SWISS WATER DECAFFEINATED COFFEE INC.
(formerly TEN PEAKS COFFEE COMPANY INC.)

FIRST QUARTER INTERIM REPORT TO SHAREHOLDERS
(unaudited)

For the Three Months Ended March 31, 2019

MANAGEMENT DISCUSSION AND ANALYSIS

This Management's Discussion & Analysis ("MD&A") of Swiss Water Decaffeinated Coffee Inc. ("Swiss Water" or the "Company"), dated as of May 6, 2019, provides a review of the financial results for the three months ended March 31, 2019 relative to the comparable period of 2018. The three-month period represents the first quarter ("Q1") of our 2019 fiscal year. This MD&A should be read in conjunction with Swiss Water's condensed consolidated interim financial statements for the three month period ended March 31, 2019, the audited consolidated financial statements for the year ended December 31, 2018, and in conjunction with the Annual Information Form which are available at www.sedar.com.

All financial information is presented in Canadian dollars unless otherwise specified.

FORWARD-LOOKING STATEMENTS

This MD&A contains forward-looking statements, including statements regarding the future success of our business and market opportunities. Forward-looking statements typically contain words such as "believes", "expects", "anticipates", "continue", "could", "indicates", "plans", "will", "intends", "may", "projects", "schedule", "would" or similar expressions suggesting future outcomes or events, although not all forward-looking statements contain these identifying words. Examples of such statements include, but are not limited to, statements concerning: (i) expectations regarding Swiss Water's future success in various geographic markets; (ii) future financial results, including anticipated future sales and processing volumes; (iii) future dividends; (iv) the expected actions of the third parties described herein; (v) factors affecting the coffee market including supplies and commodity pricing; (vi) the expected cost to complete the production facility and production line currently under construction; and (vii) the business and financial outlook of Swiss Water. In addition, this MD&A contains financial outlook information that is intended to provide general guidance for readers based on our current estimates, which are based on numerous assumptions and may prove to be incorrect. Therefore, such financial outlook information should not be relied upon by readers. These statements are neither promises nor guarantees but involve known and unknown risks and uncertainties that may cause our actual results, level of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed in or implied by these statements. These risks include, but are not limited to, risks related to processing volumes and sales growth, operating results, supply of coffee, supply of utilities, general industry conditions, commodity price risks, technology, competition, foreign exchange rates, construction timing, costs and financing of capital projects, general economic conditions and those factors described herein under the heading 'Risks & Uncertainties'.

The forward-looking statements contained herein are also based on assumptions that we believe are current and reasonable, including but not limited to, assumptions regarding: (i) trends in certain market segments and the economic climate generally; (ii) the financial strength of our customers; (iii) the value of the Canadian dollar versus the US dollar; (iv) the expected financial and operating performance of Swiss Water going forward; (v) the availability and expected terms and conditions of debt facilities; and (vi) the expected level of dividends payable to shareholders. We cannot assure readers that actual results will be consistent with the statements contained in this MD&A. The forward-looking statements and financial outlook information contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by applicable securities law, Swiss Water undertakes no obligation to publicly update or revise any such statements to reflect any change in our 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.

EXECUTIVE SUMMARY

For the three month period ended March 31, 2019, Swiss Water recorded significantly higher processing volumes, revenues and operating income compared to the same period last year. We reported strong volume growth within all trading regions, accelerated growth in Europe, continued to develop market share versus our competitors, increased operating margins, and improved our operational efficiencies while remaining focused on producing high-quality premium decaffeinated coffee. To drive future growth, we are committed to expanding our presence in Europe and increasing awareness of the Swiss Water brand by targeting specific customer groups in North America. A summary of our financial results is in the table below:

In $000s except per share amounts (unaudited)		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 this 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 periods.

Operational highlights

- Our total volumes shipped in the first quarter grew by 23% compared to the same period in 2018. Since the beginning of this year, underlying volume from existing customers has increased, and we have gained new business as customers migrate away from chemical decaffeination. Our global reach extends to 56 different countries, and we export volume to customers on every continent.
- Shipments to roasters grew by 21% over 2018 level for the first three months of this year. Shipments to importers in Q1 2019 increased by 28% compared to the same period last year. The growth in roaster and importer volumes reflects gains in market share, due in part, to a reduction in global decaffeination capacity following plant shutdowns by competitors in 2018.
- Volumes shipped to our specialty accounts grew by 11% in the first quarter compared to the same period in 2018. Recognition of the Swiss Water brand is driving penetration gains in this segment.
- Shipments to our commercial accounts increased by 32% in the first three months of the year when compared to the same period last year. Low availability of chemical free decaffeination capacity is helping to drive this growth.
- In January 2019 our European subsidiary was formally incorporated. Momentum is building behind our European business, in Q1 2019 volume grew by 28% compared to the same period in 2018.
- Our largest geographical market by volume in Q1 2019 was the United States, followed by Canada, and other international markets. By dollar value, 48% of our sales were to customers located in the United States, 37% were to Canada, and the remaining 16% were to other countries. As we continue to expand our business in Europe, we anticipate revenues from our international markets will increase in both dollar and percentage terms.

Financial highlights

- Quarterly revenue increased by 14% over Q1 2018 to $24.2 million. The increase was due to growth in our processing volumes, partially offset by a lower coffee futures price ("NY'C'") and lower average US dollar ("US$") exchange rate.
- Gross profit grew 25% in Q1 2019 to $3.5 million, with a margin of 15%. This represents a $0.7 million increase over Q1 2018 and a 1.2% increase in margin. Results have been positively impacted by increased processing volumes, revenue management initiatives, and management's ongoing efforts to control Swiss Water's operating costs.
- We continue to pursue margin maintenance and improvement initiatives, following a recent period of inflationary pressure on our cost base. In Q1 we executed revenue management initiatives in our subsidiary, Seaforth Supply Chain Solutions Inc. We also continue to seek ways to reduce our variable and fixed costs, without sacrificing the quality of our product.
- Operating expenses increased by 12% to $2.6 million in the first quarter compared to the same period last year, due to higher staffing and staff-related expenses, in addition to investment in advertising and consumer initiatives.
- Operating income increased by $0.4 million, or 76%, to $1.0 million in the first quarter of 2019.
- First quarter net loss was $0.01 million, compared to a net income of $0.5 million in Q1 2018. Our improved operating income 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.
- EBITDA for Q1 2019 was $2.3 million, up by $1.2 million, or 109%, over the same period last year. The increase has been driven by strong growth in processing volumes, ongoing efforts across the Company to enhance cost recovery, increased financial contribution from our supply chain subsidiary, and due to new accounting standards related to leases. We will continue to invest in our production infrastructure and human resources to prepare for the significant growth we anticipate.

OUTLOOK

Looking ahead, we expect to record a strong year-over-year increase in annual volume in 2019. Production capacity continues to benefit from low cost volume expansion projects executed in 2018. During 2018, we saw growth in volumes shipped to roasters, importers, specialty and commercial accounts, this trend has continued into Q1 2019. This reflects the fact that we have won business with new roasters and increased business with existing customers who have grown their distribution, locations or expanded their product offerings. A portion of our new business is from roasters who previously obtained their decaffeinated coffees from a decommissioned CO_2 plant in Europe, while other account wins are related to the recent closure of a CO_2 plant in Houston, Texas.

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 late 2019.

Furthermore, we continue to see an acceleration of customers converting from chemical decaffeination to our chemical free process. Recognition of the Swiss Water brand continues to develop within our expanding

portfolio of customers, and coffee consumers. We now export to 56 countries globally. We expect increased marketing and sales investments in 2019 to drive further gains in recognition and conversion going forward.

Construction of our new Swiss Water® Process decaffeination facility, which is located in Delta, British Columbia, Canada, is progressing well. Initially, this facility will house one new production line, although the site is large enough to accommodate further expansion as conversion to chemical free decaffeination accelerates. The new production line is expected to be commissioned in the fourth quarter of 2019.

In anticipation of more immediate growth in demand, we completed an efficiency enhancement project in Q2 2018 to increase capacity at our current facility, and we continue to look for opportunities to optimize further in 2019. These changes, together with the capacity that was added at the same facility in Q1 2016, are expected to be sufficient to meet anticipated growth in demand for our premium Swiss Water® Process coffees until the new production line is operational. Overall, we continue to gain market share, particularly in the premium decaffeination market.

As a part of our ongoing evaluation of the Company's cost structure and with the goal of increasing overall margins, we are reviewing cost recovery opportunities for both Swiss Water and its subsidiary, Seaforth Supply Chain Solutions Inc. ("Seaforth"). While Seaforth's operating costs rose substantially in the first half of 2018 due to a warehouse expansion, there has been an improvement in operating costs in the subsequent three quarters. In Q1 2019 Seaforth made a positive contribution towards our gross profit improvement.

The market for decaffeinated coffee continues to be strong. On a year-over-year basis, the growth rate of the decaffeinated coffee market has increased and continues to outpace growth in the US coffee market as a whole. We believe this is due, in part, to the premiumization of the coffee market, as well as growing awareness and consumption of premium decaffeinated coffee. Over the past 5 years, the largest consumers of decaffeinated coffee have been 18 to 24-year-olds[1]. This demographic want to drink great-tasting coffee throughout the day without worrying about the potential side effects of excess caffeine.

Younger consumers are more conscious of, and concerned about, artificial ingredients and chemicals in the production of their food and beverages. As a result, we have seen increased demand for our chemical free and sustainable Swiss Water® Process coffees, as more food companies now employ our branded coffees to help them respond to this growing consumer demand. Demand for organic coffee continues to grow and is the most broadly purchased certification: 39% of consumers say they are much more likely to buy coffee that is Certified Organic coffee, and 49% of consumers say they're more likely to buy coffee if it is grown in an environmentally sustainable way. [1]

Various media sources[2] have recently underscored the health and environmental hazards associated with methylene chloride (the primary chemical used by our competitors to decaffeinate coffee). Additionally, multiple major retailers in the U.S. are banning paint strippers that contain methylene chloride. We believe this rise in consumer awareness is helping to drive demand for our 100% chemical free coffees, and we will continue to proactively employ positive messaging to accentuate the benefits of our amazing coffees without caffeine.

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[1] National Coffee Association 2018 Coffee Drinking Trends

[2] New York Times has published (https://www.nytimes.com/2017/10/21/us/epa-toxic-chemicals.html) and podcasted https://www.nytimes.com/podcasts/the-daily?_r=0 a piece on EPA regulations, as the EPA is highlighting methylene chloride as a key chemical that isn't, but should be, regulated, because it's a hazard to people's health. In 2018, New Scientist published a report (https://www.newscientist.com/article/2138753-ozone-layer-recovery-will-be-delayed-by-chemical-leaks/) about how methylene chloride is slowing the regeneration of the ozone layer.

Over the near future, our primary focus will be to position Swiss Water to maintain our current growth momentum and enhance our operating margins. In January 2019, we completed the registration of our European subsidiary. We believe that opening a European sales office will give us a solid footprint to better serve customers in the largest decaffeinated coffee market in the world. In addition, we are expanding our ability to target specific customer groups in the United States. Developing our European and US sales teams has and will continue to increase our expenses somewhat, but we expect these initiatives to generate increased sales orders 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.

BUSINESS OVERVIEW

Swiss Water is a premium green coffee decaffeinator located in Burnaby, BC. Swiss Water employs the proprietary Swiss Water® Process to decaffeinate green coffee without the use of chemicals, leveraging science-based systems and controls to produce coffee that is 99.9% caffeine free. It is certified organic by the Organic Crop Improvement Association and is the world's only consumer-branded decaffeination process. Decaffeinating premium green coffee without the use of chemicals is our primary business.

Seaforth provides a complete range of green coffee logistics services including devanning coffee received from origin; inspecting, weighing and sampling coffees; and storing, handling and preparing green coffee for outbound shipments. Seaforth provides all of Swiss Water's local green coffee handling and storage services. In addition, Seaforth handles and stores coffees for several other coffee importers and brokers, and is the main green coffee handling and storage company in Metro Vancouver. Seaforth is organically certified by Ecocert Canada.

Swiss Water's shares trade on the Toronto Stock Exchange under the symbol 'SWP', formerly TPK. As at the date of this report 9,061,210 shares were issued and outstanding.

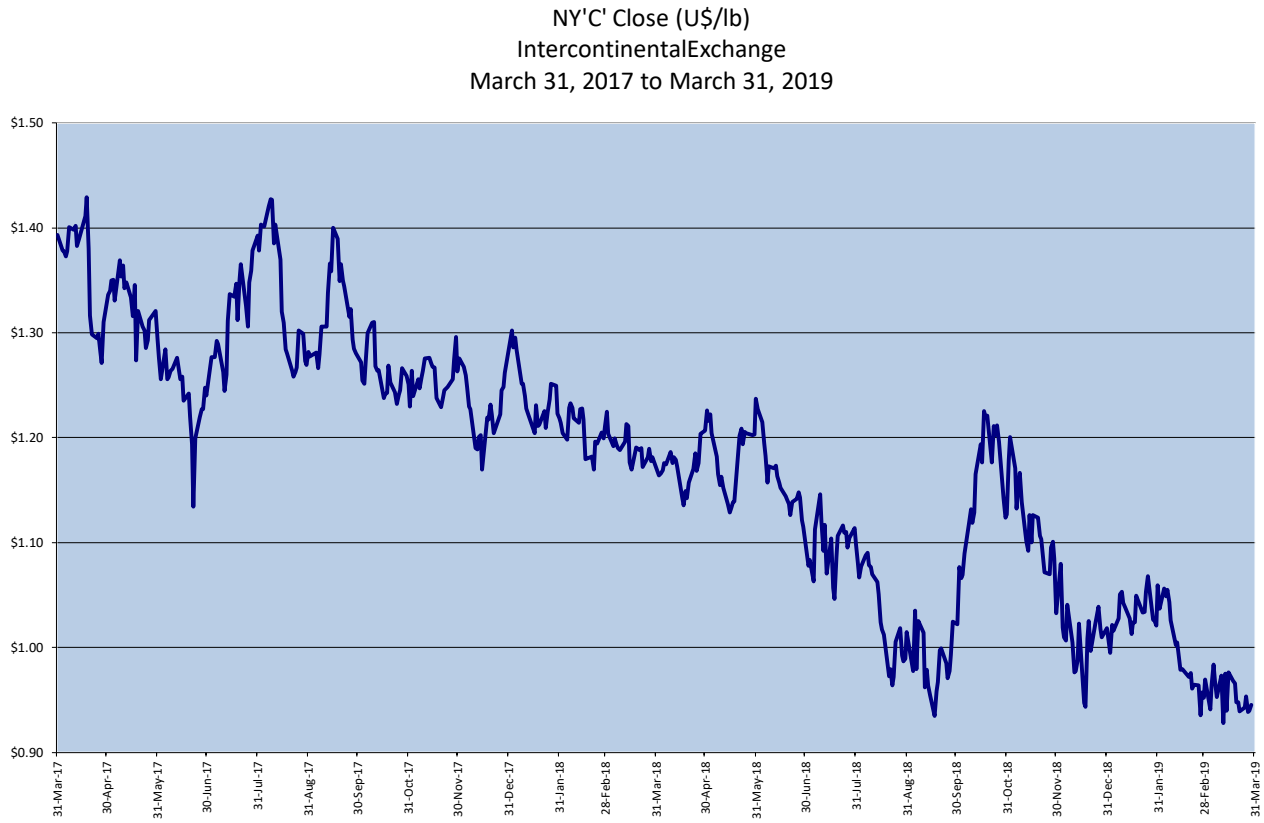
Swiss Water Decaffeinated Coffee Business

We carry an inventory of premium-grade Arabica coffees that we purchase from the specialty green coffee trade, decaffeinate and then sell to our customers (our "regular" or "non-toll" business). Revenue from our regular business includes both processing revenue and green coffee cost recovery revenue.

We also decaffeinate coffee owned by our customers for a processing fee under toll arrangements (our "toll" business). The value of the coffee processed under toll arrangements does not form part of our inventory, our revenue or our cost of sales. Revenue from toll arrangements consists entirely of processing revenue.

Our cost of sales is comprised primarily of the cost of green coffee purchased for our regular business, plant labour and other processing costs directly associated with our production facility. This incorporates an allocation of fixed overhead costs, which includes depreciation of our production equipment and amortization of our proprietary process technology. For our regular business, we work with coffee importers to source premium-grade green coffees from coffee-producing countries located in Central and South America, Africa and Asia. The purchase price is based on the NY'C' coffee futures price on the Intercontinental Exchange, plus a quality differential. The NY'C' component typically makes up more than 80% of the total cost of green coffee, while the quality differential typically accounts for less than 20%. Both the NY'C' price and the quality differential fluctuate in response to fundamental commodity factors that affect supply and demand.

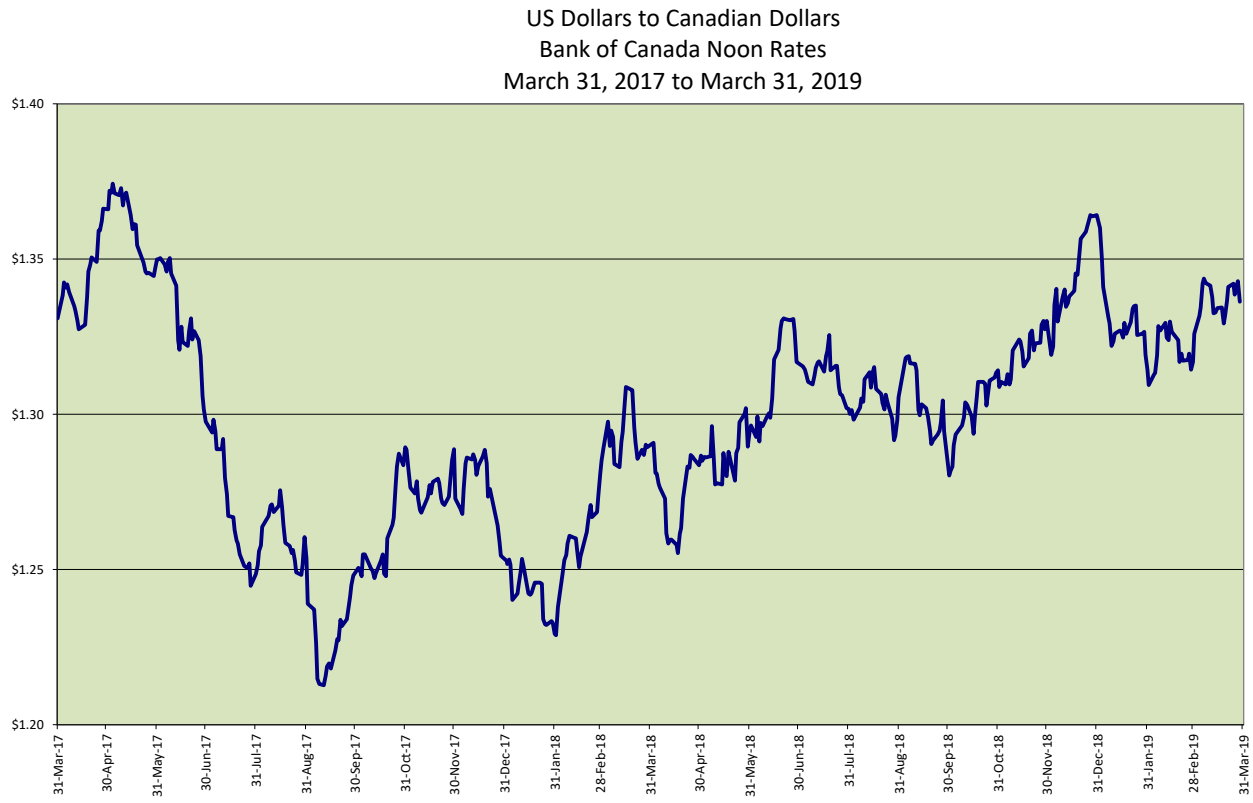
The chart below shows the movement in the NY'C' for the last eight quarters:



In Q1 2019, the NY'C' averaged US$0.99/lb compared to an average of US$1.21/lb in Q1 2018. The rise and fall of the NY'C' affects our shipped volumes, our revenues and our cost of sales. In an upward trending market, our customers tend to consume their inventories rather than build them. When the NY'C' declines over a sustained period (as it has for the past 3 months), our customers tend to add to their inventories.

The majority of our revenues are generated in US dollars, while a significant portion of our costs are paid in Canadian dollars. We, therefore, have exposure to changes in the US$/C$ exchange rates. This is managed, in part, through derivative financial instruments. All other factors being equal, our profitability and cash from operations will be higher when the US dollar appreciates relative to the Canadian dollar. A long-term depreciation of the Canadian dollar will improve our long-term profitability and cash generation.

The chart below illustrates the US dollar ("US$") to the Canadian dollar ("C$") exchange rates for the last eight quarters:



In Q1 2019, the US$ averaged C$1.33, an increase of 5% over the same period in 2018. During Q1 2018, the US$ ranged between C$1.23 and C$1.31. In Q1 2019, it ranged between C$1.31 and C$1.36. When the US$ depreciates (appreciates), it decreases (increases) our gross profit on green coffee revenues.

OPERATING RESULTS

Revenue

We categorize our customers by the nature of their business: either coffee importers or roasters. Coffee importers act like grocery stores to roasters, sourcing and importing green coffee from various origins and carrying a selection of different origins and quality levels for roasters to choose from. Importers buy from us in order to resell our coffees to roasters when and where they need it. Roasters are in the business of roasting and packaging coffee for sale to consumers in their own coffee shops, or for home or office use. Roasters either buy directly from us, or they buy from an importer. Roasters generally carry lower inventories, as they tend to take delivery of green coffee shortly before roasting it. As such, shipments to roasters are more stable from period to period than those to importers.

We also monitor and report our revenue in three categories. “Process revenue” represents the amount we charge our customers for decaffeinating green coffee, and it generally increases as our processing volumes increase. “Green coffee cost recovery revenue”, or “green revenue”, is the amount we charge our customers for the green coffee we purchase for decaffeination. “Distribution revenue” consists of shipping, handling and warehousing charges billed to our customers. It typically rises with our processing volumes and with the growth of Seaforth’s business. Our revenue by category for the indicated periods was:

(In $000s) *(unaudited)*	3 months ended March 31, 2019	3 months ended March 31, 2018
Process revenue	$ 6,460	$ 5,371
Green revenue	15,870	14,597
Distribution revenue	1,840	1,247
	$ 24,170	$ 21,215

For the quarter ended March 31, 2019 sales totaled $24.2 million, an increase of $3.0 million, or 14%, compared to the same quarter in 2018.

The increases in our first quarter sales by category reflect an increase in our processing volumes. Distribution revenue has also benefited from revenue management initiatives:

- Process revenue increased by $1.1 million, or 20%
- Green revenue increased by $1.3 million, or 9%
- Distribution revenue rose by $0.6 million, or 48%

The increases in our sales volume in the first quarter of 2019 by geographical segment are as follows:

- Sales volume in North America increased by 19%
- Sales volume in Europe increased by 28%
- Sales volume in Asia Pacific increased by 74%

The increases in sales volumes by geographical segment are consistent with our strategic efforts to leverage existing relationships with customers in North America while establishing a sales team in France to support sales growth in the European market.

Cost of Sales

Cost of sales includes the cost of green coffee purchased for our regular business, the plant labour and other processing costs directly associated with our production facility, customer-specific hedges and commodity hedges. Cost of sales incorporates an allocation of fixed overhead costs, which includes depreciation of our plant, production equipment and amortization of our proprietary process technology. In addition, cost of sales includes the costs of operating Seaforth's warehouses.

Our first quarter cost of sales increased by $2.3 million, or 12%, to $20.6 million this period, compared to the same period in 2018. The increase in the first quarter is consistent with our increased business activities during the period. The increase is a result of higher variable production costs associated with the significant growth in our volumes and annual labour cost inflation, partially offset by a decrease in green coffee costs, which is a significant portion of our cost of sales.

In the first quarter of 2019, we also absorbed higher gas costs as a result of a spike in the spot market for natural gas, due to a pipeline explosion in October 2018 and a polar vortex in March 2019 which significantly reduced the supply of gas. This inflation is not expected to be carried forward through 2019.

Gross Profit

Gross profit increased by 25% to $3.5 million for the first quarter of this year, as higher revenues more than offset the increases in our cost of sales. Improvement has been driven by increased processing volumes, revenue management initiatives, and leveraging enhanced cost recovery, without sacrificing the quality of our coffee.

Administration Expenses

Administration includes general management, inbound and outbound logistics, finance and accounting, quality control and assurance, engineering, research and development, and other administrative or support functions. Administration expenses include compensation expenses, travel and other personnel-related expenses for administrative staff, directors' fees, investor relations expenses, professional fees, depreciation of office-related equipment, and amortization of the brand asset.

Administration expenses for Q1 2019 totaled $1.7 million. This was an increase of $0.2 million, or 13%, compared to the same period last year. The increase largely reflects higher salary expenses as part of our annual cost of living adjustment and costs incurred to support strategic growth initiatives for 2019.

Sales and Marketing Expenses

Sales and marketing expenses include compensation and other personnel-related expenses for sales and marketing staff, consumer and trade advertising and promotion costs, as well as related travel expenses.

Sales and marketing expenses were up by $0.1 million, or 11%, to $0.8 million in Q1 2019. The increases are due to full year costs for our expansion into Europe and the United States, and higher investment in brand awareness activities, in support of our strategic growth initiatives.

Occupancy Expenses

Occupancy expenses include the ancillary costs of renting offices for sales, marketing and administrative use. Occupancy costs for the first quarter were largely unchanged from the prior year, and exclude lease expenses.

Finance Expenses and Income

Finance income reflects the charges we bill to customers for financing coffee inventories and interest earned on cash balances and short-term investments. Finance expenses include interest costs on bank debt, other borrowings and the interest expense on the convertible debenture and construction loan.

Net finance expenses were $0.4 million for the three months ended March 31, 2019, compared to net finance expenses of $0.2 million in the same period last year. The interest expense of $0.2 million on finance leases, due to the adoption of IFRS 16 in 2019, accounted for the majority of the change.

In addition, interest on the convertible debenture is expensed at an effective interest rate of 12.15% (a rate determined by management in accordance with IFRS), while the contractual interest paid on this loan is at a rate of 6.85%, causing the amortization of the bond discount to change over time.

Gains and Losses on Risk Management Activities

Under hedge accounting, gains or losses on designated hedges are included in either revenue or cost of sales, held on the balance sheet or included in other comprehensive income for future transactions (see 'Hedge Accounting', below). Thus, 'Gain on risk management activities' includes only those gains and losses on derivative financial instruments or portions of such instruments that are not designated as hedging instruments.

For the three months ended March 31, 2019, we recorded a gain of $0.5 million, compared to a loss of $0.08 million for the same period in 2018.

Fair Value Adjustment on Embedded Option

Swiss Water entered into a convertible debenture in October 2016. Under IFRS, this instrument is deemed to contain an embedded option which must be revalued at each balance sheet date. The fair value of the

derivative liability was determined using the Black-Scholes Option Pricing Model. The variables and assumptions used in computing the fair value are based on management's best estimate at each balance sheet date.

The revaluation on this embedded option resulted in a loss of $0.7 million in the first quarter of 2019 compared to a gain of $0.5 million in the same period of last year.

Gains and Losses on Foreign Exchange

We realize gains and losses on transactions denominated in foreign currencies when they occur, and on assets and liabilities denominated in foreign currencies when they are translated into Canadian dollars as at the financial statement date.

For the three months ended March 31, 2019, we recorded a loss of $0.3 million on foreign exchange, compared to a loss of $0.01 million for the same period in 2018.

Income Before Taxes and Net Income

In the first quarter of 2019, we recorded income before taxes of $0.04 million, compared to $0.7 million in the same period last year. The most material driver of this variance was the revaluation of an embedded derivative on a convertible debenture. Current and deferred income taxes reduced net income in Q1 2019 by $0.05 million, compared to $0.2 million in Q1 2018.

Deferred income taxes arise mainly from temporary differences between the depreciation and amortization expenses deducted for accounting purposes, and the capital cost allowances deducted for tax purposes, as well as changes in corporate income tax rates as adjusted for substantively enacted higher future tax rates. The latter are offset by the tax benefit of loss carry forwards recognized.

Overall, after tax, we recorded a net loss of $0.01 million for the first quarter, compared to a net income of $0.5 million for the same period last year.

Basic and Diluted Earnings per Share

Basic earnings per share is calculated by dividing net income by the basic weighted average number of shares outstanding during the period. Similarly, diluted earnings per share is calculated by dividing net income adjusted for the effects of all dilutive potential common shares, by the diluted weighted average number of shares outstanding.

For the purposes of the calculation, under IFRS we are required to assume that the maximum number of shares issuable under the convertible debenture will be issued, even though the debenture contains a net share settlement provision (which, if exercised, would result in far fewer shares being issued).

In the first quarter of 2019 and 2018, the potential common shares issuable under the Restricted Share Unit ("RSU") Plan are anti-dilutive, and as such, they are excluded from the calculation of diluted earnings per share in the quarter.

In addition, for Q1 2019, the potential common shares issuable under convertible debenture are also anti-dilutive and therefore, are excluded from the calculation of diluted earnings per share in the quarter.

The calculations of basic and diluted earnings per share for the current and prior periods are shown in the following table:

(In 000s except for per share data) *(unaudited)*		3 months ended March 31, 2019		3 months ended March 31, 2018
Basic EPS				
Net (loss) income attributable to shareholders	$	(9)	$	489
Weighted average number of shares		9,061,210		9,048,794
Basic EPS	$	-	$	0.05
Diluted EPS				
Net (loss) income attributable to shareholders		(9)		489
Interest on convertible debenture		-		261
Loss (gain) on fair value adjustment of embedded option		-		(458)
Net (loss) income after effect of diluted securities	$	(9)	$	292
Weighted average number of shares – basic		9,061,210		9,048,794
Effect of diluted securities: convertible debenture		-		1,818,182
Weighted average number of shares - diluted		9,061,210		10,866,976
Diluted EPS	$	-	$	0.03

Other Comprehensive Income

Gains or losses on our designated revenue hedges that will mature in future periods are recorded in other comprehensive income, net of income tax expense. Other comprehensive gain, net of tax, for the first quarter of 2019 was $1.2 million, compared to a loss of $0.9 million in the same period last year. The increases and decreases are related to the fluctuations in the value of the Canadian dollar versus the US dollar.

NON-IFRS MEASURES

EBITDA

EBITDA is often used by publicly traded companies as a measure of cash from operations, as it excludes financing costs, taxation and non-cash items. The reporting of EBITDA is intended to assist readers in the performance of their own financial analysis. However, since this measure does not have a standardized meaning prescribed by IFRS, it is unlikely to be comparable to similar measures presented by other entities.

We define EBITDA 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 embedded options, and provision for income taxes. Our definition of EBITDA also excludes unrealized gains and losses on the undesignated portion of foreign exchange forward contracts.

The reconciliation of net income to EBITDA is as follows:

(in $000s) *(unaudited)*		3 months ended March 31, 2019		3 months ended March 31, 2018
(Loss) income for the period	$	(9)	$	489
Income taxes		54		223
Income before tax	$	45	$	712
Finance income		(154)		(152)
Finance expenses		600		357
Depreciation & amortization		864		432
Unrealized (gain) or loss on foreign exchange forward contracts		(334)		85
Fair value loss (gain) on embedded option		728		(458)
Loss of foreign exchange		290		12
Share-based compensation		273		118
EBITDA	$	2,312	$	1,106

In order to help readers better understand our financial results, the following table shows the reconciliation of operating income to EBITDA:

(in $000s) *(unaudited)*		3 months ended March 31, 2019		3 months ended March 31, 2018
Operating income for the period	$	976	$	555
Add back:				
Depreciation & amortization		864		432
Share-based compensation		273		118
Loss (gain) on risk management activities		533		(84)
Deduct:				
Unrealized (Gain) loss on foreign exchange forward contracts		(334)		85
EBITDA	$	2,312	$	1,106

EBITDA for the three months ended March 31, 2019 was $2.3 million, up by 109% compared to Q1 2018. In the first quarter of 2019, we adopted IFRS 16 Leases without restating comparative amounts for the year 2018, as permitted by the standard.

This resulted in the recognition of $0.4 million in depreciation expense and $0.2 million in interest expense related to finance leases, which are costs excluded from the calculation of EBITDA in Q1 2019. For the year 2018, these leases were classified as operating leases under IAS 17 Leases and their related minimum lease payments were recognized as a part of EBITDA.

QUARTERLY INFORMATION / SEASONALITY

The following table summarizes results for each of the eight most recently completed fiscal quarters. For comparative purposes, we have also provided the averages for the previous 8-quarter period:

	8 Quarter Average	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017
Sales	22,330	24,170	22,979	23,087	22,658	21,215	20,662	21,955	21,915
Gross Profit	3,496	3,544	3,686	4,439	3,952	2,842	3,178	3,014	3,364
Operating income	1,310	976	1,618	1,927	1,528	555	958	1,117	1,470
EBITDA[1]	1,855	2,312	2,050	2,717	1,868	1,106	1,334	1,678	2,235
Net (loss) income	1,036	(9)	919	1,828	1,294	489	(380)	1,385	1,720
Per Share[2]									
Net (loss) income - basic	0.09	(0.00)	0.10	0.20	0.14	0.05	(0.04)	0.15	0.19
Net (loss) income - diluted	0.07	(0.00)	0.03	0.18	0.10	0.03	(0.04)	0.15	0.17

[1] EBITDA is defined in the section on 'Non-IFRS Financial Measures' along with details of its calculation.
[2] Per-share calculations are based on the weighted average number of shares outstanding during the period.

There is an element of seasonality in our business, in that the second half of the year tends to have higher volumes and revenues.

LIQUIDITY AND CAPITAL RESOURCES

Operating activities

For the three months ended March 31, 2019, we used $1.5 million in net cash from operating activities, compared to using $0.7 million in the same period last year.

Inventory

Our inventory increased by 26% in volume and by 21% in value between December 31, 2018 and March 31, 2019, due to lower NY'C' in the first quarter of 2019.

Under hedge accounting, gains/losses on derivative instruments for coffee to be sold in future periods are recorded in inventory. The hedge accounting component of inventory as at March 31, 2019 was a loss of $0.8 million, compared to a loss of $0.4 million in Q1 2018.

Accounts Receivable

Our accounts receivable increased by $0.7 million, or 5%, between December 31, 2018 and March 31, 2019, compared to a decrease of $0.2 million, or 2% between December 31, 2017 and March 31, 2018.

Investing Activities

Cash outflows in investing activities for Q1 2019 were $2.9 million, which were capital expenditures related to our plant expansion in Delta, British Columbia. This compares to cash inflows in investing activities of $3.8 million in Q1 2018, which was the net of $7.0 million of proceeds from short-term investments and capital expenditures of $3.2 million related to our expansion plans. No short-term investments were made during the first quarter in 2019 and 2018.

Financing Activities

During the three months ended March 31, 2019, we paid $0.6 million in dividends to shareholders. This is unchanged from the same period in 2018. In Q1 2019, the Company received proceeds for a term loan of $2.7 million from the Business Development Bank of Canada ("BDC").

Credit Facilities and Liquidity

Our current credit facilities include a $14.5 million revolving operating line of credit and a $1.5 million revolving swing line, each of which bears an interest rate of prime plus 0.75%. Any US$-denominated debt under the revolving operating line of credit or swing line can be financed using LIBOR loans at the LIBOR rate plus 2.35% per annum.

In addition, we have a US$8.0 million foreign exchange and commodity futures contract facility. This allows us to enter into spot, forward and other foreign exchange rate transactions with our bank with a maximum term of 60 months.

Our credit facilities are collateralized by a general security agreement and first security over the present and after-acquired personal property and second security over existing and new machinery and equipment and a floating hypothecation agreement over cash balances.

We have certain bank covenants which relate to the maintenance of specified financial ratios and we were in compliance with all covenants as at March 31, 2019.

BDC Loan

In Q4 2018, the Company completed a transaction with the Business Development Bank of Canada ("BDC") for a term loan facility ("Term Loan") of up to $20.0 million. The purpose of the Term Loan is to assist in the financing of new equipment for the facility being built in Delta, British Columbia. The Term Loan bears interest at 4.95% per annum over twelve years with principal repayment commencing on September 1, 2020.

The Term Loan matures on August 1, 2032. Interest only will be paid on the outstanding balance on a monthly basis prior to September 1, 2020. The Term loan is secured by a general security agreement and a first security interest on all existing equipment and machinery plus new equipment and machinery financed with the Term Loan. Seaforth has provided a guarantee for the Term Loan. As of March 31, 2019, the loan amount outstanding was $12.1 million with interest accrued of $0.04 million.

Contractual Obligations

The following table sets forth our contractual obligations and commitments as at March 31, 2019:

(In $000s) *(unaudited)*	Total	Less than 1 year	2-3 years	4-5 years	Over 5 years
Long-term debt[1]	$ 27,100	$ -	$ 1,344	$ 17,017	$ 8,739
Finance leases[2]	17,099	3,081	4,539	5,386	4,093
Purchase obligations[3]	35,013	34,632	381	-	-
Total contractual obligations	$ 79,212	$ 37,713	$ 6,264	$ 22,402	$ 12,832

[1] Long-term debt represents the principal amounts of the convertible debenture and construction loan.

[2] Minimum obligations for our finance leases.

[3] Represents outstanding coffee and natural gas purchase commitments.

Swiss Water leases a facility which houses its decaffeination plant and offices. The current lease term expires in 2023. Beyond expiry in 2023, the landlord has to approve any subsequent renewal of the lease.

Seaforth leases warehouses in two locations for its primary operations. These leases expire in June 2019 and November 2019. During Q1 2019, Seaforth entered into an agreement to lease a warehouse facility, commencing in 2019, until 2027. Seaforth also leases a commercial vehicle, for which the lease expires in April 2023.

Swiss Water Decaffeinated Coffee Company USA, Inc. holds a lease for its Seattle, Washington, USA sales office, which expires on March 2020. Swiss Water Decaffeinated Coffee Europe SARL leases a sales office in France, which expires in October 2027.

In 2016, Swiss Water signed a lease agreement for a build-to-suit production facility. The lease has an initial term of five years and can be renewed at Swiss Water's option in five-year increments up to a total of 30 years. The lease commenced in July 2018. Under the lease, Swiss Water has multiple options to buy-out the lease starting at the end of the second five-year term. The buy-out value will be equal to the fair market value of the property as determined by an appraisal process, subject to specified maximum and minimum values. The lease also includes a construction management agreement for the construction of a highly specialized building to house the production plant.

As at March 31, 2019, our estimated costs to complete the production line and facility located in Delta, BC are $20.6 million. This amount includes costs for the production line, the construction of the specialized portion of the facility which will house the production equipment, leasehold improvements, and ancillary costs necessary to bring the production line into productive use. This is expected to be funded through cash on hand, working capital or other debt facilities, and cash from operations.

OFF-BALANCE SHEET ARRANGEMENTS

Swiss Water has no off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

We provide toll decaffeination services and/or sell finished goods to, and purchase raw material inventory from, a company that is related to one of Swiss Water's Directors, Roland Veit.

The following table summarizes related party sales and purchases during the period:

(In $000s) *(unaudited)*		3 months ended March 31, 2019		3 months ended March 31, 2018
Sales	$	106	$	164
Purchases of raw materials	$	720	$	1,961

All transactions were in the normal course of operations and were measured at the fair value of the consideration received or receivable, which was established and agreed to by the related parties. As at March 31, 2019, our accounts receivable balance with this company was $0.04 million (December 31, 2018: $0.01 million) while our accounts payable balance with this company was $0.3 (December 31, 2018: $0.3 million).

On March 16, 2017, a subsidiary of Swiss Water and a member of Key Management (the borrower) entered into a promissory note in the amount of US$0.1 million. For as long as the borrower remains an employee, the obligation to repay the principal is forgiven against current and future awards under the RSU Plan, by forfeiture of awards. The loan is interest-free other than in the event of default, in which case the promissory note shall bear simple interest at a rate of 10% per annum.

RISKS AND UNCERTAINTIES

Swiss Water's ability to pay dividends is dependent upon the earnings and cash flow generated from the Company's operations, as well as our current and planned future investments in capital equipment. Cash from operations may fluctuate with the performance of the business, which can be susceptible to a number of risks. These risks may include, but are not limited to, foreign exchange fluctuations, labour relations, coffee prices (notwithstanding hedging programs, as exact hedging correlation is not attainable), the availability of coffee, competition from existing chemical and other natural or chemical free coffee decaffeinators,

competition from new entrants with alternate processing methods or agricultural technologies, environmental and regulatory risks, terms of credit agreements, commodity futures losses, ability to maintain organic certification, adequacy of insurance, risks related to information technology, dependence on key personnel, product liability, uncollectable debts, and general economic downturns. The future effect of these risks and uncertainties cannot be quantified or predicted. In addition, Swiss Water leases the building that houses two decaffeination lines. The lease expires in 2023 and provides for an additional five-year renewal term (to 2028), subject to the express approval of the landlord. Any plans to relocate the production equipment would result in significant capital expenditures and the payment of the asset retirement obligation (currently recorded as a long-term liability on our financial statements).

CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Critical accounting judgments and estimates used in preparing our unaudited condensed consolidated interim financial statements are described in Swiss Water's annual MD&A and annual consolidated financial statements for the year ended December 31, 2018. The preparation of consolidated financial statements in accordance with IFRS requires us to make both estimates and assumptions that could materially affect the amounts recognized in the financial statement. By their nature, judgments and estimates may change in light of new facts and circumstances in the internal and external environment.

Effective January 1, 2019, we adopted IFRS 16 Leases in accounting for leases of our offices, warehouses, and equipment. Estimates and assumptions were made and applied, including the useful lives of right-of-use assets and the implicit borrowing rates. The useful lives of right-of-use assets are estimated to be the length of the related lease terms, ranging from 2 to 20 years. The weighted average implicit borrowing rate is 4.92% per annum which was based on borrowing rates available to the Company.

CHANGES IN ACCOUNTING STANDARDS

The following standard became effective for annual periods beginning on or after January 1, 2019.

- *IFRS 16: Leases:* replaces IAS 17, IFRIC 4, SIC-15, and SIC-27. IFRS 16 introduces a single, on-balance sheet accounting model for lessees that is similar to the former finance lease accounting, with limited exceptions for short-term leases or leases of low-value assets. Lessees recognize a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessees also recognize a depreciation charge for right-of-use assets and interest expense on lease liabilities. A lessee can choose to apply IFRS 16 using either a full retrospective or a modified retrospective approach.

We have applied IFRS 16 using the modified retrospective approach, the simplified transition approach, without restating comparative amounts for the year 2018, prior to the first adoption. The right-of-use assets and liabilities for property and equipment leases are measured on transition as if the new rules had always been applied. At the time of adoption, as at January 1, 2019, the Company recognized $19.1 million in new right-of-use assets and lease liabilities for its office, warehouse and equipment leases. Additional disclosures have been included in Swiss Water's condensed consolidated interim financial statements for the three month period ended March 31, 2019.

We have adopted the following amended standards, and we assessed that there was no material impact on our condensed consolidated interim financial statements:

- Annual Improvements to IFRS Standards 2015–2017 Cycle: IFRS 3 Business Combinations; IFRS 9: Financial Instruments: prepayment features with negative compensation; IFRS 11: Joint arrangement; IAS 12: Income taxes: amendments related to recognition of current and deferred tax related to

dividends; IAS 19: Employee Benefits: amendments to plan amendment, curtailment or settlement; IAS 23: Borrowing costs: amendments related to recognition of borrowing costs eligible for capitalization; IFRIC 23: Uncertainty over Income Tax Treatments: clarifies the application of recognition and measurement required per IAS 12: Income taxes, where there is uncertainty over income taxes; IFRS 10: Consolidated Financial Statements and IAS 28: Investments in Associates and Joint Ventures.

HEDGE ACCOUNTING

We adopted the hedge accounting provisions of IFRS 9 on January 1, 2016 in order to reduce volatility in our financial results, by better matching our accounting practices to our hedging practices. We did ***not*** change our risk management strategies with the adoption of hedge accounting. The economic impact of our hedges is unchanged from before January 1, 2016, even though the accounting for these derivative instruments has changed.

We enter into three types of hedges:

1) Commodity price risk hedges on our coffee purchase commitments and inventory ("commodity hedges");
2) Foreign currency risk hedges on future US$ process revenues ("revenue hedges"); and
3) Customer-specific foreign currency risk hedges on US$ purchases of green coffee ("customer-specific hedges").

Each type of hedge is discussed below.

Commodity Hedges

When we enter into a purchase commitment to buy green coffee, the contract specifies that the purchase price will be based, in part, on the future (to-be-determined) coffee futures price, or NY'C'. We agree on or 'fix' the NY'C' price with the vendor on or before receiving the coffee into inventory. When we bear the economic risk of a change in the commodity price, we offset this risk by selling short a futures contract on the Intercontinental Exchange. When we later sell such coffee at a fixed price to a customer, we cover our short by going long on a futures contract on the Intercontinental Exchange.

At each period-end, commodity hedges are re-measured to their fair value. Under hedge accounting, gains /losses for hedged coffee purchase commitments and inventory are recorded in the statement of financial position until such coffee is sold, at which time the gains/losses on our commodity hedges are recognized in cost of sales. In this way, gains/losses on our commodity hedges are matched to our sales in the period.

Revenue Hedges

We enter into forward contracts to sell US$ at future dates to hedge the foreign exchange cash flow variability of expected US$ processing fee revenue up to 60 months in advance. The hedged process revenue includes both process revenue from tolling arrangements (processing of customer-owned coffee) as well as the US$ processing fee layer of inventory sales agreements. This enables us to more reliably predict how much Canadian currency we will receive for our collected US$ process revenue. Cash flows in the immediate 12-month period are hedged at a higher percentage of expected future revenues than those farther out, reflecting greater uncertainty in the 13-to 60-month period.

At each period end, revenue hedges are re-measured to their fair value. Under hedge accounting, unrealized gains/losses for open revenue hedges are recorded in other comprehensive income. When a revenue hedge

matures, the realized gain/loss on that contract is reclassed from accumulated other comprehensive income to process revenue.

Customer-Specific Hedges

We enter into forward contracts to buy US$ for green coffee inventory which, once decaffeinated, will be sold at a fixed C$ price pursuant to a customer-specific contract. To mitigate the exposure to margin changes on these transactions arising from fluctuations in the US$/C$ exchange rate, we enter into US$ forward purchase contracts which economically lock in the US$/C$ exchange rate, and effectively locks in the C$ cost of inventory to be sold at the fixed C$ amount.

The adoption of hedge accounting allows for better matching of US$ purchases with the associated gains/losses on the forward contracts used to economically hedge these items. At each period-end, customer-specific hedges are re-measured to their fair value. Under hedge accounting, the gains/losses on these hedges are deferred on the statement of financial position until the inventory is sold, at which time the gains/losses are recorded in cost of sales on the income statement.

FINANCIAL INSTRUMENTS

We use financial instruments to mitigate economic risks associated with our business. The three types of hedges we enter into, and the hedging instruments used, are discussed in more detail under 'Hedge Accounting' above.

We classify our financial assets and financial liabilities in the following measurement categories (i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and (ii) those to be measured at amortized cost. We have implemented the following classifications for financial instruments other than derivatives:

- Cash and cash equivalents and short-term investments are classified as assets at fair value and any period change in fair value is recorded through interest income in the consolidated statement of income, as applicable.
- Accounts receivable and other receivables are classified as assets at amortized cost using the effective interest rate method. Interest income is recorded in the consolidated statement of income, as applicable.
- Accounts payable, credit facilities, the debt portion of the convertible debenture and other liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method. Interest expense is recorded in the consolidated statement of income, as applicable.

Commodity Price Risk

Commodity price risk is the risk that the fair value of inventory or future cash flows will fluctuate as a result of changes in commodity prices. Swiss Water utilizes futures contracts to manage our commodity price exposure and also buys and sells futures contracts for coffee on the Intercontinental Exchange in order to offset our inventory position and fix the input cost of green coffee. As at March 31, 2019, we had futures contracts to buy 4.9 million lbs of green coffee with a notional value of US$4.7 million, and contracts to sell 6.4 million lbs of green coffee with a notional value of US$6.0 million. The furthest contract matures in March 2020 (December 31, 2018: buy 4.5 million lbs of green coffee with a notional value of US$4.7 million, and contracts to sell 4.7 million lbs of green coffee with a notional value of US$4.7 million).

Foreign Currency Risk

We realize a significant portion of our sales in US dollars and we purchase green coffee in US$ which is, in some cases, sold to customers in C$ dollars. We enter into forward exchange contracts to manage our exposure to currency rate fluctuations and to minimize the effect of exchange rate fluctuations on business decisions. These contracts relate to our future net cash flows in US$ from sales. In addition, we enter into forward contracts to purchase US$ for coffee that we resell in C$ dollars.

At March 31, 2019, we had forward currency contracts to buy US$5.5 million and sell US$62.3 million (2018: buy US$6.6 million and sell US$65.0 million) from April 2019 through to April 2023 at various Canadian exchange rates ranging from $1.2147 to $1.3415.

INTERNAL CONTROLS OVER FINANCIAL REPORTING & DISCLOSURE CONTROLS AND PROCEDURES

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Swiss Water are responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Under the supervision and with the participation of management, we conducted an evaluation of the design and effectiveness of our ICFR as of March 31, 2019, based on the updated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO 2013"). Based on this assessment, the CEO and CFO concluded that, as of March 31, 2019, Swiss Water's ICFR was effective.

The CEO and CFO are also responsible for establishing and maintaining adequate disclosure controls and procedures. Disclosure controls and procedures are controls and other procedures designed to provide reasonable assurance that information required to be disclosed in documents filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation and includes controls and procedures designed to ensure that information required to be disclosed in documents filed or submitted under securities legislation is accumulated and communicated to Swiss Water's management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

The CEO and CFO evaluated or caused to be evaluated under supervision, the effectiveness of our disclosure controls and procedures and based on this evaluation, the CEO and CFO concluded that, as of March 31, 2019, Swiss Water's disclosure controls and procedures were effective. There were no changes in our ICFR that occurred during the period beginning on January 1, 2019 and ended on March 31, 2019 that have materially affected or are reasonably likely to materially affect, Swiss Water's ICFR.

SUBSEQUENT EVENTS

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.

SWISS WATER DECAFFEINATED COFFEE INC.

(formerly TEN PEAKS COFFEE COMPANY INC.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the Three Months Ended March 31, 2019

SWISS WATER DECAFFEINATED COFFEE INC. (formerly TEN PEAKS COFFEE COMPANY INC.)

Condensed Consolidated Interim Statements of Financial Position as at
(Tabular amounts are in thousands of Canadian dollars)
(Unaudited)

	Note	March 31, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		$ 5,517	$ 8,336
Accounts receivable	4	15,019	14,313
Inventories	5	16,691	13,851
Prepaid expenses and other receivables		906	1,272
Current income tax assets		476	-
Derivative assets and hedged firm commitments	6, 21	1,443	1,497
Total current assets		40,052	39,269
Non-current assets			
Receivables	4	233	235
Property plant and equipment	7	68,192	46,035
Intangible assets		1,103	1,167
Deferred tax assets		181	175
Total non-current assets		69,709	47,612
Total assets		$ 109,761	$ 86,881
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		$ 7,947	$ 6,558
Accrued liabilities		3,978	3,397
Income tax payable		-	783
Other liabilities	9	645	473
Dividend payable	14, 23	566	566
Lease liabilities	10	1,403	-
Derivative liabilities and hedged firm commitments	6, 21	834	2,064
Total current liabilities		15,373	13,841
Non-current liabilities			
Other liabilities	9	168	105
Construction loan	11	12,100	9,400
Convertible debenture	12	12,195	12,082
Lease liabilities	10	17,222	-
Asset retirement obligation		802	802
Deferred tax liabilities		2,205	1,243
Derivative liabilities	6, 12, 21	3,276	3,652
Total non-current liabilities		47,968	27,284
Total liabilities		63,341	41,125
Shareholders' equity			
Share capital	13	$ 43,591	$ 43,591
Retained earnings		3,948	4,523
Accumulated other comprehensive income		(1,310)	(2,512)
Share-based compensation reserve		191	154
Total equity		46,420	45,756
Total liabilities and shareholders' equity		$ 109,761	$ 86,881

Commitments (Note 22)
Subsequent events (Note 23)
Approved on behalf of the Board

(signed) ***"David Rowntree"***, Director (signed) ***"Frank Dennis"***, Director

– The accompanying notes form an integral part of these consolidated financial statements. –

Condensed Consolidated Interim Statements of (Loss) Income
(Tabular amounts are in thousands of Canadian dollars, except for per share amounts)
(Unaudited)

For the	Note	3 months ended March 31, 2019	3 months ended March 31, 2018
Revenue	15, 19	$ 24,170	$ 21,215
Cost of sales		(20,626)	(18,373)
Gross profit		3,544	2,842
Operating expenses			
Administration expenses		(1,721)	(1,519)
Sales and marketing expenses		(836)	(753)
Occupancy expenses		(11)	(15)
Total operating expenses		(2,568)	(2,287)
Operating income		976	555
Non-operating or other			
Gain (loss) on risk management activities		533	(84)
(Loss) gain on fair value on embedded option	12	(728)	458
Finance income		154	152
Finance expense		(600)	(357)
Loss on foreign exchange		(290)	(12)
Total non-operating or other		(931)	157
Income before tax		45	712
Income tax expense		(54)	(223)
Net (loss) income		$ (9)	$ 489
Basic earnings per share	18	$ -	$ 0.05
Diluted earnings per share	18	$ -	$ 0.03

Condensed Consolidated Interim Statements of Comprehensive Income (Loss) and Condensed Consolidated Interim Statements of Changes in Equity
(Tabular amounts are in thousands of Canadian dollars)
(Unaudited)

Condensed Consolidated Interim Statements of Comprehensive Income (Loss)

For the	3 months ended March 31, 2019	3 months ended March 31, 2018
Net income	$ (9)	$ 489
Other comprehensive income, net of tax		
Items that may be subsequently reclassified to income:		
Unrealized gain (loss)		
Derivatives designated as cash flow hedges - currency risk hedges on US$ future revenue	1,551	(920)
Items reclassified to income:		
Realized loss (gain)		
Derivatives designated as cash flow hedges		
- currency risk hedges on US$ future revenue, recognized in revenue	91	(303)
Other comprehensive income (loss) related to hedging activities	1,642	(1,223)
Tax (expense) recovery on other comprehensive income relating to hedging activities	(443)	330
Cumulative translation adjustment	3	4
Other comprehensive income (loss), net of tax	1,202	(889)
Net income and other comprehensive income (loss)	$ 1,193	$ (400)

Condensed Consolidated Interim Statements of Changes in Equity

	Note	Share capital		Share-based compensation reserve	Accumulated other comprehensive income	Retained earnings	Total equity
		Shares	Amount				
Balance at December 31, 2017		**9,038,862**	**$ 43,496**	**$ 140**	**$ 1,485**	**$ 2,257**	**$ 47,378**
Shares issued for restricted share units		22,348	95	(95)	-	-	-
Share-based compensation		-	-	18	-	-	18
Dividends	14	-	-	-	-	(566)	(566)
Net income and other comprehensive income (loss)		-	-	-	(889)	489	(400)
Balance at March 31, 2018		**9,061,210**	**$ 43,591**	**$ 63**	**$ 596**	**$ 2,180**	**$ 46,430**
Balance at December 31, 2018		**9,061,210**	**43,591**	**154**	**(2,512)**	**4,523**	**45,756**
Share-based compensation		-	-	37	-	-	37
Dividends	14	-	-	-	-	(566)	(566)
Net income and other comprehensive (loss)		-	-	-	1,202	(9)	1,193
Balance at March 31, 2019		**9,061,210**	**$ 43,591**	**$ 191**	**$ (1,310)**	**$ 3,948**	**$ 46,420**

– The accompanying notes form an integral part of these consolidated financial statements. –

Condensed Consolidated Interim Statements of Cash Flows
(Tabular amounts are in thousands of Canadian dollars)
(Unaudited)

For the	Note	3 months ended March 31, 2019	3 months ended March 31, 2018
Operating activities			
Net (loss) income		$ (9)	$ 489
Items not affecting cash:			
Depreciation and amortization		864	432
Share-based compensation expense		273	118
Unrealized (gain) loss on risk management activities		(334)	87
Unrealized loss (gain) on fair value adjustment of embedded option		728	(458)
Finance income		(154)	(152)
Finance expense		600	357
Income taxes expense		54	223
		2,022	1,096
Change in non-cash working capital relating to operating activities	20	(2,395)	(1,290)
Net cash used in operations		**(373)**	**(194)**
Interest received		154	186
Interest paid		(482)	(257)
Income taxes paid		(800)	(420)
Net cash used in operating activities		**(1,501)**	**(685)**
Investing activities			
Proceeds from short-term investments		-	7,067
Interest paid on investment activities		(89)	-
Additions to plant and equipment		(2,855)	(3,267)
Net cash (used in) generated from investing activities		**(2,944)**	**3,800**
Financing activities			
Dividends paid		(566)	(565)
Payment of lease liabilities	10	(508)	-
Proceeds from construction loan		2,700	-
Net cash generated from (used in) financing activities		**1,626**	**(565)**
(Decrease) increase in cash and cash equivalents		(2,819)	2,550
Cash and cash equivalents, beginning of the period		8,336	9,486
Cash and cash equivalents, end of the period		$ 5,517	$ 12,036

1. NATURE OF BUSINESS

Swiss Water Decaffeinated Coffee Inc., ("Swiss Water" or the "Company"), formerly Ten Peaks Coffee Company Inc., is an entity incorporated under the Canada Business Corporations Act ("CBCA"). The common shares of the Company are listed on the Toronto Stock Exchange under the symbol 'SWP', formerly 'TPK'. The Company's head office is located at 3131 Lake City Way, Burnaby, British Columbia, V5A 3A3, Canada.

On September 28, 2018, Ten Peaks Coffee Company Inc. amalgamated with its 100% owned subsidiary Swiss Water Decaffeinated Coffee Company Inc. As a result of the amalgamation Ten Peaks Coffee Company Inc. remained as the successor entity and concurrently the Company changed its name to Swiss Water Decaffeinated Coffee Inc.

Swiss Water is primarily involved in the decaffeination of green coffee without the use of chemicals by employing the proprietary SWISS WATER® Process. The Company leverages science-based systems and quality controls to produce coffee that is 99.9% caffeine free.

Swiss Water owns all of the interests of Seaforth Supply Chain Solutions Inc. ("Seaforth"), which is incorporated under CBCA and operates in Burnaby, British Columbia, Canada; Swiss Water Decaffeinated Coffee USA, Inc. ("SWUS"), an entity registered in Washington State, USA, and; Swiss Water Decaffeinated Coffee Europe SARL ("SWEU"), an entity registered in Bordeaux, France.

Seaforth provides a complete range of green coffee handling and storage services, while SWUS and SWEU act as marketing and sales companies and they do not have significant assets.

2. BASIS OF PREPARATION

The Company's condensed consolidated interim financial statements for the three months ended March 31, 2019 have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting ("IAS 34") as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been condensed or omitted. These condensed consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018.

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2018, except for those policies disclosed below.

These condensed consolidated interim financial statements are presented in Canadian dollars. Except for per share amounts, all amounts are expressed in thousands of Canadian dollars, unless otherwise stated. References to US$ are to United States dollars.

These condensed consolidated interim financial statements for the three months ended March 31, 2019 were approved for issuance by the Company's Directors on May 6, 2019. There were no significant non-adjusting events that occurred between the reporting date and the date of authorization except as disclosed in Note 23.

2.1 New and amended standards adopted by the Company

The following amendments to accounting standards became effective for annual periods beginning on or after January 1, 2019. Of those standards, IFRS 16 *Leases* has a material impact on the Company's condensed interim financial statements.

Adoption of IFRS 16 Leases

IFRS 16 introduces a single, on-balance sheet accounting model for lessees that is similar to the former finance lease accounting, with limited exceptions for short-term leases or leases of low-value assets. Lessees recognize a right-of-use asset representing its rights to use the underlying asset and a lease liability representing its obligation to make lease payments. IFRS 16 replaces existing leases guidance, including *IAS 17, Leases*, *IFRIC 4: Determining whether an Arrangement contains a Lease*, *SIC-15: Operating Leases – Incentives* and *SIC-27: Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

As a lessee, the Company can choose to apply IFRS 16 using either a full retrospective or a modified retrospective approach. Effective January 1, 2019, the Company applied IFRS 16 using the modified retrospective approach, the simplified transition approach, without restating comparative amounts for the year 2018, prior to the first adoption. The right-of-use assets and liabilities for property and equipment leases are measured on transition as if the new rules had always been applied. The expedients used were: not separating non-lease components, excluding short-term leases, and not re-assessing contracts at inception, but rather just applying IFRS 16 to operating leases as at December 31, 2018. At the time of adoption, as at January 1, 2019, the Company recognized $19.1 million in new right-of-use assets and lease liabilities for its office, warehouse and equipment leases.

Management judgement and estimates over leases

The preparation of consolidated financial statements requires that the Company's management makes assumptions and estimates on the classification of leases. When assessing the classification of a lease agreement, certain estimates and assumptions need to be made and applied, which include, but are not limited to, the determination of the expected lease term and minimum lease payments, implicit borrowing rate, the assessment of the likelihood of exercising options, and estimation of the fair value of the lease property at lease inception.

Lease policy applicable from January 1, 2019

At the inception of a lease contract, the Company assesses whether the contract is or contains a lease. A contract is, or contains, a lease if the contract conveys that right of control of the use of an identified asset for a period of time in exchange for consideration. To assess whether a contact conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset; (ii) the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period, and; (iii) the Company has the right to direct the use of the asset. The Company has determined that contracts for its offices, warehouses, and select equipment contain a lease.

At inception or on a reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company presents right-of-use assets in Property, plant and equipment and related liabilities in Lease liabilities.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term plus expected renewal options which are available to the Company. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any identified, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise of: (i) fixed payments; (ii) variable lease payments that depend on an index rate, initially measured using the index as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee, and : (iv) the exercise price under purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes these lease payments as an expense on a straight-line basis over the lease term.

The Company recognizes a depreciation charge for right-of-use assets and interest expense on lease liabilities in the consolidated income statement.

On the statement of cash flows, the Company includes repayments of the principal portion of the lease liabilities under financing activities whereas before the implementation of IFRS 16 they were included in cash flows from operations. The interest portion of the lease continues to be classified within cash flows from operating activities. Lease payments for short-term leases, lease payment for leases of low-value assets that are not included in the measurement of the lease liability are classified as cash flows from operating activities.

Lease policy applicable before January 1, 2019

The comparative information for leases is prepared based on the accounting policies that the Company had applied under IAS 17 and IFRIC 4. The office, warehouse and equipment leases were classified as operating leases and were not recognized in the Company's statement of financial position. Prior to the adoption IFRS 16, the Company recognized operating lease expense, in the statement of income, on a straight-line basis over the term of the lease.

Other new and amended standards

The adoption of these revised standards by the Company did not have a material impact on its condensed consolidated interim financial statements.

- Annual Improvements to IFRS Standards 2015–2017 Cycle: *IFRS 3 Business Combinations; IFRS 9: Financial Instruments:* prepayment features with negative compensation; *IFRS 11: Joint arrangement*; *IAS 12: Income taxes:* amendments related to recognition of current and deferred tax related to dividends; *IAS 19: Employee Benefits:* amendments to plan amendment, curtailment or settlement; *IAS 23: Borrowing costs:* amendments related to recognition of borrowing costs eligible for capitalization; *IFRIC 23: Uncertainty over Income Tax Treatments*: clarifies the application of recognition and measurement required per *IAS 12: Income taxes*, where there is uncertainty over income taxes; *IFRS 10: Consolidated Financial Statements* and *IAS 28: Investments in Associates and Joint Ventures*.

3. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity and indebtedness. In order to maintain or adjust the capital structure, the Company may from time to time issue common shares, issue additional debt, adjust its capital spending, modify its dividend policy, and/or dispose of certain assets to manage current and projected debt levels.

The Company manages its capital in order to meet its growth objectives while continuing to pay quarterly dividends to its shareholders. The dividend policy of Swiss Water is subject to the discretion of the Board of Directors, which reviews the level of dividends periodically on the basis of a number of factors including Swiss Water's financial performance, future prospects, and the capital requirements of the business. Quarterly dividends are paid on a level basis in order to smooth out normal seasonal fluctuations that occur over the course of a year.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of March 31, 2019 and December 31, 2018 are recorded net of expected credit losses of nil. Non-current accounts receivable includes a $0.1 million balance due from a related party.

5. INVENTORIES

During the three months ended March 31, 2019, the cost of inventories recognized in cost of sales was $19.4 million (2018: $17.0 million). The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each period.

	March 31, 2019	December 31, 2018
Raw materials	$ 10,706	$ 6,718
Finished goods	6,248	7,252
Carbon	359	360
Packaging	169	109
Hedge accounting component	(791)	(588)
	$ 16,691	$ 13,851

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company's derivative financial instruments, asset (liability), were carried at fair value through profit or loss as follows:

	March 31, 2019	December 31, 2018
Coffee futures contracts, net	$ 583	$ 495
US Dollar forward contracts, current	(143)	(193)
US Dollar forward contracts, long term	(591)	(300)
Derivative financial liability, convertible debenture	(1,638)	(910)
	$ (1,789)	$ (908)

The Company's derivative financial instruments were carried at fair value through other comprehensive income as follows:

	March 31, 2019	December 31, 2018
US Dollar forward contracts, current	$ (341)	$ (876)
US Dollar forward contracts, long term	(1,047)	(2,442)
	$ (1,388)	$ (3,318)

7. PROPERTY PLANT AND EQUIPMENT

Property plant and equipment comprise owned and leased right-of-use assets.

	March 31, 2019	December 31, 2018
Plant and equipment	$ 49,499	$ 46,035
Right-of-use assets	18,693	-
	$ 68,192	$ 46,035

7.1 Plant and equipment

For the three months ended March 31, 2019, depreciation expense of $0.32 million (2018: $0.33 million) has been charged to cost of sales and $0.04 million (2018: $0.04 million) was included in administrative expenses. There was no impairment loss recognized for the three month period ended March 31, 2019 (2018: Nil).

	Machinery and equipment	Leasehold improvement	Computer equipment	Furniture and fixtures	Construction in progress	Total
Cost						
Balance at January 1, 2019	$ 34,025	$ 5,127	$ 1,285	$ 196	$ 34,329	$ 74,962
Additions	4	12	-	1	3,807	3,824
Transfers	52	-	12	-	(64)	-
Balance at March 31, 2019	$ 34,081	$ 5,139	$ 1,297	$ 197	$ 38,072	$ 78,786
Accumulated depreciation						
Balance at January 1, 2019	$ (23,981)	$ (3,791)	$ (999)	$ (156)	$ -	$ (28,927)
Depreciation	(248)	(74)	(35)	(3)	-	(360)
Balance at March 31, 2019	$ (24,229)	$ (3,865)	$ (1,034)	$ (159)	$ -	$ (29,287)
Balance at March 31, 2019	$ 9,852	$ 1,274	$ 263	$ 38	$ 38,072	$ 49,499

	Machinery and equipment	Leasehold improvement	Computer equipment	Furniture and fixtures	Construction in progress	Total
Cost						
Balance at January 1, 2018	$ 33,744	$ 5,113	$ 1,204	$ 189	$ 10,660	$ 50,910
Additions	108	22	38	7	23,948	24,123
Disposals	(61)	(8)	(2)	-	-	(71)
Transfers	234	-	45	-	(279)	-
Balance at December 31, 2018	$ 34,025	$ 5,127	$ 1,285	$ 196	$ 34,329	$ 74,962
Accumulated depreciation						
Balance at January 1, 2018	$ (23,061)	$ (3,501)	$ (862)	$ (145)	$ -	$ (27,569)
Depreciation	(981)	(298)	(139)	(11)	-	(1,429)
Disposals	61	8	2	-	-	71
Balance at December 31, 2018	$ (23,981)	$ (3,791)	$ (999)	$ (156)	$ -	$ (28,927)
Balance at December 31, 2018	$ 10,044	$ 1,336	$ 286	$ 40	$ 34,329	$ 46,035

7.2 Right-of-use assets

The Company has adopted IFRS 16 retrospectively from January 1, 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognized in the opening balance sheet on January 1, 2019. The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

	Equipment	Property	Total
Cost			
Balance January 1, 2019	$ 110	$ 19,023	$ 19,133
Balance at March 31, 2019	$ 110	$ 19,023	$ 19,133
Accumulated depreciation			
Balance January 1, 2019	$ -	$ -	$ -
Depreciation	(6)	(434)	(440)
Balance at March 31, 2019	$ (6)	$ (434)	$ (440)
Balance at March 31, 2019	$ 104	$ 18,589	$ 18,693

For the three months ended March 31, 2019, depreciation expense of $0.42 million (2018: Nil) has been charged to cost of sales and $0.02 million (2018: Nil) was included in administrative expenses. There was no impairment loss recognized for the three month period ended March 31, 2019 (2018: Nil).

8. CREDIT FACILITIES

The Company had no outstanding credit facility debt as at March 31, 2019 or December 31, 2018. As at March 31, 2019, the Company was in compliance with its debt covenants.

9. OTHER LIABILITIES

Other liabilities balances represent the fair value of the deferred share units ("DSUs") and the cash-settled portion of the restricted share units ("RSUs") outstanding as follows:

	March 31, 2019	December 31, 2018
Other liabilities, current	$ 645	$ 473
Other liabilities, non-current	168	105
	$ 813	$ 578

10. LEASE LIABILITIES

Lease commitments

Lease liabilities are as follows:

	March 31, 2019	December 31, 2018
Lease liability current	$ 1,403	$ -
Lease liability non-current	17,222	-
	$ 18,625	$ -

The Company leases the following offices, warehouses and equipment:

- On August 26, 2016, Swiss Water signed a lease agreement for a build-to-suit production facility. The lease has an initial term of five years and can be renewed at the Company's option in five-year increments up to a total of 30 years. The lease commenced in July 2018. Under the lease, the Company has multiple options to buy-out the lease starting at the end of the second five-year term.

The buy-out value will be equal to the fair market value of the property as determined by an appraisal process, subject to specified maximum and minimum values.

- Swiss Water leases a sales office in France which expires in October 2027.
- On January 15, 2019, Seaforth entered into an agreement to lease a warehouse facility, commencing on April 1, 2019, until June 2027. The Company has two options to renew the lease for an additional term of five years each.
- Swiss Water leases a facility which houses its decaffeination plant and offices. The lease expires in May 2023. Beyond expiry in 2023, the landlord has to approve any subsequent renewal of the lease.
- Seaforth leases a truck. The lease expires in April 2023.
- Swiss Water Decaffeinated Coffee Company USA, Inc. leases a sales office in Seattle, Washington, which expires in March 2020.
- Seaforth leases warehouses in two locations for its primary operations. These leases expire in June 2019 and November 2019.

Adjustments recognized on the adoption of IFRS 16

On adoption of IFRS 16, the Company recognized $19.1 million in lease liabilities in relation to leases which had previously been classified as operating leases under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments plus anticipated exercise of renewal options that are at the discretion of the Company, discounted using the incremental borrowing rate as of January 1, 2019. The weighted average incremental borrowing rate applied to the lease liabilities at inception is 4.92%.

A reconciliation between the amount of the lease liability recognized as at the date of initial application and operating lease commitments disclosed as at December 31, 2018 is as follows:

		Total
Operating lease commitments as at December 31, 2018	$	8,451
Effect of discounts using incremental borrowing rates (4.55%-4.95%)		(10,010)
Extension and termination options reasonably certain to be exercised		20,692
Balance at March 31, 2019	$	19,133

Amounts recognized in the statement of net income and statement of cash flows

Lease liabilities interest expense recognized in profit and loss and minimum lease payments recognized in the financing component of statement of cash flows are as follows:

		Total
Balance January 1, 2019	$	19,133
Finance expense		232
Lease cash payments		(740)
Balance at March 31, 2019	$	18,625

Minimum Lease payments

As at March 31, 2019, the minimum payments under leases liabilities are as follows:

		March 31, 2019
No later than 1 year	$	3,081
Later than 1 year and no later than 5 years		9,925
Later than 5 years		4,093
	$	17,099

11. CONSTRUCTION LOAN

Business Development Bank (BDC) Loan

During the year ended December 31, 2018, the Company entered into a term loan facility with the Business Development Bank of Canada ("Term Loan") of up to $20.0 million. The purpose of the Term Loan is to assist in the financing of new equipment for the facility being built in Delta, British Columbia. The Term Loan bears interest at 4.95% per annum over twelve years with monthly principal repayment commencing on September 1, 2020. The Term Loan matures on August 1, 2032. Interest only will be paid on the outstanding balance on a monthly basis prior to September 1, 2020. The Term loan is secured by a general security agreement and a first security interest on all existing equipment and machinery plus new equipment and machinery financed with the Term Loan. Seaforth has provided a guarantee for the Term Loan. As of March 31, 2019, the loan amount outstanding was $12.1 million (2018: $9.4 million) with interest accrued of $0.04 million (2018: $0.02 million).

12. CONVERTIBLE DEBENTURE

On October 11, 2016, the Company issued an unsecured subordinated convertible debenture for gross proceeds of $15.0 million. The convertible debenture bears interest at a rate of 6.85% per annum to be paid quarterly in arrears and is due on October 11, 2023.

		March 31, 2019		December 31, 2018
Balance, open	$	12,082	$	11,658
Interest charged		366		1,452
Interest paid		(253)		(1,028)
Balance, end	$	12,195	$	12,082

The Company uses the residual value method to allocate the fair value of the convertible debenture between the liability component and the derivative liability. Under this method, as at March 31, 2019, the derivative liabilities include the fair value of the derivative liability related to the convertible debenture in the amount of $1.6 million (2018: $0.9 million). During the three months ended March 31, 2019, this revaluation resulted in a loss being recorded in the statement of income in the amount $0.7 million (2018: gain of $0.5 million).

		March 31, 2019		December 31, 2018
Balance, open	$	910	$	2,709
Change in fair valuation of derivative embedded option		728		(1,799)
Balance, end	$	1,638	$	910

The fair value of the derivative liability was determined using the Black-Scholes Option Pricing Model. The variables and assumptions used in computing the fair value are based on management's best estimate. The value varies with different variables of certain subjective assumptions. Inputs into the Black-Scholes Option Pricing Model to determine the fair value of the conversion option were as follows:

		March 31, 2019		December 31, 2018
Share price	$	6.17	$	4.97
Exercise price	$	8.25	$	8.25
Option life		4.54 years		4.78 years
Volatility		36%		37%
Risk-free interest rate		1.52%		1.88%
Dividend yield		4.05%		5.03%

13. SHARE CAPITAL

Swiss Water is authorized to issue an unlimited number of common shares. Each share is equally eligible to receive dividends when declared and represents one vote at meetings of shareholders.

As of March 31, 2019, there were 9,061,210 common shares issued and outstanding.

Restricted share units

The movement in RSUs for the three months ended March 31, 2019 and the year ended December 31, 2018 is as follows:

	Number of RSUs		Volume based weighted average share price	Average remaining vesting period (years)	Performance based
Balance at January 1, 2018	**100,783**	**$**	**6.58**	**1.15**	
RSUs granted	91,000	$	6.35	2.15	No
RSUs issued for dividends	4,891	$	6.08	1.75	No
RSUs cash-settled	(28,304)	$	7.04	-	
RSUs exercised	(22,348)	$	7.04	-	
RSUs forfeited	(23,288)	$	6.25	-	No
Balance at December 31, 2018	**122,734**	**$**	**5.01**	**1.83**	
Balance at January 1, 2019	**122,734**	**$**	**5.01**	**1.83**	
RSUs granted	98,000	$	6.74	2.90	No
RSUs issued for dividends	1,508	$	5.09	1.59	No
Balance at March 31, 2019	**222,242**	**$**	**6.11**	**2.16**	

Deferred share units

The movement in DSUs for the three months ended March 31, 2019, and the year ended December 31, 2018, is as follows:

	Number of DSUs	Weighted average share price	Performance based
Balance at January 1, 2018	70,574	$ 6.60	
DSUs issued	24,665	$ 6.23	No
Balance at December 31, 2018	**95,239**	**$ 4.97**	
Balance at January 1, 2019	95,239	$ 4.97	
DSUs issued	9,226	$ 5.00	No
Balance at March 31, 2019	**104,465**	**$ 6.17**	

14. DIVIDENDS

For the three months ended March 31, 2019, the Company declared quarterly eligible dividends to shareholders totaling $0.6 million or $0.0625 per share (2018: $0.6 million or $0.0625 per share) of which, $0.6 million was paid on April 15, 2019.

15. REVENUE

Disaggregation of revenue

Revenue disaggregated by geographical markets is disclosed in Note 19. The Company also disaggregates revenue by major products and services: decaffeinated coffee sales, decaffeination services, and distribution with the following results for the three months ended March 31, 2019:

	3 months ended March 31, 2019	3 months ended March 31, 2018
Decaffeinated coffee sales	$ 20,758	$ 19,160
Decaffeination services	1,572	808
Distribution	1,840	1,247
	$ 24,170	$ 21,215

Contract balances

As at March 31, 2019 accounts receivable balance of $15.0 million (2018: $14.3 million) consists of amounts due from customer contracts and reflects the Company's right to a consideration that is unconditional. The Company did not have other contract assets or liabilities from contracts with customers.

16. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

	3 months ended March 31, 2019	3 months ended March 31, 2018
Short-term benefits	$ 2,383	$ 1,843
Long-term benefits	273	124
Post-employment benefits	258	211
	$ 2,914	$ 2,178

Short-term benefits comprise salaries, accrued bonuses, benefits and director fees. Long-term benefits comprise share-based compensation under the RSU Plan and the DSU Plan.

Post-employment benefits are contributions to employee retirement accounts, as well as statutory remittances related to post-employment benefits. These are recognized as an expense when employees have rendered service entitling them to the contributions.

17. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, key management personnel and a company related to a director. Details of transactions between the Company and related parties (other than its subsidiaries identified in the Nature of Business note) are discussed below. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

Compensation of Key Management Personnel

The remuneration of directors and key management personnel during the three month period ended March 31, 2019 is as follows:

	3 months ended March 31, 2019	3 months ended March 31, 2018
Short-term benefits	$ 616	$ 296
Long-term benefits	248	116
Post-employment benefits	25	25
	$ 889	$ 437

Trading transactions

During the three month period ended March 31, 2019, the Company entered into the following transactions with a company that is related to a director:

	March 31, 2019	March 31, 2018
Sales	$ 106	$ 164
Purchases of raw materials	$ 720	$ 1,961

As at the balance sheet date, the Company had the following balances receivable from and payable to a company that is related to a director:

	March 31, 2019	December 31, 2018
Accounts receivable	$ 40	$ 5
Accounts payable	$ 334	$ 310

These transactions were in the normal course of operations and were measured at the fair value of the consideration received or receivable, which was established and agreed to by both parties.

18. BASIC AND DILUTED EARNINGS PER SHARE ("EPS")

		3 months ended March 31, 2019		3 months ended March 31, 2018
Basic EPS				
Net (loss) income attributable to shareholders	$	(9)	$	489
Weighted average number of shares		9,061,210		9,048,794
Basic EPS	**$**	**-**	**$**	**0.05**
Diluted EPS				
Net (loss) income attributable to shareholders	$	(9)	$	489
Interest on convertible debenture		-		261
Loss (gain) on fair value adjustment of embedded option		-		(458)
Net (loss) income after effect of diluted securities	$	(9)	$	292
Weighted average number of shares - basic		9,061,210		9,048,794
Effect of diluted securities: convertible debenture		-		1,818,182
Weighted average number of shares - diluted		9,061,210		10,866,976
Diluted EPS	**$**	**-**	**$**	**0.03**

The following potential common shares are anti-dilutive and are therefore excluded from the weighted average number of common shares outstanding for the purposes of calculating the diluted earnings per share:

	3 months ended March 31, 2019	3 months ended March 31, 2018
Weighted average number of RSUs granted	115,889	911
Convertible debenture	1,818,182	-

19. SEGMENT REPORTING

The Company's sales are primarily generated by the decaffeination of green coffee segment and in three geographic areas: Canada, the United States and other international markets. The Company's revenue from external customers and its non-current assets (not including deferred tax assets), by location, are detailed below.

Revenues

		3 months ended March 31, 2019		3 months ended March 31, 2018
Canada	$	8,869	$	7,387
United States		11,493		11,184
International and other		3,808		2,644
	$	24,170	$	21,215

Non-Current Assets (excluding deferred tax assets)

		March 31, 2019		December 31, 2018
Canada	$	69,177	$	47,334
United States		120		103
Europe		231		-
	$	69,528	$	47,437

20. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

		3 months ended March 31, 2019		3 months ended March 31, 2018
Accounts receivable	$	(706)	$	187
Inventories		(96)		(481)
Other assets and liabilities		236		(5)
Prepaid expenses and other receivables		367		307
Accounts payable and accrued liabilities		(2,095)		(854)
Derivative assets and liabilities at fair value through profit or loss		(101)		(444)
	$	(2,395)	$	(1,290)

As at March 31, 2019, $2.9 million (December 2018: Nil) in additions to inventories were accrued in accounts payable and accrued liabilities. These are non-cash working capital items that did not require the use of cash or cash equivalents.

As at March 31, 2019, $4.6 million (December 2018: $3.7 million) in additions to construction in progress were accrued in accounts payable and accrued liabilities. These are operating and investing transactions which did not require the use of the Company's cash or cash equivalents.

During the three month period ended March 31, 2019, no additions to construction in progress (March 2018: $1.2 million of additions) was funded with a construction loan that was due to the landlord. These are investing and financing transactions which did not require the use of the Company's cash or cash equivalents.

During the period the Company capitalized $0.1 million (March 2018: nil) of interest payments in construction in progress.

Lease payments for a short-term lease not included in the measurement of the lease liability are classified as cash flows from operating activities. The Company has classified the principal portion of lease payments within financing activities and interest portion within operating activities.

21. FINANCIAL RISK MANAGEMENT

The Company's risk management program focuses on the unpredictability of commodity prices and foreign exchange rates and seeks to minimize potential adverse effects on the Company's financial performance and cash flows. The Company uses derivative financial instruments to hedge these risk exposures. In addition, the Company monitors other financial risks on a regular basis.

Risk management is carried out under policies approved by the Board of Directors. The Company's exposure to and management of financial risks is discussed in more detail below.

21.1 Commodity price risk

Commodity price risk is the risk that the fair value of inventory will fluctuate as a result of changes in commodity prices. The Company utilizes futures contracts to manage its commodity price exposure. The Company buys and sells futures contracts for coffee on the IntercontinentalExchange in order to offset its inventory position and fix the input cost of green coffee. As at March 31, 2019, the Company had futures contracts to buy 4.9 million lbs of green coffee with a notional value of US$4.7 million, and contracts to sell 6.4 million lbs of green coffee with a notional value of US$6.0 million. The furthest contract matures in March 2020 (December 31, 2018: buy 4.5 million lbs of green coffee with a notional value of US$4.7 million, and contracts to sell 4.7 million lbs of green coffee with a notional value of US$4.7 million).

The following tables provide a summary of commodity hedges designated as hedging instruments:

Carrying amount of hedging instruments	**March 31, 2019**	**December 31, 2018**
Fair value hedge	Commodity price risk Coffee futures	Commodity price risk Coffee futures
Nominal amount of hedging instruments (in US$'000)	$ 1,259	$ 10
Line item in the statement of financial position where hedging instrument is located		
Derivative Assets	$ 583	$ 495
Derivative Liabilities	-	-
Changes in fair value used for calculating hedge ineffectiveness	-	-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	**March 31, 2019**	**December 31, 2018**
Fair value hedge	Purchase commitments and coffee inventory	Purchase commitments and coffee inventory
Nominal amount of hedged item (in '000 lbs)	1,548	245
Line items in the statement of financial position where hedged item is located	Inventories & hedged firm commitments	Inventories & hedged firm commitments
Assets	$ 726	$ 614
Liabilities	892	791
Changes in fair value used for calculating hedge ineffectiveness	-	-

21.2 Foreign currency risk

The Company realizes a significant portion of its sales in US$, and purchases green coffee in US$ which is, in some cases, sold to customers in Canadian dollars. The Company enters into forward foreign currency contracts to manage its exposure to currency rate fluctuations and to minimize the effect of exchange rate fluctuations on business decisions. These contracts relate to the Company's future net cash flows in US$ from sales. In addition, the Company enters into forward contracts to buy US$ for coffee that it resells in Canadian dollars.

As at March 31, 2019, the Company had forward currency contracts to buy US$5.5 million and sell US$62.3 million (December 31, 2018: buy US$6.6 million and sell US$65.0million) from April 2019 through to April 2023 at various Canadian exchange rates ranging from $1.2147 to $1.3415.

The following tables provide a summary of amounts related to foreign currency forward contracts designated as hedging instruments. Not included in tables below are fair value changes for swap contracts, as these are not designated hedge instruments.

Currency risk hedges on US$ purchases

As at March 31, 2019, the Company designated as hedging instruments US$5.5 million in forward contracts to buy US dollars, which relate to coffee purchases (2018: US$6.6 million).

Carrying amount of hedging instruments		**March 31, 2019**		**December 31, 2018**
Fair value hedge		Foreign currency purchase forwards		Foreign currency purchase forwards
Nominal amount of hedging instruments (in US$'000)	$	5,549	$	6,593
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	$	100	$	385
Derivative Liabilities		7		-
Changes in fair value used for calculating hedge ineffectiveness		-		-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items		**March 31, 2019**		**December 31, 2018**
Fair value hedge		Firm purchase commitments & inventories		Firm purchase commitments & inventories
Nominal amount of hedged item (in US$'000)	$	5,549	$	6,593
Line item in the statement of financial position where hedged item is located		Inventories & hedged firm commitments		Inventories & hedged firm commitments
Assets		-		-
Liabilities		116		404
Changes in fair value used for calculating hedge ineffectiveness		-		-

Currency risk on hedge on US$ future revenue:

As at March 31, 2019, the Company designated as hedging instruments US$43.4 million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue, (2018: US$47.1 million).

Carrying amount of hedging instruments		**March 31, 2019**		**December 31, 2018**
Cashflow hedge		Currency risk Foreign currency forwards		Currency risk Foreign currency forwards
Nominal amount of hedging instruments (in US$'000)	$	43,361	$	47,111
Line items in the statement of financial position where hedging instrument is located				
Derivative Assets		-		4
Derivative Liabilities		1,388		3,322
Changes in fair value used for calculating hedge ineffectiveness		-		-

Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	March 31, 2019	December 31, 2018
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedged item (in US$'000)	43,361	47,111
Line items in the statement of financial position where hedged item is located	Accumulated other comprehensive income	Accumulated other comprehensive income
Assets	n/a	n/a
Liabilities	n/a	n/a
Changes in fair value used for calculating hedge ineffectiveness	-	-
Cashflow hedge reserve	(1,854)	(3,496)

21.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company believes that interest rate risk is low as all cash equivalents and short-term investments are made in fixed rate instruments. The Company does have some interest rate risk related to its credit facilities; however, the obligations are small enough that any exposure is not material at this time. There is no interest rate risk on the convertible debenture and construction loan as the interest rates are fixed.

21.4 Credit risk

The Company is exposed to credit risk with respect to its cash and cash equivalents, short-term investments, accounts receivable and derivative financial instruments.

The Company does not have significant credit risk related to cash and cash equivalents and short-term investments as amounts are held with major financial institutions.

The Company follows a program of credit evaluations of customers and limits the amount of credit extended when deemed necessary. For the three month period ended March 31, 2019, revenues from three major customers of $8.6 million (2018: $8.0 million) represented 35% (2018: 38%) of total revenues for the period. These same three customers represented 41% of total accounts receivable as at March 31, 2019 (December 31, 2018: 43%).

The Company had 16% of its accounts receivable past due but not impaired as at March 31, 2019 (December 31, 2018: 19%). Of the past due accounts receivable, 82% are 1-30 days past due (December 31, 2018: 91%), while 18% are over 31 days past due (December 31, 2018: 9%).

The Company manages the credit risk related to its derivative financial instruments by entering into such contracts only with high credit quality institutions.

21.5 Liquidity risk

The Company has in place a planning and budgeting process to assist in determining the funds required to support the Company's normal operating requirements on an ongoing basis and its future plans. The Company ensures that there are sufficient committed financing facilities to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its existing bank indebtedness and additional borrowing capacity. The Company has maintained compliance with its banking covenants and remains able to satisfy its liabilities as they become due. Non-derivative financial liabilities are as follows:

	Carrying Amount March 31, 2019	Contractual Cash Flows 2019	2020 to 2021	2022 to 2023	Thereafter
Accounts payable	$ 7,947	$ 7,947	$ -	$ -	$ -
Other liabilities	813	645	168	-	-
Lease liabilities	18,625	2,434	$ 5,414	$ 5,386	$ 24,656
Construction loan	12,100	-	1,344	2,017	8,739
Convertible debenture	12,195	-	-	15,000	-
Total	$ 51,680	$ 11,026	$ 6,926	$ 22,403	$ 33,395

21.6 Fair value of financial instruments

Financial instruments that are measured at fair value are categorized as follows. During the period ended March 31, 2019, there were no transfers between level 1 and 2 instruments.

	March 31, 2019	Level 1	Level 2	Level 3
Financial assets				
Cash, cash equivalents and short-term investments	$ 5,517	$ 5,517	$ -	$ -
Derivative assets	717	583	134	-
	$ 6,234	$ 6,100	$ 134	$ -
Financial liabilities				
Derivative liabilities	$ 3,894	$ -	$ 3,894	$ -
Other liabilities	813	-	813	-
	$ 4,707	$ -	$ 4,707	$ -
	December 31, 2018	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Cash, cash equivalents and short-term investments	$ 8,336	$ 8,336	$ -	$ -
Derivative assets	883	495	388	-
	$ 9,219	$ 8,831	$ 388	$ -
Financial liabilities				
Derivative liabilities	$ 5,109	$ -	$ 5,109	$ -
Other liabilities	578	-	578	-
	$ 5,687	$ -	$ 5,687	$ -

22. COMMITMENTS

In addition to lease liabilities, the Company has the following commitments:

The Company has provided a standby letter of credit in the amount of $0.3 million as security to the landlord.

The Company has, in the normal course of business, entered into various contracts. As at March 31, 2019, these contracts related to the purchase of green coffee in the amount of $34.4 million (December 31, 2018: $37.6 million), and natural gas purchase commitments in the amount of $0.6 million (December 31, 2018: $0.1 million). $34.6 million of these contracts will become payable within twelve months from March 31, 2019. Also, as at March 31, 2019 the Company's capital commitments for the new facility's plant and equipment were $7.4 million.

23. SUBSEQUENT EVENTS

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.

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