



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

**For the Three Months Ended March 31, 2022**

# SWISS WATER DECAFFEINATED COFFEE INC.

## SWISS WATER DECAFFEINATED COFFEE INC.

### Condensed Consolidated Interim Statements of Financial Position as at

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

		March 31, 2022	December 31, 2021
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 2,958	\$ 4,250
Accounts receivable	4	20,168	14,075
Inventories	5	44,292	35,308
Prepaid expenses and other receivables		931	917
Derivative assets and hedged firm commitments	6, 17	4,090	5,618
Total current assets		72,439	60,168
<b>Non-current assets</b>			
Receivables	4	209	255
Property, plant and equipment	7	113,433	106,654
Intangible assets		308	375
Deferred tax assets		157	151
Derivative assets	6, 17	719	642
Total non-current assets		114,826	108,077
<b>Total assets</b>		\$ 187,265	\$ 168,245
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 21,471	\$ 8,602
Accrued liabilities		7,644	6,658
Borrowings	9	23,823	23,416
Income tax payable		182	149
Other liabilities		595	426
Lease liabilities	8	1,779	1,793
Derivative liabilities and hedged firm commitments	6, 17	524	823
Total current liabilities		56,018	41,867
<b>Non-current liabilities</b>			
Other liabilities		108	146
Borrowings	9	46,631	43,436
Lease liabilities	8	19,466	19,926
Asset retirement obligation		1,921	1,911
Deferred tax liabilities		5,925	5,346
Derivative liabilities	6, 17	-	18
Total non-current liabilities		74,051	70,783
<b>Total liabilities</b>		130,069	112,650
<b>Shareholders' equity</b>			
Share capital	10	\$ 44,124	\$ 43,992
Warrants	10	1,773	1,773
Share-based compensation reserve		236	351
Accumulated other comprehensive income		1,031	832
Retained earnings		10,032	8,647
Total equity		57,196	55,595
<b>Total liabilities and shareholders' equity</b>		\$ 187,265	\$ 168,245
Commitments (Note 18)			
Subsequent events (Note 19)			
Approved on behalf of the Board			
(signed) <b>"Donald Tringali"</b> , Director		(signed) <b>"Frank Dennis"</b> , Director	

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

# SWISS WATER DECAFFEINATED COFFEE INC.

## SWISS WATER DECAFFEINATED COFFEE INC.

### Condensed Consolidated Interim Statements of Income (Loss)

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

(Unaudited)

	Note	3 months ended March 31, 2022	3 months ended March 31, 2021
Revenue	11, 15	\$ 38,415	\$ 25,692
Cost of sales		(32,652)	(22,140)
Gross profit		5,763	3,552
Operating expenses			
Administration expenses		(2,105)	(1,781)
Sales and marketing expenses		(778)	(1,033)
Total operating expenses		(2,883)	(2,814)
Operating income		2,880	738
Non-operating or other			
Loss on risk management activities		(34)	(146)
Loss on fair value on embedded option		-	(33)
Finance income		71	115
Finance expense		(1,209)	(1,022)
Gain on foreign exchange		206	241
Total non-operating or other		(966)	(845)
Income (Loss) before tax		1,914	(107)
Income tax (expense) recovery		(529)	11
<b>Net income (loss)</b>		<b>\$ 1,385</b>	<b>\$ (96)</b>
Basic earnings per share	14	\$ 0.15	\$ (0.01)
Diluted earnings per share	14	\$ 0.15	\$ (0.01)

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

# SWISS WATER DECAFFEINATED COFFEE INC.

## SWISS WATER DECAFFEINATED COFFEE INC.

### Condensed Consolidated Interim Statements of Comprehensive Income and Condensed Consolidated Interim Statements of Changes in Equity

(Tabular amounts are in thousands of Canadian dollars)

(Unaudited)

#### Condensed Consolidated Interim Statements of Comprehensive Income

For the

	3 months ended March 31, 2022	3 months ended March 31, 2021
<b>Net income (loss)</b>	\$ 1,385	\$ (96)
<b>Other comprehensive income, net of tax</b>		
Items that may be subsequently reclassified to income:		
Unrealized gain		
Derivatives designated as cash flow hedges - currency risk hedges on US\$ future revenue	396	502
Items reclassified to income:		
Realized (gain) loss recognized in income		
Derivatives designated as cash flow hedges		
- currency risk hedges on US\$ future revenue, recognized in revenue	(108)	49
Other comprehensive income related to hedging activities	288	551
Tax expense on other comprehensive income relating to hedging activities	(78)	(149)
Cumulative translation adjustment	(11)	(13)
<b>Other comprehensive income, net of tax</b>	199	389
<b>Net income and other comprehensive income</b>	\$ 1,584	\$ 293

#### 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, 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		-	-	-	61	-	-	61
Net income and other comprehensive income		-	-	-	-	389	(96)	293
<b>Balance at March 31, 2021</b>		9,129,673	\$ 43,992	\$ -	\$ 198	\$ 1,103	\$ 8,055	\$ 53,348
<b>Balance at December 31, 2021</b>		9,129,673	\$ 43,992	\$ 1,773	\$ 351	\$ 832	\$ 8,647	\$ 55,595
Shares issued for restricted share units	10.3	28,156	132	-	(132)	-	-	-
Settlement of loan with restricted share units	13.3	-	-	-	(40)	-	-	(40)
Share-based compensation		-	-	-	57	-	-	57
Net income and other comprehensive income		-	-	-	-	199	1,385	1,584
<b>Balance at March 31, 2022</b>		9,157,829	\$ 44,124	\$ 1,773	\$ 236	\$ 1,031	\$ 10,032	\$ 57,196

– 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 March 31, 2022	3 months ended March 31, 2021
<b>Operating activities</b>			
Net income		\$ 1,385	\$ (96)
Items not affecting cash:			
Depreciation and amortization		1,552	1,713
Share-based compensation expense (recovery)		189	230
Unrealized loss (gain) on risk management activities		(9)	154
Unrealized loss (gain) on fair value adjustment of embedded option		-	33
Finance income		(71)	(115)
Finance expense		1,209	1,022
Income tax expense		529	(11)
Other		(63)	16
		4,721	2,946
Change in non-cash working capital relating to operating activities	16	(2,940)	(2,028)
<b>Net cash generated from operations</b>		<b>1,781</b>	<b>918</b>
Interest received		43	96
Interest paid	16	(898)	(772)
<b>Net cash generated from operating activities</b>		<b>926</b>	<b>242</b>
<b>Investing activities</b>			
Additions to plant and equipment	16	(6,233)	(2,651)
Proceeds from recovery of costs related to equipment	7.1	1,250	-
<b>Net cash used in investing activities</b>		<b>(4,983)</b>	<b>(2,651)</b>
<b>Financing activities</b>			
Payment of lease liabilities		(425)	(423)
Proceeds from credit facility		1,200	2,200
Repayments of credit facility		(1,000)	-
Proceeds from construction loans		2,990	-
		-	-
<b>Net cash generated from financing activities</b>		<b>2,765</b>	<b>1,777</b>
<b>Decrease in cash and cash equivalents</b>		<b>(1,292)</b>	<b>(632)</b>
<b>Cash and cash equivalents, beginning of the period</b>		<b>4,250</b>	<b>2,749</b>
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 2,958</b>	<b>\$ 2,117</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 Months ended March 31, 2022

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

### 1. NATURE OF BUSINESS AND LIQUIDITY

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.

The Company has a revolving credit facility agreement (note 9.3) for up to \$30.0 million. As of March 31, 2022 amounts drawn on the credit facility total \$23.7 million (2021: \$23.4 million) and are classified as a part of current liabilities in the consolidated statement of financial position as the Credit Facility matures on October 18, 2022. The Credit Facility can be extended, subject to lenders’ approval. There is a risk that the Company may not be able to extend or renew the Credit Facility or renew on the same credit terms at the time of maturity.

### 2. BASIS OF PREPARATION

The Company’s condensed consolidated interim financial statements for the three months ended March 31, 2022 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, 2021.

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, 2021.

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 months ended March 31, 2022 were approved for issuance by the Company’s Directors on May 3, 2022. 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, 2022. The adoption of these revised standards by the Company did not have a material impact on its condensed consolidated interim financial statements.

- *IFRS 9/ IAS 39 and IFRS 7* (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 reform. Currently, the Credit Facility, under the Borrowings note, is exposed to LBOR which is currently scheduled to cease publication in the near future. We will continue to

# SWISS WATER DECAFFEINATED COFFEE INC.

## Notes to the Condensed Consolidated Interim Financial Statements For the Three Months ended March 31, 2022

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

monitor developments on alternative benchmark interest rates and we expect to transition to alternative rates as widespread market practice is established. We do not expect the replacement to result in a significant change to our risk management strategy.

- *IFRS 1* amended the exemption in IFRS 1.D16(a) to allow a subsidiary adopting IFRS at a later date than its parent to also measure cumulative translation differences using the amounts reported by the parent based on the parent's date of transition to IFRS.
- *IFRS 16* amended illustrative example 13 to remove the illustration of payments from the lessor related to leasehold improvements.
- *IFRS 3 – Reference to Conceptual Framework* was amended to (i) replace references to the 2001 Conceptual Framework for Financial Reporting to the 2018 Conceptual Framework for Financial Reporting in order to determine what constitutes an asset or liability in a business combination, (ii) add a new exception for certain liabilities and contingent liabilities to refer to IAS 37 or IFRIC 21 rather than the 2018 Conceptual Framework, and (iii) clarify that an acquirer should not recognize contingent assets at the acquisition date.
- *IAS 37 – Onerous contracts – Cost of fulfilling a contract* was 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 – Proceeds before intended use* was 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.

### 2.2 New and amended standards not yet effective

These standards are effective for periods beginning after January 1, 2023 and the Company does not anticipate a material impact on its financial statements:

- *IAS 12 - Deferred taxes related to assets and liabilities arising from a single transaction.*
- *IFRS 1* was amended to require companies to recognize deferred tax on particular 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.
- *IAS 1 - Accounting policy disclosures; Changes in estimates vs accounting policies.*
- *IAS 8 - Narrow scope amendments to improve accounting policy disclosures, and to distinguish changes in accounting estimates from changes in accounting policies.*
- *IAS 1 – Classification of liabilities as current or non-current* was amended to clarify how to classify debt and other liabilities as either current or non-current.

### 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

# SWISS WATER DECAFFEINATED COFFEE INC.

## Notes to the Condensed Consolidated Interim Financial Statements For the Three Months ended March 31, 2022

(Tabular amounts are in thousands of Canadian dollars, except share and per share amounts)  
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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 are amounts due from customers for goods sold or services performed in the ordinary course of business. Information about the Company's exposure to foreign currency risk, interest rate risk and credit risk can be found in 'Financial risk management' note. 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 in both frequency and amount of losses are trivial. As a result, the expected credit losses provision, as at March 31, 2022 and December 31, 2021 are de minimis.

### 5. INVENTORIES

During the three months ended March 31, 2022, the cost of inventories recognized in cost of sales was \$31.1 million (2021: \$20.9 million). The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each period.

	March 31, 2022	December 31, 2021
Raw materials	\$ 17,318	\$ 13,607
Finished goods	24,062	17,238
Carbon	523	365
Packaging	329	292
Hedge accounting component	2,060	3,806
	\$ 44,292	\$ 35,308

### 6. DERIVATIVE FINANCIAL INSTRUMENTS

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

	March 31, 2022	December 31, 2021
Coffee futures contracts, net	\$ 2,186	\$ 3,458
US Dollar forward contracts, current	(10)	187
	\$ 2,176	\$ 3,645

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

	March 31, 2022	December 31, 2021
US Dollar forward contracts, current	\$ 697	\$ 505
US Dollar forward contracts, long-term	719	623
	\$ 1,416	\$ 1,128

### 7. PROPERTY, PLANT AND EQUIPMENT

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



## SWISS WATER DECAFFEINATED COFFEE INC.

### Notes to the Condensed Consolidated Interim Financial Statements For the Three Months ended March 31, 2022

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

	March 31, 2022		December 31, 2021	
Property, plant and equipment	\$	94,401	\$	87,036
Right-of-use assets		19,032		19,618
	\$	113,433	\$	106,654

#### 7.1 Property, plant and equipment

Property, plant and equipment additions during the three months ended March 31, 2022 consisted of \$9.8 million (2021: \$2.3 million).

For the three months ended March 31, 2022, this increase was offset by depreciation charges of \$0.9 million (2021: \$1.1 million), of which \$0.8 million was charged to cost of sales, \$0.1 million was included in administrative expenses (2021: \$1.0 million and \$0.1 million), while \$0.2 million was allocated to finished goods inventory (2021: nil).

During the three month period ended March 31, 2022, the Company received from a construction contractor \$1.3 million in cash, which is related to the first production line in Delta. The proceeds were recorded as a reduction in property, plant and equipment.

#### 7.2 Right-of-use assets

For the three months ended March 31, 2022, total depreciation expense was \$0.5 million (2021: \$0.6 million), of which \$0.4 million was charged to cost of sales and \$0.1 million was included in administrative expense (2021: \$0.5 million and \$0.1 million).

### 8. LEASE LIABILITIES

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

For the three months ended March 31, 2022 lease liabilities interest expense recognized in profit and loss was \$0.3 million (2021: \$0.3 million). The minimum lease payments recognized in the financing component of the statement of cash flows were \$0.7 million (2021: \$0.7 million).

During the three months ended March 31, 2022, the Company exited its Seattle Washington office lease and the Company recognized a negligible loss in the statement of income. The lease was set to expire on October 31, 2022.

### 9. BORROWINGS

As at and during the three months ended March 31, 2022, the Company was in compliance with all banks' and creditor's covenants. Borrowings consist of the following:

## SWISS WATER DECAFFEINATED COFFEE INC.

### Notes to the Condensed Consolidated Interim Financial Statements For the Three Months ended March 31, 2022

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

		March 31, 2022	December 31, 2021
Construction loans with BDC and FCC	Note 9.1	\$ 33,655	\$ 30,655
Debenture with warrants	Note 9.2	13,095	12,890
Credit facility	Note 9.3	23,704	23,307
<b>Borrowings, total</b>		<b>\$ 70,454</b>	<b>\$ 66,852</b>
<b>Less current portion</b>			
Construction loans interest	Note 9.1	(119)	(109)
Credit facility	Note 9.3	(23,704)	(23,307)
<b>Borrowings, current</b>		<b>\$ (23,823)</b>	<b>\$ (23,416)</b>
<b>Borrowings, non-current</b>		<b>\$ 46,631</b>	<b>\$ 43,436</b>

#### 9.1 Construction loans with BDC and FCC

As at March 31, 2022 and December 31, 2021, the construction loans' balances due to BDC and FCC are as follows:

	March 31, 2022	December 31, 2021
Construction loans interest, current	\$ 119	\$ 109
Construction loan with BDC, non-current, fixed 4.45%	16,828	15,330
Construction loan with FCC, non-current, fixed 4.38%	9,778	9,778
Construction loan with FCC, non-current, variable 2.967%	6,930	5,438
	<b>\$ 33,655</b>	<b>\$ 30,655</b>

In 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 loan to \$45.0 million to fund the planned construction of a second production line at the Delta location. The financing was provided by Business Development Corp ("BDC") and Farm Credit Canada ("FCC") in a Pari Passu structure. Each lender will fund 50% of the \$45.0 million total loan value. The original borrowing capacity with BDC increased 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 \$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. Until maturity, 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%.

# SWISS WATER DECAFFEINATED COFFEE INC.

## Notes to the Condensed Consolidated Interim Financial Statements For the Three Months ended March 31, 2022

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

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

### BDC/FCC - Finance expense and interest paid

Interest is based on the outstanding loan balance and is paid monthly. Interest expense on the BDC loan was \$0.15 million during the three months ended March 31, 2022 (2021: \$0.25 million) while interest expense on the FCC loans was \$0.15 million (2021: \$nil). A total of \$0.1 million of this interest expense was capitalized in property plant and equipment during the construction of the second production line in Delta. The year to date FCC variable rate loan effective interest rate was 2.967%. The finance costs and the effective interest rate is based on the average balance drawn on the variable loan due to FCC. The Company paid \$0.3 million in interest to BDC/FCC.

### BDC/FCC - 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

As at March 31, 2022 and December 31 2021, the value of the debenture with warrants/convertible debenture, which consists of a principal amount due to Mill Road Capital LLC (“MRC”), net of valuation of conversion-to-shares-option, and net of valuation of warrants, is as follows:

	March 31, 2022	December 31, 2021
Principal amount due to MRC, 9%+1.5%	\$ 15,000	\$ 15,000
Unamortized bond discount	(2,063)	(2,212)
Accrued interest	158	102
<b>Debenture with warrants</b>	<b>\$ 13,095</b>	<b>\$ 12,890</b>

In 2016, the Company issued an unsecured subordinated convertible debenture to MRC for gross proceeds of \$15.0 million. The Company paid financing costs of \$0.5 million in respect of issuing the convertible debenture. 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 a 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.

# SWISS WATER DECAFFEINATED COFFEE INC.

## Notes to the Condensed Consolidated Interim Financial Statements For the Three Months ended March 31, 2022

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

### MRC - Finance expense and interest paid

For the three months ended March 31, 2022, interest expensed and paid on debt due to MRC was \$0.5 million and \$0.3 million, respectively (2021: \$0.4 million and \$0.3 million). 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.

### Debenture with warrants - Liability component of 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%.

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:

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

### Debenture with warrants - Warrants component

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

As at March 31, 2022 and December 31, 2021, the Credit Facility due to a Canadian Bank comprises:

	<b>March 31, 2022</b>		<b>December 31, 2021</b>	
Credit Facility	\$	23,775	\$	23,412
Less unamortized transaction costs		(71)		(105)
	<b>\$</b>	<b>23,704</b>	<b>\$</b>	<b>23,307</b>

In 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 maturity date of October 18, 2022 can be extended, subject to lenders' approval. The amounts drawn on the credit facility are classified in the consolidated statement of financial position as a part of current liabilities. The Company is not required to repay any balance outstanding until maturity, as long as the outstanding balance is not in excess of the Borrowing Base.

# SWISS WATER DECAFFEINATED COFFEE INC.

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### Credit Facility - Finance expense and interest paid

The Credit Facility has multiple interest rate options that are based on the Canadian Prime Rate, Base Rate, LIBO Rate, Bankers' Acceptance Rate plus an acceptance fee, in addition to an Applicable Margin for each of these rates. Fees apply to outstanding letters of credit and the unused portion of the credit. The year to date Credit Facility variable rate loan effective interest rate was 2.52%. For the three months ended March 31, 2022 and 2021, finance expenses on the credit facility were \$0.2 million (2021: \$0.1 million) which were added to the loan balance.

### Credit Facility - Security

The Company has pledged substantially all of its assets, except for assets pledged to BDC and FCC (see 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.

### Credit Facility - 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 March 31, 2022 and December 31, 2021, the Company's borrowing availability was as follows:

	March 31, 2022	December 31, 2021
Gross borrowing base availability	\$ 28,543	\$ 25,912
Advances, repayments, fees and interest from inception	(23,775)	(23,412)
Outstanding letters of credit	(300)	(300)
Interests and fees accrued	56	47
	\$ 4,524	\$ 2,247

### Credit Facility - Foreign exchange and commodity futures contract facilities

As part of the Credit Facility, the Company has a 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.

### 9.4 Foreign exchange facility guarantee

On June 1, 2020, the Company entered into a foreign exchange facility guarantee with EDC 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.

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### 10. SHARE CAPITAL

#### 10.1 Common 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 at March 31, 2022, there were 9,157,829 common shares issued and outstanding.

#### 10.2 Warrants

As a part of the debenture with warrants agreement with Mill Road Capital LLC, 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.

	March 31, 2022	December 31, 2021
Warrant value	\$ 2,468	\$ 2,468
Warrant transaction costs	(29)	(29)
Warrant deferred tax	(666)	(666)
<b>Warrants</b>	<b>\$ 1,773</b>	<b>\$ 1,773</b>

The fair value of warrants cannot be reliably measured, therefore, at the time of issuance the valuation used the Black-Scholes option pricing models. As at March 31, 2022, the remaining life of the warrants is 2.59 years.

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 weighted average share price	Average remaining vesting period in years	Performance based
<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	2.25	No
RSUs granted - performance	158,300	\$ 3.07	2.21	Yes
RSUs cash-settled	(45,792)	\$ 3.51	-	No
RSUs exercised	(50,893)	\$ 6.07	-	No
RSUs forfeited	(15,718)	\$ 3.70	-	No
<b>Balance at December 31, 2021</b>	<b>439,747</b>	<b>\$ 3.07</b>	<b>1.56</b>	
<b>Balance at January 1, 2022</b>	<b>439,747</b>	<b>\$ 3.07</b>	<b>1.56</b>	
RSUs cash-settled	(43,592)	\$ 3.14	-	No
RSUs exercised	(28,156)	\$ 5.06	-	No
<b>Balance at March 31, 2022</b>	<b>367,999</b>	<b>\$ 3.14</b>	<b>1.58</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 share price	Performance based
<b>Balance at January 1, 2021</b>	<b>171,318</b>	<b>\$ 3.06</b>	
DSUs issued	82,356	\$ 3.06	No
DSUs redeemed	(153,813)	\$ 3.17	No
<b>Balance at December 31, 2021</b>	<b>99,861</b>	<b>\$ 3.11</b>	
<b>Balance at January 1, 2022</b>	<b>99,861</b>	<b>\$ 3.11</b>	
DSUs issued	20,319	\$ 3.10	No
<b>Balance at March 31, 2022</b>	<b>120,180</b>	<b>\$ 3.11</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:

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	3 months ended		3 months ended	
	March 31, 2022		March 31, 2021	
Decaffeinated coffee sales	\$	33,646	\$	22,379
Decaffeination services		2,249		1,426
Distribution		2,520		1,887
	\$	38,415	\$	25,692

### 11.2 Contract balances

As at March 31, 2022, the accounts receivable balance of \$20.2 million (December 31, 2021: \$14.1 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	
	March 31, 2022		March 31, 2021	
Short-term benefits	\$	2,960	\$	2,920
Long-term benefits		189		230
Post-employment benefits		304		311
	\$	3,453	\$	3,461

## 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	
	March 31, 2022		March 31, 2021	
Short-term benefits	\$	487	\$	659
Long-term benefits		148		189
Post-employment benefits		65		70
	\$	700	\$	918

### 13.2 Trading transactions

During the three months ended March 31, 2022 and 2021, the Company entered into the following transactions with a company that is related to a director:



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	3 months ended	
	March 31, 2022	March 31, 2021
Sales	\$ 355	\$ 196
Purchases of raw materials	\$ 2,031	\$ 194

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

	March 31, 2022	December 31, 2021
Accounts receivable	\$ 34	\$ 38
Accounts payable	\$ 790	\$ 2

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.

#### 13.3 Employee Loans

On October 26, 2021, the Company and a key management entered into a promissory note in the amount of \$0.07 million. For as long as the person remains an employee, the obligation to repay the principal is forgiven against current and future awards under the RSU Plan, by forfeiture of awards. The loan is interest free other than in the event of default, in which case the promissory note would bear simple interest at a rate of 10% per annum. As at March 31, 2022 the loan balance of \$0.04 million was included in other non-current receivables (2021: \$0.07 million).

#### 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.

## SWISS WATER DECAFFEINATED COFFEE INC.

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	3 months ended		3 months ended	
	March 31, 2022		March 31, 2021	
<b>Basic earnings per share</b>				
Net income attributable to shareholders	\$	1,385	\$	(96)
Weighted average number of shares		9,141,874		9,099,703
<b>Basic earnings per share</b>	<b>\$</b>	<b>0.15</b>	<b>\$</b>	<b>(0.01)</b>
<b>Diluted earnings per share</b>				
Net income attributable to shareholders	\$	1,385	\$	(96)
Net income after effect of diluted securities	\$	1,385	\$	(96)
Weighted average number of shares - basic		9,141,874		9,099,703
Weighted average number of shares - diluted		9,141,874		9,099,703
<b>Diluted earnings per share</b>	<b>\$</b>	<b>0.15</b>	<b>\$</b>	<b>(0.01)</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	
	March 31, 2022		March 31, 2021	
Weighted average number of RSUs granted		408,655		253,270
Weighted average number of Warrants issued		2,250,000		-
Convertible debenture		-		1,818,182
		2,658,655	-	2,071,452

#### 15. SEGMENT REPORTING

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

##### 15.1 Revenue

	3 months ended		3 months ended	
	March 31, 2022		March 31, 2021	
Canada	\$	9,273	\$	8,563
United States		16,493		10,848
International and other		12,649		6,281
	<b>\$</b>	<b>38,415</b>	<b>\$</b>	<b>25,692</b>

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

	March 31, 2022	December 31, 2021
Canada	\$ 114,501	\$ 107,676
United States	28	97
Europe	140	153
	\$ 114,669	\$ 107,926

#### 16. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital are as follows:

	3 months ended March 31, 2022	3 months ended March 31, 2021
Accounts receivable	\$ (6,065)	\$ (895)
Inventories	(10,548)	(1,544)
Other assets and liabilities	4	(298)
Prepaid expenses and other receivables	(14)	84
Accounts payable and accrued liabilities	10,507	203
Derivative assets, liabilities and hedged firm commitments at fair value through profit and loss	3,176	422
	\$ (2,940)	\$ (2,028)

As at March 31, 2022, \$6.6 million (December 31, 2021: \$3.3 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.

As at March 31, 2022, a total of \$0.8 million (December 31, 2021: \$0.6 million) of depreciation on manufacturing equipment was included in inventory. This is a non cash item within cash flows from operating activities.

As indicated in the note under property, plant and equipment, during the three months ended March 31, 2022, the Company collected \$1.3 million in cash, which was related to equipment, and reported such, as proceeds from investing activities (2021: nil).

For the three months ended March 31, 2022, \$0.1 million of interest paid on construction loans was capitalized during the construction phase of new manufacturing equipment (2021: nil).

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

The cash portion related to vested RSUs was settled after March 31, 2022, while during the comparative period of 2021 the Company paid \$0.2 million to settle vested RSUs.

#### 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

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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 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 three months period ended March 31, 2022, revenues from three major customers of \$12.9 million (2021: \$8.7 million) represented 33% (2021: 34%) of total revenues for the period. Three customers represented 35% of total accounts receivable as at March 31, 2022 (December 31, 2021: 36%).

The Company had 9% of its accounts receivable past due but not impaired as at March 31, 2022 (December 31, 2021: 18%). Of the past due accounts receivable, 66% are 1-30 days past due (December 31, 2021: 80%), while 34% are over 31 days past due (December 31, 2021: 23%).

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

### 17.2 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 March 31, 2022, the Company had futures contracts to buy 7.1 million lbs of green coffee with a notional value of US\$15.9 million, and contracts to sell 15.8 million lbs of green coffee with a notional value of US\$34.8 million. The furthest contract matures in December 2022. (December 31, 2021: buy 1.7 million lbs of green coffee with a notional value of US\$3.1 million, and contracts to sell 11.8 million lbs of green coffee with a notional value of US\$25.1 million). An estimated 1% decrease in the mark-to-market rate applied to coffee futures would have resulted in an estimated gain of \$0.2 million to the net income before tax, and vice versa.

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

Carrying amount of hedging instruments	March 31, 2022		December 31, 2021	
Fair value hedge	Commodity price risk Coffee futures		Commodity price risk Coffee futures	
Nominal amount of hedging instruments (in US\$'000)	\$	18,934	\$	22,039
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	\$	2,518	\$	3,458
Derivative Liabilities		332		-
Changes in fair value used for calculating hedge ineffectiveness		-		-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	March 31, 2022		December 31, 2021	
Fair value hedge	Purchase commitments and coffee inventory		Purchase commitments and coffee inventory	
Nominal amount of hedged item (in '000 lbs)		8,669		10,142
Line items in the statement of financial position where hedged item is located		Inventories & hedged firm commitments		Inventories & hedged firm commitments
Assets	\$	2,651	\$	5,148
Liabilities		-		611
Changes in fair value used for calculating hedge ineffectiveness		-		-

### 17.3 Foreign currency risk

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

As at March 31, 2022, the Company had forward currency contracts to buy US\$7.4 million and sell US\$39.9 million (December 31, 2021: buy US\$8.0 million and sell US\$47.7 million) from April 2022 through to February 2025 at various Canadian exchange rates ranging from \$1.2400 to \$1.3626. An estimated CAD 1 cent decrease in the value of US dollar would have resulted in an estimated gain of \$0.3 million to the net income and other comprehensive income before tax, and vice versa.

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 March 31, 2022, the Company designated as hedging instruments US\$7.2 million in forward contracts to buy US dollars, which relate to coffee purchases (December 31, 2021: US\$7.0 million).

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Carrying amount of hedging instruments	March 31, 2022	December 31, 2021
Fair value hedge	Foreign currency purchase forwards	Foreign currency purchase forwards
Nominal amount of hedging instruments (in US\$'000)	\$ 7,174	\$ 6,962
Line item in the statement of financial position where hedging instrument is located		
Derivative Assets	\$ 3	\$ 62
Derivative Liabilities	176	50
Changes in fair value used for calculating hedge ineffectiveness	-	-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	March 31, 2022	December 31, 2021
Fair value hedge	Firm purchase commitments & inventories	Firm purchase commitments & inventories
Nominal amount of hedged item (in US\$'000)	\$ 7,174	\$ 6,962
Line item in the statement of financial position where hedged item is located	Inventories & hedged firm commitments	Inventories & hedged firm commitments
Assets	\$ 91	\$ 3
Liabilities	-	60
Changes in fair value used for calculating hedge ineffectiveness	-	-

As at March 31, 2022, the Company designated as hedging instruments US\$0.2 million in forward contracts to buy US dollars, with the purpose to purchase equipment for the new production line (December 31, 2021: US\$1.0 million).

Carrying amount of hedging instruments	March 31, 2022	December 31, 2021
Fair value hedge	Foreign currency purchase forwards	Foreign currency purchase forwards
Nominal amount of hedging instruments (in US\$'000)	\$ 214	\$ 1,048
Line item in the statement of financial position where hedging instrument is located		
Derivative Assets	\$ -	\$ 17
Changes in fair value used for calculating hedge ineffectiveness	-	-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	March 31, 2022	December 31, 2021
Fair value hedge	Firm purchase commitments	Firm purchase commitments
Nominal amount of hedged item (in US\$'000)	\$ 214	\$ 1,048
Line item in the statement of financial position where hedged item is located	Hedged firm commitments	Hedged firm commitments
Liabilities	21	28
Changes in fair value used for calculating hedge ineffectiveness	-	-

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

As at March 31, 2022, the Company designated as hedging instruments US\$23.4million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue (December 31, 2021: US\$27.3 million).

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Carrying amount of hedging instruments	March 31, 2022		December 31, 2021	
Cashflow hedge		Currency risk Foreign currency forwards		Currency risk Foreign currency forwards
Nominal amount of hedging instruments (in US\$'000)	\$	23,389	\$	27,289
Line items in the statement of financial position where hedging instrument is located				
Derivative Assets	\$	1,418	\$	1,192
Derivative Liabilities		2		63
Changes in fair value used for calculating hedge ineffectiveness		-		-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	March 31, 2022		December 31, 2021	
Cashflow hedge		Currency risk Foreign currency forwards		Currency risk Foreign currency forwards
Nominal amount of hedged item (in US\$'000)	\$	23,389	\$	27,289
Line items in the statement of financial position where hedged item is located		Accumulated other comprehensive income		Accumulated other comprehensive income
Assets	\$	n/a	\$	n/a
Liabilities		n/a		n/a
Changes in fair value used for calculating hedge ineffectiveness		-		-
Cashflow hedge reserve		1,416		1,128

### 17.4 Liquidity risk

Non-derivative financial liabilities are as follows:

	Carrying Amount		Contractual Cash Flows			
	March 31, 2022	2022	2023 to 2024	2025 to 2026	Thereafter	
Accounts payable	\$ 21,471	\$ 21,471	\$ -	\$ -	-	
Other liabilities	703	595	108	-	-	
Lease liabilities	21,245	2,089	5,136	5,085	17,070	
Credit facility	23,704	23,775	-	-	-	
Construction loans and interest	33,655	119	1,974	7,895	23,889	
Debenture with warrants	13,095	-	15,158	-	-	
Total	\$ 113,873	\$ 48,049	\$ 22,376	\$ 12,980	\$ 40,959	

The Company has in place a planning and budgeting process to assist in determining the funds required to support the Company's normal operating requirements on an ongoing basis, the construction of its second production line in Delta, 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.

### 17.5 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

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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 \$0.3 million decrease to the income before taxes. There is no interest rate risk on the debenture with warrants, BDC construction loan and the FCC fixed loan as the interest rates are fixed.

#### 17.6 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:

- a) 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.
- b) 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.
- c) 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 three months ended March 31, 2022, there were no transfers between level 1 and level 2 instruments.

	March 31, 2022		Level 1		Level 2		Level 3	
<b>Financial assets</b>								
Cash	\$	2,958	\$	2,958	\$	-	\$	-
Derivative assets		4,116		2,518		1,598		-
	\$	7,074	\$	5,476	\$	1,598	\$	-
<b>Financial liabilities</b>								
Derivative liabilities	\$	524	\$	332	\$	192	\$	-
Credit facility		23,704		-		23,704		-
Construction loans		33,655		-		33,655		-
Other liabilities		703		-		703		-
	\$	58,586	\$	332	\$	58,254	\$	-



## SWISS WATER DECAFFEINATED COFFEE INC.

### Notes to the Condensed Consolidated Interim Financial Statements

#### For the Three Months ended March 31, 2022

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

(Unaudited)

	December 31, 2021		Level 1		Level 2		Level 3	
<b>Financial assets</b>								
Cash	\$	4,250	\$	4,250	\$	-	\$	-
Derivative assets		4,915		3,457		1,458		-
	\$	9,165	\$	7,707	\$	1,458	\$	-
<b>Financial liabilities</b>								
Derivative liabilities	\$	142	\$	-	\$	142	\$	-
Credit facility		23,307		-		23,307		-
Construction loans		30,655		-		30,655		-
Other liabilities		572		-		572		-
	\$	54,676	\$	-	\$	54,676	\$	-

#### 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 March 31, 2022, these contracts related to the purchase of green coffee in the amount of \$72.3 million (December 31, 2021: \$76.4 million) and equipment purchase commitments of \$14.7 million (December 31, 2021: \$18.4 million). Of these contracts, \$87.0 million will become payable within twelve months from March 31, 2022.

#### 19. SUBSEQUENT EVENTS

Subsequent to March 31, 2022, of the RSUs vested during the quarter, an employee elected that 520 of RSUs are to be settled through the issuance of common shares.

On April 22, 2022, the Company entered into an amended agreement with MRC to revise its senior debt limit from \$60.0 million to \$65.0 million.