



The Robert Mondavi Corporation *

The Robert Mondavi Corporation produces and markets premium grade table wines. Robert G. Mondavi and his eldest son, R. Michael Mondavi, founded the company in the Napa Valley region of California in 1966.¹

“Our corporate mission is to become the pre-eminent fine wine producer in the world – a lofty goal, but one that we believe is within our grasp. Since it can take 3-5 years before a newly planted vineyard becomes productive and another 2 or more years before the resulting wines impact earnings, one must take a long-term view when growing and producing world class wines. In addition, significant working capital investments are needed in order to hold wines in inventory for proper barrel aging. Our strategy is to make the necessary investments in our future, while outpacing the industry in revenue and profits growth today.” (Source: www.robertmondavi.com)

The company went public in June 1993 at \$13.50 per share; a secondary offering was completed in August 1995 at \$19.375 per share. Of approximately 16 million shares outstanding in 2001, about 8 million are traded on NASDAQ under the symbol MOND and members of the Mondavi family hold the remainder. At the end of fiscal 2000, Robert Mondavi was Chairman of the Board, R. Michael Mondavi was President and CEO, and Timothy J. Mondavi was Managing Director and Winegrower.²

The wine industry is fragmented and competitive. No producer has a large market share and many are small family operations. As one of relatively few public companies in the wine business, Mondavi has products in each of the premium table wine segments: popular premium (at \$3 to \$7 per 750 ml); super premium (\$7 to \$14 per 750 ml); ultra premium (\$14 to \$25

* This case was prepared from publicly available data for class discussion purposes only by Professor Robert M. Bowen of the University of Washington. First draft: August 2001. S. Jane Jollineau provided helpful comments.

¹ For company history, see <http://www.robertmondavi.com/aboutcompany/history.asp>.

² In May 2001, Robert Mondavi became Chairman of the Board, emeritus; Michael became Chairman of the Board, and Tim became Vice-Chairman and Winegrower. “My sons, Michael and Tim, have taken my dream and built upon it, adding their own unique talents, expertise and vision to make this company one of the most successful and respected wine producers in the world,” said Robert G. Mondavi. “This new management structure will ensure that our greatest achievements are yet to come.”

per 750 ml); and luxury (over \$25 per 750ml).³ As of the end of fiscal 2000, the Company is producing wine in California, Italy, France and Chile. Exhibit 1 lists the company's brands, their location and pricing as of mid-2001.

Evaluating Mondavi's Financial Statements

Most of the questions below can be grouped into one of two categories: Financial Statement Analysis or Reconstructing Financial Transactions. For definitions and an introduction to Financial Statement Analysis, review Exhibit 2 (attached) and Chapter 5 of the Stickney & Weil textbook. For help in Reconstructing Financial Transactions, review my handout on the topic and the sample Egghead case and solution in your course packet.

To address the questions below, use Mondavi's financial data is provided in:

- Exhibit 3 – fiscal 2000 financial statements.
- Exhibit 4 – fiscal 1999 balance sheets (needed for 1998 data to calculate some averages)

Note that Mondavi's financial statements cover the period from July through June, e.g., fiscal 2000 is July 1, 1999 through June 30, 2000. In answering the questions, ignore extraneous information you may find in these statements and state any assumptions you think are necessary.

Questions:

1. Calculate the following financial ratios for fiscal 1999 and 2000 as an aid to evaluating the overall financial performance of the Company:
 - a. Rate of return on common shareholders' equity (ROE), defined as net income divided by average shareholders' equity
 - b. Profit margin ratio (defined as net income divided by sales)
 - c. Total asset turnover ratio (defined as sales divided by average total assets)
 - d. Leverage ratio (defined as average total assets divided by average shareholders' equity)

What inferences do you draw from these ratios?

2. To further examine the Company's operating performance, calculate the ratio of gross profit to net revenues (a.k.a. the "gross margin percentage") for fiscal 1999 and 2000. Speculate on economic factors that might contribute to differences you observe between the two years.

3. Estimate the amount of cash collected from customers during fiscal 2000. (Hint: "trade" receivables relate to sales to customers, e.g., wholesalers, hotel chains; retailers; "net" refers to net of doubtful or uncollectible accounts.)

³ Mondavi does not produce jug (< \$3 per 750 ml) or other wines, such as fortified wines, wine coolers and flavored wines.

4. Over 40% of Mondavi's assets are tied up in inventories. (See note 2 to the financial statements for more detail on the inventories account.) To further examine the Company's asset utilization, compute Inventory Turnover for fiscal 1999 versus fiscal 2000, defined as Cost of Goods Sold divided by average Inventory. What is your interpretation of the level and the change in this ratio, e.g., how many days do wine and related costs stay in inventory in fiscal 1999 versus fiscal 2000?

5. Until the beginning of fiscal 1999, the Company used the last-in, first-out (LIFO) cost-flow assumption in computing ending inventory and cost of goods sold. On July 1, 1998, the company switched to the first-in first-out (FIFO) cost-flow assumption. In your opinion, which cost-flow assumption, LIFO or FIFO, best fits the underlying economics of wine manufacturing? Why? Speculate as to why the Company switched from LIFO to FIFO for financial reporting in fiscal 1999. (Hint: This question requires reading ahead in the textbook. See Stickney & Weil Chapter 7, pages 370-374.)

6. During fiscal 2000, Mondavi purchased new property, plant and equipment totaling \$78,005(000). (See note 3 to the financial statements for more detail on property, plant and equipment.) During the year, the Company also disposed of certain property and equipment.
 - a. What was the original cost (not the depreciated book value) of the assets disposed of during fiscal 2000?
 - b. Prepare a journal entry to record the disposition of property, plant, and equipment during 2000. Note that Mondavi did not receive any cash for assets disposed of in fiscal 2000. Assume that the company recorded a loss of \$1,000(000) on the disposal.
 - c. What was the "net book value" of the assets disposed of in fiscal 2000?

7. Compute the amount of dividends declared during fiscal 2000.

8. To further examine the Company's working capital and liquidity, compute the Current and Quick ratios for fiscal 1999 and 2000. What inferences do you draw from these ratios?

9. Mondavi's fiscal 2001 financial statements should be released in late September. Go to the Company's website, <http://www.robertmondavi.com/AboutCompany/index.asp>, click on "Investor relations." If the fiscal 2001 financial statements are available, briefly evaluate whether they disclose any significant new information.

10. Assuming the U.S. economy continues to slow in fiscal 2002, speculate on Mondavi's prospects for sales, gross margins, and profits in fiscal 2002. How might you obtain management's opinion on these issues?

Exhibit 1

Robert Mondavi wines by brand, origin and pricing

Robert Mondavi's Premium Wine Brands		
<u>BRAND</u>	<u>ORIGIN</u>	<u>PRICING</u>
<i>Opus One</i>	<i>Napa Valley</i>	>\$100
<i>Luce</i>	<i>Tuscany (Italy)</i>	~\$60
<i>Sena</i>	<i>Chile</i>	>\$50
<i>Arrowood Vineyards & Winery</i>	<i>Sonoma Valley</i>	>\$40
<i>Robert Mondavi Winery</i>	<i>Napa Valley</i>	\$20-\$150
<i>Lucente</i>	<i>Tuscany (Italy)</i>	\$20-\$30
<i>Io</i>	<i>Santa Maria Valley (California)</i>	\$40-\$50
<i>Byron</i>	<i>Santa Maria Valley (California)</i>	\$15-\$40
<i>La Famiglia</i>	<i>Napa Valley</i>	\$15-\$40
<i>RM Coastal</i>	<i>North & Central Coast (California)</i>	\$8-\$15
<i>Danzante</i>	<i>Italy</i>	~\$10
<i>Woodbridge</i>	<i>California</i>	\$5-\$8
<i>Vichon Mediterranean</i>	<i>Languedoc (France)</i>	\$5-\$7
<i>Vina Caliterra</i>	<i>Chile</i>	\$5-\$7

Exhibit 2

**A Brief Introduction to Financial Statement Analysis:
Return on Equity and its Components⁴**

Return on equity is arguably the most popular measure of financial performance. Senior managers and analysts use ROE to compare performance across time and across companies. ROE is popular because it measures the efficiency with which management uses the owner's capital. In short, it measures the "bang per buck" (euro, peso, pound, yen, etc.).

ROE is measured as net income divided by common shareholders' equity.⁵ ROE can be evaluated in terms of three components as follows:

$$\text{ROE} = \text{NI/Sales} \times \text{Sales/Assets(Avg.)} \times \text{Assets (Avg.)/SE (Avg.)} = \text{NI/SE (Avg.)}$$

Management can influence ROE through these three basic components. The first component, profit margin (NI/Sales), provides information on the amount of profit squeezed out of each dollar of sales. The second component, asset turnover (Sales/Assets), measures the amount of sales generated by each dollar of assets employed. The third component, financial leverage (Assets/SE), measures the amount of assets financed per dollar of shareholders' equity. The greater the debt owed by a corporation, the greater the financial leverage and the higher this ratio. If management acts to increase any of these components, ROE will generally increase.⁶ Companies with similar ROE may have markedly different components.

⁴ This brief section is based on material in "Analysis for Financial Management" (Sixth edition, Irwin McGraw-Hill, Boston), by Robert C. Higgins.

⁵ Any dividends on preferred shares are subtracted from Net Income. Shareholders' equity can be measured at the beginning, ending or average for a period. A case can be made for each of these choices but we prefer averages (if the data are available). Regardless, it is important to know what precise definition is being used when comparing ratios across firms.

⁶ There are exceptions. For example, if profit margin is negative, increasing leverage will *decrease* ROE.

Exhibit 3

Excerpts from The Robert Mondavi Corporation's 10-K filed September 28, 2000.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of The Robert Mondavi Corporation

In our opinion, the consolidated financial statements listed in the index appearing under Item 14(a)(1) on page 31 present fairly, in all material respects, the financial position of The Robert Mondavi Corporation and its subsidiaries at June 30, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2000 in conformity with accounting principles generally accepted in the United States. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 14(a)(2) on page 31 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

/s/ PRICEWATERHOUSECOOPERS LLP - PricewaterhouseCoopers LLP San Francisco, California July 31, 2000

THE ROBERT MONDAVI CORPORATION
 CONSOLIDATED BALANCE SHEETS
 (IN THOUSANDS, EXCEPT SHARE DATA)
 ASSETS

	JUNE 30,	
	2000	1999
	-----	-----
Current assets:		
Cash	\$ 3,002	\$ 4,544
Accounts receivable--trade, net	77,662	82,037
Inventories	298,487	262,377
Prepaid expenses and other current assets	4,331	4,893
	-----	-----
Total current assets	383,482	353,851
Property, plant and equipment, net	312,065	249,572
Investments in joint ventures	32,720	20,124
Other assets	6,676	5,718
	-----	-----
Total assets	\$734,943	\$629,265
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Notes payable to banks	\$ 19,700	\$ --
Accounts payable--trade	24,540	19,416
Employee compensation and related costs	13,725	11,605
Other accrued expenses	7,039	10,231
Current portion of long-term debt	10,102	10,252
Deferred taxes	93	3,827
Deferred revenue	211	755
	-----	-----
Total current liabilities	75,410	56,086
Long-term debt, less current portion	280,790	243,758
Deferred income taxes	21,850	17,355
Deferred executive compensation	8,575	7,425
Other liabilities	150	235
	-----	-----
Total liabilities	386,775	324,859
	-----	-----
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred Stock: Authorized--5,000,000 shares		
Issued and outstanding--no shares	--	--
Class A Common Stock, without par value: Authorized--25,000,000 shares		
Issued and outstanding--8,274,235 and 8,151,664 shares	83,161	80,483
Class B Common Stock, without par value: Authorized--12,000,000 shares		
Issued and outstanding--7,306,012	11,732	11,732
Paid-in capital	5,780	5,266
Retained earnings	249,105	207,520
Accumulated other comprehensive income:		
Cumulative translation adjustment	(1,610)	(595)
	-----	-----
Total liabilities and shareholders' equity	\$734,943	\$629,265
	=====	=====

See Notes to Consolidated Financial Statements

	YEAR ENDED JUNE 30,		
	2000	1999	1998
Gross revenues	\$447,881	\$387,950	\$341,059
Less excise taxes	20,158	17,373	15,900
Net revenues	427,723	370,577	325,159
Cost of goods sold	226,493	205,401	173,815
Gross profit	201,230	165,176	151,344
Selling, general and administrative expenses	125,072	104,550	90,043
Operating income	76,158	60,626	61,301
Other income (expense):			
Interest	(16,041)	(14,217)	(12,298)
Equity in net income of joint ventures	5,977	4,956	2,593
Other	1,495	(1,325)	(2,152)
Income before income taxes	67,589	50,040	49,444
Provision for income taxes	26,004	19,257	19,282
Net income	\$ 41,585	\$ 30,783	\$ 30,162
Earnings per share - Basic	\$ 2.68	\$ 2.00	\$ 1.98
Earnings per share - Diluted	\$ 2.60	\$ 1.94	\$ 1.90
Weighted average number of shares outstanding - Basic	15,520	15,414	15,264
Weighted average number of shares outstanding - Diluted	15,994	15,865	15,847

See Notes to Consolidated Financial Statements

THE ROBERT MONDAVI CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	YEAR ENDED JUNE 30,		
	2000	1999	1998
Cash flows from operating activities:			
Net income	\$ 41,585	\$ 30,783	\$ 30,162
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Deferred income taxes	873	(2,892)	3,675
Depreciation and amortization	18,901	15,758	13,665
Equity in net income of joint ventures	(5,977)	(4,956)	(2,593)
Other	(2,320)	1,067	283
Changes in assets and liabilities:			
Accounts receivable--trade	4,375	(13,381)	(9,434)
Inventories	(37,014)	(5,695)	(60,009)
Other assets	1,038	3,346	(2,646)
Accounts payable-- trade and accrued expenses	4,216	5,173	7,233
Deferred revenue	(544)	(1,863)	554
Deferred executive compensation	1,150	712	1,318
Other liabilities	(85)	(104)	(678)
Net cash provided by (used in) operating activities	26,198	27,948	(18,470)
Cash flows from investing activities:			
Acquisitions of property, plant and equipment	(78,005)	(50,827)	(49,525)
Proceeds from sale of assets	--	--	7,440
Distributions from joint ventures	5,714	3,251	2,362
Contributions to joint ventures	(12,603)	(36)	(218)
Net cash used in investing activities	(84,894)	(47,612)	(39,941)
Cash flows from financing activities:			
Net additions (repayments) under credit lines	17,800	31,450	(28,300)
Proceeds from issuance of long-term debt	50,000	--	95,000
Principal repayments of long-term debt	(11,218)	(10,981)	(6,766)
Proceeds from issuance of Class A Common Stock	536	536	479
Exercise of Class A Common Stock options	1,063	907	1,831
Other	(1,027)	(387)	(1,300)
Net cash provided by financing activities	57,154	21,525	60,944
Net increase (decrease) in cash	(1,542)	1,861	2,533
Cash at the beginning of the year	4,544	2,683	150
Cash at the end of the year	\$ 3,002	\$ 4,544	\$ 2,683

See Notes to Consolidated Financial Statements

SELECTED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except per share amounts)

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Robert Mondavi Corporation (RMC) and its consolidated subsidiaries (the Company) are primarily engaged in the production and sale of premium table wine. The Company also sells wine under importing and marketing agreements.

The Company sells its products principally to distributors for resale to restaurants and retail outlets in the United States. A substantial part of the Company's wine sales is concentrated in California and, to a lesser extent, the states of Florida, New York, Massachusetts, Texas, New Jersey and Pennsylvania. Export sales account for approximately 9% of net revenues, with major markets in Canada, Europe and Asia.

A summary of significant accounting policies follows:

Basis of presentation

The consolidated financial statements include the accounts of RMC and all of its subsidiaries. All significant intercompany transactions and balances have been eliminated. Investments in joint ventures are accounted for using the equity method. Certain fiscal 1999 and 1998 balances have been reclassified to conform with the current year presentation.

Use of estimates

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

Revenue recognition

Revenue is recognized when the product is shipped and title passes to the customer. Revenue from items sold through the Company's retail locations is recognized at the time of sale. No products are sold on consignment.

In May 2000, the Emerging Issues Task Force released Issue No. 00-14 (EITF 00-14), "Accounting for Certain Sales Incentives." EITF 00-14 is effective in fiscal 2001 and it provides guidance on the recognition, measurement and income statement classification of certain sales incentives. The Company is currently assessing the impact of EITF 00-14 on its consolidated financial statements, and believes that the effect, if any, will not be material to the Company's operating results.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 (SAB 101), "Revenue Recognition in Financial Statements." SAB 101 is effective in fiscal 2001 and it provides guidance on applying generally accepted accounting principles to revenue recognition in financial statements. The Company does not expect SAB 101 to have a material effect on its consolidated financial statements.

Inventories

Effective July 1, 1998, the Company changed its wine inventory costing method from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. The primary reasons for the change in accounting method are: management's belief that the FIFO method of accounting better matches revenues and expenses of the Company's wines sold, and therefore provides a better method of reporting

the Company's results of operations; the FIFO method of accounting reduces intra-year cost of sales volatility; and the FIFO method of accounting provides improved financial comparability to other publicly-traded companies in the industry. The accounting change has been applied to prior years by retroactively restating the financial statements. As a result of this restatement, net income for the year ended June 30, 1998 increased by \$1,147, or \$0.07 per diluted share.

In accordance with the general practice in the wine industry, wine inventories are included in current assets, although a portion of such inventories may be aged for periods longer than one year.

Property, plant and equipment

Property, plant and equipment is stated at cost. Maintenance and repairs are expensed as incurred. Costs incurred in developing vineyards, including related interest costs, are capitalized until the vineyards become commercially productive.

Depreciation and amortization is computed using the straight-line method, with the exception of barrels which are depreciated using an accelerated method, over the estimated useful lives of the assets. Leasehold improvements are amortized over the estimated useful lives of the improvements or the terms of the related lease, whichever is shorter.

Other assets

Other assets include goodwill, loan fees and label design costs. These assets are amortized using the straight-line method over their estimated useful lives or terms of their related loans, not exceeding 40 years.

Advertising costs

Advertising costs are expensed as incurred or the first time the advertising takes place. Point of sale materials are accounted for as inventory and charged to expense as utilized. Advertising expense, including point of sale materials charged to expense, totaled \$15,085, \$14,662 and \$10,688, respectively, for the year ended June 30, 2000, 1999 and 1998.

Income taxes

Deferred income taxes are computed using the liability method. Under the liability method, taxes are recorded based on the future tax effects of the difference between the tax and financial reporting bases of the Company's assets and liabilities. In estimating future tax consequences, all expected future events are considered, except for potential income tax law or rate changes.

Comprehensive income

The Company's comprehensive income is comprised of net income and foreign currency translation adjustments.

Segment reporting

Management organizes financial information primarily by product line for purposes of making operating decisions and assessing performance. These product lines have been aggregated as a single operating segment in the consolidated financial statements because they share similar economic characteristics, production processes, customer types and distribution methods.

Major customers

The Company sells the majority of its wines through distributors in the United States and through brokers and agents in export markets. There is a common ownership in several distributorships in

different states that, when considered to be one entity, represented 30%, 29% and 30%, respectively, of gross revenues for the year ended June 30, 2000, 1999 and 1998. Trade accounts receivable from these distributors at June 30, 2000 and 1999 totaled \$18,490 and \$29,376, respectively.

Wine futures program

The Company has a wine futures program whereby contracts to buy cased wine are sold to distributors prior to the time the wine is available for shipment. The agreement to deliver the wine in the future is recorded when the Company receives the distributor's deposit representing the total purchase price. Revenue relating to this program is deferred and recognized when the wine is shipped.

Stock-based compensation

The Company measures compensation cost for employee stock options and similar equity instruments using the intrinsic value-based method of accounting. The Company's stock option plans are discussed in Note 9.

Earnings per share

Earnings per share has been computed by dividing net income by the sum of the weighted average number of Class A and Class B common shares outstanding plus the dilutive effect, if any, of common share equivalents for stock option awards.

In computing basic earnings per share for the years ended June 30, 2000, 1999 and 1998, no adjustments have been made to net income (numerator) or weighted-average shares outstanding (denominator). The computation of diluted earnings per share for the same periods is identical to the computation of basic earnings per share except that the weighted-average shares outstanding (denominator) has been increased by 474,000, 451,000 and 583,000, respectively, for the year ended June 30, 2000, 1999 and 1998 to include the dilutive effect of stock options outstanding.

Fair value of financial instruments

The fair value of the Company's debt is estimated based on the current market rates available to the Company for debt of the same remaining maturities. At June 30, 2000, the carrying amount and estimated fair value of debt was \$310,592 and \$302,756, respectively. At June 30, 1999, the carrying amount and estimated fair value of the company's debt was \$254,010 and \$251,690, respectively.

Derivative financial instruments

The Company has only a limited involvement with derivative financial instruments and does not use them for trading purposes. Forward exchange contracts are used to manage exchange rate risks on certain purchase commitments denominated in foreign currencies. Gains and losses relating to firm purchase commitments are deferred and are recognized as adjustments of carrying amounts or in income when the hedged transaction occurs.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities. SFAS 133 is effective for years beginning after June 15, 2000. The statement requires all derivatives to be recorded on the balance sheet at fair value and establishes "special accounting" for the different types of hedges. The Company plans to adopt this statement in fiscal 2001 and does not expect it to have a material effect on the consolidated financial statements.

At June 30, 2000, the Company has outstanding forward exchange contracts to purchase various foreign currencies through June 30, 2001 for the U.S. dollar equivalent of \$6,068. Using exchange rates outstanding as of June 30, 2000, the U.S. dollar equivalent of the contracts was \$6,104.

NOTE 2 INVENTORIES

Inventories consist of the following:

	JUNE 30,	
	2000	1999
Wine in production	\$186,609	\$183,825
Bottled wine	92,162	66,682
Crop costs and supplies	19,716	11,870
	-----	-----
	\$298,487	\$262,377
	=====	=====

Wine inventories are valued at the lower of cost or market and inventory costs are determined using the FIFO method. Costs associated with growing crops are recorded as inventory and are recognized as wine inventory costs in the year in which the related crop is harvested.

NOTE 3 PROPERTY, PLANT AND EQUIPMENT

The cost and accumulated depreciation of property, plant and equipment consist of the following:

	JUNE 30,	
	2000	1999
Land	\$ 59,790	\$ 44,711
Vineyards	51,209	32,790
Machinery and equipment	176,780	152,026
Buildings	42,700	39,578
Vineyards under development	39,753	46,275
Construction in progress	50,047	31,441
	-----	-----
	420,279	346,821
Less--accumulated depreciation	(108,214)	(97,249)
	-----	-----
	\$ 312,065	\$249,572
	=====	=====

Exhibit 4

**Balance Sheets from The Robert Mondavi Corporation's 10-K
filed September 28, 1999.**

THE ROBERT MONDAVI CORPORATION
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

ASSETS

	JUNE 30,	
	1999	1998
Current assets:		
Cash	\$ 4,544	\$ 2,683
Accounts receivable--trade, net	82,037	68,656
Inventories	262,377	256,770
Prepaid expenses and other current assets	4,893	8,239
Total current assets	353,851	336,348
Property, plant and equipment, net	249,572	215,301
Investments in joint ventures	20,124	18,666
Other assets	5,718	5,512
Total assets	\$ 629,265	\$ 575,827

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable--trade	\$ 19,416	\$ 18,888
Employee compensation and related costs	11,605	9,881
Other accrued expenses	10,231	7,800
Current portion of long-term debt	10,252	10,984
Deferred income taxes	3,827	10,200
Deferred revenue	755	2,618
Total current liabilities	56,086	60,371
Long-term debt, less current portion	243,758	222,557
Deferred income taxes	17,355	14,245
Deferred executive compensation	7,425	6,713
Other liabilities	235	339
Total liabilities	324,859	304,225
Commitments and contingencies (Note 11)		
Shareholders' equity:		
Preferred Stock: Authorized--5,000,000 shares		
Issued and outstanding--no shares	--	--
Class A Common Stock, without par value: Authorized--25,000,000 shares		
Issued and outstanding--8,151,664 and 8,050,126 shares	80,483	79,040
Class B Common Stock, without par value: Authorized--12,000,000 shares		
Issued and outstanding--7,306,012	11,732	11,732
Paid-in capital	5,266	4,776
Retained earnings	207,520	176,737
Accumulated other comprehensive income:		
Cumulative translation adjustment	(595)	(683)
Total liabilities and shareholders' equity	\$ 629,265	\$ 575,827

See Notes to Consolidated Financial Statements.

