

# CONSTELLATION BRANDS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	For the Years Ended		
	February 29, 2004	February 28, 2003	February 28, 2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net income	\$ 220,414	\$ 203,306	\$ 136,421
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation of property, plant and equipment	80,079	54,147	51,873
Deferred tax provision	31,398	21,050	3,675
Amortization of goodwill and intangible assets	21,875	5,942	33,531
Loss on sale of assets and restructuring charges	5,127	7,263	324
Loss on extinguishment of debt	800	—	2,590
Stock-based compensation expense	233	100	101
Amortization of discount on long-term debt	93	60	516
Gain on change in fair value of derivative instrument	(1,181)	(23,129)	—
Equity in earnings of joint venture	(542)	(12,236)	(1,667)
Change in operating assets and liabilities, net of effects from purchases of businesses:			
Accounts receivable, net	(63,036)	6,164	(44,804)
Inventories, net	96,051	(40,676)	(19,130)
Prepaid expenses and other current assets	2,192	(11,612)	566
Accounts payable	(61,647)	10,135	19,069
Accrued excise taxes	7,658	(25,029)	4,502
Other accrued expenses and liabilities	11,417	42,882	29,960
Other assets and liabilities, net	(10,624)	(2,314)	(4,228)
Total adjustments	119,893	32,747	76,878
Net cash provided by operating activities	340,307	236,053	213,299
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchases of businesses, net of cash acquired	(1,069,470)	—	(472,832)
Purchases of property, plant and equipment	(105,094)	(71,575)	(71,148)
Payment of accrued earn-out amount	(2,035)	(1,674)	—
Proceeds from sale of assets	13,449	1,288	35,815
Proceeds from sale of business	3,814	—	—
Proceeds from sale of marketable equity securities	849	—	—
Investment in joint venture	—	—	(77,282)
Net cash used in investing activities	(1,158,487)	(71,961)	(585,447)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of long-term debt	1,600,000	10,000	252,539
Proceeds from equity offerings, net of fees	426,086	—	151,479
Exercise of employee stock options	36,017	28,706	45,027
Proceeds from employee stock purchases	3,481	2,885	1,986
Principal payments of long-term debt	(1,282,274)	(151,134)	(260,982)
Payment of issuance costs of long-term debt	(33,748)	(20)	(4,537)
Payment of dividends	(3,295)	—	—
Net (repayment of) proceeds from notes payable	(1,113)	(51,921)	51,403
Net cash provided by (used in) financing activities	745,154	(161,484)	236,915
Effect of exchange rate changes on cash and cash investments	96,352	2,241	(1,478)
<b>NET INCREASE (DECREASE) IN CASH AND CASH INVESTMENTS</b>	<b>23,326</b>	<b>4,849</b>	<b>(136,711)</b>
CASH AND CASH INVESTMENTS, beginning of year	13,810	8,961	145,672
CASH AND CASH INVESTMENTS, end of year	<u>\$ 37,136</u>	<u>\$ 13,810</u>	<u>\$ 8,961</u>
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:</b>			
Cash paid during the year for:			
Interest	\$ 137,359	\$ 103,161	\$ 122,121
Income taxes	\$ 76,990	\$ 67,187	\$ 75,054
<b>SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:</b>			
Fair value of assets acquired, including cash acquired	\$ 1,776,064	\$ —	\$ 617,487
Liabilities assumed	(621,578)	—	(138,913)
Net assets acquired	1,154,486	—	478,574
Less - stock issuance	(77,243)	—	—
Less - direct acquisition costs accrued or previously paid	(5,939)	—	—
Less - cash acquired	(1,834)	—	(5,742)
Net cash paid for purchases of businesses	\$ 1,069,470	\$ —	\$ 472,832
Property, plant and equipment contributed to joint venture	\$ —	\$ —	\$ 30,020

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