



WE'VE REACHED THE CONCLUSION OF AN EXTRAORDINARY YEAR THAT REFLECTED AN INCREASINGLY CHALLENGING OPERATING ENVIRONMENT AND RAPIDLY CHANGING MARKET CONDITIONS.

Rob Sands
President and
Chief Executive Officer

FELLOW SHAREHOLDERS, Our management approach during these turbulent economic times is steady and disciplined. We are focused on achieving long-term, sustainable growth by strengthening free cash flow, rapidly reducing debt, improving return on invested capital (ROIC) and creating internal efficiencies while nurturing our premium brands.

As the global economic conditions in fiscal 2009 worsened, we became increasingly vigilant and expedient about executing against each of these imperatives. The collective efforts of each of our businesses to reduce costs on a sustainable basis while improving operational efficiencies resulted in our ability to make respectable headway during this especially challenging year.

Our targeted efforts to prune our portfolio, right-size operations and implement pricing actions are expected to further bolster the long-term health of our business. However, we have not been immune to the economic conditions that have slowed our organic growth.

Despite this, we accomplished a great deal throughout fiscal 2009:

- We achieved record free cash flow.
- We significantly decreased our debt and prepaid a portion of our future debt obligations.
- We significantly enhanced our comparable basis operating and gross profit margins.

STRATEGIC EVOLUTION SHARPENS OUR FOCUS In recent years, the beverage alcohol business has continued to evolve – from shifts in consumer preferences to changes in duties and taxes on beverage alcohol to changes in purchase behaviors and venues. Naturally, as the business has evolved, so too has our strategy. To strengthen our position as an industry leader, we have shifted the focus of our strategy from building “depth and breadth” in our portfolio to building a strong base of large consumer-preferred, “must-have” brands that return the greatest profits. We call this “premiumization,” and its purpose is to cultivate our higher-margin wines, generally priced at \$5 to \$15 at retail in the U.S. and at similar price points in our other geographies, and our mid-premium spirits business. Through our Crown Imports joint venture, we continue to invest in the beer brands that maintain the leading market share in the U.S. import beer category.

In fiscal 2009, we made significant progress toward premiumizing our portfolio and saw the early benefits of this effort. Brands such as Woodbridge by Robert Mondavi, SVEDKA Vodka, Black Velvet Canadian Whisky, Black Box and Modelo Especial exhibited strong growth, validating that consumers in this difficult economy seek trusted brands that represent quality and good value. In order for us to realize the benefits of this strategy, a great deal of discipline and decisiveness was required to make some difficult decisions. We took a number of strategic actions to right-size our international



operations, and at the same time, we announced the divestiture of a number of low-growth, low-margin wines and spirits brands to refocus our portfolio and allocate resources to the brands that resonate best with consumers and return the greatest profits.

With our refined strategy, we've also set a new vision for the company:
"to elevate life with every glass raised."

This is our aim and it conveys the essence of why we are in business:

- To enhance life experiences and occasions;
- To continually raise the bar with respect to the quality of our people, our products and our performance; and
- To make a positive difference in the communities in which we live and work.

We will use this new vision as our guidepost as we pursue our mission *to nurture and build the most powerful portfolio of premium wine brands in our industry complemented with other select beverage alcohol products.*

STEADFAST PURSUIT OF SUSTAINABLE GROWTH The next few pages contain a review of our fiscal 2009 highlights along with a glimpse of what you can expect from Constellation in the year ahead. While we were certainly not immune to the effects of the global slowdown in fiscal 2009, we still view beverage alcohol as an affordable luxury for consumers. To position ourselves appropriately in the marketplace, we are taking the necessary steps to shape Constellation for enduring success, and these actions have both short- and long-term benefits. In the short term, these efforts are targeted to keep the company as resilient as possible to weather the downturn for as long as it lasts. Over the long term, we are focused on optimizing results when the inevitable upturn occurs.

We have a clear and decisive path forward and plan to be vigilant in managing the bottom line by creating further efficiencies and rapidly reducing debt. This strategy, complemented by the strength of our brands, positions the company well to carry on our legacy of success for many decades to come.

We thank you for your continued support,

Rob Sands
President and Chief Executive Officer

Robert Mondavi Winery and Inniskillin Winery

Thousands of consumers from around the world connect with our brands each year by visiting such wineries as the iconic Robert Mondavi Winery in Oakville, Napa Valley, California (left), and the historic Inniskillin Winery in Niagara-on-the-Lake in Ontario, Canada (right).

