

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K
(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 2000

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934 [NO FEE REQUIRED]

For the transition period from _____ to _____

Commission File Number 0-18761

HANSEN NATURAL CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware 39-1679918
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization Identification No.)

1010 Railroad Street, Corona, California 92882
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (909) 739 - 6200

Securities registered pursuant to Section
12(b) of the Act:

Title of each class	Name of each exchange on which registered
Not Applicable	Not Applicable

Securities registered pursuant to Section
12(g) of the Act:

Title of class
Common Stock, \$0.005 par value per share

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by nonaffiliates of the Registrant was approximately \$20,716,866 computed by reference to the sale price for such stock on the NASDAQ Small-Cap Market on March 2, 2001.

The number of shares of the Registrant's common stock, \$0.005 par value per share (being the only class of common stock of the Registrant), outstanding on March 2, 2001 was 10,045,003 shares.

HANSEN NATURAL CORPORATION

FORM 10-K

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PART I

ITEM 1. BUSINESS

Background of the Company and Subsidiaries

Hansen Natural Corporation ("Hansen" or the "Company"), which was incorporated in Delaware on April 25, 1990, maintains its principal place of business at 1010 Railroad Street, Corona, California 92882, and its telephone number is (909) 739-6200.

The Company is a holding company and carries on no operating business except through its direct wholly-owned subsidiaries, Hansen Beverage Company ("HBC") which was incorporated in Delaware on June 8, 1992 and Hard e Beverage Company ("HEB") formerly known as Hard Energy Company and previously, CVI Ventures, Inc., which was incorporated in Delaware on April 30, 1990. HBC conducts the vast majority of the Company's operating business and generates substantially all of the Company's operating revenues. During the third quarter of 2000, the Company, through HEB, introduced a malt-based drink under the name Hard e which contains up to five-percent alcohol. The Hard e product is not marketed under the Hansen's name. References herein to "Hansen" or the "Company" when used to describe the operating business of the Company are references to the business of HBC unless otherwise indicated and references herein to HEB when used to describe the operating business of HEB, are references to the Hard e (TM) brand business of HEB unless otherwise indicated.

In addition, HBC, through its wholly-owned subsidiary, Blue Sky Natural Beverage Co., ("Blue Sky"), which was incorporated in Delaware on September 8, 2000, acquired full ownership of and operates the natural soda business previously conducted by Blue Sky Natural Beverage Co., a New Mexico corporation ("BSNBC"), under the Blue Sky(R) trademark.

Background of the Hansen Business

In the 1930's, Hubert Hansen and his three sons started a business to sell fresh non-pasteurized juices in Los Angeles, California. This business eventually became Hansen's Juices, Inc., now known as The Fresh Juice Company of California, Inc. ("FJC"). In 1977, Tim Hansen, one of the grandsons of Hubert Hansen, perceived a demand for pasteurized natural juices and juice blends that are shelf stable and formed Hansen Foods, Inc. ("HFI"), which was also based in the Los Angeles area. HFI expanded its product line from juices to include Hansen's(R) Natural Sodas. California Co-packers Corporation (d/b/a/ Hansen Beverage Company) ("CCC") acquired certain assets of HFI including the right to market the Hansen's(R) brand name, in January 1990. On July 27, 1992, the Company, through HBC, acquired the Hansen's(R) brand natural soda and apple juice business (the "Hansen Business") from CCC. Under the Company's ownership, the Hansen Business has been significantly expanded to include a wide range of beverages within the growing "alternative" beverage category. On September 20, 2000, HBC acquired the Blue Sky Natural Soda business, through its wholly owned subsidiary Blue Sky, from BSNBC.

Products

Hansen is engaged in the business of marketing, selling and distributing so-called "alternative" beverage category natural sodas, fruit juices, fruit juice Smoothies, "functional drinks", non-carbonated ready-to-drink iced teas, lemonades and juice cocktails, children's multi-vitamin juice drinks and still water under the Hansen's(R) brand name as well as nutritional bars and cereals also under the Hansen's(R) brand name, natural sodas under the Blue Sky(R) brand name and malt based drinks under the Hard e brand name.

The alternative beverage category combines non-carbonated ready-to-drink iced teas, lemonades, juice cocktails, single serve juices, ready-to-drink iced coffees, sports drinks and single-serve still water with "new age" beverages, including sodas that are considered natural, sparkling juices and flavored sparkling waters. The alternative beverage category is the fastest growing segment of the beverage marketplace. (Source: Beverage Marketing

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Corporation). Sales for the alternative beverage category of the market are estimated to have reached approximately \$9.7 billion at wholesale in 2000 with a growth rate of approximately 11% over the prior year. (Source: Beverage Marketing Corporation).

Hansen's(R) Natural Sodas are classified as "new age" beverages and have been a leading natural soda brand in Southern California for the past 23 years. In 2000, Hansen's(R) Natural Sodas had the highest sales among comparable carbonated new age category beverages measured by unit volume in the Southern California market (Source: Information Resources, Inc.'s Analyzer Reports for Southern California). Hansen's(R) Natural Sodas are currently available in twelve regular flavors consisting of Mandarin Lime, Key Lime, Grapefruit, Raspberry, Creamy Root Beer, Vanilla Cola, Cherry Vanilla Creme, Orange Mango, Kiwi Strawberry, Tropical Passion, Black Cherry and Tangerine. Hansen discontinued its low calorie sodas in Wildberry and Cola flavors and at the end of 2000, introduced a new line of diet sodas with Splenda(R) sweetener as the primary sweetener. This line has been introduced in four flavors: Peach, Black Cherry, Tangerine Lime, and Kiwi Strawberry. Hansen's(R) Natural Sodas contain no preservatives, sodium, caffeine or artificial coloring and are made with high quality natural flavors, citric acid and high fructose corn syrup, or in the case of its diet sodas, with Splenda(R) and Acesulfame K. Hansen's(R) Natural Sodas are currently packaged in 12-ounce aluminum cans.

In January 1999, Hansen's introduced its new premium line of Signature Sodas in unique proprietary 14-ounce glass bottles. Signature Sodas are currently available in six flavors consisting of Orange Creme, Vanilla Creme, Ginger Beer, Sarsaparilla, Black Cherry and Sangria. Signature Sodas are being marketed through the Company's existing distributor network but in 2001, the Company plans to market these products in certain markets directly through its warehouse division. During September 2000, the Company acquired the Blue Sky Natural Soda business from BSNBC. The Blue Sky product line comprises natural sodas in cans, which are available in fourteen regular flavors consisting of Lemon Lime, Grapefruit, Cola, Root Beer, Raspberry, Cherry Vanilla Creme, Truly Orange, Jamaican Ginger Ale, Black Cherry, Orange Creme, Dr. Becker, Cherry Lemon Lime, Grape and Private Reserve Cream Soda. Blue Sky also has a premium line of natural sodas, which contain supplements such as Ginseng. This line is

currently available in six flavors consisting of Ginseng Creme, Ginseng Cola, Ginseng Root Beer, Ginseng Very Berry Creme, Ginseng Ginger Ale, and Ginseng Cranberry-Raspberry. During 1999, Blue Sky introduced a line of organic natural sodas, which are currently available in five flavors consisting of Prime Lime Cream, New Century Cola, Orange Divine, Ginger Gale, and Black Cherry Cherish. The Company also markets a seltzer water under the Blue Sky label. The Blue Sky products contain no preservatives, sodium, caffeine or artificial coloring and are made with high quality natural flavors. All Blue Sky Natural Sodas and seltzer waters are currently packaged in 12-ounce aluminum cans.

During April 1997, the Company introduced a lightly carbonated citrus flavored Hansen's(R) energy drink in an 8.2-ounce slim can. The Company's energy drink falls within the category that has generally been described as the "functional" beverage category, namely, beverages that provide a real or perceived benefit in addition to simply delivering refreshment. Management believes that the "functional" beverage category has good growth potential. During the first quarter of 1998, the Company extended its functional product line by introducing three additional functional drinks in 8.2-ounce slim cans, namely, a ginger flavored d-stress(R) drink, an orange flavored antioox(R) drink (since renamed bo well(TM)), and a guarana berry flavored stamina(R) drink. During the fourth quarter of 1998, the Company introduced its power functional drink in 8.2-ounce slim cans, which is currently marketed in a grape flavor. During 2000 the Company introduced slim down, its sixth functional drink. slim-down is a berry-flavored drink that has no calories. Each of the Company's functional drinks contains different combinations of vitamins, minerals, nutrients, herbs and supplements ("supplements").

The Company has concentrated on marketing its carbonated functional drinks and Smoothies and Signature Sodas in glass bottles through its distributor network, which continued to expand during 2000. The Company intends to leverage its existing distributor network to facilitate sales of its new premium line of alternative healthy iced teas and drinks, which is currently being launched under the "Medicine Man" label, as well as other new single-serve

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products in glass bottles and cans that it plans to introduce during 2001, certain of which are described more fully below.

The Company's fruit juice product line currently includes Hansen's(R) Natural Old Fashioned Apple Juice which is packaged in 64-and 128-ounce polyethylene terephthalate ("P.E.T.") plastic bottles, and Apple Strawberry and Apple Grape juice blends in 64-ounce P.E.T. plastic bottles. These juice blends were introduced in the second quarter of 1998. These Hansen's(R) juice products contain 100% juice as well as 100% of the recommended daily intake for adults of Vitamin C. Certain of these products also contain added calcium. Hansen's(R) juice products compete in the shelf-stable juice category. The Company plans to introduce an Apple-Cranberry juice blend, a Cranberry juice cocktail and an Orange-Carrot juice blend in 64-ounce P.E.T. plastic bottles during 2001. These products will not contain 100% juice.

In March 1995, the Company expanded its juice product line by introducing a line of fruit juice Smoothies. The Company's fruit juice Smoothies have a smooth texture that is thick but lighter than a nectar and contain approximately 35% juice (the Company plans to reduce the juice level to an average of 25% juice in line with the current juice level of the Company's Smoothies in 12-ounce glass bottles). The Company's fruit juice Smoothies provide 100% of the recommended daily intake for adults of Vitamins A, C & E (the antioxidant triad) and represented Hansen's entry into what is commonly referred to as the "functional" beverage category. The Company's fruit juice Smoothies are packaged in 11.5-ounce aluminum cans and in new unique proprietary 12-ounce glass bottles designed by the Company, as well as in 64-ounce P.E.T. plastic bottles. Hansen's(R) fruit juice Smoothies are available in eleven flavors: Strawberry Banana, Peach Berry, Mango Pineapple, Guava Strawberry, Pineapple Coconut, Apricot Nectar, Tropical Passion, Whipped Orange and Cranberry Twist. The product line also includes a Cranberry Raspberry lite Smoothie as well as an Energy Smoothie which has a unique formula. The Company extended its Smoothie line in 64-ounce P.E.T. plastic bottles from two flavors to six flavors during 2000.

During the second half of 1999, the Company introduced a new line of premium functional Smoothies in 11.5-ounce cans Energy, Power, Protein and Vita. Each of these products contain different combinations of supplements. Energy has a tropical fruit flavor. Power has a berry flavor. Protein has a banana citrus flavor. Vita has an orange carrot flavor. The juice levels of these products are

generally higher than the juice levels of the regular Smoothie line. The Company plans to reposition this line as line extensions to its existing regular Smoothie line. The Company is in the process of reformulating these products to reduce the juice levels to the same levels as the regular Smoothie products. During the fourth quarter of 1999, the Company introduced certain of such premium functional Smoothies as line extensions to its existing Smoothie line in 12-ounce glass bottles.

During the second quarter of 1998, the Company launched its first Healthy Start product, Dyna Juice(R), a shelf stable 100% juice blend with 15 vitamins and minerals added. Dyna Juice(R) was renamed VITAMAX-JUICE during the fourth quarter of 1998 to more directly communicate its attributes to consumers. During the fourth quarter of 1998, the Company expanded its Healthy Start product line with three new Healthy Start 100% juices namely, ANTIOXJUICE(R), IMMUNEJUICE(TM) and INTELLIJUICE(R). ANTIOXJUICE(R) is a carrot and tropical juice blend, IMMUNEJUICE(TM) is an aronia and cranberry juice blend and INTELLIJUICE(R) is an orange and tomato juice blend. Each of the Healthy Start products contain different combinations of supplements. The Healthy Start line was originally launched in 46-ounce P.E.T. plastic bottles and at the end of 1998 the Company expanded this line into 64-ounce P.E.T. plastic bottles as well. Early in 2000, the Company entered into a licensing agreement with the Silver Foxes Network for the licensing to the Company of the Silver Foxes(TM) brand and trademark, which is positioned towards consumers in the 50+ age group, for and in connection with certain of the Company's products. The Company determined to use that trademark for and in connection with its Healthy Start 100% juice line. The Company redesigned the labels for its Silver Foxes(TM)/Healthy Start juice line and relaunched the re-named line during 2000. However, sales from such relaunched line have been disappointing and the Company is currently reevaluating this line.

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In the first quarter of 2000, the Company introduced its Healthy Start 100% juice line in single-serve glass bottles, which was marketed through its distributor network. However, response from distributors and consumers has been disappointing and the Company is currently commencing to market this product line through its warehouse division to selected retail outlets, where such products may have greater appeal.

Hansen's(R) ready-to-drink iced teas and lemonades were introduced in 1993. Hansen's(R) ready-to-drink iced teas are currently available in three flavors: Original with Lemon, Tropical Peach and Wildberry. Lemonades are currently available in one flavor: Original Old Fashioned Lemonade. Hansen's(R) juice cocktails were introduced in 1994 and are currently available in four flavors: Kiwi Strawberry Melon, Tangerine Pineapple with Passion Fruit, California Paradise Punch and Mango Magic. The Company plans to introduce a new 12-pack variety pack of iced teas during the first half of 2001. Hansen's ready-to-drink iced teas, lemonades and juice cocktails are currently packaged in 16-ounce non-returnable wide-mouth glass bottles.

Hansen's(R) ready-to-drink iced teas are made with decaffeinated tea. The Company's other non-carbonated products are made with high quality juices. Hansen's(R) non-carbonated products (other than its 100% juice products) are also made with natural flavors, high fructose corn syrup, citric acid and other ingredients.

After offering a ready-to-drink green tea in a 20-ounce glass bottle, the Company introduced a full line of Specialty teas in 20-ounce glass bottles, which it named its "Gold Standard" line. This line was introduced in the 20-ounce glass bottles that were being used by the Company at the time, while the Company proceeded with the design and manufacture of a new unique proprietary 20-ounce glass bottle for the line, which was introduced towards the end of 1999. During 2000, the Company introduced two additional green tea flavors, as well as two diet green flavors, and six juice cocktails in 20-ounce bottles. All of the products in the Gold Standard line contain different combinations of supplements, but at lower levels than in the Company's functional drinks.

In the third quarter of 1999, the Company introduced two new lines of children's multi-vitamin juice drinks in 8.45-ounce aseptic packages. Each drink contains eleven essential vitamins and six essential minerals. Each line was introduced in three flavors. The Company has since introduced additional flavors and intends to continue to introduce new flavors in the place of existing flavors from time to time. One of these two lines is a dual-branded 100% juice

line named "Juice Blast(TM)" that was launched in conjunction with Costco Wholesale Corporation ("Costco") under the "Kirkland Signature(TM)/Hansen's(R) Natural" brand name and is sold nationally through Costco stores. The other line was a 10% juice line named "Juice Slam(TM)" that was available to all of Hansen's customers. During 2000, the Company repositioned that line as a 100% juice line under the Juice Slam(TM) name and is currently marketing that line to grocery store chain customers, the health food trade, and other customers.

In 2000, the Company introduced a new line of nutritional food bars under the Hansen's(R) brand name. This line is made from grains and fruit. The Company intends to introduce additional lines of nutritional food bars and, in particular, a line of functional food bars, during the first half of 2001 and thereafter. In addition, the Company introduced a new line of premium G.M.O. free (free from genetically modified organisms) cereals under the Hansen's(R) brand name.

The Company is actively engaged in the development of additional new products, including new lines of soy based drinks and sparkling lemonades in 1-liter proprietary glass bottles, which the Company plans to introduce later this year.

During the third quarter of 2000, the Company introduced a malt-based drink under the name Hard e, which contains up to five-percent alcohol. The Hard e product is not marketed under the Hansen's name.

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Hansen's(R) still water products were introduced in 1993. Hansen's(R) still water products are primarily sold in 0.5-liter plastic bottles to the food service trade.

The Company continues to evaluate and, where considered appropriate, introduce additional flavors and other types of beverages to complement its existing product lines. The Company will also evaluate, and where considered appropriate, introduce functional foods/snack foods that utilize similar channels of distribution and/or are complementary to the Company's existing products and/or to which the Hansen's(R) brand name is able to add value.

Manufacture, Production and Distribution

The concentrates for Hansen's(R) Natural Sodas, Signature Sodas and Blue Sky Natural Sodas products are blended at independent production facilities. In each case, the concentrate is delivered by independent trucking companies to Hansen's various co-packers, each of which adds filtered water, high fructose corn syrup or cane sugar or, in the case of the diet sodas, Splenda(R) brand sweetener, Acesulfame K, citric acid, and carbonation and, where appropriate, supplements, and packages the products in approved containers. Hansen's most significant co-packing arrangement is with Southwest Canning and Packaging, Inc. ("Southwest") pursuant to a contract under which Southwest packages Hansen's(R) Natural Sodas. This arrangement continues indefinitely and is subject to termination on 60 days written notice from either party.

The ingredients for the Company's fruit and grain nutritional food bars are purchased by the Company's co-packer for manufacturing and packaging of the finished bars. The Company's cereal products are manufactured for the Company by an overseas supplier who supplies all of the ingredients therefor.

The Company purchases juices, concentrates, flavors, vitamins, minerals, nutrients, herbs, supplements and other ingredients for its juice products, ready-to-drink iced tea, lemonade and juice cocktail products, Gold Standard specialty tea and juice cocktail line, fruit juice Smoothie products, functional drinks, Healthy Start juice line and children's multi-vitamin juice drinks from various producers and manufacturers. Such materials are then delivered to the Company's various co-packers, who add high fructose corn syrup and water, for manufacture and packaging of the finished products.

All of the Company's beverage products are co-packed by various co-packers situated throughout the United States and Canada under separate arrangements, each of which continue on a month-to-month basis, except for the arrangement with Southwest which is described above.

The Company has concluded arrangements with certain co-packers and suppliers in respect of equipment installed at the facilities of such co-packers

and suppliers for the specific purpose of facilitating the production of certain of the Company's products.

In the Western states, the Company's Natural Sodas, juice products, iced tea, lemonade, and juice cocktail products and Gold Standard Specialty tea and juice cocktail line, fruit juice Smoothie products in cans and P.E.T. bottles, Healthy Start juice line in P.E.T. bottles and children's multi-vitamin juice drinks are primarily sold to major grocery chain stores and, in certain instances, to mass merchandisers through food brokers; to club stores, specialty chain stores and, in certain instances, mass merchandisers directly by Hansen and to the health food trade through specialty health food distributors. In Colorado, a licensed distributor is responsible for sales of certain of the above products. The Company's fruit juice Smoothie products in glass bottles, functional drinks in 8.2-ounce slim cans, Signature Sodas and Healthy Start juices in glass bottles are distributed almost exclusively by bottles and/or distributors that do not distribute other products of the Company. However, commencing in 2001, Signature Sodas and Healthy Start juices in glass bottles may be sold to major grocery chain stores, mass merchandisers and club stores, in certain states and/or counties directly by Hansen's. The nutritional food bars and cereals will primarily be sold to major grocery chain stores, club stores, mass merchandisers, and convenience chains through food brokers, and to

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specialty chain stores, directly by Hansen's and to the health food trade through specialty health food distributors.

Management has secured limited additional co-packing arrangements outside the West to enable the Company to produce certain of its products closer to the markets where they are sold and thereby reduce freight costs. As volumes in markets outside California grow, the Company will secure additional co-packing arrangements to further reduce freight costs.

The Company's ability to estimate demand is imprecise, particularly with new products, and may be less precise during periods of rapid growth, particularly in new markets. If the Company materially underestimates demand for its products or is unable to secure sufficient ingredients or raw materials including but not limited to glass, cans or labels, or co-packing arrangements, it might not be able to satisfy demand on a short-term basis. See also "Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS."

Although the Company's arrangements for production of its products are generally of short duration or are terminable upon request, management believes that (subject to what is stated herein) a short disruption would not significantly affect the Company's revenues since alternative co-packing facilities in the United States with adequate capacity can be obtained for most of its products at commercially reasonable rates, if necessary or desirable, within a reasonably short time period. However, there are limited co-packing facilities in the United States with adequate capacity for products in 8.2-ounce slim cans. There are also limited shrink sleeve labeling facilities available in the United States with adequate capacity for the Company's Signature Soda line and Healthy Start line in glass bottles. A disruption in production of any of such products could significantly affect the Company's revenues from such products as alternative co-packing facilities in the United States with adequate capacity may not be available for such products at commercially reasonable rates, if necessary or desirable, within a reasonably short time period. In addition, with regard to the Hard e product, while there are many co-packing facilities in the United States with adequate capacity that could produce such product, due to regulatory issues it may not be feasible for such product to be co-packed at alternative co-packaging facilities on short notice. Consequently a disruption in production of such products could affect the Company's revenues from such products. The Company is taking measures to secure the availability of alternative co-packing facilities in the United States or Canada with adequate capacity for the production of certain of its products to minimize the risk of any disruption in production.

The Company itself is primarily responsible for marketing its products (other than its fruit juice Smoothies in glass bottles, functional drinks in 8.2-ounce slim cans, Signature Sodas, Healthy Start juices in glass bottles and Medicine Man iced teas and drinks in glass bottles) in the United States. The Company has entered into distribution agreements with distributors to distribute Smoothies in glass bottles and/or functional drinks in 8.2-ounce slim cans and/or Signature Sodas in more than 40 states. In many of such states, however, distribution is only on a limited scale. Certain of the Company's products are

also marketed in Canada, and on a more limited basis, in other countries outside of the United States, including the United Kingdom, Mexico, Philippines, Guam, the Caribbean, and the United Arab Emirates. During 2000, sales by the Company to distributors outside the United States amounted to approximately \$753,000.

The Company intends to aggressively expand the distribution of its products into new markets, both within the United States and abroad.

At the end of 2000, the Company introduced its new line of diet natural sodas and is currently introducing its new premium line of iced teas and drinks in glass bottles, under the Medicine Man label. Presentations are currently being made to grocery store chains to secure their agreement to carry the diet natural sodas and to the Company's existing distributor network to endeavor to secure their agreement to distribute the Medicine Man line.

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The Company is developing a separate network of brokers and distributors to support the introduction, sale and distribution of the Company's nutritional food bars and cereals to the health food trade, convenience and drug store chains, grocery chain stores and mass merchandisers.

The Company is continuing to expand distribution of its products by seeking to enter into agreements with regional bottlers or other direct store delivery distributors having established sales, marketing and distribution organizations. Hansen's licensed bottlers and distributors are affiliated with and manufacture and/or distribute other soda and non-carbonated brands and other beverage products. In many cases, such products are directly competitive with the Company's products. The Company's strategy of licensing regional bottlers to produce Hansen's(R) Natural Sodas from concentrate provided by the Company, did not fulfill management's expectations, partly because bottlers preferred to focus on alternative beverage products having higher margins than sodas.

During 2000, the Company expanded the distribution of its Natural Sodas and Smoothies in cans into Oregon and Washington. The Company plans to secure additional distribution of its Natural Sodas and Smoothies in cans in Oregon and Washington during 2001. In these states, the Company has retained responsibility for securing sales and providing marketing support. To this end, the Company appointed a regional sales manager for the northwestern states during 2000.

In 2000, the Company continued to expand its national sales force to support and grow the sales primarily of functional drinks in 8.2-ounce slim cans together with Smoothies in glass bottles and Signature Sodas and intends to continue to build such sales force during 2001.

The Blue Sky(R) Natural Soda products are sold primarily to the health food trade through specialty health food distributors.

The Hard e malt based drinks are manufactured for HEB by Reflo, Inc. ("Reflo"), pursuant to a manufacturing and distribution agreement dated as of March 23, 2000 ("Reflo Agreement") which has a term of two years. Under the terms of the Reflo agreement, Reflo administers the sales and distribution of such products throughout the United States, excluding California, Nevada and Oregon where HEB is itself responsible for the sales and distribution of such products. Reflo, Inc., acting on behalf of HEB and HEB itself, have entered into distribution agreements with a number of independent distributors to distribute Hard e in more than twenty-six states. However, in many of such states, distribution is only now commencing and is on an extremely limited scale.

Management continues to evaluate various alternatives to expand the distribution of its products into selected new markets.

The principal warehouse and distribution center and corporate offices of the Company relocated to the Company's current facility in October 2000. The Company is in the process of consolidating its Ontario, California warehouse space into its new facility and is taking steps to reduce its inventory levels, in an endeavor to lower its warehouse and distribution costs. See also "ITEM 2 - PROPERTIES."

Source and Availability of Raw Materials

The Company purchases beverage flavors, concentrates and supplements from independent suppliers located in the United States and Mexico, juice, bars and other ingredients from independent suppliers in the United States and

abroad, and cereals from an independent supplier located abroad.

Suppliers regard flavors as proprietary to them. Consequently, Hansen does not currently have the list of ingredients or formulae for its flavors and certain of its concentrates readily available to it and may be unable to obtain these flavors or concentrates from alternative suppliers on short notice. The Company has identified alternative suppliers of many of the supplements contained in its carbonated functional drinks, Smoothies, Healthy Start, Gold Standard and multi-vitamin juice lines. However, industry-wide shortages of

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certain supplements have been and could, from time to time in the future, be experienced, which could interfere with production of certain of the Company's products.

Management is continuing with its attempts to develop back-up sources of supply for its flavors and concentrates from other suppliers as well as to conclude arrangements with suppliers which would enable it to obtain access to certain concentrate or product formulae in certain circumstances. The Company has been partially successful in these endeavors.

Hansen's goal is to ensure that all raw materials used in the manufacture and packaging of the Company's products, including natural sodas, Signature sodas, functional drinks and non-carbonated drinks and juices, including, but not limited to, concentrates and juices, high fructose corn syrup, cane sugar, citric acid, caps, cans, glass bottles, P.E.T. plastic bottles, aseptic packaging and labels, are readily available from two or more sources and is continuing its efforts to achieve this goal, although each of such raw materials are, in practice, usually obtained from single sources. However, the cans for the Company's functional drinks are only manufactured by one company in the United States. Additionally, the ability of HEB to have its Hard e products manufactured and/or distributed by other parties may be restricted by HEB's agreement with Reflo, Inc. and/or the necessity to obtain certain regulatory approvals and licenses.

In connection with the development of new products and flavors, the Company works with independent suppliers who bear a large portion of the expense of product development, thereby enabling the Company to develop new products and flavors at relatively low cost. The Company has historically developed and successfully introduced new products and flavors and packaging for its products and currently anticipates developing and introducing additional new beverage and food products and flavors.

Competition

The beverage industry is highly competitive. The principal areas of competition are pricing, packaging, development of new products and flavors and marketing campaigns. The Company's products compete with traditional soft drinks (cola and non-cola), and alternative beverages, including new age beverages and ready-to-drink iced teas, lemonades and juice cocktails and energy drinks as well as juices and juice drinks and nectars produced by a relatively large number of manufacturers, most of which have substantially greater financial and marketing resources than Hansen.

The Company's functional energy drink competes directly with Red Bull, Red Devil, Lipovitan, MET-Rx, Hype, XTC, Adrenaline Rush, 180 and KMX and many other brands and its other functional drinks compete directly with Elix, Lipovitan, MET-Rx, Think, Sobe Essentials and other brands. The "functional" beverage category is in its infancy and increased competition is anticipated within a relatively short period of time. A number of companies who market and distribute iced teas and juice cocktails in larger volume packages, such as 16- and 20-ounce glass bottles, including Sobe, Snapple Elements and Arizona, have added, or are in the process of adding, supplements to their products with a view to marketing their products as "functional" beverages or as having functional benefits. However, many of those products are believed to contain low levels of supplements and principally deliver refreshment. In addition, many of the competitive products are positioned differently than the Company's functional drinks. The Company's functional Smoothies and Gold Standard lines are positioned more closely against those products.

For its Natural Sodas, Smoothies, functional drinks and Signature sodas as well as other products, Hansen competes not only for consumer acceptance, but also for maximum marketing efforts by multi-brand licensed bottlers, brokers and distributors, many of which have a principal affiliation with competing

companies and brands. The Company's products compete with all liquid refreshments and with products of much larger and substantially better financed competitors, including the products of numerous nationally and internationally known producers such as The Coca Cola Company, PepsiCo, Inc., Cadbury Schwepps, which includes Dr. Pepper/Seven-up, RC Cola, Snapple, Mystic and Stewart's brands, Nestle Beverage Company, The Quaker Oats Company and Ocean Spray. More

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specifically, the Company's products compete with other alternative beverages, including new age beverages, such as Snapple, Mystic, Arizona, Clearly Canadian, Sobe, Stewart's, Everfresh, Nantucket Nectars, Kerns Nectars, Mystic, VeryFine, V8 Splash, Calistoga, Red Bull, MET-Rx, Adrenaline Rush, 180, KMX and Crystal Geyser brands. Due to the rapid growth of the alternative beverage segment of the beverage marketplace, certain large companies such as The Coca Cola Company and PepsiCo, Inc. have introduced products in that market segment which compete directly with the Company's products such as Nestea, Fruitopia, Lipton, Ocean Spray and Dole. The Company's products also compete with private label brands such as those carried by grocery store chains and club stores. Important factors affecting Hansen's ability to compete successfully include taste and flavor of products, trade and consumer promotion, rapid and effective development of new, unique, cutting edge products, attractive and different packaging, brand and product advertising and pricing. Hansen must also compete for distributors who will concentrate on marketing the Company's products over those of Hansen's competitors provide stable and reliable distribution and secure adequate shelf space in retail outlets. Competitive pressures in the alternative and functional beverage categories could cause the Company's products to lose market share or experience price erosion, which could have a material adverse effect on Hansen's business.

The Company's fruit juice Smoothies compete with Kern's nectars in the Western states and Libby's in the Eastern states and Whipper Snapple, Mystic and Nantucket Nectars nationally and also with single serve juice products produced by many competitors. Such competitive products are packaged in glass and P.E.T. bottles ranging from 8- to 20-ounces in size and in 11.5-ounce aluminum cans. The juice content of such competitive products ranges from 1% to 100%.

The Company's apple and other juice products compete directly with Tree Top, Mott's, Martinelli's, Welsh's, Ocean Spray, Minute Maid, Langers, Wildland, Apple and Eve, Seneca, Northland and also with other brands of apple juice and juice blends, especially store brands. The Company's Healthy Start line competes with Langer's, V8 Splash, Knudsen, Nantucket Nectars, Wildland and other juice products. The Company's still water products compete directly with Evian, Crystal Geyser, Naya, Palomar Mountain, Sahara, Arrowhead, Aquafina, Dannon, and other brands of still water especially store brands.

The nutritional food bar and cereal categories as well as flavored malt-based drink categories are also highly competitive. Principal areas of competition are pricing, packaging, development of new product and flavors and marketing campaigns. The Company's cereals compete with traditional cereals of companies such as Kellogg's, General Mills and Kashi and the Company's nutritional food bars compete with products of other independent bar companies such as Power Bar, Balance Bar, Gatorade, Kashi, Cliff Bar, MET-Rx, and numerous other bars. HEB's Hard e product competes with wine coolers, such as Seagram's and Bartles and James and flavored low alcohol beverages such as Mike's Hard Lemonade, Hooper's Hooch, Doc Otis Hard Lemon, Smirnoff Ice, Zima and Rick's Spiked Lemonade and other flavored malt and alcohol based drinks. Many of these products are produced by large national and international manufacturers, most of which have substantially greater financial and marketing resources than Hansen's. Such companies include Anhaeuser Busch, Coors, Gallo Winery, Diageo plc, etc.

Important factors affecting Hansen's ability to compete successfully include taste and flavor of products, trade and consumer promotions, rapid and effective development of new, unique cutting edge products, attractive and different packaging, branded product advertising and pricing. Hansen also competes for distributors who will concentrate on marketing the Company's products over those of Hansen's competitors provide stable and reliable distribution and secure adequate shelf space in retail outlets. Competitive pressures in the cereal, nutritional food bar and flavored malt beverage categories could cause the Company's products to be unable to gain or to lose market share or experience price erosion, which could have a material adverse affect on Hansen's business.

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Marketing

Hansen's marketing strategy is to focus on consumers who seek products that are perceived to be natural and healthy. To attract these consumers, the Company emphasizes the natural ingredients and the absence of preservatives, sodium, artificial coloring and caffeine in the Company's beverages (other than the Company's functional energy, stamina(R) and power drinks which do contain caffeine) and the addition to most of its products, of one or more supplements. This message is reinforced in the product packaging, the majority of which was redesigned in 2000. The regular wholesale price of Hansen's(R) Natural Sodas in cans is slightly higher than mainstream soft drinks such as Coca-Cola and Pepsi, although generally lower than the prices of the products of many competitors in the new age category. In its marketing, Hansen emphasizes its high quality "natural" image and the fact that its soda products contain no preservatives, sodium, caffeine or artificial coloring. The regular wholesale price of the Company's iced teas, lemonades and juice cocktails, including its Gold Standard line, is comparable to or slightly lower than that of competitive non-carbonated beverages marketed under the Snapple, Sobe, Arizona, Mystic, Lipton, Nestea, Fruitopia, Ocean Spray and Nantucket Nectar brands. In its marketing, Hansen emphasizes the high quality natural and healthy image of its products. The regular wholesale price of the Company's fruit juice Smoothie products is similar to that of Kern's nectars. Without abandoning its natural and healthy image, the Company launched a lightly carbonated energy drink in 8.2-ounce slim cans, containing certain supplements, to appeal to the young and active segment of the beverage market that desires an energy boost from its beverage selection. The Company has since launched five additional lightly carbonated functional drinks, namely, stamina(R), d-stress(R), anti-ox(R) (since renamed b-well(TM)), power(TM) and slim-down. The supplements contained in each of the functional drinks are intended to provide specific but different functional benefits to the consumers of each of such products. Hansen's marketing strategy with respect to its nutritional food bars and cereals is similarly to focus on consumers who seek bars and cereals that are perceived to be natural and healthy. To attract these consumers, the Company emphasizes the natural ingredients and the absence of preservatives and, in the case of the cereals, the fact that they are G.M.O.-free. HEB's marketing strategy with respect to its Hard e product is to focus on adult consumers who seek an alcohol-based beverage that is good tasting, fashionable and meets consumers' needs.

To cater to consumers, who purchase juices in multi-serve sizes and perceive the inclusion of supplements therein to be of added value, the Company launched its Healthy Start line of 100% juices in 1998. Although marketed in larger multi-serve packages that are appropriate for grocery store chains, club stores, specialty chains and health food stores, the positioning of these products is similar to the Company's lightly carbonated functional drinks in 8.2-ounce slim cans. To distinguish these products from those of competitors, each label indicates the function of the product, in addition to listing the supplements contained therein. As stated above, following the conclusion of a licensing agreement by the Company with the Silver Foxes Network, the Company had the labels for its Silver Foxes(TM)/Healthy Start 100% juice line redesigned. The new renamed line, which was targeted at the 50+ age group, was relaunched during 2000. However, sales of this line were disappointing and the Company is currently reevaluating this line. During the year, the Company also introduced its Healthy Start 100% line in single serve 12-ounce glass bottles, through its distributor network. Sales of this line did not meet expectations and the Company is in the process of repositioning the distribution of this product line. In this regard, the Company plans to market these products directly through its warehouse division with focus on the health food trade and specialty retail stores.

According to Roche Vitamins, very few American children meet all of the recommendations of the Food Guide Pyramid. In 1999, the Company introduced a new line of children's multi-vitamin juice drinks in 8.45-ounce aseptic packaging. These products are positioned to assist parents improve the daily intake by their children of essential vitamins and minerals.

The Company's sales and marketing strategy is to focus its efforts on developing brand awareness and trial through sampling both in stores and at events in respect to all its beverage, food and alcoholic beverage products. The Company intends to continue to place increased emphasis on product sampling and

participating in direct promotions. The Company proposes to continue to use its branded vehicles, PT Cruisers and other promotional vehicles at events at which

the Company's products, including its fruit juice smoothies, natural sodas and functional energy drinks will be distributed to consumers for sampling. Hansen utilizes "push-pull" tactics to achieve maximum shelf and display space exposure in sales outlets and maximum demand from consumers for its products including advertising, in store promotions and point of sale materials, prize promotions, price promotions, competitions, endorsements from selected public figures, coupons, sampling and sponsorship of selected sports figures as well as sporting events such as marathons, 10k runs, bicycle races, volleyball tournaments and other health- and sports-related activities, including extreme sports, and also participates in product demonstrations, food tasting and other related events. Posters, print, radio and television advertising together with price promotions and coupons are also used extensively to promote the Hansen's(R) brand.

Management increased expenditures for its sales and marketing programs by approximately 18% in 2000 compared to 1999.

While the Company retains responsibility for the marketing of the Juice Slam(TM) line of children's multi-vitamin juice drinks, Costco has undertaken sole responsibility for the marketing of the co-branded Juice Blast(TM) line.

The Company intends to support its planned expansion of distribution and sale of its functional drinks in 8.2-ounce slim cans, Smoothie products in glass bottles, Signature Sodas, Healthy Start juices in glass bottles, and Medicine Man iced teas and drinks in glass bottles, through the in-store placement of point-of-sale materials, use of glide racks, suction cup racks and a proprietary rolling rack for its functional drinks, co-operative trade marketing with customers and by attending and sponsoring many sporting events, including extreme sports and selected sports figures and through endorsements from selected public and sports figures, through focused radio campaigns and by developing local marketing programs in conjunction with its distributors in their respective markets. By enlisting its distributors as participants in its marketing and advertising programs, Hansen intends to create an environment conducive to the growth of both the Hansen's(R) brand and the businesses of its distributors.

In January 1994, the Company entered into an agreement with a barter company for the exchange of certain inventory for future advertising and marketing credits. The Company assigned a value of \$490,000 to these credits based on the net realizable value of the inventory exchanged. As of December 31, 2000, unused advertising and marketing credits totaled \$111,000. Although such credits remain available for use by the Company through January 2002, management was unable to estimate their remaining net realizable value at December 31, 1997. Accordingly, in the year ended December 31, 1997, the Company fully reserved against and expensed such advertising and marketing credits.

Management continues to believe that one of the keys to success in the beverage industry is differentiation; making Hansen's(R) products clearly distinctive from other beverages on the shelves of retailers. Management is of the view that the same keys to success apply to its nutritional food bars and cereals and Hard e products. The Company reviews its products and packaging on an ongoing basis and, where practical, endeavors to make them different, better and unique. The labels and graphics for the Company's juice products, Natural Sodas and Smoothie products were redesigned in an endeavor to develop a new system to maximize their visibility and identification, wherever they may be placed in stores.

Customers

Retail and specialty chains, and club stores represented 56% of Hansen's sales in the year ended December 31, 2000 and 58% in the year ended December 31, 1999, while the percentage of sales to distributors (primarily of Hansen's(R) functional drinks in 8.2-ounce slim cans, Smoothies in glass bottles and Signature Sodas) in the year ended December 31, 2000, was 33%, about the same as in the previous year.

Hansen's major customers in 2000 included Costco, Trader Joe's, Sam's Club, Lucky, Vons, Ralph's, Wal-Mart and Albertson's. One customer accounted for approximately 23%, 25% and 27% of the Company's sales for the years ended December 31, 2000, 1999 and 1998, respectively. A decision by that or any other major customer to decrease the amount purchased from the Company or to cease carrying the Company's products could have a material adverse effect on the Company's financial condition and consolidated results of operations.

Seasonality

Hansen normally experiences greater sales and profitability during its second and third fiscal quarters (April through September). The consumption of beverage products fluctuates in part due to temperature changes with the greatest consumption occurring during the warm months. During months where temperatures are abnormally warm or cold, consumption goes up or down accordingly. Similarly, consumption is affected in those regions where temperature and other weather conditions undergo dramatic changes with the seasons. Management anticipates that the sale of the Company's products may become increasingly subject to seasonal fluctuations as more sales occur outside of California in areas where weather conditions are intemperate. Sales of the Company's juice products, functional drinks and children's multi-vitamin juice drinks are likely to be less affected by such factors. Similarly, sales of the Company's nutritional food bars and cereals are likely to be less affected by such factors. However, as the Company has not had experience with such products, it is unable to predict the likely sales trend of such products with any degree of accuracy.

Trademark

The Hansen's(R) trademark is crucial to the Company's business. This trademark is registered in the U.S. Patent and Trademark Office and in various countries throughout the world. The Hansen's(R) trademark is owned by a trust (the "Trust") which was created by an agreement between HBC and the predecessor company of Fresh Juice Company of California ("FJC") (the "Agreement of Trust"). The Trust licensed to HBC in perpetuity on an exclusive world-wide royalty-free basis the right to use the Hansen's(R) trademark in connection with the manufacture, sale and distribution of carbonated beverages and waters and shelf stable fruit juices and drinks containing fruit juices. In addition, the Trust licensed to HBC, in perpetuity, on an exclusive world-wide basis, the right to use the Hansen's(R) trademark in connection with the manufacture, sale and distribution of certain non-carbonated beverages and water in consideration of royalty payments. A similar license agreement exists between the Trust and HBC with regard to non-beverage products. No royalties are payable on sodas, juices, lemonades, juice cocktails, fruit juice Smoothies, the Signature Soda line or on the children's multi-vitamin juice drinks. Royalty expenses of \$12,000 were incurred in 1999. As explained below, no royalty expenses were incurred during 2000.

HBC, FJC's predecessor and the Trust also entered into a Royalty Sharing Agreement pursuant to which royalties payable by third parties procured by FJC or its predecessor or HBC are initially shared between the Trust and HBC and, after a specified amount of royalties have been received, are shared equally between HBC and FJC. Under the terms of the Agreement of Trust, FJC receives royalty income paid to the Trust in excess of Trust expenses and a reserve therefor.

Effective September 22, 1999, HBC entered into an Assignment and Agreement with FJC pursuant to which HBC acquired exclusive ownership of the Hansen's(R) trademark and trade names. Under the Assignment and Agreement, among other matters, HBC acquired all FJC's rights as grantor and beneficiary of the Trust, all FJC's rights as licensee under certain license agreement pursuant to which FJC has the right to manufacture, sell and distribute fresh juice products under the Hansen's(R) trademark and all FJC's rights under the Royalty Sharing Agreement referred to above, as well as certain additional rights, for a total consideration of \$775,010, payable over three years. FJC is permitted to continue to manufacture, sell and distribute fresh juice products under the Hansen's(R) trademark for a period of five years. Consequently, HBC now has full ownership of the Hansen's(R) trademark and its obligation to pay royalties to,

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and to share royalties with, FJC has been terminated. As of December 31, 2000, a balance of \$287,500 was payable to FJC.

The Company has applied to register a number of trademarks in the United States including, but not limited to, THE REAL DEAL(TM), IMMUNEJUICE(TM), Hansen's energy(TM), Hansen's power(TM), Hansen's Natural Multi-Vitamin Juice Slam(TM), Defense(TM), Powerpack(TM), Medicine Man(TM), b-well(TM), Hard e(TM), Hard Energy(TM), and A New Kind a Buzz(TM).

The Company owns in its own right, a number of trademarks including, but not limited to, LIQUIDFRUIT(R), Imported from Nature(R), California's

Natural Choice(R), California's Choice(R), Dyna Juice(R), Equator(R), be-well(R), anti-ox(R), d-stress(R), stamina(R), Aqua Blast(R), Antioxjuice(R) Intellijuice(R) and Juice Blast(R) in the United States and the Hansen's(R) and "Smoothie(R)" trademarks in a number of countries around the world.

In September 2000, in connection with the acquisition of the Blue Sky Natural Beverage business, the Company, through its wholly owned subsidiary Blue Sky, acquired the Blue Sky(R) trademark, which is registered in the United States and Canada.

On April 4, 2000, the United States Patent and Trademark Office issued a patent to the Company for an invention related to a shelf structure (rolling rack) and, more particularly, a shelf structure for a walk-in cooler. Such shelf structure is utilized by the Company to secure shelf space for and to merchandise its functional drinks in 8.2-ounce slim cans in refrigerated Visi coolers and walk-in coolers in retail stores.

Government Regulation

The production and marketing of beverages are subject to the rules and regulations of the United States Food and Drug Administration (the "FDA") and other federal, state and local health agencies. The FDA also regulates the labeling of containers including, without limitation, statements concerning product ingredients.

In connection with Hard e, the production and marketing of alcoholic beverages are subject to the rules and regulations of the Bureau of Alcohol, Tobacco and Firearms and in each state, are also subject to the rules and regulations of state regulatory agencies. The Bureau of Alcohol, Tobacco and Firearms and state regulatory agencies also regulate the labeling of containers containing alcoholic beverages including, without limitation, statements concerning product name and ingredients as well as advertising and marketing, in connection therewith.

Employees

As of March 2, 2001, Hansen employed a total of 107 employees, 100 of whom are employed on a full-time basis. Of Hansen's 107 employees, 34 are employed in administrative and quality control capacities and 73 are employed in sales and marketing capacities.

Compliance with Environmental Laws

The operation of Hansen's business is not materially affected by compliance with federal, state or local environmental laws and regulations. In California, Hansen's is required to collect deposits from its customers and to remit such deposits to the State of California Department of Conservation based upon the number of cans and bottles of certain of its carbonated and non-carbonated products sold. In certain other states and Canada where Hansen(R) products are sold, the Company is also required to collect deposits from its customers and to remit such deposits to the respective conservation agencies based upon the number of cans and bottles of certain of its carbonated and non-carbonated products, sold in such states.

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ITEM 2. PROPERTIES

Hansen's corporate offices and main warehouse are located in a single building at 1010 Railroad Street, Corona, California 92882. This facility is leased by HBC for a period of ten years commencing October 20, 2000. The gross area of the facility is approximately 113,600 square feet. The monthly rental payments, according to the terms of the lease, are subject to increase during the third, sixth and eighth years. HBC also utilizes public warehouses situated throughout the United States and Canada.

ITEM 3. LEGAL PROCEEDINGS

Towards the end of 1998, HBC, together with the Trustee of the Hansen Trust, commenced arbitration proceedings before the American Arbitration Association in Los Angeles, California, against FJC, the former Trustees of the Trust, and a company called Hansen's Juice Creations LLC ("Creations"), in which HBC and the Trustee claimed, among other matters: (i) that certain acts of the former Trustees of the Trust constituted breach of trust; (ii) a certain license

agreement purportedly entered into between the former Trustees of the Trust and Creations (the "Purported Agreement") was, in whole or in part, void or terminable by the Trust; and (iii) certain acts of Creations constituted infringement of the Hansen's(R) trademark and certain acts of FJC constituted contributory infringement of the Hansen's(R) trademarks. HBC and the Trustee sought damages and injunctive relief against FJC and Creations. Such proceedings were settled in September 1999. Pursuant to written settlement agreements among the various parties to such proceedings, the Purported Agreement was terminated by mutual consent, the right of the successor to Creations to use the Hansen's(R) trademark on limited, but clearly defined, fresh juice products, was clarified and agreed upon, and certain other matters relating to and concerning the use of the Hansen's(R) trademark, were resolved.

During 2000, the Company commenced arbitration proceedings against Sammy Sosa before the American Arbitration Association in Orange County, for the repayment by Mr. Sosa to the Company of the sum of \$175,000 which was paid to Mr. Sosa, by virtue of Mr. Sosa's failure to perform his obligations in terms of his agreement with the Company. Mr. Sosa has filed a counter claim against the Company seeking damages approximating \$2.8 million. The Company believes that Mr. Sosa's counter-claim has no factual or legal basis whatsoever and is completely unmeritorious. A hearing has not yet taken place in the arbitration.

Late in 2000, Rhonda Morris filed a complaint in the Superior Court for the State of California, County of San Francisco against the Company, in which she claims sexual harassment by an employee of the Company in connection with an alleged denial of employment to her and in which she seeks unspecified monetary damages. The Company has removed the complaint to the United States District Court for the Northern District of California. The Company believes the claim is without merit and is defending the claim.

In March 2001, the Company filed a complaint in Federal Court for the Central District of California against South Beach Beverage Company LLC ("Sobe"), for patent infringement, violation of trademark rights, false advertising, unfair competition, trespass to chattels and tortious interference with business relations arising from Sobe's unlawful conduct and unauthorized use of the Company's property and the patent held by the Company in respect of its rolling rack shelf structure, Sobe's improper business practices, interference with the Company's right to conduct its business, injunctive relief and unspecified monetary damages.

The Company is subject to, and involved in, claims and contingencies related to lawsuits, arbitration proceedings, and other matters arising out of the normal course of business. The ultimate liability associated with such claims and contingencies, including those mentioned above, is not likely to have a material adverse effect on the financial condition of the Company.

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Except as described above, there are no material pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of the properties is subject, other than ordinary and routine litigation incidental to the Company's business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of stockholders of the Company was held on November 3, 2000. At the meeting, the following individuals were elected as directors of the Company and received the number of votes set opposite their respective names:

	Votes For
Rodney C. Sacks	8,514,511
Hilton H. Schlosberg	8,514,611
Benjamin M. Polk	8,514,611
Norman C. Epstein	8,514,461
Harold C. Taber, Jr.	8,514,611
Mark S. Vidergauz	8,514,611

In addition, at the meeting the stockholders of the Company ratified the appointment of Deloitte & Touche LLP as independent auditors of the Company for the year ended December 31, 2000, by a vote of 8,510,325 for, 4,555 against

and 10,782 abstaining.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED
SHAREHOLDER MATTERS

Principal Market

The Company's Common Stock began trading in the over-the-counter market on November 8, 1990 and is quoted on the NASDAQ Small-Cap Market under the symbol "HANS". As of March 2, 2001, there were 10,045,003 shares of the Company's Common Stock outstanding held by approximately 659 holders of record.

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Stock Price and Dividend Information

The following table sets forth high and low bid closing quotations for the Common Stock, on a quarterly basis from January 1, 1998 to December 31, 2000:

Common Stock

	High Bid	Low Bid
Year Ended December 31, 2000		
First Quarter	\$ 4 5/8	\$ 4
Second Quarter	\$ 4 1/2	\$ 3 13/32
Third Quarter	\$ 5 29/32	\$ 4 1/8
Fourth Quarter	\$ 5 3/8	\$ 3 1/4
Year Ended December 31, 1999		
First Quarter	\$ 5 5/8	\$ 3 7/16
Second Quarter	\$ 5 1/2	\$ 3 5/8
Third Quarter	\$ 5 5/8	\$ 4 5/16
Fourth Quarter	\$ 5 1/8	\$ 3 7/8
Year Ended December 31, 1998		
First Quarter	\$ 2 9/16	\$ 1 15/32
Second Quarter	\$ 4 3/4	\$ 2 3/8
Third Quarter	\$ 6 13/16	\$ 3 3/4
Fourth Quarter	\$ 6 17/32	\$ 2 15/16

The quotations for the Common Stock set forth above represent bid quotations between dealers, do not include retail markups, mark-downs or commissions and bid quotations may not necessarily represent actual transactions and "real time" sale prices. The source of the bid information is the NASDAQ Stock Market, Inc.

Hansen has not paid dividends to its stockholders since its inception and does not anticipate paying dividends in the foreseeable future.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The consolidated statements of operations data set forth below with respect to each of the years ended December 31, 1996 through 2000 and the balance sheet data as of December 31, for the years indicated, are derived from the consolidated financial statements audited by Deloitte & Touche LLP, independent certified public accountants, and should be read in conjunction with those financial statements and notes thereto included elsewhere in this and in the 1996, 1997, 1998 and 1999 Forms 10-K.

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(in thousands, except per
share information)

	2000	1999	1998	1997	1996
Net sales	\$ 79,733	\$ 72,303	\$ 53,866	\$ 43,057	\$ 35,565

Net income	\$ 3,915	\$ 4,478	\$ 3,563	\$ 1,250	\$ 357
Net income per common share					
Basic	\$ 0.39	\$ 0.45	\$ 0.38	\$ 0.14	\$ 0.04
Diluted	\$ 0.38	\$ 0.43	\$ 0.34	\$ 0.13	\$ 0.04
Total assets	\$ 38,745	\$ 28,709	\$ 22,557	\$ 16,933	\$ 16,109
Long-term debt	\$ 9,732	\$ 903	\$ 1,335	\$ 3,408	\$ -

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

During 2000, the Company continued to expand its existing product lines and further develop its markets. In particular, the Company continues to focus on developing and marketing beverages that fall within the category generally described as the "functional" beverage category.

The Company achieved record sales in 2000. The increase in sales in 2000 was primarily attributable to the growth in sales of the Company's functional drinks in 8.2-ounce slim cans, as well as increased sales of the children's multi-vitamin juice drinks in 8.45-ounce aseptic packaging and increased sales of apple juice and natural sodas as well as sales of Blue Sky Natural Sodas since the acquisition by the Company of that brand. The increase in sales was partially offset by decreased sales of Smoothies and the Company's Silver Foxes juice line as well as lower sales of iced teas, lemonades and juice cocktails and Signature Sodas. Despite such changes in the Company's product mix, the gross profit percentage achieved by the Company in 2000 was marginally higher than the gross profit percentage achieved in 1999.

During 2000, sales outside of California represented 37% of the aggregate sales of the Company, as compared to approximately 39% of the aggregate sales of the Company in 1999. Sales to distributors outside the United States during 2000 amounted to \$753,000 compared to \$800,000 in 1999.

During 2000, the Company introduced slim-down, its sixth functional drink in 8.2-ounce slim-cans. slim-down is a berry-flavored drink that has no calories. During the year, the Company introduced two additional Smoothie flavors in 11.5-ounce cans: Whipped Orange and Cranberry Twist. The Company also extended its Smoothie line in 64-ounce P.E.T. plastic bottles from two flavors to six flavors. In the first quarter of 2000, the Company introduced its Healthy Start 100% juice line in single serve glass bottles, which it marketed through its distributor network. However, response from customers and consumers was disappointing and in consequence the Company has decided to market that line through its warehouse division to selected retail outlets where such products may have greater appeal. The Company also introduced two additional Green Tea flavors as well as two diet Green Tea flavors and six juice cocktails in the same 20-ounce glass bottle as its "Gold Standard" Green Tea and Specialty Teas. Each of the products in the "Gold Standard" line contain different combinations of supplements.

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The Company also entered the functional foods market in 2000 with the introduction of a line of fruit and grain nutritional food bars and commenced test marketing a line of G.M.O.-free gourmet cereals. The Company intends to expand its nutritional food bar business with the introduction of functional food bars in 2001 as well as additional nutritional food bars later in 2001.

During 2000, the Company entered into a license agreement with the Silver Foxes Network for the licensing to the Company of the Silver Foxes(TM) brand and trademark, which is positioned towards consumers in the 50+ age group, for and in connection with certain of the Company's products. The Company determined to use that trademark for and in connection with its Healthy Start 100% juice line. The Company had the labels for its Health Start juice line redesigned under the Silver Foxes brand and trademark and relaunched the new re-named line during the year. However, sales of the Company's Silver Foxes juice line were disappointing and the Company is currently reevaluating this line.

Sales of the Company's dual-branded 100% juice line named "Juice Blast(R)", which was launched in conjunction with Costco under the "Kirkland

Signature(TM)/Hansen's(R) Natural" brand name and is sold nationally through Costco stores, were satisfactory. The Company has, in conjunction with Costco, introduced new flavors in place of certain of the existing flavors and will continue to introduce new flavors in an effort to ensure that its variety pack remains fresh and different for consumers.

During 2000, the Company repositioned its Juice Slam(TM) line as a 100% juice line. The Company is currently marketing this line to grocery store chains, specialty chains, the health food trade and other customers directly through its warehouse division.

On September 20, 2000 the Company, through its wholly owned subsidiary Blue Sky, acquired the Blue Sky Natural Soda business. The Blue Sky Natural Soda brand is the leading natural soda in the health food trade. Blue Sky offers natural sodas, premium natural sodas with added ingredients such as Ginseng and anti-oxidant vitamins, organic sodas and seltzers in 12-ounce cans.

The Company is currently launching a new premium line of iced teas and drinks with a unique theme under the Medicine Man label, in proprietary glass bottles. This line will initially be introduced in four flavors.

At the end of 2000, the Company launched a new line of diet sodas in four flavors: Peach, Black Cherry, Kiwi-Strawberry, and Tangerine Lime. These products are sweetened with Splenda(R) brand sweetener and Acesulfame K and are aspartame free. Initial response from both customers and consumers to this line has been extremely encouraging.

During 2000, the Company entered into several new distribution agreements for the sale of its products, both within and outside the United States. As discussed under "ITEM 1 BUSINESS - MANUFACTURE, PRODUCTION and DISTRIBUTION", it is anticipated that the Company will continue building its national sales force in 2001 to support and grow the sales of its products.

Further, during 2000, the Company, through its wholly owned subsidiary, HEB, introduced a malt-based beverage called Hard e, which contains up to 5% alcohol. The Hard e product will not be marketed under the Hansen's name.

The Company is actively engaged in the development of additional new products, including new lines of soy-based drinks and sparkling lemonades in 1-liter proprietary glass bottles.

The Company continues to incur expenditures in connection with the development and introduction of new products and flavors.

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Results of Operations for the Year Ended December 31, 2000 Compared to the Year Ended December 31, 1999

Net Sales. For the year ended December 31, 2000, net sales were \$79.7 million, an increase of \$7.4 million or 10.3% over the \$72.3 million net sales for the year ended December 31, 1999. The increase in net sales was primarily attributable to increased sales of the Company's energy and other functional drinks in 8.2-ounce slim cans and increased sales of the Company's new children's multi-vitamin juice drinks. To a lesser extent, the increase in net sales was also attributable to increased sales of apple juice and Natural Sodas and sales of Healthy Start in glass bottles as well as Blue Sky Natural Sodas since the acquisition by the Company of that brand in September 2000. The increase in net sales was partially offset by decreases in sales of the Silver Foxes juice line, Smoothies in cans, glass and P.E.T. bottles, Signature Sodas and iced teas, lemonades and juice cocktails.

Gross Profit. Gross profit was \$37.1 million for the year ended December 31, 2000, an increase of \$3.6 million or 10.6% over the \$33.5 million gross profit for the year ended December 31, 1999. Gross profit as a percentage of net sales increased marginally to 46.5% for the year ended December 31, 2000 from 46.4% for the year ended December 31, 1999. The increase in gross profit was primarily attributable to increased net sales. The increase in gross profit as a percentage of net sales is primarily attributable to slightly higher margins achieved as a result of a change in the Company's product mix.

Total Operating Expenses. Total operating expenses were \$30.2 million for the year ended December 31, 2000, an increase of \$4.2 million or 16.0% over total operating expenses of \$26.0 million for the year ended December 31, 1999.

Total operating expenses as a percentage of net sales increased to 37.9% for the year ended December 31, 2000, from 36.0% for the year ended December 31, 1999. The increase in total operating expenses was primarily attributable to increased selling, general and administrative expenses and was partially offset by a decrease in other operating expenses. The increase in total operating expenses as a percentage of net sales was primarily attributable to the increase in net sales and the comparatively larger increase in selling, general and administrative expenses.

Selling, general and administrative expenses were \$29.8 million for the year ended December 31, 2000 an increase of \$4.5 million or 17.7% over selling, general and administrative expenses of \$25.3 million for the year ended December 31, 1999. Selling, general and administrative expenses as a percentage of net sales increased to 37.4% for the year ended December 31, 2000 from 35.0% for the year ended December 31, 1999. Selling expenses were \$20.8 million for the year ended December 31, 2000, an increase of \$3.0 million or 16.7% over selling expenses of \$17.8 million for the year ended December 31, 1999. Selling expenses as a percentage of net sales increased to 26.0% for the year ended December 31, 2000 from 24.6% for the year ended December 31, 1999. The increase in selling expenses was primarily attributable to increased promotional expenditures, distribution (freight) expenses, expenditures for merchandise displays and point of sale materials, as well as fees paid for slotting. The increase in selling expenses was partially offset by a decrease in expenditures for in-store demonstrations. General and administrative expenses were \$9.0 million for the year ended December 31, 2000, an increase of \$1.5 million or 19.9% over general and administrative expenses of \$7.5 million for the year ended December 31, 1999. General and administrative expenses as a percentage of net sales increased to 11.4% for the year ended December 31, 2000 from 10.4% for the year ended December 31, 1999. The increase in general and administrative expenses was primarily attributable to increased payroll costs and certain other expenses incurred in connection with product development and expansion activities into additional states.

Amortization of trademark license and trademarks was \$371,000 for the year ended December 31, 2000, an increase of \$63,000 over amortization of trademark license and trademarks of \$308,000 for the year ended December 31, 1999. The increase in amortization of trademark license and trademarks was primarily attributable to the acquisition of the Blue Sky trademark, which was acquired during 2000 and is being amortized over a period of 40 years.

No other operating expenses were incurred for the year ended December 31, 2000 as compared with \$380,000 in other operating expenses incurred for the

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year ended December 31, 1999. Other operating expenses incurred in 1999 were primarily attributable to expenses incurred in connection with a proposed business combination that was not completed.

Operating Income. Operating income was \$6.9 million for the year ended December 31, 2000, compared to \$7.5 million for the year ended December 31, 1999. The \$601,000 decrease in operating income was primarily attributable to increased operating expenses, which was partially offset by increased gross profit.

Net Non-operating Expense. Net non-operating expense was \$369,000 for the year ended December 31, 2000, which was \$317,000 higher than net non-operating expense of \$52,000 for the year ended December 31, 1999. Net non-operating expense consists of interest and financing expense and interest income. Interest and financing expense for the year ended December 31, 2000, was \$382,000 as compared to \$171,000 for the year ended December 31, 1999. The increase in interest and financing expense was primarily attributable to the increase in long-term debt, primarily related to the acquisition of the Blue Sky business. See also "Liquidity and Capital Resources" below. Interest income for the year ended December 31, 2000 was \$13,000, as compared to interest income of \$118,000 for the year ended December 31, 1999. The decrease in interest income was primarily attributable to a reduction in the cash available for investment during the year ended December 31, 2000.

Provision for Income Taxes. Provision for income taxes for the year ended December 31, 2000 was \$2.6 million as compared to provision for income taxes of \$3.0 million for the year ended December 31, 1999. The effective combined federal and state tax rate for 2000 was 40.1% as compared to 39.9% for 1999. The decrease in the provision for income taxes was primarily attributable to decreased operating income.

Net Income. Net income was \$3.9 million for the year ended December 31, 2000, compared to \$4.5 million for the year ended December 31, 1999. The \$563,000 decrease in net income was attributable to decreased operating income of \$601,000 and increased non-operating expense of \$317,000, which was partially offset by decreased provision for income taxes of \$355,000.

Results of Operations for the Year Ended December 31, 1999 Compared to the Year Ended December 31, 1998

Net Sales. For the year ended December 31, 1999, net sales were \$72.3 million, an increase of \$18.4 million or 34.2% over the \$53.9 million net sales for the year ended December 31, 1998. The increase in net sales was primarily attributable to increased sales of the Company's energy and other functional drinks in 8.2-ounce slim cans, the introduction of the Company's new children's multi-vitamin juice drinks in the third quarter of 1999, as well as the Company's Signature Soda line, which was introduced in the first quarter of 1999, increased sales of the Company's Healthy Start product line and sales of Smoothies in 64-ounce P.E.T. bottles. To a lesser extent, the increase in net sales was also attributable to increased sales of juice blends, Smoothies in cans, apple juice, soda in cans and sales of Super Smoothies, which were introduced in the second half of 1999. Net sales of iced teas, lemonades and juice cocktails in 1999 were comparable to the sales of such products in 1998. The increase in net sales was partially offset by the discontinuance of Equator(R) and other marginal products.

Gross Profit. Gross profit was \$33.5 million for the year ended December 31, 1999; an increase of \$7.0 million or 26.4% over the \$26.5 million gross profit for the year ended December 31, 1998. Gross profit as a percentage of net sales decreased to 46.4% for the year ended December 31, 1999 from 49.3% for the year ended December 31, 1998. The increase in gross profit was primarily attributable to increased net sales. The decrease in gross profit as a percentage of net sales are primarily attributable to lower margins achieved as a result of a change in the Company's product mix.

Total Operating Expenses. Total operating expenses were \$26.0 million for the year ended December 31, 1999 an increase of \$5.4 million or 26.5% over total operating expenses of \$20.6 million for the year ended December 31, 1998. Total operating expenses as a percentage of net sales decreased to 36.0% for the

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year ended December 31, 1999, from 38.2% for the year ended December 31, 1998. The increase in total operating expenses was primarily attributable to increased selling, general and administrative expenses and other operating expenses. The decrease in total operating expenses as a percentage of net sales was primarily attributable to the increase in net sales and the comparatively smaller increase in selling, general and administrative expenses.

Selling, general and administrative expenses were \$25.3 million for the year ended December 31, 1999 an increase of \$5.1 million or 25.3% higher than selling, general and administrative expenses of \$20.2 million for the year ended December 31, 1998. Selling, general and administrative expenses as a percentage of net sales decreased to 35.0% for the year ended December 31, 1999 from 37.5% for the year ended December 31, 1998. Selling expenses were \$17.8 million for the year ended December 31, 1999 an increase of \$3.7 million or 26.2% higher than selling expenses of \$14.1 million for the year ended December 31, 1998. Selling expenses as a percentage of net sales decreased to 24.6% for the year ended December 31, 1999 from 26.2% for the year ended December 31, 1998. The increase in selling expenses was primarily attributable to increased distribution (freight) expenses, advertising costs and promotional expenditures, particularly in-store demonstrations and coupon expenses. The increase in selling expenses was partially offset by a decrease in expenditures for merchandise displays and point of sale materials. General and administrative expenses were \$7.5 million for the year ended December 31, 1999; an increase of \$1.4 million or 23.4% higher than general and administrative expense of \$6.1 million for the year ended December 31, 1998. General and administrative expenses as a percentage of net sales decreased to 10.4% for the year ended December 31, 1999, from 11.4% for the year ended December 31, 1998. The increase in general and administrative expenses was primarily attributable to increased payroll costs and certain other expenses incurred in connection with the Company's product development and expansion activities into additional states.

Amortization of trademark license and trademarks was \$308,000 for the year ended December 31, 1999, an increase of \$12,000 over amortization of

trademark license and trademarks of \$296,000 for the year ended December 31, 1998.

Other operating expenses were \$380,000 for the year ended December 31, 1999, an increase of \$320,000 over other operating expenses of \$60,000 for the year ended December 31, 1998. The increase in other operating expenses was primarily attributable to expenses incurred in connection with a proposed business combination that was not completed. The increase in other expenses was partially offset by the expiration of a consulting agreement with a director of the Company.

Operating Income. Operating income was \$7.5 million for the year ended December 31, 1999, compared to \$6.0 million for the year ended December 31, 1998. The \$1.5 million increase in operating income was primarily attributable to increased gross profits, which was partially offset by increased operating expenses.

Net Non-operating Expense. Net non-operating expense was \$52,000 for the year ended December 31, 1999, which was \$278,000 lower than net non-operating expense of \$330,000 for the year ended December 31, 1998. Net non-operating expense consists of interest and financing expense interest income and for 1998, other non-operating expense. Interest and financing expense for the year ended December 31, 1999 was \$171,000 as compared to \$387,000 for the year ended December 31, 1998. The decrease in interest and financing expense was attributable to a reduction in financing fees that were fully amortized in 1998 and to the fact that the principal amounts outstanding on the Company's term loan were lower in 1999 than 1998. See also "Liquidity and Capital Resources" below. Interest income for the year ended December 31, 1999 was \$118,000, which was \$46,000 higher than interest income of \$72,000 for the year ended December 31, 1998. The increase in interest income was primarily attributable to interest earned on excess cash invested.

Provision for Income Taxes. Provision for income taxes for the year ended December 31, 1999 was \$3.0 million as compared to provision for income taxes of \$2.1 million for the year ended December 31, 1998. The effective combined federal income taxes were primarily attributable to increased operating

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income and the increase in the effective tax rate for 1999. Certain net operating loss carry forwards resulted in a lower effective tax rate in 1998. Such net operating loss carry forwards were not available in 1999.

Net Income. Net income was \$4.5 million for the year ended December 31, 1999, compared to \$3.6 million for the year ended December 31, 1998. The \$915,000 increase in net income was attributable to increased operating income of \$1.5 million and decreased non-operating expense of \$278,000, which was offset by increased provision for income taxes of \$904,000.

Liquidity and Capital Resources

As of December 31, 2000, the Company had working capital of \$13,644,000 compared to working capital of \$8,997,000 as of December 31, 1999. The increase in working capital was primarily attributable to net income earned after adjustments for certain non-cash expenses, primarily amortization of trademark license and trademarks, depreciation and other amortization, and compensation expense related to the issuance of stock options. The increase in working capital was partially offset by increases in trademark license and trademarks, property and, to a lesser extent, increases in deposits and other assets.

During 2000, the Company's cash reserves were used for working capital including the acquisition of the Blue Sky business, trademark licenses and trademarks, increases in accounts receivable, purchases of property and equipment, acquisition of increased inventories and to reduce accounts payable. The acquisition of increased inventories, increases in accounts receivable, increases in deposits and other assets, acquisition of property and equipment, acquisition of trademark licenses and trademarks, and repayment of the Company's line of credit, are expected to remain the Company's principal recurring use of cash and working capital funds.

Net cash used in investing activities for the year ended December 31, 2000, was \$7.9 million as compared to net cash used in investment activities of \$1.5 million in 1999. The increase in net cash used in investing activities was primarily attributable to the acquisition of the Blue Sky business and trademark licenses and trademarks, the purchases of property and equipment as well as

increases in deposits and other assets. Management, from time to time, considers the acquisition of capital equipment, particularly, merchandise display racks, vans and promotional vehicles, coolers and other promotional equipment and businesses compatible with the image of the Hansen's(R) brand as well as the introduction of new product lines.

Net cash provided by financing activities was \$7.1 million for the year ending December 31, 2000, as compared to net cash used in financing activities of \$1.6 million in 1999. The net cash provided by financing activities is primarily attributable to borrowings on the Company's line of credit of \$9.2 million which was partially offset by repayments in respect of the Company's term loan and line of credit of \$1.6 million in the year ended December 31, 2000 as compared to payments of \$2.1 million made in the year ended December 31, 1999. The Company also repurchased 206,761 shares of the Company's stock for \$815,000 in 2000. Additionally, cash generated by the issuance of common stock increased to \$257,000 in 2000 from \$28,000 in 1999.

In 1997 the Company obtained a credit facility from Comerica Bank-California ("Comerica"), consisting of a revolving line of credit of up to \$3.0 million in aggregate at any time outstanding and a term loan of \$4.0 million. The utilization of the revolving line of credit by HBC was dependent upon certain levels of eligible accounts receivable and inventory from time to time. Such revolving line of credit and term loans were secured by substantially all of HBC's assets, including accounts receivable, inventory, trademarks, trademark licenses and certain equipment. That facility was subsequently modified from time to time, and on September 19, 2000, the Company entered into modification agreement with Comerica which amended certain provisions under the above facility in order to finance the acquisition of the Blue Sky business, repay the term loan, and provide additional working capital ("Modification Agreement"). Pursuant to the Modification Agreement, the revolving line of

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credit was increased to \$12.0 million, reducing to \$6.0 million by September 2004. The revolving line of credit remains in full force and effect through September 2005. Further, the rate of interest payable by the Company on advances under the line of credit are based on bank's base (prime) rate, plus an additional percentage of up to 0.5% or the LIBOR rate, plus an additional percentage of up to 2.5%, depending upon certain financial ratios of the Company from time to time.

The initial use of proceeds under the Modification Agreement was to pay the seller in connection with the acquisition of the Blue Sky business, to repay the remaining \$807,000 balance due under the term loan and to finance working capital. The Company's outstanding borrowings on the line of credit at December 31, 2000 were \$9.2 million.

The credit facility contains financial covenants, which require the Company to maintain certain financial ratios and achieve certain levels of annual income. The facility also contains certain non-financial covenants. At both December 31, 2000 and 1999, respectively, the Company was in compliance with all covenants.

Management believes that cash available from operations, including cash resources and the revolving line of credit, will be sufficient for its working capital needs, including purchase commitments for raw materials, payments of tax liabilities, debt servicing, expansion and development needs, purchases of shares of common stock of the Company, as well as any purchases of capital assets or equipment through December 31, 2001.

European Monetary Union

Within Europe, the European Economic and Monetary Union (the "EMU") introduced a new currency, the Euro, on January 1, 1999. The new currency is in response to the EMU's policy of economic convergence to harmonize trade policy, eliminate business costs associated with currency exchange and to promote the free flow of capital, goods and services.

On January 1, 2000, the participating countries adopted the Euro as their local currency, initially available for currency trading on currency exchanges and non-cash transactions such as banking. The existing local currencies, or legacy currencies, will remain legal tender through January 1, 2002. Beginning January 1, 2002, Euro-denominated bills and coins will be used for cash transactions. For a period of up to six months from this date, both legacy currencies and the Euro will be legal tender. On or before July 1, 2002,

the participating countries will withdraw all legacy currencies and exclusively use the Euro.

The Company's transactions are recorded in U.S. Dollars and the Company does not currently anticipate future transactions being recorded in the Euro. Based on the lack of transactions recorded in the Euro, the Company does not believe that the Euro will have a material effect on the financial position, results of operations or cash flows of the Company. In addition, the Company has not incurred and does not expect to incur any significant costs from the continued implementation of the Euro, including any currency risk, which could materially affect the Company's business, financial condition or results of operations.

The Company has not experienced any significant operational disruptions to date and does not currently expect the continued implementation of the Euro to cause any significant operational disruptions.

New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, which the Company is required to adopt effective in its fiscal year 2001. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS 133, certain contracts that were not formerly considered derivatives may now meet the definition of a derivative. SFAS No. 133 requires derivatives to be reported as assets or liabilities at fair value, and is effective for all fiscal years beginning after June 15, 2000. The Company will adopt SFAS No. 133 effective January 1, 2001.

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Management does not expect the adoption of SFAS 133 to have significant impact on the financial position, results of operations or cash flows of the Company.

In December 1999, the Securities Exchange Commission staff issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB No. 101"). SAB No. 101 summarizes certain of the staff's views in applying accounting principles generally accepted in the United States of America to revenue recognition and accounting for deferred costs in the consolidated financial statements and is effective no later than the fourth quarter of fiscal years beginning after December 15, 1999. Based on the Company's current revenue recognition policy, there was no material impact to the Company's financial position and consolidated statements of income from the adoption of SAB No. 101.

In accordance with Emerging Issues Task Force No. 00-10, Accounting for Shipping and Handling Fees and Costs, reimbursements of freight charges are recorded in net sales in the accompanying consolidated statements of income. For the years ended December 31, 2000, 1999 and 1998, freight-out costs amounted to \$4.9 million, \$4.3 million, and \$3.0 million, respectively, have been recorded in selling, general and administrative expenses in the accompanying consolidated statements of income.

Year 2000 Compliance

Prior to January 1, 2000, the Company reviewed the readiness of its computer systems and business practices for handling Year 2000 issues. Since entering the Year 2000, the Company has not experienced any major disruptions to its business nor is it aware of any significant Year 2000 related disruptions impacting its customers and suppliers.

Cost incurred to achieve Year 2000 readiness, which include any contractor costs to modify existing systems and costs of internal resources dedicated to achieving Year 2000 compliance, were charged to expense as incurred and were not material in 2000.

Forward Looking Statements

The Private Security Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or oral forward looking statements, including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to shareholders and announcements. Certain statements made in this report, including certain statements made in management's discussion and

analysis, may constitute forward looking statements (within the meaning of Section 27.A of the Securities Act 1933 as amended and Section 21.E of the Securities Exchange Act of 1934, as amended) regarding the expectations of management with respect to revenues, profitability, adequacy of funds from operations and the Company's existing credit facility, among other things. All statements which address operating performance, events or developments that management expects or anticipates will or may occur in the future including statements related to new products, volume growth, revenues, profitability, adequacy of funds from operations, and/or the Company's existing credit facility, earnings per share growth, statements expressing general optimism about future operating results and non-historical information, are forward looking statements within the meaning of the Act.

Management cautions that these statements are qualified by their terms and/or important factors, many of which are outside the control of the Company that could cause actual results and events to differ materially from the statements made including, but not limited to, the following:

- o Company's ability to generate sufficient cash flows to support capital expansion plans and general operating activities;
- o Changes in consumer preferences;
- o Changes in demand that are weather related, particular in areas outside of California;

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- o Competitive products and pricing pressures and the Company's ability to gain or maintain share of sales in the marketplace as a result of actions by competitors;
- o The introduction of new products;
- o Laws and regulations, and/or any changes therein, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws as well as the Federal Food Drug and Cosmetic Act, the Dietary Supplement Health and Education Act, and regulations made thereunder or in connection therewith, especially those that may affect the way in which the Company's products are marketed as well as laws and regulations or rules made or enforced by the Food and Drug Administration and/or the Bureau of Alcohol, Tobacco and Firearms and/or certain state regulatory agencies;
- o Changes in the cost and availability of raw materials and the ability to maintain favorable supply arrangements and relationships and procure timely and/or adequate production of all or any of the Company's products;
- o The Company's ability to achieve earnings forecasts, which may be based on projected volumes and sales of many product types and/or new products, certain of which are more profitable than others and in respect of many which the Company's experience is limited. There can be no assurance that the Company will achieve projected levels or mixes of product sales;
- o The Company's ability to penetrate new markets;
- o The marketing efforts of distributors of the Company's products, most of which distribute products that are competitive with the products of the Company;
- o Unilateral decisions by distributors, grocery store chains, specialty chain stores, club stores, mass merchandisers and other customers to discontinue carrying all or any of the Company's products that they are carrying at any time;
- o The terms and/or availability of the Company's credit facility and the actions of its creditors;
- o The effectiveness of the Company's advertising, marketing and promotional programs;
- o Adverse weather conditions, which could reduce demand for the Company's products;
- o The Company's ability to make suitable arrangements for the co-packing of its functional drinks in 8.2-ounce slim cans and Smoothies in 11.5-ounce cans.

The foregoing list of important factors is not exhaustive.

Sales

The table set forth below discloses selected quarterly data regarding sales for the past five years. Data from any one or more quarters is not necessarily indicative of annual results or continuing trends.

Sales are expressed in actual cases and case equivalents. A case is

defined as follows:

- o Soda concentrate sold that will yield twenty-four 12-ounce (354-ml) cans measured by volume.
- o Soda cases equal twenty-four 12-ounce cans or 11-ounce (325 ml) bottles, thirty 12-ounce cans, or twelve 23-ounce (680 ml), twenty four 14-ounce (414 ml) or twelve 1-liter bottles measured by volume.
- o Juice and juice blend cases equal twelve 32-ounce bottles, six 64-ounce glass bottles, eight 64-ounce P.E.T. bottles, four 128-ounce P.E.T. bottles, twenty-four or twenty-seven 8.45-ounce (250 ml) tetra-pak boxes or the equivalent volume.
- o Non-carbonated iced tea, lemonade and juice cocktail cases equal twenty-four 16-ounce (473 ml) or fifteen or twenty 20-ounce (591-ml) bottles measured by volume.
- o Still water cases equal twenty-four 0.5-liter, twelve 1.0-liter and twelve 1.5-liter plastic bottles measured by volume.
- o Fruit juice Smoothie cases equals twenty-four 11.5-ounce (340-ml) cans or twenty-four 16-ounce or 13.5-ounce (400 ml) or 12-ounce bottles or eight 64-ounce P.E.T. bottles measured by volume.
- o Functional drink cases equal twenty-four 8.2-ounce (243-ml) cans measured by volume.
- o Healthy Start cases equal twelve 46-ounce (1.36 L), eight 64-ounce P.E.T. bottles or twenty-four 12-ounce glass bottles measured by volume.

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- o Hard e cases equal twenty-four 12-ounce bottles, measured by volume.
- o Fruit and grain bar cases equal ninety 1.76-ounce bars.
- o Natural cereal cases equal twenty 13-ounce boxes measured by volume.

The Company's quarterly results of operations reflect seasonal trends that are primarily the result of increased demand in the warmer months of the year. It has been Hansen's experience that beverage sales tend to be lower during the first and fourth quarters of each fiscal year. Because the primary historical market for Hansen's products is California, which has a year-long temperate climate, the effect of seasonal fluctuations on quarterly results may have been mitigated; however, such fluctuations may be more pronounced as the distribution of Hansen's products expands outside of California. The Company has no experience with its food bars, cereal products and Hard e malt based products and consequently has no knowledge of the trends which may occur with such products. Quarterly fluctuations may also be affected by other factors including the introduction of new products, the opening of new markets where temperature fluctuations are more pronounced, the addition of new bottlers and distributors, changes in the mix of the sales of its finished products, soda concentrates and food products and increased advertising and promotional expenses. See also "ITEM 1. BUSINESS - SEASONALITY."

Case Sales (in Thousands)

	2000	1999	1998	1997	1996
Quarter 1	1,730	1,372	1,237	861	940
Quarter 2	2,331	1,716	1,566	1,383	1,340
Quarter 3	2,238	2,074	1,845	1,648	1,341
Quarter 4	1,985	1,779	1,241	1,234	876
Total	8,284	6,941	5,889	5,126	4,497

Net Revenues (in Thousands)

	2000	1999	1998	1997	1996
Quarter 1	\$ 15,978	\$ 15,229	\$ 11,265	\$ 7,120	\$ 7,365
Quarter 2	22,667	19,142	13,950	11,496	10,394
Quarter 3	22,702	20,491	16,589	13,439	10,817
Quarter 4	18,386	17,441	12,062	11,002	6,989
Total	\$ 79,733	\$ 72,303	\$ 53,866	\$ 43,057	\$ 35,565

Inflation

The Company does not believe that inflation had a significant impact on the Company's results of operations for the periods presented.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required to be furnished in response to this item is submitted hereinafter following the signature page hereto at pages F-1 through F-19.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

General

Directors of the Company are elected annually by the holders of the common stock and executive officers are elected annually by the Board of Directors, to serve until the next annual meeting of stockholders or the Board of Directors, as the case may be, or until their successors are elected and qualified. It is anticipated that the next annual meeting of stockholders will be held in September 2001.

Set forth below are the names, ages and principal occupations for the last five years of the directors and/or executive officers of the Company:

Rodney C. Sacks (51) - Chairman of the Board of Directors of the Company, Chief Executive Officer and director of the Company from November 1990 to the present. Member of the Executive Committee of the Board of Directors of the Company since October 1992. Chairman and a director of HBC from June 1992 to the present. Mr. Sacks resigned from his position as Chief Financial Officer of the Company in July 1996, which office he had held from November 1990 to July 1996.

Hilton H. Schlosberg (48) - Vice Chairman of the Board of Directors of the Company, President, Chief Operating Officer, Secretary, and a director of the Company from November 1990 to the present. Chief Financial Officer of the Company since July 1996. Member of the Executive Committee of the Board of Directors of the Company since October 1992. Member of the Audit Committee of the Board of Directors from September 1997 to April 2000. Vice Chairman of the Board of Directors, Secretary and a director of HBC from July 1992 to the present. Director and/or Deputy Chairman of AAF Industries PLC, a United Kingdom publicly quoted industrial group, from June 1990 until April 1995.

Benjamin M. Polk (50) - Director of the Company from November 1990 to the present. Assistant Secretary of HBC since October 1992 and a director of HBC since July 1992. Member of the Audit Committee of the Board of Directors of the Company from September 1997 to November 2000. Member of the Compensation Committee of the Board of Directors of the Company from April 1991 until September 1997. Partner with Wintson & Strawn (New York, New York) where Mr. Polk has practiced law with that firm and its predecessors, Whitman Breed Abbott & Morgan LLP and Whitman & Ransom, from August 1976 to the present. (1)

Norman C. Epstein (60) - Director of the Company and member of the Compensation Committee of the Board of Directors of the Company since June 1992. Member and Chairman of the Audit Committee of the Board of Directors of the Company since September 1997. Director of HBC since July 1992. Director of Integrated Asset Management Limited, a company listed on the London Stock Exchange since June 1998. Managing Director of Cheval Acceptances, a mortgage finance company based in London, England. Partner with Moore Stephens, an

international accounting firm, from 1974 to December 1996 (senior partner beginning 1989 and the managing partner of Moore Stephens, New York from 1993 until 1995).

Harold C. Taber, Jr. (61) - Director of the Company since July 1992. Member of the Audit Committee of the Board of Directors since April 2000. Consultant to the Company from July 1, 1997 to June 30, 2000. Consultant to The Joseph Company from September 1997 to March 1999. President and Chief Executive Officer and a director of HBC from July 1992 to June 1997. On June 30, 1997, Mr. Taber resigned from his employment as well as director, President and Chief Executive Officer of HBC. In addition, effective June 30, 1997, Mr. Taber resigned as a member of the Executive Committee on which he served since October 1992.

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Mark S. Vidergauz (47) - Director of the Company and member of the Compensation Committee of the Board of Directors of the Company since June 1998. Member of the Audit Committee of the Board of Directors since April 2000. Managing Director and Chief Executive Officer of Sage Group LLC from April 2000 to present. Managing director at the Los Angeles office of ING Barings LLC, a diversified financial service institution headquartered in the Netherlands from April 1995 to April 2000. Prior to joining ING Barings LLC in April 1995, Mr. Vidergauz was a managing director at Wedbush Morgan Securities, an investment banking firm in Los Angeles, from 1991 to 1995. Prior to joining Wedbush, Mr. Vidergauz was a corporate finance attorney in the Los Angeles office of O'Melveny & Meyers.

1 Mr. Polk and his law firm, Winston & Strawn, serve as counsel to the Company

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file by specific dates with the SEC initial reports of ownership and reports of changes in ownership of equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms that they file. The Company is required to report in this annual report on Form 10-K any failure of its directors and executive officers and greater than ten percent stockholders to file by the relevant due date any of these reports during the most recent fiscal year or prior fiscal years.

To the Company's knowledge, based solely on review of copies of such reports furnished to the Company during the year ended December 31, 2000, all Section 16(a) filing requirements applicable to the Company's officers, directors and greater than ten percent stockholders were in compliance.

ITEM 11. EXECUTIVE COMPENSATION

The following tables set forth certain information regarding the total remuneration earned and grants of options/stock appreciation rights ("SARs") made to the chief executive officer and each of the four most highly compensated executive officers of the Company and its subsidiaries who earned total cash compensation in excess of \$100,000 during the year ended December 31, 2000. These amounts reflect total cash compensation paid by the Company and its subsidiaries to these individuals during the years December 31, 1998 through 2000.

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SUMMARY COMPENSATION TABLE

Name and Principal Positions	Year	ANNUAL COMPENSATION			Long Term Compensation (4)
		Salary (1) (\$)	Bonus (2) (\$)	Other Annual Compensation (\$)	Awards (5)
					Securities underlying Options/SARs (#)

Rodney C. Sacks	2000	194,400	10,000	6,262 (3)	
Chairman, CEO	1999	180,000	25,000	6,088 (3)	100,000
and Director	1998	160,000	34,000	1,927,431 (6)	75,000
Hilton H. Schlosberg	2000	194,400	10,000	6,263 (3)	
Vice-Chairman, CFO	1999	180,000	25,000	6,088 (3)	100,000
President, Secretary and Director	1998	160,000	34,000	1,689,972 (7)	75,000
Mark J. Hall	2000	160,000	20,000	8,061 (3)	
Sr. Vice President	1999	150,000	40,000	7,551 (3)	30,000
Distributor Division	1998	136,250	65,000	180,982 (8)	120,000
Kirk S. Blower	2000	115,000	4,000	7,316 (3)	
Sr. Vice President	1999	110,000	16,800	7,099 (3)	12,500
Juice Division	1998	111,250	16,800	363,440 (9)	
Timothy M. Welch	2000	110,000	3,000	14,202 (10)	
Senior Vice President Soda Division	1999	99,000	12,960	12,310 (10)	72,000
	1998				

1 SALARY - Pursuant to employment agreement, Mrs. Sacks and Schlosberg are entitled to an annual base salary of \$194,400 and \$180,000 for 2000 and 1999 respectively. For 1998, Mrs. Sacks and Schlosberg agreed to a temporary reduction of their respective salaries to \$160,000.

2 BONUS - Payments made in 2001, 2000 and 1999 are for bonuses accrued in 2000, 1999 and 1998.

3 OTHER ANNUAL COMPENSATION - The cash value of perquisites of the named persons did not total \$50,000 or 10% of payments of salary and bonus for the years shown.

4 LONG-TERM INCENTIVE PLAN PAYOUTS - None paid. No plan in place.

5 RESTRICTED STOCK AWARDS - The Company does not have a plan for restricted stock awards.

6 Includes \$1,921,625 representing the dollar value of the difference between the price paid for common stock of the Company through the exercise of stock options and the fair market value of the common stock on the date of exercise; and \$5,806 for automobile expense reimbursement.

7 Includes \$1,684,125 representing the dollar value of the difference between the price paid for common stock of the Company through the exercise of stock options and the fair market value of the common stock on the date of exercise; and \$5,847 for automobile expense reimbursement.

8 Includes \$179,660 representing the dollar value of the difference between the price paid for common stock of the Company through the exercise of stock options and the fair market value of the common stock on the date of exercise; and \$1,322 for automobile expense reimbursement.

9 Includes \$362,040 representing the dollar value of the difference between the price paid for common stock of the Company through the exercise of stock options and the fair market value of the common stock on the date of exercise; and \$1,400 for automobile expense reimbursement.

10 Includes \$6,000 for auto reimbursement expenses and \$6,000 for housing expenses in 2000. Includes \$5,500 for auto reimbursement expenses and \$5,500 for housing expenses in 1999.

ALL OTHER COMPENSATION - none paid

OPTION/SAR GRANTS FOR THE YEAR ENDED DECEMBER 31, 2000

None.

Name	Shares acquired on exercise (#)	Value Realized (\$)	Number of underlying unexercised options/SARs at December 31, 2000	Value of unexercised in-the-money options/SARs at December 31, 2000
			(#)	(\$)
Rodney C. Sacks	-	-	70,500/67,000 (1)	85,688/0
Hilton H. Schlosberg	-	-	70,500/67,000 (1)	85,688/0
Mark J. Hall	-	-	68,000/48,000 (2)	180,820/135,120
Kirk S. Blower	-	-	2,500/10,000 (3)	0/0
Timothy M. Welch	-	-	14,400/57,600 (4)	0/0

1 Includes options to purchase 37,500 shares of common stock at \$1.59 per share of which all are exercisable at December 31, 2000, granted pursuant to a Stock Option Agreement dated January 30, 1998 between the Company and Messrs. Sacks and Schlosberg, respectively; and options to purchase 100,000 shares of common stock at \$4.25 per share of which 33,000 are exercisable at December 31, 2000, granted pursuant to Stock Option Agreements dated February 2, 1999 between the Company and Messrs. Sacks and Schlosberg, respectively.

2 Includes options to purchase 96,000 shares of common stock at \$1.06 per share of which 48,000 are exercisable at December 31, 2000, granted pursuant to a Stock Option Agreement dated February 10, 1997 between the Company and Mr. Hall; options to purchase 20,000 shares of common stock at \$1.59 per share of which 20,000 are exercisable at December 31, 2000, granted pursuant to a Stock Option Agreement dated January 30, 1998 between the Company and Mr. Hall.

3 Includes options to purchase 12,500 shares of common stock at \$4.25 per share of which 2,500 are exercisable at December 31, 2000, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Blower.

4 Includes options to purchase 72,000 shares of common stock at \$4.44 per share of which 14,400 are exercisable at December 31, 2000, granted pursuant to a Stock Option Agreement dated February 1, 1999 between the Company and Mr. Welch.

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Performance Graph

The following graph shows a five-year comparison of cumulative total returns: (1)

TOTAL SHAREHOLDER RETURNS

ANNUAL RETURN PERCENTAGE

For the years ended December 31,

Company Name/Index	1996	1997	1998	1999	2000
HANSEN NAT CORP	54.59	70.62	196.63	(19.78)	(10.13)
S&P SMALLCAP 600 INDEX	21.32	25.58	(1.31)	12.40	11.80
PEER GROUP	49.88	34.05	(43.03)	9.99	17.78

INDEXED RETURNS

For the years ended December 31,

Company Name/Index	Base Period 1995	1996	1997	1998	1999	2000
HANSEN NAT CORP	100	154.59	263.76	782.39	627.66	564.05
S&P SMALLCAP 600 INDEX	100	121.32	152.36	150.37	169.02	188.96
PEER GROUP	100	149.88	200.91	114.46	125.90	148.28

1 Annual return assumes reinvestment of dividends. Cumulative total return assumes an initial investment of \$100 on December 31, 1995. The Company's self-selected peer group is comprised of Saratoga Beverage Group, National Beverage Corporation, Clearly Canadian Beverage Company, Triarc Companies, Inc., Leading Brands, Inc. and Northland Cranberries. All of the companies in the peer group traded during the entire five-year period with the exception of Saratoga Beverage Group, which traded through 1999, and Triarc Companies, Inc., which sold their beverage business in October 2000.

Employment Agreements

The Company entered into an employment agreement dated as of January 1, 1999, with Rodney C. Sacks pursuant to which Mr. Sacks renders services to the Company as its Chairman and Chief Executive Officer for an annual base salary of \$180,000, for the twelve-month period ended December 31, 1999, increasing by a minimum of 8% for each subsequent twelve-month period during the employment period, plus an annual bonus in an amount determined at the discretion of the Board of Directors and certain fringe benefits. The employment period commenced on January 1, 1999 and ends on December 31, 2003.

The Company also entered into an employment agreement dated as of January 1, 1999, with Hilton H. Schlosberg pursuant to which Mr. Schlosberg renders services to the Company as its Vice Chairman, President, Chief Operating Officer, Chief Financial Officer and Secretary for an annual base salary of \$180,000, for the twelve-month period ended December 31, 1999, increasing by a minimum of 8% for each subsequent twelve-month period during the employment period, plus an annual bonus in an amount determined at the discretion of the Board of Directors and certain fringe benefits. The employment period commenced on January 1, 2000 and ends on December 31, 2003.

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The preceding descriptions of the employment agreements for Messrs. Sacks and Schlosberg are qualified in their entirety by reference to such agreements which have been filed or incorporated by reference as exhibits to this report.

Directors' Compensation

The Company's current policy is to pay outside directors (non-executive officers) who are not contractually entitled to be nominated to serve as directors, annual fees of \$7,000 plus \$500 for each meeting attended of the Board of Directors or any committee thereof. Norman E. Epstein, Benjamin M. Polk and Harold C. Taber, Jr. earned director's fees of \$8,000 and Mark S. Vidergauz earned director's fees of \$7,500 for the one-year period ended December 31, 2000.

Employee Stock Option Plan

The Company has a stock option plan (the "Plan") that provides for the grant of options to purchase up to 3,000,000 shares of the common stock of the Company to certain key employees of the Company and its subsidiaries. Options granted under the Plan may either be incentive stock options qualified under Section 422 of the Internal Revenue Code of 1986, as amended or non-qualified options. Such options are exercisable at fair market value on the date of grant for a period of up to ten years. Under the Plan, shares subject to options may be purchased for cash, for shares of common stock valued at fair market value on the date of purchase or in consideration of the cancellation of options valued at the difference between the exercise price thereof and the fair market value of the common stock on the date of exercise. The Plan is administered by the Compensation Committee of the Board of Directors of the Company, comprised of directors who have not received grants of options under the Plan. Grants under the Plan are made pursuant to individual agreements between the Company and each grantee that specifies the terms of the grant, including the exercise price, exercise period, vesting and other terms thereof.

Outside Directors Stock Option Plan

The Company has an option plan for its outside directors (the "Directors Plan") that provides for the grant of options to purchase up to an

aggregate of 100,000 shares of common stock of the Company to directors of the Company who are not and have not been employed by or acted as consultants to the Company and its subsidiaries or affiliates and who are not and have not been nominated to the Board of Directors of the Company pursuant to a contractual arrangement. On the date of the annual meeting of stockholders at which an eligible director is initially elected, each eligible director is entitled to receive a one-time grant of an option to purchase 6,000 shares (12,000 shares if the director is serving on a committee of the Board) of the Company's Common Stock exercisable at the closing price for a share of common stock on the date of grant. Options become exercisable one-third each on the first, second and third anniversary of the date of grant; provided, however, that options granted as of February 14, 1995 are exercisable 66 2/3% on the date of grant and 100% on July 8, 1995; provided further, that all options held by an eligible director become fully and immediately exercisable upon a change in control of the Company. Options granted under the Directors Plan that are not exercised generally expire ten years after the date of grant. Option grants may be made under the Directors Plan for ten years from the effective date of the Directors Plan. The Directors Plan is a "formula plan" so that a non-employee director's participation in the Directors Plan does not affect his status as a "disinterested person" (as defined in Rule 16b-3 under the Securities Exchange Act of 1934).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) The following table sets forth information, as of March 2, 2001, of the only persons known to the Company who beneficially own more than 5% of the outstanding common stock of the Company:

Title Of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	Brandon Limited Partnership No. 1 (1)	654,822	6.5%
	Brandon Limited Partnership No. 2 (2)	2,831,667	28.2%
	Rodney C. Sacks (3)	3,967,989 (4)	39.1%
	Hilton H. Schlosberg (5)	3,929,086 (6)	38.8%

1 The mailing address of Brandon No.1 is P.O. Box 30749, Seven Mile Beach, Grand Cayman, British West Indies. The general partners of Brandon No. 1 are Rodney C. Sacks and Hilton H. Schlosberg.

2 The mailing address of Brandon No. 2 is P.O. Box 30749, Seven Mile Beach, Grand Cayman, British West Indies. The general partners of Brandon No. 2 are Rodney C. Sacks and Hilton H. Schlosberg.

3 The mailing address of Mr. Sacks is 1010 Railroad Street, Corona, California 92882.

4 Includes 387,500 shares of common stock owned by Mr. Sacks; 654,822 shares beneficially held by Brandon No. 1 because Mr. Sacks is one of Brandon No. 1's general partners; and 2,831,667 shares beneficially held by Brandon No. 2 because Mr. Sacks is one of Brandon No. 2's general partners. Also includes options to purchase 37,500 shares of common stock exercisable at \$1.59 per share granted pursuant to a Stock Option Agreement dated January 30, 1998; and options presently exercisable to purchase 56,500 shares of common stock, out of options to purchase a total of 100,000 shares, exercisable at \$4.25 per share, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Sacks.

Mr. Sacks disclaims beneficial ownership of all shares deemed beneficially owned by him hereunder except: (i) 387,500 shares of common stock; (ii) the 94,000 shares presently exercisable under Stock Option Agreements; (iii) 243,546 shares held by Brandon No. 1 allocable to the limited partnership interests in Brandon No. 1 held by Mr. Sacks, his children and a trust for the benefit of his children; and (iv) 250,000 shares held by Brandon No. 2 allocable to the limited partnership interests in Brandon No. 2 held by Mr. Sacks, his children and a

trust for the benefit of his children.

5 The mailing address of Mr. Schlosberg is 1010 Railroad Street, Corona, California 92882.

6 Includes 348,597 shares of common stock owned by Mr. Schlosberg, of which 2,000 shares are jointly owned by Mr. Schlosberg and his wife, 654,822 shares beneficially held by Brandon No. 1 because Mr. Schlosberg is one of Brandon No. 1's general partners; and 2,831,667 shares beneficially held by Brandon No. 2 because Mr. Schlosberg is one of Brandon No. 2's general partners. Also includes options to purchase 37,500 shares of common stock exercisable at \$1.59 per share granted pursuant to a Stock Option Agreement dated January 30, 1998 between the Company and Mr. Schlosberg; and options presently exercisable to purchase 56,500 shares of common stock, out of options to purchase a total of 100,000 shares, exercisable at \$4.25 per share, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Schlosberg.

Mr. Schlosberg disclaims beneficial ownership of all shares deemed beneficially owned by him hereunder except: (i) 348,597 shares of common stock, (ii) the 94,000 shares presently exercisable under Stock Option Agreements; (iii) 247,911 shares held by Brandon No. 1 allocable to the limited partnership interests in Brandon No. 1 held by Mr. Schlosberg and his children; and (iv) 250,000 shares held by Brandon No. 2 allocable to the limited partnership interests in Brandon No. 2 held by Mr. Schlosberg and his children.

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(b) The following table sets forth information as to the ownership of shares of common stock, as of March 2, 2001, held by persons who are directors of the Company, naming them, and as to directors and officers of the Company as a group, without naming them:

Title of Class	Name	Amount Owned	Percent of Class
Common Stock	Rodney C. Sacks	3,967,989 (1)	39.1%
	Hilton H. Schlosberg	3,929,086 (2)	38.8%
	Harold C. Taber, Jr.	107,419 (3)	1.1%
	Mark S. Vidergauz	8,000 (4)	* %

Officers and Directors as a group (6 members: 4,526,005 shares or 44.1% in aggregate)

*Less than 1%

1 Includes 387,500 shares of common stock owned by Mr. Sacks; 654,822 shares beneficially held by Brandon No. 1 because Mr. Sacks is one of Brandon No. 1's general partners; and 2,831,667 shares beneficially held by Brandon No. 2 because Mr. Sacks is one of Brandon No. 2's general partners. Also includes options to purchase 37,500 shares of common stock exercisable at \$1.59 per share granted pursuant to a Stock Option Agreement dated January 30, 1998; and options presently exercisable to purchase 56,500 shares of common stock, out of options to purchase a total of 100,000 shares, exercisable at \$4.25 per share, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Sacks.

Mr. Sacks disclaims beneficial ownership of all shares deemed beneficially owned by him hereunder except: (i) 387,500 shares of common stock; (ii) the 94,000 shares presently exercisable under Stock Option Agreements; (iii) 243,546 share held by Brandon No. 1 allocable to the limited partnership interests in Brandon No. 1 held by Mr. Sacks, his children and a trust for the benefit of his children; and (iv) 250,000 shares held by Brandon No. 2 allocable to the limited partnership interests in Brandon No. 2 held by Mr. Sacks, his children and a trust for the benefit of his children.

2 Includes 348,597 shares of common stock owned by Mr. Schlosberg, of which 2,000 shares are owned jointly by Mr. Schlosberg and his wife; 654,822 shares beneficially held by Brandon No. 1 because Mr. Schlosberg is one of Brandon No. 1's general partners; and 2,831,667 shares beneficially held by Brandon No. 2 because Mr. Schlosberg is one of Brandon No. 2's general partners. Also includes options to purchase 37,500 shares of common stock exercisable at \$1.59 per share granted pursuant to a Stock Option Agreement dated January 30, 1998 between the

Company and Mr. Schlosberg; and options presently exercisable to purchase 56,500 shares of common stock, out of options to purchase a total of 100,000 shares, exercisable at \$4.25 per share, granted pursuant to a Stock Option Agreement dated February 2, 1999 between the Company and Mr. Schlosberg.

Mr. Schlosberg disclaims beneficial ownership of all shares deemed beneficially owned by him hereunder except: (i) 348,597 shares of common stock; (ii) the 94,000 shares presently exercisable under Stock Option Agreements; (iii) 247,911 shares held by Brandon No. 1 allocable to the limited partnership interests in Brandon No. 1 held by Mr. Schlosberg and his children; and (iv) 250,000 shares held by Brandon No. 2 allocable to the limited partnership interests in Brandon No. 2 held by Mr. Schlosberg and his children.

3 Includes 71,137 shares of common stock owned by Mr. Taber; and 36,281.7 shares of common stock owned by the Taber Family Trust of which Mr. Taber and his wife are trustees.

4 Includes options presently exercisable to purchase 8,000 shares of common stock, out of options to purchase a total of 12,000 shares, exercisable at \$3.72 per share, granted under a Stock Option Agreement with the Company dated as of June 18, 1998 pursuant to the Directors Plan.

There are no arrangements known to the Company, the operation of which, may at a subsequent date result in a change of control of the Company.

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ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Benjamin M. Polk is a partner in the law firm of Winston & Strawn, a law firm (together with its predecessors) that has been retained by the Company since 1992.

Rodney C. Sacks is current acting as the sole Trustee of a trust formed pursuant to an Agreement of Trust dated July 27, 1992 for the purpose of holding the Hansen's (R) trademark. The Company and HBC have agreed to indemnify Mr. Sacks and hold him harmless from any claims, loss or liability arising out of his acting as Trustee.

During 2000, the Company purchased promotional items from IFM Group, Inc. ("IFM"). Rodney C. Sacks, together with members of his family, own approximately 27% of the issued shares in IFM. Hilton H. Schlosberg, together with members of his family, own approximately 43% of the issued shares in IFM. Purchases from IFM of promotional items in 2000, 1999 and 1998 were \$115,520, \$121,289 and \$151,393, respectively. The Company continues to purchase promotional items from IFM Group, Inc. in 2001.

The preceding descriptions of agreements are qualified in their entirety by reference to such agreements, which have been filed as exhibits to this Report.

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PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Exhibits

See the Index to Exhibits included hereinafter.

2. Index to Financial Statements filed as part of this Report

Independent Auditors' Report F-2

Consolidated Balance Sheets as of December 31, 2000 and 1999 F-3

Consolidated Statements of Income for the years ended December 31, 2000, 1999 and 1998	F-4
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2000, 1999 and 1998	F-5
Consolidated Statements of Cash Flows for the years ended December 31, 2000, 1999 and 1998	F-6
Notes to Consolidated Financial Statements for the years ended December 31, 2000, 1999 and 1998	F-8
(b) Financial Statement Schedules	
Valuation and Qualifying Accounts for the years ended December 31, 2000, 1999 and 1998	F-19
(c) Reports on Form 8-K	
None	

SIGNATURES

Pursuant to the requirements of Sections 13 and 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HANSEN NATURAL CORPORATION

By: /s/ Rodney C. Sacks Date: March 30, 2001

Rodney C. Sacks
Chairman of the Board

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RODNEY C. SACKS ----- Rodney C. Sacks	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	March 30, 2001
/s/ HILTON H. SCHLOSBERG ----- Hilton H. Schlosberg	Vice Chairman of the Board of Directors, President, Chief Operating Officer, Chief Financial Officer and Secretary	March 30, 2001
/s/ BENJAMIN M. POLK ----- Benjamin M. Polk	Director	March 30, 2001
/s/ NORMAN C. EPSTEIN ----- Norman C. Epstein	Director	March 30, 2001
/s/ HAROLD C. TABER, JR. ----- Harold C. Taber, Jr.	Director	March 30, 2001
/s/ MARK S. VIDERGAUZ -----	Director	March 30, 2001

INDEX TO EXHIBITS

The following designated exhibits, as indicated below, are either filed herewith or have heretofore been filed with the Securities and Exchange Commission under the Securities Act of 1933 or the Securities Exchange Act of 1934 as indicated by footnote.

Exhibit No.	Document Description
2.1	Asset Purchase Agreement among Blue Sky Natural Beverage Co., a Delaware Corporation, as Purchaser and Blue Sky Natural Beverage Co., a New Mexico Corporation as Seller and Robert Black dated as of September 20, 2000.19
3(a)	Certificate of Incorporation. 1
3(b)	Amendment to Certificate of Incorporation dated October 21, 1992. 2
3(c)	By-Laws. 2
10(c)	Asset Purchase Agreement dated June 8, 1992 ("Asset Purchase Agreement"), by and among Unipac Corporation ("Unipac"), Hansen Beverage Company ("Hansen"), California Co-Packers Corporation ("Co-Packers"), South Pacific Beverages, Ltd. ("SPB"), Harold C. Taber, Jr. ("Taber"), Raimana Martin ("R. Martin"), Charles Martin ("C. Martin"), and Marcus I. Bender ("Bender"), and with respect to certain provisions, ERLY Industries, Inc. ("ERLY"), Bender Consulting Incorporated ("Bender Consulting") and Black Pearl International, Ltd. ("Blank Pear"). 2
10(d)	First Amendment to Asset Purchase Agreement dated as of July 10, 1992. 2
10(e)	Second Amendment to Asset Purchase Agreement dated as of July 16, 1992. 2
10(f)	Third Amendment to Asset Purchase Agreement dated as of July 17, 1992. 2
10(g)	Fourth Amendment to Asset Purchase Agreement dated as of July 24, 1992. 2
10(h)	Subordinated Secured Promissory Note of Hansen in favor of ERLY dated July 27, 1992 in the principal amount of \$4,000,000. 2
10(i)	Security Agreement dated July 27, 1992 by and between Hansen and ERLY. 2
10(j)	Stock Option Agreement by and between SPB and Unipac dated July 27, 1992 for an option price of \$4.75 per share. 2
10(k)	Stock Option Agreement by and between Taber and Unipac dated July 27, 1992 for an option price of \$4.75 per share. 2
10(l)	Stock Option Agreement by and between Co-Packers and Unipac dated July 27, 1992 for an option price of \$4.75 per share. 2
10(n)	Stock Option Agreement by and between SPB and Unipac dated July 27, 1992 for an option price of \$2.50 per share. 2
10(o)	Stock Option Agreement by and between Co-Packers and Unipac dated July 27, 1992 for an option price of \$2.50 per share. 2
10(p)	Assignment Agreement re: Trademarks by and between Hansen's Juices, Inc. ("FJC"), and Hansen, dated July 27, 1992. 8
10(q)	Assignment of Trademarks dated July 27, 1992 by FJC to Gary Hansen, Anthony Kane and Burton S. Rosky, as trustees under that certain trust agreement dated July 27, 1992 (the "Trust"). 8
10(r)	Assignment of License by Co-Packers to Hansen dated as of July 27, 1992. 8
10(s)	Employment Agreement between Hansen and Taber dated as of July 27, 1992. 3
10(t)	Consulting Agreement by and between Hansen and Black Pearl dated July 27, 1992. 3

- 10(u) Consulting Agreement by and between Hansen and C. Martin dated July 27, 1992. 3
- 10(w) Registration Rights Agreement by and among Unipac, SPB, Co-Packers, Taber, Wedbush Morgan Securities ("Wedbush"), Rodney C. Sacks, and Hilton H. Schlosberg, dated July 27, 1992. 3
- 10(z) Soda Side Letter Agreement dated June 8, 1992 by and among Unipac, Hansen, SPB, Black Pearl, Tahiti Beverages, S.A.R.L., R. Martin and C. Martin. 4

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- 10(bb) Hansen/Taber Agreement dated July 27, 1992 by and among Hansen and Taber. 8
- 10(cc) Other Beverage License Agreement dated July 27, 1992 by and between Hansen and the Trust. 8
- 10(dd) Non-Beverage License Agreement dated July 27, 1992 by and between Hansen and the Trust. 8
- 10(ee) Agreement of Trust dated July 27, 1992 by and among FJC and Hansen and Gary Hansen, Anthony Kane and Burton S. Rosky. 8
- 10(ff) Carbonated Beverage License Agreement dated July 27, 1992 by and between Hansen and the Trust. 8
- 10(gg) Royalty Sharing Agreement dated July 27, 1992 by and between Hansen and the Trust. 8
- 10(hh) Fresh Juices License Agreement dated as of July 27, 1992 by and between Hansen and the Trust. 8
- 10(ii) Incentive Stock Option Agreement dated July 27, 1992 by and between Unipac and Taber at the option price of \$2.00 per share. 2
- 10(jj) Co-Packing Agreement dated November 24, 1992 by and between Tropicana Products Sales, Inc. and Hansen. 4
- 10(kk) Office Lease, dated December 16, 1992 by and between Lest C. Smull as Trustee, and his Successors under Declaration of Trust for the Smull family, dated December 7, 1984, and Hansen. 5
- 10(ll) Stock Option Agreement dated as of June 15, 1992 by and between Unipac and Rodney C. Sacks. 5
- 10(mm) Stock Option Agreement dated as of June 15, 1992 by and between Unipac and Hilton H. Schlosberg. 5
- 10(nn) Stock Option Agreement dated as of February 14, 1995 between Hansen Natural Corporation and Benjamin M. Polk. 7
- 10(oo) Stock Option Agreement dated as of February 14, 1995 between Hansen Natural Corporation and Norman C. Epstein. 7
- 10(pp) Employment Agreement dated as of January 1, 1994 between Hansen Natural Corporation and Hilton H. Schlosberg. 6
- 10(qq) Employment Agreement dated as of January 1, 1994 between Hansen Natural Corporation and Rodney C. Sacks. 6
- 10(rr) Stock Option Agreement dated as of July 3, 1995 between Hansen Natural Corporation and Rodney C. Sacks. 8
- 10(ss) Stock Option Agreement dated as of July 3, 1995 between Hansen Natural Corporation and Hilton H. Schlosberg. 8
- 10(tt) Stock Option Agreement dated as of June 30, 1995 between Hansen Natural Corporation and Harold C. Taber, Jr. 8
- 10(uu) Standard Industrial Lease Agreement dated as of April 25, 1997 between Hansen Beverage Company and 27 Railroad Partnership L.P. 9
- 10(vv) Sublease Agreement dated as of April 25, 1997 between Hansen Beverage Company and U.S. Continental Packaging, Inc. 9
- 10(ww) Packaging Agreement dated April 14, 1997 between Hansen Beverage Company and U.S. Continental Packaging, Inc. 10
- 10(xx) Revolving Credit Loan and Security Agreement dated May 15, 1997 between Comerica Bank -

California and Hansen Beverage Company. 10

10(yy) Severance and Consulting Agreement dated as of June 20, 1997 by and among Hansen Beverage Company, Hansen Natural Corporation and Harold C. Taber, Jr. 10

10(zz) Stock Option Agreement dated as of June 20, 1997 by and between Hansen Natural Corporation and Harold C. Taber, Jr. 10

10 (aaa) Variable Rate Installment Note dated October 14, 1997 between Comerica Bank - California and Hansen Beverage Company. 10

10 (bbb) Stock Option Agreement dated as of January 30, 1998 by and between Hansen Natural Corporation and Rodney C. Sacks.11

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10 (ccc) Stock Option Agreement dated as of January 30, 1998 by and between Hansen Natural Corporation and Hilton S. Schlosberg.11

10 (ddd) Warrant Agreement made as of April 23, 1998 by and between Hansen Natural Corporation and Rick Dees.12

10 (eee) Modification to Revolving Credit Loan and Security Agreement as of December 31, 1998 by and between Hansen Beverage Company and Comerica Bank - California.13

10 (fff) Employment Agreement as of January 1, 2000 by and between Hansen Natural Corporation and Rodney C. Sacks.13

10 (ggg) Employment Agreement as of January 1, 2000 by and between Hansen Natural Corporation and Hilton S. Schlosberg.13

10 (hhh) Stock Option Agreement dated as of February 2, 2000 by and between Hansen Natural Corporation and Rodney C. Sacks.13

10 (iii) Stock Option Agreement dated as of February 2, 2000 by and between Hansen Natural Corporation and Hilton S. Schlosberg.13

10 (jjj) Stock Repurchase Agreement dated as of August 3, 1998, by and between Hansen Natural Corporation and Rodney C. Sacks.14

10 (kkk) Stock Repurchase Agreement dated as of August 3, 1998, by and between Hansen Natural Corporation and Hilton H. Schlosberg.14

10 (lll) Assignment and Agreement dated as of September 22, 2000 by the Fresh Juice Company of California, Inc. and Hansen Beverage Company. 15

10 (mmm) Settlement Agreement dated as of September 2000 by and between and among Rodney C. Sacks, as sole Trustee of The Hansen's Trust and Hansen Beverage Company The Fresh Juice Company of California, Inc. 15

10 (nnn) Trademark Assignment dated as of September 24, 2000 by and between The Fresh Juice Company of California, Inc. (Assignor) and Rodney C. Sacks as sole Trustee of The Hansen's Trust (Assignee). 15

10 (ooo) Settlement Agreement dated as of September 3, 2000 by and between The Fresh Juice Company of California, Inc., The Fresh Smoothie Company, LLC, Barry Lublin, Hansen's Juice Creations, LLC, Harvey Laderman and Hansen Beverage Company and Rodney C. Sacks, as Trustee of The Hansen's Trust. 15

10 (ppp) Royalty Agreement dated as of April 26, 1996 by and between Hansen's Juices, Inc. and Hansen's Juice Creations, Limited Liability Company. 15

10 (qqq) Royalty Agreement dated as of April 26, 2000 by and between Gary Hansen, Anthony Kane and Burton S. Rosky, as trustees of Hansen's Trust and Hansen's Juice Creations, a limited liability company. 15

10 (rrr) Letter Agreement dated May 14, 1996. 15

10 (sss) Amendment to Royalty Agreement as of May 9, 1997 by and between The Fresh Juice Company of California and Hansen's Juice Creations, Limited Liability Company. 15

10 (ttt) Assignment of License Agreements dated as of February 2000 by Hansen's Juice Creations, LLC (Assignor) to Fresh Smoothie, LLC (Assignee). 15

10 (uuu) Amendment to Revolving Credit Loan and Security Agreement between Comerica Bank -

California and Hansen Beverage Company dated March 28, 2000. 16

10 (vvv)	Endorsement and Spokesman Arrangement dated as of February 18, 2000 by and between Hansen Beverage Company and Sammy Sosa. 16
10 (www)	Standard Industrial Lease Agreement dated as of February 23, 2000 between Hansen Beverage Company and 43 Railroad Partnership L.P. 16
10 (xxx)	Amended and Restated Variable Rate Installment Note by and between Comerica Bank - California and Hansen Beverage Company. 17
10 (yyy)	Sixth Modification to Revolving Credit Loan & Security Agreement by and between Hansen Beverage Company and Comerica Bank - California, dated May 23, 2000. 18

10 (zzz)	Contract Brewing agreement by and between Hard e Beverage Company and Reflo, Inc. dated March 23, 2000. 18
10.1	Modification dated as of September 19, 2000, to Revolving Credit Loan and Security Agreement by and between Hansen Beverage Company and Comerica Bank California. 19
21	Subsidiaries 5
23	Independent Auditors' Consent
27	Financial Data Schedule
99.1	Audited Financial Statements of Blue Sky Natural Beverage Co., a New Mexico corporation ("BSNB-NM") for 1999 and 1998. 20
99.2	Unaudited Balance Sheet at September 30, 2000 for BSNB-NM and Unaudited Statement of Operations for the nine-months then ended. 20

- 1 Filed previously as an exhibit to the Registration Statement on Form S-3 (no. 33-35796) (the "Registration Statement").
- 2 Filed previously as an exhibit to the Company's proxy statement dated October 21, 1992.
- 3 Filed previously as an exhibit to Form 8-K dated July 27, 1992.
- 4 Filed previously as an exhibit to Post-Effective Amendment No. 8 to the Registration Statement.
- 5 Filed previously as an exhibit to Form 10-KSB for the year ended December 31, 1992.
- 6 Filed previously as an exhibit to Form 10-KSB for the year ended December 31, 1993.
- 7 Filed previously as an exhibit to Form 10-KSB for the year ended December 31, 1994.
- 8 Filed previously as an exhibit to Form 10-K for the year ended December 31, 1995.
- 9 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 1997.
- 10 Filed previously as an exhibit to Form 10-Q for the period ended September 30, 1997.
- 11 Filed previously as an exhibit to Form 10-Q for the period ended March 31, 1998.

- 12 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 1998.
- 13 Filed previously as an exhibit to Form 10-K for the year ended December 31, 1998.
- 14 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 1999.
- 15 Filed previously as an exhibit to Form 10-Q for the period ended September 30, 1999.
- 16 Filed previously as an exhibit to Form 10-K for the year ended December 31, 1999.
- 17 Filed previously as an exhibit to Form 10-Q for the period ended March 31, 2000.
- 18 Filed previously as an exhibit to Form 10-Q for the period ended June 30, 2000.
- 19 Filed previously as an exhibit to Form 8-K dated September 20, 2000.
- 20 Filed previously as an exhibit to Form 8-K/A dated September 20, 2000.

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

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The Board of Directors and Shareholders
Hansen Natural Corporation
Corona, California

We have audited the accompanying consolidated balance sheets of Hansen Natural Corporation and subsidiaries (the "Company") as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 2000, 1999 and 1998. Our audits also included the financial statement schedule listed in Item 14. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Hansen Natural Corporation and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of its operations and cash flows for the years ended December 31, 2000, 1999 and 1998 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
March 23, 2001

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2000 AND 1999

	2000	1999
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 130,665	\$ 2,009,155
Accounts receivable (net of allowance for doubtful accounts, sales returns and cash discounts of \$486,462 in 2000 and \$415,305 in 1999 and promotional allowances of \$2,583,088 in 2000 and \$1,651,604 in 1999)	6,584,486	3,751,258
Inventories, net (Note 3)	10,907,895	9,894,414
Prepaid expenses and other current assets (Note 4)	823,387	553,689
Deferred income tax asset (Note 8)	881,618	743,364
	-----	-----
Total current assets	19,328,051	16,951,880
PROPERTY AND EQUIPMENT, net (Note 5)	1,863,044	504,191
INTANGIBLE AND OTHER ASSETS:		
Trademark license and trademarks (net of accumulated amortization of \$3,366,358 in 2000 and \$2,995,285 in 1999)	16,887,914	10,768,493
Deposits and other assets	665,731	484,388
	-----	-----
	17,553,645	11,252,881
	-----	-----
	\$ 38,744,740	\$ 28,708,952
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 3,681,956	\$ 5,936,873
Accrued liabilities	607,443	345,794
Accrued compensation	281,629	462,285
Current portion of long-term debt (Note 6)	234,655	863,501

Income taxes payable (Note 8)	878,266	346,636
	-----	-----
Total current liabilities	5,683,949	7,955,089
LONG-TERM DEBT, less current portion (Note 6)	9,731,956	902,716
DEFERRED INCOME TAX LIABILITY (Note 8)	1,274,139	1,225,271
COMMITMENTS AND CONTINGENCIES (Note 7)		
STOCKHOLDERS' EQUITY: (Note 9)		
Common stock - \$0.005 par value; 30,000,000 shares authorized; 10,148,882 shares issued, 9,942,121 outstanding in 2000; 10,010,084 issued and outstanding in 1999	50,744	50,050
Additional paid-in capital	11,667,619	11,340,074
Retained earnings	11,150,878	7,235,752
Common stock in treasury, at cost; 206,761 and 0 shares in 2000 and 1999, respectively	(814,545)	
	-----	-----
Total shareholders' equity	22,054,696	18,625,876
	-----	-----
	\$ 38,744,740	\$ 28,708,952
	=====	=====

See accompanying notes to consolidated financial statements.

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HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	2000	1999	1998
	-----	-----	-----
NET SALES	\$ 79,732,709	\$ 72,303,186	\$ 53,866,294
COST OF SALES	42,646,677	38,776,532	27,332,028
	-----	-----	-----
GROSS PROFIT	37,086,032	33,526,654	26,534,266
OPERATING EXPENSES:			
Selling, general and administrative	29,814,609	25,337,374	20,217,818
Amortization of trademark license and trademarks	371,073	307,823	296,584
Other operating expenses		380,378	60,000
	-----	-----	-----
Total operating expenses	30,185,682	26,025,575	20,574,402
	-----	-----	-----
OPERATING INCOME	6,900,350	7,501,079	5,959,864
NONOPERATING EXPENSE (INCOME):			
Interest and financing expense	382,152	170,506	387,446
Interest income	(12,914)	(118,413)	(72,352)
Other nonoperating expense			14,719
	-----	-----	-----
Net nonoperating expense	369,238	52,093	329,813
	-----	-----	-----
INCOME BEFORE PROVISION FOR INCOME TAXES	6,531,112	7,448,986	5,630,051
PROVISION FOR INCOME TAXES (Note 8)	2,615,986	2,971,118	2,066,922
	-----	-----	-----
NET INCOME	\$ 3,915,126	\$ 4,477,868	\$ 3,563,129
	=====	=====	=====
NET INCOME PER COMMON SHARE:			
Basic	\$ 0.39	\$ 0.45	\$ 0.38
	-----	-----	-----
Diluted	\$ 0.38	\$ 0.43	\$ 0.34
	-----	-----	-----
NUMBER OF COMMON SHARES USED IN PER SHARE COMPUTATIONS:			
Basic	9,957,743	9,964,778	9,386,688
	-----	-----	-----
Diluted	10,405,703	10,510,604	10,430,727
	-----	-----	-----

See accompanying notes to consolidated financial statements.

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HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common stock		Additional paid-in capital	Retained earnings (accumulated deficit)	Treasury stock		Total shareholders' equity
	Shares	Amount			Shares	Amount	
Balance, January 1, 1998	9,130,869	\$ 45,654	\$ 10,858,315	\$ (943,190)	-	\$ -	\$ 9,960,779
Issuance of common stock	781,036	3,906	72,051				75,957
Compensation expense related to issuance of nonqualified stock options				64,919			64,919
Reduction of tax liability in connection with the exercise of certain stock options			277,399				277,399
Net income				3,563,129			3,563,129
Balance, December 31, 1998	9,911,905	49,560	11,207,765	2,684,858	-	-	13,942,183
Issuance of common stock	98,179	490	38,331				38,821
Compensation expense related to issuance of nonqualified stock options				73,026			73,026
Reduction of tax liability in connection with the exercise of certain stock options			93,978				93,978
Net income				4,477,868			4,477,868
Balance, December 31, 1999	10,010,084	50,050	11,340,074	7,235,752	-	-	18,625,876
Issuance of common stock	138,798	694	255,945				256,639
Purchase of treasury stock					(206,761)	(814,545)	(814,545)
Reduction of tax liability in connection with the exercise of certain stock options			71,600				71,600
Net income				3,915,126			3,915,126
Balance, December 31, 2000	10,148,882	\$ 50,744	\$ 11,667,619	\$ 11,150,878	(206,761)	\$(814,545)	\$ 22,054,696

See accompanying notes to consolidated financial statements.

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HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

	2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 3,915,126	\$ 4,477,868	\$ 3,563,129
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Amortization of trademark license and trademarks	371,073	307,824	296,584
Depreciation and other amortization	314,662	258,343	246,494
Loss on disposal of plant and equipment	52,786	15,569	317
Compensation expense related to issuance of stock options	-	73,026	64,919
Deferred income taxes	(89,386)	(75,554)	557,461
Effect on cash of changes in operating assets and liabilities:			
Accounts receivable	(2,833,228)	(1,912,674)	(285,813)
Inventories	(1,013,481)	(4,683,337)	(1,295,094)
Prepaid expenses and other current assets	(269,698)	(309,371)	(29,850)
Accounts payable	(2,254,917)	4,066,620	(324,947)
Accrued liabilities	261,649	(58,070)	(84,943)
Accrued compensation	(180,656)	(13,716)	153,887
Income taxes payable	603,230	(828,571)	1,508,784
Net cash (used in) provided by operating activities	(1,122,840)	1,317,957	4,370,928
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(1,191,762)	(258,543)	(435,838)
Proceeds from sale of property and equipment	12,433	81,963	
Increase in trademark license and trademarks	(6,490,494)	(1,072,900)	(91,885)
Decrease in note receivable from director		20,861	39,391
Increase in deposits and other assets	(181,343)	(272,485)	(26,821)
Net cash used in investing activities	(7,851,166)	(1,501,104)	(515,153)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings on long-term debt	9,204,471	431,250	

Principal payments on long-term debt	(1,551,049)	(2,072,818)	(520,874)
Issuance of common stock	256,639	27,781	75,957
Purchases of common stock, held in treasury	(814,545)		
Net cash provided by (used in) financing activities	7,095,516	(1,613,787)	(444,917)
NET (DECREASE) INCREASE IN CASH	(1,878,490)	(1,796,934)	3,410,858
CASH AND CASH EQUIVALENTS, beginning of year	2,009,155	3,806,089	395,231
CASH AND CASH EQUIVALENTS, end of year	\$ 130,665	\$ 2,009,155	\$ 3,806,089
SUPPLEMENTAL INFORMATION			
Cash paid during the year for:			
Interest	\$ 315,876	\$ 184,891	\$ 372,256
Income taxes	\$ 2,067,337	\$ 3,908,586	\$ 2,400

See accompanying notes to consolidated financial statements.

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HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

NONCASH TRANSACTIONS:

During 2000, the Company entered into capital leases of \$546,972 for the acquisition of promotional vehicles.

During 2000, the Company reduced its tax liability and increased additional paid-in capital in the amount of \$71,600 in connection with the exercise of certain stock options.

During 2000, the Company issued 15,360 shares of common stock to employees in connection with a net exercise of options to purchase 23,327 shares of common stock.

During 2000, the Company issued 7,786 shares of common stock to a director in connection with a net exercise of options to purchase 12,000 shares of common stock.

During 2000, the Company issued 5,652 shares of common stock to a non-employee in connection with a net exercise of options to purchase 10,000 shares of common stock.

During 1999, the Company reduced its tax liability and increased additional paid-in capital in the amount of \$93,978 in connection with the exercise of certain stock options.

During 1999, the Company issued 72,866 shares of common stock to employees in connection with a net exercise of options to purchase 93,273 shares of common stock.

During 1999, the Company issued 8,000 shares of common stock to an employee in connection with the execution of a note receivable in the amount of \$11,040.

During 1998, the Company reduced its tax liability and increased additional paid-in capital in the amount of \$277,399 in connection with the exercise of certain stock options.

During 1998, the Company issued 554,732 shares of common stock to two officers in connection with a net exercise of options to purchase 725,000 shares of common stock.

During 1998, the Company issued 138,900 shares of common stock to employees in connection with the net exercise of options to purchase 99,167 shares of common stock.

During 1998, the Company issued 71,137 shares of common stock to a non-employee in connection with a net exercise of options to purchase 100,000 shares of common stock.

See accompanying notes to consolidated financial statements.

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HANSEN NATURAL CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Hansen Natural Corporation (the "Company" or "Hansen") was incorporated in Delaware on April 25, 1990. The Company is a holding company and carries on no operating business except through its direct wholly-owned subsidiaries, Hansen Beverage Company ("HBC") which was incorporated in Delaware on June 8, 1992 and Hard e Beverage Company ("HEB") formerly known as Hard Energy Company, and previously known as CVI Ventures, Inc., which was incorporated in Delaware on April 30, 1990. HBC conducts the vast majority of the Company's operating business and generates substantially all of the Company's operating revenues. During the third quarter of 2000, the Company, through HEB, introduced a malt-based drink called Hard e which contains up to five-percent alcohol. The Hard e product is not marketed under the Hansen's name. References herein to "Hansen" or the "Company" when used to describe the operating business of the Company are references to the business of HBC unless otherwise indicated and references herein to HEB when used to describe the operating business of HEB, are references to the Hard e brand business of HEB unless otherwise indicated.

In addition, HBC, through its wholly-owned subsidiary, Blue Sky Natural Beverage Co. ("Blue Sky"), which was incorporated in Delaware on September 8, 2000, acquired full ownership of and operates the natural soda business previously conducted by Blue Sky Natural Beverage Co., a New Mexico corporation ("BSNBC"), under the Blue Sky(R) trademark (Note 2).

Nature of Operations - Hansen is engaged in the business of marketing, selling and distributing so-called "alternative" beverage category natural sodas, fruit juices, fruit juice Smoothies, "functional drinks", non-carbonated ready-to-drink iced teas, lemonades and juice cocktails, children's multi-vitamin juice products and still water under the Hansen's(R) brand name as well as nutritional bars and cereals also under the Hansen's(R) brand name, natural sodas under the Blue Sky(R) brand name and malt based drinks under the Hard e brand name, primarily in certain Western states as well as in other states and, on a limited basis, in other countries outside the United States.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of Hansen and its wholly owned subsidiaries, HBC, HEB and Blue Sky since their respective dates of incorporation. All intercompany balances and transactions have been eliminated in consolidation.

Reclassifications - Certain reclassifications have been made in the consolidated financial statements to conform to the 2000 presentation.

Cash and Cash Equivalents - The Company considers certificates of deposit with original maturities of three months or less to be cash and cash equivalents.

Inventories - Inventories are valued at the lower of first-in, first-out (FIFO) cost or market value (net realizable value).

Property and Equipment - Property and equipment are stated at cost. Depreciation of furniture, office equipment, equipment and vehicles is based on their estimated useful lives (three to seven years) and is calculated using the straight-line method. Amortization of leasehold improvements is based on the lesser of their estimated useful lives or the terms of the related leases and is calculated using the straight-line method.

Trademark License and Trademarks - Trademark license represents the Company's exclusive world-wide right to use the Hansen's(R) trademark in connection with the manufacture, sale and distribution of carbonated beverages and waters, shelf stable fruit juices and drinks containing

fruit juices on a royalty free basis and other non-carbonated beverages and water and non-beverage products in consideration of royalty payments. In September 1999, HBC entered into an Assignment and Agreement with the Fresh Juice Company of California, Inc. ("FJC"), pursuant to which HBC acquired exclusive ownership of the Hansen's(R) trademark and trade names. The Company also owns in its own right, a number of other trademarks in the United States as well as in a number of countries around the world. The Company amortizes its trademark license and trademarks over 40 years.

Long-Lived Assets - The Company accounts for the impairment and disposition of long-lived assets in accordance with Statement of Financial Accounting Standard ("SFAS") No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. In accordance with SFAS No. 121, long-lived assets to be held are reviewed for events or changes in circumstances that indicate that their carrying value may not be recoverable. The Company periodically reviews the carrying value of long-lived assets to determine whether or not impairment to such value has occurred. As of December 31, 2000, management does not believe that the Company's long-lived assets have been impaired.

Revenue Recognition - The Company records revenue at the time the related products are shipped. Management believes an adequate provision against net sales has been made for estimated returns, allowances and cash discounts.

Freight Costs And Reimbursement Of Freight Costs - In accordance with Emerging Issues Task Force No. 00-10, Accounting for Shipping and Handling Fees and Costs, reimbursements of freight charges are recorded in net sales in the accompanying consolidated statements of income. For the years ended December 31, 2000, 1999, and 1998, freight-out costs amounted to \$4.9 million, \$4.3 million, and \$3.0 million, respectively, and have been recorded in selling, general and administrative expenses in the accompanying consolidated statements of income.

Advertising - The Company accounts for advertising production costs by expensing such production costs the first time the related advertising takes place. Advertising expenses included in selling, general and administrative expenses amounted to \$5.6 million, \$5.7 million and \$4.3 million for the years ended December 31, 2000, 1999 and 1998, respectively. In addition, the Company supports its customers, including distributors, with promotional allowances, a portion of which is utilized for indirect advertising by them. Promotional allowances amounted to \$8.3 million, \$6.3 million and \$5.6 million for the years ended December 31, 2000, 1999 and 1998, respectively.

Net Income Per Common Share - In accordance with SFAS No. 128, Earnings per Share, net income per common share, on a basic and diluted basis, is presented for all periods. Basic net income per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share is computed by dividing net income by the weighted average number of common and dilutive common equivalent shares outstanding, if dilutive. Weighted average common equivalent shares include stock options and purchases of the Company's common stock, held in treasury, using the treasury stock method.

Concentration Risk - Certain of the Company's products utilize components from a limited number of sources. A disruption in production of such components could significantly affect the Company's revenues from those products, as alternative sources of such components may not be available at commercially reasonable rates or within a reasonably short time period. The Company continues to take steps on an ongoing basis to secure the availability of alternative sources for such components and minimize the risk of any disruption in production.

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One customer accounted for approximately 23%, 25% and 27% of the Company's sales for the years ended December 31, 2000, 1999 and 1998, respectively. A decision by that, or any other major customer, to decrease the amount purchased from the Company or to cease carrying the Company's products could have a material adverse effect on the Company's financial condition and consolidated results of operations.

Credit Risk - The Company sells its products nationally, primarily to retailers and beverage distributors. The Company performs ongoing credit evaluations of its customers and generally does not require collateral. The Company maintains reserves for potential credit losses, and such losses have been within management's expectations.

Fair Value of Financial Instruments - SFAS No. 107, Disclosures about Fair Value of Financial Instruments, requires management to disclose the estimated fair value of certain assets and liabilities defined by SFAS No. 107 as financial instruments. At December 31, 2000, management believes that the carrying amount of cash, accounts receivable and accounts payable approximate fair value because of the short maturity of these financial instruments. Long-term debt bears interest at a rate comparable to the prime rate; therefore, management believes the carrying amount for the outstanding borrowings at December 31, 2000, approximates fair value.

Use of Estimates - The preparation of the consolidated 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 and disclosure of contingent 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.

New Accounting Pronouncements - In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. Under SFAS No. 133, certain contracts that were not formerly considered derivatives many now meet the definition of a derivative. SFAS No. 133 requires derivatives to be reported as assets or liabilities at fair value, and is effective for all fiscal years beginning after June 15, 2000. The Company will adopt SFAS No. 133 effective January 1, 2001. Management does not expect the adoption of SFAS No. 133 to have a significant impact on the financial position, results of operations or cash flows of the Company.

In December 1999, the Securities Exchange Commission staff issued Staff Accounting Bulletin No. 101, Revenue Recognition in Financial Statements ("SAB No. 101"). SAB No. 101 summarizes certain of the staff's views in applying accounting principles generally accepted in the United States of America to revenue recognition and accounting for deferred costs in the consolidated financial statements and is effective no later than the fourth quarter of fiscal years beginning after December 15, 1999. Based on the Company's current revenue recognition policy, there was no material impact to the Company's financial position and consolidated statements of income from the adoption of SAB No. 101.

2. ACQUISITION

On September 20, 2000, the Company acquired through its subsidiary, Blue Sky, the beverage business of BSNBC, including the Blue Sky(R) trademarks and certain other assets for a purchase price of \$6.5 million. The Blue Sky(R) products include a range of all-natural carbonated sodas and seltzers that are marketed throughout the United States and in certain international markets, principally to the health food trade. The acquisition has been accounted for as a purchase in accordance with Accounting Principles Board Opinion No. 16, Business Combinations. Accordingly, the purchase price, inclusive of certain acquisition costs, was allocated to the tangible and intangible assets acquired based on a valuation of their respective fair values at the date of acquisition. The purchase price, inclusive of certain acquisition costs, was financed through the Company's credit facility (Note 6).

Trademarks acquired will be amortized on a straight-line basis over 40 years. The operating results of Blue Sky have been included in the

Company's results of operations since the date of acquisition.

3. INVENTORIES

Inventories consist of the following at December 31:

	2000 -----	1999 -----
Raw materials	\$ 4,704,363	\$ 3,615,269
Finished goods	6,371,941	6,442,193
	-----	-----
	11,076,304	10,057,462
Less inventory reserves	(168,409)	(163,048)
	-----	-----
	\$10,907,895	\$ 9,894,414
	=====	=====

4. PREPAID EXPENSES AND OTHER CURRENT ASSETS

In January 1994, the Company entered into an agreement with a barter company for the exchange of certain inventory for future advertising and marketing credits. The Company assigned a value of \$490,000 to these credits based on the net realizable value of the inventory exchanged. As of December 31, 2000, unused advertising and marketing credits totaled \$111,000. Although such credits remain available for use by the Company through January 2002, management was unable to estimate their remaining net realizable value at December 31, 1997. Accordingly, in the year ended December 31, 1997, the Company fully reserved against and expensed such advertising and marketing credits.

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2000 -----	1999 -----
Leasehold improvements	\$ 153,812	\$ 61,277
Furniture and office equipment	662,481	546,105
Equipment and vehicles	1,555,008	768,576
Machinery in progress	569,432	
	-----	-----
	2,940,773	1,375,958
Less accumulated depreciation and amortization	(1,077,689)	(871,767)
	-----	-----
	\$ 1,863,044	\$ 504,191
	=====	=====

6. LONG-TERM DEBT

In 1997, the Company obtained a credit facility from Comerica Bank-California ("Comerica"), consisting of a revolving line of credit of up to \$3.0 million in aggregate at any time outstanding and a term loan of \$4.0 million. The utilization of the revolving line of credit by HBC was dependent upon certain levels of eligible accounts receivable and inventory from time to time. Such revolving line of credit and term loans were secured by substantially all of HBC's assets, including accounts receivable, inventory, trademarks, trademark licenses and certain equipment. That facility was subsequently modified from time to time and on September 19, 2000, the Company entered into a modification agreement with Comerica to amend certain provisions under the above facility in order to finance the acquisition of the Blue Sky business, repay the term loan, and provide additional working capital ("Modification Agreement"). Pursuant to the Modification Agreement, the

revolving line of credit was increased to \$12.0 million, reducing to \$6.0 million by September 2004. The revolving line of credit remains in full force and effect through September 2005. Further, the rate of interest payable by the Company on advances under the line of credit are based on bank's base (prime) rate, plus an additional percentage of up to 0.5% or the LIBOR rate, plus an additional percentage of up to 2.5%, depending upon certain financial ratios of the Company from time to time.

The initial use of proceeds under the Modification Agreement was to pay the seller in connection with the acquisition of the Blue Sky business, to repay the remaining \$807,000 balance due under the term loan and to finance working capital. The Company's outstanding borrowings on the line of credit at December 31, 2000 were \$9.2 million.

The credit facility contains financial covenants which require the Company to maintain certain financial ratios and achieve certain levels of annual income. The facility also contains certain non-financial covenants. At December 31, 2000 and 1999, respectively, the Company was in compliance with all covenants.

During the year ended December 31, 2000, the Company entered into capital leases for acquisition of certain vehicles, payable over a five-year period and having an effective interest rate of 8.8%. At December 31, 2000, the assets acquired under capital leases had a net book value of \$519,688, net of accumulated depreciation of \$66,819.

Long-term debt consists of the following at December 31:

	2000	1999
	-----	-----
Line of credit to Comerica, collateralized by substantially all of HBC's assets, at an effective interest rate of 9.5% as of December 31, 2000	\$9,164,884	\$ -
Note payable to Comerica, collateralized by substantially all of HBC's assets, payable in variable amounts of principal and interest which escalate over time. Note was repaid during 2000		1,331,881
Note payable in connection with the acquisition of the Hansen's(R) trademark and trade name, payable in three equal annual installments of \$143,750 each, due between August 2, 2000 and August 2, 2000	287,500	431,250
Capital leases, collateralized by vehicles acquired, payable over 60 months in monthly installments at an effective interest rate of 8.8%, with final payments ending in 2005	514,227	
Other		3,086
	-----	-----
	9,966,611	1,766,217
Less: current portion of long-term debt	(234,655)	(863,501)
	-----	-----
	\$9,731,956	\$ 902,716
	=====	=====

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Long-term debt is payable as follows:

Year ending December 31:	
2001	\$ 234,655
2002	242,502
2003	107,316
2004	1,481,545
2005	1,900,593
Thereafter	6,000,000

	\$ 9,966,611
	=====

Interest expense amounted to \$380,651, \$168,131 and \$368,896, for the years ended December 31, 2000, 1999 and 1998, respectively.

7. COMMITMENTS AND CONTINGENCIES

Operating Leases - The Company's warehouse facility and corporate offices are leased for a period of 10 years from October 20, 2000, when the Company first occupied the facility. The facility lease and certain equipment and other non-cancelable operating leases expire through 2010. The facility lease has scheduled rent increases which are accounted for on a straight-line basis. Rent expense under such leases amounted to \$416,505, \$391,000 and \$369,000 for the years ended December 31, 2000, 1999 and 1998, respectively.

Future minimum rental payments at December 31, 2000 under the leases referred to above are as follows:

Year ending December 31:	
2001	\$ 605,779
2002	602,179
2003	623,367
2004	629,256
2005	637,059
Thereafter	3,199,953

	\$ 6,297,593
	=====

Employment and Consulting Agreements - The Company entered into an employment agreement with Rodney C. Sacks dated as of January 1, 1999, pursuant to which Mr. Sacks renders services to the Company as its Chairman and Chief Executive Officer, and entered into an employment agreement with Hilton H. Schlosberg dated as of January 1, 1999, pursuant to which Mr. Schlosberg renders services to the Company as its Vice Chairman, President and Chief Financial Officer for an annual base salary of \$180,000 each, increasing by a minimum of 8% for each subsequent twelve-month period during the employment period, plus an annual bonus in an amount determined at the discretion of the Board of Directors of the Company and certain fringe benefits for the period commencing January 1, 1999 and ending December 31, 2003. After such date, such agreements provide for automatic annual renewals unless written notice is delivered to each of them by June 30, 2003 or any subsequent June 30 thereafter.

Purchase Commitments - As of December 31, 2000, the Company had open long-term purchase commitments for certain raw materials of approximately \$814,000.

Litigation - The Company is subject to, and involved in, claims and contingencies related to lawsuits and other matters arising out of the normal course of business. The ultimate liability associated with such claims and contingencies, if any, is not likely to have a material adverse effect on the financial condition of the Company.

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8. INCOME TAXES

The Company accounts for income taxes under the provision of SFAS No. 109, Accounting for Income Taxes. This statement requires the recognition of deferred tax assets and liabilities for the future consequences of events that have been recognized in the Company's financial statements or tax returns. Measurement of the deferred items is based on enacted tax laws. In the event the future consequences of differences between financial reporting bases and tax bases of the Company's assets and liabilities result in a deferred tax asset, SFAS No. 109 requires an evaluation of the probability of being able to realize the future benefits indicated by such asset. A valuation allowance related to a deferred tax asset is recorded when it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Components of the income tax provision are as follows:

	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
Current income taxes:			
Federal	\$2,106,316	\$2,409,512	\$1,180,688
State	599,056	637,160	328,773
	-----	-----	-----
	2,705,372	3,046,672	1,509,461
Deferred income taxes:			
Federal	(57,309)	(97,681)	675,528
State	(32,077)	22,127	159,813
Less change in valuation allowance			(277,880)
	-----	-----	-----
	(89,386)	(75,554)	557,461
	-----	-----	-----

\$2,615,986	\$2,971,118	\$2,066,922
-------------	-------------	-------------

The differences between the income tax provision that would result from applying the 34% federal statutory rate to income before provision for income taxes and the reported provision for income taxes are as follows:

	Year Ended December 31,		
	2000	1999	1998
	-----	-----	-----
Income tax provision using the statutory rate	\$2,220,578	\$2,532,655	\$1,914,217
State taxes, net of federal tax benefit	380,945	434,604	295,272
Change in utilization of certain net operating losses			106,718
Permanent differences	31,865	3,859	6,318
Other	(17,402)		22,277
Change in valuation allowance			(277,880)
	-----	-----	-----
	\$2,615,986	\$2,971,118	\$2,066,922
	-----	-----	-----

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Major components of the Company's deferred tax assets (liabilities) at December 31 are as follows:

	2000	1999
	-----	-----
Reserves for returns	\$ 130,642	\$ 111,681
Reserves for bad debts	51,910	45,192
Reserves for obsolescence	72,146	69,850
Reserves for marketing development fund	221,319	159,327
Capitalization of inventory costs	136,284	72,670
State franchise tax	243,328	267,189
Accrued compensation	25,989	17,456
Stock-based compensation		59,096
Amortization of trademark license	(1,421,415)	(1,412,994)
Amortization of graphic design	151,844	124,664
Depreciation	(4,568)	3,962
	-----	-----
	\$ (392,521)	\$ (481,907)
	-----	-----

During the year ended December 31, 1999, the Company was audited by the Internal Revenue Service ("IRS Audit") for the years ended December 31, 1998, 1997 and 1996. Based on the results of the IRS Audit, certain deductions taken in certain years were postponed until later years. The effect thereof on the Company's provision for income taxes for the year ended December 31, 1999 was immaterial.

9. STOCK OPTIONS AND WARRANTS

The Company has two stock option plans, the Employee Stock Option Plan ("the Plan") and the Outside Directors Stock Option Plan ("Directors Plan").

The Plan provided for the granting of options to purchase not more than 2,000,000 shares of Hansen common stock to key employees of the Company and its subsidiaries. During 1999, the Company amended the Plan to provide for the granting of options to purchase up to an additional 1,000,000 shares under the Plan. Stock options are exercisable at such time and in such amounts as determined by the Compensation Committee of the Board of Directors of the Company up to a ten-year period after their date of grant, and no options may be granted after July 1, 2001.

The option price will not be less than the fair market value at the date of grant. As of December 31, 2000, options to purchase 2,150,200 shares of Hansen common stock had been granted under the Plan, net of options that have expired, and options to purchase 849,800 shares of Hansen common stock remain available for grant under the Plan.

The Directors Plan provides for the grant of options to purchase up to 100,000 shares of common stock of the Company to directors of the Company who are not and have not been employed by or acted as consultants to the Company and its subsidiaries or affiliates and who are not and have not been nominated to the Board of Directors of the Company pursuant to a contractual arrangement. On the date of the annual meeting of shareholders, at which an eligible director is initially elected, each eligible director is entitled to receive a one-time grant of an option to purchase 6,000 shares (12,000 shares if the director is serving on a committee of the Board) of the Company's common stock, exercisable one-third each on the first, second and third anniversary of the date of grant; provided, however, that options granted as of February 14, 1995, are exercisable 66 2/3% on the date of grant and 100% on July 8, 1995; provided, further, that all options held by an eligible director become fully and immediately exercisable upon a change in control of the Company. Options granted under the Directors Plan that are not exercised generally expire ten years after the date of grant. Option grants may be made under the Directors Plan for ten years from the effective date of the Directors Plan. The Directors Plan is a "formula" plan so that a non-employee director's

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participation in the Directors Plan does not affect his status as a "disinterested person" (as defined in Rule 16b-3 under the Securities Exchange Act of 1934). As of December 31, 2000, options to purchase 36,000 shares of Hansen common stock had been granted under the Directors Plan and options to purchase 64,000 shares of Hansen common stock remained available for grant.

For the years ended December 31, 2000, 1999 and 1998, the Company granted 189,000, 424,000 and 297,500 options to purchase shares under the Plan and Directors Plan at a weighted average grant date fair value of \$2.26, \$2.52 and \$1.18, respectively. Additional information regarding the Plan and the Directors Plan is as follows:

	2000		1999		1998	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
Options outstanding, beginning of year	1,093,327	\$2.60	833,900	\$1.49	1,475,500	\$1.34
Options granted	189,000	\$4.15	424,000	\$4.38	297,500	\$2.04
Options exercised	(38,327)	\$1.49	(93,573)	\$1.35	(919,900)	\$1.49
Options canceled or expired	(109,600)	\$3.17	(71,000)	\$1.82	(19,200)	\$1.11
Options outstanding, end of year	<u>1,134,400</u>	<u>\$2.84</u>	<u>1,093,327</u>	<u>\$2.60</u>	<u>833,900</u>	<u>\$1.49</u>
Option price range end of year		\$0.75 to \$5.25		\$0.75 to \$5.25		\$0.72 to \$4.50

The Company has adopted the disclosure-only provisions of SFAS No. 123, Accounting for Stock-Based Compensation. Accordingly, no compensation cost has been recognized for the stock option plans. The impact of stock options granted prior to 1997 has been excluded from the pro forma calculation; accordingly, the 2000, 1999 and 1998 pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation may apply to all applicable stock options. Had compensation cost for the Company's option plans been determined based on the fair value at the grant date for awards in the years 1998 through 2000 consistent with the provisions of SFAS No. 123, the

Company's net income and net income per common share would have been reduced to the pro forma amounts indicated below:

	2000	1999	1998
Net income, as reported	\$3,915,126	\$4,477,868	\$3,563,129
Net income, pro forma	\$3,670,524	\$4,176,799	\$3,383,375
Net income per common share, as reported			
Basic	\$0.39	\$0.45	\$0.38
Diluted	\$0.38	\$0.43	\$0.34
Net income per common share, pro forma			
Basic	\$0.37	\$0.42	\$0.36
Diluted	\$0.35	\$0.40	\$0.32

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The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used for grants in:

	Dividend Yield	Expected Volatility	Risk-Free Interest Rate	Expected Lives
	-----	-----	-----	-----
2000	0%	48%	6.0%	6 years
1999	0%	60%	4.8%	5 years
1998	0%	72%	5.2%	4 years

The Company has granted warrants to various non-employees to purchase shares of Hansen common stock. Such warrants vest in various increments over an eighteen-month to three-year period.

For the year ended December 31, 1998, the Company granted 180,000 warrants to purchase shares at a weighted average grant date fair value of \$1.08. No warrants were granted for the years ended December 31, 2000 and 1999, respectively. Additional information regarding non-employee stock options and warrants is as follows:

	2000		1999		1998	
	Shares	Weighted average exercise price	Shares	Weighted average exercise price	Shares	Weighted average exercise price
	-----	-----	-----	-----	-----	-----
Options and warrants outstanding, beginning of year	137,000	\$2.37	225,000	\$2.29	145,000	\$ 1.42
Options and warrants granted					180,000	\$ 2.48
Options and warrants exercised	(117,000)	\$2.48	(30,000)	\$1.50	(100,000)	\$ 1.38
Options and warrants canceled or expired	(20,000)	\$1.72	(58,000)	\$2.50		
Options and warrants outstanding, end of year	-		137,000	\$2.37	225,000	\$ 2.29
Option and warrant price range, end of year				\$1.50 to \$3.75		\$ 1.50 to \$ 3.75

The following table summarizes information about fixed-price stock options outstanding at December 31, 2000:

Range of exercise prices	Options Outstanding			Options Exercisable	
	Number outstanding at December 31, 2000	Weighted average remaining contractual life (in years)	Weighted average exercise price	Number exercisable at December 31, 2000	Weighted average exercise price
\$0.75 to \$1.13	264,000	2	\$1.00	144,000	\$0.98
\$1.59 to \$1.79	280,400	2	\$1.61	274,400	\$1.61
\$2.50 to \$3.72	73,000	5	\$3.45	8,000	\$3.72
\$4.19 to \$4.38	357,000	4	\$4.26	91,800	\$4.25
\$4.44 to \$5.25	160,000	5	\$4.60	29,000	\$4.56
	1,134,400			547,200	

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10. EMPLOYEE BENEFIT PLAN

Employees of Hansen Natural Corporation may participate in the Hansen Natural Corporation 401(k) Plan, a defined contribution plan, which qualifies under Section 401(k) of the Internal Revenue Code. Participating employees may contribute up to 15% of their pretax salary up to statutory limits. The Company contributes 25% of the employee contribution, up to 8% of each employee's earnings. Matching contributions were \$49,323, \$37,274 and \$29,438, for the years ended December 31, 2000, 1999 and 1998, respectively.

11. RELATED PARTY TRANSACTIONS

A director of the Company is a partner in a law firm that serves as counsel to the Company. Expenses incurred to such firm in connection with services rendered to the Company during the years ended December 31, 2000, 1999 and 1998 were \$180,954, \$414,932 and \$173,673 respectively.

A director of the Company was a consultant to the Company from July 1997 through June 1999. Expenses incurred to such director in connection with consulting services rendered to the Company during the years ended December 31, 1999 and 1998 were \$30,000 and \$60,000, respectively.

Two directors of the Company are principal owners of a company that provides promotional materials to the Company. Expenses incurred to such company in connection with promotional materials purchased during the years ended December 31, 2000, 1999 and 1998, were \$115,520, \$121,289 and \$151,393, respectively.

12. QUARTERLY FINANCIAL DATA (Unaudited)

	Net Sales	Gross Profit	Net Income	Net Income per Common Share	
				Basic	Diluted
Quarter ended:					
March 31, 2000	\$ 15,978,002	\$ 7,203,960	\$ 688,103	\$0.07	\$0.07
June 30, 2000	22,666,775	10,691,928	1,652,087	0.17	0.16
September 30, 2000	22,701,624	10,978,326	1,365,188	0.13	0.13
December 31, 2000	18,386,308	8,211,818	209,748	0.02	0.02
	\$ 79,732,709	\$ 37,086,032	\$ 3,915,126	\$0.39	\$0.38
Quarter ended:					
March 31, 1999	\$ 15,229,104	\$ 7,407,679	\$ 908,912	\$0.09	\$0.09
June 30, 1999	19,142,247	8,980,540	1,440,190	0.15	0.14
September 30, 1999	20,491,265	9,430,337	1,336,768	0.13	0.12
December 31, 1999	17,440,570	7,708,098	791,998	0.08	0.08
	\$ 72,303,186	\$ 33,526,654	\$ 4,477,868	\$0.45	\$0.43

Certain of the figures reported above may differ from previously reported figures for individual quarters due to rounding.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS
FOR THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

Description	Balance at beginning of period	Charged to cost and expenses	Deductions	Balance at end of period
-----	-----	-----	-----	-----
Allowance for doubtful accounts, sales returns and cash discounts:				
2000	\$ 415,305	2,171,731	(2,100,574)	\$ 486,462
1999	\$ 378,641	1,478,889	(1,442,225)	\$ 415,305
1998	\$ 315,629	1,432,404	(1,369,392)	\$ 378,641
Promotional allowances:				
2000	\$ 1,651,604	8,295,866	(7,364,382)	\$ 2,583,088
1999	\$ 1,608,123	6,337,903	(6,294,422)	\$ 1,651,604
1998	\$ 1,067,749	5,584,000	(5,043,626)	\$ 1,608,123
Inventory reserves:				
2000	\$ 163,048	249,067	(243,706)	\$ 168,409
1999	\$ 268,233	151,091	(256,276)	\$ 163,048
1998	\$ 383,227	4,027	(119,021)	\$ 268,233

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statements No. 33-92526, No. 333-41333 and No. 333-89123 of Hansen Natural Corporation on Form S-8 of our report dated March 23, 2001, appearing in the Annual Report on Form 10-K of Hansen Natural Corporation for the year ended December 31, 2000.

/s/ DELOITTE & TOUCHE LLP

Costa Mesa, California
March 26, 2001

<ARTICLE>

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This schedule contains summary financial information extracted from the consolidated balance sheets and consolidated statements of operations found on pages F-3 and F-4 of the Company's Form 10-k for the year, and is qualified in its entirety by reference to such financial statements.

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