



Swiss Water Decaffeinated Coffee Inc.
3131 Lake City Way | Burnaby | British Columbia | Canada V5A 3A3

NEWS RELEASE: via The Canadian Select Disclosure Network and SEDAR
For release: **May 8th, 2019 at 2:00 pm Pacific (5:00 pm Eastern)**

***Swiss Water Reports First Quarter Results
Processing Volumes Up 23%; Operating Income up 76%***

*A conference call to discuss Swiss Water's recent financial results will be held tomorrow, **May 9 at 9:00 am Pacific Time (12:00 pm 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 May 23, 2019 at (877) 481-4010 (toll free) or (919) 882-2331 (international) passcode: 47936.*

VANCOUVER, BC, May 8, 2019 / GLOBE NEWSWIRE / Swiss Water Decaffeinated Coffee Inc. (**TSX – SWP**) (“Swiss Water” or “the company”) today reported strong financial results for the three months ended March 31, 2019 – the first quarter of the company’s 2019 fiscal year. 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 first quarter of 2019, Swiss Water reported a record growth of 23% in processing volumes delivered to customers. The company continued to gain market share from its competitors and to benefit from a move away from chemical decaffeination in favor of chemical free processes. It also built on its positive trend toward increased operating margins and improved operational efficiency while remaining sharply focused on producing high-quality premium decaffeinated coffee. To drive future growth, Swiss Water is expanding its European presence while working to increase awareness and adoption of the Swiss Water brand by targeting specific customer groups in North America. The company continues to grow brand awareness with both the coffee trade and consumers by employing a range of marketing initiatives. These include digital and print advertising, social media communications, participation in trade shows and sponsorship at key industry events.

“In the first quarter of 2019, we continued to build positive momentum as the volumes we shipped to roasters, importers, specialty and commercial accounts all showed strong year-over-year growth once again,” said Frank Dennis, Swiss Water’s President and CEO. “The 23% increase in total processing volumes for the first three months of the year had a very positive impact on all of our financial metrics. As was the case in 2018, we continue to win new accounts and to increase business with existing customers as the coffee trade becomes increasingly wary of competing, chemical decaffeination processes. This is happening in an environment where the industry’s ability to deliver chemical free decaffeinated coffees such as ours is in short supply globally due to the recent closure of legacy CO² plants in Europe and the U.S. The combination of growing worldwide demand and reduced capacity should enable us to more rapidly utilize the additional production capacity we have coming online with the commissioning of our new plant later this year.”

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



Operational highlights

The following table shows changes in volumes shipped during the first quarter of the company's 2019 fiscal year. It also shows growth rates in volume for the full year 2018, demonstrating the company's accelerated momentum.

	3 months ended March 31, 2019	Year ended December 31, 2018
Change in total volumes shipped	+23%	+11%
<u>By Customer Type</u>		
Roasters	+21%	+11%
Importers	+28%	+11%
Specialty	+11%	+12%
Commercial	+32%	+11%

Financial highlights

<i>In \$000s except per share amounts (unaudited)</i>	3 months ended March 31, 2019		3 months ended March 31, 2018	
Sales	\$	24,170	\$	21,215
Gross Profit		3,544		2,842
Operating income		976		555
Net (loss) income		(9)		489
EBITDA ¹		2,312		1,106
Net income - basic ²	\$	—	\$	0.05
Net income - diluted ²	\$	—	\$	0.03

¹ 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.

- First quarter revenue was \$24.2 million, an increase of 14% over Q1 2018. The increase was due to growth in processing volumes, partially offset by a lower coffee commodity price ("NY'C") and lower average US dollar ("US\$") exchange rate.
- Quarterly gross profit of \$3.5 million was up by \$0.7 million, or 25% over Q1 2018. This resulted in a margin of 15%, an increase of 1.2% over the 2018 result. The improved results were primarily due to the increase in processing volumes, as well as successful revenue management initiatives and ongoing measures to control operating costs. These factors have helped enhance operating margins, following a period of inflationary pressure on Swiss Water's cost base. During the quarter, the company increased prices charged to customers of its Seaforth Supply Chain Solutions coffee handling and distribution subsidiary. This, along with efficiency improvements, enabled Seaforth to make a positive contribution to Q1 results. Across all of its operations, Swiss Water continues to seek ways to reduce variable and fixed costs, without impacting product quality.
- First quarter operating expenses of \$2.6 million were up by 12%, compared to the same period last year. The increase was due to higher staffing and staff-related expenses, in addition to increased spending on advertising and consumer marketing initiatives. For the past several quarters, Swiss Water has been



investing in enhancing its operational capabilities and sales activities to prepare the ground for the new production capacity it has coming online later this year.

- Operating income increased by \$0.4 million, or 76%, to \$1.0 million in the first quarter.
- For the first quarter of 2019, Swiss Water reported a net loss of \$0.01 million, compared to net income of \$0.5 million in Q1 2018. Improved quarterly operating income this year was offset by higher non-cash expenses and by the adoption of the new IFRS 16 standard related to leases. The quarterly net loss was primarily due to the revaluation of an embedded derivative on the company's convertible debenture. Higher finance expenses related to interest expense on leases as a result of the adoption of IFRS 16, and interest on a construction loan.
- Quarterly EBITDA of \$2.3 million, was up by \$1.2 million, or 109%, over the same period last year. The significant improvement in EBITDA was due to new accounting standards related to leases as well as strong growth in Swiss Water's processing volumes, ongoing efforts across the company to enhance cost recovery, increased financial contribution from Seaforth, its supply chain subsidiary.

Outlook

Looking ahead into the balance of 2019, Swiss Water expects to once again record a strong year-over-year increase in annual processing volumes.

"With strong financial results and volume growth across all of our geographic markets and customer categories in Q1, the year 2019 is off to a great start for Swiss Water. As more and more customers, prospects and consumers become aware and concerned about the use of methylene chloride in decaffeinating coffee, the appeal of, and demand for, our 100% chemical free Swiss Water decaffeinated coffees continues to grow around the world", said Mr. Dennis. "Construction of our new state-of-the-art production facility is proceeding well and on track for commissioning in the fourth quarter of 2019. During Q1 2019, we opened a new European sales office to help drive our penetration of the EU, which is the world's largest market for decaf coffee. The increased bench strength we've added to our sales and marketing team in the U.S. is enabling us to target specific customer groups and to win an ever-increasing share of the North American market for premium decaffeinated coffee. Our on-going efforts to reduce costs and enhance production efficiency, while jealously protecting our hard-earned reputation for product quality, are enhancing our margins and profitability. All of these factors are positioning Swiss Water to benefit from the great opportunities we see ahead."

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 April 15, 2019, the Company paid an eligible dividend in the amount of \$0.6 million (\$0.0625 per share) to shareholders of record on March 29, 2019.

Company Profile

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use of chemicals. It also owns 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>).

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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.