



NEWS RELEASE: via The Canadian Select Disclosure Network and SEDAR
For release: **March 12, 2019 at 2:00 pm Pacific (5:00 pm Eastern)**

***Swiss Water Reports Strong 2018 Fourth Quarter and Annual Results
Annual Processing Volumes up 11% While Margin Improves
Company Declares Quarterly Dividend***

A conference call to discuss Swiss Water's recent financial results will be held tomorrow, March 13 at 9:00am Pacific Time (12:00pm Eastern Time). To access the conference call, please dial (844) 369-8770 (toll free) or (862) 298-0840 (international). A replay will be available through March 27, 2019 at (877) 481-4010 (toll free) or (919) 882-2331 (international) passcode: 45181.

VANCOUVER, BC, March 12, 2019 / GLOBE NEWSWIRE / Swiss Water Decaffeinated Coffee Inc. (TSX – SWP) (“Swiss Water” or “the company”) today announced financial results for the fourth quarter and year ended December 31, 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 fourth quarter of 2018, the company continued to gain market share against its competitors and improved operational efficiencies while remaining focused on producing high-quality premium decaffeinated coffee. To drive future growth, Swiss Water plans to expand its presence in Europe and target specific customer groups in North America. The company is aiming to grow brand awareness with both the coffee trade and consumers by employing a range of marketing activities. These include digital and print advertising, social media communications, participation in trade shows and sponsorship at key coffee industry events.

“As anticipated, we achieved double-digit growth in processing volumes during 2018. Volumes shipped to roasters, importers, specialty and commercial accounts, were all up over 2017 levels,” said Frank Dennis, Swiss Water’s President and CEO. “This growth reflects our success in winning new business while continuing to build on our strong relationships with existing customers who have grown their distribution, added to their locations or expanded their product offerings. It also reflects an accelerating movement away from chemical decaffeination in favor of chemical free processes such as ours. Some of the new business came from roasters who previously obtained their decaffeinated coffees from a decommissioned CO² plant in Europe, while other account wins are related to the closure of a CO² plant in Houston, Texas. These closures have tightened the market by reducing the available chemical-free decaffeination capacity globally. We believe this 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 fourth quarter and year ended December 31, 2018, compared to the same periods in 2017.



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	3 months ended Dec 31, 2018	Year ended Dec 31, 2018
Change in total volumes shipped	+8%	+11%
<u>By Customer Type</u>		
Roasters	11%	+11%
Importers	-	+11%
Specialty	+2%	+11%
Commercial	+12%	+11%

Financial highlights

<i>In \$000s except per share amounts (unaudited)</i>	3 months ended		Year ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Sales	\$ 22,979	\$ 20,662	\$ 89,939	\$ 83,755
Gross Profit	3,686	3,178	14,921	12,590
Operating income	1,618	958	5,631	4,812
Net income	919	(380)	4,531	4,160
EBITDA ¹	2,050	1,334	7,745	6,923
Net income - basic ²	\$ 0.10	\$ (0.04)	\$ 0.50	\$ 0.46
Net income - diluted ²	\$ 0.03	\$ (0.04)	\$ 0.35	\$ 0.42

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 11% over Q4 2017 to \$23.0 million and revenue for the year improved by 7% to \$89.9 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 Q4 2018 was \$3.7 million (or a margin of 16%). This represents a gain of \$0.4 million and a 1% increase in margin over the same period in 2017. Full-year gross profit improved to \$14.9 million (or a margin of 17%), compared to \$12.6 million (or a margin of 15%) during 2017. The improved performance was due to the higher processing volumes, as well as the success of management's ongoing efforts to enhance recovery of operating costs. These initiatives have helped offset the margin compression Swiss Water recorded during the first half of 2018. The company remains tightly focused on margins, and continues to seek ways to reduce variable and fixed costs without impacting product quality which is paramount.
- Operating expenses decreased by 7% to \$2.1 million in the fourth quarter, and increased by 19% to \$9.3 million for the full year, when compared to the same periods in 2017. In both periods, there were increases due to higher staffing and staff-related expenses in both periods; however, in the fourth quarter, the increase was offset by income tax credit for research and development. The investments in staffing are designed to enhance Swiss Water's operational and marketing capabilities ahead of the new production capacity it has coming online later this year.
- Operating income increased by \$0.7 million, or 69%, to \$1.6 million in the fourth quarter and by \$0.8 million, or 17%, to \$5.6 million for the full 2018 year.



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- Fourth quarter net income increased to \$0.9 million, compared to a loss of \$0.4 million in Q4 2017. The improvement in net income resulted from increased gross profit and improved non-operating expenses related to the revaluation of an embedded derivative, as well as effective risk management activities. This was partially offset by higher income tax expenses. Full-year net income was \$4.5 million, compared to \$4.2 million 2017. The increase in annual net income resulted from the \$2.3 million increase in annual gross profit, offset by increased operating expenses of \$1.5 million, a loss on foreign exchange of \$0.3 million and an increase in income tax expense of \$0.1 million
- EBITDA for Q4 was \$2.0 million, up by \$0.7 million, or 53%, over the same period in 2017. EBITDA for the year was \$7.7 million, up by \$0.8 million, or 12%, compared to \$6.9 million in 2017. The increases in EBITDA resulted from higher processing volumes in addition to significant efforts across the company to enhance cost recovery. Swiss Water plans to continue investing in its production infrastructure and human resources in preparation for the significant business growth it anticipates going forward.

Outlook

Looking ahead, Swiss Water expects the positive trends established in 2018 to continue with processing volumes showing strong year-over-year growth.

“Our primary focus for 2019 will be to position Swiss Water to maintain our current growth momentum and continue enhancing our operating margins, as we drive sales to the European Union and selective customer groups in North America,” said Dennis. “As converting large customers to Swiss Water® Process coffees typically takes several quarters, we believe the steps we are taking to strengthen our sales capability are critical to our success in ramping up orders and winning 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 fourth quarter of 2019.

Quarterly Dividends

On January 15, 2019, Swiss Water paid an eligible dividend in the amount of \$0.6 million (\$0.0625 per share) to shareholders of record on December 31, 2018.

In addition, the company has declared an eligible quarterly dividend for the first quarter of this year. Accordingly, a cash dividend of \$0.0625 per share will be paid on April 15, 2019, to shareholders of record on March 29, 2019.

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.

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 March 12, 2019.



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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 utilities, 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.