CONSTELLATION BRANDS INC
Form 424B2
July 28, 2003
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Filed Pursuant to Rule 424(b)(2)
Registration No. 333-63480

PROSPECTUS SUPPLEMENT

(To Prospectus Dated July 18, 2003)

6,000,000 Shares

Constellation Brands, Inc.

Depositary Shares

Each representing 1/40 of a share of 5.75% Series A Mandatory Convertible Preferred Stock

We are offering 6,000,000 depositary shares by this prospectus supplement and the accompanying prospectus. We will receive all of the net proceeds from the sale of the depositary shares. We have granted the underwriters an option to purchase up to 820,000 additional depositary shares to cover over-allotments.

Each depositary share represents 1/40 of a share of our Series A mandatory convertible preferred stock, liquidation preference $1,000 per share, which is equivalent to $25 per depositary share. Holders of depositary shares are entitled to all proportional rights and preferences of the Series A mandatory convertible preferred stock, including dividend, voting, conversion and liquidation rights.

We will pay annual dividends on each depositary share in the amount of $1.4375, which is based on the annual dividend rate of $57.50 for each share of our Series A mandatory convertible preferred stock. Dividends will be cumulative from the date of issuance and to the extent that dividends are not prohibited or restricted under our debt agreements, assets are legally available to pay dividends and our board of directors or an authorized committee of our board declares a dividend payable, we will pay dividends in cash, shares of our Class A common stock or a combination thereof, in our sole discretion, after every quarter. Shares of our Class A common stock used to pay dividends will be delivered to the transfer agent to be sold on the holders behalf, resulting in net cash proceeds to be distributed to the holders in an amount equal to the cash dividends otherwise payable. The first dividend payment will be made on December 1, 2003.

On September 1, 2006, each depositary share will automatically convert, subject to adjustments described in this prospectus supplement, into between 0.7319 and 0.8929 shares of our Class A common stock, depending on the then current market price of our Class A common stock. At any time prior to September 1, 2006, holders may elect to convert each depositary share, subject to adjustments described in this prospectus supplement, into 0.7319 shares of our Class A common stock. If the closing price per share of our Class A common stock exceeds $51.24 for at least 20 trading days within a period of 30 consecutive trading days, we may elect, subject to certain limitations described in this prospectus supplement, to cause the conversion of all, but not less than all, of the depositary shares then outstanding into shares of our Class A common stock at a conversion rate of 0.7319 shares of our Class A common stock for each depositary share.

Prior to this offering, there has been no public market for our depositary shares. We have applied to list our depositary shares on the New York Stock Exchange under the symbol STZ Pr A. Our Class A common stock is listed on the New York Stock Exchange under the symbol STZ. On July 24, 2003, the last reported sale price of our Class A common stock was $28.00 per share.

Concurrently with this offering, we are offering, by means of a separate prospectus supplement, 9,500,000 shares of our Class A common stock (or 10,925,000 shares if the underwriters exercise in full their over-allotment option). However, neither offering is contingent upon the consummation of the other.

Investing in our depositary shares involves risks. See Risk Factors beginning on page S-13 of this prospectus supplement and on page 1 of the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public Offering Price	$25.00	$150,000,000
Underwriting Discount	$ 0.75	$ 4,500,000
Proceeds to Constellation Brands, Inc. (before expenses)	$24.25	$145,500,000

The underwriters expect to deliver the depositary shares to purchasers on or about July 30, 2003.

Joint Book-Running Managers

JPMorgan **Citigroup**

Joint Lead Manager

UBS Investment Bank

July 24, 2003

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[Company Product]

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You should rely only on the information contained in or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not authorized anyone to provide you with different information. We are not making an offer to sell these securities in any state where the offer is not permitted. You should not assume that the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of this prospectus supplement.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain 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 our control, that could cause actual results to differ materially from those set forth in, or implied by, our forward-looking statements. All statements other than statements of historical facts included in this prospectus supplement and the accompanying prospectus, including the statements under Prospectus Supplement Summary, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business regarding our business strategy, future operations, financial position, estimated revenues, projected costs, prospects, plans and objectives of management, as well as information concerning expected actions of third parties, are forward-looking statements. When used in this prospectus supplement and the accompanying prospectus, the words anticipate, intend, estimate, expect, project, 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 prospectus supplement. Neither we nor the underwriters undertakes any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Important factors that could cause our actual results to differ materially from our expectations, or cautionary statements, are disclosed under Risk Factors and elsewhere in the prospectus supplement and the accompanying prospectus. The cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

CURRENCIES

In this prospectus supplement references to dollars and $ are references to United States dollars, and references to U.S. are references to the United States of America. References to Australian dollars and A$ are references to Australian currency. In addition, references to pounds sterling, sterling or £ are references to the United Kingdom currency. These translations should not be construed as representations that the amounts in Australian dollars or pounds sterling actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated herein or at any other rate.

INDUSTRY DATA

Market share and industry data disclosed in this prospectus supplement have been obtained from various third party sources including the following industry and government publications: Adams Liquor Handbook; Adams Wine Handbook; Adams Beer Handbook; Adams Media Handbook Advance; The United States Wine Market: Impact Databank Review and Forecast; The United States Beer Market: Impact Databank Review and Forecast; The United States Spirits Market: Impact Databank Review and Forecast; International Wine and Spirit Record; Australian Wine and Brandy Reports; NACM; AC Nielsen; IRI; The Drink Pocketbook; Beer Marketers Insights and Winemaker s Federal of Australia. We have not independently verified these 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 2002.

INTELLECTUAL PROPERTY

We own or have rights to various trademarks, copyrights and trade names used in our business including the following: Alice White, Almaden, Arbor Mist, Banrock, Banrock Station, Berri Estates, Blackthorn, Black Velvet, Canadian Ltd, Columbia, Cook s, Covey Run, Diamond White, Dunnewood, Estancia, Estate Cellars, Fleischmann s, Fleischmann s Royal, Fleischmann s Schenley, Franciscan, Franciscan Oakville Estate, Gaymor s Olde English, Golden Wedding, Grant s of St. James, Hardys, Hardys Signature, Hardys VR Varietal Range, Inglenook, J. Roget, K

Cider, La Baume, Leasingham, MacNaughton, Manischewitz, Marcus James, McMaster s, Montezuma, Motif, Mr. Boston, Mystic Cliffs, Nectar Valley, Nottage Hill, Oakville Estate, OFC, Omni, Paul Masson, Paul Masson Grande Amber Brandy, QC, Ravenswood, Remano, St. Regis, Ste. Chapelle, St. James, Simi, Stone s, Stamps of Australia, Stowells, Talus, Taylor, Triple Crown and Vendange. This prospectus supplement, the accompanying prospectus, and the documents incorporated by reference also include trademarks, service marks and trade names of other companies.

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PROSPECTUS SUPPLEMENT SUMMARY

The following summary highlights selected information from this prospectus supplement, the accompanying prospectus and the documents incorporated by reference and may not contain all the information that is important to you. We encourage you to read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in their entirety. Unless we indicate otherwise, the terms we, us and our refer to Constellation Brands, Inc. together with its subsidiaries. Constellation Brands, Inc. is a Delaware corporation that was incorporated on December 4, 1972, as the successor to a business founded in 1945. On September 19, 2000, we changed our name to Constellation Brands, Inc. from Canandaigua Brands, Inc.

Constellation Brands, Inc.

We are a leading international producer and marketer of beverage alcohol in North America, Europe and Australia with a broad portfolio of brands across the wine, imported beer and distilled spirits categories. We have the largest wine business in the world and are the largest multi-category supplier of beverage alcohol brands in the United States. In the United Kingdom, we are the largest marketer of wine and a leading independent drinks wholesaler. We are the largest producer and marketer of wine in Australia. Our strong market positions increase our purchasing power and make us a supplier of choice to our customers.

With our broad product portfolio, we believe we are distinctly positioned to satisfy an array of consumer preferences across all beverage alcohol categories and price points. Many of our products are recognized leaders in their respective categories. Leading brands in our 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.

Since our founding in 1945 as a producer and marketer of wine products, we have grown through a combination of internal growth and acquisitions. Our internal growth has been driven by leveraging our 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.

Since 1991, we have successfully integrated a number of major acquisitions that have broadened our portfolio and increased our market share, net sales, operating income and cash flow. Our acquisition in April 2003 of BRL Hardy Limited, now known as Hardy Wine Company Limited, or Hardy, Australia s largest producer of wine, enhanced our overall growth prospects and gave us an immediate presence in the Australian domestic and export markets. We and Hardy formed Pacific Wine Partners LLC, or PWP, in July 2001 as an equally-owned joint venture to produce, market and sell a global portfolio of premium wines in the United States, including a range of Australian wines. Other recent acquisitions include: the Ravenswood brand, a leading premium wine from Sonoma, California in July 2001; the Covey Run, Columbia, Ste. Chapelle, Alice White and other premium wine brands in March 2001; and the Vendange, Nathanson Creek, Heritage, Talus and other premium wine brands also in March 2001.

Through these acquisitions, we have become more competitive by: diversifying our portfolio; developing strong market positions in the growing beverage alcohol product categories of varietal table wine and imported beer; strengthening our relationships with wholesalers; expanding our distribution and enhancing our production capabilities; and acquiring additional management, operational, marketing, and research and development expertise.

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Competitive Strengths

Leading Market Positions. We are the largest supplier of wine in the world. We have leading market positions in various sectors within each of our major product categories in the United States, Australia and New Zealand, and the United Kingdom, which increases our purchasing power and makes us a supplier of choice to our customers.

In the United States, we are the second largest producer and marketer of wine with an 18% market share, the largest marketer of imported beer in 25 primarily western U.S. states, with a 42% share of the imported beer market in such states, and the third largest producer and marketer of distilled spirits with a 10% market share.

In Australia, we are the largest producer and marketer of wine with a 22% market share.

In the United Kingdom, we are the largest marketer of wine and a leading independent drinks wholesaler to on-premise outlets.

Strong Brand Recognition. Many of our products are recognized leaders in their respective categories in the United States, Australia and New Zealand, and the United Kingdom.

Wine. We sell more than 40 different brands of table wines, dessert wines and sparkling wines around the world. We sell 22 of the top 100 wine brands in the United States, including Almaden, Inglenook, Arbor Mist, Vendange, Richards Wild Irish Rose, Paul Masson, Cook s, Blackstone, Ravenswood and Banrock Station. With brands like Estancia, Franciscan Oakville Estate, Simi, Blackstone and Ravenswood, we have one of the largest fine wine portfolios in the United States. In the United Kingdom, we have seven of the top 20 selling table wine brands to the off-premise market including: Stowells, Hardys Stamp, Banrock Station, Nottage Hill and Paul Masson. In the on-premise market, we have three of the top 10 selling table wine brands: Stowells, Hardys Stamp and Hardys. We also have QC, the best selling brand of fortified British wine. In Australia, we are the largest producer of cask wines with the Stanley, Berri Estates, Renmano, Banrock Station and Hardy cask wine brands, complemented by Australia s most comprehensive range of premium regional wine brands, including Houghton, Leasingham, Yarra Burn, Stonehaven and BVE.

Imported Beer. We are the distributor of six of the top 25 imported beers in the United States: Corona Extra, the best selling imported beer in the United States and the seventh best selling beer overall in the United States, Corona Light, Modelo Especial, St. Pauli Girl, Pacifico and Negra Modelo. We have an exclusive distribution agreement in 25 primarily western U.S. states through 2006 for our Mexican brands, with provisions for five-year automatic renewals of the agreement thereafter.

Distilled Spirits. We have 15 of the top 100 distilled spirits brands in the United States, including Black Velvet, Barton, Sköl, Paul Masson Grande Amber Brandy, Canadian LTD, Montezuma and Fleischmann s Royal.

Broad Product Portfolio and Geographic Presence. Through new product introductions, product line extensions, innovative packaging and acquisitions, we have broadened our product portfolio, expanded our geographic scope and improved the consistency of our financial results.

Our sales are primarily spread across three major beverage alcohol categories wine, beer and distilled spirits and across three geographies North America (primarily the United States and Canada), Europe (primarily the United Kingdom) and Australasia (primarily Australia and New Zealand).

With a broad portfolio of products, we are well positioned to meet an array of consumer preferences with the ability to quickly allocate resources to faster growing product categories.

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Our portfolio generates balanced sales and earnings streams. Growth in our premium and super premium wine portfolio in the United States and the United Kingdom, our imported beer portfolio in the United States, our wine exports from Australia and our wholesale business in the United Kingdom are supported by more stable financial results from sales of spirits and popular priced wines in the United States and domestic wine in Australia.

Proven Acquisition Track Record. We have successfully integrated newly acquired companies with our existing operations and achieved revenue growth and cost savings in the process.

Since 1991, we have successfully integrated a number of major acquisitions. From Fiscal 1999 through Fiscal 2003, these acquisitions have contributed to compound annual growth rates in net sales and adjusted operating income of 18.5% and 27.2%, respectively.

Revenue and cost synergies achieved from acquisitions and a focus on higher margin wine brands have contributed to the increase in our gross profit margin from 24.1% in Fiscal 1999 to 27.8% in Fiscal 2003, and in our adjusted operating margin from 11.1% to 14.8% during this period.

Our December 1998 acquisition of Matthew Clark plc has given us a presence in the United Kingdom and a platform for growth in the European market.

With the acquisitions of Franciscan Vineyards, Inc., or Franciscan Estates, and Simi Winery, Inc., or Simi, in June 1999, we entered the faster growing, higher margin super premium and ultra premium wine categories.

We continued to build our portfolio in the premium wine category. In July 2001, we acquired Ravenswood Winery, Inc., or Ravenswood, which has the best selling super premium zinfandel wine in the United States, and in October 2001, we acquired the Blackstone brand through PWP, the best selling red wine brand in the United States selling for greater than $11 per bottle.

In August of 2001, we formed Pacific Wine Partners LLC, or PWP, a joint venture with Hardy, to capitalize on the fast growing Australian and premium wine segments in the United States. Due in part to the success of PWP, we acquired Hardy this year, enhancing our ability to participate in the expected growth of Australian wine around the world and establishing Constellation in Australia. We expect the acquisition will contribute to overall increases in our sales and earnings.

Experienced and Incentivized Management Team. We have one of the most experienced management teams in the beverage alcohol industry.

Our chief executive officer, chief operating officer, division presidents, including the head of our worldwide wines division and former chief executive officer of Hardy, and company presidents have an average of 13 years with Constellation or its affiliates and an average of 25 years in the beverage alcohol industry.

Richard Sands, our Chairman and Chief Executive Officer, and Robert Sands, our President and Chief Operating Officer, are members of the Sands family, which, upon completion of the concurrent offering of our Class A common stock, will own common stock representing approximately 55% of our voting power and approximately 14% of our outstanding common equity.

Business Strategy

We will remain focused across the beverage alcohol industry by offering a broad range of products in each of our three major categories wine, beer and spirits. We intend to keep our portfolio positioned for superior top-line growth while maximizing the profitability of our brands. In addition, we seek to increase our relative

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importance to key customers in major markets by increasing our share of their overall purchasing, which is increasingly important in a consolidating industry. We also seek to grow internationally by establishing a presence in other significant mass markets when opportunities for attractive cross-border acquisitions become available. We intend to continue to build our growth-oriented and profitable brands through the following key initiatives:

Effectively Manage Brand Portfolio. With over 200 brands in our portfolio, it is essential that we maintain focus in order to be responsive to our customers and the marketplace.

- We manage our brand portfolio with individual sales and marketing teams focused by major product category and geography. Where appropriate, we leverage our sales and marketing expertise across product categories to take advantage of high-growth opportunities, particularly in national accounts.
- We concentrate our efforts in geographic markets with attractive demographics.

Capitalize on Growth Opportunities. We maximize the profitability of our brand portfolio by allocating resources to and focusing on the faster growing segments of the beverage alcohol market. A number of product categories have demonstrated growth potential in existing markets or are underserved by products currently available in the market.

- We intend to further capitalize on the growth of the United States imported beer market. Sales from our portfolio of imported beers, led by Corona Extra, grew at a compound annual growth rate of 16% from 1997 through 2002.
- Recognizing the potential for Australian wines in the United States, we acquired Australian wine brand Alice White in March of 2001 and created the PWP joint venture with Hardy the same year. With the recent acquisition of Hardy, we expect to benefit from growth of Australian wines around the world.
- Hardys Stamp, already a success in the United Kingdom, was recently launched in the United States to capitalize on three growth opportunities Australian wines, premium wines and cask (box) wine. Hardys Stamp of Australia was introduced in glass and cask packages and has been well received by the trade.
- Capitalizing on our direct access to the California grape market and the growth in California wines in the United Kingdom, we successfully launched a new wine brand specific to the United Kingdom market, Echo Falls. Positioned at a fast growing price point, Echo Falls offers quality varietal wines and pricing ideal for everyday consumption.
- In late 2001, we launched the new Hardys VR range in the United Kingdom and in the first 12 months, sales were in excess of one million cases.
- The Franciscan Estates, Simi and Ravenswood product lines are well established in the super-premium and ultra-premium wine categories. Organic sales from our portfolio of super-premium and ultra-premium wines had a compound annual growth rate of 22% from 1997 through 2002.
- In 1998, we created the wine-with-fruit category to tap a new group of wine consumers with the introduction of Arbor Mist. By building distribution, we now have a brand which sells more than four million cases annually and is the top selling wine-with-fruit

brand in the United States.

We continue to increase our market share in our United Kingdom wholesale business by focusing our offerings on the primary growth categories in the on-premise market wine, spirits and ready-to-drink beverages.

Introduce Product Line Extensions. The commercial success and brand name recognition of our products give us the ability to introduce product line extensions to generate additional growth and to gain market share.

Offering consumers a greater choice of packaging, we expect to introduce several new package extensions for our portfolio of Mexican beers later this year, including Corona Extra, Corona Light and Pacifico in a 24 loose package.

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Blackstone Winery, whose Merlot is the top selling red wine priced over $11 per bottle in the United States, expanded its offerings to include a California Syrah, Zinfandel, Pinot Noir and Sauvignon Blanc.

We are using the well-known Almaden wine name to strengthen our number two position in the growing box wine market in the United States, which now accounts for approximately 20% of all table wine consumed. We continue to offer an increasing number of blends designed to appeal to consumers with preferences for lighter-tasting red wines. We recently introduced two new flavor concepts, red and white Sangria, in a new package with high-impact vibrant colors and a festive theme that sets it apart from the traditional image of the segment.

We continue to take advantage of the top-ranked position of the Stowells wine brand in the United Kingdom. We have successfully introduced Stowells in a variety of bottle sizes, giving consumers the ability to enjoy Stowells beyond the traditional box package. Recently, we introduced the Stowells Cellar Collection: six wine varieties that will appeal to existing Stowells consumers, but who prefer more premium wines for special occasions.

We recently introduced Arbor Mist Wine Blenders, the only blender drinks available made with wine in the United States, to capitalize on the strong growth and brand equity of our wine-with-fruit brand, Arbor Mist.

Following the success of 99 Bananas and 99 Blackberries, the 99 Brand family of fruit-flavored liqueurs introduced 99 Apples, helping the brand grow 56% in Fiscal 2003. We expect to continue to introduce new flavors designed to capitalize on changing consumer tastes.

Building on the success of the Chi-Chi s prepared cocktail line, which include Margarita, Long Island Iced Tea and Pina Colada flavors, we introduced Cosmopolitan and Mango Margarita flavors to the line to capitalize on some of the most popular cocktails in the United States.

Continuing to capitalize on the trend toward flavored vodkas, Fleischmann s Vodka added apple to its existing line of flavors, which includes raspberry, orange, lime and vanilla.

We are introducing Beachcomber, a new line of flavored rums to take advantage of growth in the rum category.

Consider Selective Acquisition Opportunities. Strategic acquisitions will continue to be a component of our growth strategy to complement our internal brand development initiatives.

We have supplemented our internal growth with a number of major acquisitions since 1991.

Matthew Clark s established reputation within the industry and proven track record provide us with a platform from which to pursue future acquisitions in Europe.

We will continue to seek to make acquisitions that capitalize on our existing infrastructure or that offer complementary product lines, geographic scope or additional distribution channels.

We have a seasoned management team experienced in identifying, evaluating and integrating acquisitions.

Information About Us

Our principal executive offices are located at 300 WillowBrook Office Park, Fairport, New York 14450, and our telephone number is 585-218-3600. We maintain a website at *www.cbrands.com*. The information on our website is not part of this prospectus supplement or the accompanying prospectus.

The Offering

Issuer	Constellation Brands, Inc.
Securities offered	6,000,000 depositary shares, each representing 1/40 of a share of 5.75% Series A mandatory convertible preferred stock, liquidation preference $1,000 per share, which is equivalent to $25 per depositary share. To the extent that the underwriters sell more than 6,000,000 depositary shares, they have the option to purchase up to an additional 820,000 depositary shares from us at the initial offering price less the underwriting discount.
Initial price	$25.00 for each depositary share.
Dividends	$1.4375 for each depositary share per year, which is based on the annual dividend rate of $57.50 for each share of Series A mandatory convertible preferred stock per year. Dividends will be cumulative from the date of issuance and to the extent that dividends are not prohibited or restricted under our debt agreements, assets are legally available to pay dividends and our board of directors or an authorized committee of our board declares a dividend payable, we will pay dividends in cash, shares of our Class A common stock, or a combination thereof, in our sole discretion, after every quarter. Shares of our Class A common stock used to pay dividends will be delivered to the transfer agent to be sold on the holders behalf, resulting in net cash proceeds to be distributed to the holders in an amount equal to the cash dividends otherwise payable. See Risk Factors Our debt agreements may restrict us from paying cash dividends on our Series A mandatory convertible preferred stock under certain circumstances and We cannot assure you that we will be able to file, cause to be declared effective or keep effective, as the case may be, the registration statement required to permit us to pay dividends on our Series A mandatory convertible preferred stock in shares of our Class A common stock.
Dividend payment dates	The 1st calendar day (or the first following business day if the 1st calendar day is not a business day) of each March, June, September and December, commencing on December 1, 2003.
Conversion rate	The conversion rate for each depositary share will not be more than 0.8929 shares and not less than 0.7319 shares of our Class A common stock, depending on the applicable market value of our Class A common stock, as described below.
	The conversion rate is subject to certain adjustments, including those described under Description of Series A Mandatory Convertible Preferred Stock Anti-dilution Adjustments.
	The applicable market value is the average of the closing prices per share of our Class A common stock on each of the 20 consecutive trading days ending on the third trading day immediately preceding

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	the applicable conversion date. It will be calculated as described under Description of Series A Mandatory Convertible Preferred Stock Conversion.
	The following table illustrates the conversion rate per depositary share and the value of our Class A common stock issuable upon conversion on the automatic conversion date, at the applicable market value shown, subject to certain adjustments described under Description of Series A Mandatory Convertible Preferred Stock Anti-dilution Adjustments :

Applicable market value on applicable conversion date	Conversion rate
less than or equal to $28.00	0.8929
between $28.00 and $34.16	0.8929 to 0.7319
equal to or greater than $34.16	0.7319

Automatic conversion date	September 1, 2006, which we call the automatic conversion date.
Automatic conversion	On the automatic conversion date, each depositary share will automatically convert into shares of our Class A common stock, based on the conversion rate then in effect for 1/40 of a share of our Series A mandatory convertible preferred stock.
	Holders of the depositary shares on the automatic conversion date will have the right to receive a dividend of cash, shares of our Class A common stock, or a combination thereof, as we determine in our sole discretion, in an amount equal to the accrued and unpaid dividends on our Series A mandatory convertible preferred stock as of the automatic conversion date, whether or not declared, out of legally available assets.
Conversion at the option of the holder	At any time prior to September 1, 2006, you may elect to convert each of your depositary shares into 0.7319 shares of our Class A common stock, at the optional conversion rate for 1/40 of a share of Series A mandatory convertible preferred stock. This conversion rate is subject to certain adjustments as described under Description of Series A Mandatory Convertible Preferred Stock Anti-dilution Adjustments.
Provisional conversion at our option	If the closing price per share of our Class A common stock exceeds $51.24 for at least 20 trading days within a period of 30 consecutive trading days, we may elect to cause the conversion of all, but not less than all, of the depositary shares then outstanding for shares of our Class A common stock, based on a conversion rate of 0.7319 shares of our Class A common stock for each depositary share, subject to certain adjustments as described under Description of Series A Mandatory Convertible Preferred Stock Anti-dilution Adjustments, only if, in addition to issuing you such shares of Class A common

	stock, we pay you in cash the present value of all the remaining dividend payments through and including September 1, 2006, on the depositary shares, computed using a discount rate equal to the Treasury Yield, plus any accrued and unpaid dividend payments on the depositary shares, whether or not declared, in each case, out of legally available assets. See Description of Series A Mandatory Convertible Preferred Stock Provisional Conversion at Our Option.
Early conversion upon cash merger	Prior to the automatic conversion date, if we are involved in a merger in which at least 30% of the consideration for all or any class of our common stock consists of cash or cash equivalents, which we refer to as the cash merger, then on or after the date of the cash merger, each holder of depositary shares will have the right to convert its depositary shares at the conversion rate in effect for $^{1}/40$ of a share of our Series A mandatory convertible preferred stock determined in accordance with Automatic Conversion above immediately prior to the cash merger. See Description of Series A Mandatory Convertible Preferred Stock Early Conversion upon Cash Merger.
Anti-dilution adjustments	The formula for determining the conversion rate on the automatic conversion date and the number of shares of our Class A common stock to be delivered upon an early conversion event may be adjusted if certain events occur. See Description of Series A Mandatory Convertible Preferred Stock Anti-dilution Adjustments.
Liquidation preference	$25 per depositary share, based on $1,000 for each share of Series A mandatory convertible preferred stock, plus an amount equal to the sum of all accrued and unpaid dividends.
Voting rights	Holders of Series A mandatory convertible preferred stock will not be entitled to any voting rights, except as required by applicable state law. Holders of the depositary shares will be entitled to instruct the depositary as to any exercise of voting rights pertaining to the number of shares of Series A mandatory convertible preferred stock, or fraction thereof, represented by such holder s depositary shares. See Description of Depositary Shares Voting of Series A Mandatory Convertible Preferred Stock.
Ranking	Our Series A mandatory convertible preferred stock (and the corresponding depositary shares) will rank senior in right of payment to all of our common stock, including our Class A common stock and Class B common stock, now outstanding or to be issued in the future.
Concurrent offering of shares of Class A common stock	Concurrently with this offering we are offering by separate prospectus supplement, 9,500,000 shares of Class A common stock (or 10,925,000 shares of Class A common stock if the underwriters exercise their over-allotment option in full). This offering of depository shares is not contingent upon the closing of the offering of shares of Class A common stock.

Use of proceeds	We estimate that the net proceeds from this offering will be approximately $144.9 million. We intend to use the net proceeds from this offering, together with the net proceeds from the concurrent offering of Class A common stock and available cash to repay $400.0 million of borrowings plus $1.3 million of accrued interest under the bridge loans, incurred to partially finance the acquisition of Hardy. In the event the concurrent offering of Class A common stock is not consummated, the net proceeds from this offering will be applied to repay a portion of the bridge loans plus accrued interest. See Use of Proceeds.

Unless otherwise specified, the information contained in this prospectus supplement assumes:

- the consummation of the concurrent offering of Class A common stock; and
- no exercise of the underwriters over-allotment option to purchase up to an additional 820,000 depositary shares in this offering or of the underwriters over-allotment option in the concurrent offering to purchase up to an additional 1,425,000 shares of Class A common stock.

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Summary Financial Data for Constellation

Summary Historical Consolidated Financial Data

The following table sets forth our summary income statement data for each of the fiscal years in the three year period ended February 28, 2003 and for the three month periods ended May 31, 2002 and 2003, and our summary balance sheet as of May 31, 2003 and as of such date on an as adjusted basis to give effect to the completion of this offering and the concurrent offering of our Class A common stock. The historical data have been derived from our audited and unaudited financial statements incorporated by reference into this prospectus supplement. In our opinion, the information for the three months ended May 31, 2002 and 2003 reflects all adjustments consisting only of normal recurring adjustments, necessary to fairly present the results of operations and financial condition. Results for interim periods should not be considered indicative of results for any other periods.

The as adjusted balance sheet data as of May 31, 2003, has been adjusted to give effect to the sale of the 6,000,000 depositary shares offered by this prospectus supplement and the sale of the 9,500,000 shares of our Class A common stock offered concurrently under a separate prospectus supplement, in each case after deducting the underwriting discounts and our estimated offering fees and expenses and the application of the net proceeds therefrom. See Use of Proceeds .

	Year Ended February 28,			Three Months Ended May 31,	
	2001	**2002**	**2003**	**2002**	**2003**
	(in thousands, except per share data)			(unaudited)	
Income Statement Data:					
Net sales	$ 2,226,020	$ 2,606,758	$ 2,731,612	$ 650,393	$ 771,629
Gross profit	578,939	695,160	760,715	176,726	207,912
Selling, general and administrative expenses	(308,071)	(352,679)	(350,993)	(90,761)	(106,629)
Restructuring charges			(4,764)		(2,316)
Operating income	270,868	342,481	404,958	85,965	98,967
Interest expense, net	(108,631)	(114,189)	(105,387)	(27,141)	(39,243)
Income before income taxes and extraordinary items	162,237	229,959	334,936	61,563	61,233
Net income	97,342	136,421	203,306	37,369	39,189
Earnings per common share:					
Basic	$ 1.33	$ 1.60	$ 2.26	$ 0.42	$ 0.42
Diluted	$ 1.30	$ 1.55	$ 2.19	$ 0.40	$ 0.41
Weighted average common shares outstanding:					
Basic	73,446	85,505	89,856	88,845	92,880
Diluted	74,751	87,825	92,746	92,353	95,661

	As of May 31, 2003	
	Actual	**As Adjusted**
	(in thousands, unaudited)	

Balance Sheet Data:		
Working capital	$ 830,046	$ 1,229,574
Total assets	5,358,956	5,350,892
Long-term debt, less current maturities	2,293,548	2,293,548
Total debt	2,778,385	2,378,385
Total stockholders equity	1,439,662	1,834,573

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Summary Pro Forma Combined Financial Data

The following table sets forth certain of our unaudited summary pro forma combined income statement data for the year ended February 28, 2003 as described in Unaudited Pro Forma Combined Income Statement Data included elsewhere in this prospectus supplement, which gives effect to the Hardy acquisition as if it had occurred on March 1, 2002. The unaudited summary pro forma combined income statement data for the three months ended May 31, 2003 was derived from our quarterly report on Form 10-Q for the fiscal quarter ended May 31, 2003. The consolidated financial statements of Hardy prepared in accordance with accounting principles generally accepted in Australia, or Australian GAAP, used in preparing Unaudited Pro Forma Combined Income Statement Data have been adjusted to present such information in accordance with accounting principles generally accepted in the United States and translated into U.S. dollar equivalent financial statements.

This summary pro forma combined income statement data do not purport to represent what our results of operations would have actually been had the transaction been consummated as of such dates or to our results of operations for any future period. It is important that you read the summary pro forma combined income statement data presented below along with Management s Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and those of Hardy, and Unaudited Pro Forma Income Statement Data included elsewhere in this prospectus supplement and our unaudited financial statements filed in our quarterly report on Form 10-Q for the fiscal quarter ended May 31, 2003.

	Year Ended February 28, 2003	Three Months Ended May 31, 2003
	(in thousands, except per share data)	
Net sales	$ 3,236,508	$ 805,381
Income before income taxes	314,999	63,079
Net income	197,299	39,236
Earnings per common share:		
Basic	$ 2.12	$ 0.42
Diluted	$ 2.05	$ 0.40
Weighted average common shares outstanding:		
Basic	93,145	94,274
Diluted	96,035	97,055

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Summary Historical Consolidated Financial Data For Hardy

The following table sets forth summary financial data of Hardy for each of the fiscal years in the three year period ended December 31, 2002 prepared in accordance with Australian GAAP, except as noted, and reported in Australian dollars. The statement of income data is derived from Hardy s audited historical financial statements, the most recent two years of which are incorporated by reference into this prospectus supplement. It is important that you read the summary historical financial data presented below along with Selected Financial Data of Hardy included elsewhere in this prospectus supplement and the consolidated financial statements of Hardy incorporated by reference into this prospectus supplement.

As a result of Hardy s adopting AASB 1004 Revenue effective January 1, 1999, and applying the revised AASB 1018 Statement of Financial Performance , revised AASB 1034 Financial Report Presentation and Disclosure and AASB 1040 Statement of Financial Position for the first time in the 2001 financial year, a number of comparative amounts for 2000 have been reclassified to ensure comparability with the 2001 and 2002 reporting periods.

	For the Year Ended December 31,		
	2000	2001	2002
	(A$ and in thousands)		
Statement of Financial Performance:			
Revenue from ordinary activities	A$ 641,775	A$ 771,377	A$ 870,336
Profit from ordinary activities before borrowing costs and income tax expense	102,276	124,248	144,626
Borrowing costs	(16,266)	(22,390)	(25,273)
Income tax expense	(22,354)	(29,699)	(35,191)
Net profit	63,656	72,159	84,162
Net (profit)/loss attributable to outside equity interests	(108)	53	176
Net profit attributable to members of BRL Hardy Limited	A$ 63,548	A$ 72,212	A$ 84,338
Net profit attributable to members of BRL Hardy in U.S. GAAP		A$ 43,423	A$ 83,181

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RISK FACTORS

Before you buy any depositary shares offered by this prospectus supplement and the accompanying prospectus, you should be aware that there are various risks, including those described below and in the accompanying prospectus. You should consider carefully these risk factors together with all of the other information in this prospectus supplement, the accompanying prospectus and the documents that are incorporated by reference before you decide to acquire any depositary shares.

Risks related to this offering

The trading prices for our depositary shares will be directly affected by the trading prices for our Class A common stock.

Prior to this offering, there has been no public market for our depositary shares. We have applied to list the depositary shares, each representing $^1/40$ of a share of our Series A mandatory convertible preferred stock, on the New York Stock Exchange. Our Class A common stock is listed on the New York Stock Exchange under the symbol STZ. We believe that the trading prices of the depositary shares will be directly affected by the trading prices of our Class A common stock. We cannot predict how our Class A common stock will trade. Trading prices of our Class A common stock will be influenced by our consolidated operating results and financial condition and by economic, financial and other factors and market conditions that can affect the capital markets generally. These include the level of, and fluctuations in, the trading prices of stocks generally and sales of substantial amounts of the depositary shares in the market at the same time as or subsequent to this offering, or the perception that these sales may occur.

Purchasers of depositary shares who convert their shares into Class A common stock will incur immediate dilution.

Persons purchasing our depositary shares, each representing $^1/40$ of a share of Series A mandatory convertible preferred stock, who convert their shares into our Class A common stock will incur immediate and substantial net tangible book value dilution. In addition, the terms of our Series A mandatory convertible preferred stock do not restrict our ability to offer a new series of preferred stock that is on parity with the Series A mandatory convertible preferred stock in the future or to engage in other transactions that could dilute our Series A mandatory convertible preferred stock. We have no obligation to consider the interests of the holders of our depositary shares in engaging in any such offering or transaction.

The market value of our Class A common stock may decline.

The market value of our Class A common stock on September 1, 2006, the automatic conversion date, may be less than $34.16 per share, which we call the threshold appreciation price. If that market value of the Class A common stock is less than the threshold appreciation price, then holders of our depositary shares, each representing $^1/40$ of a share of Series A mandatory convertible preferred stock, will receive shares of our Class A common stock on September 1, 2006 with a market value that is less than the threshold appreciation price. Accordingly, a holder of depositary shares assumes the entire risk that the market value of our Class A common stock may decline. Any decline in the market value of our Class A common stock may be substantial.

The opportunity for equity appreciation provided by an investment in the depositary shares is less than that provided by a direct investment in our Class A common stock.

The number of shares of our Class A common stock that are issuable upon mandatory conversion on the automatic conversion date of our Series A mandatory convertible preferred stock will decrease if the 20-day average market price per share of our common stock increases to $34.16. Therefore, the opportunity for equity

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appreciation provided by an investment in our Series A mandatory convertible preferred stock is less than that provided by a direct investment in our Class A common stock. Assuming the initial price accurately reflects the fair market value, the market price of our Class A common stock on September 1, 2006 must exceed the threshold appreciation price of $34.16 before a holder of our Series A mandatory convertible preferred stock will realize any equity appreciation.

Holders of our depositary shares will have no rights as a common stockholder until they acquire our Class A common stock.

Until you acquire shares of our Class A common stock upon conversion of your depositary receipts, you will have no rights with respect to our Class A common stock, including voting rights (except as required by applicable state law or our restated certificate of incorporation and as described under Description of the Series A Mandatory Convertible Preferred Stock Voting rights), rights to respond to tender offers for shares of our Class A common stock and rights to receive any dividends or other distributions on our common stock. Upon conversion, you will be entitled to exercise the rights of a holder of Class A common stock only as to matters for which the record date occurs after the conversion date.

Our depositary shares have never been publicly traded and an active trading market for such shares may not develop.

Prior to this offering, there has been no public market for our depositary shares. Although we have applied to list the depositary shares on the New York Stock Exchange, there can be no assurance that an active trading market will develop, or, if developed, will be maintained. Also, the underwriters have advised us that they intend to facilitate secondary market trading by making a market in the depositary shares. However, the underwriters are not obligated to make a market in the depositary shares and may discontinue market making activities at any time.

Our debt agreements may restrict us from paying cash dividends on our Series A mandatory convertible preferred stock under certain circumstances.

We will pay dividends on the Series A mandatory convertible preferred stock after every quarter, in cash, shares of our Class A common stock or a combination thereof, in our sole discretion, only to the extent that payment of dividends is not prohibited or restricted under our debt agreements, assets are legally available to pay dividends and our board of directors declares a dividend payable. The terms of our senior credit facility and the indentures governing our outstanding notes may restrict our ability to pay cash dividends on our Series A mandatory convertible preferred stock under certain circumstances that include the occurrence and continuation of any default or event of default. We cannot assure you that the agreements governing our current and future indebtedness, including our senior credit facility and the indentures governing our outstanding notes, will permit us to pay cash dividends on our Series A mandatory convertible preferred stock.

We do not intend to pay cash dividends on our Class A common stock in the foreseeable future.

We do not anticipate paying cash dividends on our Class A common stock in the foreseeable future. Any payment of cash dividends will depend upon our financial condition, capital requirements, earnings and other factors deemed relevant by our board of directors. Further, the terms of our credit facility, our bridge loan agreement and the indentures governing our outstanding notes currently restrict us from paying cash dividends on our Class A common stock. We cannot assure you that the agreements governing our current and future indebtedness will permit us to pay cash dividends on Class A our common stock. In addition, under the terms of the Series A mandatory convertible preferred stock represented by the depositary shares, we are restricted from paying cash dividends on our Class A common stock if we are not current in our dividend payments with respect to such preferred stock.

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We cannot assure you that we will be able to file, cause to be declared effective or keep effective, as the case may be, the registration statement required to permit us to pay dividends on our Series A mandatory convertible preferred stock in shares of our Class A common stock.

We are permitted to pay dividends on our Series A mandatory convertible preferred stock by delivering shares of our Class A common stock to the transfer agent to be sold on behalf of the holders of our Series A mandatory convertible preferred stock. We may pay dividends in this manner, however, only if there is an effective registration statement permitting the transfer agent to sell our Class A common stock in the public market. We cannot assure you that we will be able to file, cause to be declared effective or keep effective, as the case may be, such registration statement.

Our issuance of preferred stock could adversely affect holders of our Class A common stock.

Our board of directors is authorized to issue additional series of preferred stock without any action on the part of our common stockholders. Our board of directors also has the power, without the approval of our common stockholders, to set the terms of any such series of shares of preferred stock that may be issued including voting rights, dividend rights, preferences over our common stock with respect to dividends or if we liquidate, dissolve or wind up our business and other terms. If we issue preferred stock in the future that has preference over our common stock with respect to the payment of dividends or upon our liquidation, dissolution or winding up, or if we issue preferred stock with voting rights that dilute the voting power of our common stock, the rights of holders of our Class A common stock or the market price of our Class A common stock could be adversely affected.

Our Series A mandatory convertible preferred stock will rank junior to all our and our subsidiaries liabilities in the event of a bankruptcy, liquidation or winding up of our assets.

In the event of bankruptcy, liquidation or winding up, our assets will be available to pay obligations on our Series A mandatory convertible preferred stock only after all our liabilities have been paid and only on a pari passu basis with any pari passu preferred stock we may issue following this offering. In addition, our Series A mandatory convertible preferred stock will effectively rank junior to all existing and future liabilities of our subsidiaries and the capital stock (other than common stock) of our subsidiaries held by third parties. The rights of holders of our Series A mandatory convertible preferred stock to participate in the assets of our subsidiaries upon any liquidation or reorganization of any subsidiary will rank junior to the prior claims of that subsidiary s creditors and equity holders. As of May 31, 2003, we had $2.8 billion of total debt (including debt of our subsidiaries) outstanding. In the event of bankruptcy, liquidation or winding up, there may not be sufficient assets remaining, after paying our and our subsidiaries liabilities, to pay amounts due on any or all of our Series A mandatory convertible preferred stock then outstanding.

We are controlled by the Sands family.

Our outstanding capital stock consists of Class A common stock and Class B common stock. Holders of Class A common stock are entitled to one vote per share and are entitled, as a class, to elect one fourth of the members of our board of directors. Holders of Class B common stock are entitled to 10 votes per share and are entitled, as a class, to elect the remaining directors. Prior to this offering, the Sands family beneficially owned approximately 5.4% of the outstanding shares of Class A common stock, exclusive of shares of Class A common stock issuable pursuant to the conversion feature of the Class B common stock owned by the Sands family, and approximately 94.1% of the outstanding shares of Class B common stock. On the same basis, on all matters other than the election of directors, the Sands family has the ability to vote approximately 57.3% of the votes entitled to be cast by holders of our outstanding Class A common stock and Class B common stock, voting together as a single class. Consequently, we are essentially controlled by the Sands family and they would generally have sufficient voting power to determine the outcome of any corporate transaction or other matter submitted to our stockholders for approval.

As a result of the concurrent offering of Class A common stock, the holders of Class B common stock will no longer have the right to vote as a single class in an election of directors. After giving effect to the closing of concurrent offering of Class A common stock, the Sands family will beneficially own approximately 4.9% of the outstanding shares of Class A common stock and approximately 94.1% of the outstanding shares of Class B common stock. On all matters in which holders of Class A common stock and Class B common stock vote together as a single class (including the election of three-fourths of the directors), the Sands family will have the ability to vote approximately 54.8% of the votes entitled to be cast. Additionally, after giving effect to this offering of depositary shares, on an as converted basis, assuming the conversion of all of such shares at a price equal to the offering price of the Class A common stock sold pursuant to the concurrent offering, the Sands family will beneficially own approximately 4.6% of the outstanding shares of Class A common stock and approximately 94.1% of the outstanding shares of Class B common stock. On all matters in which holders of Class A common stock and Class B common stock vote together as a single class, including the election of directors, the Sands family will have the ability to vote approximately 53.4% of the votes entitled to be cast. Therefore, we will continue to be controlled by the Sands family given their sufficient voting power to elect three-fourths of our directors and to determine the outcome of any corporate transaction or other matter submitted to our stockholders for approval.

If our stockholders, including members of the Sands family, sell substantial amounts of our common stock after this offering, the market price of our Class A common stock may fall.

Sales of a substantial number of shares of our common stock in the public market by our stockholders, including members of the Sands family, or the perception that such sales may occur, could adversely affect the price of our Class A common stock. Giving effect to the closing of the concurrent Class A common stock offering, we will have outstanding an aggregate of 92,366,947 shares of Class A common stock, based on the number of shares outstanding as of June 30, 2003, of which 91,460,169 shares will be freely tradeable without restriction or further registration under the Securities Act. A total of 906,778 shares of our Class A common stock are held by our affiliates and other holders of restricted securities within the meaning of Rule 144 under the Securities Act and may only be sold in compliance with Rule 144. Members of the Sands family and related entities, and our executive officers and directors have agreed that, for a period of 90 days, from the date of this prospectus supplement, subject to certain exceptions, they will not, without the prior written consent of each of Citigroup Global Markets Inc. and J.P. Morgan Securities Inc., dispose of or hedge any shares of our common stock or any securities convertible into or exchangeable for our common stock. The aggregate maximum number of outstanding shares of Class A common stock and Class B common stock that are subject to these lock-up agreements are 941,779 (not taking into account shares of Class A common stock that would be received upon exchange of shares of Class B common stock) and 11,353,616, respectively.

In addition, the sale of shares of Class A common stock issuable upon conversion of the depositary shares, each representing $^{1}/_{40}$ of a share of Series A mandatory convertible preferred stock, could depress the market price of our Class A common stock. We have reserved 6,089,578 shares of Class A common stock for issuance upon conversion of the depositary shares being offered in this offering (including the depositary shares subject to the underwriters over-allotment option). The shares of our Class A common stock issued upon conversion of the depositary shares will be freely transferable, unless they are held by our affiliates as that term is used under the Securities Act of 1933, as amended. Under the proposed terms of the Series A mandatory convertible preferred stock, we will have the option of paying dividends on the Series A mandatory convertible preferred stock in Class A common stock rather than cash. The sale of shares of Class A common stock issued to pay dividends on the Series A mandatory convertible preferred stock could also depress the sale price of our Class A common stock.

We intend to file, from time to time, registration statements on Form S-8 with respect to shares of our Class A common stock that are subject to issuance under our stock option and other stock incentive plans. Following filing of these registration statements, all of these shares will become freely tradeable upon their issuance, subject to compliance with Rule 144.

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Risks relating to our business

Our indebtedness could have a material adverse effect on our financial health.

We have incurred substantial indebtedness to finance our acquisitions and we may incur substantial additional indebtedness in the future to finance further acquisitions or for other purposes. As of May 31, 2003, we had approximately $2.8 billion of indebtedness outstanding, which does not include approximately $369.9 million of revolving loans we had available to draw upon under our senior credit facility. Our ability to satisfy our debt obligations outstanding from time to time will depend upon our 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 our control. Therefore, there can be no assurance that our cash flow from operations will be sufficient to meet all of our debt service requirements and to fund our capital expenditure requirements.

Our current and future debt service obligations and covenants could have important consequences to you if you purchase the depositary shares offered by this prospectus supplement. These consequences may include the following:

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

The restrictive covenants and provisions in our senior credit facility, our bridge loan agreement and the indentures under which our 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. Our senior credit facility and our bridge loan agreement also contain 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 our ability to conduct business. A failure to comply with the obligations contained in our senior credit facility, our bridge loan agreement, our 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 us to immediately repay the related debt and also debt under other agreements that may contain cross-acceleration or cross-default provisions.

Our acquisition and joint venture strategies may not be successful.

We have made a number of acquisitions, including the recent acquisitions of Hardy, Ravenswood Winery, Inc., or Ravenswood, wine brands and other assets from Sebastiani Vineyards, Inc., wine brands and other assets from Tuolomne River Vintners Group and wine brands and other assets from Corus Brands, Inc., and anticipate that we may, from time to time, acquire additional businesses, assets or securities of companies that we believe would provide a strategic fit with our business. Acquired businesses will need to be integrated with our existing operations.

There can be no assurance that we will effectively assimilate the business or product offerings of acquired companies into our business or product offerings. We have also entered into joint ventures and may enter into additional joint ventures.

Acquisitions are also accompanied by risks such as potential exposure to unknown liabilities of acquired companies, 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 our business and the diversion of management time and attention.

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We share control of existing joint ventures and may not have majority interest or control of future joint ventures, and, therefore, there is the risk that our joint venture partners may at any time have economic, business or legal interests or goals that are inconsistent with our interests or goals or those of the joint venture. There is also risk that our joint venture partners may be unable to meet their economic or other obligations and that we may be required to fulfill those obligations alone.

Failure by us or an entity in which we have a joint venture interest to adequately manage the risks associated with any acquisitions or joint ventures could have a material adverse effect on our financial condition or results of operations. There can be no assurance that any of our acquisitions or joint ventures will be profitable.

Competition could have a material adverse effect on our business.

We are in a highly competitive industry and the dollar amount and unit volume of our sales could be negatively affected by our inability to maintain or increase prices, changes in geographic or product mix, a general decline in beverage alcohol consumption or the decision of our wholesale customers, retailers or consumers to purchase competitive products instead of our products. Wholesaler, retailer and consumer purchasing decisions are influenced by, among other things, the perceived absolute or relative overall value of our products, including their quality and 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 and retailers which could affect their supply of, or consumer demand for, our products. We could also experience higher than expected selling, general and administrative expenses if we find it necessary to increase the number of our personnel or our advertising or promotional expenditures to maintain our competitive position or for other reasons.

An increase in excise taxes or government regulations could have a material adverse effect on our business.

In the United States, the United Kingdom, Australia and other countries in which we operate, we are subject to excise and other taxes on beverage alcohol products in varying amounts which have been subject to change. Significant increases in excise taxes on beverage alcohol products could materially and adversely affect our 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 industry is subject to extensive regulation by federal, state, local and foreign governmental agencies concerning such matters as licensing, trade and pricing practices, required labeling and advertising. New or revised regulations or increased licensing fees, requirements or taxes could have a material adverse effect on our financial condition or results of operations.

We rely on the performance of wholesale distributors, major retailers and chains for the success of our business.

In the United States, we sell our 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, we sell our products principally to wholesalers and directly to major retailers and chains. The replacement or poor performance of our major wholesalers, retailers or chains or our inability to collect accounts receivable from our major wholesalers, retailers or chains could materially and adversely affect our results of operations and financial condition. Distribution channels for beverage alcohol products have been consolidating in recent years. In addition, wholesalers and retailers of our products offer products which compete directly with our products for retail shelf space and consumer purchases. Accordingly, there is a risk that wholesalers or retailers may give higher priority to products of our competitors. In the future, our wholesalers and retailers may not continue to purchase our products or provide our products with adequate levels of promotional support.

Our business could be adversely affected by a decline in the consumption of products we sell.

Although since 1995 there have been modest increases in consumption of beverage alcohol products in most of our product categories, there have been periods in the past in which there were substantial declines in the

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overall per capita consumption of beverage alcohol products in the United States and other markets in which we participate. A limited or general decline in consumption in one or more of our 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;
- the increased activity of anti-alcohol consumer groups; and
- increased federal, state or foreign excise taxes.

We generally purchase raw materials under short-term supply contracts, and we are subject to substantial price fluctuations for grapes and grape-related materials and we have a limited group of suppliers of glass bottles.

Our business is heavily dependent upon raw materials, such as grapes, grape juice concentrate, grains, alcohol and packaging materials from third-party suppliers. We could experience raw material supply, production or shipment difficulties that could adversely affect our ability to supply goods to our customers. We are also directly affected by increases in the costs of raw materials. In the past, we have experienced dramatic increases in the cost of grapes. Although we believe we have adequate sources of grape supplies, in the event demand for certain wine products exceeds expectations, we could experience shortages.

One of our 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 our glass container requirements for our United States operations are supplied by one producer and substantially all of our glass container requirements for our Australian operations are supplied by another producer. The inability of any of our glass bottle suppliers to satisfy our requirements could adversely affect our business.

Our global operations subject us to currency rate fluctuations and geopolitical uncertainty which could have a material adverse effect on our business.

We have operations throughout the world and, therefore, are subject to risks associated with currency fluctuations. Subsequent to the Hardy acquisition, our exposure to foreign currency risk has increased significantly as a result of having additional international operations in Australia, New Zealand, the United Kingdom and France. We could experience changes in our ability to obtain or hedge against fluctuations in exchange rates. We 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 our results of operation, especially to the extent these matters, or the decisions, policies or economic strength of our suppliers, affect our global operations.

We have a material amount of goodwill, and if we are required to write down goodwill, it would reduce our net income, which in turn could materially and adversely affect our results of operations.

As of May 31, 2003, approximately $1,382.9 million, or 25.8% of our total assets, represented goodwill. 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.

On March 1, 2002, we adopted the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 142, Goodwill and Other Intangible Assets. 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 our net income caused by the write-down of goodwill could materially and adversely affect our results of operations.

The termination or non-renewal of our imported beer distribution agreements could have a material adverse effect on our business.

All of our 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. Our agreement to distribute Corona Extra and our 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 Constellation Brands, Inc. 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 our imported beer agreements may be terminated if we fail to meet certain performance criteria. We believe that we are currently in compliance with all of our material imported beer distribution agreements. From time to time we have failed, and may in the future fail, to satisfy certain performance criteria in our distribution agreements. It is possible that our beer distribution agreements may not be renewed or may be terminated prior to expiration.

Our financial statements for the four fiscal years ended February 28, 2002 were audited by Arthur Andersen LLP.

Our consolidated financial statements for the four fiscal years ended February 28, 2002 were audited by Arthur Andersen LLP.

On August 31, 2002, Arthur Andersen LLP ceased to practice before the SEC. Therefore, Arthur Andersen did not participate in the preparation of our Annual Report on Form 10-K for the fiscal year ended February 28, 2003 that is incorporated by reference into this prospectus supplement (the 2003 Form 10-K), did not reissue its audit report with respect to the financial statements included in the 2003 Form 10-K, and did not consent to the inclusion of a copy of its previously issued audit report in the 2003 Form 10-K or the incorporation by reference of such report into this prospectus supplement. As a result, holders of our 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 our securities that might arise under federal securities laws or otherwise with respect to the audit report of Arthur Andersen LLP.

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USE OF PROCEEDS

We estimate that our net proceeds from this offering will be approximately $144.9 million, or $164.8 million if the underwriters over-allotment option is exercised in full, after deducting the underwriting discount and our estimated offering fees and expenses. We intend to use the net proceeds from this offering, together with the net proceeds of the concurrent offering of shares of Class A common stock discussed below and available cash, to repay $400 million of borrowings plus $1.3 million of accrued interest under our bridge loans. In the event the concurrent offering of Class A common stock is not consummated, the net proceeds from this offering will be applied to repay a portion of the bridge loans plus accrued interest.

The bridge loans were incurred to partially finance the acquisition of Hardy and are due to be repaid in full on April 9, 2004. The rate of interest payable on the bridge loans is equal to LIBOR plus a margin. As of July 15, 2003, the bridge loans had a weighted average interest rate of 5.625% per year.

Concurrently with this offering of our depositary shares, we are offering 9,500,000 shares of Class A common stock (or 10,925,000 shares if the underwriters over-allotment option is exercised in full). We estimate that our net proceeds from that offering will be approximately $253.0 million, or $291.1 million if the underwriters over-allotment option is exercised in full, after deducting the underwriting discount and our estimated offering fees and expenses. This offering of depositary shares is not contingent upon the closing of the offering of the shares of Class A common stock.

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PRICE RANGE OF CLASS A COMMON STOCK AND DIVIDEND POLICY

Our Class A common stock trades on the New York Stock Exchange under the symbol STZ. The following tables set forth for the periods indicated the high and low sales prices of the Class A common stock as reported on the NYSE.

	High	Low
Fiscal Year Ended February 28, 2002		
First Quarter	$ 20.00	$ 15.65
Second Quarter	23.25	18.40
Third Quarter	22.50	17.38
Fourth Quarter	27.18	19.01
Fiscal Year Ended February 28, 2003		
First Quarter	$ 31.62	$ 25.25
Second Quarter	32.00	24.10
Third Quarter	29.80	21.99
Fourth Quarter	26.26	22.30
Fiscal Year Ending February 28, 2004		
First Quarter	$ 27.65	$ 21.90
Second Quarter (through July 24, 2003)	31.80	27.39

On July 24, 2003, the last sale price of our Class A common stock on the New York Stock Exchange was $28.00 per share. On July 15, 2003, the number of holders of record of our Class A common stock was 989. The above data have been adjusted to give effect to the two-for-one splits of our two classes of common stock in each of May 2001 and 2002.

We have not paid any cash dividends since our initial public offering in 1973. We currently intend to retain all of our future earnings to finance the development and expansion of our business. In addition, the indentures for our outstanding senior notes, our outstanding senior subordinated notes, our existing senior credit facility and our existing bridge facility may restrict the payment of cash dividends 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. However, we intend to pay cash dividends on the depositary shares.

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CAPITALIZATION

The following table sets forth our unaudited capitalization as of May 31, 2003:

- on an actual basis, and
- on an as adjusted basis to give effect to:
  - the sale of 6,000,000 depositary shares offered by this prospectus supplement and the application of the proceeds from such sale, after deducting underwriting discounts and our estimated offering fees and expenses related thereto, and
  - the sale of 9,500,000 shares of our Class A common stock offered in the concurrent offering and the application of the proceeds from such sale, after deducting underwriting discount and our estimated offering fees and expenses related thereto.

The table should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations section of this prospectus supplement and our consolidated financial statements and related notes incorporated by reference into this prospectus supplement.

	May 31, 2003	
	Actual	As Adjusted
	(in millions, except per share data)	
Cash and cash equivalents	$ 46.0	$ 42.6
Long-term debt (including current maturities):		
Senior Credit Facility Revolving Credit Loans	$ 15.0	$ 15.0
Senior Credit Facility Term Loans	1,200.0	1,200.0
Bridge Loans	400.0	
8 5/8% Senior Notes due 2006	200.0	200.0
8% Senior Notes due 2008	200.0	200.0
8 1/2% Series B Senior Notes due 2009[(a)]	1.6	1.6
8 1/2% Series C Senior Notes due 2009[(b)]	251.5	251.5
8 1/2% Senior Subordinated Notes due 2009	200.0	200.0
8 1/8% Senior Subordinated Notes due 2012	250.0	250.0
Other	60.3	60.3
Total debt	2,778.4	2,378.4
Stockholders equity:		
		0.0

Preferred Stock, $.01 par value authorized, 1,000,000 shares; issued, none, actual; 150,000 shares, as adjusted for the depositary share offering		
Class A common stock, $.01 par value authorized, 275,000,000 shares; issued, 85,428,198 shares, actual; 94,928,198 shares, as adjusted	0.9	0.9
Class B common stock, $.01 par value authorized, 30,000,000 shares; issued, 14,573,670 shares, actual and as adjusted	0.1	0.1
Additional paid-in capital	556.7	954.5
Retained earnings	834.7	831.8
Accumulated other comprehensive income	79.2	79.2
Less: Treasury stock(c)	(31.9)	(31.9)
Total stockholders equity	1,439.7	1,834.6
Total capitalization	$ 4,218.1	$ 4,213.0

(a) Represents £1.0 million converted at a rate of £1.00 = $1.6364.

(b) Represents £154.0 million less £0.3 million unamortized discount, converted at a rate of £1.00 = $1.6364.

(c) Represents 2,749,384 shares of Class A common stock and 2,502,900 shares of Class B common stock; actual and as adjusted.

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The share information for the Class A common stock excludes:

- shares of Class A common stock subject to stock options, of which there were 13,179,944 shares reserved for issuance upon exercise of outstanding stock options on May 31, 2003, at a weighted average exercise price of $17.10 per share;

- shares of Class A common stock reserved for future grants under our stock option and other stock incentive plans, of which there were 11,583,691 shares on May 31, 2003;

- shares of Class A common stock reserved for issuance upon conversion of shares of Class B common stock into Class A common stock at any time at the option of the holders of our Class B common stock, of which there were 12,070,770 shares reserved for issuance on May 31, 2003; and

- 6,089,578 shares of Class A common stock that will be reserved, upon closing of this offering (including the depositary shares subject to the underwriters over-allotment option), for issuance upon conversion of Series A mandatory convertible preferred stock.

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SELECTED FINANCIAL DATA OF CONSTELLATION

The table appearing below sets forth our selected financial data as of the end of and for each of the five fiscal years in the period ended February 28, 2003 and the three months ended May 31, 2002 and 2003. The consolidated financial statements for the year ended February 28, 2003 were audited by KPMG LLP. The consolidated financial statements for the years ended February 28, 2002, February 28, 2001, February 29, 2000, and February 28, 1999 were audited by Arthur Andersen LLP and the reports for those years have not been reissued by Arthur Andersen LLP. In our opinion, the information for the three months ended May 31, 2002 and 2003 reflects all adjustments consisting only of normal recurring adjustments, necessary to fairly present the results of operations and financial condition. Results for interim periods should not be considered indicative of results for any other periods. The supplemental data section below 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, 1998.

Effective March 1, 2002, we adopted Statement of Financial Accounting Standards No. 142, or 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, we determined that certain of our 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. Our trademarks relate to well established brands owned by us 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.

Effective March 1, 2002, we adopted EITF Issue No. 01-09, or EITF No. 01-09, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor s Products). EITF No. 01-09 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. 01-09, 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. We previously reported such costs as selling, general and administrative expenses. As a result of adopting EITF No. 01-09 on March 1, 2002, we have restated net sales, cost of product sold, and selling, general and administrative expenses for the years ended February 28, 2002, February 28, 2001, February 29, 2000, and February 28, 1999. Net sales were reduced by $213.8 million, $170.7 million, $178.7 million and $112.8 million, respectively; cost of product sold was increased by $10.1 million, $7.8 million, $8.8 million and $2.0 million, respectively; and selling, general and administrative expenses were reduced by $223.9 million, $178.5 million, $187.5 million and $114.8 million, respectively. This reclassification did not affect operating income or net income.

It is important that you read the selected financial data presented below in conjunction with the historical financial statements incorporated by reference into this prospectus supplement.

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	For the Years Ended					For the Three Months Ended May 31,	
	February 28, 1999	February 29, 2000	February 28, 2001	February 28, 2002	February 28, 2003	2002	2003
	(in thousands, except per share data)						
Income Statement Data:							
Gross sales	$ 1,872,048	$ 2,909,954	$ 2,983,629	$ 3,420,213	$ 3,583,082	$ 860,463	$ 989,067
Less-excise taxes	(487,458)	(748,230)	(757,609)	(813,455)	(851,470)	(210,070)	(217,438)
Net sales	1,384,590	2,161,724	2,226,020	2,606,758	2,731,612	650,393	771,629
Cost of product sold	(1,051,331)	(1,626,804)	(1,647,081)	(1,911,598)	(1,970,897)	(473,667)	(563,717)
Gross profit	333,259	534,920	578,939	695,160	760,715	176,726	207,912
Selling, general and administrative expenses	(184,751)	(294,369)	(308,071)	(352,679)	(350,993)	(90,761)	(106,629)
Restructuring charges					(4,764)		(2,316)
Nonrecurring charges	(2,616)	(5,510)					
Operating income	145,892	235,041	270,868	342,481	404,958	85,965	98,967
Gain on change in fair value of derivative instruments					23,129		1,181
Equity in earnings of joint ventures				1,667	12,236	2,739	328
Interest expense, net	(41,462)	(106,082)	(108,631)	(114,189)	(105,387)	(27,141)	(39,243)
Income before income taxes and extraordinary item	104,430	128,959	162,237	229,959	334,936	61,563	61,233
Provision for income taxes	(42,521)	(51,584)	(64,895)	(91,984)	(131,630)	(24,194)	(22,044)
Income before extraordinary item	61,909	77,375	97,342	137,975	203,306	37,369	39,189
Extraordinary item, net of income taxes	(11,437)			(1,554)			
Net income	$ 50,472	$ 77,375	$ 97,342	$ 136,421	$ 203,306	$ 37,369	$ 39,189
Earnings per common share[1]:							
Basic:							
Income before extraordinary item	$ 0.85	$ 1.07	$ 1.33	$ 1.62	$ 2.26	$ 0.42	$ 0.42
Extraordinary items	(0.16)			(0.02)			
Earnings per common share basic	$ 0.69	$ 1.07	$ 1.33	$ 1.60	$ 2.26	$ 0.42	$ 0.42
Diluted:							
Income before extraordinary item	$ 0.82	$ 1.05	$ 1.30	$ 1.57	$ 2.19	$ 0.40	$ 0.41
Extraordinary item	(0.15)			(0.02)			

Earnings per common share diluted	$	0.67	$	1.05	$	1.30	$	1.55	$	2.19	$	0.40	$	0.41
Weighted average common shares outstanding														
Basic		73,174		72,216		73,446		85,505		89,856		88,845		92,880
Diluted		75,015		73,996		74,751		87,825		92,746		92,353		95,661

(1) All per share data have been adjusted to give effect to the two-for-one splits of our two classes of common stock in each of May 2001 and May 2002.

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	For the Years Ended					For the Three Months Ended May 31,	
	February 28, 1999	February 29, 2000	February 28, 2001	February 28, 2002	February 28, 2003	2002	2003
	(in thousands, except per share data)						
Supplemental data restated for effect of SFAS No. 142:							
Adjusted operating income	$ 154,647	$ 254,833	$ 290,372	$ 369,780	$ 404,958	$ 85,965	
Adjusted income before extraordinary item	$ 67,594	$ 91,793	$ 111,635	$ 156,921	$ 203,306	$ 37,369	
Adjusted net income	$ 56,157	$ 91,793	$ 111,635	$ 155,367	$ 203,306	$ 37,369	
Adjusted earnings per common share[(1)]:							
Basic:							
Income before extraordinary item	$ 0.93	$ 1.27	$ 1.52	$ 1.84	$ 2.26	$ 0.42	
Earnings per common share basic	$ 0.77	$ 1.27	$ 1.52	$ 1.82	$ 2.26	$ 0.42	
Diluted:							
Income before extraordinary item	$ 0.90	$ 1.24	$ 1.49	$ 1.79	$ 2.19	$ 0.40	
Earnings per common share diluted	$ 0.75	$ 1.24	$ 1.49	$ 1.77	$ 2.19	$ 0.40	
Balance Sheet Data (at period end):							
Total assets	$ 1,793,776	$ 2,348,791	$ 2,512,169	$ 3,069,385	$ 3,196,330	$ 3,096,434	$ 5,358,956
Long-term debt, including current maturities	$ 837,694	$ 1,289,788	$ 1,361,613	$ 1,374,792	$ 1,262,895	$ 1,363,236	$ 2,762,123
Total stockholders equity	$ 435,272	$ 520,840	$ 616,268	$ 955,736	$ 1,174,984	$ 1,009,091	$ 1,439,662

(1) All per share data have been adjusted to give effect to the two-for-one splits of our two classes of common stock in each of May 2001 and May 2002.

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SELECTED FINANCIAL DATA OF HARDY

The following table sets forth summary financial data of Hardy for each of the fiscal years in the five year period ended December 31, 2002 prepared in accordance with Australian GAAP and reported in Australian dollars. The statement of income data is derived from Hardy s audited historical financial statements, the most recent two years of which are incorporated by reference into this prospectus supplement. It is important that you read the selected financial data presented below along with the consolidated financial statements of Hardy incorporated by reference herein.

As a result of Hardy s adopting AASB 1004 Revenue effective January 1, 1999, and applying the revised AASB 1018 Statement of Financial Performance , revised AASB 1034 Financial Report Presentation and Disclosure and AASB 1040 Statement of Financial Position for the first time in the 2001 financial year, a number of comparative amounts for 1998, 1999 and 2000 have been reclassified to ensure comparability with the 2001 and 2002 reporting periods.

	For the Year Ended December 31,				
	1998	1999	2000	2001	2002
	(A$ and in thousands)				
Statements of financial performance					
Revenue from ordinary activities	A$ 448,377	A$ 524,036	A$ 641,775	A$ 771,377	A$ 870,336
Profit from ordinary activities before borrowing costs and income tax expense	61,929	82,805	102,276	124,248	144,626
Borrowing cost	(4,447)	(9,834)	(16,266)	(22,390)	(25,273)
Income tax expense	(18,846)	(22,847)	(22,354)	(29,699)	(35,191)
Net profit	38,636	50,124	63,656	72,159	84,162
Net profit/(loss) attributable to outside equity interests	(85)	(79)	(108)	53	176
Net profit attributable to members of BRL Hardy Limited	A$ 38,551	A$ 50,045	A$ 63,548	A$ 72,212	A$ 84,338
Net profit attributable to members of BRL Hardy in US GAAP				A$ 43,423	A$ 83,181

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UNAUDITED PRO FORMA COMBINED INCOME STATEMENT DATA

On January 17, 2003, we entered into an agreement with Hardy to effect our acquisition of all of the outstanding shares of Hardy by a wholly-owned, indirect subsidiary of ours. On March 27, 2003, we acquired control of Hardy s Board of Directors pursuant to the terms of the agreement. On April 9, 2003, we completed our acquisition of all of Hardy s outstanding capital stock, as a result of which we also acquired the remaining 50% ownership of Pacific Wine Partners, LLC (PWP), the joint venture we established with Hardy in 2001 (collectively, the Hardy Acquisition). Total consideration paid in cash and shares of Class A common stock to the Hardy shareholders was valued at $1,137.4 million for accounting purposes. The Class A common stock consisted of 3,288,913 shares which were valued at $77.2 million. Additionally, we recorded direct acquisition costs of $20.0 million. The acquisition date for accounting purposes is March 27, 2003, the date we assumed control of Hardy. We have 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.

Our following unaudited pro forma combined income statement data consists of an unaudited pro forma combined statement of income for the year ended February 28, 2003 (the Pro Forma Statement of Income).

Our information was derived from our audited consolidated financial statements filed in our Annual Report on Form 10-K for the fiscal year ended February 28, 2003. Our historical information was prepared using accounting principles generally accepted in the United States (U.S. GAAP) and United States Dollars (US$ or $).

Hardy s information was derived from its audited consolidated financial statements as of and for the fiscal year ended December 31, 2002. Hardy s historical information was originally prepared using Australian GAAP, which differs in certain material respects from U.S. GAAP, and Australian dollars (A$). This historical information has been modified to present Hardy s information in conformity with our financial statement presentation, using U.S. GAAP and US$. The average US$/A$ exchange rate used to convert information was $0.5440 for the year ended December 31, 2002.

The Pro Forma Statement of Income is presented as if the Hardy Acquisition was consummated on March 1, 2002. The Pro Forma Statement of Income reflects the combination of our income statement for the year ended February 28, 2003, the income statement of Hardy for the year ended December 31, 2002, and pro forma adjustments. The pro forma adjustments include: (i) the consolidation of Pacific Wine Partners LLC (PWP) (prior to the Hardy Acquisition, PWP was equally owned by us and Hardy; consolidation adjustments include the elimination of the effects of using the equity method of accounting and any applicable elimination entries); and (ii) acquisition adjustments to reflect the purchase method of accounting for the Hardy Acquisition. PWP s information was derived from its unaudited consolidated financial statements for the fiscal year ended December 31, 2002. PWP s historical information was prepared using U.S. GAAP and US$.

The Pro Forma Statement of Income is for illustrative purposes only and should be read in conjunction with the separate historical financial statements of ours and Hardy and the notes thereto and with the accompanying notes to the Pro Forma Statement of Income, which is based upon currently available information and upon certain assumptions that we believe are reasonable under the circumstances. The purchase price allocation is based upon certain management estimates and preliminary independent appraisals of the fair value of assets acquired and liabilities assumed. These preliminary independent appraisals include a valuation of property, plant and equipment and intangible assets. These amounts may differ significantly from the results of the final independent appraisals which will also include valuations of inventories and grape supply contracts. Management has estimated the fair value of the remaining assets acquired and liabilities assumed.

The Pro Forma Statement of Income does not reflect any expected annual savings resulting from any operating synergies anticipated by our management. The Pro Forma Statement of Income does not purport to represent what our results of operations would actually have been if the Hardy Acquisition had, in fact, occurred on March 1, 2002 or to project our financial position or the results of operations at any future date or for any future period.

CONSTELLATION BRANDS, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENT OF INCOME

For the Year Ended February 28, 2003

(in thousands, except per share data)

	Historical			
	Constellation	Hardy*	Pro Forma Adjustments	Pro Forma Combined
Gross sales	$ 3,583,082	$ 466,019	$ 115,602 [(a)] (24,349)[(a)] (970)[(a)]	$ 4,139,384
Less Excise taxes	(851,470)	(48,394)	(3,012)[(a)]	(902,876)
Net sales	2,731,612	417,625	87,271	3,236,508
Cost of product sold	(1,970,897)	(291,851)	(69,203)[(a)] 24,349 [(a)] 2,450 [(a)] 3,865 [(d)]	(2,301,287)
Gross profit	760,715	125,774	48,732	935,221
Selling, general and administrative expenses	(350,993)	(64,728)	(19,058)[(a)] (1,480)[(a)] 472 [(b)] (12,045)[(e)] 1,207 [(d)]	(446,625)
Restructuring charges	(4,764)			(4,764)
Operating income	404,958	61,046	17,828	483,832
Gain on change in fair value of derivative instruments	23,129	7,231		30,360
Equity in earnings of joint ventures	12,236	12,664	(24,744)[(a)]	156
Interest expense, net	(105,387)	(16,435)	113 [(a)] (76,045)[(c)] (1,595)[(f)]	(199,349)
Income (loss) before income taxes	334,936	64,506	(84,443)	314,999
(Provision for) benefit from income taxes	(131,630)	(19,256)	33,186 [(g)]	(117,700)
Net income (loss)	$ 203,306	$ 45,250	$ (51,257)	$ 197,299
Share Data:				
Earnings per common share:				
Basic	$ 2.26			$ 2.12
Diluted	$ 2.19			$ 2.05

Weighted average common shares outstanding:

Basic	89,856	3,289 [h]	93,145
Diluted	92,746	3,289 [h]	96,035

* Derived from Hardy s audited consolidated financial statements as of and for the fiscal year ended December 31, 2002.

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CONSTELLATION BRANDS, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED PRO FORMA COMBINED STATEMENT

OF INCOME FOR THE YEAR ENDED FEBRUARY 28, 2003

(in thousands, except per share data)

(a) Reflects the consolidation of PWP, a joint venture previously owned equally by us and Hardy, and the elimination of the effects of using the equity method of accounting in the historical financial statements, including the elimination of (i) sales and cost of product sold from Hardy to PWP of $20,386; (ii) revenues for crush, wine production, bottling and storage services provided by PWP to us of $3,963; (iii) sales of grapes and concentrate of $970 from us to PWP; and (iv) charges for other administrative services of $1,480 provided by us to PWP.

(b) Reflects the elimination of stock-based compensation expense recognized in accordance with FASB Interpretations No. 44 (FIN No. 44), Accounting for Certain Transactions Involving Stock Compensation (an Interpretation of APB Opinion No. 25) recorded by PWP for Constellation and Hardy options granted to employees of PWP, previously considered non-employees under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, resulting in fair value measurement in accordance with FIN No. 44.

(c) Reflects the effects of the Hardy Acquisition financing and its use in consummating the Hardy Acquisition, including the elimination of certain of Hardy s interest expense due to the refinancing of certain of Hardy s debt, the additional interest expense incurred on the debt to finance the Hardy Acquisition and the incremental interest expense on our historical borrowings resulting from the higher interest rate in our 2003 credit facility. In determining the pro forma adjustment, we have assumed interest rates on our LIBOR-based senior credit facility ranging from 4.6% to 5.1% for the pro forma period. The assumed interest rate on the bridge loan facility, which has escalation provisions, range from 6.1% in the first three months to 8.4% in the last three months of the pro forma period. The overall effective interest rate was 5.65% for the pro forma year ended February 28, 2003. We have recorded a $1,626 reduction in the purchase price to reflect imputed interest between the accounting acquisition date and the final payment of consideration. This charge is not reflected in the pro forma statement of income but will be reflected in our first quarter of fiscal 2004 earnings. The pro forma statement of income reflects interest expense for the bridge loan agreement pursuant to its terms despite our intention to repay this loan during fiscal 2004. Since the timing of repayment and exact nature and amount of the refinancing are not yet determinable, its impacts have not been reflected.

(d) Reflects the adjustment to depreciation expense related to the acquired property, plant and equipment of Hardy. These assets have been restated at their estimated fair values and depreciated using our depreciation methods over the remaining useful lives of the assets as identified in the preliminary independent appraisal. The decrease in depreciation expense of $5,072 was due primarily to longer useful lives per the preliminary independent appraisal as compared to the estimated useful lives used by Hardy, and was allocated to cost of product sold and selling, general and administrative expenses as indicated.

(e) Reflects incremental amortization expense associated with the deferred debt issuance costs as follows:

	Year Ended February 28, 2003
Credit agreement	$ 3,900
Bridge loan agreement	8,145

	$ 12,045

The deferred debt issuance costs associated with these agreements are being amortized over the life of the related debt. Deferred debt issuance costs associated with the bridge loan agreement are being amortized over five months, the period of time that we expect the related borrowings to be outstanding.

(f) Reflects interest expense on the present value of adverse grape contracts.

(g) Reflects the tax effect of the pro forma adjustments using our statutory tax rate of 39.3%.

(h) Reflects the issuance of 3,288,913 shares of our Class A common stock given as part of the consideration in consummation of the Hardy Acquisition.

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MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

We are a leading international producer and marketer of beverage alcohol in North America, Europe and Australia with a broad portfolio of brands across the wine, imported beer and distilled spirits categories. We have the largest wine business in the world and we are the largest multi-category supplier of beverage alcohol brands in the United States. In the United Kingdom, we are the largest marketer of wine, the second largest producer and marketer of cider and a leading independent drinks wholesaler. We are the largest producer and marketer of wine in Australia.

Through February 28, 2003, we reported our 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, ready-to-drinks 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 our acquisition of Hardy as described below, we changed the structure of our internal organization to consist of two business divisions, Constellation Wines and Constellation Beers and Spirits. Separate division chief executives report directly to our chief operating officer. As a result of these changes, beginning with the first quarter of Fiscal 2004, we will report our operating results in three segments: Constellation Wines (branded wine, U.K. wholesale and other), Constellation Beers and Spirits (imported beer and distilled spirits) and Corporate Operations and Other. The new business segments reflect how our operations are now being managed, how operating performance is now being evaluated by senior management and the structure of its internal financial reporting. In addition, we changed our definition of operating income for segment purposes to exclude restructuring charges and unusual costs that affect comparability. Accordingly, financial information for the three months ended May 31, 2002 (First Quarter 2003) has been restated to conform to the new segment presentation.

The following discussion and analysis summarizes the significant factors affecting our (i) consolidated results of operations for the year ended February 28, 2003 (Fiscal 2003), compared to the year ended February 28, 2002 (Fiscal 2002), and Fiscal 2002 compared to the year ended February 28, 2001 (Fiscal 2001), (ii) consolidated results of operations for the three months ended May 31, 2003 (First Quarter 2004), compared to First Quarter 2003, and (ii) financial liquidity and capital resources for Fiscal 2003 and First Quarter 2004. This discussion and analysis should be read in conjunction with our consolidated financial statements and the notes thereto incorporated by reference in this prospectus supplement.

As discussed in Note 1 to our consolidated financial statements for the year ended February 28, 2003, we adopted SFAS No. 142 on March 1, 2002. Upon the adoption of SFAS No. 142, we ceased amortization of goodwill and intangible assets with indefinite lives. Retroactive application of SFAS No. 142 is not permitted. As discussed in Note 2 to our consolidated financial statements, we adopted EITF No. 01-09 on March 1, 2002. EITF No. 01-09 requires that certain consideration given by a vendor to a customer be characterized as a reduction of revenue. We previously reported such costs as selling, general and administrative expenses. As a result of adopting EITF No. 01-09, we have restated our net sales, cost of product sold and selling, general and administrative expenses for Fiscal 2002 and Fiscal 2001. This reclassification did not affect our operating income or net income.

Recent Developments

Acquisition of Hardy

On March 27, 2003, we acquired control of BRL Hardy Limited, now known as Hardy Wine Company Limited, or Hardy, and on April 9, 2003, we completed our acquisition of all of Hardy s outstanding capital stock. As a result of the acquisition of Hardy, we also acquired the remaining 50% ownership of Pacific Wine

Partners LLC (PWP), the joint venture we established with Hardy in July 2001, which we refer to together with the acquisition of all of Hardy s outstanding capital stock, as the Hardy acquisition. Hardy is Australia s largest wine producer with interests in wineries and vineyards in most of Australia s major wine regions as well as New Zealand, France and the United States. In addition, Hardy has significant marketing and sales operations in the United Kingdom. This acquisition supports our strategy of driving long- term growth and positions us to capitalize on the growth opportunities in new world wine markets. 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, we recorded direct acquisition costs of $20.0 million. The acquisition date for accounting purposes is March 27, 2003. We have 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 our consolidated statement of income for the three months ended May 31, 2003. 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 our senior credit agreement and $400.0 million of borrowings under our bridge loan facility. Additionally, we issued 3,288,913 shares of the our Class A common stock, which were valued at $77.2 million based on the simple average of the closing market prices of our 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 results of operations of Hardy and PWP have been reported in our new Constellation Wines segment from March 27, 2003. The Hardy acquisition is significant and we expect it to have a material impact on our future results of operations, financial position and cash flows.

Acquisitions in Fiscal 2003, Fiscal 2002 and Fiscal 2001 and Joint Venture

Acquisition of Ravenswood Winery

On July 2, 2001, we acquired all of the outstanding capital stock of Ravenswood Winery, Inc., a leading premium wine producer based in Sonoma, California. On June 30, 2002, Ravenswood Winery, Inc. was merged into Franciscan Vineyards, Inc., our wholly-owned subsidiary. The Ravenswood business produces, markets and sells super-premium and ultra-premium California wine, primarily under the Ravenswood brand name. The 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 were reported in the Fine Wine segment for Fiscal 2003 and Fiscal 2002 and have been included in our consolidated results of operations since the date of acquisition. Beginning in Fiscal 2004, the results of operations of the Ravenswood business will be reported in the our new Constellation Wines segment.

Acquisition of the Corus Assets

On March 26, 2001, in an asset acquisition, we acquired certain wine brands, wineries, working capital, primarily inventories, and other related assets from Corus Brands, Inc. which we refer to as the Corus Assets. In this acquisition, we 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, we 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 were reported in the Popular and Premium Wine segment for Fiscal 2003 and Fiscal 2002 and have been included in our consolidated results of operations since the date of acquisition. Beginning in Fiscal

2004, the results of operations of the Corus Assets will be reported in our new Constellation Wines segment.

Acquisition of the Turner Road Vintners Assets

On March 5, 2001, in an asset acquisition, we 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 which we refer to as the Turner Road Vintners Assets. The results of operations of the Turner Road Vintners Assets were reported in the Popular and Premium Wine segment for Fiscal 2003 and Fiscal 2002 and have been included in our consolidated results of operations since the date of acquisition. Beginning in Fiscal 2004, the results of operations of the Turner Road Vintners Assets will be reported in our new Constellation Wines segment.

Acquisition of Forth Wines

On October 27, 2000, we acquired all of the issued Ordinary Shares and Preference Shares of Forth Wines Limited. The results of operations of Forth Wines were reported in the U.K. Brands and Wholesale segment for Fiscal 2003 and Fiscal 2002 and have been included in our consolidated results of operations since the date of acquisition. Beginning in Fiscal 2004, the results of operations of Forth Wines will be reported in our new Constellation Wines segment.

Pacific Wine Partners

On July 31, 2001, we and Hardy formed Pacific Wine Partners LLC, or PWP, a joint venture owned equally by us and Hardy. 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 seven brands Banrock Station, Hardys, Leasingham, Barossa Valley Estate and Chateau Reynella from Australia; Nobilo from New Zealand; and La Baume from France. The joint venture also owns Farallon, a premium California coastal wine. In addition, PWP owns a winery and controls 1,400 acres of vineyards, located in Monterey County, California and an additional winery located in Sonoma County, California.

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

The investment in PWP was accounted for using the equity method; accordingly, the results of operations of PWP since its formation through March 27, 2003 have been included in the equity in earnings of joint venture line in our Consolidated Statements of Income.

As a result of the Hardy acquisition, PWP became our wholly-owned subsidiary. Accordingly, its results of operations will be consolidated and reported in our new Constellation Wines segment.

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Results of Operations

First Quarter 2003 Compared to First Quarter 2004

Net Sales

The following table sets forth the net sales (in thousands of dollars) by our operating segments for First Quarter 2003 and First Quarter 2004.

	First Quarter 2003 Compared to First Quarter 2004		
	Net Sales		
	2003	2004	% Increase/ (Decrease)
Constellation Wines:			
Branded wine	$ 214,011	$ 310,010	44.9 %
Wholesale and other	164,477	184,150	12.0 %
Constellation Wines net sales	378,488	494,160	30.6 %
Constellation Beers and Spirits:			
Imported beers	199,706	207,264	3.8 %
Spirits	72,199	70,205	(2.8)%
Constellation Beers and Spirits net sales	271,905	277,469	2.0 %
Corporate Operations and Other			N/A
Consolidated net sales	$ 650,393	$ 771,629	18.6 %

Net sales for First Quarter 2004 increased to $771.6 million from $650.4 million for First Quarter 2003, an increase of $121.2 million, or 18.6%. This increase resulted primarily from the inclusion of $101.9 million of net sales of products acquired in the Hardy acquisition. In addition, net sales increased due to increases in U.K. wholesale sales, imported beer sales and a favorable foreign currency impact of $18.2 million.

Constellation Wines

Net sales for Constellation Wines increased to $494.2 million for First Quarter 2004 from $378.5 million in First Quarter 2003, an increase of $115.7 million, or 30.6%. This increase was primarily due to the addition of $98.5 million of sales of branded wine acquired in the Hardy acquisition and also included a positive impact on branded wine sales of $3.0 million from foreign exchange partially offset by a decrease in our base (non Hardy) sales. Wholesale and other net sales increased $19.7 million, due to a favorable foreign currency impact of $15.2 million, partially offset by lower cider sales. We continue to face a challenging wine environment due to competitive discounting driven in part by excess grape supplies. We do not believe this is a long-term issue. We have taken a strategy of preserving the long-term brand equity of our portfolio and investing our marketing dollars in the higher growth sectors of the wine business.

Constellation Beers and Spirits

Net sales for Beers and Spirits increased to $277.5 million for First Quarter 2004 from $271.9 million for First Quarter 2003, an increase of $5.6 million, or 2.0%. This increase resulted primarily from both volume gains and higher average prices of beer which increased $7.6 million, or 3.8%, partially offset by spirit sales which were down $2.0 million, or (2.8%), on flat volume. The higher average beer prices resulted from a price increase on our Mexican portfolio, which took effect in First Quarter 2003. The decline in spirits sales was due primarily to sales mix towards lower average priced brands.

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Gross Profit

Our gross profit increased to $207.9 million for First Quarter 2004 from $176.7 million for First Quarter 2003, an increase of $31.2 million, or 17.6%. The dollar increase in gross profit resulted primarily from sales from the Hardy acquisition of $26.8 million (net of $5.5 million of pass through of stepped-up inventory costs), higher average beer sales and lower average spirits costs, partially offset by higher average beer costs. Gross profit as a percent of net sales decreased to 26.9% for First Quarter 2004 from 27.2% for First Quarter 2003 primarily due to the Hardy acquisition.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $106.6 million for First Quarter 2004 from $90.8 million for First Quarter 2003, an increase of $15.9 million, or 17.5%. This increase resulted primarily from $11.4 million in selling, general and administrative expenses related to the brands acquired in the Hardy acquisition. In addition, $4.1 million of amortized deferred financing costs associated with non-continuing financing in connection with the Hardy acquisition were included in the Corporate Operations and Other segment. These costs were primarily related to the bridge loan agreement. Selling, general and administrative expenses as a percent of net sales decreased to 13.8% for First Quarter 2004 as compared to 14.0% for First Quarter 2003 due primarily to the Hardy acquisition which had a lower percentage of selling, general and administrative expenses than our base businesses.

Restructuring Charges

Restructuring charges resulted from the realignment of business operations in our wine segment, as previously announced in our fourth quarter of fiscal 2003. We recorded a restructuring charge of $2.3 million in First Quarter 2004 and expect to incur additional charges of approximately $5.0 million for the previously announced actions over the remainder of fiscal 2004.

In June 2003, we made a decision to exit the commodity concentrate product line located in Madera, California. The commodity concentrate product line is facing declining sales and profits and is not part of our core business, beverage alcohol. We will continue to produce and sell value-added, proprietary concentrate products such as MegaColors.

Related to exiting commodity concentrate, we will sell our Escalon facility, located in Escalon, California, and move all remaining production and storage from Escalon to Madera and other locations. By exiting commodity concentrate, we will free up capacity at our winery in Madera and forego further investment in our Escalon facility. We believe these steps will simplify our wine operations and will result in a better use of our capital.

The total restructuring charge for exiting the commodity concentrate product line and closing the Escalon facility is expected to be $56 million and is expected to be incurred over the next six quarters, beginning with an estimated $40 million in the second quarter of fiscal 2004. Of the total restructuring charges, approximately $25 million relate to inventory charges which will be included in cost of product sold. The remaining charges result from renegotiating existing grape contracts associated with commodity concentrate and the Escalon facility, asset write-offs and severance-related costs. More than half of the charges are non-cash charges.

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Operating Income

The following table sets forth the operating income/(loss) (in thousands of dollars) by our operating segments for First Quarter 2003 and First Quarter 2004.

	First Quarter 2003 Compared to First Quarter 2004		
	Operating Income (Loss)		
	2003	2004	% Increase
Constellation Wines	$ 38,838	$ 61,023	57.1 %
Constellation Beers and Spirits	54,421	59,883	10.0 %
Corporate Operations and Other	(7,294)	(10,071)	38.1 %
Total Reportable Segments	85,965	110,835	28.9 %
Restructuring and Unusual Costs		(11,868)	N/A
Consolidated Operating Income	$ 85,965	$ 98,967	15.1 %

Restructuring and unusual costs of $11.9 million for First Quarter 2004 included restructuring and certain unusual costs that are excluded by management in their evaluation of the results of each operating segment. These costs represent the flow-through of inventory step-up and the amortization of deferred financing costs associated with the Hardy acquisition of $5.5 million and $4.1 million, respectively, and restructuring charges of $2.3 million. As a result of these costs and the above factors, consolidated operating income increased to $99.0 million for First Quarter 2004 from $86.0 million for First Quarter 2003, an increase of $13.0 million, or 15.1%.

Interest Expense, Net

Net interest expense increased to $39.2 million for First Quarter 2004 from $27.1 million for First Quarter 2003, an increase of $12.1 million, or 44.6%. 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

Our effective tax rate for First Quarter 2004 was 36.0% as compared to 39.3% for First Quarter 2003 as a result of the Hardy acquisition, which significantly increases the allocation of income to jurisdictions with lower income tax rates.

Net Income

As a result of the above factors, net income increased to $39.2 million for First Quarter 2004 from $37.4 million for First Quarter 2003, an increase of $1.8 million, or 4.9%.

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Fiscal 2002 Compared to Fiscal 2003

Net Sales

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

	Fiscal 2002 Compared to Fiscal 2003		
	Net Sales		
	2002	2003	% Increase (Decrease)
Popular and Premium Wine:			
Branded:			
External customers	$ 696,901	$ 684,094	(1.8)%
Intersegment	9,669	8,570	(11.4)%
Total Branded	706,570	692,664	(2.0)%
Other:			
External customers	57,718	45,223	(21.6)%
Intersegment	13,751	11,537	(16.1)%
Total Other	71,469	56,760	(20.6)%
Popular and Premium Wine net sales	778,039	749,424	(3.7)%
Imported Beer and Spirits:			
Beer	726,953	776,006	6.7%
Spirits	274,702	282,307	2.8%
Imported Beer and Spirits net sales	1,001,655	1,058,313	5.7%
U.K. Brands and Wholesale:			
Branded:			
External customers	223,791	229,283	2.5%
Intersegment	574	189	(67.1)%
Total Branded	224,365	229,472	2.3%
Wholesale	495,532	560,346	13.1%
U.K. Brands and Wholesale net sales	719,897	789,818	9.7%
Fine Wine:			
External customers	131,161	154,353	17.7%

Intersegment	753	1,405	86.6%
Fine Wine net sales	131,914	155,758	18.1%
Corporate Operations and Other			N/A
Intersegment eliminations	(24,747)	(21,701)	(12.3)%
Consolidated net sales	$ 2,606,758	$ 2,731,612	4.8%

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 and the impact of foreign currency changes of $50.7 million in the U.K. Brands and Wholesale segment. Also contributing to the sales growth were increased sales in U.K. wholesale, on a local currency basis, fine wine and spirits, offset by lower bulk wine, grape juice concentrate, Popular and Premium branded wine and U.K. branded sales, on a local currency basis.

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Popular and Premium Wine

Net sales for the Popular and Premium Wine segment for Fiscal 2003 decreased to $749.4 million from $778.0 million for Fiscal 2002, a decrease of $28.6 million, or (3.7)%. Other sales declined $14.7 million, or (20.6)%, on lower bulk wine and grape juice concentrate sales. Branded sales declined $13.9 million, or (2.0)%, on lower volume offset slightly by higher average selling prices. Volumes were negatively impacted as a result of increased promotional spending in the industry, in which we did not participate in heavily. In this competitive pricing environment, we continue to be selective in our promotional activities, focusing instead on growth areas, long-term brand building initiatives and increased profitability.

Imported Beer and Spirits

Net sales for the Imported Beer 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 our 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, along with a slight increase in branded sales.

U.K. Brands and Wholesale

Net sales for the U.K. Brands and Wholesale segment for Fiscal 2003 increased to $789.8 million from $719.9 million for Fiscal 2002, an increase of $69.9 million, or 9.7%. This increase resulted from the impact of foreign currency changes of $50.7 million and a $28.6 million local currency increase in wholesale sales due to the addition of new accounts and increased average delivery sizes, partially offset by a $9.4 million local currency decline in branded sales as a decrease in cider sales was partially offset by increases in wine sales.

Fine Wine

Net sales for the Fine Wine segment for Fiscal 2003 increased to $155.8 million from $131.9 million for Fiscal 2002, an increase of $23.8 million, or 18.1%. This increase resulted from an additional four months of sales of the brands acquired in the Ravenswood acquisition, completed in July 2001, of $14.1 million, as well as growth in the Ravenswood, Simi, Estancia and Franciscan brands. The growth was due to higher sales volumes led by Ravenswood and Simi, partially offset by higher promotional costs and a shift towards lower priced brands.

Gross Profit

Our 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 dollar increase in gross profit resulted from higher imported beer sales, 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 products, particularly popular and premium wine and tequila, lower average wine and spirits costs, and a favorable foreign currency impact. These increases were partially offset by higher average imported beer costs and lower concentrate and bulk wine sales. 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 $352.7 million for Fiscal 2002, a decrease of $1.7 million, or (0.5)%. We adopted SFAS No. 142 on March 1, 2002, and, accordingly, stopped amortizing goodwill and other indefinite lived intangible assets. Therefore, the decrease of $1.7 million consists of a decrease of $27.3 million of amortization expense from Fiscal 2002 offset by an increase of $25.6 million. The increase resulted primarily from increased personnel costs to support our growth, higher selling costs to support the growth in the U.K. wholesale business, and increased advertising costs

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on certain popular and premium wine brands and imported beer brands. Selling, general and administrative expenses as a percent of net sales decreased to 12.8% for Fiscal 2003 as compared to 13.5% 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 change in the Corporate Operations and Other, Popular and Premium Wine and U.K. Brands and Wholesale segments net sales, and (ii) the percent increase in the U.K. Brands and Wholesale segment s selling costs being greater than the percent increase in U.K. Brands and Wholesale segment s net sales.

Restructuring Charges

Our Popular and Premium Wine segment 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 in Fiscal 2004. We began the realignment of our business operations within the Popular and Premium Wine segment to further improve productivity. This realignment is not expected to have an impact on brand sales. As part of this realignment, we expect to incur an additional $6.7 million in charges, primarily in cash, during Fiscal 2004 within the Constellation Wines segment. No such charges were incurred in Fiscal 2002.

In connection with the Hardy acquisition, we expect to record a restructuring charge related to the integration of Hardy in the amount of $3.2 million in Fiscal 2004. In addition, we expect to record a one-time charge in the amount of $8.2 million in Fiscal 2004 for the write-off of bank fees related to the repayment of our senior credit facility.

Operating Income

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

	Fiscal 2002 Compared to Fiscal 2003		
	Operating Income (Loss)		
	2002	2003	% Increase
Popular and Premium Wine	$ 104,781	$ 107,715	2.8%
Imported Beer and Spirits	178,805	217,963	21.9%
U.K. Brands and Wholesale	47,270	56,577	19.7%
Fine Wine	39,169	55,515	41.7%
Corporate Operations and Other	(27,544)	(32,812)	19.1%
Consolidated Operating Income	$ 342,481	$ 404,958	18.2%

As a result of the above factors, operating income increased to $405.0 million for Fiscal 2003 from $342.5 million for Fiscal 2002, an increase of $62.5 million, or 18.2%. Fiscal 2002 operating income for Popular and Premium Wine, Imported Beer and Spirits, U.K. Brands and Wholesale and Fine Wine included amortization expense of $8.9 million, $8.2 million, $5.9 million, and $4.3 million, respectively.

Gain on Change in Fair Value of Derivative Instruments

In February 2003, we 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 our consolidated statements of income.

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In the first quarter of Fiscal 2004, we will record an additional gain of $4.1 million related to the settlement of the foreign currency derivative instruments entered into in conjunction with the Hardy acquisition.

Interest Expense, Net

Net interest expense 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 both a decrease in the average borrowings for the year and a decrease in the average interest rate.

Provision for Income Taxes

Our effective tax rate for Fiscal 2003 was 39.3% as compared to 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%.

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Fiscal 2001 Compared to Fiscal 2002

Net Sales

The following table sets forth our net sales (in thousands of dollars) by operating segment for Fiscal 2001 and Fiscal 2002.

	Fiscal 2001 Compared to Fiscal 2002		
	Net Sales		
	2001	2002	% Increase (Decrease)
Popular and Premium Wine:			
Branded:			
External customers	$ 546,211	$ 696,901	27.6%
Intersegment	6,451	9,669	49.9%
Total Branded	552,662	706,570	27.8%
Other:			
External customers	64,799	57,718	(10.9)%
Intersegment	16,562	13,751	(17.0)%
Total Other	81,361	71,469	(12.2)%
Popular and Premium Wine net sales	634,023	778,039	22.7%
Imported Beer and Spirits:			
Beer	633,833	726,953	14.7%
Spirits	262,933	274,702	4.5%
Imported Beer and Spirits net sales	896,766	1,001,655	11.7%
U.K. Brands and Wholesale:			
Branded:			
External customers	225,550	223,791	(0.8)%
Intersegment	1,193	574	(51.9)%
Total Branded	226,743	224,365	(1.0)%
Wholesale	404,208	495,532	22.6%
U.K. Brands and Wholesale net sales	630,951	719,897	14.1%
Fine Wine:			
External customers	88,486	131,161	48.2%

Intersegment	217	753	247.0%
Fine Wine net sales	88,703	131,914	48.7%
Corporate Operations and Other			N/A
Intersegment eliminations	(24,423)	(24,747)	1.3%
Consolidated net sales	$ 2,226,020	$ 2,606,758	17.1%

Net sales for Fiscal 2002 increased to $2,606.8 million from $2,226.0 million for Fiscal 2001, an increase of $380.7 million, or 17.1%.

Popular and Premium Wine

Net sales for the Popular and Premium Wine segment for Fiscal 2002 increased to $778.0 million from $634.0 million for Fiscal 2001, an increase of $144.0 million, or 22.7%. This increase resulted primarily from $158.5 million of sales of the newly acquired brands from the Turner Road Vintners Assets and Corus Assets acquisitions, which we collectively refer to as the March Acquisitions, both completed in March 2001. This increase was partially offset by declines in the Popular and Premium Wine segment s grape juice concentrate business and certain other wine brands.

Imported Beer and Spirits

Net sales for the Imported Beer and Spirits segment for Fiscal 2002 increased to $1,001.7 million from $896.8 million for Fiscal 2001, an increase of $104.9 million, or 11.7%. This increase resulted primarily from a 14.7% increase in imported beer sales, led by volume growth in the Mexican beer portfolio. Spirits sales increased slightly primarily from an increase in bulk whiskey sales, partially offset by slightly lower branded spirits sales as a result of lower net selling prices from the implementation of a net pricing strategy in the third quarter of Fiscal 2001, which also resulted in lower promotion costs.

U.K. Brands and Wholesale

Net sales for the U.K. Brands and Wholesale segment for Fiscal 2002 increased to $719.9 million from $631.0 million for Fiscal 2001, an increase of $88.9 million, or 14.1%. This increase resulted from a 27.1% local currency basis increase in wholesale sales, with the majority of this growth coming from organic sales, and a 7.4% local currency basis increase in branded sales, with an increase in wine sales being partially offset by a decrease in cider sales, partially offset by a 22.9% adverse foreign currency impact.

Fine Wine

Net sales for the Fine Wine segment for Fiscal 2002 increased to $131.9 million from $88.7 million for Fiscal 2001, an increase of $43.2 million, or 48.7%. This increase resulted primarily from $30.4 million of net sales of the newly acquired brands from the Ravenswood acquisition and organic sales growth primarily due to volume increases in the Estancia, Veramonte and Franciscan brands.

Gross Profit

Our gross profit increased to $695.2 million for Fiscal 2002 from $578.9 million for Fiscal 2001, an increase of $116.2 million, or 20.1%. The dollar increase in gross profit resulted primarily from sales of the newly acquired brands from the March Acquisitions and the Ravenswood acquisition, volume growth in the Imported Beer and Spirits segment s Mexican beer portfolio, volume growth in the Fine Wine segment s portfolio, and volume growth in the U.K. Brands and Wholesale segment s wholesale business and branded business. These increases were partially offset by a decrease in the Imported Beer and Spirits segment s spirits sales and an adverse foreign currency impact. As a percent of net sales, gross profit increased to 26.7% for Fiscal 2002 from 26.0% for Fiscal 2001, resulting primarily from sales of higher-margin wine brands acquired in the March Acquisitions and the Ravenswood acquisition.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased to $352.7 million for Fiscal 2002 from $308.1 million for Fiscal 2001, an increase of $44.6 million, or 14.5%. The dollar increase in selling, general and administrative expenses resulted primarily from an increase in advertising, selling, general and administrative expenses associated with the brands acquired in the March Acquisitions and the Ravenswood acquisition. In addition, there were increases in selling, general and administrative expenses associated with the Imported Beer and Spirits segment s Mexican beer portfolio volume growth, and the U.K. Brands and Wholesale segment s wholesale volume growth, and increased personnel costs to support our growth within the Corporate Operations and Other segment. Selling, general and administrative expenses as a percent of net sales decreased slightly to 13.5% for Fiscal 2002 as compared to 13.8% for Fiscal 2001 due to higher sales growth from the March Acquisitions and the Ravenswood acquisition than the related selling, general and administrative expense growth.

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Operating Income

The following table sets forth our operating income (loss) (in thousands of dollars) by operating segment for Fiscal 2001 and Fiscal 2002.

	Fiscal 2001 Compared to Fiscal 2002		
	Operating Income (Loss)		
	2001	2002	% Increase (Decrease)
Popular and Premium Wine	$ 50,390	$ 104,781	107.9 %
Imported Beer and Spirits	167,680	178,805	6.6 %
U.K. Brands and Wholesale	48,961	47,270	(3.5)%
Fine Wine	24,495	39,169	59.9 %
Corporate Operations and Other	(20,658)	(27,544)	33.3 %
Consolidated Operating Income	$ 270,868	$ 342,481	26.4 %

As a result of the above factors, operating income increased to $342.5 million for Fiscal 2002 from $270.9 million for Fiscal 2001, an increase of $71.6 million, or 26.4%.

Interest Expense, Net

Net interest expense increased to $114.2 million for Fiscal 2002 from $108.6 million for Fiscal 2001, an increase of $5.6 million, or 5.1%. The increase resulted primarily from an increase in the average borrowings primarily due to the financing of the March Acquisitions and the Ravenswood acquisition, partially offset by a decrease in the average interest rate.

Net Income

As a result of the above factors, net income increased to $136.4 million for Fiscal 2002 from $97.3 million for Fiscal 2001, an increase of $39.1 million, or 40.1%.

Financial Liquidity and Capital Resources

General

Our principal use of cash in our operating activities is for purchasing and carrying inventories. Our primary source of liquidity has historically been cash flow from operations, except during the annual Fall grape harvests when we have 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 March and runs through May. We generally begin purchasing grapes at the beginning of the crush season with payments for such grapes beginning to come due one month later. Our short-term borrowings to support such purchases generally reach their highest levels one to two months after the crush season has ended. Historically, we have used cash flow from operating activities to repay our short-term borrowings. We will continue to use our short-term borrowings to support our working capital requirements. We believe that cash provided by our operating activities and our financing activities, primarily short-term borrowings, will provide adequate resources to satisfy our working capital, liquidity and anticipated capital expenditure requirements for both our short-term and long- term capital needs.

First Quarter 2004 Cash Flows

Operating Activities

Net cash used in operating activities for First Quarter 2004 was $6.4 million, which resulted from $65.1 million in net income adjusted for non-cash items, less $71.5 million representing the net change in our operating assets and liabilities. The net change in operating assets and liabilities resulted primarily from a seasonal increase in accounts receivable and a decrease in accounts payable.

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Investing Activities

Net cash used in investing activities for First Quarter 2004 was $1,081.9 million, which resulted primarily from net cash paid of $1,067.7 million for the Hardy purchases of businesses and $18.1 million of capital expenditures.

Financing Activities

Net cash provided by financing activities for First Quarter 2004 was $1,098.1 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. This amount was partially offset by principal payments of long-term debt of $492.7 million.

During June 1998, our Board of Directors authorized the repurchase of up to $100.0 million of our Class A Common Stock and Class B Common Stock. The repurchase of shares 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. We may finance such repurchases through cash generated from operations or through the senior credit facility. The repurchased shares will become treasury shares. As of July 15, 2003, we had purchased 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. No shares were repurchased during First Quarter 2004.

Fiscal 2003 Cash Flows

Operating Activities

Net cash provided by operating activities for Fiscal 2003 was $236.1 million, which resulted from $256.5 million in net income adjusted for noncash items, less $20.4 million representing the net change in our operating assets and liabilities. 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 (including $7.0 million for vineyards).

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 our Chilean subsidiaries.

No shares were repurchased during Fiscal 2003 under our Board approved stock repurchase authority described above in First Quarter 2004 Cash Flows Financing Activities.

Fiscal 2002 Cash Flows

Operating Activities

Net cash provided by operating activities for Fiscal 2002 was $213.3 million, which resulted from $226.3 million in net income adjusted for noncash items, less $13.0 million representing the net change in our operating assets and liabilities. The net change in operating assets and liabilities resulted primarily from increases in accounts receivable and inventories partially offset by increases in accounts payable, deferred revenue, accrued salaries and commissions, and accrued advertising and promotions.

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Investing Activities

Net cash used in investing activities for Fiscal 2002 was $585.4 million, which resulted from net cash paid of $472.8 million for the March Acquisitions and the Ravenswood acquisition, $77.3 million of equity contributions to PWP and $71.1 million of capital expenditures (including $10.1 million for vineyards), partially offset by $35.8 million of proceeds from the sale of assets.

Financing Activities

Net cash provided by financing activities for Fiscal 2002 was $236.9 million, which resulted primarily from proceeds of $252.5 million from the issuance of long-term debt, including $250.0 million of 8 $^{1}/8$% Senior Subordinated Notes used to repay $130.0 million of 8 $^{3}/4$% Senior Subordinated Notes and $65.0 million of 8 $^{3}/4$% Series C Senior Subordinated Notes and a portion of our borrowings under our senior credit facility, net proceeds of $151.5 million from equity offerings, proceeds of $51.4 million from net revolving loan borrowings under the senior credit facility, and proceeds of $45.0 million from exercise of employee stock options. These amounts were partially offset by principal payments of long-term debt of $261.0 million, which included the repayments as discussed above and $54.7 million of scheduled or required principal payments under our senior credit facility.

No shares were repurchased during Fiscal 2002 or Fiscal 2001 under our Board approved stock repurchase authority described above in First Quarter 2004 Cash Flows Financing Activities.

Debt

Total debt outstanding as of May 31, 2003, amounted to $2,778.4 million, an increase of $1,512.9 million from February 28, 2003. The ratio of total debt to total capitalization increased to 65.9% as of May 31, 2003, from 51.9% as of February 28, 2003.

Total debt outstanding as of February 28, 2003, amounted to $1,265.5 million, a decrease of $164.0 million from February 28, 2002. The ratio of total debt to total capitalization decreased to 51.9% as of February 28, 2003, from 59.9% as of February 28, 2002.

Senior Credit Facilities

2000 Credit Agreement

As of February 28, 2003, under the 2000 credit agreement, we had outstanding term loans of $145.4 million bearing a weighted average interest rate of 3.1%, $2.0 million of outstanding revolving loans bearing a weighted average interest rate of 3.1%, undrawn letters of credit of $15.1 million, and $282.9 million available to be drawn under the revolving credit facility. The 2000 credit agreement was a senior credit facility originally entered into between us, certain of our principal operating subsidiaries and a syndicate of banks, for which The Chase Manhattan

Bank acted as administrative agent, on October 6, 1999, and subsequently amended.

2003 Credit Agreement

In connection with the Hardy acquisition, on January 16, 2003, we and our United States subsidiaries (excluding certain inactive subsidiaries) and Canandaigua Limited, JPMorgan Chase Bank, as a lender and administrative agent, and certain other lenders (such other lenders, together with the administrative agent, we collectively refer to as the lenders) entered into a new credit agreement, which was subsequently amended and restated as of March 19, 2003. This 2003 credit agreement provides 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 the fifth anniversary of the first date on which the lenders obligation to make loans under the 2003 credit agreement commences.

The required annual repayments of the tranche A term loan facility is $40.0 million in Fiscal 2004 and increases by $20.0 million each year through fiscal 2008. The required annual repayments of the tranche B term loan, which is backend loaded, is $10.0 million in Fiscal 2004 and increases to $400.0 million in fiscal 2009.

The rate of interest payable, at our 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 our debt ratio, as defined in the 2003 credit agreement, and with respect to LIBOR borrowings, ranges between 1.75% and 2.75%. The initial LIBOR margin for the revolving credit facility and the tranche A term loan facility is 2.25%, while the initial LIBOR margin on the tranche B term loan facility is 2.75%.

Our obligations are guaranteed by the U.S. subsidiaries of the Company (excluding certain inactive subsidiaries), Canandaigua Limited, CBI Australia Holdings Pty Limited and Constellation Australia Pty Limited, as guarantors, and we have pledged collateral of (i) 100% of the capital stock of all of our United States subsidiaries and (ii) 65% of the voting capital stock of Canandaigua Limited, Matthew Clark plc, Hardy, Constellation Australia Pty Limited and certain other foreign subsidiaries of ours. In addition, under certain circumstances, we and the guarantors are required to pledge certain of their assets consisting of, among other things, inventory, accounts receivable and trademarks to secure the obligations under the 2003 credit agreement.

Under the 2003 credit agreement, Constellation and the guarantors make certain representations and warranties to the Administrative Agent and the Lenders customarily found in credit agreements of this type.

We and our 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, the disposition and acquisition of property and the making of certain investments, in each case subject to baskets, exceptions and thresholds. Hardy guarantees debt of a joint venture in the maximum amount of $3.5 million as of May 31, 2003, which is permitted under the 2003 credit agreement. The primary financial covenants require the maintenance of a debt coverage ratio, a senior debt coverage ratio, a fixed charges ratio and an interest coverage ratio.

We used the proceeds of the tranche A term loan facility, the tranche B term loan facility and a portion of the revolving credit facility under the 2003 credit agreement to pay off our obligations under the 2000 credit agreement, to fund a portion of the cash required to pay the Hardy shareholders and to pay indebtedness outstanding under certain of Hardy s credit facilities. We intend to use the remaining availability under the 2003 credit agreement to fund our working capital needs on an ongoing basis.

As of May 31, 2003, under the 2003 credit agreement, we had outstanding tranche A term loans of $400.0 million bearing a weighted average interest rate of 3.6%, tranche B term loans of $800.0 million bearing a weighted average interest rate of 4.1%, $15.0 million of revolving loans bearing a weighted average interest rate of 3.1%, undrawn revolving letters of credit of $15.1 million, and $369.9 million in revolving loans available to be drawn.

In connection with this offering, we have entered into an amendment to the 2003 credit agreement to provide us with additional flexibility in the payment of cash dividends on the depositary shares.

Bridge Agreement

On January 16, 2003, we, our U.S. subsidiaries (excluding certain inactive subsidiaries) and Canandaigua Limited, JPMorgan Chase Bank, as a lender and administrative agent, and certain other lenders (such other lenders, together with the administrative agent, we collectively refer to 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 of up to, in the aggregate, $450.0 million. On April 9, 2003, we used $400.0 million of the bridge loans to fund a portion of the cash required to pay the former Hardy shareholders. The bridge loans are due on the first anniversary of the date of the funding of the bridge loans which we refer to as the bridge loan maturity date. The rate of interest payable on the bridge loans is equal to LIBOR plus a margin. The initial margin on the bridge loans is 3.75%.

If the bridge loans are not repaid on the bridge loan maturity date, the bridge lenders have committed to make certain term loans in an amount corresponding to the then-outstanding amount of the bridge loans which we refer to as term loans. The term loans are due on the seventh anniversary of the date on which the bridge loans are funded. The rate of interest payable on the term loans is equal to LIBOR plus a margin. The rate of interest payable on any of the bridge loans or the term loans is capped at 11.50%. If the bridge loans are not repaid on the date that is three months after the date of funding, then the margin will increase on a quarterly basis thereafter until the rate of interest payable reaches the rate cap.

The lenders have the right to exchange on or after the bridge loan maturity date all or a portion of their respective bridge loans or term loans for notes, which we refer to as exchange notes, that will be issued pursuant to an indenture to be entered into among us, as issuer, certain of our subsidiaries, as guarantors, and an indenture trustee on behalf of the holders of the exchange notes. The exchange notes indenture will be in a form to be agreed between us and the administrative agent and will contain terms and a final maturity date that are substantially consistent with the terms and the maturity date of the term loans. The exchange notes will bear interest at a fixed rate as determined by the exchanging holder that will not exceed the 11.50%.

The guarantors have guaranteed our obligations under the bridge loan agreement.

We and the guarantors have made certain representations and warranties in the bridge loan agreement which are substantially the same as the representations and warranties in the 2003 credit agreement. The bridge loan agreement also contains covenants and events of default that are similar to the covenants and events of default in the indentures pursuant to which we issued our senior notes and senior subordinated notes.

As of May 31, 2003, under the bridge loan agreement, we had outstanding $400.0 million of bridge loans bearing a weighted average interest rate of 5.1%. As we intend to repay the bridge loans at or prior to the bridge loan maturity date, these bridge loans are classified as current liabilities on our consolidated balance sheet.

Senior Notes

On August 4, 1999, we issued $200.0 million aggregate principal amount of 8 $^{5}/8$% Senior Notes due August 2006, which we refer to as the August 1999 Senior Notes. Interest on the August 1999 Senior Notes is payable semiannually on February 1 and August 1. The August 1999 Senior Notes are redeemable at our option, in whole or in part, at any time. The August 1999 Senior Notes are unsecured senior obligations and rank equally in right of payment to all of our existing and future unsecured senior indebtedness. The August 1999 Senior Notes are guaranteed, on a senior basis, by certain of our significant operating subsidiaries.

On November 17, 1999, we issued £75.0 million ($121.7 million upon issuance) aggregate principal amount of 8 $^{1}/2$% Senior Notes due November 2009, which we refer to as the Sterling Senior Notes. Interest on the Sterling Senior Notes is payable semiannually on May 15 and November 15. The Sterling Senior Notes are redeemable at our option, in whole or in part, at any time. The Sterling Senior Notes are unsecured senior obligations and rank equally in right of payment to all of our existing and future unsecured senior indebtedness. The Sterling Senior Notes are guaranteed, on a senior basis, by certain of our significant operating subsidiaries. In March 2000, we exchanged £75.0 million aggregate principal amount of 8 $^{1}/2$% Series B Senior Notes due November 2009, which we refer to as 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, we exchanged £74.0 million aggregate principal amount of Sterling Series C Senior Notes, as described below, for £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 28, 2003, we had outstanding £1.0 million ($1.6 million) aggregate principal amount of Sterling Series B Senior

Notes.

On May 15, 2000, we issued £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 £79.6 million ($119.4 million upon issuance, net of $0.6 million unamortized discount, with an effective interest rate of 8.6%), which we refer to as the Sterling Series C Senior Notes. The net proceeds of the offering (£78.8 million, or $118.2 million) were used to repay a portion of our British pound sterling borrowings under our then existing senior credit facility. Interest on the Sterling Series C Senior Notes is payable semiannually on May 15 and November 15. The Sterling Series C Senior Notes are redeemable at our option, in whole or in part, at any time. The Sterling Series C Senior Notes are unsecured senior obligations and rank equally in right of payment to all of our existing and future unsecured senior indebtedness. The Sterling Series C Senior Notes are guaranteed, on a senior basis, by certain of our significant operating subsidiaries. As of February 28, 2003, we had outstanding £154.0 million ($241.7 million, net of $0.5 million unamortized discount) aggregate principal amount of Sterling Series C Senior Notes.

On February 21, 2001, we issued $200.0 million aggregate principal amount of 8% Senior Notes due February 2008, which we refer to as 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. The February 2001 Senior Notes are redeemable at our option, in whole or in part, at any time. The February 2001 Senior Notes are unsecured senior obligations and rank equally in right of payment to all of our existing and future unsecured senior indebtedness. The February 2001 Senior Notes are guaranteed, on a senior basis, by certain of our significant operating subsidiaries. In July 2001, we exchanged $200.0 million aggregate principal amount of 8% Series B Senior Notes due February 2008, which we refer to as 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.

Senior Subordinated Notes

On March 4, 1999, we issued $200.0 million aggregate principal amount of 8 $^{1}/2$% Senior Subordinated Notes due March 2009, which we refer to as the 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 our option, in whole or in part, at any time on or after March 1, 2004. The Senior Subordinated Notes are unsecured and subordinated to the prior payment in full of all of our senior indebtedness, which includes the senior credit facility. The Senior Subordinated Notes are guaranteed, on a senior subordinated basis, by certain of our significant operating subsidiaries.

On January 23, 2002, we issued $250.0 million aggregate principal amount of 8 $^{1}/8$% Senior Subordinated Notes due January 2012, which we refer to as the January 2002 Senior Subordinated Notes. The net proceeds of the offering ($247.2 million) were used primarily to repay our $195.0 million aggregate principal amount of 8 $^{3}/4$% Senior Subordinated Notes due in December 2003. In connection with this repayment, we incurred an extraordinary loss of $2.6 million ($1.6 million, net of income taxes of $1.0 million) related to the write-off of the remaining deferred financing costs and unamortized discount. The remaining net proceeds of the offering were used to repay a portion of the outstanding indebtedness under our 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 our option, in whole or in part, at any time on or after January 15, 2007. We 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 of our senior indebtedness, which includes the senior credit facility. The January 2002 Senior Subordinated Notes are guaranteed, on a senior subordinated basis, by certain of our significant operating subsidiaries.

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Contractual Obligations and Commitments

The following table sets forth information about our long-term contractual obligations outstanding at February 28, 2003. It brings together data for easy reference from the consolidated balance sheet and from individual notes to the our consolidated financial statements.

	Payments Due By Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
	(in thousands)				
Contractual obligations					
Notes payable to banks	$ 2,623	$ 2,623	$	$	$
Long-term debt (excluding unamortized discount)	1,248,799	67,682	81,081	404,400	695,636
Capital lease obligations	14,590	3,582	5,870	3,465	1,673
Operating leases	192,898	24,612	39,992	28,229	100,065
Unconditional purchase obligations	605,748	176,412	242,104	119,827	67,405
Total contractual cash obligations	$ 2,064,658	$ 274,911	$ 369,047	$ 555,921	$ 864,779

The above table includes the payments due by period as of February 28, 2003, and includes the required payments under the then existing 2000 credit agreement. Subsequent to February 28, 2003, we drew down $8.0 million in revolving debt and $1,200.0 million in term loan debt under the 2003 credit agreement and $400.0 million under the bridge loan agreement. We used these proceeds to pay off our obligations under the 2000 credit agreement, to fund the cash required to pay the Hardy shareholders and to pay indebtedness outstanding under certain of Hardy s credit facilities. Consequently, the following table gives the payments due by period taking into account these changes:

	Payments Due By Period				
	Total	Less than 1 year	1-3 years	3-5 years	After 5 years
	(in thousands)				
Contractual obligations					
Notes payable to banks	$ 8,623	$ 8,623	$	$	$
Long-term debt (excluding unamortized discount)	2,303,436	50,600	677,800	879,400	695,636
Capital lease obligations	14,590	3,582	5,870	3,465	1,673
Operating leases	192,898	24,612	39,992	28,229	100,065
Unconditional purchase obligations	605,748	176,412	242,104	119,827	67,405
Total contractual cash obligations	$ 3,125,295	$ 263,829	$ 965,766	$ 1,030,921	$ 864,779

In addition, in connection with the formation of a joint venture, PWP, in July 2001, we transferred certain of our vineyard lease and vineyard management agreements to PWP. The agreements have terms that expire between 2012 and 2026. We guaranteed PWP s payment and performance under these agreements. The estimated maximum amount of our exposure is $42.6 million in undiscounted future payments. At February 28, 2003, we had not recorded a liability for these guarantees and did not have any collateral from PWP. As a result of the Hardy acquisition, we acquired the remaining 50% ownership of PWP.

Equity Offerings

During March 2001, we completed a public offering of 8,740,000 shares of our Class A common stock, which was held as treasury stock. This resulted in net proceeds to us, 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.

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

Capital Expenditures

During Fiscal 2003, we spent $71.6 million for capital expenditures, including $7.0 million related to vineyards. We plan to spend approximately $120 million for capital expenditures, exclusive of vineyards, in Fiscal 2004. In addition, we continue to consider the purchase, lease and development of vineyards and may incur additional expenditures for vineyards if opportunities become avail