

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTIONS 13 OR 15(d)  
OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2017

Commission File No. 001-34611

CELSIUS HOLDINGS, INC.  
(Exact name of registrant as specified in its charter)

Nevada  
(State or Other Jurisdiction of  
Incorporation or Organization)

20-2745790  
(I.R.S. Employer  
Identification No.)

2424 N Federal Highway, Suite 206. Boca Raton, Florida 33431  
(Address of Principal Executive Offices)

(561) 276-2239  
(Registrant's telephone number, including area code)

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(Former name, former address and former fiscal year, if changed since last report)

Securities registered under Section 12(b) of the Exchange Act:

Common Stock, \$0.001 par value  
(Title of Class)

Name of each exchange on which registered: The Nasdaq Capital Market

Securities registered under Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

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  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).  Yes  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 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  Yes  No

The aggregate market value of the common stock held by non-affiliates of the Registrant was approximately \$73,536,076 as of June 30, 2017, based on the closing price of \$4.25 for the Company's common stock on such date on the Nasdaq Capital Market. For purposes of the foregoing computation, all executive officers, directors, and 10% beneficial owners of the Registrant are deemed to be affiliates.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. There were 45,971,037 shares of common stock outstanding as of March 7, 2018.

DOCUMENTS INCORPORATED BY REFERENCE: No documents are incorporated by reference into this Report except those Exhibits so incorporat

set forth in the Exhibit index.

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When used in this Annual Report on Form 10-K (this **Report**), unless otherwise indicated, the terms **“the Company,” “Celsius,” “we,” “us”** and **“our”** refers to Celsius Holdings, Inc. and its subsidiaries.

## NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements that reflect our current views about future events. We use the words “anticipate,” “assume,” “believe,” “estimate,” “expect,” “will,” “intend,” “may,” “plan,” “project,” “should,” “could,” “seek,” “designed,” “potential,” “forecast,” “target,” “objective,” “goal,” or the negatives of such terms or other similar expressions. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks and other factors include described in **“Item 1A. Risk Factors,” “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations”** and elsewhere in this Report.

## PART I

### Item 1. Business

#### Overview

We are engaged in the development, marketing, sale and distribution of **“functional”** calorie-burning fitness beverages under the Celsius<sup>®</sup> brand name. According to multiple clinical studies we funded, a single serving of Celsius<sup>®</sup> burns 100 to 140 calories by increasing a consumer’s resting metabolism an average of 12% and providing sustained energy for up to a three-hour period. Our exercise focused studies show Celsius delivers additional benefits when consumed prior to exercise. The studies show benefits such as increase in fat burn, increase in lean muscle mass and increased endurance.

We seek to combine nutritional science with mainstream beverages by using our proprietary thermogenic (calorie-burning) MetaPlus<sup>®</sup> formulation, while fostering the goal of healthier everyday refreshment by being as natural as possible without the artificial preservatives often found in many energy drinks and sodas. Celsius<sup>®</sup> has no artificial preservatives, aspartame or high fructose corn syrup and is very low in sodium. Celsius<sup>®</sup> uses good-for-you ingredients and supplements such as green tea (EGCG), ginger, calcium, chromium, B vitamins and vitamin C. The main Celsius<sup>®</sup> line of products is sweetened with sucralose, a sugar-derived sweetener that is found in Splenda<sup>®</sup>, which makes our beverages low-calorie and suitable for consumers whose sugar intake is restricted.

We have undertaken significant marketing efforts aimed at building brand awareness, including a wide variety of marketing vehicles such as television, radio, digital, social media, sponsorships, and magazine advertising. We also undertake various promotions at the retail level such as coupons and other discounts in addition to in-store sampling. We have entered into agreements with various distributors to sell our products domestically and abroad, particularly in Sweden and the Far East.

We do not directly manufacture our beverages, but instead outsource the manufacturing process to established third-party co-packers. We do, however, provide our co-packers with flavors, ingredient blends, cans and other raw materials for our beverages purchased by us from various suppliers.

#### Recent Developments

##### *Product Line Extensions*

During 2017, we introduced two product line extensions:

- A product line extension focused on broadening the reach of Celsius<sup>®</sup> into the natural channel. The natural line extension is available in refreshing flavors: three sparkling - grapefruit, cucumber lime, orange pomegranate and three non-carbonated - pineapple coconut, watermelon berry and strawberries & cream.
- The second line in our product portfolio, trainer’s grade Celsius Heat<sup>™</sup>. Celsius Heat<sup>™</sup> is also a dietary supplement, that uses the same proprietary thermogenic MetaPlus<sup>®</sup> formula as Celsius<sup>®</sup>, which is proven to accelerate metabolism, boost energy and accelerate calorie and fat burn when combined with exercise. Celsius Heat<sup>™</sup>, which is packed with 2,000mg of L-citrulline and 300mg of caffeine. Comes in seven carbonated flavors: Apple Jack’d, Orangesicle, Punch, Cherry Lime, Blueberry Pomegranate, Strawberry Dragonfruit, and Tangerine Grapefruit.

## *Expansion of Overseas Presence*

During 2017, we focused a significant part of our marketing efforts on expanding our global reach into the Asian market, which is one of the most dynamic and fastest-growing, making it an important target in our pursuit of global growth. Having a diverse, established and expanding product line, we increased our investment in this key market with the launch and expansion of two important relationships and the formation of an experienced, focused regional team. In September 2017, we entered China with our partner, Qifeng Food Technology. With exciting success, we began both local production and initial distribution of the Celsius® brand. The initial distribution covered select channels across three Tier-1 cities - Beijing, Guangzhou and Shenzhen, as well as in over 30 other cities across 14 provinces. Consumer response has been overwhelmingly positive and signals that our plan for broader product distribution in China, which is scheduled to begin in the summer of 2018, is in-line with market opportunities. At the same time, we are accelerating our distribution in Hong Kong through our partnership with A.S. Watson Industries. The foundation of our business in Asia is with strong, capable partners, and we are committed to building on our success to further grow our brand and increase placements of our products.

## **Corporate History**

We were incorporated in Nevada on April 26, 2005 under the name “**Vector Ventures, Inc.**” and originally engaged in mineral exploration. Such business was unsuccessful. On January 26, 2007, we acquired the Celsius® beverage business of Elite FX, Inc., a Florida corporation engaged in the development of “functional” beverages since 2004 in a reverse merger, and subsequently changed our name to Celsius Holdings, Inc. We currently have one Florida subsidiary, Celsius Netshipments, Inc., established in 2007, one Nevada subsidiary, Celsius, Inc., established in 2007, two Hong Kong corporate subsidiaries, Celsius Asia Holdings Limited and Celsius China Holdings Limited, established in 2017 and a Chinese corporate subsidiary, Celsius (Beijing) Beverage Limited, also established in 2017.

## **Our Products**

Celsius® calorie-burning beverages were first introduced to the marketplace in 2005.

According to multiple clinical studies we funded, a single serving (12 ounce can) of Celsius® burns 100 to 140 calories by increasing a consumer’s metabolism an average of 12% for up to a three-hour period. In addition, these studies have indicated that drinking a single serving of Celsius® prior to exercising may improve cardiovascular health and fitness and enhance the loss of fat and gain of muscle from exercise.

We seek to combine nutritional science with mainstream beverages by using our proprietary thermogenic (calorie-burning) MetaPlus<sup>®</sup> formulation, while fostering the goal of healthier everyday refreshment by being as natural as possible without the artificial preservatives often found in many energy drinks or sodas. Celsius<sup>®</sup> has no chemical preservatives, aspartame or high fructose corn syrup and is very low in sodium. Celsius<sup>®</sup> uses good-for-you ingredients and supplements such as green tea (EGCG), ginger, calcium, chromium, B vitamins and vitamin C. Celsius is sweetened with sucralose, a sugar-derived sweetener that is found in Splenda<sup>®</sup>, which makes our beverages low-calorie and suitable for consumers whose sugar intake is restricted. Each 12 ounce can of Celsius<sup>®</sup> contains 200 milligrams of caffeine which is comparable to one 12 ounce cup of coffee from the leading coffeehouse.

Our original Celsius<sup>®</sup> product line is currently offered in seven flavors: orange, wild berry, cola, grape, and watermelon (which are carbonated), and non-carbonated green tea raspberry/acai, and green tea/peach mango. Celsius<sup>®</sup> is packaged in a distinctive 12 ounce sleek can that uses vivid colors in abstract patterns to create a strong on-shelf impact. The cans are sold as singles or in four-packs. We have recently redesigned our packaging to provide a cleaner, crisper and more modern look. We also sell a powdered form of the active ingredients in our beverages in individual On-The-Go packets as well as multiple serving canisters. In addition to being sugar free, our original ready-to -drink product line is non-GMO, kosher and vegan certified and soy and gluten free.

In 2017, Celsius introduced its first product line extension focused on broadening the reach of Celsius<sup>®</sup> into the natural channel. The natural line extension is available in refreshing flavors: three sparkling - grapefruit, cucumber lime, orange pomegranate and three non-carbonated - pineapple coconut, watermelon berry and strawberries & cream. The natural line extension boasts a clean ingredient panel featuring 100% natural caffeine-from-green-coffee bean extract, and an all-natural sweetener. Like the original Celsius<sup>®</sup> products, our new natural ready-to -drink beverages are non-GMO, kosher and vegan certified and soy and gluten free.

During 2017, we also introduced the second line in our product portfolio, trainer's grade Celsius Heat<sup>™</sup>. Celsius Heat<sup>™</sup> is also a dietary supplement, that uses the same proprietary thermogenic MetaPlus<sup>®</sup> formula as Celsius<sup>®</sup>, which is proven to accelerate metabolism, boost energy and accelerate calorie and fat burn when combined with exercise. Celsius Heat<sup>™</sup>, which is packed with 2,000mg of L-citrulline and 300mg of caffeine. Comes in seven carbonated flavors: Apple Jack'd, Orangesicle, Punch, Cherry Lime, Blueberry Pomegranate, Strawberry Dragonfruit, and Tangerine Grapefruit.

We target a niche in the functional beverage segment of the beverage industry consisting of consumers seeking calorie-burning beverages to help them manage their weight and enhance their exercise regimen. Our target consumers are generally individuals that exercise two to five times a week and are concerned about their health.

### **Clinical Studies**

It is our belief that clinical studies substantiating product claims will become more important as more and more beverages are marketed with health claims. Celsius<sup>®</sup> was one of the first functional beverages to be launched along with a clinical study. Celsius<sup>®</sup> is also one of very few functional beverages that has clinical research on the actual product itself. Some beverage companies that do mention studies backing their claims are referencing independent studies conducted on one or more of the ingredients in the product. We believe that it is important and will become more important to have studies on the actual product.

We have funded seven U.S. based clinical studies for Celsius<sup>®</sup>. Each was conducted by a research organization and each studied the total Celsius<sup>®</sup> formula. The first study was conducted by the Ohio Research Group of Exercise Science & Sports Nutrition. The remaining studies were conducted by the Applied Biochemistry & Molecular Physiology Laboratory of the University of Oklahoma. We funded all of the studies and provided Celsius<sup>®</sup> beverage for the studies. However, none of our directors, executive officers or principal shareholders is in any way affiliated with either of the two research organizations which conducted the studies.

The first study was conducted in 2005 by the Ohio Research Group of Exercise Science & Sports Nutrition [www.ohioresearchgroup.com](http://www.ohioresearchgroup.com). The Ohio Research Group of Exercise Science & Sports Nutrition is a multidisciplinary clinical research team dedicated to exploring the relationship between exercise, nutrition, dietary supplements and health. This placebo-controlled, double-blind cross-over study compared the effects of Celsius<sup>®</sup> and the placebo on metabolic rate. Twenty-two participants were randomly assigned to ingest a 12 ounce serving of Celsius<sup>®</sup> and on a separate day a serving of twelve ounces of Diet Coke<sup>®</sup>. All subjects completed both trials using a randomized, counterbalanced design. Randomized means that subjects were selected for each group randomly to ensure that the different treatments were statistically equivalent. Counterbalancing means that individuals in one group drank the placebo on the first day and drank Celsius<sup>®</sup> on the second day. The other group did the opposite. Counterbalancing is a design method that is used to control "order effects." In other words, this was done to make sure that the order that subjects were served does not impact the results and analysis.

Metabolic rate (via indirect calorimetry, measurements taken from breaths into and out of calorimeter) and substrate oxidation (via respiratory exchange ratios) were measured at baseline (pre-ingestion) and for ten minutes at the end of each hour for three hours post-ingestion. The results showed an average increase of metabolism of twelve percent over the three-hour period, compared to a statistically insignificant change for the control group. Metabolic rate, or metabolism, is the rate at which the body expends energy. This is also referred to as the “caloric burn rate.” Indirect calorimetry calculates heat that living organisms produce from their production of carbon dioxide. It is called “indirect” because the caloric burn rate is calculated from a measurement of oxygen uptake. Direct calorimetry would involve the subject being placed inside the calorimeter for the measurement to determine the heat being produced. Respiratory Exchange Ratio is the ratio oxygen taken in a breath compared to the carbon dioxide breathed out in one breath or exchange. Measuring this ratio can be used for estimating which substrate (fuel such as carbohydrate or fat) is being metabolized or ‘oxidized’ to supply the body with energy.

The second study was conducted by the Applied Biochemistry & Molecular Physiology Laboratory of University of Oklahoma in 2007. This blinded, placebo controlled study was conducted on a total of 60 men and women of normal weight. An equal number of participants were separated into two groups to compare one serving (a single 12 ounce can) of Celsius® to a placebo of the same amount. According to the study, those subjects consuming Celsius® burned significantly more calories versus those consuming the placebo, over a three-hour period. The study confirmed that over the three-hour period, subjects consuming a single serving of Celsius® burned 65% more calories than those consuming the placebo beverage and burned an average of more than 100 to 140 calories compared to the placebo. These results were statistically significant.

The third study, conducted by the Applied Biochemistry & Molecular Physiology Laboratory of University of Oklahoma in 2007, extended our second study with the same group of 60 individuals and protocol for 28 days and showed the same statistical significance of increased calorie burn (minimal attenuation). While the University of Oklahoma study did extend for 28 days, more testing would be needed for long term analysis of the Celsius® calorie-burning effects. Also, although these studies were on relatively small numbers of subjects, they have statistically significant results. Additional studies on a larger number and wider range of body compositions can be considered to further the analysis.

Our fourth study, conducted by the Applied Biochemistry & Molecular Physiology Laboratory of University of Oklahoma in 2009, combined Celsius® use with exercise. This ten-week placebo-controlled, randomized and blinded study was conducted on a total of 37 subjects. Participants were randomly assigned into one of two groups: Group 1 consumed one serving of Celsius® per day, and Group 2 consumed one serving of an identically flavored and labeled placebo beverage. Both groups participated in ten weeks of combined aerobic and weight training, following the American College of Sports Medicine guidelines of training for previously sedentary adults. The results showed that consuming a single serving of Celsius® prior to exercising may enhance the positive adaptations of exercise on body composition, cardio-respiratory fitness and endurance performance. According to the preliminary findings, subjects consuming a single serving of Celsius® lost significantly more fat mass and gained significantly more muscle mass than those subjects consuming the placebo — a 93.75% greater loss in fat and 50% greater gain in muscle mass, respectively. The study also confirmed that subjects consuming Celsius® significantly improved measures of cardio-respiratory fitness and the ability to delay the onset of fatigue when exercising to exhaustion.

Our fifth study was conducted by the Applied Biochemistry & Molecular Physiology Laboratory of University of Oklahoma in 2009. This ten-week placebo controlled, randomized and blinded study was conducted on a total of 27 previously sedentary overweight and obese female subjects. Participants were randomly assigned into groups that consumed identically tasting treatment beverages with exercise or without exercise. All participants consumed one drink, either placebo or Celsius®, per day for 10 weeks. The exercise groups participated in ten weeks of combined aerobic and weight training, following the American College of Sports Medicine guidelines of training for previously sedentary adults. No changes were made to their diet. The results showed that consuming a single serving of Celsius® prior to exercising may improve cardiovascular health and fitness and enhance the positive adaptations of exercise on body composition. According to the preliminary findings, subjects consuming a single serving of Celsius® lost significantly more fat mass and gained significantly more muscle mass when compared to exercise alone — a 46% greater loss in fat, 27% greater gain in muscle mass, respectively. The study also confirmed that subjects consuming Celsius® significantly improved measures of cardio-respiratory fitness — 35% greater endurance performance with significant improvements to lipid profiles — total cholesterol decreases of 5 to 13% and bad LDL cholesterol 12 to 18%. Exercise alone had no effect on blood lipid levels.

Our sixth study was conducted by the Applied Biochemistry & Molecular Physiology Laboratory of University of Oklahoma in 2009. This ten-week placebo controlled, randomized and blinded study was conducted on a total of 37 previously sedentary male subjects. Participants were randomly assigned into groups that consumed identically tasting treatment beverages with exercise or without exercise. All participants consumed one drink, either placebo or Celsius<sup>®</sup>, per day for 10 weeks. The exercise groups participated in ten weeks of combined aerobic and weight training, following the American College of Sports Medicine guidelines of training for previously sedentary adults. No changes were made to their diet. The results showed that consuming a single serving of Celsius<sup>®</sup> prior to exercising may improve cardiovascular health and fitness and enhance the positive adaptations of exercise on body composition. Significantly greater decreases in fat mass and percentage body fat and increases in VO<sub>2</sub> were observed in the subjects that consumed Celsius<sup>®</sup> before exercise versus those that consumed the placebo before exercise. Mood was not affected. Clinical markers for hepatic, renal, cardiovascular and immune function, as determined by pre- and post-blood work revealed no adverse effects.

Our seventh study was conducted by Miami Research Institute in 2010 and demonstrated the efficacy and safety of the powders and the shots. This study allows the Company to make the same structure/function claims as the ready to drink beverages.

### **Manufacture and Supply of Our Products**

Our beverages are produced by established third party beverage co-packers. A co-packer is a manufacturing plant that provides the service of filling bottles or cans for the brand owner. We believe one benefit of using co-packers is that we do not have to invest in the production facility and can focus our resources on brand development, sales and marketing. It also allows us produce in multiple locations strategically placed throughout the country. We purchase most of the ingredients and all packaging materials. The co-pack facility assembles our products and charges us a fee by the case. The shelf life of Celsius<sup>®</sup> is specified as 15 to 18 months.

Substantially all of the raw materials used in the preparation, bottling and packaging of our products are purchased by us or by our co-packers in accordance with our specifications. Generally, we obtain the ingredients used in our products from domestic suppliers and some ingredients have several reliable suppliers. The ingredients in Celsius<sup>®</sup> include green tea (EGCG), ginger (from the root), caffeine, B vitamins, vitamin C, taurine, guarana, chromium, calcium glucuronolactone, sucralose, natural flavors and natural colorings. Celsius<sup>®</sup> is labeled with a supplements facts panel. We have no major supply contracts with any of our suppliers. We single-source all our ingredients for purchasing efficiency; however, we have identified a second source for our critical ingredients and there are many suppliers of flavors, colorings and sucralose. In case of a supply restriction or interruption from any of the flavor and coloring suppliers, we would have to test and qualify other suppliers that may disrupt our production schedules.

Packaging materials, except for our distinctive sleek aluminum cans, are easily available from multiple sources in the United States; however, due to efficiencies we utilize single source vendor relationships.

We believe that our co-packing arrangement and supply sources are adequate for our present needs.

### **Distribution**

Celsius<sup>®</sup> is sold across many retail segments. They include supermarkets, convenience stores, drug stores, nutritional stores, and mass merchants. We also sell to health clubs, spas, gyms, the military, e-commerce websites and a limited number of international markets.



We distribute our products domestically through a hybrid of direct-store delivery (DSD) distributors and as well as sales direct to retailers (DTR).

Internationally, we distribute our products through regional and country-specific distribution partners. During 2017, we focused a significant part of our marketing efforts on expanding our global reach into the Asian market, which is one of the most dynamic and fastest-growing, making it an important target in our pursuit of global growth. Having a diverse, established and expanding product line, we increased our investment in this key market with the launch and expansion of two important relationships and the formation of an experienced, focused regional team. In September 2017, we entered China with our partner Qifeng Food Technology. With exciting success, we began both local production and initial distribution of the Celsius<sup>®</sup> brand. The initial distribution covered select channels across three Tier-1 cities - Beijing, Guangzhou and Shenzhen, as well as in over 30 other cities across 14 provinces. Consumer response has been overwhelmingly positive and signals that our plan for broader product distribution in China, which is scheduled to begin in the summer of 2018, is in-line with market opportunities. At the same time, we are accelerating our distribution in Hong Kong through our partnership with A.S. Watson Industries. The foundation of our business in Asia is with strong, capable partners, and we are committed to building on our success to further grow our brand and increase placements of our products.

Sales to one customer, a foreign distributor of our products, accounted for 30% and 39% of our revenues for the years ended December 31, 2017 and December 31, 2016, respectively. Accordingly, if sales to this customer were to significantly decline or cease entirely, our business, results of operations and financial condition may be significantly harmed.

### **Seasonality of Sales**

As is typical in the beverage industry, sales of our beverages are seasonal, with the highest sales volumes generally occurring in the second and third fiscal quarters, which correspond to the warmer months of the year in our major markets.

### **Competition**

We believe that we are one of the few calorie-burning fitness beverages whose effectiveness is supported by clinical studies, which gives us a unique position in the beverage market. However, our products do compete broadly with all categories of consumer beverages. The beverage market is highly competitive, and includes international, national, regional and local producers and distributors, most of whom have greater financial, management and other resources than us. Our direct competitors in the functional beverage market include, but are not limited to The Coca-Cola Company, Dr. Pepper Snapple Group, PepsiCo, Inc, Nestlé, Waters North America, Inc., Hansen Natural Corp., Monster Energy, and Red Bull.

### **Proprietary Rights**

We have registered the Celsius<sup>®</sup> and MetaPlus<sup>®</sup> trademarks with the United States Patent and Trademark Office, as well as a number of additional trademarks.

We have and will continue to take appropriate measures, such as entering into confidentiality agreements with our contract packers and ingredient suppliers, to maintain the secrecy and proprietary nature of our MetaPlus<sup>®</sup> formulation and product formulas.

We maintain our MetaPlus<sup>®</sup> formulation and product formulas as trade secrets. We believe that trade secrecy is a preferable method of protection for our formulas as patenting them might require their disclosure. Other than a company that is our outsourced production manager, no single member of the raw material supply chain or our co-packers has access to the complete formula.

We consider our trademarks and trade secrets to be of considerable value and importance to our business. No successful challenges to our registered trademarks have arisen and we have no reason to believe that any such challenges will arise in the future.

### **Government Regulation**

The production, distribution and sale of our products in the United States is subject to the *Federal Food, Drug and Cosmetic Act*, the *Dietary Supplement Health and Education Act of 1994*, the *Occupational Safety and Health Act*, various environmental statutes and various other federal, state and local statutes and regulations applicable to the production, transportation, sale, safety, advertising, labeling and ingredients of such products. California law requires that a specific warning appear on any product that contains a component listed by California as having been found to cause cancer or birth defects. The law exposes all food and beverage producers to the possibility of having to provide warnings on their products because the law recognizes no generally applicable quantitative thresholds below which a warning is not required. Consequently, even trace amounts of listed components can expose affected products to the prospect of warning labels. Products containing listed substances that occur naturally in the product or that are contributed to the product solely by a municipal water supply are generally exempt from the warning requirement. While none of our products are required to display warnings under this law, we cannot predict whether an important component of any of our products might be added to the California list in the future. We also are unable to predict whether or to what extent a warning under this law would have an impact on costs or sales of our products.

Measures have been enacted in various localities and states that require that a deposit be charged for certain non-refillable beverage containers. The precise requirements imposed by these measures vary. Other deposit, recycling or product stewardship proposals have been introduced in certain states and localities and in Congress, and we anticipate that similar legislation or regulations may be proposed in the future at the local, state and federal levels, both in the United States and elsewhere.

Our facilities in the United States are subject to federal, state and local environmental laws and regulations. Compliance with these provisions has not had, and we do not expect such compliance to have, any material adverse effect upon our business, financial condition and results of operations.

## **Employees**

As of the date of this Report, the Company employs 39 persons, including its executive officers.

## **Item 1A. Risk Factors**

*Our business faces certain risks. The risks described below may not be the only risks we face. Additional risks that we do not yet know of, or that we currently think as immaterial, may also impair our business. If any of the events anticipated by the risks described below or elsewhere in this report occur, our results of operations and financial conditions could be adversely affected.*

### **Risk Factors Relating to Our Business**

*We have a history of losses and we may experience additional losses in the futures.*

The Company has a history of losses, including net losses available to common shareholders of \$8,530,989 and \$3,433,769 for the years ended December 31 2017 and December 31, 2016, respectively. Our future operating results will depend on many factors, both in and out of our control, including the ability to increase and sustain demand for and acceptance of our products, the level of our competition, and our ability to attract and maintain key management and key employees. Accordingly, there can be no assurance that we can attain consistent profitability.

*We rely on third party co-packers to manufacture our products. If we are unable to maintain good relationships with our co-packers and/or their ability to manufacture our products becomes constrained or unavailable to us, our business could suffer.*

We do not directly manufacture our products, but instead outsource such manufacturing to established third party co-packers. These third-party co-packers may not be able to fulfill our demand as it arises, could begin to charge rates that make using their services cost inefficient or may simply not be able to or willing to provide their services to us on a timely basis or at all. In the event of any disruption or delay, whether caused by a rift in our relationship or the inability of our co-packers to manufacture our products as required, we would need to secure the services of alternative co-packers. We may be unable to procure alternative packing facilities at commercially reasonable rates and/or within a reasonably short time period and any such transition could be costly. In such case, our business, financial condition and results of operations would be adversely affected.

***We rely on distributors to distribute our products in the DSD sales channel and in international markets. If we are unable to secure such distributors and/or we are unable to maintain good relationships with our existing distributors, our business could suffer.***

We distribute Celsius® in the DSD sales channel by entering into agreements with direct-to-store delivery distributors having established sales, marketing and distribution organizations. We similarly are seeking to expand our international distribution, particularly in the Far East and elsewhere in Asia by entering into agreements with large established distributors who service those markets. Many of our distributors are affiliated with and manufacture and/or distribute other beverage products. In many cases, such products compete directly with our products. The marketing efforts of our distributors are important for our success. If Celsius® proves to be less attractive to our distributors and/or if we fail to attract distributors, and/or our distributors do not market and promote our products with greater focus in preference to the products of our competitors, our business, financial condition and results of operations could be adversely affected.

***Our customers are material to our success. If we are unable to maintain good relationships with our existing customers, our business could suffer.***

Unilateral decisions could be taken by our distributors, grocery chains, convenience chains, drug stores, nutrition stores, mass merchants, club warehouses and other customers to discontinue carrying all or any of our products that they are carrying at any time, which could cause our business to suffer.

***One customer accounts for a significant portion of our revenues. If sales to this customer were to significantly decline or cease, our business could be significantly harmed.***

Sales to a foreign customer of our products accounted for 37% and 39% of our revenues for the years ended December 31, 2017 and December 31, 2016 respectively. Accordingly, if sales to this customer were to significantly decline or cease entirely, our business, results of operations and financial condition may be significantly harmed.

***Increases in cost or shortages of raw materials or increases in costs of co-packing could harm our business.***

The principal raw materials used by us are flavors and ingredient blends as well as aluminum cans, the prices of which are subject to fluctuations. We are uncertain whether the prices of any of the above or any other raw materials or ingredients we utilize will rise in the future and whether we will be able to pass any of such increases on to our customers. We do not use hedging agreements or alternative instruments to manage the risks associated with securing sufficient ingredients or raw materials. In addition, some of these raw materials, such as our distinctive sleek 12 ounce can, are available from a single or a limited number of suppliers. As alternative sources of supply may not be available, any interruption in the supply of such raw materials might materially harm us.

***Our failure to accurately estimate demand for our products could adversely affect our business and financial results.***

We may not correctly estimate demand for our products. If we materially underestimate demand for our products and are unable to secure sufficient ingredients or raw materials, we might not be able to satisfy demand on a short-term basis, in which case our business, financial condition and results of operations could be adversely affected.

***We depend upon our trademarks and proprietary rights, and any failure to protect our intellectual property rights or any claims that we are infringing upon the rights of others may adversely affect our competitive position.***

Our success depends, in large part, on our ability to protect our current and future brands and products and to defend our intellectual property rights. We cannot be sure that trademarks will be issued with respect to any future trademark applications or that our competitors will not challenge, invalidate or circumvent any existing or future trademarks issued to, or licensed by, us.

Our products are manufactured using our proprietary blends of ingredients. These blends are created by third-party suppliers to our specifications and then supplied to our co-packers. Although all of the third parties in our supply and manufacture chain execute confidentiality agreements, there can be no assurance that our trade secrets, including our proprietary ingredient blends will not become known to competitors.

We believe that our competitors, many of whom are more established and have greater financial and personnel resources than we do, may be able to replicate or reverse engineer our processes, brands, flavors, or our products in a manner that could circumvent our protective safeguards. Therefore, we cannot give you any assurance that our confidential business information will remain proprietary. Any such loss of confidentiality could diminish or eliminate any competitive advantage provided by our proprietary information.

***We may incur material losses as a result of product recall and product liability.***

We may be liable if the consumption of any of our products causes injury, illness or death. We also may be required to recall some of our products if they become contaminated or are damaged or mislabeled. A significant product liability judgment against us, or a widespread product recall, could have a material adverse effect on our business, financial condition and results of operations. The amount of the insurance we carry is limited, and that insurance is subject to certain exclusions and may or may not be adequate.

***Our lack of product diversification and inability to timely introduce new or alternative products could cause us to cease operations.***

Our business is centered on Celsius<sup>®</sup> and our recent product line extensions, including Celsius Heat<sup>™</sup>. The risks associated with focusing on a limited product line are substantial. Even though we recently announced our first product line extension, if consumers do not accept our products or if there is a general decline in market demand for, or any significant decrease in, the consumption of functional beverages, we are not financially or operationally capable of introducing alternative products within a short time frame. As a result, such lack of acceptance or market demand decline could cause us to cease operations.

***We are dependent on our key executives and employees and the loss of any of their services could materially adversely affect us which may have a material adverse effect on our Company.***

Our future success will depend substantially upon the abilities of, and personal relationships developed by our key executives and employees. The sudden loss of the services of any key executive or employee could materially adversely affect our business and our prospects for the future. We do not have key person insurance on the lives of such individuals.

***We are dependent on our ability to attract and retain qualified technical, sales and managerial personnel.***

Our future success depends in part on our continuing ability to attract and retain highly qualified technical, sales and managerial personnel. Competition for such personnel in the beverage industry is intense and we may not be able to retain our key managerial, sales and technical employees or attract and retain additional highly qualified technical, sales and managerial personnel in the future. Any inability to attract and retain the necessary technical, sales and managerial personnel could materially adversely affect us.

***The FDA has not passed on the efficacy of our products or the accuracy of any claim we make related to our products.***

Although six independent clinical studies have been conducted relating to the calorie-burning and related effects of our products, the results of these studies have not been submitted to or reviewed by the FDA. Further, the FDA has not passed on the efficacy of any of our products nor has it reviewed or passed on any claims we make related to our products, including the claim that our products aid consumers in burning calories or enhancing their metabolism.

**Risk Factors Relating to Our Industry**

***We are subject to significant competition in the beverage industry.***

The beverage industry is highly competitive. The principal areas of competition are pricing, packaging, distribution channel penetration, development of new products and flavors and marketing campaigns. Our products compete with a wide range of drinks produced by a relatively large number of manufacturers, most of which have substantially greater financial, marketing and distribution resources and name recognition than we do.

Important factors affecting our ability to compete successfully include the taste and flavor of our products, trade and consumer promotions, rapid and effective development of new, unique cutting-edge products, attractive and different packaging, branded product advertising and pricing. Our 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, Dr. Pepper Snapple Group, PepsiCo, Inc., Nestle, Waters North America, Inc., Hans Natural Corp. and Red Bull. We also compete with companies that are smaller or primarily local in operation. Our products also compete with private label brands such as those carried by supermarket chains, convenience store chains, drug store chains, mass merchants and club warehouses.

There can be no assurance that we will compete successfully in the functional beverage industry. The failure to do so would materially adversely affect our business, financial condition and results of operations.

***We compete in an industry that is brand-conscious, so brand name recognition and acceptance of our products are critical to our success and significant marketing and advertising could be needed to achieve and sustain brand recognition.***

Our business is substantially dependent upon awareness and market acceptance of our products and brands by our targeted consumers. Our business depends on acceptance by our independent distributors of our brand as one that has the potential to provide incremental sales growth rather than reduce distributors' existing beverage sales. The development of brand awareness and market acceptance is likely to require significant marketing and advertising expenditures.

There can be no assurance that Celsius<sup>®</sup> will achieve and maintain satisfactory levels of acceptance by independent distributors and retail consumers. Any failure of the Celsius<sup>®</sup> brand to maintain or increase acceptance or market penetration would likely have a material adverse effect on business, financial condition and results of operations.

***Our sales are affected by seasonality.***

As is typical in the beverage industry, our sales are seasonal. Our highest sales volumes generally occur in the second and third quarters, which correspond to the warmer months of the year in our major markets. Consumer demand for our products is also affected by weather conditions. Cool, wet spring or summer weather could result in decreased sales of our beverages and could have an adverse effect on our results of operations.

***Our business is subject to many regulations and noncompliance is costly.***

The production, marketing and sale of our beverage products are subject to the rules and regulations of various federal, state and local health agencies. If a regulatory authority finds that a current or future product or production run is not in compliance with any of these regulations, we may be fined, or production may be stopped, thus adversely affecting our business, financial condition and results of operations. Similarly, any adverse publicity associated with any noncompliance may damage our reputation and our ability to successfully market our products. Furthermore, the rules and regulations are subject to change from time to time and while we closely monitor developments in this area, we have no way of anticipating whether changes in these rules and regulations will impact our business adversely. Additional or revised regulatory requirements, whether labeling, environmental, tax or otherwise, could have an adverse effect on our business, financial condition and results of operations.

#### **Risk Factors Relating to our Status as a Fully Reporting Public Company**

***In late 2016, we became subject to the periodic reporting requirements of the Securities Exchange Act of 1934 (the "Exchange Act") that require us to incur audit fees and legal fees in connection with the preparation of such reports. These additional costs could reduce or eliminate our ability to earn a profit.***

In late 2016, we became subject to the periodic reporting requirements of the Exchange Act and as a result, we are now required to file periodic reports with the Securities and Exchange Commission (the "SEC") pursuant to the Exchange Act and the rules and regulations promulgated thereunder. In order to comply with these requirements, our independent registered public accounting firm has to review our financial statements on a quarterly basis and audit our financial statements on an annual basis. Moreover, our legal counsel has to review and assist in the preparation of such reports. The costs charged by these professionals for such services cannot be accurately predicted at this time because factors such as the number and type of transactions that we engage in and the complexity of our reports cannot be determined at this time and will have a major effect on the amount of time to be spent by our auditors and attorneys. However, the incurrence of such costs will obviously be an expense to our operations and thus have a negative effect on our ability to meet our overhead requirements and earn a profit. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock, if a market ever develops, could drop significantly.

*Our internal controls may be inadequate, which could cause our financial reporting to be unreliable and lead to misinformation being disseminated to the public.*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rule 13a-15(f) under the Exchange Act, internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officers and effected by the board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and/or directors of the Company; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

We will be required to include a report of management on the effectiveness of our internal control over financial reporting in certain of our periodic filings. We expect to incur additional expenses and diversion of management's time as a result of performing the system and process evaluation, testing and remediation required in order to comply with the management certification requirements.

During the course of our testing, we may identify other deficiencies that we may not be able to timely remediate. Moreover, effective internal controls, particularly those related to revenue recognition, are necessary for us to produce reliable financial reports and are important to help prevent financial fraud. If we cannot provide reliable financial reports or prevent fraud, our business and operating results could be harmed, investors could lose confidence in our reported financial information, and the trading price of our common stock could drop significantly.

## **Risk Factors Related to our Common Stock**

*We cannot guarantee the continued existence of an active established public trading market for our common stock.*

Our common stock currently is listed for trading on the Nasdaq Capital Market. Trading in stock quoted on the Nasdaq Capital Market may often experience wide fluctuations in trading prices, due to many factors that may have little to do with our operations or business prospects. This volatility could depress the market price of our common stock for reasons unrelated to operating performance.

Market prices for our common stock may also be influenced by a number of other factors, including:

- the issuance of new equity securities pursuant to a public or private offering;
- changes in interest rates;
- competitive developments, including announcements by competitors of new products or services or significant contracts, acquisitions, strategic partnerships, joint ventures or capital commitments;
- variations in quarterly operating results;
- change in financial estimates by securities analysts;
- the depth and liquidity of the market for our common stock;
- investor perceptions of Celsius and the functional beverage industry generally; and
- general economic and other national conditions.

***Our board of directors has the authority, without shareholder approval, to issue preferred stock with terms that may not be beneficial to common shareholders and with the ability to affect adversely shareholder voting power and perpetuate their control over us.***

Our Articles of Incorporation allows our board of directors to issue shares of preferred stock without any vote or further action by our shareholders. Our board of directors has the authority to fix and determine the relative rights and preferences of preferred stock. As a result, our board of directors could authorize the issuance of a series of preferred stock that would grant to holders the preferred right to our assets upon liquidation, the right to receive dividend payments before dividends are distributed to the holders of common stock and the right to the redemption of the shares, together with a premium, prior to the redemption of our common stock.

***The ability of our principal shareholders to control our business may limit or eliminate minority shareholders' ability to influence corporate affairs.***

Our principal shareholders own common stock and/or preferred stock which holds a majority of the voting power of our issued and outstanding capital. Accordingly, they will be able to effectively control the election of directors, as well as all other matters requiring shareholder approval. The interests of our principal shareholders may differ from the interests of other shareholders with respect to the issuance of shares, business transactions with or sales to other companies, selection of other directors and other business decisions. The minority shareholders have no way of overriding decisions made by our principal shareholders. This level of control may also have an adverse impact on the market value of our shares because our principal shareholders may institute or undertake transactions, policies or programs that result in losses, may not take any steps to increase our visibility in the financial community and / or may sell sufficient numbers of shares to significantly decrease our price per share.

***We do not expect to pay cash dividends in the foreseeable future.***

We have never paid cash dividends on our common stock. We do not expect to pay cash dividends on our common stock at any time in the foreseeable future. The future payment of dividends directly depends upon our future earnings, capital requirements, financial requirements and other factors that our board of directors will consider. Since we do not anticipate paying cash dividends on our common stock, return on your investment, if any, will depend solely on an increase, if any, in the market value of our common stock.

***The "market overhang" from our outstanding options, warrants and convertible securities could adversely impact the market price of our common stock.***

As of the date of this Report, we have 13,215,007 shares of common stock issuable upon exercise of outstanding options and warrants and conversion of outstanding convertible securities. Such "market overhang" could adversely impact the market price of our common stock as a result of the dilution which would result if such securities were exercised for or converted into shares of common stock.



**Item 1B. Unresolved Staff Comments.**

Not applicable to the Company because we are a “**smaller reporting company.**”

**Item 2. Properties.**

At present, we do not own any real property. We currently lease our principal executive offices located at 2424 N Federal Highway, Boca Raton, Florida 33431. Our premises are leased for a monthly cost of \$8,809. The current lease expires on October 2020. The Company has no warehouses or other facilities as we store our product at third party contract warehouse facilities.

**Item 3. Legal Proceedings.**

On February 22, 2017, we were served with a summons and complaint with respect to a breach of contract action filed in Superior Court of the State of California, Los Angeles County, by Statewide Beverage Company, Inc. (“**Statewide**”), a former distributor of the Company’s products, whose distribution agreement, the Company had terminated effective November 2016 for “**cause**” (non-payment of invoices within the applicable grace period provided in the distribution agreement). The complaint alleges that the distribution agreement was terminated without “**cause**” and seeks unspecified damages consisting of termination payments and fees which would be due upon a termination without “**cause**,” but not on a termination for “**cause**” as well as certain invasion fees allegedly due under the terms of the distribution agreement. The Company believes that it validly terminated the agreement for “**cause**” and will vigorously defend against the action. As of the date of this Report, the parties are engaging in depositions prior to mediation, which is scheduled to take place in the spring of 2018.

In addition to the foregoing, from time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market Price of and Dividends on the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

Since May 24, 2017, our common stock has been on the Nasdaq Capital Market. Prior thereto, our common stock was quoted on the OTCQX tier of the over-the-counter market maintained by OTC Markets Group, Inc. The trading price of our common stock has been volatile at times. Further, the stock market has from time to time experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These kinds of broad market fluctuations may adversely affect the market price of our common stock. For additional information, see "Item 1A. Risk Factors" above.

The following table sets forth the quarterly high and low sale prices of our common stock for the two most recent fiscal years, as reported by the Nasdaq Capital Market commencing on May 24, 2017 and by OTC Markets Group, Inc. for periods prior thereto:

<u>Fiscal Quarters</u>	<u>High Sale Price (\$)</u>	<u>Low Sale Price (\$)</u>
<b>2017</b>		
Fourth Quarter	6.20	4.38
Third Quarter	7.00	3.42
Second Quarter	4.78	3.32
First Quarter	4.45	2.38
<b>2016</b>		
Fourth Quarter	2.94	1.83
Third Quarter	2.40	1.83
Second Quarter	2.64	2.06
First Quarter	2.40	1.56

#### Holders

As of March 7, 2018, there were 62 holders of record of our common stock and in excess of 5,000 beneficial owners of our common stock.

#### Dividends

We have never declared or paid cash dividends on our common stock. We anticipate that in the future we will retain any earnings for operation of our business. Accordingly, we do not anticipate declaring or paying any cash dividends in the foreseeable future.

## Securities Authorized for Issuance under Equity Compensation Plans

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by security holders	5,999,968 shares <sup>(1)</sup>	\$ 1.82	3,468,136 <sup>(1)</sup>
Equity Compensation plans not approved by security holders	0 shares	n/a	0 shares
<b>Total</b>	<b>5,999,968 shares<sup>(1)</sup></b>	<b>1.82</b>	<b>3,468,136<sup>(1)</sup></b>

(1) Represents shares of common stock reserved for issuance under our 2015 Incentive Stock Plan.

## Recent Sales of Unregistered Securities

Not Applicable.

## Item 6. Selected Financial Data

Not applicable to the Company because we are a “smaller reporting company.”

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

*You should read the following discussion in conjunction with the audited financial statements and the corresponding notes, the unaudited financial statements and the corresponding notes included elsewhere in this information statement. This Item 7 contains forward-looking statements. The matters discussed in these forward-looking statements are subject to risk, uncertainties, and other factors that could cause actual results to differ materially from those made, projected or implied in the forward-looking statements. Please refer to “Item 1A. Risk Factors” for a discussion of the uncertainties, risks and assumptions associated with these statements.*

### Results of Operations

#### *Year ended December 31, 2017 compared to year ended December 31, 2016*

#### *Revenue*

Revenue for the year ended December 31, 2017 was \$36.2 million, compared to \$22.8 million for the year ended December 31, 2016, an increase of 59%. This increase was driven primarily by a 72% increase in domestic revenues derived from blended growth rates of 49% in retail accounts, 143% in health and fitness accounts and 84% growth in internet retailer accounts, as well as 37% growth in international revenues, from 2016. International revenue growth was primarily the result of increased sales volume through Func Foods, our Nordic distribution, partner as well as initial revenues generated from the launch of distribution of our products into the Asian market.

The following table sets forth the amount of revenues by category and changes therein for the years ended December 31, 2017 and December 31, 2016:

Revenue Source	Year Ending December 31,		Change (%)
	2017	2016	
Total Revenue	\$ 36,164,064	\$ 22,760,987	59%
International Revenue	\$ 12,097,402	\$ 8,808,485	37%
Domestic Revenue	\$ 24,066,662	\$ 13,952,502	72%
Retail accounts	\$ 13,914,830	\$ 9,369,734	49%
Health and Fitness accounts	\$ 7,038,599	\$ 2,891,251	143%
Internet Retailer accounts	\$ 3,113,233	\$ 1,691,517	84%

### ***Gross Profit***

Gross profit was \$15.4 million, or 42.7% of revenue, in the year ended December 31, 2017 compared to \$9.7 million, or 42.7% of revenue, in 2016. The increase in gross profit from 2016 to 2017 is primarily attributable to the increases in revenue.

### ***Total Operating Expense***

Sales and marketing expenses for the year ended December 31, 2017 were \$16.6 million compared to \$8.7 million for the year ended December 31, 2016. The increase was due primarily to increases in investment in sales and marketing programs of \$6.7 million, with a focus on expansion and the launch of products into China and Hong Kong, increases in warehouse costs of \$375,000 and increases in human resource investments of \$756,000. General and administrative expenses for the year ended December 31, 2017 were \$6.9 million compared to \$3.9 million for the year ended December 31, 2016. The increase from 2016 to 2017 was primarily due to increases in stock based compensation expenses of \$1.2 million, investments in human resources costs of \$869,000, issuance of restricted stock for prior services to two board members of \$328,000 and increases in other general and administration expenses.

### ***Total Other Expense***

Total other expense decreased to \$161,000 for the year ended December 31, 2017, down from \$223,000 in 2016 as a result of \$68,000 in savings in interest expense, which was partially offset by a gain from the sale of equipment of \$6,000 in 2016.

### ***Net Loss***

As a result of the all above, for the year ended December 31, 2017, Celsius had a net loss of \$8.2 million, and after giving effect to preferred stock dividends of \$366,000, a net loss to common stockholders of \$8.6 million or (\$0.19) per basic and diluted share based on a weighted average of 44,419,162 shares outstanding. In comparison, for the year ended December 31, 2016 the Company had a net loss of \$3.1 million, and after giving effect to preferred stock dividends of \$366,000, a net loss to common stockholders of \$3.4 million or (\$0.09) per basic and diluted share based on a weighted average of 38,568,088 shares outstanding.

## Liquidity and Capital Resources

As of December 31, 2017 and December 31, 2016, we had cash of approximately \$14.2 million and \$11.7 million, respectively and working capital of approximately \$20.6 million and \$15.4 million, respectively. Cash used in operations during the years ended December 31, 2017 and 2016, totaled approximately \$8.4 million and \$2.4 million, respectively, reflecting increases in inventories on hand and capital investments in sales and marketing programs and human resources initiatives.

In addition to cash flow from operations, our primary sources of working capital have been private placements of our securities and our credit facility with CD Financial, LLC (“**CD Financial**”), an affiliate of Carl DeSantis, a principal shareholder of the Company.

We originally entered into a loan and security agreement with CD Financial in July 2010, which provided us with a line of credit to fund operations. As amended in connection with a private investment transaction consummated in April 2015, the loan and security agreement provides Celsius with a revolving line of credit pursuant to which Celsius can borrow up to an aggregate maximum of \$4.5 million from time to time until maturity in January 2020. The credit facility requires quarterly cash payments of interest only at the rate of five percent (5%) per annum until maturity and is secured by a pledge of substantially all the Company’s assets. As of December 31, 2017, the principal amount outstanding under the credit facility with CD Financial was \$3.5 million.

Between December 30, 2016 and March 14, 2017, the Company raised an aggregate of \$15.0 million in capital through the sale of an aggregate of 4,833,325 shares of our common stock at a purchase price of \$3.00 per share in a private offering to 13 accredited investors. Investors in the private placement included:

- CD Financial (533,333 Shares);
- Charmnew Limited (800,000 Shares), an existing shareholder of record affiliated with Li Ka Shing, one of our principal shareholders;
- Grieg International Limited (533,333 Shares), an existing shareholder of record affiliated with Chau Hoi Shuen Solina, one of our principal shareholders; and
- Nu Horizons Investment Group, LLC (433,333 Shares), an existing shareholder of record affiliated with Tim Leissner, a retired director and one of our principal shareholders; and Russell Simmons, one of our principal shareholders.

Our current operating plan for next twelve (12) months plans on a sufficient financial condition and we do not contemplate obtaining additional financing. However, if our sales volumes do not meet our projections, expenses exceed our expectations, or our plans change, we may be unable to generate enough cash flow from operations to cover our working capital requirements. In such case, we may be required to adjust our business plan, by reducing marketing and other expenses or seek additional financing. There can be no assurance that such financing, if required, will be available on commercially reasonable terms if at all.

### *Off Balance Sheet Arrangements*

As of December 31, 2017, we had no off-balance sheet arrangements.

### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk.**

Not applicable.

## **Item 8. Financial Statements and Supplementary Data**

The financial statements and supplementary data listed in “**Item 15 Financials Statements and Exhibits**” are attached to this Report.

## **Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

D’Arelli Pruzansky, P.A. (“**DPP**”), which served as the Company’s independent registered public accounting firm with respect to Celsius’ financial statements as at and for the years ended December 31, 2016 and 2015, notified the Company on May 15, 2017, that it had merged with Assurance Dimensions, Inc (“**ADI**”), effective May 3, 2017. ADI is the surviving firm and shall continue to practice under that name. Accordingly, ADI was engaged as our independent registered public accounting firm effective May 15, 2017 (the “**Engagement Date**”), which engagement was approved by the audit committee of our board of directors effective as of the Engagement Date.

DPP’s report on the Celsius’ financial statements as at and for the years ended December 31, 2016 and 2015 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During the two-year period ended December 31, 2016 and the subsequent period through the date of filing of this report, (i) there have been no disagreements with DPP, whether or not resolved, on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of DPP, would have caused DPP to make reference to the subject matter of the disagreement in connection with its reports; (ii) no such disagreement was discussed with the audit committee of the Company’s board of directors or with our board of directors as a whole; and (iii) there have been no “**reportable events**” as described in Item 304(a)(1)(v) of Regulation S-K.

Prior to the Engagement Date, neither the Company nor anyone on behalf of the Company consulted ADI regarding either (i) the application of accounting principles to a specified transaction, either completed or contemplated, or the type of audit opinion that might be rendered on the financial statements of the Company, and no written or oral advice of ADI was provided with respect to any accounting, auditing, or financial reporting issue; or (ii) any matter that was either the subject of a disagreement of the type described in Item 304(a)(iv) of Regulation S-K or any “**reportable event**” described in Item 304(a)(1)(v) of Regulation S-K.

## **Item 9A. Controls and Procedures.**

### **Disclosure controls and procedures**

Our Interim President and Chief Executive Officer and our Chief Financial Officer (a single individual), conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2017, to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the rules and forms adopted by the SEC, including to ensure that information required to be disclosed by us in the reports filed or submitted by us under the Exchange Act is accumulated and communicated to our management, including our Interim President and Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial and accounting officer), and persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on that evaluation, our Interim President and Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2017, our disclosure controls and procedures were effective.

Our Interim President and Chief Executive Officer and Chief Financial Officer do not expect that our disclosure controls or internal controls will prevent all error and all fraud. Although our disclosure controls and procedures were designed to provide reasonable assurance of achieving their objectives and our principal executive officer has determined that our disclosure controls and procedures are effective at doing so, a control system, no matter how well conceived and operated, can provide only reasonable, not absolute assurance that the objectives of the system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented if there exists in an individual a desire to do so. There can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

### **Management's report on internal control over financial reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) or 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and

- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Our Interim President and Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as of December 31, 2017. Based on that evaluation, our Interim President and Chief Executive Officer and Chief Financial Officer have concluded that as of December 31, 2017, our disclosure controls and procedures were effective.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Changes in Internal Controls Over Financial Reporting**

There were no changes in our internal controls over financial reporting that occurred during the fourth quarter of the year ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Item 9B. Other Information.**

None.



## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

#### Directors and Executive Officers

The following sets forth the name of each of our directors and executive officers and their positions with Celsius. The address for each of such individuals is c/o Celsius, 2424 N Federal Highway, Boca Raton, Florida 33431.

<u>Name</u>	<u>Age</u>	<u>Position with the Company</u>
John Fieldly	38	Interim President and Chief Executive Officer; Chief Financial Officer; Director
Nicholas Castaldo	66	Director
Hal Kravitz	60	Director
Kevin Harrington	61	Director
Chris Lai	30	Director
Thomas E. Lynch	70	Director
William H. Milmo	69	Director

**John Fieldly** joined Celsius in January 2012 as its Chief Financial Officer and has served in that position since that time. Mr. Fieldly joined the Company from Orogenics, Inc., where he served as corporate controller from April 2010 until January 2012. Effective March 1, 2017, Mr. Fieldly was appointed to serve as Interim President and Chief Executive Officer upon the retirement of Gerry David from those positions, pending the board of directors identifying and retaining a permanent replacement for Mr. David.

**Nicholas Castaldo** became a director of Celsius in March 2013. Since September 2004 he has served as Senior Vice President and Chief Marketing Officer of Anthony's Coal Fired Pizza, Inc., a Florida based chain of casual dining restaurants.

**Kevin Harrington** joined Celsius' board of directors in March 2013. He has almost forty (40) years experience in product introduction and direct marketing being one of the first to market products through infomercials. Since 2005, he has been Chief Executive Officer of Harrington Business Development, Inc., privately-held consulting firm. A serial entrepreneur, Mr. Harrington appeared as one of the original panelists on the ABC television program, "Shark Tank." He currently also serves as Chairman of the Board of As Seen On TV, Inc., a public company which focuses on marketing products through infomercials and other direct marketing.

**Hal Kravitz** became a director of Celsius in April 2016. Since November 2014, Mr. Kravitz has served as Chief Executive Officer of AQUAhydrate, Inc., company engaged in the manufacture, distribution and marketing of bottled water. He also served as a consultant to AQUAhydrate from August to November 2014 and in 2013, Mr. Kravitz helped form InterContinental Beverage Capital, a New York-based merchant bank focused on investments in the beverage industry. For over thirty (30) years prior thereto, Mr. Kravitz served as an executive officer and in other management positions in various units of the Coca-Cola system.

**Chris Lai** joined our board of directors in April 2015. Since September 2012, he has served as a Project Manager for Horizon Ventures, Limited (**Horizon Ventures**), a Hong Kong based private investment fund. From April 2011 to September 2012, Mr. Lai was an analyst with Mooreland Partners, LLC another private investment concern. Mr. Lai joined the board as one of two designees of an investor group led by Horizon Ventures, which at that time had the right to designate two members of the board of directors pursuant to an Investors' Rights Agreement entered into in April 2015.

**Thomas E. Lynch** became a director of the Company in November, 2009. For over forty (40) years, Mr. Lynch has served as President of the Plastridge Agency, Inc., a five-office insurance agency based in Delray Beach, Florida, which traces its origins to 1919. He also serves as a director of First Unite Bancorp, Inc.

**William H. Milmo**e has served as a director of Celsius since August, 2008. Since June 2000, Mr. Milmo has served as President of CDS International Holdings, Inc., a privately-held holding company based in Boca Raton, Florida, which oversees the business investments and holdings of Carl De Santis, one of our principal shareholders.

### **Terms of Directors and Executive Officers**

Our directors are appointed for a one-year term to hold office until the next annual meeting of our shareholders and until their successors are appointed and qualified, or until their removal, resignation, or death.

### **Family Relationships**

There are no familial relationships among our officers and directors.

### **Board Committees and Independence**

Our board of directors has established three standing committees, an audit committee, a compensation committee and a nominating and corporate governance committee. The audit committee currently consists of Messrs. Lynch, Kravitz and Milmo, the compensation committee currently consists of Messrs. Kravitz, Castaldo and Harrington and the nominating and corporate governance committee currently consists of Messrs. Milmo, Lai and Lynch. Our board of directors has determined that each of our directors is “**independent**” within the meaning of the applicable rules and regulations of the SEC and the listing standards of the Nasdaq Stock Market.

In addition, we believe each of Messrs. Lynch, Kravitz, and Milmo qualifies as an “**audit committee financial expert**” as the term is defined by the applicable rules and regulations of the SEC and the Nasdaq Stock Market listing standards, based on their respective business professional experience in the financial and accounting fields. At the time of the listing of our common stock for trading on the Nasdaq Stock Market, we will be required to certify to the Nasdaq Stock Market, that our audit committee has, and will continue to have, at least one member who has past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that results in the individual’s financial sophistication.

### **Audit Committee**

The audit committee assists our board of directors in its oversight of the company’s accounting and financial reporting processes and the audits of the company’s financial statements, including (i) the quality and integrity of the company’s financial statements, (ii) the company’s compliance with legal and regulatory requirements, (iii) the independent auditors’ qualifications and independence and (iv) the performance of our company’s internal audit functions and independent auditors, as well as other matters which may come before it as directed by the board of directors. Further, the audit committee, to the extent it deems necessary or appropriate, among its several other responsibilities, shall:

- be responsible for the appointment, compensation, retention, termination and oversight of the work of any independent auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for our company;

- discuss the annual audited financial statements and the quarterly unaudited financial statements with management and the independent auditor prior to their filing with the SEC in our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q;
- review with the company's financial management on a period basis (a) issues regarding accounting principles and financial statement presentations, including any significant changes in our company's selection or application of accounting principles, and (b) the effect of any regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of our company;
- monitor our Company's policies for compliance with federal, state, local and foreign laws and regulations and our company's policies on corporate conduct;
- maintain open, continuing and direct communication between the board of directors, the audit committee and our independent auditors; and
- monitor our compliance with legal and regulatory requirements and shall have the authority to initiate any special investigations of conflicts of interest, and compliance with federal, state and local laws and regulations, including the Foreign Corrupt Practices Act, as may be warranted.

Mr. Lynch is the chairman of our audit committee.

### **Compensation Committee**

The compensation committee aids our board of directors in meeting its responsibilities relating to the compensation of our company's executive officers and to administer all incentive compensation plans and equity-based plans of the company, including the plans under which company securities may be acquired by directors, executive officers, employees and consultants. Further, the compensation committee, to the extent it deems necessary or appropriate, among its several other responsibilities, shall:

- review periodically our company's philosophy regarding executive compensation to (i) ensure the attraction and retention of corporate officers; (ii) ensure the motivation of corporate officers to achieve our company's business objectives, and (iii) align the interests of key management with the long-term interests of our company's shareholders;
- review and approve corporate goals and objectives relating to Chief Executive Officer compensation and other executive officers of Celsius;
- make recommendations to the board of directors regarding compensation for non-employee directors, and review periodically non-employee director compensation in relation to other comparable companies and in light of such factors as the compensation committee may deem appropriate; and
- review periodically reports from management regarding funding our company's pension, retirement, long-term disability and other management welfare and benefit plans.

Mr. Kravitz is the chairman of our compensation committee.

### **Nominating and Corporate Governance Committee**

The nominating and corporate governance committee recommends to the board of directors individuals qualified to serve as directors and on committees of the board of directors to advise the board of directors with respect to the board of directors composition, procedures and committees to develop and recommend to the board of directors a set of corporate governance principles applicable to the Company; and to oversee the evaluation of the board of directors and Celsius' management.

Further, the nominating and corporate governance committee, to the extent it deems necessary or appropriate, among its several other responsibilities shall:

- recommend to the board of directors and for approval by a majority of independent directors for election by shareholders or appointment by the board of directors as the case may be, pursuant to our bylaws and consistent with the board of director's evidence for selecting new directors;
- review the suitability for continued service as a director of each member of the board of directors when his or her term expires or when he or she has a significant change in status;
- review annually the composition of the board of directors and to review periodically the size of the board of directors;
- make recommendations on the frequency and structure of board of directors meetings or any other aspect of procedures of the board of directors;
- make recommendations regarding the chairmanship and composition of standing committees and monitor their functions;
- review annually committee assignments and chairmanships;
- recommend the establishment of special committees as may be necessary or desirable from time to time; and
- develop and review periodically corporate governance procedures and consider any other corporate governance issue.

Messrs. Milmo and Leissner are the co-chairman of our nominating and corporate governance committee.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires our directors and executive officers and persons who beneficially own more than 10% of our common stock (collectively, the "**Reporting Persons**") to report their ownership of and transactions in our common stock to the SEC. Copies of these reports are also required to be supplied to us. To our knowledge, based on our review of such reports, during the year ended December 31, 2017 the Reporting Persons complied with all applicable Section 16(a) reporting requirements.

#### **Code of Ethics**

We have adopted a code of ethics that applies to all of our executive officers, directors and employees. The code of ethics codifies the business and ethical principles that govern all aspects of our business. This document will be made available in print, free of charge, to any shareholder requesting a copy in writing from our Secretary at our executive offices in Boca Raton, Florida. A copy of our code of ethics is available on our website at [www.celsius.com](http://www.celsius.com).

#### **Board of Directors Role in Risk Oversight**

Members of the board of directors have periodic meetings with management and the Company's independent auditors to perform risk oversight with respect to the Company's internal control processes. The Company believes that the board's role in risk oversight does not materially affect the leadership structure of the Company.

## Item 11. Executive Compensation

### Summary Compensation Table

The following table sets forth certain information concerning the compensation paid to our Chief Executive Officer and Chief Financial Officer, who are our two executive officers, during the years ended December 31, 2017 and 2016.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (#)	Other (\$)	Total (\$)
John Fieldly, Interim CEO, CFO	2017	375,000	214,688	200,000(2)	—	589,688
	2016	174,370	42,371	100,000(3)	—	216,741
Gerry David, CEO	(1) 2017	39,630	—	—	1,700(4)	41,330
	2016	237,780	52,789	100,000(3)	10,200(4)	300,769

(1) Mr. David retired as an executive officer of the Company effective March 1, 2017, whereupon Mr. Fieldly assumed Mr. David's positions on an interim basis.

(2) Represents stock options granted under our 2015 Incentive Stock Plan to purchase 100,000 shares of common stock at an exercise price of \$3.48 per share. The options vest in three annual installments commencing one year from the date of grant, subject to continued employment and expire ten (10) years from the date of grant. In addition, a 100,000 share restricted stock award was granted to Mr. Fieldly subject to a vesting schedule in three annual installments commencing one year from the date of grant.

(3) Represents stock options granted under our 2015 Incentive Stock Plan to purchase 100,000 shares of common stock at an exercise price of \$1.97 per share. The options vest in three annual installments commencing one year from the date of grant, subject to continued employment and expire ten (10) years from the date of grant. In connection with Mr. David's retirement in March 2017, vesting of his stock options was accelerated.

(4) Represents housing allowances.

In addition, executive officers are entitled to participate in benefit plans maintained for employees of the Company generally.

### Employment and Consulting Agreements

On January 26, 2017, effective retroactive to January 1, 2017, we entered into a new three-year employment agreement with John Fieldly, our Chief Financial Officer. The employment agreement provides for a base annual salary of \$225,000, eligibility for performance-based incentive bonuses, pursuant to such criteria as may be established by our compensation committee and the grant of options to be effective as of January 26, 2017 to Mr. Fieldly under our 2015 Incentive Stock Plan to purchase 100,000 shares of our common stock. The employment agreement also provides for (a) severance payments equal to (i) two months' salary in the event of termination upon death; and (ii) six months' salary and continued benefits for such period in the event of termination other than for "cause" (as defined therein); and (b) a "golden parachute" payment in an amount equal to twice the base salary then in effect in the event of termination without "cause" following a "change in control" (as defined therein). The employment agreement contains customary confidentiality and non-competition provisions.

In connection with his appointment to serve in the additional capacities of Interim President and Chief Executive Officer, effective March 1, 2017, the Company entered into an addendum to the employment agreement, increasing Mr. Fieldly's Base Salary by \$15,000 per month during the period he serves in such additional capacities and granted him a 100,000 share restricted stock award under the 2015 Incentive Stock Plan.

In connection with Gerry David's retirement as our President and Chief Executive Officer, the Company entered into a consulting agreement with Mr. David effective March 1, 2017. The consulting agreement, which was approved by our compensation committee and our board of directors provides for, among other matters, Mr. David to receive (i) a consulting fee of \$20,000 per month through December 2017; (ii) a one-time bonus for services rendered of \$415,000, \$300,000 of which Mr. David has agreed to apply to the exercise of options to purchase our common stock previously granted to him; (iii) acceleration of the vesting of certain of those options; (iv) and continuation of certain fringe benefits through the term of the consulting agreement, which expires on December 31, 2017. The consulting agreement also contains mutual release, confidentiality, non-competition, non-solicitation and non-disparagement provisions.

#### Compensation of Directors Table

The following table summarizes all compensation paid to our directors for the fiscal year ended December 31, 2017.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Option/Equity Awards (#) <sup>(1)</sup></b>	<b>Non-Equity Plan Compensation (\$)</b>	<b>Non-Qualified Deferred Compensation Earnings (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Nicholas Castaldo	12,000	50,000	—	—	—	12,000
Kevin Harrington	12,000	50,000	—	—	—	12,000
Hal Kravitz	12,000	50,000	—	—	—	9,000
Chris Lai	—	50,000	—	—	—	—
John Fieldly	—	—	—	—	—	—
Thomas E. Lynch	12,000	97,126	—	—	—	12,000
William H. Milmo	12,000	97,126	—	—	—	12,000

(1) Represents options to purchase 50,000 shares of common stock at an exercise price of \$3.48 per share granted under our 2015 Incentive Stock Plan. In addition, Thomas E. Lynch and William H. Milmo received 47,126 shares each of restricted common stock for services previously rendered to Celsius.

#### Narrative Disclosure to the Director Compensation Table

Our non-employee directors will be compensated with options to purchase common stock or awards of common stock as determined by the compensation committee. Non-employee directors are also reimbursed for out-of-pocket costs incurred in connection with attending meetings.

## Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information with respect to stock awards and grants of options to purchase our common stock outstanding to the named executive officers at December 31, 2017.

Name	Number of securities underlying unexercised Options (#) <sup>(1)</sup>		Number of securities underlying unexercised unearned options (#) <sup>(1)</sup>	Weighted average option exercise price (\$) <sup>(1)</sup>	Option expiration date
	Exercisable	Unexercisable			
John Fieldly Interim CEO, CFO	443,333	196,666	196,666	1.15	Various

(1) Represents grants of stock options under our Amended 2006 Incentive Stock Plan and 2015 Incentive Stock Plan.

### Amended 2006 Incentive Stock Plan

In January 2007, we adopted our 2006 Incentive Stock Plan, which was amended in July 2009. The Amended 2006 Incentive Stock Plan provided for equity incentives to be granted to our employees, officers or directors or to key advisers or consultants. Equity incentives may be in the form of stock options with an exercise price not less than the fair market value of the underlying shares as determined pursuant to the Amended 2006 Incentive Stock Plan, stock appreciation rights, restricted stock awards, stock bonus awards, other stock-based awards, or any combination of the foregoing. The Amended 2006 Incentive Stock Plan is administered by the compensation committee of the board of directors. Options to purchase 3,776,113 shares of common stock are outstanding under the 2006 Amended 2006 Incentive Stock Plan as of the date of this Report. The Amended 2006 Incentive Stock Plan (but not award thereunder) expire in January 2017.

### 2015 Incentive Stock Plan

Our 2015 Incentive Stock Plan, adopted in April 2015, provides for equity incentives to be granted to our employees, executive officers or directors or to key advisers or consultants. Equity incentives may be in the form of stock options with an exercise price not less than the fair market value of the underlying shares as determined pursuant to the 2015 Incentive Stock Plan, restricted stock awards, other stock based awards, or any combination of the foregoing. The 2015 Incentive Stock Plan is administered by the compensation committee of the board of directors. 5,999,968 shares of our common stock are currently reserved for issuance pursuant to the exercise of awards under the 2015 Incentive Stock Plan. The number of shares so reserved automatically adjusts upward on January 1 of each year, so that the number of shares covered by the 2015 Incentive Stock Plan is equal to 15% of our then issued and outstanding common stock. Stock option and awards to purchase an aggregate of 2,531,832 shares of our common stock are outstanding under the 2015 Incentive Stock Plan as of the date of this Report.

### Compensation Committee Interlocks and Insider Participation

None.

**Item 12. Security Ownership of Certain Beneficial Owners and Management.**

The following table sets forth, as of the date of this Report, the beneficial ownership of our common stock by each executive officer and director, by each person known by us to beneficially own 5% or more of our common stock and by executive officers and directors as a group. The address of the each of the executive officers and directors set forth in the table is c/o the Company, 2424 North Federal Highway, Suite 208, Boca Raton, Florida 33431.

<u>Names and addresses of beneficial owners</u>	<u>Number of Shares of common stock <sup>(1)</sup></u>	<u>Percentage of class (%)</u>
John Fieldly	573,333 (1)	1.0
Nicholas Castaldo	233,333 (2)	*
Hal Kravitz	83,333 (2)	*
Kevin Harrington	233,333 (2)	*
Christopher Lai	76,667 (2)	*
Thomas E. Lynch	230,459 (2)	*
William H. Milmoe	21,079,653 (4)	37.8
all officers and directors as a group (seven (7) persons)	22,510,113 (5)	40.4
<b>Other 5% or greater shareholders:</b>		
Carl De Santis 3161 Jasmine Drive Delray Beach, Florida 33483	20,848,694 (6)	37.5
Li Ka Shing 7/F Cheung Kong Center 2 Queen's Road Central Hong Kong	7,710,113 (7)	13.85
Solina Chau Hoi Shuen House 4 2 Island Road, Hong Kong.	5,376,030 (8)	9.66
Russell Simmons 512 Seventh Avenue, 43 <sup>rd</sup> Floor New York, NY 10018	3,972,659 (3)	7.14
Tim Leissner 512 Seventh Avenue, 43 <sup>rd</sup> Floor New York, NY 10018	4,019,326 (3)	7.22

\* Less than 1%

The persons named above have full voting and investment power with respect to the shares indicated. Under the rules of the SEC, a person (or group of persons) is deemed to be a "beneficial owner" of a security if he or she, directly or indirectly, has or shares the power to vote or to direct the voting of such security, or the power to dispose of or to direct the disposition of such security. Accordingly, more than one person may be deemed to be a beneficial owner of the same security.



- (1) Includes shares of our common stock that are issuable upon exercise of stock options or conversion of preferred stock as of the date of this registration statement or within sixty (60) days thereafter.
- (2) Represents shares of common stock issuable upon the exercise of stock options.
- (3) Represents shares of common stock held by Nu Horizons Investment Group, LLC over which Messrs. Leissner and Simmons share voting and dispositive power.
- (4) Represents (a) 47,626 shares of common stock held of record by Mr. Milmo; (b) 183,333 shares of common stock issuable upon exercise of stock options; (c) 8,554,289 shares of common stock held of record by CDS Ventures, LLC (“CDS Ventures”); (d) 5,313,462 shares of common stock issuable upon conversion of Preferred C Shares held of record by CDS Ventures; (e) 2,329,781 shares of common stock held of record by CD Financial; and (f) 4,651,163 shares of common stock issuable upon conversion of Preferred D Shares held of record by CD Financial. Mr. Milmo and Carl DeSantis share voting power with respect to shares of common stock beneficially owned by CDS Ventures and CD Financial. Mr. Milmo does not have dispositive power with respect to such shares.
- (5) Includes (a) the shares of common stock issuable upon the exercise of stock options held and the conversion of preferred stock beneficially owned by Mr. Milmo as set forth in footnote (4) above; and (b) 1,566,666 shares of common stock issuable upon the exercise of stock options held by the Company’s other officers and directors.
- (6) Represents (a) 8,554,289 shares of common stock held of record by CDS Ventures; (b) 5,313,462 shares of common stock issuable upon conversion of Preferred C Shares held of record by CDS Ventures; (c) 2,329,781 shares of common stock held of record by CD Financial; and (d) 4,651,163 shares of common stock issuable upon conversion of Preferred D Shares held of record by CD Financial. Voting power of shares of common stock beneficially owned by CDS Ventures and CD Financial is shared by Mr. DeSantis and William H. Milmo. Mr. DeSantis has sole dispositive power with respect to such shares.
- (7) Represents shares of common stock held of record by Charmnew Limited, over which shares Mr. Li has voting and dispositive power.
- (8) Represents shares of common stock held of record by Grieg International Limited and Oscar Time Limited, over which shares Ms. Chau has voting and dispositive power.

#### Securities Authorized for Issuance under Equity Compensation Plans

<u>Plan category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by security holders	4,602,502 shares <sup>(1)</sup>	\$ 1.09	3,468,136 <sup>(1)</sup>
Equity Compensation plans not approved by security holders	0 shares	n/a	0 shares
<b>Total</b>	<b>4,602,502 shares<sup>(1)</sup></b>	<b>1.09</b>	<b>3,468,136<sup>(1)</sup></b>

- (1) Represents shares of common stock reserved for issuance under our Amended 2006 Incentive Stock Plan and our 2015 Incentive Stock Plan.

### **Item 13. Certain Relationships and Related Transactions.**

#### **Lease of Executive Offices**

The Company's executive offices located at 2424 N Federal Highway, Boca Raton, Florida 33431 are leased from a company affiliated with CD Financia. The lease expires in October 2020 and provides for monthly rent of \$8,809. We believe that the monthly rent is commensurate with other properties available in the market.

#### **Loan and Security Agreement with CD Financial**

We originally entered into a loan and security agreement with CD Financial in July 2010, which provided us with a line of credit to fund operations. As amended in connection with a private investment transaction consummated in April 2015, the loan and security agreement provides Celsius with a revolving line of credit pursuant to which Celsius can borrow up to an aggregate maximum of \$4.5 million from time to time until maturity in January 2020. The credit facility requires quarterly cash payments of interest only at the rate of five percent (5%) per annum until maturity and is secured by a pledge of substantially all the Company's assets. As of December 31, 2017, the principal amount outstanding under the credit facility with CD Financial was \$3.5 million.

#### **Private Offering**

Between December 30, 2016 and March 14, 2017, the Company raised an aggregate of \$15.0 million in capital through the sale of an aggregate of 4,833,321 shares of our common stock at a purchase price of \$3.00 per share in a private offering to 13 accredited investors. Investors in the private placement included:

- CD Financial (533,333 Shares);
- Charmnew Limited (800,000 Shares), an existing shareholder of record affiliated with Li Ka Shing, one of our principal shareholders;
- Grieg International Limited (533,333 Shares), an existing shareholder of record affiliated with Chau Hoi Shuen Solina, one of our principal shareholders;
- Nu Horizons Investment Group, LLC (433,333 Shares), an existing shareholder of record affiliated with Tim Leissner, a retired director and one of our principal shareholders; and Russell Simmons, one of our principal shareholders.

#### **Approval of Related Party Transactions**

All related party transactions are subject to the review, approval or ratification of our board of directors or an appropriate committee thereof.

## Item 14. Principal Accountant Fees and Services.

### Audit Fees

The following is a summary of the fees billed to us by D'Arelli Pruzansky, P.A. and Assurance Dimensions, P.A. for professional services rendered for the years ended December 31, 2017 and 2016, respectively.

	Year ended December 31,	
	2017	2016
Audit fees	\$ 87,000	\$ 88,075
Tax fees	\$ 8,000	\$ 3,000
All other fees	\$ 1,000	\$ 3,000

Audit fees consist of billings for the audit of the Company's consolidated financial statements included in the Company's Registration Statement on Form 10 and our Annual Reports on Form 10-K and reviews of the consolidated financial statements included in our Quarterly Reports on Form 10-Q.

Audit-related fees include billing related to the Company's Registration Statement on Form 10, which was filed in July 2016.

The Company has an audit committee consisting of "independent" directors. It is the Company's policy to have its Chief Executive Officer and Chief Financial Officer preapprove all audit and permissible non-audit services provided by the independent public accountants, subject to approval by the audit committee. These services may include audit, audit-related, tax and other services. Pre-approval is generally for up to one year, is detailed as to the particular service or category of services, and is generally subject to a specific budget. Unless there are significant variations from the pre-approved services and fees, the independent public accountants and management generally are not required to formally report to the audit committee regarding actual services and related fees.

## Item 15. Financial Statements and Exhibits

(a) The following documents are filed as part of this Report:

(1) **Financial Statements.** The following consolidated financial statements and the report of our independent registered public accounting firm, are filed as "Item 8. Financial Statements and Supplementary Data" of this Report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2017 and 2016

Consolidated Statements of Operations for the years ended December 31, 2017 and 2016

Consolidated Statements of Comprehensive Income for the years ended December 31, 2017 and 2016

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2017 and 2016

Consolidated Statements of Cash Flows for the years ended December 31, 2017 and 2016

Notes to Consolidated Financial Statements

(2) **Financial Statement Schedules.**

Financial Statement Schedules are omitted because the information required is not applicable or the required information is shown in the financial statements or notes thereto.

(3) **Exhibits.**

<b>Exhibit No.</b>	<b>Description</b>
3.1	Articles of Incorporation, as amended*
3.2	Bylaws, as amended*
10.1	Loan and Security Agreement with CD Financial, LLC, as amended*
10.2	Investors' Rights Agreement dated April 20, 2015*
10.3	Amended 2006 Incentive Stock Plan* <sup>+</sup>
10.4	2015 Incentive Stock Plan* <sup>+</sup>
10.5	Code of Ethics*
10.6	Audit Committee Charter*
10.7	Compensation Committee Charter*
10.8	Nominating and Corporate Governance Committee Charter*
10.9	Employment Agreement effective January 1, 2016 with Gerry David* <sup>+</sup>
10.10	Employment Agreement effective January 1, 2016 with John Fieldly* <sup>+</sup>
10.11	Common Stock Purchase Agreement dated April 20, 2015*
<a href="#">10.13</a>	<a href="#">Consulting Agreement effective March 1, 2017 between the Company and Gerry David<sup>+**</sup></a>
<a href="#">10.14</a>	<a href="#">Employment Agreement effective January 1, 2017 between the Company and John Fieldly<sup>+**</sup></a>
<a href="#">10.15</a>	<a href="#">Addendum to Employment Agreement effective March 1, 2017 between the Company and John Fieldly<sup>+**</sup></a>
<a href="#">16.1</a>	<a href="#">Letter from D'Arelli Pruzansky, P.A.***</a>
<a href="#">21.1</a>	<a href="#">Subsidiaries of Registrant****</a>
<a href="#">23.1</a>	<a href="#">Consent of Independent Registered Public Accounting Firm****</a>
<a href="#">31.1</a>	<a href="#">Section 302 Certification by Chief Executive Officer and Chief Financial Officer ****</a>
<a href="#">32.1</a>	<a href="#">Section 906 Certification by Chief Executive Officer****</a>

<sup>+</sup>Management compensation plan or arrangement.

\*Previously filed as an Exhibit of the same number to the Company's Registration Statement on Form 10 and incorporated herein by reference.

\*\*Previously filed as an Exhibit of the same number to the Company's Current Report on Form 8-K dated February 27, 2017 and incorporated herein by reference.

\*\*\*Previously filed as an Exhibit of the same number to the Company's Current Report on Form 8-K dated May 15, 2017 and incorporated herein by reference.

\*\*\*\*Filed herewith.

## SIGNATURES

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 8, 2018

CELSIUS HOLDINGS, INC.

By: /s/ John Fieldly  
John Fieldly, Interim President and Chief Executive Officer; Chief  
Financial Officer  
(Principal Executive Financial and Accounting Officer)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<b>Signatures</b>	<b>Title(s)</b>	<b>Date</b>
<u>/s/ John Fieldly</u> John Fieldly	Interim President and Chief Executive Officer; Chief Financial Officer and Director (Principal Executive, Financial and Accounting Officer)	March 8, 2018
<u>/s/ Nicholas Castaldo</u> Nicholas Castaldo	Director	March 8, 2018
<u>/s/ Kevin Harrington</u> Kevin Harrington	Director	March 8, 2018
<u>/s/ Hal Kravitz</u> Hal Kravitz	Director	March 8, 2018
<u>/s/ Chris Lai</u> Chris Lai	Director	March 8, 2018
<u>/s/ Thomas E. Lynch</u> Thomas E. Lynch	Director	March 8, 2018
<u>/s/ William H. Milmo</u> William H. Milmo	Director	March 8, 2018

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ASSURANCE DIMENSIONS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Stockholders of Celsius Holdings, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying Consolidated Balance Sheet of Celsius Holdings, Inc (the Company) as of December 31, 2017 and the related Consolidated Statement of Operations, Comprehensive Income, Changes in Stockholders' Equity, and Cash Flows for the year ended December 31, 2017, and the related Notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and the results of its operations and its cash flows for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provide a reasonable basis for our opinion.

The financial statements as of December 31, 2016, were audited by D'Arelli Pruzansky, P.A., who sold its audit practice to Assurance Dimensions, Inc. as of May 3, 2017, and whose report dated March 30, 2017, expressed an unmodified opinion on those statements

/s/ Assurance Dimensions

Coconut Creek, Florida  
March 8, 2018

We have served as the Company's auditor since 2017

**Celsius Holdings, Inc.**  
**Consolidated Balance Sheets**

	December 31, 2017	December 31, 2016
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 14,186,624	\$ 11,747,138
Accounts receivable, net	6,375,658	2,787,732
Inventories, net	5,305,505	2,211,370
Prepaid expenses and other current assets	1,180,444	937,349
<b>Total current assets</b>	<b>27,048,231</b>	<b>17,683,589</b>
Property and equipment, net	62,642	33,533
<b>Total Assets</b>	<b>\$ 27,110,873</b>	<b>\$ 17,717,122</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 6,311,824	\$ 1,754,207
Accrued preferred dividend	133,883	353,666
Deferred revenue and other current liabilities	17,921	214,612
<b>Total current liabilities</b>	<b>6,463,628</b>	<b>2,322,485</b>
<b>Long-term liabilities:</b>		
Line of credit note payable-related party	3,500,000	4,500,000
<b>Total Liabilities</b>	<b>9,963,628</b>	<b>6,822,485</b>
<b>Stockholders' Equity:</b>		
Preferred Stock, \$0.001 par value; 2,500,000 shares authorized, 6,760 and 6,380 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	7	6
Common stock, \$0.001 par value; 75,000,000 shares authorized, 45,701,593 and 39,999,784 shares issued and outstanding at December 31, 2017 and December 31, 2016, respectively	45,702	40,000
Additional paid-in capital	79,101,824	64,208,963
Accumulated other comprehensive loss	(39,378)	—
Accumulated deficit	(61,960,910)	(53,354,332)
<b>Total Stockholders' Equity</b>	<b>17,147,245</b>	<b>10,894,637</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 27,110,873</b>	<b>\$ 17,717,122</b>

*The accompanying notes are an integral part of these consolidated financial statements*



**Celsius Holdings, Inc.**  
**Consolidated Statements of Operations**

	For the year ended December 31,	
	2017	2016
Revenue	\$ 36,164,064	\$ 22,760,987
Cost of revenue	20,733,387	13,031,153
Gross profit	<u>15,430,677</u>	<u>9,729,834</u>
Selling and marketing expenses 1	16,611,369	8,675,763
General and administrative expenses	6,899,275	3,899,031
Total operating expense	<u>23,510,644</u>	<u>12,574,794</u>
Loss from operations	(8,079,967)	(2,844,960)
Other Income (Expense):		
Interest expense	(160,616)	(228,750)
Gain from the sales of equipment	—	6,095
Total Other Income (Expense)	<u>(160,616)</u>	<u>(222,655)</u>
Net Loss	(8,240,583)	(3,067,615)
Preferred stock dividend – other	(365,995)	(366,154)
Net Loss available to common stockholders	<u>\$ (8,606,578)</u>	<u>\$ (3,433,769)</u>
Weighted average shares outstanding	<u>44,419,162</u>	<u>38,568,088</u>
Loss per share, basic and diluted	<u>\$ (0.19)</u>	<u>\$ (0.09)</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**Celsius Holdings, Inc.**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2017 and 2016**

	<b>For the year ended December 31,</b>	
	<b>2017</b>	<b>2016</b>
Net Loss available to common stockholders, as reported	\$ (8,606,578)	\$ (3,433,769)
Other comprehensive (loss) income:		
Unrealized foreign currency translation (loss) income	(39,378)	—
Other comprehensive (loss) income		
Comprehensive income	<u>\$ (8,645,956)</u>	<u>\$ (3,433,769)</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**Celsius Holdings, Inc.**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the Years Ended December 31, 2017 and 2016**

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Other-Comprehensive Income (Loss)</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>				
<b>Balance at December 31, 2015</b>	6,380	\$ 6	38,380,380	\$ 38,380	\$ 58,626,212	\$ —	\$ (49,920,563)	\$ 8,744,035
Issuance of common stock pursuant to private placement			1,333,333	1,334	3,998,666			4,000,000
Issuance of common stock in exchange of service			250,000	250	559,750			560,000
Issuance of common stock pursuant to exercise of stock options			36,071	36	5,290			5,326
Stock option expense					1,019,045			1,019,045
Preferred stock dividend – other							(366,154)	(366,154)
Net loss							(3,067,615)	(3,067,615)
<b>Balance at December 31, 2016</b>	6,380	\$ 6	39,999,784	\$ 40,000	\$ 64,208,963	\$ —	\$ (53,354,332)	\$ 10,894,637
Issuance of common stock pursuant to private placement			3,333,329	3,333	9,996,615			9,999,948
Issuance of common stock in exchange of service			94,252	94	327,903			327,997
Issuance of common stock pursuant to exercise of stock options			1,940,895	1,942	944,633			946,575
Issuance of common stock in exchange of convertible note			333,333	333	999,666			999,999
Issuance of preferred stock for conversion of accrued dividends	380	1			382,999			383,000
Stock option expense					2,241,045			2,241,045
Foreign currency translation loss						(39,378)		(39,378)
Preferred stock dividend – other							(365,995)	(365,995)
Net loss							(8,240,583)	(8,240,583)
<b>Balance at December 31, 2017</b>	6,760	\$ 7	45,701,593	\$ 45,702	\$ 79,101,824	\$ (39,378)	\$ (61,960,910)	\$ 17,147,245

*The accompanying notes are an integral part of these consolidated financial statements*

**Celsius Holdings, Inc.**  
**Consolidated Statements of Cash Flows**

	For the year ended	
	December 31, 2017	December 31, 2016
<b>Cash flows from operating activities:</b>		
Net Loss	\$ (8,240,583)	\$ (3,067,615)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	20,425	16,951
Gain on equipment	—	(6,095)
Stock-based compensation expense for services	327,997	—
Stock-based compensation expense	2,241,045	1,579,045
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,587,926)	(660,673)
Inventory	(3,094,135)	111,534
Prepaid expenses and other current assets	(243,095)	(271,082)
Accounts payable and accrued expenses	4,557,616	(51,697)
Accrued preferred dividends	(202,778)	(203,335)
Deposits/deferred revenue and other current liabilities	(196,691)	189,555
Net cash used in operating activities	<u>(8,418,125)</u>	<u>(2,363,412)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(49,534)	(30,830)
Proceeds from sale of equipment	—	7,760
Net cash (used in) investing activities	<u>(49,534)</u>	<u>(23,070)</u>
<b>Cash flows from financing activities:</b>		
Net proceeds from sale of common stock	9,999,948	4,000,000
Proceeds from exercise of stock options	946,575	5,300
Net cash provided by financing activities	<u>10,946,523</u>	<u>4,005,300</u>
Effect on exchange rate changes on cash and cash equivalents	(39,378)	—
Net increase in cash and cash equivalents	2,439,486	1,618,818
Cash and cash equivalents at beginning of the year	<u>11,747,138</u>	<u>10,128,320</u>
Cash and cash equivalents at end of the year	<u>\$ 14,186,624</u>	<u>\$ 11,747,138</u>
<b>Supplemental disclosures:</b>		
Cash paid during period for:		
Interest	\$ 160,855	\$ 113,750
Preferred Dividends	\$ 202,778	\$ 152,223
Taxes	\$ —	\$ —
Non-cash investing and financing activities:		
Accrued preferred dividends	\$ 163,216	\$ 154,269
Conversion of convertible note to common stock, related party	\$ 999,999	\$ —
Conversion of accrued preferred dividend into preferred shares - related party	<u>\$ 383,000</u>	<u>\$ —</u>

*The accompanying notes are an integral part of these consolidated financial statements*

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017 and 2016**

**1. ORGANIZATION AND DESCRIPTION OF BUSINESS**

*Business* — Celsius Holdings, Inc. (the “**Company**” or “**Celsius Holdings**”) was incorporated under the laws of the State of Nevada on April 26, 2005. On January 24, 2007, the Company entered into a merger agreement and plan of reorganization with Elite FX, Inc., a Florida corporation. Under the terms of the Merger Agreement, Elite FX, Inc. was merged into the Company’s subsidiary, Celsius, Inc. and became a wholly-owned subsidiary of the Company on January 26, 2007. In addition, on March 28, 2007 the Company established Celsius Netshipments, Inc. a Florida corporation as two subsidiaries of the Company. On February 7, 2017, the Company established Celsius Asia Holdings Limited a Hong Kong corporation as a wholly-owned subsidiary of the Company. On February 7, 2017 Celsius China Holdings Limited a Hong Kong corporation became a wholly-owned subsidiary of Celsius Asia Holdings Limited and on May 9, 2017, Celsius Asia Holdings Limited established Celsius (Beijing) Beverage Limited, a China corporation as a wholly-owned subsidiary of Celsius Asia Holdings Limited.

Since the merger, the Company is engaged in the development, marketing, sale and distribution of “**functional**” calorie-burning fitness beverages under the Celsius® brand name.

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”).

*Consolidation Policy* — The accompanying consolidated financial statements include the accounts of Celsius Holdings, Inc. and its subsidiaries. All material inter-company balances and transactions have been eliminated in consolidation.

*Significant Estimates* — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. Significant estimates include the allowance for doubtful accounts, reserves for inventory obsolescence, the useful lives and values of property, fixtures and equipment, valuation of stock based compensation, and deferred tax asset valuation allowance.

*Segment Reporting* — Although the Company has a number of operating divisions, separate segment data has not been presented, as they meet the criteria for aggregation as permitted by ASC Topic 280, Segment Reporting, (formerly Statement of Financial Accounting Standards (SFAS) No. 13 *Disclosed About Segments of an Enterprise and Related Information.*)

Our chief operating decision-maker is considered to be our Chief Executive Officer (CEO). The CEO reviews financial information presented on consolidated basis for purposes of making operating decisions and assessing financial performance. The financial information reviewed by the CEO is identical to the information presented in the accompanying consolidated statement of operations. Therefore, the Company has determined that it operates in a single operating segment. For the years ended December 31, 2017 and 2016 all material assets and revenues of the Company were in the United States, except as disclosed in Note 2.

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Concentrations of Risk* — Substantially all of the Company’s revenue derives from the sale of Celsius ® beverages.

The Company uses single supplier relationships for its raw materials purchases and filling capacity, which potentially subjects the Company to a concentration of business risk. If these suppliers had operational problems or ceased making product available to the Company, operations could be adversely affected.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with high-quality financial institutions. At times, balances in the Company’s cash accounts may exceed the Federal Deposit Insurance Corporation limit. At December 31, 2017, the Company had approximately \$14 million in excess of the Federal Deposit Insurance Corporation limit.

At December 31, 2017 and 2016, the Company had the following 10 percent or greater concentrations of revenue with its customers:

	2017	2016
A*	29.7%	36.8%
All other	70.3%	63.2%
Total	<u>100.0%</u>	<u>100.0%</u>

At December 31, 2017 and 2016, the Company had the following 10 percent or greater concentrations of accounts receivable with its customers:

	2017	2016
A*	48%	53.8%
B	4.2%	11.5%
All other	47.8%	34.7%
Total	<u>100.0%</u>	<u>100.0%</u>

\*Revenues and receivables from customer A are derived from a customer located in Sweden. Revenues from all other customers were mainly derived from the United States.

*Cash Equivalents* — The Company considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents. At December 31, 2017 and December 31, 2016, the Company did not have any investments with maturities of three months or less.

*Accounts Receivable* — Accounts receivable are reported at net realizable value. The Company establishes an allowance for doubtful accounts based upon factors pertaining to the credit risk of specific customers, historical trends, and other information. Delinquent accounts are written-off when it is determined that the amounts are uncollectible. At December 31, 2017 and December 31, 2016, there was an allowance for doubtful accounts of \$33,100 and \$72,300, respectively.

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Inventories* — Inventories include only the purchase cost and are stated at the lower of cost and net realizable value. Cost is determined using the FIFO method. Inventories consist of raw materials and finished products. The Company write offs against inventory during the period in which such materials and products are no longer usable or marketable. In 2017 and 2016, the Company recorded a write off of \$36,300 and \$201,000, respectively. The write offs are included in cost of revenue. Free Samples are recorded as cost of sales.

*Property and Equipment* — Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful life of the asset generally ranging from three to seven years.

*Impairment of Long-Lived Assets*— In accordance with ASC Topic 360, “Property, Plant, and Equipment” the Company reviews the carrying value of intangibles and other long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by comparison of its carrying amount to the undiscounted cash flows that the asset or asset group is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the property, if any, exceeds its fair value.

*Revenue Recognition* — Revenue is derived from the sale of beverages. Revenue is recognized when persuasive evidence of an agreement exists, the products are delivered, sales price is fixed or determinable, and collectability is reasonably assured. Any discounts, slotting fees, sales incentives or similar arrangements with the customer are estimated at time of sale and deducted from revenue.

*Deferred Revenue* — From time to time the Company requires prepayments for deposits in advance of delivery of products and/or production runs. Such amounts are initially recorded as deferred revenue. The Company recognizes such revenue as it is earned in accordance with revenue recognition policies.

*Advertising Costs* — Advertising costs are expensed as incurred. The Company uses mainly radio, local sampling events, sponsorships, endorsements, and digital advertising. The Company incurred advertising expense of approximately \$6.8 million and \$4.3 million, during year ending December 31, 2017 and 2016, respectively.

*Research and Development* — Research and development costs are charged to general and administrative expenses as incurred and consist primarily of consulting fees, raw material usage and test productions of beverages. The Company incurred expenses of \$210,000 and \$90,000 during year ending December 31, 2017 and 2016, respectively.

*Foreign Currency Translation* — Generally, foreign subsidiaries’ functional currency is the local currency of operations and the net assets of foreign operations are translated into U.S. dollars using current exchange rates. The U.S. dollar results that arise from such translation, as well as exchange gain and losses on intercompany balances of long-term investment nature, are included in Comprehensive Income. The Company incurred foreign currency translation loss of approximately \$39,978 and \$0 during the twelve months ending December 31, 2017 and 2016, respectively.

*Fair Value of Financial Instruments* — The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and notes payable approximates fair value due to their relative short-term maturity and market interest rates.

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Fair Value Measurements* - ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC 820 requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

- Level 1: Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs for which there is little or no market data, which require the use of the reporting entity's own assumptions.

Other than these noted previously, the Company did not have any other assets or liabilities measured at fair value at December 31, 2017 and December 31 2016.

*Income Taxes* — The Company accounts for income taxes pursuant to the provisions of ASC 740-10, "Accounting for Income Taxes," which requires among other things, an asset and liability approach to calculating deferred income taxes. The asset and liability approach requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. A valuation allowance is provided to offset any net deferred tax assets for which management believes it is more likely than not that the net deferred asset will not be realized. The Company follows the provisions of the ASC 740 -10 related to, *Accounting for Uncertain Income Tax Positions*. When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. In accordance with the guidance of ASC 740-10, the benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any.



**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Income Taxes (continued)* —Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above should be reflected as a liability for uncertain tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination. The Company believes its tax positions are all highly certain of being upheld upon examination. As such, the Company has not recorded a liability for uncertain tax benefits.

The Company has adopted ASC 740-10-25 *Definition of Settlement*, which provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits and provides that a tax position can be effectively settled upon the completion of an examination by a taxing authority without being legally extinguished. For tax positions considered effectively settled, an entity would recognize the full amount of tax benefit, even if the tax position is not considered more likely than not to be sustained based solely on the basis of its technical merits and the statute of limitations remains open.

The Company's tax returns for tax years in 2014 through 2017 remain subject to potential examination by the taxing authorities.

*Earnings per Share* — Basic earnings per share are calculated by dividing net income (loss) available to stockholders by the weighted-average number of common shares outstanding during each period. Diluted earnings per share are computed using the weighted average number of common and dilutive common share equivalents outstanding during the period. Dilutive common share equivalents consist of shares issuable upon conversion of convertible debt, exercise of stock options and warrants (calculated using the reverse treasury stock method). As of December 31, 2017, there were options outstanding to purchase 4.6 million shares, which exercise price averaged \$1.82, Series C Preferred Stock outstanding to convert to 5.3 million common shares at \$0.52 price per share and Series D Preferred Stock outstanding to convert to 4.7 million common shares at \$0.86 price per share. There were no other dilutive common shares equivalents, including convertible notes and warrants, as no common share equivalents had an exercise price below the ending closing price of the year. The effects of dilutive instruments have not been presented as the effects would be anti-dilutive.

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Share-Based Payments*—Effective January 1, 2006, the Company has fully adopted the provisions of ASC Topic 718 “Compensation — Stock Compensation” and related interpretations. As such, compensation cost is measured on the date of grant at the fair value of the share-based payments. Such compensation amounts, if any, are amortized over the respective vesting periods of the grants. On April 30, 2015, the Company adopted the 2015 Stock Incentive Plan. This plan is intended to provide incentives which will attract and retain highly competent persons at all levels as employees of the Company, as well as independent contractors providing consulting or advisory services to the Company, by providing them opportunities to acquire the Company’s common stock or to receive monetary payments based on the value of such shares pursuant to Awards issued. The 2015 Plan permits the grant of options and shares for up to 5,000,000 shares. In addition, there is a provision for an annual increase of 15% to the shares included under the plan, with the shares to be added on the first day of each calendar year, beginning on January 1, 2016.

*Cost of Sales*— Cost of sales consists of the cost of concentrates and or beverage bases, the costs of raw materials utilized in the manufacture of products, co-packing fees, repacking fees, in-bound & out-bound freight charges, as well as certain internal transfer costs, warehouse expenses incurred prior to the manufacture of the Company’s finished products and certain quality control costs. Raw materials account for the largest portion of the cost of sales. Raw materials include cans, bottles, other containers, flavors, ingredients and packaging materials.

*Operating Expenses*— Operating expenses include selling expenses such as warehousing expenses after manufacture, as well as expenses for advertising, samplings and in-store demonstrations costs, costs for merchandise displays, point-of-sale materials and premium items, sponsorship expenses, other marketing expenses and design expenses. Operating expenses also include such costs as payroll costs, travel costs, professional service fees (including legal fees), depreciation and other general and administrative costs.

*Shipping and Handling Costs*— Shipping and handling costs for freight-out expense on goods shipped are included in cost of sales expenses in the accompanying consolidated statements of income. Freight-out expense on goods shipped for year ended December 31, 2017 and 2016 was approximately \$3.3 million and \$2.0 million, respectively.

***Recent Accounting Pronouncements***

The Company adopts all applicable, new accounting pronouncements as of the specified effective dates.

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, which deferred the effective date of ASU 2014-09 for all entities by one year. This update is effective for public business entities for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods. Earlier application was permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. ASU 2014-09 was to become effective for us beginning January 2017; however, ASU 2015-14 deferred our effective date until January 2018, which is when we plan to adopt this standard. The ASU permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). The ASU also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required for customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. We have completed the process of evaluating the effect of the adoption and determined there were no changes required to our reported revenues as a result of the adoption. The majority of our revenue arrangements generally consist of a single performance obligation to transfer promised goods (sales of beverages to customers). Based on our evaluation process and review of our contracts with customers, the timing and amount of revenue recognized based on ASU 2015-14 is consistent with our revenue recognition policy under previous guidance. We adopted the new standard effective January 1, 2018, using the modified retrospective approach, and will expand our consolidated financial statement disclosures in order to comply with the ASU. We have determined the adoption of ASU 2015-14 will not have a material impact on our results of operations, cash flows, or financial position.

In April 2015, the FASB issued ASU No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (“ASU 2015-03”). ASU 2015-03 simplifies the presentation of debt issuance costs and requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability (consistent with debt discounts).

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The new standard establishes a right-of-use (“ROU”) model that requires lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company does not expect that the adoption will have a material impact on its consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 clarifies the presentation and classification of certain cash receipts and cash payments in the statement of cash flows. This ASU is effective for public business entities for fiscal years, and interim periods within those years, beginning after December 15, 2017. Early adoption is permitted. The Company is currently assessing the potential impact of ASU 2016-15 on its financial statements and related disclosures.

In October 2016, the FASB issued ASU No. 2016-16—*Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. This ASU improves the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017. Early adoption is permitted. The Company does not anticipate that the adoption of this ASU to have a significant impact on its consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update 2016-18 (ASU 2016-18), *Statement of Cash Flows: Restricted Cash*. This ASU provides guidance on the classification of restricted cash in the statement of cash flows. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. The amendments in the ASU should be adopted on a retrospective basis. The Company does not expect that adoption of this ASU to have a material effect on its consolidated financial statements.

In May 2017, FASB issued Accounting Standards Update 2017-09; *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting*. The amendments in this ASU amends the scope of modification accounting for share-based payment arrangements, provides guidance on the types of changes to the terms or conditions of share-based payment awards an entity is required to apply modification accounting under ASC 718. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2017. Early adoption is permitted. We do not expect the adoption of this ASU to have a material effect on our consolidated financial statements.

In July 2017, FASB issued Accounting Standards Update 2017-11; *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480) Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Non public Entities and Certain Mandatorily Redeemable Non controlling Interests with a Scope Exception*. The guidance is intended to reduce the complexity associated with issuers’ accounting for certain financial instruments with characteristics of liabilities and equity. Specifically, a down round feature (as defined) would no longer cause a freestanding equity-linked financial instrument (or an embedded conversion option) to be accounted for as a derivative liability at fair value with changes in fair value recognized in current earnings. The amendments in this ASU are effective for interim and annual periods beginning after December 15, 2018. Early adoption is permitted. We do not expect the adoption of this ASU to have a material effect on our consolidated financial statements.

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**2. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Recent Accounting Pronouncements (continued)*

In August 2015, the FASB issued ASU No. 2015-15 *Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements (Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting)* (ASU 2015-15<sup>1</sup>). ASU 2015-15 allows debt issuance costs related to line-of-credit agreements to be presented in the balance sheet as an asset. ASU 2015-03 and ASU 2015-15<sup>1</sup> are effective for fiscal years, and interim periods within, beginning after December 15, 2015. Early adoption is permitted. The Company plans to early adopt ASU 2015-03 and ASU 2015-15 as of December 31, 2017; the adoption is not expected to have a material impact on its consolidated financial position or results of operations.

All new accounting pronouncements issued but not yet effective are not expected to have a material impact on our results of operations, cash flows or financial position with the exception of the updated previously disclosed above, there have been no new accounting pronouncements not yet effective that have significance to our consolidated financial statements.

*Liquidity* — These financial statements have been prepared assuming the Company will be able to continue as a going concern. At December 31, 2017 the Company had an accumulated deficit of \$62,000,288 which includes a net loss available to common stockholders of \$8,606,578 for year ended December 31, 2017. During the twelve months ending December 31, 2017 the Company net cash used in operating activities totaled \$8,418,125. While these factors alone may raise doubt as to the Company's ability to continue as a going concern, the Company's sale of an aggregate of \$15 million in capital through the sale of an aggregate of 4,833,329 shares of our common stock at a purchase price of \$3.00 per share in a private offering to 13 accredited investors between December 30, 2016 and March 14, 2017 is deemed sufficient to alleviate substantial doubt regarding the Company's ability to continue as a going concern.

Our current operating plan for the next twelve (12) months plans on a sufficient financial condition and we do not contemplate obtaining additional financing. However, if our sales volumes do not meet our projections, expenses exceed our expectations, our plans change, we may be unable to generate enough cash flow from operations to cover our working capital requirements. In such case, we may be required to adjust our business plan, by reducing marketing and other expenses or seek additional financing. There can be no assurance that such financing, if required, will be available on commercially reasonable terms if at all.

**3. INVENTORIES**

Inventories consist of the following at:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Finished goods	\$ 4,137,239	\$ 2,142,032
Raw Materials	1,204,560	270,143
Less: Inventory write down	(36,294)	(200,805)
Inventories, net	<u>\$ 5,305,505</u>	<u>\$ 2,211,370</u>

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**4. PREPAID EXPENSES AND OTHER CURRENT ASSETS**

Prepaid expenses and other current assets total \$1,180,000 and \$937,000, at December 31, 2017 and 2016, respectively, and consist mainly of prepaid consulting agreement with D3M Licensing Group, advertising, prepaid insurance, prepaid slotting fees, and deposits on purchases.

**5. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Furniture and equipment	\$ 341,159	\$ 291,626
Less: accumulated depreciation	(278,517)	(258,093)
<b>Total</b>	<b>\$ 62,642</b>	<b>\$ 33,533</b>

Depreciation expense amounted to \$20,425 and \$16,951 during year ended December 31, 2017 and 2016, respectively.

**6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses consist of the following at:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Accounts payable	\$ 3,003,086	\$ 858,131
Accrued expenses	3,308,738	896,076
<b>Total</b>	<b>\$ 6,311,824</b>	<b>\$ 1,754,207</b>

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**7. DEFERRED REVENUE AND OTHER CURRENT LIABILITIES**

Deferred revenue and other current liabilities consist of the following at:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
Customer deposits	\$ —	\$ 201,652
State bottle bill liability	17,921	12,960
<b>Total</b>	<b>\$ 17,921</b>	<b>\$ 214,612</b>

**8. LINE OF CREDIT NOTE PAYABLE - RELATED PARTY**

Line of credit note payable - related party consists of the following as of:

	<b>December 31, 2017</b>	<b>December 31, 2016</b>
<b>Note Payable – line of credit</b>		
In July 2010, the Company entered a line of credit note payable with a related party which carries interest of five percent per annum paid quarterly. The Company can borrow up to \$9,500,000. The Company has pledged all its assets as security for the line of credit. The note matures in January 2020, at which time the principal amount is due. During April 2015, the Company issued \$4,000,000 of convertible series D preferred series in exchange for cancellation of \$4,000,000 of this line, reducing the amount to \$4,500,000. During March 2017, the Company issued \$1,000,000 of common stock in exchange for cancellation of \$1,000,000 of this line, reducing the amount to \$3,500,000.		
<b>Long-term portion</b>	<b>\$ 3,500,000</b>	<b>\$ 4,500,000</b>

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**9. PREFERRED STOCK – RELATED PARTY**

On August 26, 2013, the Company entered into a securities purchase agreement (the “2013 Purchase Agreement”) with CDS Ventures of South Florida LLC (“CDS”) and CD Financial, LLC (“CD”). CDS and CD are limited liability companies which are affiliates of Carl DeSantis, the Company’s principal shareholder. The Company issued 2,200 shares of its Series C Preferred Stock (the “Preferred C Shares”) in exchange for the conversion of a \$550,000 short term loan from CDS and the conversion of \$1,650,000 in indebtedness under the Company’s line of credit with CD (the “CD Line of Credit”). The Preferred C Shares are convertible into our common stock at the option of the holder thereof at a conversion price of \$0.52 per share at any time until December 31, 2018, at which time they will automatically convert into shares of our common stock determined by dividing the liquidation preference of \$1,000 per Preferred C Share by the conversion price then in effect. The conversion price is subject to adjustment in the event of stock dividends, stock splits and similar events. The Preferred C Shares accrue cumulative annual dividends at the rate of 6% per annum, payable by the issuance of additional Preferred C Shares. The holder of Preferred C Shares votes on an “as converted” basis, together with holders of common stock as a single class on all matters presented to shareholders for a vote, except as required by law. In April 2015, the Company issued 180 Preferred C Shares valued at \$180,000 in settlement of \$180,000 in accrued preferred C dividends. In October 2017, the Company issued 383 Preferred C Shares valued at \$383,000 in settlement of \$383,000 in accrued preferred C dividends. As of December 31, 2017, \$83,000 of dividends has been accrued. The Preferred C Shares mature on December 31, 2018 and are redeemable only in exchange for shares of Company common stock.

On April 16, 2015, the Company entered into an amendment to its existing Loan and Security Agreement (the “Amendment”) with CD an affiliate of CD Ventures and Mr. DeSantis. Pursuant to the Amendment, the outstanding principal amount of the CD Line of Credit was reduced by \$4.0 million, which amount was converted into 4,000 shares of a newly-designated Series D Preferred Stock (the “Preferred D Shares”). This related party was given a conversion price of \$0.86 per common share, whereas other investors purchased common shares at \$0.89 in the private placement, as discussed in note 12. The difference of \$0.03 per share, which resulted in \$139,535, was recorded as a dividend in accordance with ASC 470-20-35, subsequent measurement for debt with conversion and other options. The Preferred D Shares are convertible into our common stock at the option of the holder thereof at a conversion price of \$0.86 per share until the earlier of the January 2, 2020 due date of our line of credit with CD Financial or such earlier date as the line of credit is satisfied (the “**Mandatory Redemption Date**”). The conversion price is subject to adjustment in the event of stock dividends, stock splits and similar events. The Preferred D Shares accrue cumulative annual cash dividends at the rate of 5% per annum, payable quarterly in cash and have a liquidation preference of \$1,000 per share. On the Mandatory Redemption Date, the Preferred D Shares automatically convert into shares of our common stock in a number determined by dividing the \$1,000 per Preferred D Share liquidation preference plus any accrued but unpaid dividends, by the conversion price then in effect. The Preferred D Shares may also be redeemed by us at any time on or after December 31, 2017, at a redemption price equal to 104% of the liquidation preference. The holder of the Preferred D Shares votes on an “as converted” basis, together with holders of common stock as a single class on all matters presented to shareholders for a vote, except as required by law. As of December 31, 2017, \$51,000 of dividends has been accrued regarding these shares.

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**10. RELATED PARTY TRANSACTIONS**

The Company's office is rented from a company affiliated with CD Financial, LLC which is controlled by one of our shareholders Carl DeSanti. Currently, the lease expires on October 2020 with monthly rent of \$8,809. The rental fee is commensurate with other properties available in the market.

Other related party transactions are discussed in notes 8, 9 and 12

**11. STOCKHOLDERS' EQUITY**

*Issuance of common stock pursuant to services performed*

In January 2017, the Company issued 47,126 shares of "restricted" stock to each William H. Milmo and Thomas E. Lynch in consideration for services previously rendered to Celsius. Total shares issued were 94,252 at a fair value of \$328,000, or \$3.48 per share representing the closing stock price on that date.

In April 2016, the Company issued a total 250,000 "restricted" shares of its common stock as compensation pursuant to celebrity endorsement agreements at a fair value of \$560,000, or \$2.24 per share representing the closing stock price on that date.

*Issuance of common stock pursuant to private placement*

Between January 1, 2017 and March 2017, the Company issued a total of 3,333,329 shares of common stock at \$3.00 per share for net proceeds of approximately \$10 million to 12 accredited investors.

In January 2017, the Company issued 333,333 unregistered common shares upon the conversion of \$1,000,000 of the line of credit not payable debt valued at \$3.00 per share.

In December 2016, the Company issued a total of 1,333,333 shares of common stock at \$3.00 per share for net proceeds of \$4.0 million. These shares were issued to existing shareholders of record.

*Issuance of common stock pursuant to exercise of stock options*

During the year ended December 31, 2017, the Company issued an aggregate of 1,940,895 shares of its common stock pursuant to the exercise of stock options granted under the Company's 2006 Stock Incentive Plan. The Company received aggregate proceeds of \$946,000 for options exercised for cash with the balance of the options having been exercised on a "cashless" basis.

During the year ended December 31, 2016, the Company issued an aggregate of 36,071 shares of its common stock pursuant to the exercise of stock options granted under the Company's 2006 Stock Incentive Plan. The Company recorded \$5,326 for options exercised, of which \$5,300 was for options that were exercised for cash, with the balance of the options being exercised on a "cashless" basis.

*Issuance of preferred stock pursuant to private placement*

Refer to note 10 for discussion on preferred stock issuances.



**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**12. INCOME TAXES**

Due to recurring losses for the years ended December 31, 2017 and 2016, the Company's net tax provision was zero.

The difference between the effective income tax rate and the applicable statutory federal income tax rate is summarized as follows:

	<u>2017</u>	<u>2016</u>
Statutory federal rate	(35.0)%	(35.0)%
State income tax rate, net of federal benefit	(3.5)%	(3.5)%
Permanent differences, including stock based compensation	5.9%	25.5%
Change in valuation allowance	23.1%	13.0%
Difference in foreign tax rates	9.5%	0.0%
Effective tax rate	<u>0.0%</u>	<u>0.0%</u>

At December 31, 2017 and 2016, the Company's deferred tax assets were as follows:

	<u>2017</u>	<u>2016</u>
Deferred Tax Liability		
Property and equipment	(7,000)	—
Total deferred tax liability	<u>(7,000)</u>	<u>0.0</u>
Deferred Tax Assets		
Federal and state net operating loss carry forward	11,767,000	17,248,000
Foreign net operating loss carry forward	1,455,000	—
Other temporary differences	39,000	—
Total deferred tax asset	<u>13,261,000</u>	<u>17,248,000</u>
Net deferred tax asset	<u>13,254,000</u>	<u>17,248,000</u>
Less valuation allowance	<u>(13,254,000)</u>	<u>(17,268,000)</u>
	<u>\$ —</u>	<u>\$ —</u>

The Company's valuation allowance decreased by \$3,994,000 and \$1,219,000 during 2017 and 2016 respectively. Total net operating loss carry forwards at December 31, 2017 were approximately \$46.4 million. The losses, if unused, expire through 2037. During the year ended December 31, 2017 the Company began operations in China and Hong Kong. China has corporate tax rate of 25% with net operating loss carry forwards expiring after 5 years. The Company had \$5.7 million of net operating loss carry forwards in China as of December 31, 2017. Hong Kong has a corporate tax rate of 17% with net operating loss carry forwards that don't expire. The Company had \$237,000 of net operating loss carry forwards in Hong Kong as of December 31, 2017. The Company's net operating loss carry forwards may be limited due to ownership changes pursuant to Internal Revenue Code section 382. Effective December 22, 2017 a new tax bill was signed into law that reduced the federal income tax rate for corporations from 35% to 21%. The new bill reduced the blended tax rate for the Company from 38.5% to 25.4%. The change in blended tax rate reduced the 2017 net operating loss carry forward deferred tax assets by approximately \$6.1 million.

**13. STOCK-BASED COMPENSATION**

The Company adopted an Incentive Stock Plan on January 18, 2007. This plan is intended to provide incentives which will attract and retain high competent persons at all levels as employees of the Company, as well as independent contractors providing consulting or advisory services to the Company, by providing them opportunities to acquire the Company's common stock or to receive monetary payments based on the value of such shares pursuant to Awards issued. While the plan terminates 10 years after the adoption date, issued options have their own schedule of termination. During 2013, the majority of the shareholders approved to increase the total available shares in the plan from 2.5 million to 3.5 million shares of common stock. During May 2014, the majority of the shareholders approved to increase the total available shares in the plan from 3.5 million to 4.25 million shares of common stock, during February 2015, the majority of the shareholders approved to increase the total available shares in the plan from 4.25 million to 4.6 million shares of common stock and during April 2015, the majority of the shareholders approved to increase the total available shares in the plan from 4.6 million to 5.1 million shares of common stock. Until 2017, options to acquire shares of common stock may be granted at no less than fair market value on the date of grant. Upon exercise, shares of new common stock are issued by the Company.

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**13. STOCK-BASED COMPENSATION (CONTINUED)**

The Company adopted the 2015 Stock Incentive Plan on April 30, 2015. This plan is intended to provide incentives which will attract and retain high competent persons at all levels as employees of the Company, as well as independent contractors providing consulting or advisory services to the Company, by providing them opportunities to acquire the Company's common stock or to receive monetary payments based on the value of such shares pursuant to Awards issued. The 2015 Plan permits the grant of options and shares for up to 5,000,000 shares. In addition, there is a provision for an annual increase of 15% to the shares included under the plan, with the shares to be added on the first day of each calendar year, beginning on January 1, 2016.

The Company has issued options to purchase approximately 5.6 million shares at an average price of \$1.04 with a fair value of \$7.3 million. For the year ended December 31, 2017 and 2016, the Company issued options to purchase 1.2 million and 1.3 million shares. For the year ended December 31, 2017 and 2016, the Company recognized an expense of approximately \$2.2 million and \$1.6 million, respectively, of non-cash compensation expense (included in General and Administrative expense in the accompanying Consolidated Statement of Operations) determined by application of a Black Scholes option pricing model with the following inputs: exercise price, dividend yields, risk-free interest rate, and expected annual volatility. As of December 31, 2017, the Company had approximately \$3,699,000 of unrecognized pre-tax non-cash compensation expense, which the Company expects to recognize, based on a weighted-average period of 3 years. The Company used straight-line amortization of compensation expense over the two to three-year requisite service or vesting period of the grant. There are options to purchase approximately 4.6 million shares that have vested, of which 2,007,221 shares were exercised as of December 31, 2017.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of its stock option awards and warrant issuances. The calculation of the fair value of the awards using the Black - Scholes option-pricing model is affected by the Company's stock price on the date of grant as well as assumptions regarding the following:

	Year ended December 31,	
	2017	2016
Expected volatility	113% -140%	132% - 159%
Expected term	4 Years	4 Years
Risk-free interest rate	1.33% - 1.84%	1.23%-1.61%
Forfeiture Rate	0.00%	0.00%
Expected dividend yield	0.00%	0.00%

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**13. STOCK-BASED COMPENSATION (CONTINUED)**

The expected volatility was determined with reference to the historical volatility of the Company's stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury rate in effect at the time of grant.

A summary of the status of the Company's outstanding stock options as of December 31, 2017 and changes during the period ending on that date is as follows:

	Shares (000's)	Weighted Average		Aggregate Intrinsic Value	Weighted Average Remaining Term (Yrs)
		Exercise Price	Fair Value		
<b>Options</b>					
At December 31, 2015	4,634	\$ 0.81	\$ 0.41	\$ 5,300	5.49
Granted	1,327	2.01	0.33		
Exercised	(40)	0.42			
Forfeiture and cancelled	(285)	1.81	0.38		
At December 31, 2016	5,636	\$ 1.04	\$ 0.41	\$ 7,317	5.06
Granted	1,190	3.82			
Exercised	(2,007)	0.82			
Forfeiture and cancelled	(217)	1.77			
At December 31, 2017	4,602	1.82		\$ 12,476	4.23
Exercisable at December 31, 2017	3,250	1.09			3.65

The following table summarizes information about employee stock options outstanding at December 31, 2017:

Range of Exercise Price	Outstanding Options			Vested Options		
	Number Outstanding at December 31, 2017 (000's)	Weighted Averaged Remaining Life	Weighted Averaged Exercise Price	Number Exercisable at December 31, 2017 (000's)	Weighted Averaged Exercise Price	Weighted Averaged Remaining Life
\$0.20 - \$0.53	1,135	3.48	\$ 0.26	1,135	\$ 0.26	3.48
\$0.65 - \$1.80	1,062	2.44	\$ 0.86	1,016	\$ 0.85	2.40
\$1.83 - \$2.84	1,228	4.64	\$ 2.07	783	\$ 2.09	4.45
\$3.20 - \$6.20	1,169	6.17	\$ 3.90	309	3.86	6.38
\$7.20 - \$22.00	8	1.88	\$ 10.36	8	\$ 10.36	1.88
Outstanding options	4,602	4.23	\$ 1.82	3,251	\$ 1.09	3.65

**Celsius Holdings, Inc.**  
**Notes to Consolidated Financial Statements**  
**December 31, 2017**

**14. COMMITMENTS AND CONTINGENCIES**

On February 22, 2017, we were served with a summons and complaint with respect to a breach of contract action filed in Superior Court of the State of California, Los Angeles County, by Statewide Beverage Company, Inc. (“**Statewide**”), a former distributor of the Company’s products, whose distribution agreement, the Company had terminated effective November 2016 for “**cause**” (non-payment of invoices within the applicable grace period provided in the distribution agreement). The complaint alleges that the distribution agreement was terminated without “**cause**” and seeks unspecified damages consisting of termination payments and fees which would be due upon a termination without “**cause**,” but not on a termination for “**cause**” as well as certain invasion fees allegedly due under the terms of the distribution agreement. The Company believes that it validly terminated the agreement for “**cause**” and will vigorously defend against the action. The Company accrued \$85,000 in expense as of December 31, 2016 associated with this complaint based on an estimate of legal fees, since the agreement was terminated in November of 2016. The action filed in the Superior Court of the State of California, Los Angeles County is on going as of December 31, 2017.

In addition to the foregoing, from time to time, we may become party to litigation or other legal proceedings that we consider to be a part of the ordinary course of our business.

The Company has entered into distribution agreements with liquidated damages in case the Company cancels the distribution agreements without cause. Cause has been defined in various ways. It is management’s belief that no such agreement has created any liability as of December 31, 2017.

The Company entered into an office lease with a related party (see note 10) effective October 2015. The monthly rent amounts to \$8,809 per month and the lease terminates in October 2020. Future annual minimum payments required under operating lease obligations at December 31, 2017 are as follows:

**Future Minimum Lease Payments**

<u>Year ending December 31,</u>	
2018	\$ 116,720
2019	120,078
2020	102,455
Total	<u>\$ 339,253</u>

**15. SUBSEQUENT EVENTS**

Between January 1, 2018 and March 8, 2018, the Company issued an aggregate of 269,444 shares of its common stock pursuant to the exercise of stock options granted under the Company’s 2006 Stock Incentive Plan. The Company recorded \$11,000 for options exercised.

**Subsidiaries of Celsius Holdings, Inc.**

<u>Entity</u>	<u>Jurisdiction of Organization</u>
Celsius Netshipments, Inc.	Florida
Celsius, Inc.	Nevada
Celsius Asia Holdings Ltd.	Hong Kong
Celsius China Holdings Ltd.	Hong Kong
Celsius (Beijing) Beverage Co. Ltd	China

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**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the Registration Statement on Form S-8 (File No. 333-216029) of Celsius Holdings, Inc. (the "Company") of our report dated March 8, 2018 relating to our audit of the consolidated financial statements which appear in the Company's Annual Report on Form 10-K (Document No. s109237), for the year ended December 31, 2017.

/s/ Assurance Dimensions  
Certified Public Accountants

Coconut Creek, Florida  
March 8, 2018

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John Fieldly, the Interim President and Chief Executive Officer and the Chief Financial Officer of Celsius Holdings, Inc., a Nevada corporation (the "Registrant"), certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2017 of the Registrant;
  2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
  3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
  4. I, as the Registrant's Interim Chief Executive Officer and the Chief Financial Officer, am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
  5. I, as the Registrant's Interim Chief Executive Officer and the Chief Financial Officer, have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):
    - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
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b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: March 8, 2018

**CELSIUS HOLDINGS, INC.**

By: /s/ John Fieldly  
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John Fieldly, Interim President and Chief Executive Officer; Chief  
Financial Officer  
(Principal Executive, Financial and Accounting Officer)

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED  
PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Celsius Holdings, Inc., a Nevada corporation (the “**Company**”) on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”), I, John Fieldly, the Interim President and Chief Executive Officer and the Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 8, 2018

**CELSIUS HOLDINGS, INC.**

By: /s/ John Fieldly  
John Fieldly, Interim President and Chief Executive Officer; Chief  
Financial Officer  
(Principal Executive, Financial and Accounting Officer)

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