



SWISS WATER DECAFFEINATED COFFEE INC.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(unaudited)

For the Three and Nine Months Ended September 30, 2020

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Financial Position as at

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

		September 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		\$ 2,181	\$ 6,739
Accounts receivable	4	16,756	14,588
Inventories	5	18,443	17,872
Prepaid expenses and other receivables		685	679
Income tax receivable		-	14
Derivative assets and hedged firm commitments	6, 19	914	1,428
Total current assets		38,979	41,320
Non-current assets			
Receivables	4	245	230
Property, plant and equipment	7	97,679	94,125
Intangible assets		706	904
Deferred tax assets		38	302
Derivative assets	6, 19	203	-
Total non-current assets		98,871	95,561
Total assets		\$ 137,850	\$ 136,881
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable		\$ 7,042	\$ 11,103
Accrued liabilities		2,545	6,573
Construction loan		499	-
Income tax payable		50	-
Dividend payable	12	-	566
Other liabilities		526	1,004
Lease liabilities	8	1,666	1,525
Derivative liabilities and hedged firm commitments	6, 19	1,113	1,165
Total current liabilities		13,441	21,936
Non-current liabilities			
Other liabilities		81	253
Credit facility	9	11,570	3,182
Construction loan		19,582	20,000
Convertible debenture	10	12,959	12,560
Lease liabilities	8	22,151	23,385
Asset retirement obligation		1,358	1,343
Deferred tax liabilities		4,018	3,179
Derivative liabilities	6,10,19	1,235	2,543
Total non-current liabilities		72,954	66,445
Total liabilities		86,395	88,381
Shareholders' equity			
Share capital		\$ 43,710	\$ 43,591
Retained earnings		8,471	5,202
Accumulated other comprehensive loss		(1,096)	(646)
Share-based compensation reserve		370	353
Total equity		51,455	48,500
Total liabilities and shareholders' equity		\$ 137,850	\$ 136,881

Commitments (Note 20)

Approved on behalf of the Board

(signed) "Diane Fulton", Director

(signed) "Frank Dennis", Director

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Income

(Tabular amounts are in thousands of Canadian dollars, except for per share amounts)

(Unaudited)

	Note	3 months ended		3 months ended		9 months ended		9 months ended	
		September 30, 2020		September 30, 2019		September 30, 2020		September 30, 2019	
Revenue	13,17	\$	24,862	\$	23,645	\$	73,059	\$	72,207
Cost of sales			(21,431)		(18,908)		(60,268)		(59,819)
Gross profit			3,431		4,737		12,791		12,388
Operating expenses									
Administration expenses			(1,729)		(1,484)		(4,690)		(5,118)
Sales and marketing expenses			(1,086)		(954)		(3,028)		(2,612)
Occupancy expenses			(10)		(8)		(62)		(35)
Total operating expenses			(2,825)		(2,446)		(7,780)		(7,765)
Operating income			606		2,291		5,011		4,623
Non-operating or other									
(Loss) gain on risk management activities			79		(132)		(167)		1,083
Gain (loss) on fair value on embedded option	10		50		(186)		1,400		(758)
Finance income			169		108		370		377
Finance expense			(851)		(698)		(2,026)		(1,996)
Gain (loss) on foreign exchange			320		(59)		62		(235)
Total non-operating or other			(233)		(967)		(361)		(1,529)
Income before tax			373		1,324		4,650		3,094
Income tax expense			(267)		(440)		(1,381)		(866)
Net income		\$	106	\$	884	\$	3,269	\$	2,228
Basic earnings per share	16	\$	0.01	\$	0.10	\$	0.36	\$	0.25
Diluted earnings per share	16	\$	0.01	\$	0.10	\$	0.25	\$	0.25

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

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Comprehensive Income 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 For the

	3 months ended September 30, 2020	3 months ended September 30, 2019	9 months ended September 30, 2020	9 months ended September 30, 2019
Net income	\$ 106	\$ 884	\$ 3,269	\$ 2,228
Other comprehensive income, net of tax				
Items that may be subsequently reclassified to income:				
Unrealized (loss) gain				
Derivatives designated as cash flow hedges - currency risk hedges on US\$ future revenue	1,225	(857)	(1,072)	1,293
Items reclassified to income:				
Realized loss				
Derivatives designated as cash flow hedges				
- currency risk hedges on US\$ future revenue, recognized in revenue	148	103	473	369
Other comprehensive (loss) income related to hedging activities	1,373	(754)	(599)	1,662
Tax recovery (expense) on other comprehensive income relating to hedging activities	(371)	204	162	(449)
Cumulative translation adjustment	(13)	17	(13)	-
Other comprehensive (loss) income, net of tax	989	(533)	(450)	1,213
Net income and other comprehensive income	\$ 1,095	\$ 351	\$ 2,819	\$ 3,441

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, 2018		9,061,210	\$ 43,591	\$ 154	\$ (2,512)	\$ 4,523	\$ 45,756
Share-based compensation		-	-	145	-	-	145
Dividends	12	-	-	-	-	(1,699)	(1,699)
Net income and other comprehensive income		-	-	-	1,213	2,228	3,441
Balance at September 30, 2019		9,061,210	\$ 43,591	\$ 299	\$ (1,299)	\$ 5,052	\$ 47,643
Balance at December 31, 2019		9,061,210	43,591	353	(646)	5,202	48,500
Shares issued for restricted share units		17,570	119	(119)	-	-	-
Share-based compensation		-	-	136	-	-	136
Net income and other comprehensive income (loss)		-	-	-	(450)	3,269	2,819
Balance at September 30, 2020		9,078,780	\$ 43,710	\$ 370	\$ (1,096)	\$ 8,471	\$ 51,455

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

SWISS WATER DECAFFEINATED COFFEE INC.

Condensed Consolidated Interim Statements of Cash Flows For the

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

		3 months ended	3 months ended	9 months ended	9 months ended
Note		September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Operating activities					
	Net income	\$ 106	\$ 884	\$ 3,269	\$ 2,228
	Items not affecting cash:				
	Depreciation and amortization	1,325	914	3,024	2,893
	Share-based compensation (recovery) expense	96	218	(321)	639
	Unrealized loss (gain) on risk management activities	(70)	196	323	(342)
	Unrealized (gain) loss on fair value adjustment of embedded option	(50)	186	(1,400)	758
	Finance income	(169)	(108)	(370)	(377)
	Finance expense	851	696	2,026	1,994
	Income tax expense	267	440	1,381	866
	Other	25	(60)	87	(60)
		2,381	3,366	8,019	8,599
	Change in non-cash working capital relating to operating activities	18 (1,765)	3,309	(4,836)	143
	Net cash generated from operations	616	6,675	3,183	8,742
	Interest received	169	108	370	377
	Interest paid	18 (738)	(805)	(2,353)	(2,118)
	Income taxes paid	(51)	113	(51)	(738)
	Net cash generated from operating activities	(4)	6,091	1,149	6,263
Investing activities					
	Additions to plant and equipment	(1,445)	(5,434)	(12,098)	(14,147)
	Net cash used in investing activities	(1,445)	(5,434)	(12,098)	(14,147)
Financing activities					
	Dividends paid	-	(566)	(566)	(1,699)
	Payment of lease liabilities	(403)	(706)	(1,093)	(1,478)
	Repayments of credit facility	-	-	(3,300)	-
	Proceeds from credit facility	1,250	-	11,350	-
	Proceeds from construction loan	-	1,380	-	8,640
	Net cash generated from financing activities	847	108	6,391	5,463
	Decrease in cash and cash equivalents	(602)	765	(4,558)	(2,421)
	Cash and cash equivalents, beginning of the period	2,783	5,150	6,739	8,336
	Cash and cash equivalents, end of the period	\$ 2,181	\$ 5,915	\$ 2,181	\$ 5,915

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

SWISS WATER DECAFFEINATED COFFEE INC.

Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended September 30, 2020

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

1. NATURE OF BUSINESS

Swiss Water Decaffeinated Coffee Inc., (“Swiss Water” or the “Company”), 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’. The Company’s head office is located at 7750 Beedie Way, Delta, British Columbia, V4G 0A5, Canada.

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 Delta, British Columbia, Canada; Swiss Water Decaffeinated Coffee Company USA, Inc. (“SWUS”), an entity registered in Washington, 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 and nine months ended September 30, 2020 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, 2019.

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, 2019, 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 the United States dollars.

These condensed consolidated interim financial statements for the three and nine months ended September 30, 2020 were approved for issuance by the Company’s directors on November 4, 2020. There were no significant non-adjusting events that occurred between the reporting date and the date of authorization.

2.1 New and amended standards

The following amendments to accounting standards became effective for annual periods beginning on or after January 1, 2020. The adoption of these revised standards by the Company did not have a material impact on its condensed consolidated interim financial statements.

- *IFRS 9/IAS 39* and *IFRS 7* relate to interest benchmark reform and has amendments that provide temporary relief from applying specific hedge accounting requirement to hedging relationships directly affected by IBOR reform and that required certain disclosures; *IAS 1 and IAS 8* redefined

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materiality; *IFRS 3* was amended to revise the definition of a business; *Conceptual Framework* replaces the conceptual framework for financial reporting issued by IASB in September 2010.

2.2 New and amended standards not yet effective

These standards are effective for periods beginning after January 1, 2022 and the Company does not anticipate material impact on its financial statements:

- *IAS 1* amendments address the classification of liabilities between current and non-current.

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 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.

4. ACCOUNTS RECEIVABLE

Accounts receivable as at September 30, 2020 and December 31, 2019 are recorded net of expected credit losses. Non-current accounts receivable includes a \$0.1 million balance due from a related party (2019: \$0.1 million).

5. INVENTORIES

During the three and nine months ended September 30, 2020, the cost of inventories recognized in cost of sales was \$19.7 million (2019: \$17.9 million) and \$56.4 million (2019: \$56.3 million). The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each period.

	September 30, 2020	December 31, 2019
Raw materials	\$ 10,459	\$ 9,081
Finished goods	7,186	6,819
Carbon	534	568
Packaging	210	113
Hedge accounting component	54	1,291
	\$ 18,443	\$ 17,872

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6. DERIVATIVE FINANCIAL INSTRUMENTS

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

	September 30, 2020	December 31, 2019
Coffee futures contracts, net	\$ 741	\$ 576
US Dollar forward contracts, current	(246)	41
US Dollar forward contracts, long-term	(3)	(37)
Derivative financial liability, convertible debenture	(279)	(1,680)
	\$ 213	\$ (1,100)

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

	September 30, 2020	December 31, 2019
US Dollar forward contracts, current	\$ (782)	\$ (107)
US Dollar forward contracts, long-term	(749)	(825)
	\$ (1,531)	\$ (932)

7. PROPERTY, PLANT AND EQUIPMENT

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

	September 30, 2020	December 31, 2019
Property, plant and equipment	\$ 75,310	\$ 70,125
Right-of-use assets	22,369	24,000
	\$ 97,679	\$ 94,125

7.1 Property, plant and equipment

Property, plant and equipment additions during the first nine months of 2020 consisted of \$6.8 million (December 31, 2019: \$25.4 million). For the three and nine months ended September 30, 2020, the depreciation expenses were \$0.8 million and \$1.6 million (2019: \$0.3 million and \$1.1 million).

During the period ended September 30, 2020, the Company commenced producing decaffeinated coffee at the new Delta manufacturing facility. As such, the Company transferred \$61.1 million of costs from construction in progress to building, leasehold improvements and production machinery and recorded related depreciation on these assets of \$0.4 million. Management determined that the estimated useful lives for the building, leasehold improvements and production machinery range from 5-35 years.

7.2 Right-of-use assets

For the three months ended September 30, 2020, depreciation expense of \$0.4 million (2019: \$0.4 million) was charged to cost of sales and \$0.08 million (2019: \$0.04 million) was included in administrative expenses.

For the nine months ended September 30, 2020, depreciation expense of \$1.0 million (2019: \$1.5 million) was charged to cost of sales and \$0.2 million (2019: \$0.1 million) was included in administrative expenses.

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(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

8. LEASE LIABILITIES

Lease liabilities

Lease liabilities are as follows:

	September 30, 2020	December 31, 2019
Lease liability, current	\$ 1,666	\$ 1,525
Lease liability, non - current	22,151	23,385
	\$ 23,817	\$ 24,910

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:

	9 months ended September 30, 2020	9 months ended September 30, 2019
Balance, open	\$ 24,910	\$ -
Initial application of IFRS 16, January 1, 2019	-	19,133
Additions	82	7,615
Remeasurement	(77)	-
Terminations	(5)	(183)
Finance expense	907	870
Lease cash payments	(2,000)	(2,349)
Balance, end	\$ 23,817	\$ 25,086

9. CREDIT FACILITIES

Credit Facility

As at September 30, 2020 and December 31, 2019, the Company's borrowing availability was as follows:

	September 30, 2020	December 31, 2019
Gross borrowing base availability	\$ 18,016	\$ 17,554
Advances, repayments, fees and interest	(11,782)	(3,506)
Outstanding letters of credit	(300)	(300)
Net borrowing capacity at end of period	\$ 5,934	\$ 13,748

The amounts drawn on the credit facility are classified in the condensed consolidated interim statement of financial position as a part of non-current liabilities as the Company is not required to repay any balance outstanding until the maturity date of October 18, 2022, as long as the outstanding balance is not in excess of the borrowing base. The maturity date can be extended, subject to lenders' approval. Related transaction costs are amortized until the credit facility's maturity date. The credit facility is comprised of:

	September 30, 2020	December 31, 2019
Credit facility	\$ 11,782	\$ 3,506
Less unamortized transaction costs	(212)	(324)
	\$ 11,570	\$ 3,182

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The credit facility has multiple interest rate options that are based on the Canadian Prime Rate, Base Rate, LIBO Rate, Bankers' Acceptance Rate plus an acceptance fee, in addition to an Applicable Margin for each of these rates. Fees apply to outstanding letters of credit and the unused portion of the credit.

For the three and nine months ended September 30, 2020, finance expenses on the credit facility were \$0.08 million and \$0.18 million (2019: \$nil, \$nil).

As at and during the three months ended September 30, 2020, the Company was in compliance with all covenants.

Foreign exchange facility guarantee

On June 1, 2020, the Company entered into a foreign exchange facility guarantee to cover margin requirements in relation to foreign exchange facility. On August 4, 2020, the Company's credit facility Lender amended the credit agreement to recognize the foreign exchange facility guarantee provided by the third party. The facility guarantees a maximum aggregate liability of up to \$6.0 million and it is valid until May 31, 2021. This guarantee provides additional borrowing capacity within the referenced credit facility.

10. CONVERTIBLE DEBENTURE

On October 11, 2016, the Company issued an unsecured subordinated convertible debenture for gross proceeds of \$15.0 million which bears interest at a rate of 6.85% per annum and is due on October 11, 2023.

	September 30, 2020	December 31, 2019
Balance, open	\$ 12,560	\$ 12,082
Interest charged	1,170	1,506
Interest paid	(771)	(1,028)
Balance, end	\$ 12,959	\$ 12,560

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 September 30, 2020, the derivative liabilities include the fair value of the derivative liability related to the convertible debenture in the amount of \$0.3 million (2019: \$1.7 million).

During the three and nine months ended September 30, 2020, this revaluation resulted in a gain of \$0.1 million and a gain of \$1.4 million being recorded in the statement of income (2019: gain of \$0.2 million; loss of \$0.8 million).

	September 30, 2020	December 31, 2019
Balance, open	\$ 1,680	\$ 910
Change in fair valuation of derivative embedded option	(1,400)	770
Balance, end	\$ 280	\$ 1,680

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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:

	September 30, 2020	December 31, 2019
Share price	\$ 2.83	\$ 6.92
Exercise price	\$ 8.25	\$ 8.25
Option life	3.03 years	3.78 years
Volatility	46%	31%
Risk-free interest rate	0.36%	1.68%
Dividend yield	0.00%	3.61%

11. 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 September 30, 2020, there were 9,078,780 common shares issued and outstanding.

Restricted share units

The movement in RSUs was as follows:

	Number of RSUs	Volume based weighted average share price	Average remaining vesting period (years)	Performance based
Balance at January 1, 2019	122,734	\$ 5.01	1.83	
RSUs granted	98,000	\$ 5.06	2.15	No
RSUs issued for dividends	8,142	\$ 6.05	1.30	No
RSUs forfeited	(4,040)	\$ 6.32	-	No
Balance at December 31, 2019	224,836	\$ 7.07	1.40	
Balance at January 1, 2020	224,836	\$ 7.07	1.40	
RSUs granted	121,140	\$ 2.95	2.41	No
RSUs issued for dividends	2,098	\$ 6.70	0.92	No
RSUs cash-settled	(23,654)	\$ 6.28	-	No
RSUs exercised	(17,570)	\$ 6.28	-	No
Balance at September 30, 2020	306,850	\$ 2.81	1.51	

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Deferred share units

The movement in DSUs was as follows:

	Number of DSUs	Weighted average share price	Performance based
Balance at January 1, 2019	95,239	\$ 4.97	
DSUs issued	31,028	\$ 5.85	No
Balance at December 31, 2019	126,267	\$ 6.92	
Balance at January 1, 2020	126,267	\$ 6.92	
DSUs issued	36,209	\$ 3.64	No
DSUs redeemed	(10,289)	\$ 2.99	No
Balance at September 30, 2020	152,187	\$ 2.83	

12. DIVIDENDS

There were no dividends declared during the nine months ended September 30, 2020 (2019: \$1.7 million).

13. REVENUE

Disaggregation of revenue

Revenue disaggregated by geographical markets is disclosed in Note 17. The Company also disaggregates revenue by major products and services: decaffeinated coffee sales, decaffeination services, and distribution with the following results:

	3 months ended September 30, 2020		3 months ended September 30, 2019		9 months ended September 30, 2020		9 months ended September 30, 2019	
Decaffeinated coffee sales	\$	21,146	\$	20,164	\$	62,669	\$	61,592
Decaffeination services		1,867		1,684		4,960		5,082
Distribution		1,849		1,797		5,430		5,533
	\$	24,862	\$	23,645	\$	73,059	\$	72,207

Contract balances

As at September 30, 2020 the accounts receivable balance of \$16.8 million (December 31, 2019: \$14.6 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.

14. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

	3 months ended September 30, 2020		3 months ended September 30, 2019		9 months ended September 30, 2020		9 months ended September 30, 2019	
Short-term benefits	\$	2,854	\$	2,221	\$	8,343	\$	7,066
Long-term benefits		96		213		(321)		627
Post-employment benefits		239		197		793		630
	\$	3,189	\$	2,631	\$	8,815	\$	8,323

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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 these contributions.

15. 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 is as follows:

	3 months ended		3 months ended		9 months ended		9 months ended	
	September 30, 2020		September 30, 2019		September 30, 2020		September 30, 2019	
Short-term benefits	\$	615	\$	526	\$	1,823	\$	1,728
Long-term benefits		69		179		(353)		540
Post-employment benefits		73		25		187		65
	\$	757	\$	730	\$	1,657	\$	2,333

Trading transactions

During the three and nine months ended September 30, 2020 and 2019, the Company entered into the following transactions with a company that is related to a director:

	3 months ended		3 months ended		9 months ended		9 months ended	
	September 30, 2020		September 30, 2019		September 30, 2020		September 30, 2019	
Sales	\$	90	\$	320	\$	280	\$	587
Purchases of raw materials	\$	688	\$	1,235	\$	2,903	\$	2,910

As at September 30, 2020, the Company had the following balances receivable from and payable to a company that is related to a director:

	September 30, 2020		December 31, 2019	
Accounts receivable	\$	8	\$	11
Accounts payable	\$	374	\$	518

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

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16. BASIC AND DILUTED EARNINGS PER SHARE (“EPS”)

	3 months ended		3 months ended		9 months ended		9 months ended	
	September 30, 2020		September 30, 2019		September 30, 2020		September 30, 2019	
Basic earnings per share								
Net income attributable to shareholders	\$	106	\$	884	\$	3,269	\$	2,228
Weighted average number of shares		9,078,780		9,061,210		9,075,317		9,061,210
Basic earnings per share	\$	0.01	\$	0.10	\$	0.36	\$	0.25
Diluted earnings per share								
Net income attributable to shareholders	\$	106	\$	884	\$	3,269	\$	2,228
Effect of diluted securities: RSUs		-		-		52		-
Interest on convertible debenture		-		-		853		-
Gain on fair value adjustment of embedded option		-		-		(1,400)		-
Net income after effect of diluted securities	\$	106	\$	884	\$	2,774	\$	2,228
Weighted average number of shares - basic		9,078,780		9,061,210		9,075,317		9,061,210
Effect of diluted securities: RSUs		-		-		234,994		-
Effect of diluted securities: convertible debenture		-		-		1,818,182		-
Weighted average number of shares - diluted		9,078,780		9,061,210		11,128,493		9,061,210
Diluted earnings per share	\$	0.01	\$	0.10	\$	0.25	\$	0.25

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

	3 months ended		3 months ended		9 months ended		9 months ended	
	September 30, 2020		September 30, 2019		September 30, 2020		September 30, 2019	
Weighted average number of RSUs granted		308,167		171,711		-		152,771
Convertible debenture		1,818,182		1,818,182		-		1,818,182

17. 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.

Revenue

	3 months ended		3 months ended		9 months ended		9 months ended	
	September 30, 2020		September 30, 2019		September 30, 2020		September 30, 2019	
Canada	\$	7,029	\$	7,590	\$	21,585	\$	24,466
United States		13,150		11,958		37,002		35,023
International and other		4,683		4,097		14,472		12,718
	\$	24,862	\$	23,645	\$	73,059	\$	72,207

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Non-Current Assets (excluding deferred tax assets)

	September 30, 2020		December 31, 2019	
Canada	\$	98,376	\$	94,786
United States		254		263
Europe		203		210
	\$	98,833	\$	95,259

18. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

	3 months ended September 30, 2020		3 months ended September 30, 2019		9 months ended September 30, 2020		9 months ended September 30, 2019	
Accounts receivable	\$	(3,675)	\$	1,601	\$	(2,168)	\$	207
Inventories		1,446		647		(1,808)		1,609
Other assets and liabilities		17		162		(690)		493
Prepaid expenses and other receivables		(159)		129		(6)		492
Accounts payable and accrued liabilities		1,184		391		(832)		(2,078)
Derivative assets, liabilities and hedged firm commitments at fair value through profit and loss		(578)		379		668		(580)
	\$	(1,765)	\$	3,309	\$	(4,836)	\$	143

During the nine month period ended September 30, 2020, interest paid includes \$0.6 million of interest on the construction loan and \$0.4 million of interest on lease liabilities which were capitalized during the construction phase of the new facility (2019: \$0.6 million and \$0.6 million).

As at September 30, 2020, \$0.9 million (December 2019: \$7.7 million) in additions to construction in progress was accrued in accounts payable and accrued liabilities. These are operating and investing transactions that did not require the use of the Company's cash.

Also, during the nine-month period ended September 30, 2020, the Company capitalized \$0.5 million of depreciation related to right-of-use assets (2019: \$0.6 million).

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 the interest portion within operating activities.

19. 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.

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Risks related to COVID-19

In March 2020, the World Health Organization declared a global pandemic known as COVID-19. As a result of measures taken by governments to stem the spread of COVID-19, many countries have entered into economic recession since the second quarter of 2020. This may impact the demand for our products and services in the near term and will impact our supply chains. It may also impact expected credit losses on our amounts due from customers and whether the entity continues to meet the criteria for hedge accounting. For example, if a hedged forecast transaction is no longer highly probable to occur, hedge accounting is discontinued.

19.1 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. The Company utilizes futures contracts to manage its commodity price exposure. The Company buys and sells futures contracts for coffee on the Intercontinental Exchange in order to offset its inventory position and fix the input cost of green coffee. As at September 30, 2020, the Company had futures contracts to buy 4.6 million lbs of green coffee with a notional value of US\$5.0 million, and contracts to sell 7.6 million lbs of green coffee with a notional value of US\$8.4 million. The furthest contract matures in September 2021. (December 31, 2019: buy 3.6 million lbs of green coffee with a notional value of US\$4.7 million, and contracts to sell 6.6 million lbs of green coffee with a notional value of US\$8.3 million).

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

Carrying amount of hedging instruments	September 30, 2020	December 31, 2019
Fair value hedge	Commodity price risk Coffee futures	Commodity price risk Coffee futures
Nominal amount of hedging instruments (in US\$'000)	\$ 3,373	\$ 3,665
Line item in the statement of financial position where hedging instrument is located		
Derivative Assets	\$ 741	\$ 576
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	September 30, 2020	December 31, 2019
Fair value hedge	Purchase commitments and coffee inventory	Purchase commitments and coffee inventory
Nominal amount of hedged item (in '000 lbs)	2,991	3,031
Line items in the statement of financial position where hedged item is located	Inventories & hedged firm commitments	Inventories & hedged firm commitments
Assets	\$ 53	\$ 1,617
Liabilities	14	730
Changes in fair value used for calculating hedge ineffectiveness	-	-

19.2 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

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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 September 30, 2020, the Company had forward currency contracts to buy US\$6.7 million and sell US\$55.2 million (December 31, 2019: buy US\$3.8 million and sell US\$53.0 million) from October 2020 through to February 2025 at various Canadian exchange rates ranging from \$1.2147 to \$1.3974.

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 September 30, 2020, the Company designated as hedging instruments US\$6.7 million in forward contracts to buy US dollars, which relate to coffee purchases (2019: US\$3.8 million).

Carrying amount of hedging instruments	September 30, 2020		December 31, 2019	
Fair value hedge	Foreign currency purchase forwards		Foreign currency purchase forwards	
Nominal amount of hedging instruments (in US\$'000)	\$	6,669	\$	3,797
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	\$	29	\$	-
Derivative Liabilities		117		140
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	September 30, 2020		December 31, 2019	
Fair value hedge	Firm purchase commitments & inventories		Firm purchase commitments & inventories	
Nominal amount of hedged item (in US\$'000)	\$	6,669	\$	3,797
Line item in the statement of financial position where hedged item is located				
Assets	\$	101	\$	157
Changes in fair value used for calculating hedge ineffectiveness		-		-

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Currency risk hedges on sales of US\$:

As at September 30, 2020, the Company designated as hedging instruments US\$41.8 million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue (2019: US\$35.9 million).

Carrying amount of hedging instruments	September 30, 2020	December 31, 2019
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedging instruments (in US\$'000)	\$ 41,849	\$ 35,870
Line items in the statement of financial position where hedging instrument is located		
Derivative Assets	\$ 225	\$ 39
Derivative Liabilities	1,756	971
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	September 30, 2020	December 31, 2019
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedged item (in US\$'000)	\$ 41,849	\$ 35,870
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	(1,531)	(932)

19.3 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 are made in fixed rate instruments. The Company does have some interest rate risk related to its credit facilities. There is no interest rate risk on the convertible debenture and construction loan as the interest rates are fixed.

19.4 Credit risk

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

The Company does not have significant credit risk related to cash and cash equivalents 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 nine-month period ended September 30, 2020, revenues from three customers totaled \$23.6 million (2019: \$23.2 million) and represented 32% (2019: 32%) of total revenues for the period. Three customers represented 61% of total accounts receivable as at September 30, 2020 (December 31, 2019: 53%).

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The Company had 7% of its accounts receivable past due but not impaired as at September 30, 2020 (December 31, 2019: 13%). Of the past due accounts receivable, 85% are 1-30 days past due (December 31, 2019: 92%), while 15% are over 31 days past due (December 31, 2019: 8%).

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

19.5 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		Contractual Cash Flows		
	September 30, 2020	2020	2021 to 2022	2023 to 2024	Thereafter
Accounts payable	\$ 7,042	\$ 7,042	\$ -	\$ -	\$ -
Credit facility	11,782	-	11,782	-	-
Other liabilities	607	526	81	-	-
Lease liabilities	23,817	702	5,635	3,449	3,184
Construction loan and interest	20,081	499	3,333	3,333	12,916
Convertible debenture	12,959	-	-	15,000	-
Total	\$ 76,288	\$ 8,769	\$ 20,831	\$ 21,782	\$ 16,100

19.6 Fair value of financial instruments

Financial instruments that are measured at fair value are categorized as follows. During the period ended September 30, 2020, there were no transfers between level 1 and 2 instruments.

	September 30, 2020	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	\$ 2,181	\$ 2,181	\$ -	\$ -
Derivative assets	1,016	742	274	-
	\$ 3,197	\$ 2,923	\$ 274	\$ -
Financial liabilities				
Derivative liabilities	\$ 2,334	\$ -	\$ 2,334	\$ -
Credit facility	11,570	-	11,570	-
Construction loan	20,081	-	20,081	-
Other liabilities	607	-	607	-
	\$ 34,592	\$ -	\$ 34,592	\$ -

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	December 31, 2019	Level 1	Level 2	Level 3
Financial assets				
Cash and cash equivalents	\$ 6,739	\$ 6,739	\$ -	-
Derivative assets	945	576	369	-
	\$ 7,684	\$ 7,315	\$ 369	-
Financial liabilities				
Derivative liabilities	\$ 2,978	\$ -	\$ 2,978	-
Credit facility	3,182	-	3,182	-
Construction loan	20,000	-	20,000	-
Other liabilities	1,257	-	1,257	-
	\$ 27,417	\$ -	\$ 27,417	-

20. 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 September 30, 2020, these commitments related to the purchase of green coffee in the amount of \$30.4 million (December 31, 2019: \$31.5 million), and natural gas purchase commitments in the amount of \$0.3 million (December 31, 2019: \$0.5 million), and capital purchases commitments of \$0.7 million (December 31, 2019: \$2.8 million). \$31.3 million of these commitments will become payable within twelve months from September 30, 2020.