



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

**For the Three and Nine Months Ended September 30, 2021**

# 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, 2021 | December 31, 2020 |
|--|-------------|--------------------|-------------------|
| <b>Assets</b>                                      | <b>Note</b> |                    |                   |
| <b>Current assets</b>                              |             |                    |                   |
| Cash   |             | \$ 2,131           | \$ 2,749          |
| Accounts receivable                                | 4           | 19,025             | 15,422            |
| Inventories  | 5           | 27,784             | 18,660            |
| Prepaid expenses and other receivables             |             | 797                | 830               |
| Derivative assets and hedged firm commitments      | 6, 17       | 3,709              | 1,380             |
| Total current assets                               |             | 53,446             | 39,041            |
| <b>Non-current assets</b>                          |             |                    |                   |
| Receivables  | 4           | 181                | 219               |
| Property, plant and equipment                      | 7           | 102,485            | 98,124            |
| Intangible assets                                  |             | 441                | 640               |
| Deferred tax assets                                |             | 147                | 138               |
| Derivative assets                                  | 6, 17       | 775                | 1,071             |
| Total non-current assets                           |             | 104,029            | 100,192           |
| <b>Total assets</b>                                |             | \$ 157,475         | \$ 139,233        |
| <b>Liabilities and shareholders' equity</b>        |             |                    |                   |
| <b>Current liabilities</b>                         |             |                    |                   |
| Accounts payable                                   |             | \$ 13,616          | \$ 9,367          |
| Accrued liabilities                                |             | 3,826              | 2,698             |
| Borrowings   | 9           | 93                 | 918               |
| Income tax payable                                 |             | 399                | 35                |
| Other liabilities                                  |             | 341                | 632               |
| Lease liabilities                                  | 8           | 1,767              | 1,688             |
| Derivative liabilities and hedged firm commitments | 6, 17       | 800                | 639               |
| Total current liabilities                          |             | 20,842             | 15,977            |
| <b>Non-current liabilities</b>                     |             |                    |                   |
| Other liabilities                                  |             | 93                 | 108               |
| Borrowings   | 9           | 54,427             | 42,067            |
| Lease liabilities                                  | 8           | 20,386             | 21,729            |
| Asset retirement obligation                        |             | 1,421              | 1,415             |
| Deferred tax liabilities                           |             | 4,970              | 4,486             |
| Derivative liabilities                             | 6, 9.2, 17  | 33                 | 457               |
| Total non-current liabilities                      |             | 81,330             | 70,262            |
| <b>Total liabilities</b>                           |             | 102,172            | 86,239            |
| <b>Shareholders' equity</b>                        |             |                    |                   |
| Share capital                                      | 10          | \$ 43,992          | \$ 43,710         |
| Warrants   | 10          | 1,773              | -                 |
| Share-based compensation reserve                   |             | 285                | 419               |
| Accumulated other comprehensive income             |             | 847                | 714               |
| Retained earnings                                  |             | 8,406              | 8,151             |
| Total equity                                       |             | 55,303             | 52,994            |
| <b>Total liabilities and shareholders' equity</b>  |             | \$ 157,475         | \$ 139,233        |

Commitments (Note 18)

Approved on behalf of the Board

(signed) "Donald Tringali", Director

(signed) "Frank Dennis", Director

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

# 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, 2021 |          | September 30, 2020 |          | September 30, 2021 |          | September 30, 2020 |          |
| Revenue  | 11,15 | \$                 | 35,496   | \$                 | 24,862   | \$                 | 89,947   | \$                 | 73,059   |
| Cost of sales  |       |                    | (29,478) |                    | (21,431) |                    | (76,725) |                    | (60,268) |
| Gross profit   |       |                    | 6,018    |                    | 3,431    |                    | 13,222   |                    | 12,791   |
| Operating expenses   |       |                    |          |                    |          |                    |          |                    |          |
| Administration expenses                                      |       |                    | (2,007)  |                    | (1,739)  |                    | (5,413)  |                    | (4,752)  |
| Sales and marketing expenses                                 |       |                    | (686)    |                    | (1,086)  |                    | (2,640)  |                    | (3,028)  |
| Total operating expenses                                     |       |                    | (2,693)  |                    | (2,825)  |                    | (8,053)  |                    | (7,780)  |
| Operating income   |       |                    | 3,325    |                    | 606      |                    | 5,169    |                    | 5,011    |
| Non-operating or other                                       |       |                    |          |                    |          |                    |          |                    |          |
| Gain (loss) on risk management activities                    |       |                    | (410)    |                    | 79       |                    | (502)    |                    | (167)    |
| Gain (loss) on fair value on<br>embedded option              | 9.2   |                    | (56)     |                    | 50       |                    | (48)     |                    | 1,400    |
| Finance income   |       |                    | 102      |                    | 169      |                    | 370      |                    | 370      |
| Finance expense  |       |                    | (1,125)  |                    | (851)    |                    | (3,175)  |                    | (2,026)  |
| Loss on extinguishment of Mill Road<br>convertible debenture | 9.2   |                    | (1,385)  |                    | -        |                    | (1,385)  |                    | -        |
| Gain (loss) on foreign exchange                              |       |                    | (364)    |                    | 320      |                    | 207      |                    | 62       |
| Total non-operating or other                                 |       |                    | (3,238)  |                    | (233)    |                    | (4,533)  |                    | (361)    |
| Income before tax  |       |                    | 87       |                    | 373      |                    | 636      |                    | 4,650    |
| Income tax (expense) recovery                                |       |                    | 48       |                    | (267)    |                    | (381)    |                    | (1,381)  |
| <b>Net income</b>  |       | \$                 | 135      | \$                 | 106      | \$                 | 255      | \$                 | 3,269    |
| Basic earnings per share                                     | 14    | \$                 | 0.01     | \$                 | 0.01     | \$                 | 0.03     | \$                 | 0.36     |
| Diluted earnings per share                                   | 14    | \$                 | 0.01     | \$                 | 0.01     | \$                 | 0.03     | \$                 | 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 (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<br>September 30, 2021 | 3 months ended<br>September 30, 2020 | 9 months ended<br>September 30, 2021 | 9 months ended<br>September 30, 2020 |
|--|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Net income</b>  | \$ 135                               | \$ 106                               | \$ 255                               | \$ 3,269                             |
| <b>Other comprehensive income (loss), net of tax</b>                                     |                                      |                                      |                                      |                                      |
| Items that may be subsequently reclassified to income:                                   |                                      |                                      |                                      |                                      |
| Unrealized gain (loss)   |                                      |                                      |                                      |                                      |
| Derivatives designated as cash flow hedges - currency risk hedges on US\$ future revenue | (726)                                | 1,225                                | 415                                  | (1,072)                              |
| Items reclassified to income:  |                                      |                                      |                                      |                                      |
| Realized gain (loss)   |                                      |                                      |                                      |                                      |
| Derivatives designated as cash flow hedges   |                                      |                                      |                                      |                                      |
| - currency risk hedges on US\$ future revenue, recognized in revenue                     | (27)                                 | 148                                  | (228)                                | 473                                  |
| Other comprehensive income (loss) related to hedging activities                          | (753)                                | 1,373                                | 187                                  | (599)                                |
| Tax (expense) recovery on other comprehensive income relating to hedging activities      | 204                                  | (371)                                | (50)                                 | 162                                  |
| Cumulative translation adjustment  | 14                                   | (13)                                 | (4)                                  | (13)                                 |
| <b>Other comprehensive income (loss), net of tax</b>                                     | (535)                                | 989                                  | 133                                  | (450)                                |
| <b>Net income and other comprehensive income (loss)</b>                                  | \$ (400)                             | \$ 1,095                             | \$ 388                               | \$ 2,819                             |

### 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    | Warrants |                                  |  |                   |              |
| <b>Balance at December 31, 2019</b>      |      | 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 loss  |      | -             | -         | -        | -                                | (450)                                  | 3,269             | 2,819        |
| <b>Balance at September 30, 2020</b>     |      | 9,078,780     | \$ 43,710 | \$ -     | \$ 370                           | \$ (1,096)                             | \$ 8,471          | \$ 51,455    |
| <b>Balance at December 31, 2020</b>      |      | 9,078,780     | \$ 43,710 | \$ -     | \$ 419                           | \$ 714                                 | \$ 8,151          | \$ 52,994    |
| Shares issued for restricted share units |      | 50,893        | 282       | -        | (282)                            | -                                      | -                 | -            |
| Share-based compensation                 |      | -             | -         | -        | 148                              | -                                      | -                 | 148          |
| Warrants issued                          | 10   | -             | -         | 1,773    | -                                | -                                      | -                 | 1,773        |
| Net loss and other comprehensive income  |      | -             | -         | -        | -                                | 133                                    | 255               | 388          |
| <b>Balance at September 30, 2021</b>     |      | 9,129,673     | \$ 43,992 | \$ 1,773 | \$ 285                           | \$ 847                                 | \$ 8,406          | \$ 55,303    |

– 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)

|  | Note | 3 months ended<br>September 30, 2021 | 3 months ended<br>September 30, 2020 | 9 months ended<br>September 30, 2021 | 9 months ended<br>September 30, 2020 |
|--|------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| <b>Operating activities</b>  |      |                                      |                                      |                                      |                                      |
| Net income   |      | \$ 135                               | \$ 106                               | \$ 255                               | \$ 3,269                             |
| Items not affecting cash:  |      |                                      |                                      |                                      |                                      |
| Depreciation and amortization  |      | 1,698                                | 1,325                                | 5,114                                | 3,024                                |
| Share-based compensation expense (recovery)                            |      | 111                                  | 96                                   | 485                                  | (321)                                |
| Unrealized gain (loss) on risk management activities                   |      | (46)                                 | (70)                                 | 263                                  | 323                                  |
| Unrealized loss (gain) on fair value adjustment of<br>embedded option  |      | 56                                   | (50)                                 | 48                                   | (1,400)                              |
| Finance income   |      | (102)                                | (169)                                | (370)                                | (370)                                |
| Finance expense  |      | 1,125                                | 851                                  | 3,175                                | 2,026                                |
| Loss on extinguishment of debt   |      | 1,385                                | -                                    | 1,385                                | -                                    |
| Income tax expense   |      | (48)                                 | 267                                  | 381                                  | 1,381                                |
| Other  |      | 24                                   | 25                                   | (122)                                | 87                                   |
|  |      | 4,338                                | 2,381                                | 10,614                               | 8,019                                |
| Change in non-cash working capital relating to<br>operating activities | 16   | (3,112)                              | (1,765)                              | (8,588)                              | (4,836)                              |
| <b>Net cash generated from operations</b>                              |      | <b>1,226</b>                         | <b>616</b>                           | <b>2,026</b>                         | <b>3,183</b>                         |
| Interest received  |      | 159                                  | 169                                  | 445                                  | 370                                  |
| Interest paid  | 16   | (790)                                | (738)                                | (2,323)                              | (2,353)                              |
| Income taxes paid  |      | -                                    | (51)                                 | (25)                                 | (51)                                 |
| <b>Net cash generated from operating activities</b>                    |      | <b>595</b>                           | <b>(4)</b>                           | <b>123</b>                           | <b>1,149</b>                         |
| <b>Investing activities</b>  |      |                                      |                                      |                                      |                                      |
| Additions to plant and equipment                                       | 16   | (5,715)                              | (1,445)                              | (10,752)                             | (12,098)                             |
| <b>Net cash used in investing activities</b>                           |      | <b>(5,715)</b>                       | <b>(1,445)</b>                       | <b>(10,752)</b>                      | <b>(12,098)</b>                      |
| <b>Financing activities</b>  |      |                                      |                                      |                                      |                                      |
| Dividends paid   |      | -                                    | -                                    | -                                    | (566)                                |
| Payment of lease liabilities   |      | (421)                                | (403)                                | (1,265)                              | (1,093)                              |
| Proceeds from credit facility  |      | 2,250                                | 1,250                                | 7,450                                | 11,350                               |
| Repayments of credit facility  |      | (1,000)                              | -                                    | (3,500)                              | (3,300)                              |
| Financing costs  | 16   | (75)                                 | -                                    | (228)                                | -                                    |
| Proceeds from construction loans                                       |      | 3,503                                | -                                    | 7,801                                | -                                    |
| Transaction costs related to extinguishment of debt                    |      | (218)                                | -                                    | (218)                                | -                                    |
| Transaction costs related warrants issuance                            |      | (29)                                 | -                                    | (29)                                 | -                                    |
| <b>Net cash generated from financing activities</b>                    |      | <b>4,010</b>                         | <b>847</b>                           | <b>10,011</b>                        | <b>6,391</b>                         |
| <b>Decrease in cash and cash equivalents</b>                           |      | <b>(1,110)</b>                       | <b>(602)</b>                         | <b>(618)</b>                         | <b>(4,558)</b>                       |
| <b>Cash and cash equivalents, beginning of the period</b>              |      | <b>3,241</b>                         | <b>2,783</b>                         | <b>2,749</b>                         | <b>6,739</b>                         |
| <b>Cash and cash equivalents, end of the period</b>                    |      | <b>\$ 2,131</b>                      | <b>\$ 2,181</b>                      | <b>\$ 2,131</b>                      | <b>\$ 2,181</b>                      |

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

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2021

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

### 2. BASIS OF PREPARATION

The Company’s condensed consolidated interim financial statements for the three and nine months ended September 30, 2021 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, 2020.

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, 2020.

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, 2021 were approved for issuance by the Company’s Directors on November 3, 2021. 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, 2021. The adoption of these revised standards by the Company did not have a material impact on its condensed consolidated interim financial statements.

- *IAS 1* amendments address the classification of liabilities between current and non-current;
- *IFRS 9/ IAS 39 and IFRS 7* (phase 2) were amended to address issues arising from the implementation of interest rate benchmark reform (“IBOR”), including the replacement of one benchmark with an alternative one. The Company has not currently transitioned its agreements to address IBOR. Currently, our Credit Facility (Note 9.3) would be exposed to the implementation of IBOR but we do not expect the replacement to result in a significant change to our risk management strategy.
- *IFRS 16* encompasses property, plant and equipment: proceeds before intended use.

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2021

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

### 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 a material impact on its financial statements:

- *IFRS 9* Amended to address which fees should be included in the 10% test for derecognition of financial liability.
- *IAS 37* Amended to clarify (i) the meaning of “costs to fulfil a contract”, and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- *IAS 16* Amended to (i) prohibit an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use (for example, the proceeds from selling samples produced when testing a machine to see if it is functioning properly), (ii) clarify that an entity is “testing whether the asset is functioning properly” when it assesses the technical and physical performance of the asset, and (iii) require certain related disclosures.
- *IAS 12* Amended to require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Consequential amendment to IFRS 1 to add an exception to retrospective application, effective January 1, 2023.
- *IAS 8* Amended definition of accounting estimates, effective January 1, 2023.
- Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 entail interest rate benchmark reforms including reforms related to IBOR.

### 3. CAPITAL MANAGEMENT

The Company’s policy is to maintain a strong capital base 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.

### 4. ACCOUNTS RECEIVABLE

Accounts receivable as at September 30, 2021 are recorded net of expected credit losses of nil (2020: nil). The Company monitors lifetime expected credit losses using the simplified approach which is determined based on historic and adjusted relevant forward-looking information. The Company’s customers have a negligible default rate and the Company’s experience both in frequency and amount of losses are low.

### 5. INVENTORIES

During the three and nine months ended September 30, 2021, the cost of inventories recognized in cost of sales was \$27.9 million (2020: \$19.7 million) and \$71.4 million (2020: \$56.4 million) respectively. The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each period.

## SWISS WATER DECAFFEINATED COFFEE INC.

### Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2021

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

|                            | September 30, 2021 | December 31, 2020 |
|----------------------------|--------------------|-------------------|
| Raw materials              | \$ 8,688           | \$ 6,436          |
| Finished goods             | 15,629             | 10,442            |
| Carbon                     | 366                | 501               |
| Packaging                  | 239                | 159               |
| Hedge accounting component | 2,862              | 1,122             |
|                            | \$ 27,784          | \$ 18,660         |

#### 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, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| Coffee futures contracts, net                         | \$ 2,200           | \$ 505            |
| US Dollar forward contracts, current                  | 55                 | (52)              |
| Derivative financial liability, convertible debenture | Note 9.2 -         | (352)             |
|   | \$ 2,255           | \$ 101            |

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

|  | September 30, 2021 | December 31, 2020 |
|--|--------------------|-------------------|
| US Dollar forward contracts, current   | \$ 401             | \$ (10)           |
| US Dollar forward contracts, long-term | 743                | 967               |
|  | \$ 1,144           | \$ 957            |

#### 7. PROPERTY, PLANT AND EQUIPMENT

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

|                               | September 30, 2021 | December 31, 2020 |
|-------------------------------|--------------------|-------------------|
| Property, plant and equipment | \$ 82,314          | \$ 76,295         |
| Right-of-use assets           | 20,171             | 21,829            |
|                               | \$ 102,485         | \$ 98,124         |

##### 7.1 Property, plant and equipment

Property, plant and equipment additions during the nine months of 2021 consisted of \$9.3 million (2020: \$6.8 million).

For the three and nine months ended September 30, 2021, this increase was offset by depreciation charges of \$1.1 million and \$3.3 million respectively (2020: \$0.8 million and \$1.6 million).

In addition, during the three and nine months ended September 30, 2021, the Company recognized in the property plant and equipment nil and \$0.1 million related to the Canadian Scientific Research and Development Tax Credit.



# SWISS WATER DECAFFEINATED COFFEE INC.

## Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2021

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

### 7.2 Right-of-use assets

For the three months ended September 30, 2021, depreciation expense of \$0.4 million (2020: \$0.4 million) was charged to the cost of sales and \$0.07 million (2020: \$0.08 million) was included in administrative expenses.

For the nine months ended September 30, 2021, depreciation expense of \$1.4 million (2020: \$1.0 million) was charged to the cost of sales and \$0.2 million (2020: \$0.2 million) was included in administrative expenses.

## 8. LEASE LIABILITIES

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

For the three and nine months period ended September 30, 2021 the lease liabilities interest expense recognized in profit and loss was \$0.2 million and \$0.8 million respectively compared to \$0.6 million and \$0.9 million in the same periods in 2020. The minimum lease payments recognized in the financing component of the statement of cash flows were \$2.1 million and \$2.0 million during the nine months ended September 30, 2021 and 2020, respectively.

## 9. BORROWINGS

As at and during the first nine months ended September 30, 2021, the Company was in compliance with all bank's and creditor's covenants. Borrowings consist of the following:

|   |          | September 30, 2021 | December 31, 2020 |
|---|----------|--------------------|-------------------|
| Construction loans with BDC and FCC           | Note 9.1 | \$ 27,732          | \$ 20,083         |
| Debenture with warrants/Convertible debenture | Note 9.2 | 12,688             | 13,102            |
| Credit facility                               | Note 9.3 | 14,100             | 9,800             |
| <b>Borrowings, total</b>                      |          | <b>\$ 54,520</b>   | <b>\$ 42,985</b>  |
| <b>Less current portion</b>                   |          |                    |                   |
| Construction loan and interest                | Note 9.1 | (93)               | (918)             |
| <b>Borrowings, non-current</b>                |          | <b>\$ 54,427</b>   | <b>\$ 42,067</b>  |

### 9.1 Construction loans with BDC and FCC

In the fourth quarter of 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 first production line built in Delta, British Columbia. The interest rate for the Term Loan was 4.95% per annum over 12 years. Principal repayments were to commence on July 1, 2021 until the Term Loan maturity date of June 1, 2033.

On June 3, 2021, the Company completed a financing transaction by increasing the existing term to \$45.0 million from the existing \$20.0 million to fund the planned construction of a second production line in its Delta location. The financing was provided by Business Development Corp ("BDC"), our existing creditor, and Farm Credit Canada ("FCC") in a Pari Passu structure. Each lender will fund 50% of the \$45.0 million total loan value. The existing borrowing with BDC will increase from \$20.0 million to \$22.5 million ("BDC Amended Term Loan") and FCC will also fund the \$22.5 million ("FCC Term Loan"). Upon closing of the transaction, the Company's outstanding debt to each party, FCC and BDC, was \$10.0 million. FCC paid

## SWISS WATER DECAFFEINATED COFFEE INC.

### Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2021

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

\$10.0 million to BDC on the Company's behalf to ensure that existing borrowings were restructured on a Pari Passu basis.

Only interest will be paid on the outstanding balance on a monthly basis prior to July 1, 2024 for both the BDC Amended Term Loan and FCC Term Loan. Principal repayments for both loans commence on July 1, 2024 and will be repaid in monthly installments until both loans mature on June 1, 2034.

The FCC Term Loan consists of a fixed term loan and a variable loan. The fixed term loan bears an interest rate of 4.38% and the variable loan bears an interest rate of a variable rate minus 0.75%. The interest rate on the variable loan rate is currently 2.95%.

The BDC Amended Term Loan bears an interest rate of 4.45%. The new terms in the BDC Amended Term Loan supersede the terms on the previous agreement.

Management determined that the terms within the BDC Amended Term Loan and the terms within the original BDC Term Loan were substantially different, as such this debt restructuring transaction was accounted for using the extinguishment method of accounting for debt reconstruction.

The Company incurred \$0.2 million in financing transaction costs in connection with the Pari Passu agreement, which were recorded as deferred financing transaction costs in the non-current period of borrowings. These transactions costs are amortized until the construction loans maturity date.

As of September 30, 2021, the construction loans comprise of:

|                                    | September 30, 2021 | December 31, 2020 |
|------------------------------------|--------------------|-------------------|
| <b>Balance, open</b>               | \$ 20,083          | \$ 20,084         |
| Additions                          | 7,878              | -                 |
| Interest charged                   | 712                | 992               |
| Interest paid                      | (713)              | (993)             |
| Less unamortized transaction costs | (228)              | -                 |
| <b>Balance, end</b>                | \$ 27,732          | \$ 20,083         |

As at September 30, 2021 and December 31, 2020, the outstanding loan balances are as follows:

|                                      | September 30, 2021 | December 31, 2020 |
|--------------------------------------|--------------------|-------------------|
| Construction loans interest, current | \$ 93              | \$ 918            |
| Construction loan with BDC, fixed    | 13,879             | 19,165            |
| Construction loan with FCC, fixed    | 9,772              | -                 |
| Construction loan with FCC, variable | 3,988              | -                 |
|                                      | \$ 27,732          | \$ 20,083         |

#### Finance expense

Interest is based on the outstanding loan balance and is paid monthly. Interest expense and interest paid on the BDC loan were \$0.1 million and \$0.6 million during the three and nine months ended September 30, 2021, respectively (2020: \$0.1 million, \$0.1 million). Interest expense on FCC loan was \$0.1 million and \$0.1 million during the three and nine months ended September 30, 2021 (2020: nil).

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### Security

The construction loans are 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 construction loans for both BDC and FCC. Seaforth provided a guarantee for the construction loans to both BDC and FCC.

### 9.2 Debenture with Warrants /Convertible Debenture

On October 11, 2016, the Company issued an unsecured subordinated convertible debenture to Mill Road Capital LLP (“MRC”) for gross proceeds of \$15.0 million. The convertible debenture maturity date was on October 11, 2023. In 2016, the Company paid financing costs of \$0.5 million in respect of issuing the convertible debenture. As at December 31, 2020 and until the debt extinguishment on July 20, 2021, the Company used the residual value method to allocate the fair value of the convertible debenture between the liability component and the derivative liability.

On July 20, 2021, Swiss Water amended the convertible debenture agreement with MRC to a debenture with warrants. Under the new terms of the agreement, the maturity date was extended by one year from October 11, 2023, to October 31, 2024. The other amended terms were: (i) the interest rate increased from a maximum of 7.85% to 9%, (ii) a 1.5% additional interest “payment in kind” was added, and (iii) the debt to shares conversion feature was amended. The debt to shares conversion was amended by (a) cancelling the existing conversion feature and (b) replacing the existing conversion feature with warrants to allow MRC to purchase up to 2.25 million common shares at a price of \$3.33 per share. The warrants expire on October 31, 2024.

As at July 20, 2021, the amendment date, the value of the principal amount due to MRC, and the value of the warrants were as follows:

|   | At inception on July<br>20, 2021 |               |
|---|----------------------------------|---------------|
| Principal amount                                      | \$                               | 15,000        |
| Warrants value  |                                  | (2,468)       |
| <b>Liability component of debenture with warrants</b> | <b>\$</b>                        | <b>12,532</b> |

As at September 30, 2021 and December 31, 2021, the value of the principal amount due to MRC, the convertible debenture, and the warrants was as follows:

|   | September 30, 2021 |               | December 31, 2020 |               |
|---|--------------------|---------------|-------------------|---------------|
| Principal amount                                      | \$                 | 15,000        | \$                | 15,000        |
| Conversion of debt to shares option                   |                    | -             |                   | (1,898)       |
| Warrants value  |                    | (2,357)       |                   | -             |
| Accrued interest                                      |                    | 45            |                   | -             |
| <b>Debenture with warrants/ Convertible debenture</b> | <b>\$</b>          | <b>12,688</b> | <b>\$</b>         | <b>13,102</b> |

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As at September 30, 2021 and as at December 31, 2020, the amounts due to MRC and related transactions comprise of:

|   | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| <b>Balance, open</b>                                      | \$ 13,102          | \$ 12,560         |
| Interest charged for convertible debenture                | 840                | 1,569             |
| Interest paid on convertible debenture                    | (510)              | (1,027)           |
| July 20, 2021 Convertible debenture                       | 13,432             | 13,102            |
| Extinguishment of liability component of convertible debt | 1,568              | -                 |
|   | 15,000             | 13,102            |
| Warrants value, July 20, 2021                             | (2,468)            | -                 |
| Interest charged for debt with warrants                   | 479                | -                 |
| Interest paid on debt with warrants                       | (323)              | -                 |
| <b>Balance, end</b>                                       | \$ 12,688          | \$ 13,102         |

#### Finance expense

The debenture with warrants interest rate is 9% per annum, paid quarterly in arrears. The 9% is subject to reaching a specific covenant threshold, in excess of these, the interest rate increases to 12.5% per annum. The Company also incurs an additional 1.5% of interest "payment in kind", which accrues quarterly and is due at the maturity date.

Prior to the amendment on July 20, 2021, the convertible debenture's interest rate was 6.85% per annum, paid quarterly in arrears. The 6.85% interest rate was subject to reaching specific covenant thresholds, in excess of these, the interest rate would have increased to 7.85% per annum. Under the terms of the agreement, Swiss Water had the option to pay interest-in-kind for the first two years. If elected, this option would have increased the principal sum by the interest owing. The Company chose not to elect to pay interest-in-kind.

Interest expense on debt with MRC for the three and nine months period ended September 30, 2021 and 2020 is as follows:

|                               | 3 months ended<br>September 30, 2021 | 3 months ended<br>September 30, 2020 | 9 months ended<br>September 30, 2021 | 9 months ended<br>September 30, 2020 |
|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Interest charged              | \$ 156                               | \$ 138                               | \$ 486                               | \$ 399                               |
| Interest paid                 | 323                                  | 260                                  | 833                                  | 771                                  |
| <b>Total interest expense</b> | \$ 479                               | \$ 398                               | \$ 1,319                             | \$ 1,170                             |

#### Loss on extinguishment of convertible debenture

Under IFRS 9, the accounting for the transaction to amend the agreement with MRC depends on whether the debt restructuring is considered an extinguishment or an adjustment to the existing liability ("extinguishment accounting" vs "modification accounting").

Given there is a 2.15% change in the interest rate and a replacement of the debt conversion to shares with warrants, management determined that the terms within the convertible debenture and the terms within the debenture with warrants are substantially different. As such, this debt restructuring transaction was accounted for using the extinguishment method of accounting for debt reconstruction. During the three and nine months period ended September 30, 2021, the Company recognized a loss on extinguishment of

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the convertible debenture in the amount of \$1.4 million. There was no such loss in the year 2020. The details of the loss on the liability component of the convertible debenture and the gain on the derivative embedded in the convertible debenture are disclosed below.

|  |           | <b>Total</b> |
|--|-----------|--------------|
| Professional fees  | \$        | 217          |
| Loss on extinguishment of the liability component of the convertible debenture |           | 1,568        |
| Gain on extinguishment of derivative embedded in the convertible debenture     |           | (400)        |
| <b>Loss on extinguishment of convertible debenture</b>                         | <b>\$</b> | <b>1,385</b> |

#### Liability component of the convertible debenture

In 2016 the liability component of the convertible debenture was initially measured at a fair value of \$11.2 million, which represented the present value of the contractually determined stream of cash flows discounted at the prevailing market interest rate at that time applicable to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without derivative components, of 12.15% per annum. The liability component of the convertible debenture in the amount was extinguished on July 20, 2021 and a loss of \$1.6 million was recognized in loss on extinguishment of convertible debenture as indicated above (2020: \$nil).

#### Derivative financial liability component embedded in the convertible debenture

Before the amendment to debenture with warrants on July 20, 2021 and as at December 31, 2020, under the residual value method, the derivative liabilities included the fair value of the derivative liability embedded in the convertible debenture (December 2020: \$0.4 million). During the three and nine months ended September 30, 2021, this revaluation resulted in a loss of \$0.1 million and a loss of \$0.05 million being recorded in the statement of income (2020: gain of 0.05 million and a gain of \$1.4 million). This conversion option was extinguished on July 20, 2021 resulting in the derivative liability being written off where a gain of \$0.4 million was recognized in the statement of income under loss on extinguishment of convertible debenture (2020: \$nil).

|  | <b>September 30, 2021</b> | <b>December 31, 2020</b> |
|--|---------------------------|--------------------------|
| <b>Balance, open</b>                                   | <b>\$ 352</b>             | <b>\$ 1,680</b>          |
| Change in fair valuation of derivative embedded option | 48                        | (1,328)                  |
| Extinguishment of derivative liability                 | (400)                     | -                        |
| <b>Balance, end</b>                                    | <b>\$ -</b>               | <b>\$ 352</b>            |

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 as at the date the convertible debenture was amended, on July 20, 2021 and as at December 31, 2020, were as follows:

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|                         | At extinguishment<br>on July 20, 2021 | December 31, 2020 |
|-------------------------|---------------------------------------|-------------------|
| Share price             | \$ 3.33                               | \$ 3.06           |
| Exercise price          | \$ 8.25                               | \$ 8.25           |
| Option life             | 2.23 years                            | 2.78 years        |
| Volatility              | 51%                                   | 48%               |
| Risk-free interest rate | 0.46%                                 | 0.25%             |
| Dividend yield          | 0.00%                                 | 0.00%             |

#### Liability component of the debenture with warrants

On July 20, 2021, the liability component of the new debenture with warrants was initially measured at a fair value of \$12.5 million which represents the present value of the contractually determined flow of cash discounted at the prevailing market interest rate applicable to instruments of comparable credit status and providing substantially the same cash flows on the same terms, but without the warrants rights, of 16.99%.

#### Conversion option in the convertible debenture

Before the amendment to debenture with warrants on July 20, 2021 and as at December 31, 2020, the convertible debenture was convertible into common shares of the Company at a conversion price of \$8.25 per common share. The convertible debenture also included a net share settlement feature that allowed Swiss Water, upon conversion, to elect to pay cash equal to the face value of the convertible debenture and to issue common shares equal to the excess value of the underlying equity above the face value of the convertible debenture. If the net share settlement option were elected, it would have resulted in fewer common shares being issued. This conversion option was extinguished on July 20, 2021.

#### Warrants related to debenture with warrants

As a part of the debenture with warrants agreement, on July 20, 2021, the Company issued 2.25 million of the Company's warrants to MRC with a value calculated using the Black Scholes model of \$2.5 million. Details on the valuation of the warrants are disclosed in the share capital note disclosure, under warrants.

### 9.3 Credit Facility

On October 18, 2019, Swiss Water entered into a revolving credit facility agreement ("Credit Facility"), with a Canadian Bank, for borrowings up to the lower of the Borrowing Base (defined below) and \$30.0 million.

The amounts drawn on the credit facility are classified in the consolidated 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. As at September 30, 2021, the Credit Facility comprises:

|                                    | September 30, 2021 | December 31, 2020 |
|------------------------------------|--------------------|-------------------|
| Credit Facility                    | \$ 14,238          | \$ 10,021         |
| Less unamortized transaction costs | (138)              | (221)             |
|                                    | \$ 14,100          | \$ 9,800          |

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Financing transaction costs in connection with the Credit Facility were deferred and are amortized until the Credit Facility's maturity date.

### Security

The Company has pledged substantially all of its assets, except for assets pledged to BDC under the Term Loan (Note 9.1), as a collateral for the Credit Facility, including a first priority security interest over all inventory, accounts receivable, excess margin and gains on the commodity account, gains in the foreign exchange line of credit and other assets of the Company.

### Borrowing base

The Credit Facility's Borrowing Base margins eligible inventories and accounts receivable, commodity hedging account equity margin plus its market-to-market gains, which are netted against any losses in the commodity account and foreign exchange contract facility. Amounts can be drawn in either Canadian or in US\$ dollars and can be borrowed, repaid, and re-borrowed to fund operations, capital expansions, letters of credit and for general corporate purposes.

As at September 30, 2021, the Company's borrowing availability was as follows:

|   | September 30, 2021 | December 31, 2020 |
|---|--------------------|-------------------|
| Gross borrowing base availability       | \$ 19,018          | \$ 15,028         |
| Advances, repayments, fees and interest | (14,238)           | (10,021)          |
| Outstanding letters of credit           | (300)              | (300)             |
| Interests and fees accrued              | 38                 | 35                |
|   | \$ 4,518           | \$ 4,742          |

### Foreign exchange and commodity futures contract facilities

As part of the Credit Facility, the Company has an US\$8.0 million foreign exchange and commodity futures contract facility, which allows the Company to enter into spot, forward and other foreign exchange rate transactions and commodity futures transactions with the bank with a maximum term of up to 60 months.

### Foreign exchange facility guarantee

On June 1, 2020, the Company entered into a foreign exchange facility guarantee to cover margin requirements in relation to the 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, 2022. This guarantee provides additional borrowing capacity within the referenced credit facility.

## 10. SHARE CAPITAL

### 10.1 Shares

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, 2021, there were 9,129,673 common shares issued and outstanding.

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#### 10.2 Warrants

As a part of the debenture with warrants agreement, on July 20, 2021, the Company issued 2.25 million of Swiss Water's warrants to MRC. The warrant value of \$2.5 million was recorded as a component of equity as it will be settled by the exchange of a fixed amount of cash for a fixed number of the Company's common shares and will not be subsequently remeasured. Each warrant is exercisable for one common share of Swiss Water at a price of \$3.33 per share, expiring on October 31, 2024. The Company incurred \$0.03 million in transaction costs related to these warrants.

|   | September 30, 2021 |              | At inception on<br>July 20, 2021 |              |
|---|--------------------|--------------|----------------------------------|--------------|
| Warrant value                           | \$                 | 2,468        | \$                               | 2,468        |
| Warrant transaction costs               |                    | (29)         |                                  | (29)         |
| Warrant deferred tax                    |                    | (666)        |                                  | (666)        |
| <b>Debenture with warrants, balance</b> | <b>\$</b>          | <b>1,773</b> | <b>\$</b>                        | <b>1,773</b> |

The fair value of warrants cannot be reliably measured, therefore, at the time of issuance the valuation was using the Black-Scholes option pricing models with assumptions as follows. As at September 30, 2021, the remaining life of the warrants is 3.09 years.

|                         | At inception on<br>July 20, 2021 |            |
|-------------------------|----------------------------------|------------|
| Share price             | \$                               | 3.33       |
| Exercise price          | \$                               | 3.33       |
| Option life             |                                  | 3.28 years |
| Volatility              |                                  | 46%        |
| Risk-free interest rate |                                  | 0.38%      |
| Dividend yield          |                                  | 0.00%      |

Pricing models require the input of highly subjective assumptions including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants.

#### 10.3 Restricted share units

On the reporting date, the Company values the RSUs using the volume based weighted average share price ("VWAP"). VWAP is based on the Canadian dollar trading price of the Company's common shares on the Toronto Stock Exchange for the five trading days immediately preceding that relevant date, calculated by dividing the total value by the total volume of common shares traded, according to the RSU Plan.



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The movement in RSUs was as follows:

|                                      | Number of RSUs | Volume based<br>weighted average<br>share price | Average remaining<br>vesting period<br>(years) | Performance<br>based |
|--------------------------------------|----------------|---|--|----------------------|
| <b>Balance at January 1, 2020</b>    | <b>224,836</b> | <b>\$ 7.07</b>                                  | <b>1.40</b>                                    |                      |
| RSUs granted                         | 121,140        | \$ 2.95   | 2.15   | No                   |
| RSUs issued for dividends            | 2,098          | \$ 6.70   | 0.67   | No                   |
| RSUs cash-settled                    | (23,654)       | \$ 6.28   | -  | No                   |
| RSUs exercised                       | (17,570)       | \$ 6.28   | -  | No                   |
| <b>Balance at December 31, 2020</b>  | <b>306,850</b> | <b>\$ 2.88</b>                                  | <b>1.26</b>                                    |                      |
| <b>Balance at January 1, 2021</b>    | <b>306,850</b> | <b>\$ 2.88</b>                                  | <b>1.26</b>                                    |                      |
| RSUs granted                         | 87,000         | \$ 3.13   | 2.50   | No                   |
| RSUs cash-settled                    | (45,792)       | \$ 3.51   | -  | No                   |
| RSUs exercised                       | (50,893)       | \$ 5.56   | -  | No                   |
| RSUs forfeited                       | (15,719)       | \$ 3.70   | -  | No                   |
| <b>Balance at September 30, 2021</b> | <b>281,446</b> | <b>\$ 3.06</b>                                  | <b>1.42</b>                                    |                      |

### 10.4 Deferred share units

On the reporting date, the Company values the DSUs using FMV. The FMV of DSUs is defined in the DSU Plan as the weighted average closing price of Swiss Water shares for the five business days immediately preceding the relevant date. The movement in DSUs was as follows:

|                                      | Number of DSUs | Weighted average<br>share price | Performance<br>based |
|--------------------------------------|----------------|---------------------------------|----------------------|
| <b>Balance at January 1, 2020</b>    | <b>126,267</b> | <b>\$ 6.92</b>                  |                      |
| DSUs issued                          | 55,340         | \$ 3.33                         | No                   |
| DSUs redeemed                        | (10,289)       | \$ 2.99                         | No                   |
| <b>Balance at December 31, 2020</b>  | <b>171,318</b> | <b>\$ 3.06</b>                  |                      |
| <b>Balance at January 1, 2021</b>    | <b>171,318</b> | <b>\$ 3.06</b>                  |                      |
| DSUs issued                          | 61,614         | \$ 3.09                         | No                   |
| DSUs redeemed                        | (153,813)      | \$ 3.17                         | No                   |
| <b>Balance at September 30, 2021</b> | <b>79,119</b>  | <b>\$ 3.02</b>                  |                      |

## 11. REVENUE

### 11.1 Disaggregation of revenue

Revenue disaggregated by geographical markets is disclosed in Note 15. The Company also disaggregates revenue by major products and services: decaffeinated coffee sales, decaffeination services, and distribution with the following results:

|                            | 3 months ended<br>September 30, 2021 | 3 months ended<br>September 30, 2020 | 9 months ended<br>September 30, 2021 | 9 months ended<br>September 30, 2020 |
|----------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Decaffeinated coffee sales | \$ 31,029                            | \$ 21,146                            | \$ 78,759                            | \$ 62,669                            |
| Decaffeination services    | 2,119                                | 1,867                                | 4,981                                | 4,960                                |
| Distribution               | 2,348                                | 1,849                                | 6,207                                | 5,430                                |
|                            | <b>\$ 35,496</b>                     | <b>\$ 24,862</b>                     | <b>\$ 89,947</b>                     | <b>\$ 73,059</b>                     |

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### 11.2 Contract balances

As at September 30, 2021 the accounts receivable balance of \$19.0 million (December 31, 2020: \$15.4 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.

### 12. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

|                          | 3 months ended     |       | 3 months ended     |       | 9 months ended     |       | 9 months ended     |       |
|--------------------------|--------------------|-------|--------------------|-------|--------------------|-------|--------------------|-------|
|                          | September 30, 2021 |       | September 30, 2020 |       | September 30, 2021 |       | September 30, 2020 |       |
| Short-term benefits      | \$                 | 3,037 | \$                 | 2,854 | \$                 | 8,583 | \$                 | 8,343 |
| Long-term benefits       |                    | 111   |                    | 96    |                    | 485   |                    | (321) |
| Post-employment benefits |                    | 227   |                    | 239   |                    | 819   |                    | 793   |
|                          | \$                 | 3,375 | \$                 | 3,189 | \$                 | 9,887 | \$                 | 8,815 |

### 13. 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 are discussed below. All intercompany transactions, balances, income and expenses are eliminated on consolidation.

#### 13.1 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, 2021 |     | September 30, 2020 |     | September 30, 2021 |       | September 30, 2020 |       |
| Short-term benefits      | \$                 | 469 | \$                 | 615 | \$                 | 1,575 | \$                 | 1,823 |
| Long-term benefits       |                    | 82  |                    | 69  |                    | 359   |                    | (353) |
| Post-employment benefits |                    | 51  |                    | 73  |                    | 180   |                    | 187   |
|                          | \$                 | 602 | \$                 | 757 | \$                 | 2,114 | \$                 | 1,657 |

#### 13.2 Trading transactions

During the three and nine months ended September 30, 2021 and 2020, 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, 2021 |       | September 30, 2020 |     | September 30, 2021 |       | September 30, 2020 |       |
| Sales                      | \$                 | 144   | \$                 | 90  | \$                 | 485   | \$                 | 280   |
| Purchases of raw materials | \$                 | 1,317 | \$                 | 688 | \$                 | 3,419 | \$                 | 2,903 |

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:

|                     | September 30, 2021 |     | December 31, 2020 |     |
|---------------------|--------------------|-----|-------------------|-----|
| Accounts receivable | \$                 | 43  | \$                | 40  |
| Accounts payable    | \$                 | 676 | \$                | 279 |

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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.

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

The Company presents basic and diluted EPS for its common shares. Basic EPS is calculated by dividing income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the reporting period. Diluted EPS is calculated by dividing income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares. The weighted average number of shares outstanding on a diluted basis takes into account the additional shares for the assumed exercise of RSUs and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. When the effects of a potential issuance of shares under warrants and RSUs would be anti-dilutive, basic and diluted loss per share are the same.

|   | 3 months ended     |             | 3 months ended     |             | 9 months ended     |             | 9 months ended     |             |
|---|--------------------|-------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
|   | September 30, 2021 |             | September 30, 2020 |             | September 30, 2021 |             | September 30, 2020 |             |
| <b>Basic- earnings per share</b>                    |                    |             |                    |             |                    |             |                    |             |
| Net- income attributable to shareholders            | \$                 | 135         | \$                 | 106         | \$                 | 255         | \$                 | 3,269       |
| Weighted average number of shares                   |                    | 9,129,673   |                    | 9,078,780   |                    | 9,119,793   |                    | 9,075,317   |
| <b>Basic- earnings per share</b>                    | <b>\$</b>          | <b>0.01</b> | <b>\$</b>          | <b>0.01</b> | <b>\$</b>          | <b>0.03</b> | <b>\$</b>          | <b>0.36</b> |
| <b>Diluted- earnings per share</b>                  |                    |             |                    |             |                    |             |                    |             |
| Net- income attributable to shareholders            | \$                 | 135         | \$                 | 106         | \$                 | 255         | \$                 | 3,269       |
| 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      | \$                 | 135         | \$                 | 106         | \$                 | 255         | \$                 | 2,774       |
| Weighted average number of shares - basic           |                    | 9,129,673   |                    | 9,078,780   |                    | 9,119,793   |                    | 9,075,317   |
| Effect of diluted securities: RSUs                  |                    | -           |                    | -           |                    | -           |                    | 234,994     |
| Effect of diluted securities: convertible debenture |                    | -           |                    | -           |                    | -           |                    | 1,818,182   |
| Weighted average number of shares - diluted         |                    | 9,129,673   |                    | 9,078,780   |                    | 9,119,793   |                    | 11,128,493  |
| <b>Diluted- earnings per share</b>                  | <b>\$</b>          | <b>0.01</b> | <b>\$</b>          | <b>0.01</b> | <b>\$</b>          | <b>0.03</b> | <b>\$</b>          | <b>0.25</b> |

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, 2021 |           | September 30, 2020 |           | September 30, 2021 |         | September 30, 2020 |   |
| Weighted average number of RSUs granted    |                    | 285,178   |                    | 308,167   |                    | 275,399 |                    | - |
| Weighted average number of Warrants issued |                    | 1,785,326 |                    | -         |                    | 601,648 |                    | - |
| Convertible debenture                      |                    | -         |                    | 1,818,182 |                    | -       |                    | - |

### 15. SEGMENT REPORTING

The Company’s sales are primarily generated by the decaffeination of the 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.

## SWISS WATER DECAFFEINATED COFFEE INC.

### Notes to the Condensed Consolidated Interim Financial Statements For the three and nine months ended September 30, 2021

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#### 15.1 Revenue

|                         | 3 months ended     |        | 3 months ended     |        | 9 months ended     |        | 9 months ended     |        |
|-------------------------|--------------------|--------|--------------------|--------|--------------------|--------|--------------------|--------|
|                         | September 30, 2021 |        | September 30, 2020 |        | September 30, 2021 |        | September 30, 2020 |        |
| Canada                  | \$                 | 10,209 | \$                 | 7,029  | \$                 | 29,305 | \$                 | 21,585 |
| United States           |                    | 16,307 |                    | 13,150 |                    | 39,560 |                    | 37,002 |
| International and other |                    | 8,980  |                    | 4,683  |                    | 21,082 |                    | 14,472 |
|                         | \$                 | 35,496 | \$                 | 24,862 | \$                 | 89,947 | \$                 | 73,059 |

#### 15.2 Non-Current Assets (excluding deferred tax assets)

|               | September 30, 2021 |         | December 31, 2020 |         |
|---------------|--------------------|---------|-------------------|---------|
| Canada        | \$                 | 103,602 | \$                | 99,651  |
| United States |                    | 115     |                   | 207     |
| Europe        |                    | 165     |                   | 196     |
|               | \$                 | 103,882 | \$                | 100,054 |

#### 16. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

|   | 3 months ended     |         | 3 months ended     |         | 9 months ended     |         | 9 months ended     |         |
|---|--------------------|---------|--------------------|---------|--------------------|---------|--------------------|---------|
|   | September 30, 2021 |         | September 30, 2020 |         | September 30, 2021 |         | September 30, 2020 |         |
| Accounts receivable   | \$                 | (2,605) | \$                 | (3,675) | \$                 | (3,687) | \$                 | (2,168) |
| Inventories   |                    | (3,507) |                    | 1,446   |                    | (7,385) |                    | (1,808) |
| Other assets and liabilities  |                    | (30)    |                    | 17      |                    | (647)   |                    | (690)   |
| Prepaid expenses and other receivables  |                    | 95      |                    | (159)   |                    | 33      |                    | (6)     |
| Accounts payable and accrued liabilities  |                    | 4,781   |                    | 1,184   |                    | 6,859   |                    | (832)   |
| Derivative assets, liabilities and hedged firm commitments<br>at fair value through profit and loss |                    | (1,846) |                    | (578)   |                    | (3,761) |                    | 668     |
|   | \$                 | (3,112) | \$                 | (1,765) | \$                 | (8,588) | \$                 | (4,836) |

As at September 30, 2021 \$1.1 million (2020: \$0.9 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.

For the nine months period ended September 30, 2020, interest paid included \$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, while during the three and nine months period ended September 30, 2021, \$0.1 million interest was capitalized during the construction of equipment. Also, during the period ended September 30, 2020 the Company capitalized \$0.5 million of depreciation related to right-of-use assets. No such depreciation was capitalized during the comparable period in 2021.

Cash paid to settle RSUs was \$0.2 million (2020: \$0.1 million) during the nine months period ended September 30, 2021. There were no cash payments to settle RSUs during the three months ended September 30, 2021 and 2020.

The Company paid \$0.2 million in financing transaction costs related to the renegotiation of the construction loans during the nine months ended September 30, 2021, while there were no such transactions in 2020.

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The Company paid \$0.2 million in financing transaction costs related to the renegotiation of the convertible debenture during the three and nine months ended September 30, 2021, while there were no such payments in 2020.

The Company paid \$0.03 million in financing transaction costs related to debenture with warrants during the three and nine months ended September 30, 2021, while there were no such payments in 2020.

During the third quarter of 2021 the Company recognized extinguishment of debt related to the convertible debenture, of which \$1.2 million was a non cash write off of the convertible debenture bond value and the derivative value related to the conversion option. There were no such items in the year 2020.

During the second quarter of 2021, the Company recognized in the property plant and equipment and the administrative expenses a Scientific Research and Development tax credit of \$0.1 million and \$0.1 million, respectively. The tax credit was a non cash transaction recognized within the financing and operating activities.

## 17. 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.

### 17.1 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 curb the spread of COVID-19, many countries have entered into an economic recession since the second quarter of 2020. Swiss Water was deemed an essential service and continued to operate largely uninterrupted despite the pandemic with appropriate protocols in place to protect the safety and health of employees. During the early stages of the pandemic, we experienced strong short term volume pull from customers that service the retail grocery trade as consumers loaded their pantries in anticipation of quarantines and supply disruptions, or simply consumed their coffee at home. Also, the demand for coffee shifted between customer types. This pandemic may continue to impact the demand for our products and services in the near term as well as impact the supply chain. 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.

### 17.2 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 months period ended September 30, 2021, revenues

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from three major customers of \$30.6 million (2020: \$23.6 million) represented 34% (2020: 32%) of total revenues for the period. Three customers represented 46% of total accounts receivable as at September 30, 2021 (December 31, 2020: 58%).

The Company had 8% of its accounts receivable past due but not impaired as at September 30, 2021 (December 31, 2020: 11%). Of the past due accounts receivable, 99% are 1-30 days past due (December 31, 2020: 92%), while 1% are over 31 days past due (December 31, 2020: 8%).

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

### 17.3 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, 2021, the Company had futures contracts to buy 11.3 million lbs of green coffee with a notional value of US \$22.1 million, and contracts to sell 17.5 million lbs of green coffee with a notional value of US\$33.8 million. The furthest contract matures in July 2022. (December 31, 2020: buy 2.5 million lbs of green coffee with a notional value of US\$3.0 million, and contracts to sell 6.6 million lbs of green coffee with a notional value of US\$7.9 million).

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

| Carrying amount of hedging instruments   | September 30, 2021                           |  | December 31, 2020                            |  |
|--|--|--|--|--|
| Fair value hedge   | Commodity price risk<br>Coffee futures       |  | Commodity price risk<br>Coffee futures       |  |
| Nominal amount of hedging instruments (in US\$'000)  | \$   | 11,724                                   | \$   | 4,935                                    |
| Line item in the statement of financial position where hedging instrument is located                                 |  |  |  |  |
| Derivative Assets  | \$   | 2,200                                    | \$   | 515                                      |
| Derivative Liabilities   |  | -  |  | 10                                       |
| 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, 2021                           |  | December 31, 2020                            |  |
| Fair value hedge   | Purchase commitments<br>and coffee inventory |  | Purchase commitments<br>and coffee inventory |  |
| Nominal amount of hedged item (in '000 lbs)  |  | 6,170                                    |  | 4,019                                    |
| Line items in the statement of financial position where hedged item is located                                       |  | Inventories & hedged<br>firm commitments |  | Inventories & hedged<br>firm commitments |
| Assets   | \$   | 3,791                                    | \$   | 1,288                                    |
| Liabilities  |  | 553                                      |  | 190                                      |
| Changes in fair value used for calculating hedge ineffectiveness   |  | -  |  | -  |

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### 17.4 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 September 30, 2021, the Company had forward currency contracts to buy US\$9.7 million and sell US\$45.5 million (December 31, 2020: buy US\$5.6 million and sell US\$51.0 million) from October 2021 through to February 2025 at various Canadian exchange rates ranging from \$1.2115 to \$1.3626.

The following tables provide a summary of amounts related to foreign currency forward contracts designated as hedging instruments. Not included in the 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, 2021, the Company designated as hedging instruments US\$9.7 million in forward contracts to buy US dollars, which relate to coffee purchases (2020: US\$5.6 million).

| Carrying amount of hedging instruments   | September 30, 2021                      |                                       | December 31, 2020                       |                                       |
|--|---|---------------------------------------|---|---------------------------------------|
| Fair value hedge   | Foreign currency purchase forwards      |                                       | Foreign currency purchase forwards      |                                       |
| Nominal amount of hedging instruments (in US\$'000)  | \$                                      | 9,709                                 | \$                                      | 5,646                                 |
| Line item in the statement of financial position where hedging instrument is located                                 |   |                                       |   |                                       |
| Derivative Assets  | \$                                      | 107                                   | \$                                      | -                                     |
| Derivative Liabilities   |   | 22                                    |   | 263                                   |
| 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, 2021                      |                                       | December 31, 2020                       |                                       |
| Fair value hedge   | Firm purchase commitments & inventories |                                       | Firm purchase commitments & inventories |                                       |
| Nominal amount of hedged item (in US\$'000)  | \$                                      | 9,709                                 | \$                                      | 5,646                                 |
| Line item in the statement of financial position where hedged item is located  |   | Inventories & hedged firm commitments |   | Inventories & hedged firm commitments |
| Assets   | \$                                      | 9                                     | \$                                      | 323                                   |
| Changes in fair value used for calculating hedge ineffectiveness   |   | -                                     |   | -                                     |

#### Currency risk on hedge on US\$ sales

As at September 30, 2021, the Company designated as hedging instruments US\$31.5 million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue. (2020: US\$38.7 million).

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| Carrying amount of hedging instruments   | September 30, 2021 |   | December 31, 2020 |   |
|--|--------------------|---|-------------------|---|
| Cashflow hedge   |                    | Currency risk<br>Foreign currency<br>forwards |                   | Currency risk<br>Foreign currency<br>forwards |
| Nominal amount of hedging instruments (in US\$'000)  | \$                 | 31,479  | \$                | 38,709  |
| Line items in the statement of financial position where hedging instrument is located                                |                    |   |                   |   |
| Derivative Assets  | \$                 | 1,237   | \$                | 1,226   |
| Derivative Liabilities   |                    | 93  |                   | 269   |
| 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, 2021 |   | December 31, 2020 |   |
| Cashflow hedge   |                    | Currency risk<br>Foreign currency<br>forwards |                   | Currency risk<br>Foreign currency<br>forwards |
| Nominal amount of hedged item (in US\$'000)  | \$                 | 31,479  | \$                | 38,709  |
| Line items in the statement of financial position where hedged item is located                                       |                    | Accumulated other<br>comprehensive income     |                   | Accumulated other<br>comprehensive income     |
| Assets   | \$                 | n/a   | \$                | n/a   |
| Liabilities  |                    | n/a   |                   | n/a   |
| Changes in fair value used for calculating hedge ineffectiveness   |                    | -   |                   | -   |
| Cashflow hedge reserve   |                    | 1,144   |                   | 957   |

### 17.5 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, including the ongoing construction of its second production line in Delta, 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, 2021 | 2021      | 2022 to 2023           | 2024 to 2025 | Thereafter |  |
| Accounts payable                | \$ 13,616          | \$ 13,616 | \$ -                   | \$ -         | -          |  |
| Other liabilities               | 434                | 341       | 93                     | -            | -          |  |
| Lease liabilities               | 22,153             | 702       | 4,915                  | 2,494        | 1,929      |  |
| Credit Facility                 | 14,238             | -         | 14,238                 | -            | -          |  |
| Construction loans and interest | 27,732             | 93        | -                      | 5,921        | 24,933     |  |
| Debenture with warrants         | 12,688             | -         | -                      | 15,045       | -          |  |
| Total                           | \$ 90,861          | \$ 14,752 | \$ 19,246              | \$ 23,460    | \$ 26,862  |  |

### 17.6 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 interest rate risk related to its credit facilities and FCC variable loan, where a 1% increase in the Canadian prime rate loan, holding all other variables constant, would result in a \$0.2 million decrease to the income



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before taxes. There is no interest rate risk on the convertible debenture and construction loan as the interest rates are fixed.

### 17.7 Fair value of financial instruments

The Company classifies and discloses the fair value measurements of its financial instruments using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 includes financial instruments where the valuation is based on quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 captures the Company's cash and commodity futures.
- Level 2 includes financial instruments where the valuation techniques are based on inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2 captures the Company's foreign exchange forward contracts, derivative financial liabilities, construction loans, credit facilities and other liabilities.
- Level 3 includes financial instruments where the valuation techniques use inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company does not have level 3 financial instruments.

Financial instruments that are measured at fair value are categorized as follows. During the period ended September 30, 2021, there were no transfers between level 1 and 2 instruments.

|                              | September 30, 2021 |        | Level 1 |       | Level 2 |        | Level 3 |   |
|------------------------------|--------------------|--------|---------|-------|---------|--------|---------|---|
| <b>Financial assets</b>      |                    |        |         |       |         |        |         |   |
| Cash                         | \$                 | 2,131  | \$      | 2,131 | \$      | -      | \$      | - |
| Derivative assets            |                    | 3,546  |         | 2,200 |         | 1,346  |         | - |
|                              | \$                 | 5,677  | \$      | 4,331 | \$      | 1,346  | \$      | - |
| <b>Financial liabilities</b> |                    |        |         |       |         |        |         |   |
| Derivative liabilities       | \$                 | 150    | \$      | -     | \$      | 150    | \$      | - |
| Credit facility              |                    | 14,238 |         | -     |         | 14,238 |         | - |
| Construction loan            |                    | 27,733 |         | -     |         | 27,733 |         | - |
| Other liabilities            |                    | 434    |         | -     |         | 434    |         | - |
|                              | \$                 | 42,555 | \$      | -     | \$      | 42,555 | \$      | - |
|                              | December 31, 2020  |        | Level 1 |       | Level 2 |        | Level 3 |   |
| <b>Financial assets</b>      |                    |        |         |       |         |        |         |   |
| Cash                         | \$                 | 2,749  | \$      | 2,749 | \$      | -      | \$      | - |
| Derivative assets            |                    | 1,962  |         | 514   |         | 1,448  |         | - |
|                              | \$                 | 4,711  | \$      | 3,263 | \$      | 1,448  | \$      | - |
| <b>Financial liabilities</b> |                    |        |         |       |         |        |         |   |
| Derivative liabilities       | \$                 | 906    | \$      | 10    | \$      | 896    | \$      | - |
| Credit facility              |                    | 10,021 |         | -     |         | 10,021 |         | - |
| Construction loan            |                    | 20,083 |         | -     |         | 20,083 |         | - |
| Other liabilities            |                    | 740    |         | -     |         | 740    |         | - |
|                              | \$                 | 31,750 | \$      | 10    | \$      | 31,740 | \$      | - |

## **SWISS WATER DECAFFEINATED COFFEE INC.**

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### **Notes to the Condensed Consolidated Interim Financial Statements**

#### **For the three and nine months ended September 30, 2021**

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#### **18. 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 also, in the normal course of business, entered into various contracts. As at September 30, 2021, these contracts related to the purchase of green coffee in the amount of \$72.7 million (December 31, 2020: \$44.2 million), and natural gas purchase commitments in the amount of \$0.05 million (December 31, 2020: \$0.2 million), and capital purchases commitments of \$10.9 million (December 31, 2020: \$8.2 million). \$82.7 million of these contracts will become payable within twelve months from September 30, 2021.