file this Annual Report on Form 10-K, which is incorporated by reference into the Registration Statements, without a written consent from Andersen. As a result, with respect to transactions in Constellation Brands, Inc. securities pursuant to the Registration Statements that occur subsequent to the date this Annual Report on Form 10-K is filed with the Securities and Exchange Commission, Andersen will not have any liability under Section 11(a) of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Andersen or any omissions of a material fact required to be stated therein. Accordingly, you would be unable to assert a claim against Andersen under Section 11(a) of the Securities Act, based upon the incorporation by reference from this Form 10-K into the registration statement, because Andersen has not consented to this information.

EXHIBIT 31.1

RULE 13a-14(a)/15d-14(a) CERTIFICATION
OF CHIEF EXECUTIVE OFFICER

Constellation Brands, Inc.
Form 10-K for Fiscal Year Ended February 29, 2004

I, Richard Sands, certify that:

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

Date: May 14, 2004

/s/ Richard Sands

Richard Sands
Chairman of the Board and
Chief Executive Officer

RULE 13a-14(a)/15d-14(a) CERTIFICATION
OF CHIEF FINANCIAL OFFICER

Constellation Brands, Inc.
Form 10-K for Fiscal Year Ended February 29, 2004

I, Thomas S. Summer, certify that:

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

Date: May 14, 2004

/s/ Thomas S. Summer

Thomas S. Summer
Executive Vice President and Chief
Financial Officer

EXHIBIT 32.1

SECTION 1350 CERTIFICATION
OF CHIEF EXECUTIVE OFFICER

CONSTELLATION BRANDS, INC.
FORM 10-K FOR FISCAL YEAR ENDED FEBRUARY 29, 2004

In connection with the Constellation Brands, Inc. Annual Report on Form 10-K for the Fiscal Year Ended February 29, 2004, I, Richard Sands, certify that, to the best of my knowledge:

1. The Annual Report on Form 10-K for the Fiscal Year Ended February 29, 2004 of Constellation Brands, Inc. fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

2. The information contained in the periodic report on Form 10-K for the Fiscal Year Ended February 29, 2004 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: May 14, 2004

/s/ Richard Sands

Richard Sands,
Chairman of the Board and
Chief Executive Officer

A signed original of this written statement required by 18 U.S.C. 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Constellation Brands, Inc., and will be retained by Constellation Brands, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

SECTION 1350 CERTIFICATION
OF CHIEF FINANCIAL OFFICER

CONSTELLATION BRANDS, INC.
FORM 10-K FOR FISCAL YEAR ENDED FEBRUARY 29, 2004

In connection with the Constellation Brands, Inc. Annual Report on Form 10-K for the Fiscal Year Ended February 29, 2004, I, Thomas S. Summer, certify that, to the best of my knowledge:

1. The Annual Report on Form 10-K for the Fiscal Year Ended February 29, 2004 of Constellation Brands, Inc. fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
2. The information contained in the periodic report on Form 10-K for the Fiscal Year Ended February 29, 2004 of Constellation Brands, Inc. fairly presents, in all material respects, the financial condition and results of operations of Constellation Brands, Inc.

Dated: May 14, 2004

/s/ Thomas S. Summer

Thomas S. Summer,
Executive Vice President and
Chief Financial Officer

A signed original of this written statement required by 18 U.S.C. 1350 as adopted by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Constellation Brands, Inc., and will be retained by Constellation Brands, Inc., and furnished to the Securities and Exchange Commission or its staff upon request.