

TO OUR SHAREHOLDERS

I am once again extremely proud to report that in 2005 we had our 13th consecutive year of increased sales since our acquisition of the Hansen's® beverage business in 1992.

In 2005 sales volumes of Monster Energy® drinks, Lo-Carb Monster Energy® drinks and Monster Energy® Assault™ energy drinks increased dramatically over the previous year. During 2005 we launched Monster Energy® Khaos™ energy drinks in 16 ounce cans, which are lightly carbonated and contain 70% juice, as well as Lost® Perfect 10 lo-carb energy drinks and Lost® Five-O energy drinks which are lightly carbonated and contain 50% juice, also in 16 ounce cans. In 2005 we also introduced our Monster Energy® drinks and lo-carb Monster Energy® drinks in both 24 ounce and 8.3 ounce can sizes. During 2006 we extended those can sizes to include Monster Energy® Assault™ and Monster Energy® Khaos™ energy drinks as well, and also introduced Lost® Energy and Lost® Five-O in 24 ounce can sizes.

Increased sales volumes of apple juice and juice blends and children's multi-vitamin juice drinks and Rumba also contributed to our record sales in 2005. The increase in sales was partially off-set by decreased sales by volume primarily of Hansen's® Natural Sodas, Hansen's® brand energy drinks, Energade and Smoothies in cans.

In 2005 we introduced a controlled energy brand under the Joker Mad Energy™ brand name in both regular and lo-carb versions for a national convenience and gas chain. In 2006 we extended this line by introducing Joker Mad Energy™ with 50% juice in 16 ounce cans.

In 2006 we acquired the Unbound® Energy drink brand and entered into an agreement with another national convenience and gas chain to produce and supply that brand to this chain as a controlled brand. We are in the process of expanding the Unbound® energy drink line with a lo-carb Unbound® Energy drink as well as an Unbound® energy drink that contains 50% juice. Under our agreement with the chain concerned we have the right to market and distribute that brand nationally, which we intend to do through the Anheuser-Busch Incorporated ("AB") wholesaler network.

During the second quarter of 2006 we entered into agreements with AB under which select AB wholesalers will distribute and sell, in markets designated by Hansen Beverage Company in the United States, Monster Energy™ drinks, Lost® Energy™ drinks, Rumba™ energy juice as well as Unbound® Energy drinks. The agreements contemplate that further products may also be distributed by AB wholesalers in the future as may be agreed between the parties.

In July 2006 we commenced the implementation of the AB arrangements. The first state that was transitioned to the AB wholesaler network in July 2006 was Florida. Since then we have transitioned additional territories to the AB wholesaler network including southern Nevada (including Las Vegas), New York metro area (five boroughs and Long Island), northern California, Hawaii and portion of Colorado. We are also currently transitioning the Lost® and Rumba™ brands to the AB wholesaler network on a more extensive basis and intend to introduce Unbound® Energy drinks through that network later in 2006.

We recently commenced selling the Joker Mad Energy™ drink line through the Dr. Pepper/7UP group for the entire territory serviced by them, which comprises all or part of 32 states in the United States. We intend to secure additional distributors to distribute that product line in areas of the United States that are not covered by the Dr. Pepper/7UP group.

We also recently introduced the Ace™ Energy brand, specifically for distribution by the Dr. Pepper/7UP group and they have commenced selling of that product line throughout their territory. That line comprises a regular energy drink, a lo-carb energy drink and an energy drink that contains juice.

Monster Energy™ drinks continued to gain market share during both 2005 and 2006, despite the launch of many competitive energy drinks by major beverage companies. The growth in sales of the Monster® Energy drink brand continues to exceed the growth in sales of the energy drink category as a whole. The energy drink category continues to grow at an extremely high rate.

Sales outside of California grew from 56% at the end of 2004 to 62% at the end of 2005. This trend continued over the first six months of 2006. During that period sales outside of California grew to 67%.

During 2005 and 2006 we introduced a number of additional products and flavors of our juices and other beverage products including Blue Sky® Blue Sport™, a natural sports drink as well as Hansen's Fizzit™ which is a powdered vitamin and mineral drink mix, and Hansens® Tea Sodas and Organic Juices. We will continue to introduce new products and flavors to complement our existing products, both this year and in the future.

The Company exercised its option to extend the WIC apple and juice blends contracts for an additional year to July 2008.

I once again 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, Mr. Mark Hall, President of our Monster Beverage Division and Mr. Mike Schott, Vice President National Sales of our Monster Beverage Division, as well as to our shareholders, employees, customers and suppliers for their continued support. In particular, I would like to mention our appreciation to our employees at all levels, who have worked diligently under pressure for many years to keep pace with the rapid growth that we have experienced and who have risen to the challenge.

Sincerely,

Rodney C. Sacks
Chairman and Chief Executive Officer