CELSIUS HOLDINGS, INC. AND SUBSIDIARIES

OTC PINK BASIC DISCLOSURE

EXHIBIT “A”

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2015 AND 2014

CELSIUS HOLDINGS, INC. AND SUBSIDIARIES

INDEX

Celsius Holdings, Inc. and Subsidiaries
Consolidated Balance Sheets
(Unaudited)

	March 31, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 232,996	$ 349,072
Accounts receivable, net	2,407,403	2,612,191
Inventories, net	1,450,200	1,686,935
Prepaid expenses and other current assets	913,134	259,056
Total current assets	5,003,733	4,907,254
Property, fixtures and equipment, net	34,832	43,950
Total Assets	$ 5,038,565	$ 4,951,204
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued expenses	$ 1,251,442	$ 828,049
Accrued preferred dividend	213,404	180,403
Deferred revenue and other current liabilities	502,589	356,602
Total current liabilities	1,967,435	1,365,054
Long-term liabilities:		
Convertible note payable - related party	1,500,000	1,500,000
Note payable-related party	8,350,000	9,250,000
Total Liabilities	11,817,435	12,115,054
Stockholders' Equity (Deficit):		
Preferred Stock, $0.001 par value; 2,500,000 shares authorized, 2,200 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	2	2
Common stock, $0.001 par value; 50,000,000 shares authorized, 20,459,032 and 20,459,032 shares issued and outstanding at March 31, 2015 and December 31, 2014, respectively	20,459	20,459
Additional paid-in capital	40,338,229	40,165,955
Accumulated deficit	(47,137,560)	(47,350,266)
Total Stockholders' Equity (Deficit)	(6,778,870)	(7,163,850)
Total Liabilities and Stockholders' Equity (Deficit)	$ 5,038,565	$ 4,951,204

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

Celsius Holdings, Inc. and Subsidiaries
Consolidated Statements of Operations
(Unaudited)

	For the three months ended March 31, 2015	2014
Revenue	$ 4,649,026	$ 3,867,484
Cost of revenue	2,810,425	2,484,534
Gross profit	1,838,601	1,382,950
Selling and marketing expenses	898,490	1,494,750
General and administrative expenses	562,235	445,719
Total operating expense	1,460,725	1,940,469
Income (Loss) from operations	377,876	(557,519)
Other Income (Expense):		
Interest expense, net	(132,169)	(112,740)
Total Other Income (Expense)	(132,169)	(112,740)
Net Income (Loss)	$ 245,707	$ (670,259)
Accrued preferred stock dividend	(33,001)	(33,001)
Net Income (Loss) available to common stockholders	$ 212,706	$ (703,260)
Income (Loss) per share:		
Basic	$ 0.01	(0.03)
Diluted	$ 0.01	(0.03)
Weighted average shares outstanding:		
Basic	20,459,032	20,237,365
Diluted	31,569,411	20,237,365

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

Celsius Holdings, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	For the three months ended March 31, 2015	March 31, 2014
Cash flows from operating activities:		
Net income (loss)	$ 245,707	$ (670,259)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	9,118	8,993
Stock-based compensation expense	172,274	277,853
Changes in operating assets and liabilities:		
Accounts receivable, net	204,788	(1,423,055)
Inventory	236,735	41,203
Prepaid expenses and other current assets	(562,979)	(103,034)
Accounts payable and accrued expenses	423,393	269,383
Deposits/deferred revenue and other current liabilities	72,204	240,917
Net cash provided by (used in) operating activities	801,240	(1,357,999)
Cash flows from investing activities:		
Purchase of property and equipment	-	(5,000)
Net cash (used in) investing activities	-	(5,000)
Cash flows from financing activities:		
Borrowing under revolving note payable, related-party	-	1,300,000
Payments on short term notes payable, related-party	(900,000)	-
Payments on short term notes payable	(17,316)	(10,462)
Net cash provided by (used in) financing activities	(917,316)	1,289,538
Net (decrease) increase in cash and cash equivalents	(116,076)	(73,461)
Cash and cash equivalents at beginning of the period	349,072	221,906
Cash and cash equivalents at end of the period	$ 232,996	$ 148,445
Supplemental disclosures:		
Cash paid during period for:		
Interest	$ 132,169	$ 112,740
Taxes	$ -	$ -
Non-cash investing and financing activities:		
Borrowing under short term notes payable for prepaid expense	$ 91,099	$ 86,554
Accrued preferred dividends	$ 33,001	$ 33,001

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

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.

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

Going Concern — The accompanying unaudited consolidated financial statements are presented on a going concern basis. The Company has suffered losses from operations since inception and has an accumulated deficit and total stockholders’ deficit of approximately $47 million and $6.8 million, respectively as of March 31, 2015. These matters raise substantial doubt about the company’s ability to continue as a going concern. Management is currently seeking new capital or debt financing to provide funds needed to increase liquidity, fund growth, and implement its business plan. However, no assurances can be given that the Company will be able to raise any additional funds. If not successful in obtaining financing, the Company will have to substantially diminish or cease its operations. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Consolidation Policy — The accompanying unaudited 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 unaudited 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, the useful lives and values of property, fixtures and equipment, and valuation of stock based compensation.

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

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

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

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 March 31, 2015 and 2014, the Company had the following 10 percent or greater concentrations of revenue with its customers:

	2015	2014
A	67.5%	58.8%
All other	32.5%	41.2%
Total	100.0%	100.0%

At March 31, 2015 and December 31, 2014, the Company had the following 10 percent or greater concentrations of accounts receivable with its customers:

	2015	2014
A	67%	68%
All other	33%	32%
Total	100%	100%

Cash and Cash Equivalents — The Company considers all highly liquid instruments with maturities of three months or less when purchased to be cash equivalents. At March 31, 2015 and December 31, 2014, 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 March 31, 2015 and December 31, 2014, there was an allowance for doubtful accounts of $3,500 and $3,500, respectively.

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 or market. Cost is determined using the FIFO method. Inventories consist of raw materials and finished products. The Company writes down inventory during the period in which such materials and products are no longer usable or marketable. At March 31, 2015 and December 31, 2014, inventory has been written down $32,708 and $30,059, respectively.

Property, Fixtures, and Equipment — Property, fixtures and equipment are stated at cost less accumulated depreciation and amortization. Depreciation of Property, fixtures, 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 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, sales incentives or similar arrangements with the customer are estimated at time of sale and deducted from revenue.

Advertising Costs — Advertising costs are expensed as incurred. The Company uses mainly radio, local sampling events, sponsorships, and digital advertising. The Company incurred advertising expense of $0.4 million and $1.0 million, during the three months ending March 31, 2015 and 2014, respectively.

Research and Development — Research and development costs are charged to operations as incurred and consist primarily of consulting fees, raw material usage and test productions of beverages. The Company incurred expenses of $359 and $842, during the three months ending March 31, 2015 and 2014, 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.

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.

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

Income Taxes (continued) — 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. 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's tax returns for tax years ended September 30, 2014, 2013, and 2012 remain subject to potential examination by the taxing authorities.

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.

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

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 March 31, 2015 there were options outstanding to purchase 4.1 million shares, which exercise price averaged $0.59 and Series C Preferred Stock warrants outstanding to convert to 4.2 million common shares at $0.52 price per share. There was $1.5 million in convertible debt, convertible into 5.0 million shares, with an exercise price of $0.30 per share.

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.

Recent Accounting Pronouncements

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

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. ASU 2014-09 defines a five step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP. The standard is effective for annual periods beginning

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

Recent Accounting Pronouncements (continued)

after December 15, 2016, and interim periods therein, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). Early adoption is not permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In June 2014, the FASB issued Accounting Standards Update No. 2014-12, Compensation — Stock Compensation (Topic 718), Accounting for Share-Based Payments when the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force) (ASU 2014-12). The guidance applies to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. The amendments require that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. For all entities, the amendments in this Update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The effective date is the same for both public business entities and all other entities. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40), Disclosure of Uncertainties about an Entities Ability to Continue as a Going Concern (ASU 2014-15). The guidance in ASU 2014-15 sets forth management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern as well as required disclosures. ASU 2014-15 indicates that, when preparing financial statements for interim and annual financial statements, management should evaluate whether conditions or events, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern for one year from the date the financial statements are issued or are available to be issued. This evaluation should include consideration of conditions and events that are either known or are reasonably knowable at the date the financial statements are issued or are available to be issued, as well as whether it is probable that management's plans to address the substantial doubt will be implemented and, if so, whether it is probable that the plans will alleviate the substantial doubt. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods and annual periods thereafter.

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

Recent Accounting Pronouncements (continued)

Early application is permitted. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

All other 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.

3. INVENTORIES

Inventories consist of the following at:

	March 31, 2015	December 31, 2014
Finished goods	$1,079,941	$1,570,201
Raw Materials	402,967	146,793
Less: Write Downs	(32,708)	(30,059)
Inventories, net	$ 1,450,200	$ 1,686,935

4. Prepaid expenses and other current assets

Prepaid expenses and other current assets total $913,134 and $259,056, at March 31, 2015 and December 31, 2014, respectively, and consist mainly of prepaid advertising, prepaid insurance, prepaid slotting fees, deposits on purchases, and customer deposits.

5. PROPERTY, FIXTURES, AND EQUIPMENT

Property, fixtures and equipment consist of the following at:

	March 31, 2015	December 31, 2014
Furniture, fixtures and equipment	$ 254,083	$ 254,083
Less: accumulated depreciation	(219,251)	(210,133)
Total	$ 34,832	$ 43,950

Depreciation expense amounted to $9,118 and $8,993 during the three months ended March 31, 2015 and 2014, respectively

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at:

	March 31, 2015	December 31, 2014
Accounts payable	$845,139	$360,062
Accrued expenses	406,303	467,987
Total	$ 1,251,442	$ 828,049

7. DEFERRED REVENUE AND OTHER CURRENT LIABILITIES

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

	March 31, 2015	December 31, 2014
Customer deposits	$427,698	$351,716
Insurance liability	73,783	-
State bottle bill liability	1,108	4,886
Total	$ 502,589	$ 356,602

8. DUE TO RELATED PARTIES

Due to related parties consists of the following as of:

Note Payable – line of credit	December 31, 2014	December 31, 2014
In July 2010, the Company entered into a note payable with a related party which carries interest of five percent per annum. The Company can borrow up to $9,800,000. The Company has pledged all of its assets as security for the line of credit. The note matures in December 2016, at which time the principal amount is due.		
Long-term portion	$ 8,350,000	$ 9,250,000

Convertible note payable	December 31, 2015	December 31, 2014
Convertible note payable, related party (see Note 10)	$ 1,500,000	$1,500,000

9. CONVERTIBLE NOTE PAYABLE, RELATED PARTIES

The Company entered into a loan agreement for up to $6.5 million in September 2009 and issued a convertible note to one of its shareholders. The note carried interest of one month LIBOR plus 3%, payable the first time on the anniversary of the agreement, thereafter quarterly. The loan originally matured on September 9, 2012. The outstanding balance can be immediately converted into the Company's common stock at a conversion price. The conversion price was originally based on a price of $8.00 per share, or a market price calculation at the date of conversion. In order to comply with the listing requirements for the NASDAQ Stock Market, in January 2010, the parties amended the convertible loan agreement to set the conversion price to $10.20, which was the consolidated closing bid price of the common stock on the OTC Bulletin Board on the business day prior to the date the loan agreement was entered into. At the same time the interest rate was increased to one month LIBOR plus 7%. The Company recorded a debt discount totaling $362,500 with a credit to additional paid in capital for the intrinsic value of the beneficial conversion feature of the conversion option at the time of each draw on the loan. The debt discount was amortized over the remaining term of the debenture. Concurrently with the amendment to the loan agreement, the Company recorded a loss on extinguishment of debt of $322,356, the unamortized debt discount at the time of amendment. The Company considered requirements by the Derivatives and Hedging Topic of the ASC and other guidance and concluded that the conversion option should not be bifurcated from the host contract and the conversion option is recorded as equity and not a liability. In March 2010, the shareholder gave notice of its election to convert $4.5 million of the convertible into 441,176 shares of common stock. The outstanding balance on the loan as of December 31, 2010 was $2,000,000. The Company is obligated to file a registration statement upon written notice from CDS and such registration statement must be effective within 180 days of the date of notice. If after the 180 days the company has not complied with the agreement it shall pay $65,000 per month in penalty, until the registration statement is effective. In September 2011, the parties amended the convertible loan agreement to have its due date extended from September 2012 to September 2014 and have its interest rate lowered from LIBOR plus 7% to a fixed rate of 6% and its conversion price lowered from $10.20 which was a requirement imposed by Nasdaq for listing at the time of the Company's February 2010 public offering to $0.30 which was still in excess of the current market at closing. In addition, $500,000 was converted into 1,666,666 shares of common stock. In September 2013, the parties amended the convertible loan agreement to have its due date extended from September 2014 to September 2015. In May 2014, the parties amended the convertible loan agreement to have its due date extended from September 2015 to December 2016. The outstanding balance on the loan as of March 31, 2015 and December 31, 2014 was $1,500,000.

10. PREFERRED STOCK

On August 8, 2008, the Company entered into a securities purchase agreement (“SPA1”) with CDS Ventures of South Florida, LLC (“CDS”), an affiliate of CD Financial, LLC (“CD”). CDS Ventures of South Florida, LLC (“CDS”) and CDS Financial, LLC (“CD”) are companies controlled by Carl DeSantis. Pursuant to SPA1, the Company issued 100 Series A preferred shares (“Preferred A Shares”), as well as a warrant to purchase an additional 50 Preferred A Shares, for a cash payment of $1.5 million and the cancellation of two notes in aggregate amount of $500,000 issued to CD. The Preferred A Shares can be converted into Company common stock at any time. SPA1 was amended on December 12, 2008 to provide that until December 31, 2010 the conversion price is $1.60, after which the conversion price is the greater of $1.60 or 90% of the volume weighted average price of the Common Stock for the prior 10 trading days. Pursuant to SPA1, the Company also entered into a registration rights agreement, pursuant to which the Company filed a registration statement for the common stock issuable upon conversion of Preferred A Shares. The registration statement filed in connection with the Preferred A Shares was declared effective on May 14, 2009. The Preferred A Shares accrue a ten percent annual cumulative dividend, payable in additional Preferred A Shares. In March and December of 2009, the Company issued 15.05 Preferred A Shares in dividends for the years 2008 and 2009. The Preferred A Shares mature on February 1, 2013 and are redeemable only in Company Common Stock. In November 2009, CDS exercised its right to purchase additional 50 Preferred A Shares. The consideration was paid in form of a cancellation of a previously issued promissory note for $1.0 million.

On December 12, 2008, the Company entered into a second securities purchase agreement (“SPA2”) with CDS. Pursuant to SPA2 the Company issued 100 Series B preferred shares (“Preferred B Shares”), as well as a warrant to purchase additional 100 Preferred B Shares, for a cash payment of $2.0 million. The Preferred B Shares can be converted into Company common stock at any time. Until December 31, 2010, the conversion price is $1.00, after which the conversion price is the greater of $1.00 or 90% of the volume weighted average price of the common stock for the prior 10 trading days. Pursuant to SPA2, the Company also entered into a registration rights agreement, pursuant to which the Company filed on October 9, 2009, a registration statement for the common stock issuable upon conversion of Preferred B Shares. The registration statement was subsequently withdrawn. The Preferred B Shares accrue a ten percent annual cumulative dividend, payable in additional Preferred B Shares. In March 2009, the Company issued 0.55 Preferred B Shares in dividends.

On March 31, 2009, CDS exercised its right to purchase additional 100 Preferred B Shares and executed a subscription agreement for $2.0 million. The monies for the subscription were paid on April 7 and May 1, 2009. In December 2009, CDS entered into an agreement with the Company whereby they converted all the Preferred B Shares, including accrued dividends for 2009 of 17.1 Preferred B Shares, to 4,343,000 shares of Common Stock. As compensation for the accelerated conversion, the Company agreed to pay CDS $100,000 in December 2010, recorded as reduction of additional paid in capital.

11. PREFERRED STOCK (CONTINUED)

On March 10, 2010, CDS gave notice of its election to convert all of its Series A Preferred Stock, including accrued dividend of 3 shares of Preferred A Shares, to 2,103,446 shares of common stock (a conversion price of $1.60 per share.)

The Company is obligated to file a new registration statement upon notice from CDS, to cover 6,446,446 shares of common stock CDS received from the conversion of Preferred A and B shares, and such registration statement must be effective within 180 days of the date of notice. After the 180 days and the company has not complied with the agreement, it shall pay $70,000 per month in penalty, until the registration statement is effective. Certain covenants of Series A preferred shares restrict the Company from entering into additional debt arrangements or permitting liens to be filed against the Company's assets, without approval from the holder of the preferred shares. On August 26, 2013, the Company entered into a securities purchase agreement with CDS Ventures of South Florida, LLC ("CDS"), an affiliate of CD Financial, LLC ("CD"). The Company issued 2,200 Series C preferred shares ("Preferred C Shares"), for the cancellation of $550,000 short term loan from CD Financial, LLC ("CD") and the cancelation of $1,650,000 in debt associated with the line of credit with CD Financial, LLC ("CD"). The Preferred C Shares can be converted into Company common stock at any time until December 31, 2018. The conversion price is $0.52 per share of Company common stock. The conversion price per share of common stock is based on the weighted average of the ten daily VWAPs for the 10 trading days immediately preceding the close date of August 26, 2013.The Preferred C Shares accrue a six percent annual cumulative dividend, payable in additional Preferred C Shares annually. As of March 31, 2015, $213,404 of dividends have been accrued. The Preferred C Shares mature on December 31, 2018 and are redeemable only in Company Common Stock.

11. RELATED PARTY TRANSACTIONS

The Company's office is rented from a company affiliated with CD which is controlled by our majority shareholder Carl DeSantis. Currently, the lease expires on October 2015 with monthly rent of $6,360. The rental fee is commensurate with other properties available in the market.

Also, see Notes 9, 10, and 11,

12. STOCKHOLDERS' DEFICIT

Issuance of common stock pursuant to conversion of note

During 2008, the Company issued 842,332 as a partial conversion of a debenture for $774,000 originally issued in December 2007. The Company issued 110,362 shares as a partial conversion of the same debenture for $375,000 during 2009.

During 2010, the Company issued 637,217 as conversion of three convertible notes.

During 2011, the Company issued 1,666,666 as a partial conversion of $500,000 of convertible notes.

Issuance of common stock pursuant to services performed

During 2009, the Company issued a total of 14,801 unregistered shares as compensation to a consultant and a distributor at a fair value of $36,125. During nine months ending September 30, 2014, the Company issued a total 280,000 unregistered shares as compensation in connection with celebrity endorsement agreements at fair value of $216,100.

Issuance of common stock pursuant to exercise of warrant and stock options

During 2009, the Company issued 121,012 shares of common stock in accordance to its 2006 Stock Incentive Plan to employees exercising vested options for an aggregate consideration of $78,725.

During 2010, the Company issued 145,393 shares of common stock in accordance to its 2006 Stock Incentive Plan to employees exercising vested options for an aggregate consideration of $62,180.

Issuance of common stock pursuant to public offering

In February 2010 the Company issued a total of 3,600,000 shares of common stock in a secondary public offering for an aggregate consideration of $13,083,696, net of expenses.

Issuance of preferred stock pursuant to conversion of note

In November 2009, the Company issued 50 unregistered Preferred A Shares for the cancellation of a note in the amount of $1,000,000.

Issuance of preferred stock pursuant to private placement

On March 31, 2009, CDS exercised its right to purchase additional 100 Preferred B Shares and executed a subscription agreement for $2 million payment. CDS made payments of $1 million each on April 7 and May 1, 2009.

Also, see Note 11 — Preferred Stock.

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 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. 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 and 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. 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.

The Company has issued options to purchase approximately 4.2 million shares at an average price of $0.59 with a fair value at March 31, 2015 of $2.75 million. For the three months ended March 31, 2015 and 2014, the Company recognized an expense of $172,274 and $277,853, 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:

	March 31,	
	2015	**2014**
Expected volatility	124% - 385%	124% - 385%
Expected term	24 - 120 months	24 - 120 months
Risk-free interest rate	0.2% - 4.9%	0.2% - 4.9%
Forfeiture Rate	0%	0%
Expected dividend yield	0.00%	0.00%

As of March 31, 2015, the Company had approximately $507,000 of unrecognized pre-tax non-cash compensation expense, which the Company expects to recognize, based on a weighted-average period of 2.5 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 3.3 million shares that have vested, of which 267,000 shares were exercised as of March 31, 2015.

14. STOCK WARRANTS

In February 2011, the Company issued warrants to purchase a total of 900,000 shares of common stock as part of the secondary offering completed then. The exercise price is $5.32 and the warrants expired in February 2013.

In February 2011, the Company issued warrants to purchase a total of 90,000 shares of common stock in conjunction with the secondary offering to the underwriter. The exercise price ranges from $4.03 to $5.32 and the warrants expired in February 2013.

15. COMMITMENTS AND CONTINGENCIES

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 March 31, 2015.

The Company entered into an office lease with a related party (see note 12) effective October 2014. The monthly rent amounts to $6,360 per month and the lease terminates in October 2015. Future annual minimum payments required under operating lease obligations at March 31, 2015 are as follows:

Future Minimum Lease Payments

2015......................................	$38,160

16. SUBSEQUENT EVENTS

We have evaluated events and transactions that occurred subsequent to March 31, 2015 through May 11, 2015 the date these financial statements were available to be issued, for potential recognition or disclosure in the accompanying financial statements. Other than the disclosures shown and presented below, we did not identify any events or transactions that should be recognized or disclosed in the accompanying financial statements.

On April 20, 2015, the Company privately sold 12,921,348 shares of its common stock to an investor group led by Hong Kong based Horizon Venture for $0.89 per share or a total of $11.5 million. Contemporaneously therewith certain members of the investor group acquired an additional 5,000,000 shares by purchasing an outstanding $1.5 million convertible note held CD, an affiliate of Celsius' principal beneficial shareholder, Carl DeSantis and immediately converted the note into the additional shares.

In addition to the foregoing, the outstanding principal amount of Celsius' existing line of credit with CDS, another affiliate of Mr. DeSantis, was reduced by $4.0 million, which amount was converted into shares of a newly-designated Series D

16. SUBSEQUENT EVENTS (CONTINUED)

Preferred Stock. The Series D Preferred Stock accrues a cash dividend of 5% per annum payable quarterly, is convertible into shares of Celsius common stock at $0.86 per share, at any time from time to time until the expiration date of the line of credit or its earlier satisfaction in full and accords the holders thereof voting rights on an "as converted" basis. Further, the borrowing cap under the line of credit was reduced to $4.5 million and its expiration date was extended to January 2, 2020, with all other terms remaining the same. $180,000 of accrued but unpaid dividends on Celsius' Series C Preferred Stock was paid through the issuance of an additional 180 shares of Celsius' Series C Preferred Stock.

At closing, Celsius, the investors, CD and CDS entered into an Investors' Rights Agreement, pursuant to which, among matters, the board of directors was expanded to seven (7), two of whom are designated by the investors, the shareholder parties were accorded certain registration rights for their respective shares of common stock or underlying shares of common stock, as the case may be, under the Securities Act of 1933, as amended and the shareholder parties were granted certain participation rights as to future offerings.

In order to effect the transaction, Celsius' Amended and Restated Articles of Incorporation were amended as authorized by the Board of Directors and majority shareholders (to the extent required), to increase the number of authorized shares of common stock 50,000,000 to 75,000,000 and authorized shares of Series C Convertible Preferred Stock from 2,200 to 3,000 and to designate the newly created Series D Preferred Stock.

II. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Three Months Ended March 31, 2015 Compared to Three Months Ended March 31, 2014

Revenue

Net revenue for the three months ended March 31, 2015 and 2014 was approximately $4.65 million and $3.87 million, respectively, or an increase of 20%. This increase was associated with growth in international sales of 39% or $888 thousand from existing accounts versus the same period in 2014, respectively. Domestic sales decreased 6% or $103 thousand primarily associated with increases in promotional allowances and timing in customer order patterns. As a result, domestic retail accounts decreased 7% and health & fitness accounts decreased 13%, which was offset by growth in internet retailers of 5% versus the same period in 2014, respectively.

Gross profit

Gross Profit was $1.84 million in the first quarter of 2015 as compared to $1.38 million for the same period in 2014. Gross profit margins improved 3.7% to 39.5% in the first quarter of 2015 versus the same period in 2014. We continue to remain focused on improving and maintaining gross profit margins.

Operating expenses

Sales and marketing expenses for the three months ended March 31, 2015 and 2014 was approximately $0.90 million and $1.50 million, respectively. This decrease was mainly due to savings associated with celebrity endorsement agreements, direct marketing programs, and warehousing expenses, off-set by investments in human resources. General and administrative expenses increased to $562,000 for the first quarter of 2015 from $446,000 for the same three-month period in 2014, or an increase of $116,000. This increase was mainly due to increased expense for stock based compensation and professional fees.

Other expense

Total other expense increased to $132,000 for the first quarter of 2015 from $113,000 for the same three-month period in 2013, or $19,000.

II. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

FINANCIAL CONDITION

As of March 31, 2015, we had cash and cash equivalents of approximately $233,000 and working capital of $3 million. Cash received in operations during the three month ended March 31, 2015 totaled $0.8 million. We incurred a net profit of $0.2 million during the three months ended March 31, 2015, and our accumulated deficit decreased to $47 million as of March 31, 2015.

Our current operating plan for the 2015 does not contemplate obtaining additional financing. However, if our sales volumes do not meet our projections or expenses exceed our expectations, 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.

Our financial statements for the period ended March 31, 2015 were prepared assuming we would continue as a going concern, which contemplates the realization of assets and the settlements of liabilities and commitments in the normal course of business. The accompanying financial statements do not include any adjustments to reflect the possible future effects of the recoverability and classification of assets or the amounts and classifications of liabilities that could result should we be unable to continue as a going concern.