

## **TO OUR SHAREHOLDERS**

2006 marked yet another milestone for our company. In 2006 both our gross and net sales exceeded \$500 million for the first time. 2006 was our 14<sup>th</sup> consecutive year of increased sales since our acquisition of the Hansen's® beverage business in 1992.

Sales volumes of Monster Energy® drinks, Lo-Carb Monster Energy® drinks, Monster Energy® Assault™ energy drinks and Monster Energy® Khaos energy drinks, increased dramatically over the previous year. During 2006 we introduced a number of different packages, sizes and packaging configurations for our Monster Energy® product line. In October 2006 we acquired the Unbound® energy trademark and commenced the production and sale of Unbound® energy drinks in 16 ounce cans.

During the first quarter of 2007 we introduced a new Monster Energy® M-80 energy drink in 16 ounce cans. Monster M-80 is lightly carbonated and contains 80% juice. We also introduced Monster Energy® drinks in 8-packs. In May 2007 we launched a new non-carbonated dairy based coffee drink under the Java Monster™ brand name in 16 ounce cans. Java Monster™ comes in three versions, “Big Black,” “Loca Moca,” and “Mean Bean.”

In the second quarter of 2006, we entered into a distribution agreement with Cadbury Bebidas, S.A. de C.V. (“Cadbury Bebidas”), for the exclusive distribution by Cadbury Bebidas of our Monster Energy® and Lost® Energy™ drinks throughout Mexico, excluding Baja.

During the second quarter of 2006 we entered into agreements with Anheuser-Busch, Inc. (“AB”) which provided for select AB wholesalers to be appointed to distribute and sell, in markets designated by Hansen Beverage Company in the United States, Monster Energy® drinks, Lost® Energy™ drinks and Rumba™ energy juice as well as Unbound® Energy drinks. The agreements contemplate that additional products may also be distributed by AB wholesalers in the future, as may be agreed between the parties.

We commenced the implementation of the AB arrangements in July 2006 and have largely completed the transition to the AB wholesaler network in the contemplated markets within the United States.

In February 2007 we entered into an On-Premise Distribution Coordination Agreement (the “On-Premise Agreement”) with AB. Pursuant to the On-Premise Agreement, AB will manage and coordinate the sale, distribution and merchandising of Monster Energy® drinks to licensed on-premise accounts including bars, nightclubs and restaurants, in approved territories within the United States. We have commenced the implementation of the On-Premise Agreement.

In March 2007 we entered into a Distribution Agreement with Pepsi-QTG Canada, a division of PepsiCo Canada ULC, for the exclusive distribution by Pepsi Canada of our Monster Energy®, Lost® Energy™ and Hansen's® energy products throughout Canada.

The Monster brand of energy drinks continued to gain market share both during 2006 and in 2007 to date, and continues to exceed the growth in sales of the energy drink category

as a whole. The energy drink category itself has continued to grow at an extremely high rate.

Gross sales of all of our products outside of California as a percentage of total gross sales grew from 62% at the end of 2005 to 67.8% at the end of 2006. This trend continued during the first six months of 2007. During that period gross sales outside of California grew to 71.3% of total gross sales.

Margins on our warehouse segment products, which include Hansen's® and Blue Sky® brands of natural sodas, juices, juice cocktails and teas, remained under pressure, primarily due to increased raw material costs. Demand for many of those products has also been flat. We are taking steps to reposition certain of our existing products in the warehouse segment and to introduce new lines of products to meet ever changing consumer preferences towards healthier and lower calorie products. In this regard, we are in the process of launching a new line of sparkling water products in 10.5 ounce sleek cans under the Hansen's® brand.

We continue to benefit from a solid management team. I express my appreciation to my fellow directors for their counsel and support during this year and, in particular, to Mr. Hilton Schlosberg, our President and Chief Operating Officer, and Mr. Mark Hall, President of our Monster Beverage Division, as well as to our shareholders, employees, customers, distributors and suppliers for their continued support. To all of our employees, my sincere thanks and appreciation for all their efforts, which have resulted in the continued success of our company.

Sincerely,

Rodney C. Sacks  
Chairman and Chief Executive Officer