

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, 2019

Commission File No. 001-34611

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

Nevada

20-2745790

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer
Identification No.)

2424 N Federal Highway, Suite 208, Boca Raton, Florida 33431
(Address of Principal Executive Offices)

(561) 276-2239

(Registrant's telephone number, including area code)

(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 (Trading Symbol CELH)

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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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:

| | | | |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large Accelerated Filer | <input type="checkbox"/> | Accelerated Filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

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 \$62,459,070 as of June 30, 2019 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 69,239,260 shares of common stock outstanding as of March 11, 2020.

DOCUMENTS INCORPORATED BY REFERENCE: No documents are incorporated by reference into this Report except those Exhibits so incorporated as set forth in the Exhibit index.

TABLE OF CONTENTS

| | <u>Page</u> |
|--------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Part I | 1 |
| Item 1. Business | 1 |
| Item 1A. Risk Factors | 10 |
| Item 1B. Unresolved Staff Comments | 16 |
| Item 2. Properties | 16 |
| Item 3. Legal Proceedings | 16 |
| Item 4. Mine Safety Disclosures | 16 |
| Part II | |
| Item 5. Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities | 17 |
| Item 6. Selected Financial Data | 17 |
| Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations | 18 |
| Item 7A. Quantitative and Qualitative Disclosures about Market Risk | 20 |
| Item 8. Financial Statements and Supplementary Data | 21 |
| Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure | 21 |
| Item 9A. Controls and Procedures | 21 |
| Item 9B. Other Information | 22 |
| Part III | |
| Item 10. Directors, Executive Officers and Corporate Governance | 23 |
| Item 11. Executive Compensation | 27 |
| Item 12. Security Ownership of Certain Beneficial Owners and Management | 30 |
| Item 13. Certain Relationships and Related Transactions | 33 |
| Item 14. Principal Accountant Fees and Services | 33 |
| Part IV | |
| Item 15. Financial Statements and Exhibits | 34 |
| Signatures | 36 |

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[®] brand name. According to multiple clinical studies we funded, a single serving of Celsius[®] 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[®] 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[®] has no artificial preservatives, aspartame or high fructose corn syrup and is very low in sodium. Celsius[®] uses good-for-you ingredients and supplements such as green tea (EGCG), ginger, calcium, chromium, B vitamins and vitamin C. The main Celsius[®] line of products is sweetened with sucralose, a sugar-derived sweetener that is found in Splenda[®], 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

September 2019 Public Offering

On September 16, 2019, the Company consummated a public offering of an aggregate of 7,986,110 shares, of its common stock at a public offering price of \$3.60, which included the exercise in full by the underwriters of their option to purchase an additional 1,041,666 shares. B. Riley FBR, Inc. acted as lead underwriter for the offering. The Company received net proceeds from the offering of approximately \$26.8 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. The Company used a portion of the net proceeds of the offering to fund the cash needed to consummate the acquisition of Func Food Group Oyj and related fees, costs and expenses as described below. The remaining net proceeds of the offering are being used for general corporate purposes, including funding marketing initiatives and expanding European distribution of Celsius products.

Debt Conversion

Celsius entered into Convertible Loan Agreements (the “Loan Agreements”) with Chamnew Limited (“Chamnew”) and Grieg International Limited (“Grieg”) on December 12, 2018, and with CD Financial, LLC (“CD Financial”), an affiliate of a principal shareholder of the Company on December 14, 2018, providing for aggregate loans to the Company in principal amounts of \$3,000,000, \$2,000,000 and \$5,000,000, respectively. In connection with the Loan Agreements, the Company executed and delivered Convertible Promissory Notes (the “Notes”) in favor of each of Chamnew, Grieg and CD Financial. The Notes had a maturity date of the second anniversary after issuance and bore interest at the rate of 5% per annum payable semi-annually. Upon consummation of our September 2019 public offering, the principal amount of and all accrued but unpaid interest on the Notes held by Chamnew, Grieg and CD Financial converted, in accordance with their terms, into 1,022,568, 681,712 and 1,492,180 shares of our common stock, at a conversion price of \$3.04, \$3.04 and \$3.39, respectively.

Acquisition of Func Food Group Oyj

Effective October 25, 2019, the Company completed a financial restructuring and acquisition of Func Food Group Oyj, a Finnish corporation (“Func Food”). Pursuant to a series of agreements entered into effective September 11, 2019 (the “Acquisition Agreements”) with the shareholders, bondholders and certain other lenders of Func Food, Func Food’s outstanding debt of approximately \$55,000,000, certain of which was in default, was restructured and Celsius acquired all of the issued and outstanding capital stock of Func Food.

Func Food is a Finland based wellness company that markets and distributes beverages, protein bars, supplements and superfoods in Finland, Sweden, and Norway. Celsius has had a distribution arrangement with Func Food since 2016, when Func Food commenced distribution of Celsius products in Sweden (where they have become the best-selling fitness drink). Func Food subsequently expanded distribution of our products to Finland in 2016 and Norway in 2018. In addition to Celsius’ products, Func Food also distributes products under the brands FAST, FitFarm and CocoVi. The FAST, FitFarm and CocoVi brands and associated products are owned by Func Food. FAST products is a market leader in Finland and has begun distribution into the Swedish market. FitFarm and CocoVi are well-established brands of superfoods and other supplements in the Nordic countries.

Prior to closing of the acquisition, Func Food had the following outstanding debt:

- Senior secured bonds (the “Outstanding Bonds”) in the principal amount of \$33,181,649 plus accrued but unpaid interest and default interest;
- Loans from Func Food’s principal shareholders, Sentica Buyout IV KY and Sentica Buyout IV Co-Investment Ky (collectively, “Sentica”) in the principal amount of \$9,965,916 plus accrued but unpaid interest (the “Sentica Loans”);
- A capital loan in the principal amount of \$55,627, plus accrued but unpaid interest and a shareholder loan in the principal amount of \$40,693, plus accrued but unpaid interest from Jutta Marketing Oy (the “Jutta Loans”);
- A subordinated convertible loan in the principal amount of \$338,078, plus accrued but unpaid interest from Joy Group Oy (the “Joy Loan”); and
- A subordinated vendor loan of \$1,680,000, plus accrued but unpaid interest from Magmax AB (the “Vendor Loan”).

Pursuant to the Acquisition Agreements, at closing the Outstanding Bonds were restructured into two new classes of bonds as follows:

- “Reinstated Bonds” issued to the existing holders of the Outstanding Bonds, Sentica (in exchange for the Sentica Loans) and management, as described below. The Reinstated Bonds are in the original principal amount of \$9,520,000 with an original issue discount of 5%, are due and payable on October 30, 2020, bear interest at the rate of 6%, payable semi-annually in arrears and are secured by a first priority lien on substantially all of Func Food’s assets.
- “Buyer Bonds” in the original principal amount of \$33,181,649, which have the same terms and conditions as the Reinstated Bonds but which are subordinated to the Reinstated Bonds. The Buyer Bonds were acquired by Celsius from the holders of the Outstanding Bonds for \$14,354,480. The purchase price of \$672,000 paid at closing by Celsius for the Jutta Loans, Joy Loan and Vendor Loan as described below and \$93,250 in cash will be paid at closing to members of Func Food management as part of a retention bonus, was deducted from the purchase price paid to the holders of the Outstanding Bonds for the Buyer Bonds. Celsius also has the option to convert up to \$4,480,000 in trade receivables from Func Food into Buyer Bonds.

The Reinstated Bonds and the Buyer Bonds constitute direct, unconditional, unsubordinated and secured obligations of Func Food and are guaranteed by all of Func Food’s subsidiaries. Celsius may, in its own discretion choose to repay up to 50% of the principal amount of the Reinstated Bonds at maturity by way of newly-issued shares of its common stock, at price per share equal to the lower of (i) 110% of the 30 day volume weighted average closing price for our shares at closing; and (ii) €3.50.

The Reinstated Bonds may be redeemed in full (but not in part) at Func Food’s option at any time prior to maturity at a redemption premium of 103% of the principal amount. In addition, if (a) prior to maturity of the Reinstated Bonds, Func Food’s FAST business is sold; or (b) on or after January 1, 2020, Celsius consummates a subsequent equity capital raise, the net proceeds from such transactions, to the fullest extent possible, shall be applied to redemption of the Reinstated Bonds.

The Reinstated Bonds and the Buyer Bonds have customary affirmative and negative covenants applicable to Func Food, including restrictions on distributions, pledging assets and incurring additional indebtedness, meeting quarterly liquidity and other financial compliance tests, providing periodic financial reports and requiring bondholder consent to amendments and waivers.

At closing of the acquisition, \$932,960 of the Reinstated Bonds were allocated to Sentica in exchange for the Sentica Loans, \$93,520 of the Reinstated Bonds were allocated to members of Func Food management as part of their retention bonus and the balance was allocated to the holders of the Outstanding Bonds.

At closing, Celsius acquired the Jutta Loans, Joy Loan and Vendor Loan for an aggregate of \$672,000 and all of the issued and outstanding capital stock of Func Food from Sentica and the other shareholders for nominal consideration of \$1.12. Celsius reimbursed other parties to the acquisition approximately \$580,000 in legal and advisory fees.

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 2018 and a Chinese corporate subsidiary, Celsius (Beijing) Beverage Co. Limited, also established in 2018.

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[®] 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[®] has no chemical preservatives, aspartame or high fructose corn syrup and is very low in sodium. Celsius[®] 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[®], which makes our beverages low-calorie and suitable for consumers whose sugar intake is restricted. Each 12 ounce can of Celsius[®] contains 200 milligrams of caffeine which is comparable to one 12-ounce cup of coffee from the leading coffeehouse.

Our original Celsius® product line is currently offered in nine flavors: orange, wild berry, cola, grape, kiwi-guava and watermelon (which are carbonated), and non-carbonated green tea raspberry/acai, green tea/peach mango green tea/grapefruit melon (introduced during 2019). Celsius® 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 2018, Celsius introduced its first product line extension focused on broadening the reach of Celsius® 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® products, our new natural ready-to -drink beverages are non-GMO, kosher and vegan certified and soy and gluten free.

During 2018, we also introduced the second line in our product portfolio, trainer's grade Celsius Heat™. Celsius Heat™ is also a dietary supplement, that uses the same proprietary thermogenic MetaPlus® formula as Celsius®, which is proven to accelerate metabolism, boost energy and accelerate calorie and fat burn when combined with exercise. Celsius Heat™, which is packed with 2,000mg of L-citrulline and 300mg of caffeine, comes in eight carbonated flavors: Apple Jack'd, Orangesicle, Inferno Punch, Cherry Lime, Blueberry Pomegranate, Strawberry Dragonfruit, Tangerine Grapefruit and Jackfruit.

In August 2019, we announced a further expansion to our product line in an innovative branched-chain amino acids (BCAA) functional beverage that fuels muscle recovery. The BCAA product line was initially launched in the fitness channel.

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.

As a result of completion of the acquisition of Func Food in October 2019, we acquired the beverages, protein bars, supplements and superfoods marketed and distributed in Finland, Sweden, and Norway. These products are distributed under the FAST, FitFarm and CocoVi brands and which are owned by Func Food. FAST products is a market leader in Finland and has begun distribution into the Swedish market. FitFarm and CocoVi are well-established brands of superfoods and other supplements in the Nordic countries.

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® was one of the first functional beverages to be launched along with a clinical study. Celsius® 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®. Each was conducted by a research organization and each studied the total Celsius® 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® 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. 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® and the placebo on metabolic rate. Twenty-two participants were randomly assigned to ingest a 12 ounce serving of Celsius® and on a separate day a serving of twelve ounces of Diet Coke®. 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® 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[®], 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. Significantly greater decreases in fat mass and percentage body fat and increases in VO₂ were observed in the subjects that consumed Celsius[®] 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[®] 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[®] 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[®] 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.

Func Food similarly has its FAST and other products manufactured by independent third parties in the Nordic countries.

Distribution

Domestic

In the United States and elsewhere in North America, Celsius[®] 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, and e-commerce websites.

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

International

We distribute our products in various foreign regions through regional and country-specific distribution partners. In October 2019, we acquired Func Food, our Nordic distribution partner, who markets both our products as well as other products under its own brands. Celsius intends to use Func Food as a platform to expand product distribution elsewhere in Europe.

Beginning in 2018, 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 2018, we entered China with our partner, Qifeng Food Technology (Beijing) Co., Ltd. (“Qifeng”). 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 was overwhelmingly positive and signals that our plan for broader product distribution in China is in-line with market opportunities. At the same time, we are also accelerated our distribution in Hong Kong through our partnership with A.S. Watson Industries. We believe that 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.

Effective January 1, 2019, we restructured our China distribution efforts by entering into a license and repayment of investment agreement with Qifeng, thereby creating a risk-mitigated method of capturing market share in China. Under the agreement, Qifeng was granted the exclusive license rights to manufacture, market and commercialize Celsius® brand products in China. Qifeng will pay a fixed royalty fee of \$6.9 million for the five years of the term of the agreement, transitioning to a volume-based royalty fee, thereafter. In addition, Qifeng Food will repay all capital Celsius has invested into the China market through 2018, over the same five-year period.

The first installment of the note from Qifeng was due on March 31, 2020. We were recently requested by Qifeng to provide a three-month extension of the due date for the first installment until June 30, 2019, due to the impact of the health crisis in China. In consideration of the extension, a guarantee was obtained for the full amount of the first-installment and the installment was collateralized by a pledge of 570,412 of our common shares held. Accordingly, Celsius granted the extension and as a result, payment in full of the first installment is expected to be made on or before paid on June 30, 2020.

In October 2019, we acquired Func Food, which distributed Celsius products (as well as its own branded products) in the Nordic countries. Celsius intends to use Func Food as a platform to expand product distribution elsewhere in Europe.

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 our Celsius® brand products 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® and MetaPlus® 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® formulation and product formulas.

We maintain our MetaPlus® 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.

As a result of the acquisition of Func Food in October 2019, we have acquired additional brands and tradenames.

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.

The marketing and sale of our products internationally is similarly subject to compliance with applicable laws, rules and regulations in those foreign countries where our products are sold.

Employees

As of the date of this Report, the Company employs 120 people, 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.

Although the Company generated net income available to common shareholder of \$9,971,260, for the year ended December 31, 2019, there has been a history of losses, including net losses available to common shareholders of \$11,419,781 for the year ended December 31, 2018. 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.

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® and our recent product line extensions, including Celsius Heat™. The risks associated with focusing on a limited product line are substantial. 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.

Our results of operations could be adversely affected by natural catastrophes or public health crises, in the locations in which we, our distributors or our suppliers operate.

A natural disaster could disrupt our operations, or our distributors' or suppliers' operations and delivery of products and could adversely affect our results of operations and financial condition. In addition, our international operations expose us to risks associated with public health crises, such as pandemics and epidemics, which could harm our business and cause our operating results to suffer. For example, since December 2019, an outbreak of a new strain of coronavirus in Wuhan, China and elsewhere (including Europe) has resulted in travel disruption and has affected certain companies' operations. At this point, the extent to which the coronavirus may impact our results is uncertain. However, since we operate on a fixed royalty basis in China we do not currently expect the coronavirus to have a material adverse effect on results of operations and financial condition.

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., Hansen 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® will achieve and maintain satisfactory levels of acceptance by independent distributors and retail consumers. Any failure of the Celsius® 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. The marketing and sale of our products internationally is similarly subject to compliance with applicable laws, rules and regulations in those foreign countries where our products are sold. 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.

Risks related to our recent acquisition of Func Food may adversely affect our business, financial condition and results of operations.

Any acquisition, including the recently completed acquisition of Func Food, involves potential risks, including, among other things:

- The validity of our assumptions about sales, revenues, operating expenses and costs;
- Our ability to successfully integrate the acquisition; and
- The assumption of unknown liabilities, losses or costs for which we are not indemnified or, where coverage is excluded or limited under the warranty and indemnity insurance policy.

If any of these risks were to materialize, the benefits of the Func Food acquisition may not be fully realized, if at all, and our business, financial condition and results of operations could be negatively impacted.

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

We are 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.

We are 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.

If we do not maintain an effective internal control environment as well as adequate control procedures over our financial reporting, investor confidence may be adversely affected thereby affecting the value of our stock price

We are required to maintain proper internal control over our financial reporting and adequate controls related to our disclosures. 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. If we fail to maintain adequate controls, our business, the results of operations, financial condition and/or the value of our stock may be adversely impacted.

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.

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 \$12,826. 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.

We also now have leased premises in Europe which have an aggregate monthly cost of approximately \$9,500. These leases have different periods and extend until January 2022.

Item 3. Legal Proceedings.

As previously reported, on December 18, 2018, Rockstar, Inc. (“Rockstar”) filed suit against Celsius in federal district court in the District of Nevada. Rockstar’s complaint alleged three claims for relief: (a) false advertising in violation of 15 USC § 1125(a); (b) violation of the Nevada Deceptive Trade Practice Act; and (c) Nevada common law unfair competition. On January 16, 2020 the parties entered into a non-monetary settlement of this litigation.

On April 8, 2019, Daniel Prescod filed suit against Celsius in the Superior Court for the State of California, County of Los Angeles (the “**Prescod Litigation**”). Daniel Prescod asserts that the Company’s use of citric acid in its products while simultaneously claiming “no preservatives” violates California Consumer Legal Remedies Act, California Business and Professions Code Section 17200, et seq., and California Business and Professions Code Section 17500, et seq., because citric acid acts as a preservative. The Company does not use citric acid as a preservative in its products, but rather as a flavoring, and therefore it believes that its “no preservatives” claim is fair and not deceptive. The Company intends to contest the claims vigorously. Since this matter is still in its initial stages, the Company is unable to predict the outcome at this time.

On January 24, 2020, Evlution Nutrition, LLC filed suit against Celsius in federal court for the Southern District of Florida, for trademark infringement (the “**Evlution Litigation**”). Evlution asserts that Celsius’ BCAA dietary supplement product’s use of BCAA + ENERGY infringes upon Evlution’s registered trademarks. The Company believes that Evlution’s trademarks are invalid, merely descriptive, and unenforceable and Celsius has filed a cancellation proceeding regarding those trademarks with the Trademark Trial and Appeal Board of the United States Patent and Trademark Office. The Company intends to defend against Evlution’s claims vigorously. Since this matter is still in its initial stages, the Company is unable to predict the outcome at this time.

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, 2018, our common stock has been listed on the Nasdaq Capital Market under the symbol “CELH.”

Securities Authorized for Issuance under Equity Compensation Plans

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by security holders | 6,528,378 shares(1) | \$ 3.58 | 399,572(1) |
| Equity Compensation plans not approved by security holders | 0 shares | n/a | 0 shares |
| Total | 6,528,378 shares(1) | 3.58 | 399,572(1) |

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

Results of operations for the year ended December 31, 2019, include the operations for Func Food as of the date of acquisition on October 25, 2019.

Year ended December 31, 2019 compared to year ended December 31, 2018**Revenue**

For the year ended December 31, 2019, revenue was approximately \$75.1 million, an increase of \$22.5 million or 43% from \$52.6 million for the year ended December 31, 2018. This revenue growth in 2019 was mainly associated with the results of the North American region which delivered an increase of \$20.8 million over last year or 53% increase from 2018. The European region provided \$14.5 million, an increase of \$5.2 million or 56% from \$9.3 million for the year ended December 31, 2018. Asian revenues for the year ended December 31, 2019 reflect the change in our China business model from a distribution model to a royalty and license fee arrangement, effective January 1, 2019. Accordingly, Asian revenue for 2019 related to product sales was \$492,000 and Asian revenue for 2019 related to royalties contributed an additional \$349,000. Revenues from all other regions in 2019 was \$191,000 a 4% increase from \$183,000 in 2018. The total increase in revenues from the 2018 period to the 2019 period was primarily attributable to an increase in sales volume, as opposed to increases in product pricing.

The following table sets forth the amount of revenues by category and changes therein for the years ended December 31, 2019 and December 31, 2018:

| Revenue Source | Year Ending December 31, | | Change (%) |
|------------------------|-----------------------------|---------------|------------|
| | 2019 | 2018 | |
| Total Revenue | \$ 75,146,546 | \$ 52,603,986 | 43% |
| North American Revenue | \$ 59,659,320 | \$ 38,905,235 | 53% |
| European Revenue | \$ 14,455,634 | \$ 9,239,312 | 56% |
| Asian Revenue | \$ 840,648 | \$ 4,276,155 | -80% |
| Other Revenue | \$ 190,944 | \$ 183,284 | 4% |

Gross profit

For the year ended December 31, 2019, gross profit increased by approximately \$10.2 million or 49% to \$31.3 million from \$21.1 million for the year ended December 31, 2018. Gross profit margins totaled 42% and 40% in the years ended December 31, 2019 and December 31, 2018, respectively. The increase in gross margin profitability is mainly related to reductions in product repackaging costs, freight costs and favorable impact of the consolidation of the European business as a result of the acquisition of Func Food. The increase in gross profit dollars from 2018 to 2019 is primarily attributable to the increases in revenue.

Sales and marketing expenses

Sales and marketing expenses for the year ended December 31, 2019, were approximately \$21.1 million, a decrease of approximately \$100,000 or .5% from \$21.2 million for the year ended December 31, 2018. The decrease is due primarily to the change in our China business model from a distribution model to a royalty and licensing framework effective January 1, 2019, which no longer requires direct marketing investments by Celsius. Excluding the impact of the reduction in sales and marketing expenses related to the China investment which amounted to \$7.2 million for the year ended December 31, 2019, our investment in marketing initiatives increased by \$1.3 million or 20% from 2018. These figures now include the marketing investments that are performed in our European business as of October 25, 2019. Moreover, our support to distributors and investments in trade activities were \$2.3 million higher for the year ended December 31, 2019 than for the same period last year, to support our expanded distribution network. Additionally, investments related to sales and marketing personnel costs which now include the European business as of the date of the acquisition, were \$1.7 million higher for the year ended December 31, 2019 than for the same period last year. Furthermore, broker commissions and storage & distribution costs were \$1.8 million higher in 2019, as compared to 2018, reflecting the increase in our business volume and the integration of Func Food's European operations following completion of the acquisition.

General and administrative expenses

General and administrative expenses for the year ended December 31, 2019 were approximately \$11.6 million, an increase of \$1.1 million, or 11%, from \$10.5 million for the year ended December 31, 2018. However, the prior year figures included \$1.0 million pertaining to a legal settlement with a former distributor. Therefore, the increase in general and administrative expenses excluding this prior year impact amounts to \$2.1 million. This increase was primarily due to higher stock-based compensation of \$540,000 and \$580,000 of acquisition related costs. Additionally, there were incremental expenses of \$452,000 pertaining to employee costs, \$250,000 pertaining to higher professional services, \$150,000 of depreciation & amortization and \$130,000 pertaining to other administrative costs, as these expenses also included the impact of the integration of Func Food's European operations after the acquisition.

Other Income/(expense)

Total other income increased by approximately \$11.9 million for year ended December 31, 2019 to \$11.4 million from a loss of \$565,000 for the year ended December 31, 2018, primarily as a result of the recognition of a gain pertaining to the restructuring agreement entered into with our Chinese distributor effective January 1, 2019, which, in addition to changing our business model from a distribution to a license and royalty arrangement, provided for the repayment of the investment the Company made in the China market during 2017 and 2018 over a five-year period, on an unsecured, interest-bearing basis. This has been recorded as a corresponding note receivable from our Chinese distributor on our balance sheet at December 31, 2019.

Net Income/Loss

As a result of all the above, for the year ended December 31, 2019, net income to common shareholders was approximately \$10.0 million, or \$0.16 per basic share based on a weighted average of 60,761,995 shares outstanding and after adding back interest expense on convertible notes of \$348,493 and amortization of discount on notes payable of \$239,570, a dilutive net income available to common shareholders of \$10.6 million or \$0.16 per share, based on a weighted average of 64,183,399 shares outstanding which includes the dilutive impact of the stock options of 1,153,231 shares and the dilutive effect of the convertible notes of 2,268,173 shares. In comparison, for the year ended December 30, 2018 we had net loss of approximately \$11.2 million, and after giving effect to preferred stock dividends of approximately \$213,133, a net loss available to common shareholders of \$11.4 million or a loss of \$0.23 per basic and diluted shares, based on a weighted average of 50,050,696 shares outstanding.

Liquidity and Capital Resources

As of December 31, 2019, and December 31, 2018, we had cash of approximately \$23.1 million and \$7.7 million, respectively and working capital of approximately \$24.8 million and \$19.6 million, respectively. Cash provided by operations during the year ended December 31, 2019, totaled approximately \$1.0 million reflecting the net adjusted economic profitability from operations of \$3.7 million and an increase in accounts payable of \$2.6 million which was partially offset by increases in accounts receivable, inventories, pre-paid expenses as well as decrease in other liabilities for a total use of cash in these areas of \$5.3 million. Cash used in operations for the year ended December 31, 2018 was \$11.6 million mainly related to increases in inventories on hand, pre-paid expenses, investments in sales and marketing programs as well as human resources initiatives.

In addition to cash flow from operations, our primary sources of working capital in recent years have been private placements of our securities and our credit facilities with CD Financial, LLC (“**CD Financial**”), an affiliate of Carl DeSantis, a principal shareholder of the Company, as well as Charmnew Limited (“**Charmnew**”) and Grieg International Limited (“**Grieg**”).

On September 16, 2019, the Company consummated a public offering of an aggregate of 7,986,110 shares, of its common stock at a public offering price of \$3.60, which included the exercise in full by the underwriters of their option to purchase an additional 1,041,666 Shares. B. Riley FBR, Inc. acted as lead underwriter for the offering. The Company received net proceeds from the offering of approximately \$26.9 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by the Company. The Company used a portion of the net proceeds of the offering to fund the cash needed to consummate the acquisition of Func Food and related fees, costs and expenses. The remaining net proceeds of the offering are being used for general corporate purposes, including funding marketing initiatives and expanding European distribution of Celsius products.

Celsius had entered into Convertible Loan Agreements (with Charmnew and Grieg on December 12, 2018, and with CD Financial, on December 14, 2018, providing for aggregate loans to the Company in principal amounts of \$3,000,000, \$2,000,000 and \$5,000,000, respectively. In connection with the Loan Agreements, the Company executed and delivered Convertible Promissory Notes (the “Notes”) in favor of each of Charmnew, Grieg and CD Financial. The Notes had a maturity date of the second anniversary after issuance and bore interest at the rate of 5% per annum payable semi-annually. Upon consummation of our September 2019 public offering, the principal amount of and all accrued but unpaid interest on the Notes held by Charmnew, Grieg and CD Financial converted, in accordance with their terms, into 1,022,568, 681,712 and 1,492,180 shares of our common stock, at a conversion price of \$3.04, \$3.04 and \$3.39, respectively.

Our current cash position and operating plan for the next twelve (12) months indicates 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, 2019, 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.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures.

Disclosure controls and procedures

Our President and Chief Executive Officer as well as our Chief Financial Officer, 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, 2019, 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 President and Chief Executive Officer (our principal executive officer) and our Chief Financial Officer (our principal financial and accounting officer), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, our President and Chief Executive Officer and our Chief Financial Officer have concluded that as of December 31, 2019, our disclosure controls and procedures were effective in that (a) we maintain records that in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (b) our records provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and board of directors; and (c) our records provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our President and Chief Executive Officer and our 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 and our Chief Financial Officer have 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 (defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our President and Chief Executive Officer and our Chief Financial Officer, conducted an evaluation of the effectiveness of internal control over financial reporting as of December 31, 2019, based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013). 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.

Management has excluded the acquired business from management's report on internal control over financial reporting.

Based on the evaluation conducted under the above-referenced framework, our President and Chief Executive Officer and our Chief Financial Officer concluded that as of December 31, 2019, our internal control over financial reporting was 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.

Attestation Report of the Registered Public Accounting Firm

Effective with the filing of this report, the Company is deemed to be an "**accelerated filer**" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended. Accordingly, we have included the Report of Independent Registered Public Accounting Firm in Item 8 setting forth our registered public accounting firm's attestation report on the Company's internal control over financial reporting in accordance with Item 308 (b) of Regulation S-K.

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, 2019, 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:

| Name | Age | Position with the Company |
|-----------------------|-----|--------------------------------------|
| John Fieldly | 40 | Chief Executive Officer and Director |
| Edwin Negron-Carballo | 58 | Chief Financial Officer |
| Nicholas Castaldo | 68 | Director |
| Regan Ebert | 54 | Director |
| Hal Kravitz | 62 | Director |
| Kevin Harrington | 63 | Director |
| Tony Lau | 28 | Director |
| Thomas E. Lynch | 72 | Director |
| William H. Milmo | 71 | Director |

John Fieldly was named Chief Executive Officer in April 2018 and has served as a director since March 2017. Mr. Fieldly originally joined Celsius in January 2012 as its Chief Financial Officer and from March 2017 to March 2018 served as Interim Chief Executive Officer and Chief Financial Officer. Prior to joining Celsius Holdings, Inc. he held leadership roles at Lebhar-Friedman, Orogenics, Inc. and Eckerd Drugs, Inc. Mr. Fieldly is a Certified Public Accountant in Florida. Mr. Fieldly's long tenure with the Company makes him a valuable member of the board of directors in addition to his position as Chief Executive Officer.

Edwin Negron-Carballo became Chief Financial Officer in July 2018. He is well versed in USGAAP and IFRS as a Certified Public Accountant and has significant experience in mergers and acquisitions. Mr. Negron-Carballo served as the Chief Financial Officer of Concurrent Manufacturing Solutions, LLC from October 2012 to December 2017. Mr. Negron-Carballo's prior experience also includes working for major companies such as KPMG, Sodexo, S.A., Tyco Healthcare-Latin America, Energizer Battery and Frito-Lay.

Nicholas Castaldo Mr. Castaldo joined the Board in March 2013. His career spans over 30 years in consumer businesses in the food and beverage industry with executive positions in public and private companies, multi-nationals and start-ups. He is an Equity Partner and Advisory Board member of Lime Fresh Mexican Grill, a fast-casual Mexican restaurant chain and served as the company's CMO for 2 years. Mr. Castaldo was an Equity Partner and member of the founding management team of Anthony's Coal Fired Pizza, a casual dining restaurant chain, and served as President, Senior Vice-President/Chief Marketing Officer, and Board Member for 12 years. He served for 8 years as President of Pollo Tropical, a Miami-based fast casual restaurant chain. He has held senior Marketing positions at Denny's, CitiCorp Savings and Burger King. He is an Adjunct Professor at the H. Wayne Huizenga College of Business and Entrepreneurship at Nova Southeastern University teaching courses in Marketing and Entrepreneurship and earned a MBA from Harvard University.

Regan Ebert became a director of Celsius in May 2019. From 2012 to 2019, Ms. Ebert has served as Senior Vice President of Marketing for Dr Pepper Snapple Group. Prior to joining Dr Pepper Snapple Group, Ms. Ebert spent 10 years with PepsiCo working in both their Frito-Lay and Quaker Foods divisions and spent 5 years at General Mills working in several divisions including snacks, cereals and desserts. Ms. Ebert brings expertise in brand marketing, media and advertising, and innovation strategy and commercialization expertise making her a valuable member of the board of directors.

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., a 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. Mr. Harrington's extensive experience in product marketing makes him a valuable member of the board of directors.

Hal Kravitz became a director of Celsius in April 2016. Since November of 2019, Mr Kravitz has served as President, Certified Management Group, a division of Advantage Solutions. From 2014 to 2018, Mr. Kravitz served as Chief Executive Officer of AQUAhydrate, Inc., a company engaged in the manufacture, distribution and marketing of bottled water. 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. We believe that Mr. Kravitz's extensive experience in the beverage industry makes him a valuable member of the board of directors.

Tony Lau joined our board of directors in April 2019. Mr. Lau is an investor and director of consumer and retail investments at Horizons Ventures, Limited (“**Horizons Ventures**”), a Hong Kong based private investment fund, with whom he has been affiliated since 2014. Mr. Lau also manages China businesses and expansion for Horizons portfolio companies. Prior to Horizons, Mr. Lau was an investment banker with Goldman Sachs, specializing in technology, media and telecommunications investment. Mr. Lau currently serves on the board of directors of ChromaDex Corp. (Nasdaq: CDXC), a patented and proprietary ingredient technologies company. Mr. Lau earned a B.A. in Economics and Finance from Peking University and is currently pursuing the Business Scholars Program (DBA) degree at the Cheung Kong Graduate School of Business (CKGSB). The Company believes Mr. Lau is qualified to serve on the board of directors due to his extensive and unique business background.

Thomas E. Lynch became a director of the Company in November 2009. For over forty-five (45) years, he served as President of the Plastridge Insurance Agency, Inc., a multi-office insurance agency based in Delray Beach, Florida. He is currently the Chairman of the Board. The agency traces its origins back to 1919. Mr. Lynch has served on many different boards throughout the State of Florida and has also served as an elected official on several governmental boards. He is currently the Mayor of the Village of Golf, Florida.

William H. Milmo 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. William is a CPA and prior to joining CDS consulted on various business and tax matters along with five years of service with PricewaterhouseCoopers.

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, Lau 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 are 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 Lau are the co-chairmen 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, 2019 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.

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, 2019, 2018 and 2017.

| <u>Name and Principal Position</u> | <u>Year</u> | <u>Salary (\$)</u> | <u>Bonus (\$)</u> | <u>Stock Awards (#)</u> | <u>Other (\$)</u> | <u>Total (\$)</u> |
|-------------------------------------------|-------------|--------------------|-------------------|-------------------------|-------------------|-------------------|
| John Fieldly, CEO ⁽¹⁾ | 2019 | 422,300 | 234,377 | 400,000(3) | 5,889 | 662,566 |
| | 2018 | 410,000 | 223,450 | 450,000(4) | 8,668 | 642,118 |
| | 2017 | 375,000 | 214,688 | 200,000 | — | 589,688 |
| Edwin Negron-Carballo, CFO ⁽²⁾ | 2019 | 206,000 | 67,980 | 350,000(5) | 508 | 274,488 |
| | 2018 | 92,308 | 33,825 | 150,000(6) | 658 | 126,791 |
| | 2017 | — | — | — | — | — |

(1) Mr. Fieldly was appointed Chief Executive Officer on April 16, 2018. Mr. Fieldly joined Celsius in January 2012 as its Chief Financial Officer and from March 2017 to March 2018 served as Interim Chief Executive Officer and Chief Financial Officer.

(2) Mr. Negron-Carballo joined the Company on July 18, 2018 as Chief Financial Officer.

(3) Represents stock options granted under our 2015 Incentive Stock Plan to purchase 150,000 and 150,000 shares of common stock at an exercise price of \$3.72 and \$3.23 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 where 40,000 shares are immediately vested and 60,000 shares vest in the sole discretion by the Board of Directors upon their determination on October 23, 2020, that Func Food's operations have been successfully integrated into the Company.

(4) Represents stock options granted under our 2015 Incentive Stock Plan to purchase 150,000 and 300,000 shares of common stock at an exercise price of \$5.80 and \$4.48 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.

(5) Represents stock options granted under our 2015 Incentive Stock Plan to purchase 150,000 and 150,000 shares of common stock at an exercise price of \$3.72 and \$3.23 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 50,000 share restricted stock award was granted to Mr. Negron-Carballo subject to a vesting schedule where 20,000 shares are immediately vested and 30,000 shares vest in the sole discretion by the Board of Directors upon their determination on October 23, 2020, that Func Food's operations have been successfully integrated into the Company.

(6) Represents stock options granted under our 2015 Incentive Stock Plan to purchase 150,000 shares of common stock at an exercise price of \$4.60 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, executive officers are entitled to participate in benefit plans maintained for employees of the Company generally.

Employment and Consulting Agreements

On April 16, 2018, the Company entered into an employment agreement with John Fieldly in connection with Mr. Fieldly's appointment as Chief Executive Officer of the Company. The initial term of the employment agreement is through December 31, 2020. The employment agreement provides for a base annual salary of \$410,000, eligibility for performance-based incentive bonuses, pursuant to such criteria as may be established by our compensation committee and the grant of options to Mr. Fieldly under our 2015 Incentive Stock Plan to purchase 300,000 shares of our common stock. The employment agreement provides for severance payments equal to (i) the annual base salary and a *pro rata* performance bonus for the number of months remaining in the term (up to a maximum of 6 months) in the event of termination upon death; (ii) twelve months' salary 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 total compensation (including performance bonus, if any) for the two prior calendar years 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.

Compensation of Directors Table

The following table summarizes all compensation paid to our directors for the fiscal year ended December 31, 2019.

| Name | Fees Earned or Paid in Cash (\$) | Option/Equity Awards (#) ⁽¹⁾ | Non-Equity Plan Compensation (\$) | Non-Qualified Deferred Compensation Earnings (\$) | All Other Compensation (\$) | Total (\$) |
|-------------------|----------------------------------|-----------------------------------------|-----------------------------------|---------------------------------------------------|-----------------------------|------------|
| Nicholas Castaldo | 12,000 | 110,000 | — | — | — | 12,000 |
| Kevin Harrington | 12,000 | 110,000 | — | — | — | 12,000 |
| Hal Kravitz | 12,000 | 110,000 | — | — | — | 12,000 |
| Regan Ebert | 9,000 | 105,000 | — | — | — | 9,000 |
| Tony Lau | — | 110,000 | — | — | — | — |
| John Fieldly | — | — | — | — | — | — |
| Thomas E. Lynch | 12,000 | 110,000 | — | — | — | 12,000 |
| William H. Milmo | 12,000 | 110,000 | — | — | — | 12,000 |

(1) Represents options to purchase 55,000 and 55,000 shares of common stock at an exercise price of \$3.73 and \$3.23 per share granted under our 2015 Incentive Stock Plan in February 2019. In addition, Regan Ebert received options to purchase 50,000 and 55,000 shares of common stock at an exercise price of \$4.42 and \$3.23 per share granted under our 2015 Incentive Stock Plan in June 2019.

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, 2019.

| Name | Number of securities underlying unexercised Options (#) ⁽¹⁾ | | Number of securities underlying unexercised unearned options (#) ⁽¹⁾ | Weighted average option exercise price (\$) ⁽¹⁾ | Option expiration date |
|---------------------------|------------------------------------------------------------------------|----------------|---------------------------------------------------------------------------------|------------------------------------------------------------|------------------------|
| | Exercisable | Un-exercisable | | | |
| John Fieldly CEO | 673,333 | 560,000 | 560,000 | 2.54 | Various |
| Edwin Negron-Carballo CFO | 100,000 | 380,000 | 380,000 | 3.79 | 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 752,794 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 awards thereunder) expired in January 2019.

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. There are 6,175,156 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 5,775,584 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 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⁽¹⁾</u> | <u>Percentage of class (%)</u> |
|----------------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------|
| John Fieldly | 1,063,334(1) | 1.5 |
| Edwin Negron | 140,000(2) | * |
| Nicholas Castaldo | 310,645(3) | * |
| Regan Ebert | 16,667(4) | * |
| Tony Lau | 101,667(5) | * |
| Hal Kravitz | 201,667(6) | * |
| Kevin Harrington | 317,475(7) | * |
| Thomas E. Lynch | 332,709(8) | * |
| William H. Milmo | 23,662,517(9) | 33.5 |
| all officers and directors as a group (nine (9) persons) | 26,146,681(10) | 37.0 |
| Other 5% or greater shareholders: | | |
| Carl DeSantis 3161 Jasmine Drive Delray Beach, Florida 33483 | 23,388,990(11) | 33.1 |
| Li Ka Shing 7/F Cheung Kong Center 2 Queen's Road Central Hong Kong | 9,066,014(12) | 12.8 |
| Solina Chau Hoi Shuen House 4 2 Island Road, Hong Kong. | 6,279,964(13) | 8.9 |
| Kimora Lee Simmons 512 Seventh Avenue, 43 rd Floor New York, NY 10018 | 3,972,659(14) | 5.6 |

* 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 (a) 706,668 shares of our common stock that are issuable upon exercise of stock options and restricted stock rights and (b) 356,666 shares of common stock held of record by Mr. Fieldly.
- (2) Represents (a) 120,000 shares of common stock issuable upon the exercise of stock options and (b) 20,000 shares of common stock held of record by Mr. Negron.
- (3) Represents (a) 141,667 shares of common stock issuable upon the exercise of stock options and (b) 168,978 shares of common stock held of record by Mr. Castaldo.
- (4) Represents shares of common stock issuable upon the exercise of stock options.
- (5) Represents shares of common stock issuable upon the exercise of stock options.
- (6) Represents shares of common stock issuable upon the exercise of stock options.
- (7) Represents (a) 181,667 shares of common stock issuable upon the exercise of stock options and (b) 135,808 shares of common stock held of record by Mr. Harrington.
- (8) Represents (a) 183,625 shares of common stock issuable upon the exercise of stock options and (b) 149,084 shares of common stock held of record by Mr. Lynch.
- (9) Represents (a) 169,902 shares of common stock held of record by Mr. Milmo; (b) 103,625 shares of common stock issuable upon exercise of stock options; (c) 14,360,311 shares of common stock held of record by CDS Ventures, LLC (“CDS Ventures”); (d) 9,028,679 shares of common stock 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.
- (10) Includes (a) the shares of common stock issuable upon the exercise of stock options and the owned and held of record by CD Financial and CDS Ventures, LLC beneficially owned by Mr. Milmo as set forth in footnote (9) above; and (b) the shares of common stock issuable upon the exercise of stock options and the shares owned and held of record by the Company’s other officers and directors as set forth in footnotes (1) – (8) above.
- (11) Represents (a) 14,360,311 shares of common stock held of record by CDS Ventures and (b) 9,028,679 shares of common stock 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. De Santis has sole dispositive power with respect to such shares.
- (12) Represents 9,066,014 shares of common stock held of record by Chamnew Limited
- (13) Represents 6,279,964 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.
- (14) Represents shares of common stock held of record.

Securities Authorized for Issuance under Equity Compensation Plans

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights | Weighted-average exercise price of outstanding options, warrants and rights | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|------------------------------------------------------------|---------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by security holders | 6,528,378 shares(1) | \$ 3.58 | 399,572(1) |
| Equity Compensation plans not approved by security holders | 0 shares | n/a | 0 shares |
| Total | 6,528,378 shares(1) | 3.58 | 399,572(1) |

(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 Financial. The lease expires in October 2020 and provides for monthly rent of \$12,826. We believe that the monthly rent is commensurate with other properties available in the market.

Loans with Affiliates

Celsius entered into Convertible Loan Agreements (the "Loan Agreements") with Chamnew and Grieg on December 12, 2018, and with CD Financial, on December 14, 2018, providing for aggregate loans to the Company in principal amounts of \$3,000,000, \$2,000,000 and \$5,000,000, respectively. In connection with the Loan Agreements, the Company executed and delivered Convertible Promissory Notes (the "Notes") in favor of each of Chamnew, Grieg and CD Financial. The Notes had a maturity date of the second anniversary after issuance and bore interest at the rate of 5% per annum payable semi-annually. Upon consummation of our September 2019 public offering, the principal amount of and all accrued but unpaid interest on the Notes held by Chamnew, Grieg and CD Financial converted, in accordance with their terms, into 1,022,705, 681,803 and 1,492,385 shares of our common stock, at a conversion price of \$3.04, \$3.04 and \$3.39, respectively.

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 audit, tax and Sarbanes-Oxley compliance fees billed to us for professional services rendered for the years ended December 31, 2019 and 2018, respectively.

| | Year ended December 31, | |
|-------------------------------|----------------------------|------------|
| | 2019 | 2018 |
| Audit fees ⁽¹⁾ | \$ 179,100 | \$ 119,500 |
| Tax fees ⁽²⁾ | \$ 8,750 | \$ 8,750 |
| All other fees ⁽³⁾ | \$ 70,462 | \$ 52,120 |

(1)-Audit fees consist of billings for the audit of the Company's consolidated financial statements by Assurance Dimensions including the Company's Registration Statement on Form 10, our Annual Reports on Form 10-K and reviews of the consolidated financial statements included in our Quarterly Reports on Form 10-Q and Sarbanes-Oxley compliance in 2019.

(2)-Tax fees related to paid to our tax professionals regarding tax processes and the filing of our tax returns.

(3)-All other Fees, mainly pertain to Sarbanes-Oxley related work, performed by a specialized external audit firm in 2019. The 2019 figures include audit and all related accounting services pertaining to our European business as of the date of the acquisition. The 2019 figures reflect the impact of the European business integration as of the date of the acquisition.

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, 2019 and 2018

Consolidated Statements of Operations for the years ended December 31, 2019 and 2018

Consolidated Statements of Comprehensive Income for the years ended December 31, 2019 and 2018

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2019 and 2018

Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018

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.**

| Exhibit No. | Description |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| 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*[†] |
| 10.4 | 2015 Incentive Stock Plan*[†] |
| 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 John Fieldly*[†] |
| 10.10 | Common Stock Purchase Agreement dated April 20, 2015* |
| 10.11 | Employment Agreement effective January 1, 2017 between the Company and John Fieldly*^{†**} |
| 10.12 | Addendum to Employment Agreement effective March 1, 2017 between the Company and John Fieldly*^{†**} |
| 10.13 | Employment Agreement dated April 16, 2018 between the Company and John Fieldly*^{†***} |
| 10.14 | Convertible Loan Agreement between the Company and Charmew Limited dated December 12, 2019**** |
| 10.15 | Convertible Loan Agreement between the Company and Grieg International Limited dated December 12, 2019**** |
| 10.16 | Amended and Restated Convertible Loan Agreement between the Company and CD Financial, LLC dated December 14, 2018**** |
| 10.17 | Convertible Promissory Note in favor of Charmew Limited dated December 12, 2018**** |
| 10.18 | Convertible Promissory Note in favor of Grieg International Limited dated December 12, 2018**** |
| 10.19 | Master Transfer Agreement dated effective September 11, 2019**** |
| 21.1 | Subsidiaries of Registrant***** |
| 23.1 | Consent of Independent Registered Public Accounting Firm***** |
| 31.1 | Section 302 Certification by Chief Executive Officer***** |
| 31.2 | Section 302 Certification by Chief Financial Officer***** |
| 32.1 | Section 906 Certification by Chief Executive Officer***** |
| 32.2 | Section 906 Certification by Chief Financial Officer***** |

[†]Management compensation plan or arrangement.

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

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

***Previously filed as an Exhibit to the Company's Current Report on Form 8-K dated April 20, 2018 and incorporated herein by reference.

****Previously filed as an Exhibit to the Company's Current Report on Form 8-K dated December 19, 2018 and incorporated herein by reference.

*****Filed as an Exhibit to the Company's Current Report on Form 8-K dated September 11, 2019 and incorporated herein by reference.

***** Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 12, 2020

CELSIUS HOLDINGS, INC.

By: /s/ John Fieldly
John Fieldly, Chief Executive Officer
(Principal executive officer)

By: /s/ Edwin Negron-Carballo
Edwin Negron-Carballo, Chief Financial Officer
(Principal 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.

| <u>Signatures</u> | <u>Title(s)</u> | <u>Date</u> |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------|----------------|
| <u>/s/ John Fieldly</u> John Fieldly | President, Chief Executive Officer and Director (Principal executive officer) | March 12, 2020 |
| <u>/s/ Edwin F. Negron-Carballo</u> Edwin F. Negron-Carballo | Chief Financial Officer (Principal financial and accounting officer) | March 12, 2020 |
| <u>/s/ Kevin Harrington</u> Kevin Harrington | Director | March 12, 2020 |
| <u>/s/ Hal Kravitz</u> Hal Kravitz | Director | March 12, 2020 |
| <u>/s/ Tony Lau</u> Tony Lau | Director | March 12, 2020 |
| <u>/s/ Thomas E. Lynch</u> Thomas E. Lynch | Director | March 12, 2020 |
| <u>/s/ William H. Milmo</u> William H. Milmo | Director | March 12, 2020 |
| <u>/s/ Regan Ebert</u> Regan Ebert | Director | March 12, 2020 |
| <u>/s/ Nicholas Castaldo</u> Nicholas Castaldo | Director | March 12, 2020 |

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

| | <u>Page</u> |
|---------------------------------------------------------------------------------------------------------------------------|-------------|
| Report of Independent Registered Public Accounting Firm | F-2 |
| Consolidated Balance Sheets as of December 31, 2019 and 2018 | F-3 |
| Consolidated Statements of Operations for the years ended December 31, 2019 and 2018 | F-4 |
| Consolidated Statements of Comprehensive Income/(loss) for the years ended December 31, 2019 and 2018 | F-5 |
| Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2019 and 2018 | F-6 |
| Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018 | F-7 |
| Notes to Consolidated Financial Statements | F-8 |



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Celsius Holdings, Inc. (the Company) as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2019, and the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018 and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control—Integrated Framework (2013)* issued by COSO.

Basis for Opinion

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. 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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated 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 audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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.

/s/ Assurance Dimensions

We have served as the Company's auditor since 2017.

Coconut Creek, Florida
March 12, 2020

Celsius Holdings, Inc.
Consolidated Balance Sheets

| ASSETS | December 31, 2019 | December 31, 2018 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| Current assets: | | |
| Cash | \$ 23,090,682 | \$ 7,743,181 |
| Accounts receivable-net (note 2) | 7,774,618 | 12,980,396 |
| Note receivable-current (note 6) | 1,181,116 | - |
| Inventories-net (note 4) | 15,292,349 | 11,482,701 |
| Prepaid expenses and other current assets (note 5) | 4,170,136 | 2,299,375 |
| Total current assets | <u>51,508,901</u> | <u>34,505,653</u> |
| Notes Receivable (note 6) | 10,630,041 | - |
| Property and equipment-net (note 8) | 132,889 | 121,854 |
| Right of use assets (note 7) | 809,466 | - |
| Long term security deposits | 104,134 | - |
| Intangibles (note 9) | 17,173,000 | - |
| Goodwill (note 9) | 10,023,806 | - |
| Total Assets | \$ 90,382,236 | \$ 34,627,507 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses (note 11) | \$ 17,292,647 | \$ 14,845,211 |
| Lease liability obligation (note 7) | 649,074 | - |
| Bonds payable-net (note 14) | 8,634,279 | - |
| Other current liabilities (note 12) | 107,399 | 19,933 |
| Total current liabilities | <u>26,683,399</u> | <u>14,865,144</u> |
| Long-term liabilities: | | |
| Lease liability obligation (note 7) | 239,848 | - |
| Revolving line of credit-note payable-related party (note 13) | - | 3,500,000 |
| Convertible note payables-related party-net (note 13) | - | 4,459,381 |
| Total Liabilities | <u>26,923,247</u> | <u>22,824,525</u> |
| Commitments and contingences (note 20) | | |
| Stockholders' Equity: | | |
| Preferred Stock, \$0.001 par value; 2,500,000 shares authorized, zero shares issued and outstanding at December 31, 2019 and December 31, 2018 (note 15) | - | - |
| Common stock, \$0.001 par value; 75,000,000 shares authorized, 68,941,311 and 57,002,508 shares issued and outstanding at December 31, 2019 and December 31, 2018, respectively (note 17) | 68,942 | 57,003 |
| Additional paid-in capital | 127,552,998 | 85,153,667 |
| Accumulated other comprehensive loss | (753,520) | (26,997) |
| Accumulated deficit | (63,409,431) | (73,380,691) |
| Total Stockholders' Equity | <u>63,458,989</u> | <u>11,802,982</u> |
| Total Liabilities and Stockholders' Equity | \$ 90,382,236 | \$ 34,627,507 |

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, | |
|-----------------------------------------------------------|--------------------------------------------|------------------------|
| | 2019 | 2018 |
| Revenue | \$ 75,146,546 | \$ 52,603,986 |
| Cost of revenue | 43,844,733 | 31,543,608 |
| Gross profit | 31,301,813 | 21,060,378 |
| Selling and marketing expenses | 21,129,722 | 21,213,530 |
| General and administrative expenses | 11,620,534 | 10,487,592 |
| Total operating expense | 32,750,256 | 31,701,122 |
| Loss from operations | (1,448,443) | (10,640,744) |
| Other Income/(Expense): | | |
| Interest income on note receivable (note 6) | 381,728 | - |
| Interest expense | (509,430) | (174,409) |
| Interest on other obligations | (57,579) | - |
| Loss on debt extinguishment | - | (377,048) |
| Amortization of discount on notes payable | (707,286) | (14,447) |
| Amortization of discount on bonds payable | (119,188) | - |
| Other miscellaneous expense | (29,579) | - |
| Gain on investment repayment-(note 6) | 12,461,037 | - |
| Total Other Income/(Expense) | 11,419,703 | (565,904) |
| Net Income/(Loss) | 9,971,260 | (11,206,648) |
| Preferred stock dividend – other | - | (213,133) |
| Net Income/(Loss) available to common stockholders | \$ 9,971,260 | \$ (11,419,781) |
| Income/(Loss) per share: | | |
| Basic | \$ 0.16 | \$ (0.23) |
| Diluted | \$ 0.16 | \$ (0.23) |
| Weighted average shares outstanding: | | |
| Basic | 60,761,995 | 50,050,696 |
| Diluted ¹ | 64,183,399 | 50,050,696 |

1 Please refer to Earnings per Share section for further details

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

Celsius Holdings, Inc.
Consolidated Statements of Comprehensive Income/(loss)
For the years ended December 31, 2019 and 2018

| | For the year ended December 31, | |
|-----------------------------------------------------------------|--------------------------------------------|------------------------|
| | 2019 | 2018 |
| Net Income/(Loss) available to common stockholders, as reported | \$ 9,971,260 | \$ (11,419,781) |
| Other comprehensive income/(loss): | | |
| Unrealized foreign currency translation (loss)/income | (60,580) | 12,381 |
| Comprehensive income/(loss) | <u>\$ 9,910,680</u> | <u>\$ (11,407,400)</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, 2019 and 2018

| | <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> | | | | |
| Balance at December 31, 2017 | 6,760 | \$ 7 | 45,701,593 | \$ 45,702 | \$ 79,101,824 | \$ (39,378) | \$ (61,960,910) | \$ 17,147,245 |
| Preferred stock C - conversion to common stock | (3,016) | (3) | 5,806,022 | 5,806 | | | | 5,803 |
| Issuance of preferred stock for conversion of accrued dividends | 256 | | | | 255,903 | | | 255,903 |
| Preferred stock D - conversion to common stock | (4,000) | (4) | 4,651,163 | 4,651 | (10,450) | | | (5,803) |
| Stock option expense | | | | | 4,293,797 | | | 4,293,797 |
| Issuance of common stock in exchange of service | | | 60,000 | 60 | 279,540 | | | 279,600 |
| Issuance of common stock pursuant to exercise of stock options - Cashless | | | 313,008 | 313 | (313) | | | - |
| Issuance of common stock pursuant to exercise of stock options - Cash | | | 470,722 | 471 | 301,252 | | | 301,723 |
| Loss on debt extinguishment | | | | | 377,048 | | | 377,048 |
| Beneficial Conversion Feature on Convertible Instruments | | | | | 555,066 | | | 555,066 |
| Preferred stock dividend | | | | | | | (213,133) | (213,133) |
| Foreign currency translation | | | | | | 12,381 | | 12,381 |
| Net loss | | | | | | | (11,206,648) | (11,206,648) |
| Balance at December 31, 2018 | - | \$ - | 57,002,508 | \$ 57,003 | \$ 85,153,667 | \$ (26,997) | \$ (73,380,691) | \$ 11,802,982 |
| Issuance of common stock from public offering | | | 7,986,110 | 7,986 | 26,947,451 | | | 26,955,437 |
| Issuance of common stock on conversion of note payable | | | 3,196,460 | 3,196 | 10,230,136 | | | 10,233,332 |
| Stock option expense | | | | | 4,831,750 | | | 4,831,750 |
| Issuance of common stock pursuant to exercise of stock options - Cashless | | | 510,649 | 511 | (511) | | | - |
| Issuance of common stock pursuant to exercise of stock options - Cash | | | 245,584 | 246 | 223,837 | | | 224,083 |
| Beneficial Conversion Feature on Convertible Instruments | | | | | 166,668 | | | 166,668 |
| Foreign currency translation | | | | | | (726,523) | | (726,523) |
| Net income | | | | | | | 9,971,260 | 9,971,260 |
| Balance at December 31, 2019 | - | \$ - | 68,941,311 | \$ 68,942 | \$ 127,552,998 | \$ (753,520) | \$ (63,409,431) | \$ 63,458,989 |

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, 2019 | December 31, 2018 |
| Cash flows from operating activities: | | |
| Net income/(loss) | \$ 9,971,260 | \$ (11,206,648) |
| Adjustments to reconcile net income/(loss) to net cash provided/used in operating activities: | | |
| Depreciation | 66,939 | 72,162 |
| Amortization | 826,474 | - |
| Loss on Debt Extinguishment | - | 377,048 |
| Stock-based compensation expense for services | - | 279,600 |
| Stock-based compensation expense | 4,831,750 | 4,293,797 |
| Bad debt allowance | 109,393 | - |
| Inventory excess and obsolescence allowance | 331,985 | - |
| Gain on China transaction | (12,461,037) | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable-net | (1,432,980) | (6,604,738) |
| Inventory | (2,239,254) | (6,177,196) |
| Prepaid expenses and other current assets | (805,571) | (1,118,930) |
| Accounts payable and accrued expenses | 2,624,892 | 8,533,388) |
| Accrued preferred dividends | - | (96,916) |
| Change in Right to Use and Lease Obligation-net | 105,943 | - |
| Deposits/deferred revenue and other current liabilities | (895,806) | 2,013 |
| Net cash used in operating activities | <u>1,033,988</u> | <u>(11,646,420)</u> |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (77,974) | (110,417) |
| Cash consideration for acquisition-net of cash from acquisition | (14,188,056) | - |
| Net cash used in investing activities | <u>(14,266,030)</u> | <u>(110,417)</u> |
| Cash flows from financing activities: | | |
| Principal Payments-Finance Leases | (26,486) | - |
| Proceeds from notes payable-related-party, net | 1,500,000 | 5,000,000 |
| Net proceeds from sale of common stock | 26,955,437 | - |
| Proceeds from exercise of stock options | 224,083 | 301,013 |
| Net cash provided by financing activities | <u>28,653,034</u> | <u>5,301,013</u> |
| Effect on exchange rate changes on cash and cash equivalents | (73,491) | (12,381) |
| Net increase/(decrease) in cash and cash equivalents | 15,347,501 | (6,443,443) |
| Cash and cash equivalents at beginning of the year | <u>7,743,181</u> | <u>14,186,624</u> |
| Cash and cash equivalents at end of the year | <u>\$ 23,090,682</u> | <u>\$ 7,743,181</u> |
| Supplemental disclosures: | | |
| Cash paid during period for: | | |
| Interest | \$ 131,528 | \$ 174,409 |
| Preferred Dividends | \$ - | \$ 40,000 |
| Non-cash investing and financing activities: | | |
| Accrued preferred dividends | \$ - | \$ - |
| Debt conversion and related accrued expenses into common stock | \$ 10,233,332 | \$ - |
| Non-Cash Items Related to China Settlement: | | |
| Accounts Receivable | \$ 3,314,146 | \$ - |
| Inventory | \$ 258,688 | \$ - |
| Pre-paid expense and other current assets | \$ 175,185 | \$ - |
| Accounts payable and accrued expenses | \$ (3,748,019) | \$ - |
| European acquisition detail of assets acquired & liabilities assumed: | | |
| Accounts Receivable | \$ 1,300,468 | \$ - |
| Inventory | \$ 2,161,067 | \$ - |
| Other assets | \$ 1,240,375 | \$ - |
| Intangible assets | \$ 17,173,000 | \$ - |
| Goodwill | \$ 10,024,000 | \$ - |
| Accounts payable and accrued expenses | \$ (3,489,080) | \$ - |
| Lease liability obligations | \$ (817,041) | \$ - |
| Bonds Payable | \$ (8,356,958) | \$ - |
| Other liabilities | \$ (532,088) | \$ - |

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

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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, 2018, the Company established Celsius Asia Holdings Limited a Hong Kong corporation as a wholly-owned subsidiary of the Company. On February 7, 2018 Celsius China Holdings Limited a Hong Kong corporation became a wholly-owned subsidiary of Celsius Asia Holdings Limited and on May 9, 2018, Celsius Asia Holdings Limited established Celsius (Beijing) Beverage Limited, a China corporation as a wholly-owned subsidiary of Celsius Asia Holdings Limited. On September 3, 2019 the Company established Celsius European Holdings B.V. as a wholly-owned subsidiary of the Company. On October 25, 2019, Func Food Group Oyj became a wholly-owned subsidiary of Celsius European Holdings B.V.

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, equipment and intangible assets, valuation of goodwill, 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. 131, *Disclosed About Segments of an Enterprise and Related Information*.)

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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, 2019, the Company had approximately \$22.8 million in excess of the Federal Deposit Insurance Corporation limit.

For the years ended December 31, 2019 and 2018, the Company had the following 10 percent or greater concentrations of revenue with its customers:

| | 2019 | 2018 |
|-----------|---------------|---------------|
| A* | 12.0% | 8.0% |
| B* | - | 15.8% |
| All other | 88.0% | 76.2% |
| Total | <u>100.0%</u> | <u>100.0%</u> |

At December 31, 2019 and 2018, the Company had the following 10 percent or greater concentrations of accounts receivable with its customers:

| | 2019 | 2018 |
|-----------|---------------|---------------|
| A** | 19.2% | 7.2% |
| B** | - | 38.2% |
| C** | - | 25.2% |
| All other | 80.8% | 29.4% |
| Total | <u>100.0%</u> | <u>100.0%</u> |

*Revenues from customer A are derived from a customer located in the United States. Revenues from customer B were derived from a customer located in Sweden which was acquired on October 25, 2019. Please refer to note 10, further details. All other revenues customers were mainly derived from the United States.

**Receivables from customer A are obtained from a customer located in the United States. Receivables from customer B were derived from a customer located in Sweden which was acquired on October 25, 2019. Please refer to note 10, further details. Receivables from customer C pertained to a customer in China which now reflects the change in our China business model to a royalty and licensing framework.

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, 2019 and 2018, 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, 2019 and 2018, there was an allowance for doubtful accounts of \$292,400 and \$183,000, respectively.

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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 establishes an inventory reserve to reduce the value of the inventory during the period in which such materials and products are no longer usable or marketable. Specifically, the Company reviews inventory utilization during the past twelve months and also customer orders for subsequent months. If there has been no utilization during the last 12 months and there are no orders in-place in future months which will require the use of inventory item, then inventory item will be included as part of the reserve during the period being evaluated. Management will then specifically evaluate whether these items may be utilized within a reasonable time frame (e.g., 3 to 6 months). In 2019 and 2018, the Company recorded inventory reserves in the amount of \$332,000 and \$74,650, respectively. The increase in reserve is related to recording European inventories at fair market value. The inventory reserve is 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 Topics 350 “Goodwill and Other Intangibles” and 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.

Goodwill — The Company records goodwill when the consideration paid for an acquisition exceeds the fair value of net tangible and intangible assets acquired, including related tax effects. Goodwill is not amortized; instead goodwill is tested for impairment on an annual basis, or more frequently if the Company believes indicators of impairment exist. The Company first assesses qualitative factors to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value. If the Company determines that the fair value is less than the carrying value, the Company will use a two-step process to determine the amount of goodwill impairment. The first step requires comparing the fair value of the reporting unit to its net book value, including goodwill. A potential impairment exists if the fair value of the reporting unit is lower than its net book value. The second step of the process, performed only if a potential impairment exists, involves determining the difference between the fair value of the reporting unit’s net assets, other than goodwill, and the fair value of the reporting unit. An impairment charge is recognized for the excess of the carrying value of goodwill over its implied fair value. For the year ended December 31, 2019, there were no indicators for impairment.

On October 25, 2019 the Company acquired 100% of Func Food Group Oyj (“Func Food”) their distributor in the Nordics. As a result of the acquisition goodwill of approximately \$10,024,000 resulted from the excess of the consideration paid and the fair value of net tangible and intangible assets (see note 10). There was no other activity related to goodwill during the years ended December 31, 2019 or 2018.

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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

Intangible assets – Intangible assets are comprised of customer relationships and brands acquired in a business combination. The Company amortizes intangible assets with a definitive life over their respective useful lives. Intangibles with indefinite lives are tested for impairment on an annual basis, or more frequently if the Company believes indicators of impairment exist.

Revenue Recognition — The Company recognizes revenue in accordance with ASC Topic 606 “Revenue from Contracts with Customers.” The Company recognizes revenue when performance obligations under the terms of a contract with the customer are satisfied. Product sales occur once control is transferred upon delivery to the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods. The amount of consideration the Company receives and revenue the Company recognizes varies with changes in customer incentives the Company offers to its customers and their customers. Sales taxes and other similar taxes are excluded from revenue.

Customer Advances — From time to time the Company requires deposits in advance of delivery of products and/or production runs. Such amounts are initially recorded as customer advances liability within other current liabilities. The Company recognizes such revenue as it is earned in accordance with revenue recognition policies. As of December 31, 2019, and 2018, the Company did not have any customer advances.

Advertising Costs — Advertising costs are expensed as incurred. The Company uses mainly radio, local sampling events, sponsorships, endorsements, and digital advertising. The Company incurred marketing and advertising expenses of approximately \$7.9 million and \$13.8 million, during years ending December 31, 2019 and 2018, 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 \$341,000 and \$572,000 during years ending December 31, 2019 and 2018, respectively.

Foreign Currency Translation — 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 gains and losses on intercompany balances of long-term investment nature, are included in Comprehensive Income. The Company incurred foreign currency translation losses during the year ending in December 31, 2019 of approximately \$60,500 and a gain of approximately \$12,400 during the year ending December 31, 2018.

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, 2019 and 2018

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, 2019 and 2018.

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 require 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, 2019 and 2018

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 2016 through 2019 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. Under ASC 260-10-45-16, the calculation of diluted earnings per share, the numerator should be adjusted to add back any convertible dividends and the after-tax amount of interest recognized in the period associated with any convertible debt. The denominator should include the number of additional common shares that would have been outstanding if the dilutive potential common shares had been issued.

The effects of dilutive instruments have been presented for the year-to-date net income as of December 31, 2019. Other periods presented do not reflect the dilutive shares, as the effects would be anti-dilutive due to the fact that losses are being reflected for those periods. Please refer to the below table for additional details:

| | For the years ended December 31, | |
|------------------------------------------------------------|---------------------------------------------|--------------------------|
| | 2019 | 2018 |
| Net income (loss) available to common stockholders | \$ 9,971,260 | \$ (11,419,781) |
| <u>Adjustments for diluted earnings:</u> | | |
| Preferred Stock Dividend | - | 213,133 |
| Interest expense on convertible notes | 348,493 | - |
| Amortization of discount on notes payable | 239,570 | - |
| Diluted net income (loss) available to common stockholders | <u>\$ 10,559,323</u> | <u>\$ (11,206,648)</u> |
| Income (Loss) per share: | | |
| Basic | <u>\$ 0.16</u> | <u>\$ (0.23)</u> |
| Diluted | <u>\$ 0.16</u> | <u>\$ (0.23)</u> |
| <u>Weighted average shares outstanding:</u> | | |
| Basic | <u>60,761,995</u> | <u>50,050,696</u> |
| Diluted | <u>64,183,399</u> | <u>50,050,696</u> |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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

Share-Based Payments—The Company follows 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, 2017 (note 19).

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 years ended December 31, 2019 and 2018 was approximately \$6.3 million and \$5.5 million, respectively.

Recent Accounting Pronouncements

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

Leases— The Company adopted ASU No. 2016-02, as amended, effective January 1, 2019. The adoption of the standard will result in the recognition of right to use assets and lease liabilities that have not been previously recorded (note 7).

In January 2017, the FASB issued ASU No. 2017-04, “Intangibles and Other (Topic 350): Simplifying the Test for Goodwill Impairment”, which eliminates the requirement to calculate the implied fair value of goodwill, but rather requires an entity to record an impairment charge based on the excess of a reporting unit’s carrying value over its fair value. This amendment is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2019. Early adoption is permitted. We do not expect the adoption of this ASU to have a material effect on our consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurements (Topic 820): Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this update modify the disclosure requirements on fair value measurements in Topic 820. The ASU is effective for the Registrants for fiscal years beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. The Company is currently assessing the impact of this standard on their Financial Statements.

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

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

Recent Accounting Pronouncements (continued)

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, 2019, the Company had an accumulated deficit of \$63,409,431 which includes a net income available to common stockholders of \$9,971,260 for year ended December 31, 2019. During the year ending December 31, 2019 the Company's net cash provided by operating activities totaled approximately \$1,034,000.

On September 16, 2019 the Company issued 7,986,110 in a public placement and obtained gross proceeds of \$28,749,996 and paid \$1,585,000 in commissions & fees and incurred in \$209,559 of expenses related to the capital raise thereby resulting in net-proceeds in the amount of \$26,955,437. Management deems that there is sufficient liquidity to properly operate the business for the next 12 twelve months.

3. REVENUE

Information about the Company's net sales by reporting segment for the twelve months ended December 31, 2019 and 2018 is as follows:

| | For the years ended | |
|------------------|------------------------------|------------------------------|
| | December 31, 2019 | December 31, 2018 |
| North America | \$ 59,659,320 | \$ 38,905,235 |
| Europe | 14,455,634 | 9,239,312 |
| Asia | 840,648 | 4,276,155 |
| Other | 190,944 | 183,284 |
| Net sales | \$ 75,146,546 | \$ 52,603,986 |

License Agreement

In January 2019, the Company entered into a license and repayment of investment agreement with Qifeng Food Technology (Beijing) Co., Ltd ("Qifeng"). Under the agreement, Qifeng was granted the exclusive license rights to manufacture, market and commercialize Celsius branded products in China. The term of the agreement is 50 years, with annual royalty fees due from Qifeng after the end of each calendar year. The royalty fees are based on a percentage of Qifeng's sales of Celsius branded products; however, the fees are fixed for the first five years of the agreement, totaling approximately \$6.9 million, and then are subject to annual guaranteed minimums over the remaining term of the agreement.

Under the agreement, the Company grants Qifeng exclusive license rights and provides ongoing support in product development, brand promotion and technical expertise. The ongoing support is integral to the exclusive license rights and, as such, both of these represent a combined, single performance obligation. The transaction price consists of the guaranteed minimums and the variable royalty fees, all of which are allocated to the single performance obligation.

The Company recognizes revenue from the agreement over time because the customer simultaneously receives and consumes the benefits from the services. The Company uses the passage of time to measure progress towards satisfying its performance obligation because its efforts in providing the exclusive license rights and ongoing support occur on a generally even basis throughout the year. Total revenue recognized under the agreement was approximately \$346,000 for the year ended December 31, 2019 which is included as part of other current assets and is reflected in the Company's Asia reporting segment which was determined by the minimum royalties due during first year, as per the licensing agreement.

4. INVENTORIES

Inventories consist of the following at:

| | December 31, 2019 | December 31, 2018 |
|-------------------------|------------------------------|------------------------------|
| Finished goods | \$ 12,990,044 | \$ 8,739,877 |
| Raw Materials | 3,167,853 | 2,817,477 |
| Less: Inventory reserve | (865,548) | (74,653) |
| Inventories-net | \$ 15,292,349 | \$ 11,482,701 |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets total \$4,170,000 and \$2,300,000, at December 31, 2019 and 2018, respectively, and consist mainly of prepaid advances to co-packers related to inventory production, advertising, prepaid insurance, prepaid slotting fees, value added tax payments and deposits on purchases.

6. NOTE RECEIVABLE

Note receivable consists of the following at:

| | December 31, 2019 | December 31, 2018 |
|------------------------------|------------------------------|------------------------------|
| Note Receivable-current | \$ 1,181,116 | \$ - |
| Note Receivable-non-current | 10,630,041 | - |
| Total Note Receivable | \$ 11,811,157 | \$ - |

On January 1, 2019, the Company entered into a license and repayment of investment agreement with Qifeng Food Technology (Beijing) Co., Ltd (“Qifeng”). Under the agreement, Qifeng will repay the market investment Celsius has made into China to date, over a five-year period, under an unsecured, interest-bearing note receivable (“Note”). The initial outstanding principal under the Note was approximately \$12.2 million which is denominated in Chinese Renminbi (CNY) and was recorded as Other Income on the Consolidated Statements of Operations for the year ended December 31, 2019. The amount recognized considered the net of the balances of the accounts receivable, accounts payable and accrued expenses, as well as the marketing investments that were performed in the China market.

Scheduled principal payments plus accrued interest are due annually on March 31 of each year starting in 2020. The Note is recorded at amortized cost basis and accrues interest at a rate per annum equal to the weighted average of 5% of the outstanding principal up to \$5 million and 2% of the outstanding principal above \$5 million. For the year ended December 31, 2019, the weighted average interest rate was 3.21% and interest income was approximately \$382,000.

The Company assesses the Note for impairment periodically by evaluating whether it is probable that the Company will be unable to collect all the contractual interest and principal payments as scheduled in the Note agreement, based on historical experience about Qifeng’s ability to pay, the current economic environment and other factors. If the Note is determined to be impaired, the impairment is measured based on the present value of the expected future cash flows under the Note, discounted at the Note’s effective interest rate. At December 31, 2019, the Note was not deemed to be impaired.

The first installment of the note in the amount of RMB 13,253,093 is due on March 31, 2020. We were requested to provide a 3-month consideration to delay payment until June 30, 2019, due to the impact of the health crisis in China. For this consideration, a guarantee was obtained for the full amount of the first-installment and offers as collateral stock certificates in Celsius Holdings, Inc., which amount to 570,412 shares. The consideration was provided and therefore payment in full of the first installment is expected to be provided on June 30, 2020.

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

7. LEASES

In February 2016, the FASB issued Accounting Standards Update 2016-02 (ASU 2016-02), Leases (Topic 842). Topic 842 requires lessees to recognize a right-of-use (ROU) asset and lease liability in the balance sheet for all leases, including operating leases with terms of more than twelve months. The Company adopted Topic 842, as amended, effective January 1, 2019.

Upon adopting Topic 842, the Company recognized a ROU asset of \$259,358 and a corresponding lease liability pertaining to the Company's operating lease of its corporate office space from a related party (see Note 20), measured based on the present value of the future minimum lease payments utilizing the Company's incremental borrowing rate as the basis for the computations. ROU assets also include any lease payments made and exclude lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. The adoption of Topic 842 did not have a material impact on our consolidated statements of operations or consolidated statements of cash flows, and did not result in a cumulative effect adjustment to retained earnings in the period of adoption.

The Company elected the package of practical expedients permitted under the transition guidance within the Topic 842, which allowed the Company to carry forward the historical lease classification, not reassess prior conclusions related to expired or existing contracts that are or that contain leases, and not reassess the accounting for initial direct costs.

In addition to the Company's operating lease of its corporate office space, the Company acquired certain other leases of vehicles and office space as part of its Acquisition of Func Food during the fourth quarter of 2019 (see Note 10).

At the inception of a contract, the Company assesses whether the contract is, or contains, a lease. The Company's assessment is based on: (1) whether the contract involves the use of a distinct identified asset, (2) whether the Company obtains the right to substantially all the economic benefit from the use of the asset throughout the term, and (3) whether the Company has the right to direct the use of the asset. At inception of a lease, the Company allocates the consideration in the contract to each lease and non-lease component based on the component's relative stand-alone price to determine the lease payments. Lease and non-lease components are accounted for separately.

Leases are classified as either finance leases or operating leases based on criteria in Topic 842. The Company's operating leases are generally comprised of real estate and vehicles, and the Company's finance leases are generally comprised of vehicles.

Lease expense for operating leases, consisting of lease payments, is recognized on a straight-line basis over the lease term. Included in lease expense are any variable lease payments incurred in the period that were not included in the initial lease liability. Lease expense for finance leases consists of the amortization of the ROU asset on a straight-line basis over the asset's estimated useful life and interest expense is calculated using the effective interest rate method.

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

7. LEASES (CONTINUED)

The following is a summary of lease cost recognized in the Company's consolidated statements of operations for the year ended December 31, 2019:

| | Year ended December 31, 2019 | |
|----------------------------------------------------------------|------------------------------------|-------------------|
| | Operating Leases | Finance Leases |
| Lease cost in general and administrative expenses: | | |
| Operating lease expense | \$ 188,977 | \$ - |
| Amortization of finance lease ROU assets | - | 97,478 |
| Total lease cost in general and administrative expenses | 188,977 | 97,478 |
| Lease cost in other expense: | | |
| Interest on finance lease liabilities | - | 2,288 |
| Total lease cost in other expense | - | 2,288 |
| Total lease cost | \$ 188,977 | \$ 99,766 |

The following is a summary of the impact of the Company's leases on the consolidated statements of cash flows for the year ended December 31, 2019:

| | Year ended December 31, 2019 |
|------------------------------------------------------------------------|------------------------------------|
| Leasing activity in cash flows from operating activities: | |
| Operating leases | (182,917) |
| Interest payments on finance lease liabilities | (2,288) |
| Total leasing activity in cash flows from operating activities | (185,205) |
| Leasing activity in cash flows from financing activities: | |
| Principal payments on finance lease liabilities | (26,486) |
| Total leasing activity in cash flows from financing activities: | (26,486) |

The following is a summary of the weighted average remaining lease term and weighted average discount rate for the Company's population of leases as of December 31, 2019:

| | Operating Leases | Finance Leases |
|-----------------------------------------------|---------------------|----------------|
| Weighted average remaining lease term (years) | 1.5 | 1.2 |
| Weighted average discount rate | 6.88% | 2.62% |

The future annual minimum lease payments required under the Company's leases as of December 31, 2019 are as follows:

| | Operating Leases | Finance Leases | Total |
|--------------------------------------------|---------------------|-------------------|-------------------|
| Future minimum lease payments | | | |
| 2020 | \$ 310,532 | \$ 363,022 | \$ 673,554 |
| 2021 | 102,343 | 88,134 | 190,477 |
| 2022 | 7,175 | 50,033 | 57,208 |
| Total future minimum lease payments | 420,050 | 501,189 | 921,239 |
| Less: Amount representing interest | (17,823) | (14,494) | (32,317) |
| Present value of lease liabilities | 402,227 | 486,695 | 888,922 |
| Less current portion | (294,916) | (354,158) | (649,074) |
| Long-term portion | \$ 107,311 | \$ 132,537 | \$ 239,848 |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

8. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at:

| | December 31, 2019 | December 31, 2018 |
|--------------------------------|----------------------|----------------------|
| Furniture and equipment | \$ 529,550 | \$ 451,576 |
| Less: accumulated depreciation | (396,661) | (329,722) |
| Total | \$ 132,889 | \$ 121,854 |

Depreciation expense amounted to \$66,939 and \$51,205 during year ended December 31, 2019 and 2018, respectively.

9. GOODWILL AND INTANGIBLES

Goodwill consists of approximately \$10,023,806 resulting from the excess of the consideration paid and the fair value of net tangible and intangible assets acquired from the Func Food Acquisition (see note 10). There was no other activity related to goodwill during the years ended December 31, 2019 or 2018.

Intangible assets consist of acquired customer relationships and brands from the Func Food Acquisition, amounting to approximately \$14,050,000 and \$3,123,000, respectively. Customer relationships are amortized over an estimated useful life of 25 years and brands have an indefinite life.

The following is the future estimated amortization expense related to customer relationships as of December 31, 2019:

| | |
|--------------------------|----------------------|
| Year ending December 31, | |
| 2020 | \$ 562,000 |
| 2021 | 562,000 |
| 2022 | 562,000 |
| 2023 | 562,000 |
| 2024 | 562,000 |
| Thereafter | 11,240,000 |
| | \$ 14,050,000 |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

10. ACQUISITION-EUROPEAN OPERATIONS

The Company acquired 100% of Func Food Group, Oyj (“Func Food”) on October 25, 2019 (“the Acquisition”). The Acquisition was structured as a purchase of all of Func Food’s equity shares and a restructuring of Func Food’s pre-existing debt. Total consideration was \$27,060,701, which consisted of approximately \$14,188,000 in cash, \$8,357,000 of newly issued bonds (see Note 14) and \$4,516,000 related to the settlement of a pre-existing debt. In addition to the aforementioned bond issuance, the Company financed the acquisition by issuing new common shares.

Func Food is a marketer and distributor of nutritional supplements, health food products and beverages, that support sport activities and healthy living and lifestyles in Finland, Sweden, and Norway. Func Food has been the Nordic distributor of Celsius products since 2015 and, as a result of the acquisition, the Company expects to further increase its Nordic market share by leveraging collaborations, revamping its marketing strategy and focusing on core products. It also expects to reduce costs through economies of scale.

The Company recorded the acquisition in accordance with ASC-805, pertaining to business combinations. The following table summarizes the consideration paid for Func Food and the amounts of the assets acquired at fair market value and liabilities assumed recognized at the Acquisition date.

| | |
|------------------------------------------------|----------------------|
| Acquisition consideration | |
| Cash | \$ 14,188,056 |
| Bonds payable | 8,356,958 |
| Settlement of pre-existing debt | 4,515,687 |
| Total consideration transferred | 27,060,701 |
| Assets acquired and liabilities assumed | |
| Accounts receivable | \$ 1,300,468 |
| Inventories | 2,161,067 |
| Prepaid expenses and other current assets | 331,774 |
| Property and equipment | 616 |
| Right of use asset | 806,572 |
| Other long-term assets | 101,413 |
| Intangible assets-Customer relationships | 14,050,000 |
| Intangible assets-Brands | 3,123,000 |
| Accounts payable and accrued expenses | (3,489,080) |
| Lease liability Obligations | (817,041) |
| Other current liabilities | (532,088) |
| Total identifiable net assets | \$ 17,036,701 |
| Goodwill | \$ 10,024,000 |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

10. ACQUISITION-EUROPEAN OPERATIONS (CONTINUED)

The following pro-forma consolidated results of operations have been presented as if the acquisition occurred on January 1, 2018

| Supplemental Pro forma: | For the years ended December 31, | |
|--------------------------------|---------------------------------------------|---------------|
| | 2019 | 2018 |
| Revenues | \$ 96,078,631 | \$ 82,373,802 |
| Earnings/(loss) | 1,714,124 | (34,401,626) |

For the year ended December 31, 2019, pro forma earnings include approximately \$6.7 million of historical, non-recurring charges of Func Food that are not expected to have an ongoing effect after the Acquisition. These non-recurring charges consist of \$2.2 million of inventory impairment charges, \$0.3 million of restructuring charges, and \$4.2 million of incremental interest expense on Func Food's historical debt that was restructured as part of the Acquisition. Consequently, 2019 earnings would have amounted to \$8.5 million had these non-recurring expenses not been incurred.

For the year ended December 31, 2018, pro forma earnings includes approximately \$15.3 million of historical, non-recurring charges of Func Food that are not expected to have an ongoing effect after the Acquisition. These non-recurring charges consist of \$1.6 million of inventory impairment charges, \$0.4 million of restructuring charges, \$9.1 million of intangible asset and goodwill impairment, and \$4.2 million of incremental interest expense on Func Food's historical debt that was restructured as part of the acquisition. The year ended December 31, 2018 would have reflected a loss of \$19.1 million had these non-recurring expenses not been incurred.

11. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of the following at:

| | December 31, 2019 | December 31, 2018 |
|------------------|------------------------------|------------------------------|
| Accounts payable | \$ 10,159,900 | \$ 5,825,446 |
| Accrued expenses | 7,132,747 | 9,019,765 |
| Total | \$ 17,292,647 | \$ 14,845,211 |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

12. OTHER LIABILITIES

Other current liabilities consist of the following at:

| | December 31, 2019 | December 31, 2018 |
|----------------------------------------------------|------------------------------|------------------------------|
| Other Liabilities-State Beverage Container Deposit | \$ 107,399 | \$ 19,933 |
| Total | \$ 107,399 | \$ 19,933 |

13. NOTES PAYABLE - RELATED PARTY

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

| | December 31, 2019 | December 31, 2018 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Note Payable – line of credit | | |
| In July 2010, the Company entered into a line of credit note payable with a related party and major shareholder 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 2018, 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. In December 2018, the Company amended and restated the note payable into a line of credit loan agreement continuing to carry a five percent per annum interest but payable semi-annually. The Company could borrow up to \$5.0 million. As a result, of this substantial modification which was treated as a debt extinguishment, a new liability was established and a loss of \$377,048 on the extinguishment of debt was recognized. The note had a maturity date of December 2020. In January 2019, the Company increased the borrowed amount by \$1,500,000 and recognized a discount of \$166,668 regarding to the beneficial conversion feature of the note payable. In September 16, 2019, the principal value of the note was converted into common shares as per promissory note which stated that in the event of financing greater than \$25.0 million, there would be an automatic conversion of these balances. The principal balance of \$5.0 million and the accrued but unpaid interest in the amount of \$52,778 were converted into common shares. Consequently, a total of \$5,052,778 were converted at the conversion price of \$3.39 based on the on the average of the closing price for the shares during the ten (10) business days prior to the last advance date, less a discount of 10%, in accordance with the promissory note. As a result of the conversion of the promissory note, the Company recognized the remaining un-amortized balance of the discount of \$108,454, as interest expense. | | |
| Long-term portion | \$ - | \$ 3,500,000 |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

| | December 31, 2019 | December 31, 2018 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|------------------------------|
| Convertible Notes Payable | | |
| In December 2018, the Company entered into a line of credit note payable with a related party and shareholder which carries interest of five percent per annum paid semi-annually. The Company borrowed up to \$3.0 million. This note had an unamortized discount of \$324,371, as of December 31, 2018. The note would have matured in December 2020. The note had an unamortized discount on the date of conversion of \$205,837 which was recognized as interest expense upon conversion. On September 16, 2019, the principal value of the note of \$3.0 million and the accrued but unpaid interest in the amount of \$108,333 were converted into common shares as per promissory note which stated that in the event of financing greater than \$25.0 million, there would be an automatic conversion of these balances. A total of 3,108,333 were converted at the conversion price of \$3.04 which was determined based on the average of the closing price for the shares during the ten (10) business days prior to the Advance Date, less a discount of 10%, resulting in the issuance of 1,022,568 shares. | - | 2,675,629 |
| In December 2018, the Company entered into a line of credit convertible note payable with a related party and shareholder which carries interest of five percent per annum paid semi-annually. The Company can borrow up to \$2.0 million. This note had an unamortized discount of \$216,248 as of December 31, 2018. The unamortized discount of \$137,225 was recognized as interest expense on the conversion date. The note would have matured in December 2020. In September 16, 2019, the principal value of the note of \$2.0 million and the accrued but unpaid interest in the amount of \$72,222 were converted into common shares as per promissory note which stated that in the event of financing greater than \$25.0 million, there would be an automatic conversion of these balances. A total of 2,072,222 were converted at the conversion price of \$3.04 which was determined based on the average of the closing price for the shares during the ten (10) business days prior to the Advance Date, less a discount of 10%, resulting in the issuance of 681,712 shares. | - | 1,783,752 |
| Long-term portion-Net of Discount | \$ - | \$ 4,459,381 |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

14. BONDS PAYABLE

Bonds payable consists of the following as of:

| | December 31, 2019 | December 31, 2018 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|------------------------------|
| <p>Bonds issued as part of the purchase consideration to acquire Func Food (see note 9). The Bonds are Euro-denominated, unregistered, and were issued on October 25, 2019 at an initial nominal amount of approximately \$9.1 million, less discount and issuance costs of approximately \$0.7 million. The Bonds accrue interest at a stated interest rate of 6.00% per annum, due semi-annually in arrears, with the first interest payment due on April 30, 2020. The maturity date of the Bonds is October 30, 2020. The Bonds are carried at the nominal amount, less any unamortized discount and issuance costs. The discount is amortized using the effective interest rate method. As of December 31, 2019, the unamortized balance of the discount is approximately \$377,000. Amortization of the discount was approximately \$78,250 for the year ended December 31, 2019. The bond issuance costs amounted to \$229,250. The issuance costs are being amortized over a straight-line basis, given the short-term nature and that it does not result in a material difference from applying the effective interest rate method. Amortization of the bond issuance costs from the issuance date through December 31, 2019 was \$40,938.</p> <p>Upon maturity of the Bonds, the Company may, at its own election, convert up to 50% of the outstanding nominal amount of the Bonds into shares of common stock of the Company, at a conversion price relative to the 30-day weighted-average trading price of the Company's common shares prior to the Acquisition.</p> <p>At the Company's election, the Bonds are callable at 103% at any time. Additionally, mandatory prepayments would be required in the event of either i) a capital raise consummated by the Company or ii) the sale of a certain product line of Func Food. To the fullest extent possible, the net proceeds derived from either event must first be applied towards prepayment of the bonds at 103%, plus any accrued but unpaid interest on the repaid amount.</p> <p>The Bonds are unsubordinated and are guaranteed by Func Food and its direct and indirect subsidiaries. The Bonds are secured by substantially all the assets of Func Food. The Bonds contain certain financial covenants that are specific to Func Food, mainly related to minimum cash requirements at the end of each quarter. As of December 31, 2019, Func Food is in compliance with these covenants.</p> | <p>\$ 8,634,279</p> <p>\$ 8,634,279</p> | <p>\$ -</p> <p>\$ -</p> |
| Bonds payable | \$ 8,634,279 | \$ - |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

15. PREFERRED STOCK – RELATED PARTY

The Company entered into a securities 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 2018, 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, 2018, \$255,903 of dividends has been accrued and converted into 256 of additional Preferred C. The Preferred C Shares matured on December 31, 2018 and were exchanged for shares of Company common stock in the amount of 5,806,022.

On April 16, 2015, the Company entered into an amendment to its existing Loan and Security Agreement (the “Amendment”) with CD an affiliate of CDS Ventures and Mr. DeSantis. Pursuant to the Amendment, the outstanding principal amount of the CD note payable 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, 2021 due date of our note payable with CD Financial or such earlier date as the note payable is satisfied (the “Maturity 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 Maturity 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 Holder shall have the right, at its election, to require the Company to redeem all or any portion of the shares held by the holder in exchange for cash or common stock upon the occurrence of certain events which management believes are under the control of the Company. As of March 31, 2018, none of the contingent events have occurred and in accordance with ASC-480-10-25 “Distinguishing Liabilities from Equity” and Regulation S-X-Rule 5-02-27, the Company has classified these shares as permanent equity. 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. In March 2018, the Preferred D shares were converted into 4,651,163 shares of common stock.

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

16. 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 DeSantis. Currently, the lease expires on October 2020 with monthly rent of \$12,826. The rental fee is commensurate with other properties available in the market.

Other related party transactions are discussed in notes 13 and 15

17. STOCKHOLDERS' EQUITY

Issuance of common stock pursuant to exercise of stock options

During the year ended December 31, 2019, the Company issued an aggregate of 756,233 shares of its common stock pursuant to the exercise of stock options granted under the Company's Stock Incentive Plans. The Company received aggregate proceeds of \$224,083 for 245,584 options exercised for cash, with the balance of the options having been exercised on a "cashless" basis.

During the year ended December 31, 2018, the Company issued an aggregate of 783,730 shares of its common stock pursuant to the exercise of stock options granted under the Company's 2015 Stock Incentive Plan. The Company received aggregate proceeds of \$301,723 for 470,722 options exercised for cash, with the balance of the options having been exercised on a "cashless" basis.

Preferred stock

In December 2018, the 3,016 preferred C shares were converted into 5,806,022 of common stock.

In March 2018, the 4,000 preferred D shares were converted into 4,651,163 of common stock.

Refer to note 15 for discussion on preferred stock issuances.

Issuance of common stock pursuant to public placement

On September 16, 2019, the Company issued 7,986,110 shares of common stock, in a public placement and obtained gross proceeds of \$28,749,996 and paid \$1,585,000 in commissions & fees and incurred in \$209,559 of expenses related to the capital raise thereby resulting in net-proceeds in the amount of \$26,955,437.

Conversion of Notes Payable into common stock

On September 16, 2019, the company had three Notes Payable outstanding with related parties for a total principal value of \$10 million. As per the terms of the agreements, the principal values of notes payable and any accrued but unpaid interest are convertible into common stock of the Company. Moreover, also as per the terms of the agreements, in the event of financing greater than \$25.0 million, the principal value of the notes and any accrued but unpaid interest are automatically converted into the company's common stock. As result of the public financing which raised \$26,955,437, the principal balance of the notes payable and the accrued but unpaid interest of \$10,233,332 were converted resulting in the issuance of 3,196,460, shares of common stock. The shares were issued at the contractual conversion prices per the loan agreements.

Refer to Note 13 for discussion on the conversion of the notes payable.

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

18. INCOME TAXES

Due to recurring losses for the years ended December 31, 2019 and 2018, 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:

| | 2019 | 2018 |
|------------------------------------------------------------------------|-------------|-------------|
| Statutory federal rate | 21.0% | (21.0)% |
| State income tax rate, net of federal benefit | 4.35% | (4.35)% |
| Permanent differences, including stock-based compensation | 9.25% | 5.6% |
| Change in valuation allowance, including effect of change in tax rates | (34.60)% | 19.75% |
| Difference in foreign tax rates | — | —% |
| Effective tax rate | <u>0.0%</u> | <u>0.0%</u> |

At December 31, 2019 and 2018, the Company's deferred tax assets were as follows:

| | 2019 | 2018 |
|----------------------------------------------------------|---------------------|---------------------|
| Deferred Tax Liability | | |
| Property and equipment | (19,000) | (2,000) |
| Total deferred tax liability | <u>(19,000)</u> | <u>(2,000)</u> |
| Deferred Tax Assets | | |
| Federal and state net operating loss carry forward | 8,400,000 | 12,082,000 |
| Foreign net operating loss carry forward-Asia and Europe | 7,900,000 | 3,123,000 |
| Other temporary differences | 169,000 | 63,000 |
| Total deferred tax asset | <u>16,469,000</u> | <u>15,268,000</u> |
| Net deferred tax asset | <u>16,450,000</u> | <u>15,266,000</u> |
| Less valuation allowance | <u>(16,450,000)</u> | <u>(15,266,000)</u> |
| | <u>\$ —</u> | <u>\$ —</u> |

The Company's valuation allowance increased by \$1,184,000 and \$2,012,000 during 2019 and 2018 respectively. Total net operating loss carry forwards at December 31, 2019 were approximately \$33.1 million, of which approximately \$31.9 million, will expire between 2029 and 2037 and \$1.2 million may be carried forward indefinitely. China has corporate tax rate of 25% with net operating loss carry forwards expiring after 5 years. The Company had \$14.7 million of net operating loss carry forwards in China as of December 31, 2019. Hong Kong has a corporate tax rate of 17% with net operating loss carry forwards that don't expire. The Company had \$2.8 million of net operating loss carry forwards in Hong Kong as of December 31, 2019. On October 25, 2019, the Company acquired wholly-owned foreign subsidiaries in Finland, Sweden and Norway. These companies had net operating loss carryforwards of \$11.2 million in Finland and \$12.9 million in Sweden. There were no net operating loss carryforwards in Norway. The Finland tax rate is 33.6% and the Sweden tax rate is 21.4%. Due to the uncertainty regarding the Company's ability to retain the tax benefits of these losses in Sweden, the Company has not included these net operating loss carryforwards as part of their deferred tax assets. The Company's net operating loss carry forwards may be limited due to ownership changes.

19. 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, 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. 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, 2019 and 2018

19. 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 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% of the shares pertaining to the 2015 plan that are outstanding as of the last day of the prior year. As of December 31, 2019, approximately 400,000 shares are available.

Under the 2015 Stock Incentive Plan, the Company has issued options to purchase approximately 6.53 million shares at an average price of \$3.58 with a fair value of \$5.10 million. For the years ended December 31, 2019 and 2018, the Company issued options to purchase 1.20 million and 1.83 million shares. For the years ended December 31, 2019 and 2018, the Company recognized an expense of approximately \$4.8 million and \$4.3 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, 2019, the Company had approximately \$8,531,047 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 2.35 million shares that have vested as of December 31, 2019.

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, | |
|-------------------------|-------------------------|-------------------|
| | 2019 | 2018 |
| Expected volatility | 58.62-121.32 % | 91% -142 % |
| Expected term | 4.02-5.00 Years | 4.02 – 5.06 Years |
| Risk-free interest rate | 1.58%-2.72% % | 2.56% - 2.86 % |
| Forfeiture Rate | 0.00 % | 0.00 % |
| Expected dividend yield | 0.00 % | 0.00 % |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

19. 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, 2019 and 2018 and changes during the periods ending on that date is as follows:

| | Shares (000's) | Weighted Average | | Aggregate Intrinsic Value | Weighted Average Remaining Term (Yrs) |
|----------------------------------|-------------------|-------------------|---------------|---------------------------------|------------------------------------------------|
| | | Exercise Price | Fair Value | | |
| Options | | | | | |
| At December 31, 2017 | 4,602 | 1.82 | | \$ 12,476 | 4.23 |
| Granted | 1,825 | 5.31 | | | |
| Exercised | (784) | .57 | | | |
| Forfeiture and cancelled | (803) | 3.65 | | | |
| At December 31, 2018 | 4,840 | 3.04 | | \$ 5,338 | 5.05 |
| Granted | 2,874 | 3.61 | | | |
| Exercised | (912) | .96 | | | |
| Forfeiture and cancelled | (274) | 3.57 | | | |
| At December 31, 2019 | 6,528 | 3.58 | | 8,978 | 6.58 |
| Exercisable at December 31, 2019 | 2,350 | 2.78 | | | 3.69 |

The following table summarizes information about employee stock options outstanding at December 31, 2019:

| Range of Exercise Price | Outstanding Options | | | Vested Options | | |
|-------------------------------|-------------------------------------------------------------|-------------------------------------------|-------------------------------------------|-------------------------------------------------------------|-------------------------------------------|-------------------------------------------|
| | Number Outstanding at December 31, 2019 (000's) | Weighted Averaged Remaining Life | Weighted Averaged Exercise Price | Number Exercisable at December 31, 2019 (000's) | Weighted Averaged Exercise Price | Weighted Averaged Remaining Life |
| \$0.20 - \$0.53 | 359 | 3.20 | \$ 0.28 | 359 | \$ 0.28 | 3.20 |
| \$0.65 - \$1.80 | 342 | 1.35 | \$ 1.05 | 342 | \$ 1.05 | 1.35 |
| \$1.83 - \$2.84 | 555 | 2.59 | \$ 2.07 | 555 | \$ 2.07 | 2.59 |
| \$3.20 - \$6.20 | 5,273 | 7.57 | \$ 4.50 | 1,094 | 4.50 | 5.13 |
| Outstanding options | 6,528 | 6.58 | \$ 2.78 | 2,350 | \$ 2.78 | 3.69 |

Celsius Holdings, Inc.
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

20. COMMITMENTS AND CONTINGENCIES

As previously reported, on December 18, 2018, Rockstar, Inc. (“Rockstar”) filed suit against Celsius in federal district court in the District of Nevada. Rockstar’s complaint alleged three claims for relief: (a) false advertising in violation of 15 USC §1125(a); (b) violation of the Nevada Deceptive Trade Practice Act; and (c) Nevada common law unfair competition. On January 16, 2020 the parties entered into a non-monetary settlement of this litigation.

On April 8, 2019, Daniel Prescod filed suit against Celsius in the Superior Court for the State of California, County of Los Angeles (the “Prescod Litigation”). Daniel Prescod asserts that the Company’s use of citric acid in its products while simultaneously claiming “no preservatives” violates California Consumer Legal Remedies Act, California Business and Professions Code Section 17200, et seq., and California Business and Professions Code Section 17500, et seq., because citric acid acts as a preservative. The Company does not use citric acid as a preservative in its products, but rather as a flavoring, and therefore it believes that its “no preservatives” claim is fair and not deceptive. The Company intends to contest the claims vigorously. Since this matter is still in its initial stages, the Company is unable to predict the outcome at this time.

On January 24, 2020, Evlution Nutrition, LLC filed suit against Celsius in federal court for the Southern District of Florida, for trademark infringement (the “Evlution Litigation”). Evlution asserts that Celsius’ BCAA dietary supplement product’s use of BCAA + ENERGY infringes upon Evlution’s registered trademarks. The Company believes that Evlution’s trademarks are invalid, merely descriptive, and unenforceable and Celsius has filed a cancellation proceeding regarding those trademarks with the Trademark Trial and Appeal Board of the United States Patent and Trademark Office. The Company intends to defend against Evlution’s claims vigorously. Since this matter is still in its initial stages, the Company is unable to predict the outcome at this time.

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, 2019.

21. SUBSEQUENT EVENTS

In February 2020, the Company’s board of directors and majority shareholders authorized an increase in the number of shares of common stock which the Company is authorized to issue from 75 million shares to 100 million shares. Implementation of the increase is subject to compliance with SEC requirements.

The first installment of the note receivable from Qifeng Food Technology (Beijing) Co., Ltd (Note 6) in the amount of RMB 13,253,093 was due on March 31, 2020. We were recently requested by Qifeng to provide a three-month extension of the due date for the first installment until June 30, 2019, due to the impact of the health crisis in China. In consideration of the extension, a guarantee was obtained for the full amount of the first-installment and the installment was collateralized by a pledge of 570,412 of our common shares held. Accordingly, Celsius granted the extension and as a result, payment in full of the first installment is expected to be paid on or before June 30, 2020.

Between January 1, 2020 and March 12, 2020, the Company issued an aggregate of 297,949 shares of its common stock pursuant to the exercise of stock options granted under the Company’s 2015 Stock Incentive Plan.

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 |
| Celsius European Holdings, B.V. | Netherlands |
| Func Food Group Oyj | Finland |
| Func Food Finland Oy | Finland |
| Suomen Lisaravinne Oy | Finland |
| Func Food Sweden AB | Sweden |
| Peoples Choice AB | Sweden |
| Freddy Store AB | Sweden |
| Func Food Norge AS | Norway |

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement on Form S-8 of Celsius Holdings, Inc. (the “Company”) of our report dated March 12, 2020 relating to our audit of the consolidated financial statements which appear in the Company’s Annual Report Form 10-K (Document No. s116616), for the year ended December 31, 2019.

/s/ Assurance Dimensions

Certified Public Accountants

Margate, Florida

March 12, 2020

**CERTIFICATION OF CHIEF EXECUTIVE 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 President and Chief Executive 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, 2019 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 Chief Executive 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 Chief Executive 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
 - 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 12, 2020

CELSIUS HOLDINGS, INC.

By: /s/ John Fieldly
John Fieldly, President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF 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, Edwin Negron-Carballo, 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, 2019 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 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 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
 - 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 12, 2020

CELSIUS HOLDINGS, INC.

By: /s/ Edwin Negron-Carballo
Edwin Negron-Carballo, Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION OF 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, 2019, as filed with the Securities and Exchange Commission on the date hereof (the “**Report**”), I, John Fieldly, the President and Chief Executive 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 12, 2020

CELSIUS HOLDINGS, INC.

By: /s/ John Fieldly
John Fieldly, President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL 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, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Edwin Negron-Carballo, 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 12, 2020

CELSIUS HOLDINGS, INC.

By: /s/ Edwin Negron-Carballo
Edwin Negron-Carballo, Chief Financial Officer
(Principal Financial and Accounting Officer)

