



NEWS RELEASE: via The Canadian Select Disclosure Network and SEDAR
For release: **November 8, 2018 at 2:00 pm Pacific (5:00 pm Eastern)**

***Swiss Water Reports Third Quarter and Year-to-Date Results
Volumes up by 12% for the first nine months of 2018, together with third quarter margin enhancement***

A conference call to discuss Swiss Water's recent financial results will be held tomorrow, November 9 at 9:00am Pacific Time (12:00pm Eastern Time). To access the conference call, please dial (877) 407-9205 (toll free) or (201) 689-8054 (international). A replay will be available through November 23, 2018 at (877) 481-4010 (toll free) or (919) 882-2331 (international) passcode: 40658.

VANCOUVER, BC, November 8, 2018 / GLOBE NEWSWIRE / Swiss Water Decaffeinated Coffee Inc. (TSX – SWP) (“Swiss Water” or “the company”) today announced its financial results for the third quarter and first nine months of 2018. Swiss Water is a leading specialty coffee company and premium green coffee decaffeinator which employs the proprietary SWISS WATER® Process to decaffeinate green coffee without the use of chemicals.

During the third quarter of 2018, the company continued to gain market share against its competitors, increased its existing production capacities, and improved operational efficiencies while remaining focused on producing high-quality premium decaffeinated coffee. To drive future growth, the company plans to expand its presence in Europe and increase awareness of the Swiss Water brand by targeting specific customer groups in North America.

“In the first nine months of this year, we saw growth in volumes shipped to roasters, importers, specialty and commercial accounts,” said Frank Dennis, Swiss Water’s President and CEO. “This reflects the fact that we have won business with new roasters and increased business with existing customers who have grown their distribution, added to their locations or expanded their product offerings. Some of our new business is from roasters who previously obtained their decaffeinated coffees from a decommissioned CO² plant in Europe, while other account wins are related to the recent closure of a CO² plant in Houston, Texas. Looking ahead, we believe these plant closures have tightened the chemical free decaffeination coffee market and that the resulting drop in available decaffeination services will allow us to more rapidly utilize the additional production capacity we have coming online in 2019.”

Below is a summary of Swiss Water’s operational and financial results:

Operational highlights

The following table shows changes in volumes shipped during the third quarter and first nine months of 2018, compared to the same periods last year.

	3 months ended Sept 30, 2018	9 months ended Sept 30, 2018
Change in total volumes shipped	+12%	+12%
<u>By Customer Type</u>		
Roasters	-	+11%
Importers	+43%	+14%
Specialty	+15%	+14%
Commercial	+10%	+10%



During the third quarter of 2018, management continued to focus on attracting customer attention to the Swiss Water brand. As a result, the company gained new business and won more business with existing customers. As discussed above, some of this year's volume growth also reflects gains in market share, due to the recent shutdown of two decaffeination plants operated by competitors.

Financial highlights

<i>In \$000s except per share amounts (unaudited)</i>	3 months ended Sept 30,		9 months ended Sept 30,	
	2018	2017	2018	2017
Sales	\$ 23,087	\$ 21,955	\$ 66,960	\$ 63,093
Gross profit	4,439	3,014	11,235	9,413
Operating income	1,927	1,117	4,013	3,856
Net income	1,828	1,385	3,612	4,541
EBITDA ¹	2,717	1,678	5,695	5,593
Net income - basic ²	\$ 0.20	\$ 0.15	\$ 0.40	\$ 0.50
Net income - diluted ²	\$ 0.18	\$ 0.15	\$ 0.31	\$ 0.41

¹ EBITDA is calculated as net income before interest, depreciation, amortization, impairments, share-based compensation, gains/losses on foreign exchange, gains/losses on disposal of capital equipment, fair value adjustments on the embedded option, and provision for income taxes. EBITDA also excludes unrealized gains and losses on the undesignated foreign exchange forward contracts. EBITDA is defined in the 'Non-IFRS Measures' section of the MD&A, and is a "Non-GAAP Financial Measure" as defined by CSA Staff Notice 52-306.

² Per-share calculations are based on the weighted average number of shares outstanding during the period.

- Quarterly revenue increased by 5% over Q3 2017 to \$23.1 million and nine-month revenue improved by 6% to \$67.0 million. The increases were due to growth in Swiss Water's processing volumes, partially offset by a lower coffee commodity price ("NY'C") and fluctuations in the US dollar ("US\$") exchange rate.
- Gross profit for Q3 2018 was \$4.4 million, or a margin of 19.2%. Viewed sequentially, this was a solid improvement over the previous two quarters. During Q1 of this year, the company recorded gross profit of \$2.8 million, or a margin of 13.4%, while during Q2, it recorded gross profit of \$4.0 million, or a margin of 17.4%. Swiss Water's third quarter gross profit and margin were also up over last year, when it recorded gross profit of \$3.0 million, or a margin of 13.7%. The improvement in the company's third quarter gross profit and margin was due in part to its increased processing volumes, as well as management's ongoing efforts to review and reduce Swiss Water's operating costs in response to the margin compression recorded during the first half of this year. Year-to-date gross profit improved to \$11.2 million (or a margin of 16.8%), compared to \$9.4 million (or a margin of 14.9%) in the same period last year. At present, management continues to pursue margin maintenance and improvement initiatives, following a recent period of inflationary cost increases. It also continues to seek ways to reduce Swiss Water's variable and fixed costs, without sacrificing the quality of the company's product.
- Operating expenses increased by 32% to \$2.5 million in the third quarter and by 30% to \$7.2 million for the year-to-date, compared to the same periods last year. In both periods, the increase was due to higher staffing and staff-related expenses, as Swiss Water invests in enhancing its operational capabilities ahead of the new production capacity it has coming online in 2019.
- Operating income increased by \$0.8 million, or 73%, to \$1.9 million in the third quarter and by \$0.2 million, or 4%, to \$4.0 million for the first nine months of 2018 when compared to the same periods in 2017.



- Third quarter net income increased to \$1.8 million, compared to \$1.4 million in Q3 2017. Net income for the year-to-date was \$3.6 million, compared to \$4.5 million in 2017. The decline in nine-month net income was due to increases in operating costs (as discussed above) and foreign exchange losses this year (as opposed to gains in 2017).
- EBITDA for Q3 totaled \$2.7 million, up by \$1.0 million, or 62%, over the same period last year. The increase related to significant efforts across the company to control costs, as well as its volume increases. Nine-month EBITDA increased marginally, from \$5.6 million in 2017 to \$5.7 million this year, as higher costs led to a decline in Swiss Water's EBITDA for the first and second quarters of this year. To prepare for the significant growth management sees ahead, the company continues to invest in its production infrastructure and human resources.

Outlook

Looking ahead, management continues to expect to record a double-digit, year-over-year increase in Swiss Water's annual volumes in 2018.

"Our primary focus over the near future will be to position Swiss Water for future growth by focusing on driving sales to the European Union and selective customer groups in North America," said Dennis. "While developing our European and US sales teams will increase our expenses somewhat, we expect these initiatives to generate increased sales orders before the end of this year and, in the longer term, to drive major account wins. As converting large customers to SWISS WATER® Process coffees typically takes several quarters, we believe strengthening our sales capability now is a critical part of our preparation to ramp up orders and win new business as we add significant capacity with our new facility in 2019."

Construction of Swiss Water's new decaffeination facility, which is located in Delta, BC, is progressing well. Initially, this facility will house one new production line, although the site is large enough for expansion well into the future. The new production line is expected to be commissioned in the third quarter of 2019.

Quarterly Dividends

On October 15, 2018, Swiss Water paid an eligible dividend in the amount of \$0.6 million (\$0.0625 per share) to shareholders of record on September 28, 2018.

Company Profile

Swiss Water Decaffeinated Coffee Inc. is a leading specialty coffee company and a premium green coffee decaffeinator which employs the proprietary SWISS WATER® Process to decaffeinate green coffee without the use of chemicals. It also owns all interest in Seaforth Supply Chain Solutions, a green coffee handling and storage business. Both businesses are located in Burnaby, British Columbia.



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Additional Information

A more detailed discussion of Swiss Water Decaffeinated Coffee Inc.'s recent financial results is provided in the company's Management Discussion and Analysis filed on SEDAR (www.sedar.com) and on the company's website (<http://www.investor.swisswater.com>) on November 8, 2018.

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Forward-Looking Statements

Certain statements in this press release may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the 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 such forward-looking statements. When used in this press release, such statements may include such words as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance, as well as management's current estimates, but which are based on numerous assumptions and may prove to be incorrect. These statements are neither promises nor guarantees, but involve known and unknown risks and uncertainties, including, but not limited to, risks related to processing volumes and sales growth, operating results, supply of coffee, general industry conditions, commodity price risks, technology, competition, foreign exchange rates, construction timing, costs and financing of capital projects, and general economic conditions.

The forward-looking statements and financial outlook information contained herein are made as of the date of this press release and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by applicable securities law, Swiss Water Decaffeinated Coffee Inc. undertakes no obligation to publicly update or revise any such statements to reflect any change in management's expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those described herein.