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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

(Mark one)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
FOR THE QUARTERLY PERIOD ENDED FEBRUARY 28, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934  
FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

Commission File No. 0-7570

CANANDAIGUA WINE COMPANY, INC.

(Exact Name of registrant as specified in its charter)

Delaware

16-0716709

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

116 Buffalo Street, Canandaigua, New York

14424

(Address of Principal Executive Offices)

(Zip Code)

Registrant's Telephone Number, Including Area Code (716)394-7900

None

(Former Name, Former Address and Former Fiscal Year, if Changed  
Since Last Report)

Indicate by check 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

The number of shares outstanding of each of the Registrant's classes of  
common stock as of March 28, 1995 is set forth below.

Class	Number of Shares Outstanding
Class A Common Stock (Par Value \$.01 Per Share)	16,128,593
Class B Common Stock (Par Value \$.01 Per Share)	3,189,901

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Part 1 - Financial Information

Item 1. Financial Statements

CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

February 28, 1995      August 31, 1994  
(Unaudited)              (Audited)  
(in thousands)

<S>

ASSETS

CURRENT ASSETS:

	<C>	<C>
Cash and cash investments	\$ 3,090	\$ 1,495
Accounts receivable, net	120,538	122,124
Inventories, net	319,836	301,053
Prepaid expenses and other current assets	26,298	29,377
Total current assets	469,762	454,049
PROPERTY, PLANT AND EQUIPMENT, NET	195,839	194,283
OTHER ASSETS	167,316	178,230
Total Assets	\$ 832,917	\$ 826,562

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:

Notes Payable	\$ 7,000	\$ 19,000
Current maturities of long-term debt	37,857	31,001
Accounts payable	45,438	75,506
Accrued federal and state excise taxes	23,564	16,657

Other accrued expenses and liabilities	77,192	96,061
Total Current liabilities	191,051	238,225
LONG - TERM DEBT, less current maturities	239,791	289,122
DEFERRED INCOME TAXES	43,831	43,774
OTHER LIABILITIES	30,077	51,248
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Class A Common Stock, \$ .01 par value-		
Authorized: 60,000,000 shares;		
Issued: 17,343,889 shares at February 28, 1995,		
and 13,832,597 shares at August 31, 1994	173	138
Class B Convertible Common Stock, \$.01 par value-		
Authorized: 20,000,000 shares; Issued: 4,015,626 shares at		
February 28, 1995, and 4,015,776 shares at August 31, 1994	40	40
Additional Paid-in Capital	216,967	113,348
Retained earnings	118,578	98,258
	335,758	211,784
Less-Treasury stock-		
Class A Common Stock, 1,215,296 shares at		
February 28, 1995, and August 31, 1994, at cost	(5,384)	(5,384)
Class B Convertible Common Stock, 625,725 shares at		
February 28, 1995, and August 31, 1994, at cost	(2,207)	(2,207)
	(7,591)	(7,591)
Total stockholders' equity	328,167	204,193
Total liabilities and stockholders' equity	832,917	826,562

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

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CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

Consolidated Statements of Income and Retained Earnings

Months Ended	Six Months Ended		Three	
	-----		-----	
February	February	February	February	
28, 1994	28, 1995	28, 1994	28, 1995	
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	--
-----	-----	-----	-----	-----
		(in thousands, except per share data)		
<S>	<C>	<C>	<C>	<C>
GROSS SALES	\$ 592,305	\$ 406,572	\$ 274,885	\$
192,618				
Less - Excise taxes	(137,820)	(112,056)	(63,942)	
(52,587)				
Net sales	454,485	294,516	210,943	
140,031				
COST OF PRODUCT SOLD	(327,694)	(208,192)	(153,312)	
(98,363)				
Gross profit	126,791	86,324	57,631	
41,668				
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	(79,925)	(59,660)	(34,861)	
(28,012)				
NONRECURRING RESTRUCTURING EXPENSES	(685)	--	(340)	
--				
Operating income	46,181	26,664	22,430	
13,656				
INTEREST INCOME	335	74	93	
36				
INTEREST EXPENSE	(13,476)	(8,360)	(6,283)	
(4,506)				
Income before provision for federal and state income taxes	33,040	18,378	16,240	
9,186				
PROVISION FOR FEDERAL AND STATE INCOME TAXES	(12,720)	(6,983)	(6,252)	
(3,445)				
NET INCOME	20,320	11,395	9,988	
5,741				
RETAINED EARNINGS, BEGINNING	98,258	86,525	108,590	
92,179				
RETAINED EARNINGS, ENDING	\$ 118,578	\$ 97,920	\$118,578	\$
97,920				

PER SHARE DATA								
Net income per common and common equivalent share:								
	Primary	\$	1.11	\$	.75	\$	.50	\$
.35	Fully Diluted	\$	1.11	\$	.72	\$	.50	\$
.35	Weighted average shares outstanding:							
	Primary		18,343,870		15,198,371		19,857,768	
16,375,396	Fully diluted		18,346,513		16,307,830		19,861,643	
16,375,396								
	Dividend per share		None		None		None	
None								

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

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CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Months Ended	Six Months Ended		Three		
	-----		-----		
February	February	February	February		
28, 1994	28,1995	28,1994	28, 1995		
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	--	
-----	-----	-----	-----	-----	
thousands)	(in thousands)		(in		
<S>	<C>	<C>	<C>		
<C>					
CASH FLOWS FROM OPERATING ACTIVITIES:					
5,741	Net Income	\$ 20,320	\$ 11,394	\$ 9,988	\$
Adjustments to reconcile net income to to net cash (used in) provided by operating activities:					
2,439	Depreciation of property, plant and equipment	9,786	4,733	4,725	
805	Amortization of intangible assets	2,865	1,649	1,360	
(248)	Change in deferred taxes	57	(248)	52	
(521)	Accrued interest on converted debentures	--	161	--	
Change in assets and liabilities, net of effects from purchase of businesses:					
31,919	Accounts receivable	1,586	4,601	42,198	
14,425	Inventories	(18,783)	4,738	31,387	
(3,423)	Prepaid expenses	3,079	(678)	(3,363)	
(12,832)	Accounts Payable	(30,068)	(41,440)	(22,075)	
3,762	Accrued federal and state excise taxes	6,907	4,944	7,855	
(8,645)	Other accrued expenses and liabilities	(28,175)	(4,863)	(42,641)	
(9,076)	Other	(3,817)	(9,121)	(2,954)	
18,605	Total adjustments	(56,563)	(35,524)	16,544	
24,346	Net cash (used in) provided by operating activities	(36,243)	(24,130)	26,532	
CASH FLOWS FROM INVESTING ACTIVITIES:					
(1,275)	Purchases of property, plant and equipment, net of minor disposals	(11,342)	(2,800)	(5,588)	
-	Acquisition costs for purchase of business - net of cash acquired	-	3	-	
(1,275)	Net cash used in investing activities	(11,342)	(2,797)	(5,588)	
CASH FLOWS FROM FINANCING ACTIVITIES:					

	Net proceeds of Notes Payable	57,100	30,681	(20,000)	
(19,500)					
	Repayment of Notes Payable from proceeds of Term Loan	(47,000)	-	-	
-					
	Repayment of Notes Payable from equity offering proceeds	(22,100)	-	-	
-					
	Principal payments of long-term debt	(7,474)	(2,440)	(7,072)	
(2,038)					
	Proceeds of Term Loan, long-term debt	47,000	-	-	
-					
	Repayment of Term Loan from equity offering proceeds, long-term debt	(82,000)	-	-	
545					
	Proceeds from equity offering, net	103,313	-	-	
10					
	Proceeds of employee stock purchase plan	-	545	-	
-					
	Exercise of employee stock options	341	10	341	
-					
	Fractional shares paid for debenture conversions	-	(3)	-	
-					
	Net cash provided by (used in) financing activities	49,180	28,793	(26,731)	
(20,983)					
	NET INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS	1,595	1,866	(5,787)	
2,088					
	CASH AND CASH EQUIVALENTS, beginning of period	1,495	3,718	8,877	
3,496					
	CASH AND CASH EQUIVALENTS, end of period	\$ 3,090	\$ 5,584	\$ 3,090	\$
5,584					
	SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:				
	Cash paid during the period for:				
	Interest	\$ 14,068	\$ 6,722	\$ 10,526	
\$ 4,128					
	Income taxes	\$ 9,454	\$ 8,008	\$ 9,328	
\$ 6,579					
	SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:				
	Fair value of assets acquired	\$ -	\$ 199,494	\$ -	
\$ -					
	Liabilities assumed	\$ -	\$ (52,662)	\$ -	
\$ -					
	Consideration paid	\$ -	\$ 146,832	\$ -	
\$ -					
	Less - amounts borrowed	\$ -	\$ (142,622)	\$ -	
\$ -					
	Less - issuance of Class A Common Stock options	\$ -	\$ (4,210)	\$ -	
\$ -					
	Net cash paid for acquisition	\$ -	\$ 0	\$ -	
\$ -					
	Issuance of Class A Common Stock for conversion of debentures	\$ -	\$ 58,960	\$ -	
\$ -					
	Write off unamortized deferred financing costs on debentures	\$ -	\$ (1,569)	\$ -	
\$ -					
	Write off unpaid accrued interest on debentures through conversion date	\$ -	\$ 1,371	\$ -	
\$ -					
	Total addition to Stockholder's Equity from Conversion	\$ -	\$ 58,762	\$ -	
\$ -					

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

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CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
February 28, 1995

1.) MANAGEMENT REPRESENTATIONS:

The condensed consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission applicable to quarterly reporting on Form 10-Q, and reflect, in the opinion of the Company, all adjustments necessary to present fairly the financial information for Canandaigua Wine Company, Inc. and its consolidated subsidiaries. All such adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements, prepared in accordance with generally accepted accounting principles, have been condensed or omitted as permitted by such rules and regulations. These consolidated financial statements and related notes should be read in conjunction with the consolidated financial statements and related notes, included in the Company's Annual Report on Form 10-K, for the fiscal year ended August 31, 1994.

2) INVENTORIES:

Inventories are valued at the lower of cost (computed in accordance with the last-in, first-out (LIFO) or first-in, first-out (FIFO) methods) or market. The percentage of inventories valued using the LIFO method is 95% at February 28, 1995, August 31, 1994, and February 28, 1994. Replacement cost of the

inventories determined on a FIFO basis approximated \$306,991,000, \$289,209,000 and \$227,043,000 at February 28, 1995, August 31, 1994, and February 28, 1994, respectively. At February 28, 1995, August 31, 1994, and February 28, 1994, the net realizable value of the Company's inventories was in excess of \$319,836,000, \$301,053,000 and \$226,838,000, respectively.

Elements of cost include materials, labor and overhead and consist of the following:

	February 28, 1995	August 31, 1994	February 28, 1994
	(in thousands)		
<S>	<C>	<C>	<C>
Raw materials and supplies	\$ 42,478	\$ 36,477	\$ 32,972
Wines and distilled spirits in process	212,483	199,183	145,943
Finished case goods	64,875	65,393	47,923
	\$ 319,836	\$ 301,053	\$ 226,838

3) PROPERTY, PLANT AND EQUIPMENT:

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

	February 28, 1995	August 31, 1994
	(in thousands)	
<S>	<C>	<C>
Land	\$ 13,814	\$ 13,814
Buildings and improvements	62,583	62,440
Machinery and equipment	168,767	168,222
Motor vehicles	2,552	2,552
Construction in progress	19,643	8,989
	267,359	256,017
Less - Accumulated depreciation	(71,520)	(61,734)
	\$ 195,839	\$ 194,283

4) OTHER ASSETS:

The major components of other assets for the Company are as follows:

	February 28, 1995	August 31, 1994
	(in thousands)	
<S>	<C>	<C>
Goodwill	\$ 79,511	\$ 88,459
Distribution rights, agency license agreements and trademarks	72,970	72,970
Other	23,195	22,296
	175,676	183,725
Less - Accumulated amortization	(8,360)	(5,495)
	\$ 167,316	\$ 178,230

5) OTHER ACCRUED EXPENSES AND LIABILITIES:

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

	February 28, 1995	August 31, 1994
	(in thousands)	
<S>	<C>	<C>
Accrued Earn-out Amounts	\$ -	\$ 28,300
Accrued loss on noncancelable grape contracts	13,646	14,410
Other	63,546	53,351
	\$ 77,192	\$ 96,061

6) OTHER LIABILITIES

The Major components of other liabilities for the Company are as follows:

	February 28, 1995	August 31, 1994
	(in thousands)	
<S>	<C>	<C>
Accrued loss on noncancelable grape contracts	\$ 27,170	\$ 48,254
Other	2,907	2,994
	\$ 30,077	\$ 51,248

Effective July 1, 1995, the Company will give an option to certain growers to sell grapes to the Company at agreed-upon prices.

7) ACQUISITIONS:

The following table sets forth unaudited pro forma consolidated statements of income of the Company for the six months ended February 28, 1995 and 1994. The six-month pro forma consolidated statement of income for the period ended February 28, 1994, gives effect to the Almaden/Inglenook Acquisition and the Vintners Acquisition as if they occurred on September 1, 1993. The unaudited pro forma consolidated statements of income are presented after giving effect to certain adjustments for depreciation, amortization of goodwill, interest expense on the acquisition financing and related income tax effects. The pro forma consolidated statements of income are based upon currently available information and upon certain assumptions that the Company believes reasonable under the circumstances. The pro forma consolidated statements of income do not purport to represent what the Company's results of operations would actually have been if the aforementioned transactions in fact had occurred on such date or at the beginning of the period indicated or to project the Company's financial position or results of operations at any future date or for any future period.

<TABLE>

	February 28, 1995	August 31, 1994
	-----	-----
	(in thousands, except share and per share data)	
<S>	<C>	<C>
Net sales	\$ 454,485	\$ 438,213
Income from continuing operations	46,866	33,855
Net income	\$ 20,320	\$ 12,016
Per share data:		
Net income per common share:		
Primary	\$1.11	\$.79
Fully diluted	\$1.11	\$.76
Weighted average shares outstanding:		
Primary	18,343,870	15,198,371
Fully diluted	18,346,513	16,307,830

In February 1995, the Company entered into an agreement cancelling certain of its long-term grape contracts acquired in connection with the Almaden/Inglenook Acquisition. As a result, the estimated loss reserve at the date of acquisition was reduced by approximately \$13 million with a corresponding reduction in goodwill.

</TABLE>

8) BORROWINGS:

<TABLE>

Borrowings consists of the following at February 28, 1995:

<S>	Current	Long-Term (in thousands)	Total
	<C>	<C>	<C>
Notes Payable:			
Senior Credit Facility:			
Revolving Credit Loans	\$ 7,000	\$ -	\$ 7,000
Long-term Debt:			
Senior Credit Facility:			
Term loan, variable rate, due in quarterly installments of \$7,000 through fiscal 2000	28,000	107,000	135,000
Senior Subordinated Notes:			
8.75% redeemable after December 15, 1998, due 2003	-	130,000	130,000
Capitalized Lease Agreements:			
Capitalized facility and equipment leases at interest rates ranging from 8.9% to 18%, due in monthly installments through fiscal 1997	787	1,350	2,137
Industrial Development Agencies:			
7.50% 1980 issue, original proceeds \$2,370, due in annual installments of \$118 through fiscal 1999	118	474	592
Other Long-term Debt:			
Loans payable - 5% secured by cash surrender value of officers' life insurance policies	-	967	967
Notes payable at 1% below prime rate (\$3,000) to prime rate (\$5,632), due in yearly installments through fiscal 1995	8,632	-	8,632
Promissory note at prime rate, due in equal yearly installments through fiscal 1996	320	-	320
	\$ 37,857	\$ 239,791	\$ 277,648

</TABLE>

9. STOCKHOLDERS' EQUITY:

Stock Offering

During November 1994, the Company completed a public offering and sold 3,000,000 shares of its Class A Common Stock, resulting in net proceeds to the Company of approximately \$95,428,000 after underwriters' discounts and commissions and

estimated expenses. In connection with the offering, 432,067 of the Vintners Option Shares were exercised and the Company received proceeds of \$7,885,000. Under the terms of the amended Credit Agreement, approximately \$82,000,000 was used to repay a portion of the Term Loan under the Company's Credit Agreement. The balance of net proceeds was used to repay Revolving Credit Loans under the Credit Facility.

10. THE RESTRUCTURING PLAN:

The Company provided for costs to restructure the operations of its California wineries (the Restructuring Plan) in the fourth quarter of fiscal 1994. Under the Restructuring Plan, all bottling operations at the Central Cellars Winery in Lodi, California, and the branded wine bottling operations at the Monterey Cellars Winery in Gonzales, California, will be moved to the Mission Bell Winery located in Madera, California, which was acquired by the Company in the Almaden/Inglenook Acquisition. The Company anticipates that implementation of the Restructuring Plan will result in approximately 260 jobs being eliminated. As of February 28, 1995, 21 employees have been released and no facilities have been closed. The Company has remaining accruals of approximately \$8,491,000 and \$9,106,000 at February 28, 1995, and August 31, 1994, respectively, relating to the Restructuring Plan. The Company expects that the Restructuring Plan will be fully implemented by the end of fiscal 1995.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations of the Company

The Company has realized significant growth in sales and profitability over recent years primarily as a result of acquisitions. The Company acquired the outstanding capital stock of Barton Incorporated ("Barton") on June 29, 1993 (the "Barton Acquisition"), the assets of Vintners International Company, Inc. ("Vintners") on October 15, 1993 (the "Vintners Acquisition") and the Almaden, Inglenook and other brands, a grape juice concentrate product line and related assets from Heublein, Inc. (the "Almaden/Inglenook Product Lines") on August 5, 1994 (the "Almaden/Inglenook Acquisition"). Management expects the Almaden/Inglenook Acquisition to have a substantial impact on future results of the Company's operations. The Company's results of operations for the six months ended February 28, 1994 include the results of operations of Vintners from October 15, 1993, the date of the Vintners Acquisition, until the end of the period. The Company's results of operations for the quarter and six months ended February 28, 1995 include the results of operations of the Almaden/Inglenook Product Lines for the complete periods.

On March 22, 1995, the Company announced that its spirits and beer division, Barton Incorporated, and United Distillers Glenmore, Inc. ("UDG") had entered into a letter of intent under which the Company, through its spirits and beer division, will purchase from UDG certain assets including rights to the Fleischmann, Skol, Mr. Boston, Canadian Ltd., Old Thompson, Kentucky Tavern, Chi Chi's and di Amore spirits brands, and the U.S. rights to the Inver House, Glenmore, Schenley and El Toro spirits brands, two production facilities and related inventories and assets. In addition, the parties will enter into various multi-year agreements under which UDG will supply the Company with bulk spirits and the Company will provide various services to UDG, including the continued packaging of various UDG brands (the "Proposed Acquisition"). The Proposed Acquisition is subject to, among other matters, negotiation of definitive agreements, receipt of regulatory approvals and approval of the parties' respective boards of directors. In addition, consummation of the Proposed Acquisition will require financing and the obtaining of appropriate consents from the banking syndicate under its Credit Facility (as defined below under "Financial Liquidity and Capital Resources"). The Company believes that consummation of the Proposed Acquisition will be significant to the Company and will have a material impact on the Company's future results of operations. The Company further believes that consummation of the Proposed Acquisition will significantly strengthen the Company's position in the United States spirits industry by approximately doubling the Company's existing spirits market share and by adding to the Company's portfolio product lines in the cordial and liqueur categories in which the Company does not currently have significant participation.

The following table sets forth, for the periods indicated, certain items in the Company's consolidated statements of income expressed as a percentage of net sales:

<TABLE>

	Three Months Ended February 28,		Six Months Ended February 28,	
	1995	1994	1995	1994
<S>	<C>	<C>	<C>	<C>
Net Sales.....	100.0%	100.0%	100.0%	100.0%
Cost of product sold.....	72.7	70.2	72.1	70.7
Gross profit.....	27.3	29.8	27.9	29.3
Selling, general and administrative expenses.....	16.5	20.0	17.5	20.3
Nonrecurring restructuring expenses.....	.2	--	.2	--
Operating income.....	10.6	9.8	10.2	9.0
Interest expense, net.....	2.9	3.2	2.9	2.8
Income before provision for income taxes.....	7.7	6.6	7.3	6.2
Provision for federal and state income taxes.....	3.0	2.5	2.8	2.3

Net Income..... 4.7% 4.1% 4.5% 3.9%

</TABLE>

Second Quarter Ended February 28, 1995 ("Second Quarter 1995")  
Compared to Second Quarter Ended February 28, 1994 ("Second Quarter 1994")

#### Net Sales

Net sales for the Company's Second Quarter 1995 increased to \$210.9 million from \$140.0 million for Second Quarter 1994, an increase of \$70.9 million, or approximately 51%. This increase resulted primarily from the inclusion of \$62.6 million of net sales of products acquired in the Almaden/Inglenook Acquisition. Net sales also benefited from increased net sales of the Company's imported beers (primarily Mexican brands), non-branded products and varietal table wine brands. Excluding the impact of the net sales resulting from the Almaden/Inglenook Acquisition during Second Quarter 1995, the Company's net sales increased \$8.3 million, or approximately 6%, as compared to Second Quarter 1994.

For purposes of computing the net sales and unit volume comparative data below, sales of products acquired in the Almaden/Inglenook Acquisition have been included in the entire period for Second Quarter 1995 and included for the same period during Second Quarter 1994, which was prior to the Almaden/Inglenook Acquisition.

Net sales and unit volume of the Company's branded beverage alcohol products for Second Quarter 1995 increased 4.0% and 2.4%, respectively, as compared to Second Quarter 1994. This increase was principally due to increased net sales and unit volume of the Company's imported beer brands and, to a lesser extent, varietal table wine brands and spirits brands.

Net sales and unit volume of the Company's branded wine products for Second Quarter 1995 decreased 2.7% and 6.3%, respectively, as compared to Second Quarter 1994. Net sales decreased primarily due to lower sales of most of the Company's dessert wine brands and non-varietal table wine brands, partially offset by an increase in sales of varietal table wine brands. Unit volume declined primarily due to lower shipments of the Company's non-varietal table wine brands and dessert wine brands.

Net sales and unit volume of the Company's varietal table wine brands for Second Quarter 1995 increased 9.2% and 6.2%, respectively, as compared to Second Quarter 1994, reflecting increases in many of the Company's varietal table wine brands. Net sales and unit volume of the Company's non-varietal table wine brands for the same periods were down 4.3% and 6.7%, respectively. Net sales and unit volume of sparkling wine brands decreased 5.3% and 10.4%, respectively, in Second Quarter 1995 as compared to Second Quarter 1994. Net sales and unit volume of the Company's dessert wine brands were down 13.0% and 15.9%, respectively, in Second Quarter 1995 as compared to Second Quarter 1994. Except for an increase in net sales during the Company's first quarter of fiscal 1995, the Company's net sales and unit volume of dessert wine brands have declined over the last three years. These declines can be attributed to a general decline in dessert wine consumption in the United States.

Net sales and unit volume of the Company's beer brands for Second Quarter 1995 increased by 26.3% and 25.5%, respectively, as compared to Second Quarter 1994. These increases resulted primarily from increased sales of the Company's Corona brand and its other Mexican beer brands.

Net sales and unit volume of the Company's spirits case goods for Second Quarter 1995 were up 5.0% and 4.2%, respectively, as compared to Second Quarter 1994. This increase in net sales and unit volume was primarily due to higher sales of the Company's vodka and tequila brands, partially offset by lower sales of aged whiskeys (i.e., bourbon, Scotch, Canadian and blended whiskeys).

#### Gross Profit

Gross profit increased to \$57.6 million in Second Quarter 1995 from \$41.7 million in Second Quarter 1994, an increase of \$15.9 million, or approximately 38%. This increase in gross profit resulted from the inclusion of the operations of the Almaden/Inglenook Product Lines with those of the Company. Gross profit as a percentage of net sales decreased to 27.3% for Second Quarter 1995 from 29.8% for Second Quarter 1994. The Company's gross profit as a percentage of net sales decreased primarily as a result of reduced gross profit percentages on the Company's table wine brands due to lower selling prices and higher cost of goods sold associated with some of these brands.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to \$34.9 million in Second Quarter 1995 from \$28.0 million in Second Quarter 1994, an increase of \$6.9 million, or 24%. This increase resulted from the additional selling, general and administrative expenses associated with the sales and marketing of the products acquired in the Almaden/Inglenook Acquisition, increased advertising and promotion expenditures for Vintners products, and increased selling, general and administrative expenses within the Company's imported beer and spirits division. As a percentage of net sales, selling, general and administrative expenses declined to 16.5% in Second Quarter 1995 as compared to 20.0% in Second Quarter 1994.



## Nonrecurring Restructuring Expenses

The Company previously announced a plan to restructure the operations of its California wineries (the "Restructuring Plan"). The Restructuring Plan will enable the Company to realize significant cost savings from the consolidation of existing facilities and the facilities acquired in the Almaden/Inglenook Acquisition. Under the Restructuring Plan, all bottling operations at the Central Cellars Winery in Lodi, California, and the branded wine bottling operations at the Monterey Cellars Winery in Gonzales, California, will be moved to the Mission Bell Winery located in Madera, California, which was acquired by the Company in the Almaden/Inglenook Acquisition. The Monterey Cellars Winery will continue to be used as a crushing, winemaking and contract bottling facility. The Central Cellars Winery and the Company's winery in Soledad, California will be closed and offered for sale to reduce surplus capacity. The Company anticipates that implementation of the Restructuring Plan will result in approximately 260 jobs being eliminated. As a result of the Restructuring Plan, in addition to a restructuring charge taken in the fourth quarter of fiscal 1994 and the first quarter of fiscal 1995, the Company incurred additional expenses related to the restructuring in Second Quarter 1995 of \$340,000, which reduced after-tax income for Second Quarter 1995 by \$210,000, or \$0.01 per share on a fully diluted basis. During Second Quarter 1995, 21 employees were released and, as of February 28, 1995, no facilities had been closed. The Company expects to have the Restructuring Plan fully implemented by the end of fiscal 1995. The Company anticipates that the Restructuring Plan will result in net cost savings of approximately \$1.7 million in fiscal 1995 and approximately \$13.3 million of annual net cost savings beginning in fiscal 1996. (See "Financial Liquidity and Capital Resources.")

### Interest Expense, Net

Net interest expense increased \$1.7 million to \$6.2 million in Second Quarter 1995, as compared to Second Quarter 1994. This increase resulted primarily from borrowings related to the Almaden/Inglenook Acquisition.

### Net Income

Net income increased to \$10.0 million in Second Quarter 1995 from \$5.7 million in Second Quarter 1994, an increase of \$4.3 million, or 74%. Fully diluted earnings per share increased to \$0.50 in Second Quarter 1995 from \$0.35 in Second Quarter 1994, a 43% improvement. The increase in net income is due primarily to the contributions of the Almaden and Inglenook brands and other products acquired in the Almaden/Inglenook Acquisition, and to a lesser extent, increased sales of imported beer brands. These contributions to net income more than offset the \$1.7 million of additional pretax net interest expense in Second Quarter 1995 arising from borrowings related to the Almaden/Inglenook Acquisition.

Six Months Ended February 28, 1995 ("First Half of Fiscal 1995") Compared to Six Months Ended February 28, 1994 ("First Half of Fiscal 1994")

### Net Sales

Net sales for First Half of Fiscal 1995 increased to \$454.5 million from \$294.5 million for First Half of Fiscal 1994, an increase of \$160.0 million, or approximately 54%. This increase resulted from the inclusion of: (i) \$127.8 million of net sales of products acquired in the Almaden/Inglenook Acquisition; (ii) an overall increase in net sales of Company products which existed during both First Half of Fiscal 1995 and First Half of Fiscal 1994; and (iii) an additional six weeks of net sales of Vintners' products during first quarter of fiscal 1995 amounting to \$16.4 million. The Vintners Acquisition was consummated six weeks after the commencement of the first quarter of fiscal 1994. Excluding the impact of the additional six weeks of net sales of Vintners' products during the first quarter of fiscal 1995 and all of the net sales resulting from the Almaden/Inglenook Acquisition during First Half of Fiscal 1995, the Company's net sales increased \$15.8 million, or 5.4%, as compared to First Half of Fiscal 1994. This was principally due to increased net sales of imported beer brands and varietal table wines.

For purposes of computing the net sales and unit volume comparative data below, sales of products acquired in the Vintners and Almaden/Inglenook Acquisitions have been included in the entire period for First Half of Fiscal 1995 and included for the same period during First Half of Fiscal 1994, part of which was prior to the Vintners Acquisition, and all of which was prior to the Almaden/Inglenook Acquisition.

Net sales and unit volume of the Company's branded beverage alcohol products for First Half of Fiscal 1995 increased 4.8% and 4.3%, respectively, as compared to First Half of Fiscal 1994. This increase was principally due to increased net sales and unit volume of the Company's imported beer brands and varietal table wine brands.

Net sales and unit volume of the Company's branded wine products for First Half of Fiscal 1995 decreased slightly and 3.2%, respectively, as compared to First Half of Fiscal 1994. These decreases resulted primarily from lower sales of the Company's sparkling wine and non-varietal table wine brands.

Net sales and unit volume of the Company's varietal table wine brands for First Half of Fiscal 1995 increased 16.5% and 13.9%, respectively, as

compared to First Half of Fiscal 1994, reflecting increases in most of the Company's varietal table wine brands. Net sales and unit volume of the Company's non-varietal table wine brands for First Half of Fiscal 1995 decreased 3.0% and 4.7%, respectively, as compared to First Half of Fiscal 1994. Net sales and unit volume of the Company's sparkling wine brands for First Half of Fiscal 1995 decreased 11.6% and 13.3%, respectively, as compared to First Half of Fiscal 1994. Net sales and unit volume of the Company's dessert wine brands for First Half of Fiscal 1995 decreased 4.3% and 8.8%, respectively, as compared to First Half of Fiscal 1994.

Net sales and unit volume of the Company's beer brands for First Half of Fiscal 1995 increased 24.7% and 24.5%, respectively, as compared to First Half of Fiscal 1994. These increases resulted primarily from increased sales of the Company's Corona brand and its other Mexican beer brands.

Net sales and unit volume of the Company's spirits brands for First Half of Fiscal 1995 were essentially flat as compared to First Half of Fiscal 1994. The Company's sales increases in vodka, tequila, gin, and mezcal were offset by decreased sales of aged whiskeys (i.e., bourbon, Canadian, Scotch, and blended whiskeys).

#### Gross Profit

Gross profit for First Half of Fiscal 1995 increased to \$126.8 million from \$86.3 million for First Half of Fiscal 1994, an increase of \$40.5 million, or approximately 47%. This increase resulted from the inclusion of the Almaden/Inglenook and Vintners product lines with those of the Company, as well as increased sales of imported beer brands. The Company's gross profit as a percentage of net sales decreased to 27.9% for First Half of Fiscal 1995 from 29.3% for First Half of Fiscal 1994. The Company's gross profit percentage decreased as a result of: (i) the inclusion of operations acquired in the Almaden/Inglenook Acquisition, which had a lower gross profit percentage than those of the Company's operations prior to that acquisition; (ii) reduced gross profit percentages on the Company's table wine brands due to lower selling prices and higher cost of goods sold associated with some of these brands; and (iii) the impact of the increase in sales of imported beer brands, which generally have a lower gross profit percentage than the Company's other branded products.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses for First Half of Fiscal 1995 increased to \$79.9 million from \$59.7 million for First Half of Fiscal 1994, an increase of \$20.2 million, or approximately 34%. This increase resulted primarily from the additional expenses associated with the sales and marketing of the products acquired in the Almaden/Inglenook and Vintners Acquisitions. As a percentage of net sales, selling, general and administrative expenses declined to 17.6% in First Half of Fiscal 1995 as compared to 20.3% in First Half of Fiscal 1994.

#### Nonrecurring Restructuring Expenses

As a result of the Restructuring Plan, in addition to a restructuring charge taken in the fourth quarter of fiscal 1994, the Company incurred additional expenses related to the restructuring in both the first quarter of fiscal 1995 and Second Quarter 1995, which amounted to \$685,000, and which reduced after-tax income for First Half of Fiscal 1995 by \$420,000, or \$0.02 per share on a fully diluted basis. Through February 28, 1995, a total of 21 employees had been released and no facilities had been closed. (See "Nonrecurring Restructuring Expenses" under Second Quarter 1995 Compared to Second Quarter 1994 and "Financial Liquidity and Capital Resources.")

#### Interest Expense, Net

Net interest expense increased \$4.9 million to \$13.1 million in First Half of Fiscal 1995, as compared to First Half of Fiscal 1994. The increase is primarily due to borrowings related to the Vintners and Almaden/Inglenook Acquisitions.

#### Net Income

Net income for First Half of Fiscal 1995 increased to \$20.3 million from \$11.4 million for First Half of Fiscal 1994, an increase of \$8.9 million, or approximately 78%. Fully diluted earnings per share increased to \$1.11 in First Half of Fiscal 1995 from \$0.72 in First Half of Fiscal 1994, a 53% improvement. The increase in net income is due to the contributions of the Almaden and Inglenook brands and other products acquired in the Almaden/Inglenook Acquisition and to increased sales of imported beer brands. These factors more than offset the \$4.9 million of additional pretax net interest expense in First Half of Fiscal 1995 arising from borrowings related to the Vintners and Almaden/Inglenook Acquisitions.

#### Financial Liquidity and Capital Resources

##### General

The Company's principal use of cash in its operating activities is for purchasing and carrying inventories of raw materials and finished goods. The

Company's primary source of liquidity has historically been cash flow from operations, except during the annual fall grape harvests when the Company has relied on short-term borrowings. The annual grape crush normally begins in August and continues through November. The Company generally begins purchasing grapes in August with payments for such grapes beginning to come due in September. The Company's short-term borrowings to support such purchases generally reach their highest levels in November or December. Historically, the Company has used cash flow from operations to repay its short-term borrowings.

#### Cash Flows

##### Cash Flows from Operating Activities

Net cash provided by operating activities in Second Quarter 1995 was \$26.5 million, an increase of \$2.2 million over Second Quarter 1994. This increase was principally the result of higher net income and larger reductions in inventory and accounts receivable in Second Quarter 1995, offset by the \$28.3 million payment made to the former Barton stockholders in December, 1994 (the "Barton Payment"), which payment is part of the "Earn-Out" (as defined below), and by higher tax and interest expenditures. Net cash used in operating activities for First Half of Fiscal 1995, which was \$36.2 million, resulted principally from the Barton Payment and higher inventory purchases, partially offset by higher net income adjusted for non-cash items. Higher inventory purchases reflect the additional seasonal grape requirements brought about by the Almaden/Inglenook Acquisition.

##### Cash Flows from Investing Activities

Capital expenditures for the Company increased in Second Quarter 1995 to \$5.6 million as compared to \$1.3 million in Second Quarter 1994, and to \$11.3 million in First Half of Fiscal 1995, as compared to \$2.8 million in First Half of Fiscal 1994. The increases are principally due to capital expenditures related to newly acquired facilities, coupled with capital expenditures associated with the Restructuring Plan.

##### Cash Flows from Financing Activities

Notes Payable were reduced by \$20.0 million during Second Quarter 1995 through the application of cash provided by operating activities. Notes Payable were \$7.0 million on February 28, 1995. Principal payments of long-term debt increased to \$7.1 million in Second Quarter 1995 from \$2.0 million in Second Quarter 1994 due to the higher quarterly loan repayments required under the Credit Facility (as defined below). Notes Payable were reduced by \$12.0 million in First Half of Fiscal 1995 through the application of \$22.1 million from the Offerings (as defined below) and \$47.0 million from the proceeds of additional long-term borrowings offset by net borrowings of \$57.1 million during this period for seasonal working capital needs and capital expenditures.

Debt, other than Notes Payable, decreased \$42.5 million in First Half of Fiscal 1995 due to scheduled debt repayments of \$7.5 million and the use of \$82.0 million of proceeds from the Offerings to prepay debt, offset by additional Term Loan borrowings of \$47.0 million under the Credit Facility.

As of February 28, 1995, under its Credit Facility, the Company had outstanding Term Loans of \$135.0 million, \$7.0 million of Revolving Loans, \$2.2 million of Revolving Letters of Credit and \$25.0 million under the Barton Letter of Credit (as defined below). As of February 28, 1995, under the Credit Facility, \$175.8 million of Revolving Loans were available to be drawn by the Company.

#### Stock Offering

On November 18, 1994, the Company completed a public sale of 3,937,744 shares of its Class A Common Stock at a price to the public of \$33.50 per share in simultaneous United States and international offerings (the "Offerings"). Of the total number of shares sold in the Offerings, 3 million shares were sold by the Company (the "Shares") and 937,744 shares were sold by certain selling stockholders. The Company did not receive any of the proceeds from the sale of Class A Stock owned individually by those selling stockholders. The Company used the proceeds, net of underwriters' discounts and commissions, from the sale of the Shares, which amounted to \$96.3 million, together with \$7.8 million of proceeds it received from certain of the selling stockholders in connection with their exercise of options to purchase 432,067 shares of the Company's Class A Common Stock, which options were issued to them in connection with the Vintners Acquisition, to repay indebtedness under the Credit Facility. On November 21, 1994, Term Loans in the amount of \$82.0 million and Revolving Loans in the amount of \$22.1 million were prepaid with the proceeds from the Offerings. As a result of this prepayment, the Term Loan commitment in the Credit Facility was reduced to \$142.0 million from \$224.0 million.

#### The Company's Credit Facility

The Company and a syndicate of 21 banks for which The Chase Manhattan Bank, N.A. acts as agent, entered into a Second Amendment and Restatement (as amended) dated as of August 5, 1994 of Amendment and Restatement of Credit Agreement dated June 29, 1993 (the "Credit Facility"). As of March 29, 1995, the Company's Credit Facility provides for: (i) a \$128.0 million Term Loan facility due in December 1999; (ii) a \$185 million Revolving Loan credit facility, which

expires in June 2000; and (iii) an existing \$25.0 million letter of credit related to the Barton Acquisition (the "Barton Letter of Credit"). Quarterly principal payments of \$7.0 million are required under the Credit Facility, with a final quarterly principal payment of \$2.0 million due in December 1999. As of March 29, 1995, the Company had \$128 million of Term Loans and \$27.0 million of Revolving Loans outstanding under the Credit Facility. The Term Loans borrowed under the Credit Facility may be either base rate loans or eurodollar base rate loans. Base rate loans have an interest rate equal to the higher of either the Federal Funds rate plus 0.5% or the prime rate. Eurodollar rate loans currently have an interest rate equal to LIBOR plus 1.0%. As of March 29, 1995, the interest rates for base rate and eurodollar rate loans were 9.0% and 7.4%, respectively.

#### Payments to Former Barton Stockholders

Pursuant to the Barton Acquisition, the Company is obligated to make payments of up to an aggregate amount of \$57.3 million to the former Barton stockholders (the "Barton Stockholders"), which payments are payable over a three-year period ending November 29, 1996 (the "Earn-Out"). The first payment to the Barton Stockholders of \$4.0 million was made on December 31, 1993, and the second payment of \$28.3 million was made on December 30, 1994, as a result of satisfaction of certain performance goals and the achievement of targets for earnings before interest and taxes. An accrual for the December 30, 1994 payment was recorded in the financial statements as of August 31, 1994. The Company funded this payment through Revolving Loans under its Credit Facility. The remaining payments are contingent upon Barton achieving and exceeding certain targets for earnings before interest and taxes and are to be made as follows: up to \$10.0 million is to be made on November 30, 1995; and up to \$15.0 million is to be made on November 29, 1996. Such payment obligations are fully secured by the Company's standby irrevocable letter of credit under the Credit Facility (i.e., the Barton Letter of Credit) and are subject to acceleration in certain events. All Earn-Out payments will be accounted for as additional purchase price for the Barton Acquisition when the contingencies have been satisfied and will be allocated based upon the fair market value of the underlying assets. As a result, as the Earn-Out payments are made, depreciation and amortization expense will increase in the future over the remaining useful lives of these assets.

#### Restructuring Plan

As a result of the Restructuring Plan, the Company incurred an after-tax restructuring charge in the fourth quarter of fiscal 1994 of \$14.9 million, or \$0.91 per share on a fully diluted basis. Approximately 60% of the restructuring charge relates to the revaluation of affected assets, which will not involve cash expenditures. Implementation of the Restructuring Plan will require net cash expenditures of approximately \$27.1 million, including \$20.0 million for capital expenditures. The capital expenditures will be funded through the Credit Facility. Upon relocation of the bottling facilities and other equipment from the Central Cellars and Soledad wineries, these wineries will be closed and offered for sale. Net proceeds in excess of \$10.0 million received from the dispositions of discontinued operations and other assets must be used to pay down Term Loans if the proceeds are not reinvested within one year in similar assets. The Company anticipates that the Restructuring Plan will result in net cost savings of approximately \$1.7 million in fiscal 1995 and approximately \$13.3 million of annual net cost savings beginning in fiscal 1996.

#### Other

The Company engages in operations at its facilities for the purpose of disposing of waste and by-products generated in its production process. These operations include the treatment of waste water to comply with regulatory requirements prior to disposal in public facilities or upon property owned by the Company or others and do not constitute a material part of the Company's overall cost of product sold. Expenditures for the purpose of maintaining or improving the Company's waste water treatment facilities have not constituted a material part of the Company's maintenance or capital expenditures over the last three fiscal years and the Company does not expect to incur any such material expenditures during its 1995 fiscal year. During the last three fiscal years, the Company has not incurred, nor does it expect to incur in its 1995 fiscal year, any material expenditures related to remediation of previously contaminated sites or other non-recurring environmental matters.

In February 1995, the Company entered into an agreement cancelling certain of its long-term grape contracts acquired in connection with the Almaden/Inglenook Acquisition. As a result, the estimated loss reserve at the date of the Almaden/Inglenook Acquisition was reduced by approximately \$13 million with a corresponding reduction in goodwill.

The Company believes that cash flow from operations will provide sufficient funds to meet all of its anticipated short and long-term debt service. The Company is not aware of any potential impairment to its liquidity and believes that the Revolving Loans available under the Credit Facility and cash flow from operations will provide adequate resources to satisfy its working capital, liquidity and anticipated capital expenditure requirements for at least the next four fiscal quarters.

As noted above under "Results of Operations of the Company", consummation of the Proposed Acquisition will require financing and the obtaining of appropriate consents from the banking syndicate under its Credit

Facility.

PART II - OTHER INFORMATION

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

At the Company's Annual Meeting of Stockholders held on January 19, 1995 (the "Annual Meeting"), the holders of the Company's Class A Common Stock (the "Class A Stock"), voting as a separate class, elected management's slate of director nominees designated to be elected by the holders of the Class A Stock, and the holders of the Company's Class B Convertible Common Stock (the "Class B Stock"), voting as a separate class, elected management's slate of director nominees designated to be elected by the holders of the Class B Stock. In addition, at the Annual Meeting, the holders of Class A Stock and the holders of Class B Stock, voting together as a single class, approved and ratified the selection of Arthur Andersen LLP, Certified Public Accountants, as the Company's independent auditors for the fiscal year ending August 31, 1995.

Set forth below is the number of votes cast for or against or withheld, as well as the number of abstentions, as applicable, as to the foregoing matters.

I. The results of the balloting for the election of Directors of the Company were as follows:  
Directors Elected by Class A Stockholders:

James Locke, III:  
For: 12,910,966; Withheld: 7,503

George Bresler:  
For: 12,908,817; Withheld: 9,652

Directors Elected by Class B Stockholders:

Marvin Sands:  
For: 32,800,030; Withheld: 28,280

Richard Sands:  
For: 32,799,360; Withheld: 28,950

Ellis Goodman:  
For: 32,797,780; Withheld: 30,530

Robert Sands:  
For: 32,800,030; Withheld: 28,280

Bertram Silk:  
For: 32,800,030; Withheld: 28,280

Sir Harry Solomon:  
For: 32,797,780; Withheld: 30,530

II. The proposal submitted to the stockholders to approve and ratify the selection of Arthur Andersen LLP as the Company's independent auditors for the fiscal year ending August 31, 1995 was adopted by the following vote:

For: 45,620,302  
Against: 9,083  
Abstain: 117,394

Item 6. Exhibits and Reports on Form 8-K

- (a) See Index to Exhibits located on Page 22 of this Report.
- (b) There were no Reports on Form 8-K filed with the Securities and Exchange Commission during the quarter ended February 28, 1995.

<TABLE>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CANANDAIGUA WINE COMPANY, INC.

Dated: April 4, 1995 By: /s/ Richard Sands  
-----  
Richard Sands, President and  
Chief Executive Officer

Dated: April 4, 1995 By: /s/ Lynn K. Fetterman

-----  
Lynn K. Fetterman, Senior Vice President  
and Chief Financial Officer  
(Principal Financial Officer and Principal  
Accounting Officer)

INDEX TO EXHIBITS

- (2) Plan of acquisition, reorganization, arrangement, liquidation or succession.
- 2.1 Asset Purchase Agreement dated August 2, 1991 between the Registrant and Guild Wineries and Distilleries, as assigned to an acquiring subsidiary (filed as Exhibit 2(a) to the Registrant's Report on Form 8-K dated October 1, 1991 and incorporated herein by reference).
- 2.2 Stock Purchase Agreement dated April 27, 1993 among the Registrant, Barton Incorporated and the stockholders of Barton Incorporated, Amendment No. 1 to Stock Purchase Agreement dated May 3, 1993, and Amendment No. 2 to Stock Purchase Agreement dated June 29, 1993 (filed as Exhibit 2(a) to the Registrant's Current Report on Form 8-K dated June 29, 1993 and incorporated herein by reference).
- 2.3 Asset Sale Agreement dated September 14, 1993 between the Registrant and Vintners International Company, Inc. (filed as Exhibit 2(a) to the Registrant's Current Report on Form 8-K dated October 15, 1993 and incorporated herein by reference).
- 2.4 Amendment dated as of October 14, 1993 to Asset Sale Agreement dated as of September 14, 1993 by and between Vintners International Company, Inc. and the Registrant (filed as Exhibit 2(b) to the Registrant's Current Report on Form 8-K dated October 15, 1993 and incorporated herein by reference).
- 2.5 Amendment No. 2 dated as of January 18, 1994 to Asset Sale Agreement dated as of September 14, 1993 by and between Vintners International Company, Inc. and the Registrant (filed as Exhibit 2.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended February 28, 1994 and incorporated herein by reference).
- 2.6 Asset Purchase Agreement dated August 3, 1994 between the Registrant and Heublein, Inc. (filed as Exhibit 2(a) to the Registrant's Current Report on Form 8-K dated August 5, 1994 and incorporated herein by reference).
- 2.7 Amendment dated November 8, 1994 to Asset Purchase Agreement between Heublein, Inc. and Registrant (filed as Exhibit 2.2 to the Registrant's Registration Statement on Form S-3 (Amendment No. 2) (Registration No. 33-55997) filed with the Securities and Exchange Commission on November 8, 1994 and incorporated herein by reference).
- 2.8 Amendment dated November 18, 1994 to Asset Purchase Agreement between Heublein, Inc. and the Registrant (filed as Exhibit 2.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 1994 and incorporated herein by reference).
- 2.9 Amendment dated November 30, 1994 to Asset Purchase Agreement between Heublein, Inc. and the Registrant (filed as Exhibit 2.9 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1994 and incorporated herein by reference).
- (4) Instruments defining the rights of security holders, including indentures.
- 4.1 Specimen of Certificate of Class A Common Stock of the Company (filed as Exhibit 1.1 to the Registrant's Registration Statement on Form 8-A, dated April 28, 1992 and incorporated herein by reference).
- 4.2 Specimen of Certificate of Class B Common Stock of the Company (filed as Exhibit 1.2 to the Registrant's Registration Statement on Form 8-A, dated April 28, 1992 and incorporated herein by reference).
- 4.3 Indenture dated as of December 27, 1993 among the Registrant, its Subsidiaries and Chemical Bank (filed as Exhibit 4.1 to the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended November 30, 1993 and incorporated herein by reference).
- 4.4 First Supplemental Indenture dated as of August 3, 1994 among the Registrant, Canandaigua West, Inc. and Chemical Bank (filed as Exhibit 4.5 to the Registrant's Registration Statement on Form S-8 (Registration No. 33-56557) and incorporated herein by reference).
- (10) Material Contracts.  
Not Applicable.
- (11) Statement re computation of per share earnings.  
Computation of per share earnings (filed herewith).
- (15) Letter re unaudited interim financial information.  
Not applicable.
- (18) Letter re change in accounting principles.  
Not applicable.

(19) Report furnished to security holders.

Not applicable.

(22) Published report regarding matters submitted to a vote of security holders.

Not applicable.

(23) Consents of experts and counsel.

Not applicable.

(24) Power of Attorney.

Not applicable.

(27) Financial Data Schedule.

Financial Data Schedule (filed herewith).

(99) Additional Exhibits.

Not applicable.

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EXHIBIT 11

CANANDAIGUA WINE COMPANY, INC. AND SUBSIDIARIES  
COMPUTATION OF NET INCOME PER COMMON SHARE

(dollars in thousands, except share and per share data)

	February 28, 1995		Six Months Ended	
	Primary <C>	Fully Diluted <C>	February 28, 1994 <C>	Fully Diluted <C>
Net income per common and common equivalent share:				
Net income available to common shares	\$ 20,320	\$ 20,320	\$ 11,395	\$ 11,395
Adjustments:				
Assumed exercise of convertible debt	-	-	-	420
Net income available to common and common equivalent shares	\$ 20,320	\$ 20,320	\$ 11,395	\$ 11,815
Shares:				
Weighted average common shares outstanding	17,989,360	17,989,360	14,853,711	14,853,711
Adjustments:				
(1) Assumed exercise of convertible debt	-	-	-	1,088,863
(2) Assumed exercise of incentive stock options	283,554	284,648	227,018	238,419
(3) Assumed exercise of options	70,956	72,505	117,642	126,837
Weighted average common and common equivalent shares outstanding	18,343,870	18,346,513	15,198,371	16,307,830
Net income per common and common equivalent share	\$ 1.11	\$ 1.11	\$ 0.75	\$ 0.72
	February 28, 1995		Three Months Ended	
	Primary	Fully Diluted	February 28, 1994 Primary	February 28, 1994 Fully Diluted
Net income per common and common equivalent share:				
Net income available to common shares	\$ 9,988	\$ 9,988	\$ 5,741	\$ 5,741
Adjustments:				
Assumed exercise of convertible debt	-	-	-	-
Net income available to common and common equivalent shares	\$ 9,988	\$ 9,988	\$ 5,741	\$ 5,741
Shares:				
Weighted average common shares outstanding	19,497,647	19,497,647	15,948,785	15,948,785
Adjustments:				
(1) Assumed exercise of convertible debt	-	-	-	-
(2) Assumed exercise of incentive stock options	267,771	269,182	246,360	246,360
(3) Assumed exercise of options	92,350	94,814	180,251	180,251
Weighted average common and common equivalent shares outstanding	19,857,768	19,861,643	16,375,396	16,375,396
Net income per common and common equivalent share	\$ 0.50	\$ 0.50	\$ 0.35	\$ 0.35

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This schedule contains summary financial information extracted from the financial statements included within the Company's February 28, 1995, Form 10-Q and is qualified in its entirety by reference to such financial statements.

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