



**SWISS WATER DECAFFEINATED COFFEE INC.  
MANAGEMENT DISCUSSION AND ANALYSIS**

**For the Three Months Ended March 31, 2025 and 2024**

# SWISS WATER DECAFFEINATED COFFEE INC.

## Management Discussion and Analysis

For the first quarter ended March 31, 2025

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# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis For the first quarter ended March 31, 2025

### 1. INTRODUCTION

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#### Basis of Presentation

*This Management's Discussion and Analysis ("MD&A") of Swiss Water Decaffeinated Coffee Inc. ("Swiss Water" or the "Company"), dated as of May 7, 2025, provides a review of the financial results for the three months ended March 31, 2025, relative to the comparable period of 2024. The three month period represents the first quarter ("Q1") of our 2025 fiscal year. This MD&A should be read in conjunction with Swiss Water's condensed consolidated interim financial statements for the three months ended March 31, 2025, the audited consolidated financial statements for the year ended December 31, 2024, and in conjunction with the Annual Information Form ("AIF"), which are available on SEDAR+. All financial information is presented in Canadian dollars unless otherwise specified.*

#### Forward-Looking Statements

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

The forward-looking statements contained herein are also based on assumptions that we believe are current and reasonable, including but not limited to, assumptions regarding: (i) trends in certain market segments and the economic climate generally; (ii) the financial strength of our customers; (iii) the value of the Canadian dollar versus the US dollar ("US\$"); (iv) the expected financial and operating performance of Swiss Water going forward; (v) the availability and expected terms and conditions of debt facilities; (vi) the expected level of dividends payable to shareholders; (vii) the potential impact of pandemics (viii) the potential impact of any war and terrorist activity (ix) the potential impact on any labour union disputes and (x) the potential impact of environmental changes or unexpected acts of God. We cannot assure readers that the actual results will be consistent with the statements contained in this MD&A. The forward-looking statements and financial outlook information contained herein are made as of the date of this MD&A and are expressly qualified in their entirety by this cautionary statement. Except to the extent required by applicable securities law, Swiss Water undertakes no obligation to publicly update or revise any such statements to reflect any change in our expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those described herein.

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis For the first quarter ended March 31, 2025

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### 2. OVERVIEW

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#### Company Overview

Swiss Water is a premium chemical-free coffee decaffeinator located in Delta, British Columbia. We employ the proprietary Swiss Water® Process<sup>1</sup> to decaffeinate green coffee without the use of chemical solvents, leveraging science-based systems and controls to produce coffee that is 99.9% caffeine free. Our process is certified organic by the Organic Crop Improvement Association and is the world's only consumer-branded decaffeination process. Decaffeinating premium green coffee without the use of harmful chemical solvents is our primary business.

Our Delta facility was completed in 2020. The facility houses two newly constructed, state-of-the-art Swiss Water® production lines. The first production line was completed in 2020, and the second production line was completed during the third quarter of 2023.

We provide decaffeinated coffee to our customers through two arrangements:

- “Regular” or “Non-Toll Processing” – where we purchase green premium-grade Arabica and Robusta coffees, decaffeinate the coffee using our Swiss Water decaffeination process and sell the decaffeinated coffee to our customers. Revenue from the sale of the decaffeinated coffee includes “Green revenue”, which is a recovery of the cost of the green coffee we purchase for decaffeination and “Process revenue”, which represents the amount of value created by decaffeinating the coffee. The value of the coffee processed forms part of our inventory, our revenue and our cost of sales.
- “Toll processing” – where we decaffeinate coffee owned by our customers for a processing fee under toll arrangements. Revenue from this business line is recognized under “Process revenue”. The value of the coffee processed under toll arrangements does not form part of our inventory, our revenue, or our cost of sales.

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

For our regular business, we work with coffee importers to source premium-grade green coffees from coffee-producing countries located in Central and South America, Africa, and Asia. The purchase price is based on the NY'C' coffee futures price on the Intercontinental Exchange, plus a quality differential. The NY'C' component typically makes up more than 80% of the total cost of green coffee, while the quality differential typically accounts for less than 20%. Both the NY'C' price and the quality differential fluctuate in response to fundamental commodity factors that affect supply and demand.

We categorize our customers by the nature of their business: either coffee importers or roasters. Coffee importers act like grocery stores to roasters, sourcing and importing green coffee from various origins and carrying a selection of different origins and quality levels for roasters to choose from. Importers buy from us to resell our coffees to roasters when and where they need them. Roasters are in the business of roasting and packaging coffee for sale to consumers in their own coffee shops, or for home or office use. Roasters either buy directly from Swiss Water, or

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<sup>1</sup> The Company is a registered owner of this trademark.

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis

For the first quarter ended March 31, 2025

they buy from an importer. Roasters generally carry lower inventories as they tend to take delivery of green coffee shortly before roasting it. As such, when comparing fiscal periods, shipments to roasters are more stable than shipments to importers.

### Industry Overview

The global coffee industry is experiencing a significant transformation, driven by evolving consumer preferences and an increasing focus on health-conscious beverage options. The no caffeine segment, valued at \$2.4 billion USD in 2023, is projected to grow at a 1% 2025 constant value CAGR through 2028<sup>1</sup>. Management estimates that the decaffeinated specialty sub-segment in which Swiss Water competes is projected to grow at 2.5%. This reflects an increasing demand for products that balance enjoyment with wellness. This trend is especially evident in key markets where traditional coffee consumption patterns with emerging health and environmental priorities are creating significant opportunities within the chemical-free decaffeination segment.

The United States, the world's largest coffee consuming nation, remains a key market for Swiss Water, with a 63%<sup>2</sup> daily consumption rate among the population, surpassing all other beverages according to the National Coffee Association's ("NCA") 2023 US Coffee Data Trends Report. The NCA notes that Specialty coffees, particularly premium Arabica varieties used in beverages such as espressos, cappuccinos, and lattes, have captured a significant share, with 41% of the population consuming specialty coffee products daily.

Decaffeinated coffee is experiencing notable growth, especially among younger consumers who are fueling trends in specialty coffee and beverages that support physical and mental well being. Recent data indicates that 7% of coffee drinkers consumed decaffeinated coffee in the prior day, with 11% having consumed it within the past week<sup>3</sup>.

The decaffeination process landscape is experiencing significant evolution, with increasing scrutiny of chemical-based methods. Currently, the majority of worldwide decaffeination capacity relies on chemical methods, primarily methylene chloride and ethyl acetate processing. However, regulatory and consumer pressures are driving a shift toward chemical-free processes. Japan and South Korea have already prohibited methylene chloride use in decaffeination, while Canada requires explicit labeling of its use.

Swiss Water's 100% chemical-free decaffeination process positions the company advantageously within this landscape. As one of only three global providers offering 100% chemical-free water processes for coffee decaffeination, Swiss Water meets growing consumer demand for products that are sustainable, organic, and caffeine-conscious. With heightened awareness of chemical-related health and environmental concerns, the market for chemical-free decaffeination is poised for continued growth.

### External Factors Affecting Key Performance Drivers

#### Commodity Prices

We buy and sell coffees based on the NY'C' plus the quality differentials for specified coffees, both of which rise and fall in response to changes in supply and demand. We manage our exposure to changes in the NY'C' futures price on the value of our inventories through a commodity hedging program (discussed under 'Hedge Accounting' below) but cannot hedge our exposure to changes in quality differentials. In addition to the price risks associated

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<sup>1</sup> Euromonitor International, Passport, Health & Wellness Hot Drinks in the US, August 2024.

<sup>2</sup> The National Coffee Association "National Coffee Data Trends, Specialty Coffee Report", 2023.

<sup>3</sup> The National Coffee Association "National Coffee Data Trends, Specialty Coffee Report", 2023.

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## Management Discussion and Analysis

### For the first quarter ended March 31, 2025

with holding coffee inventories, our revenue and cost of sales are affected by changes in the underlying commodity price.

In Q1 2025, the NY'C' averaged US\$3.73/lb, compared to an average of US\$1.90/lb in Q1 2024, an increase of 97%. The rise and fall of the NY'C' affects our volume of shipments, our revenues, our cost of sales, and our working capital requirements. In an upward trending market, our customers tend to consume their own inventories rather than build them. When the NY'C' declines over a sustained period, our customers tend to add to their inventories.

### Foreign Exchange

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

In Q1 2025, the US\$ averaged C\$1.44, compared to an average of C\$1.35 in Q1 2024. When the US\$ depreciates (appreciates), it decreases (increases) our gross profit on green coffee revenues.

### Outlook

#### Operational Foundation

Swiss Water is well-positioned for the future, following the successful consolidation of production onto a single site in Delta, BC. This transition has strengthened our operational efficiency, reduced capacity constraints, and enhanced our ability to meet the growing demand for our premium chemical-free decaffeinated coffee offerings.

Our two modern production lines provide opportunities to further optimize our processes, improve quality, and drive efficiencies. Having operated Line 1 extensively, we are applying those learnings to Line 2, leveraging our larger processing capacity for longer production runs and further enhancing quality. With these operational improvements, we are confident in our ability to support growth without near-term capacity constraints, with targeted investments identified to extend our ability to meet anticipated demand over the medium term.

#### Market Dynamics & Competitive Position

The global coffee market remains highly volatile, with continued inversion in both the NY'C' (Arabica) and London Robusta futures markets, persistent logistical disruptions and foreign exchange volatility impacting market conditions. Despite this environment, we delivered a solid performance with growth in our processing volumes during the first quarter, demonstrating the strength of our brand and demand for our chemical-free decaffeination process. Notably, based on management's research and estimates, our growth has consistently outpaced the overall decaf market, 5% compared to 1-2%, over the last 25 years, reinforcing our competitive positioning in the specialty coffee segment and ability to navigate volatile conditions.

While some roasters have adjusted their purchasing strategies and will continue to manage with reduced inventory levels, underlying demand for chemical-free decaffeination continues to rise. We are closely watching coffee consumption in the US grocery marketplace and we are expecting some softening leading into Q2. We expect the longer term trend of chemical-free decaffeination growth, however, extremely elevated coffee futures markets will definitely have an effect on consumption in the near term.

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis For the first quarter ended March 31, 2025

### Financial Position & Strengthened Balance Sheet

In Q4 2024, Swiss Water repaid in full the \$15.9 million (principal and accrued interest) Debenture held by Mill Road Capital LLC (“Mill Road”). This repayment reduces our overall debt burden, lowers future interest expenses, simplifies our capital structure, and enhances financial flexibility. The warrant agreement held by Mill Road remains outstanding until its maturity date on April 30, 2026.

As of March 31, 2025, we maintain a strong financial position, with sufficient internally generated funds, cash reserves and access to incremental borrowing capacity to support future growth initiatives. During the first three months of 2025 we repaid \$1.3 million of construction debt. This strengthening of our balance sheet positions us well to navigate market volatility while investing in long-term strategic priorities. We will continue to focus on reducing debt on the balance sheet in the coming years to improve overall returns to shareholders.

### Strategic Priorities & Growth Outlook

While macroeconomic conditions remain uncertain, we are confident in our ability to navigate market fluctuations and drive sustainable growth. Swiss Water's operational efficiencies, strong customer relationships, and premium market position provide a solid foundation for continued success.

We remain focused on delivering volume growth and improved profitability in 2025, supported by:

- Expanding awareness of chemical-free decaffeination as consumers prioritize clean-label, naturally processed coffee.
- Optimizing production efficiencies to maximize throughput and margin performance.
- Strengthening our supply chain and sourcing strategies to mitigate volatility while ensuring quality and reliability.

During the first quarter of 2025, the US administration signalled its intention to impose blanket tariffs on Mexican and Canadian imports.

Swiss Water's decaffeination process has been formally classified by US customs as “non-transformational” allowing processed beans to retain the original country-of-origin status for tariff purposes. As a result, Swiss Water's exports to the US were not subject to tariffs during the three months ended March 31, 2025.

However, on April 2, 2025, the US administration announced the implementation of a 10% tariff on most imports from a broad range of countries, effective April 5, 2025. While imports of coffee beans into Canada remain unaffected, coffee exported from Canada to the United States that retain their original country-of-origin designation are now subject to this new tariff structure. These same tariff rules and classifications apply to our competitors based outside Canada. This development introduces additional cost pressures on U.S.-bound shipments and will likely affect export pricing for many Canadian manufacturers. Swiss Water will include any tariff charges it incurs on shipments on the invoice to its US customers. The Company is evaluating the negative impact that higher prices may have on customer purchasing behaviour going forward.

### Conclusion

Swiss Water is well-positioned in 2025 with significant operational advantages and improved financial flexibility following the successful Delta facility consolidation, Mill Road debt repayment, and initiation of construction debt repayments. Despite persistent inflationary pressures and broader economic uncertainty, our proven ability to outpace market growth demonstrates the resilience of our business model and the increasing consumer preference

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## Management Discussion and Analysis For the first quarter ended March 31, 2025

for our differentiated offerings. As we leverage our strengthened platform to pursue targeted growth opportunities, we remain committed to sustainable practices and delivering long-term value to our shareholders, customers, and partners.

### 3. FINANCIAL PERFORMANCE

#### Results of Operations

The following selected information, other than Adjusted EBITDA, was derived from the condensed consolidated interim financial statements for the three months ended March 31, 2025 prepared in accordance with International Financial Reporting Standards IFRS® Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). For the definition of Adjusted EBITDA, refer to the Non-IFRS Measures section of this MD&A.

The results of operations are as follows:

In C\$ '000s except for per share amounts	3 months ended March 31			
	2025	2024	% Change	% Change
Revenue	62,272	38,730	23,542	61%
Cost of sales	(54,985)	(33,615)	(21,370)	64%
Gross profit	7,287	5,115	2,172	42%
Operating expenses	(3,389)	(3,751)	362	-10%
Operating income	3,898	1,364	2,534	186%
Non-operating or other	(3,227)	(2,488)	(739)	30%
Income tax (expense) recovery	(156)	224	(380)	-170%
Net income (loss)	515	(900)	1,415	-157%
Adjusted EBITDA <sup>(1)</sup>	2,008	2,788	(780)	-28%
Earnings (loss) per share <sup>(2)</sup>				
Basic	0.05	(0.10)		
Diluted	(0.06)	(0.10)		

<sup>1</sup> Adjusted EBITDA is defined in the ‘Non-IFRS Measures’ section of this MD&A and is a “Non-GAAP Financial Measure” as defined by CSA Staff Notice 52-306.

<sup>2</sup> Per-share calculations are based on the weighted average number of shares outstanding during the periods. Diluted earnings per share take into account shares that may be issued upon the exercise of warrants and RSUs.

#### Operational Highlights

- Total processing volumes in pounds increased by 6% when compared to the first quarter of 2024, supported by continued customer demand and strong order flow. With all production now fully consolidated in Delta and both decaffeination lines running 24/7, except for planned maintenance, we have returned to a more predictable distribution of sales, reflecting both operational momentum and a growing, stable customer base.



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## Management Discussion and Analysis

For the first quarter ended March 31, 2025

- The value of our inventory position increased when compared to 2024, reflecting both, a higher NY'C' coffee commodity price and a strategic increase in inventory levels in response to strong customer demand. While we remain focused on working capital discipline, we made the decision to build inventory to guarantee availability of coffee to our customers. We expect inventory levels to normalize over the remainder of the year while continuing to monitor export conditions from origin countries and broader supply chain dynamics.
- The NY'C' coffee futures price for Arabica coffee remained volatile during Q1, peaking at US\$4.25/lb in February. Spot availability of coffees remains very low and pressure on the futures market intensified during the quarter. Moving forward, the higher prices and backwardated coffee market may result in a softening of consumer demand and volumes shipped to roasters.
- Last year's consolidation of all our operations at one location continued to generate efficiencies from reduced utilities consumption, staffing, and maintenance during the quarter.

### Revenue

We monitor and report our revenue in three categories:

- "Process revenue", which represents the amount we charge our customers for decaffeinating green coffee. This generally increases as our processing volumes increase.
- "Green coffee cost recovery revenue", or "Green revenue", is the amount we charge our customers for the green coffee we purchase, decaffeinate, and resell.
- "Distribution revenue" consists of shipping, handling, and warehousing charges billed to our customers. It typically rises with our processing volumes and with the growth of Seaforth's business.

Our revenue by category for the indicated period was:

In C\$ '000s	3 months ended March 31			
	2025	2024	\$ Change	% Change
Process revenue	9,252	8,255	997	12%
Green revenue	49,961	27,886	22,075	79%
Distribution revenue	3,059	2,589	470	18%
Total Revenue	62,272	38,730	23,542	61%

Revenue was \$62.3 million, which represents a \$23.5 million or 61% increase when compared to the same period in 2024. The increase was primarily driven by a higher NY'C' coffee commodity price.

### Revenue by Category

Process revenue increased by \$1.0 million or 12% to \$9.3 million when compared to the first quarter of 2024. The increase was primarily driven by volume, customer sales mix, and foreign exchange benefits associated with the appreciating US\$.

Green coffee revenue increased by \$22.1 million or 79% to \$50.0 million when compared to the first quarter of 2024. The increase was primarily driven by increased NY'C' coffee prices, higher green coffee differentials, foreign exchange benefits associated with the appreciating US\$, and volume.

# SWISS WATER DECAFFEINATED COFFEE INC.

## Management Discussion and Analysis For the first quarter ended March 31, 2025

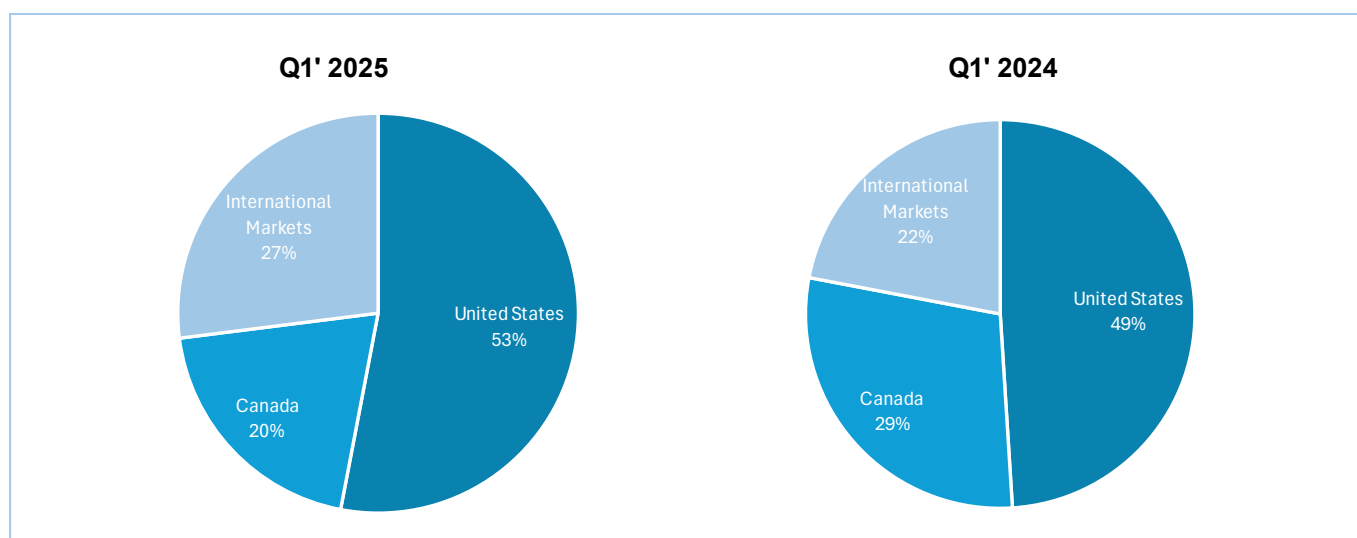
Distribution revenue increased by \$0.5 million or 18% to \$3.1 million when compared to the first quarter of 2024. The increase was primarily driven by higher freight rates and volume compared to the same period in 2024.

Our largest geographical market by volume in the first quarter of this year was the United States, followed by international markets and Canada.

Our sales volume by geographical segment for the three months ended March 31, 2025, are as follows:

- Sales volume in North America increased by 3%.
- Sales volume in international markets increased by 16%.

By dollar value, 53% of our sales in the first quarter were to customers in the United States, 27% were to international customers, and 20% were to Canadian customers.



### Cost of Sales, Gross Profit and Operating expenses

In C\$ '000s	3 months ended March 31			
	2025	2024	\$ Change	% Change
Cost of sales	54,985	33,615	21,370	64%
Gross profit	7,287	5,115	2,172	42%
Operating expenses				
Administration expenses	2,435	2,837	(402)	-14%
Sales and marketing expenses	954	914	40	4%
Total operating expenses	3,389	3,751	(362)	-10%

### Cost of Sales

Cost of sales includes the cost of green coffee purchased for our regular business, plant labour, and other processing costs directly associated with our production facility. It also incorporates customer specific hedges, commodity

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## Management Discussion and Analysis

### For the first quarter ended March 31, 2025

hedges and an allocation of fixed overhead costs, such as depreciation of our production equipment and amortization of our proprietary process technology.

For our Regular business, we work with coffee importers to source premium-grade green coffees from coffee-producing countries located in Central and South America, Africa and Asia. The purchase price is based on the NY'C' coffee futures price on the Intercontinental Exchange, plus a quality differential. Typically, the NY'C' component makes up more than 80% of the total cost of green coffee, while the quality differential accounts for less than 20%. Both fluctuate in response to fundamental commodity factors that affect supply and demand.

Cost of sales also includes the costs of operating Seaforth's warehouse.

Cost of sales increased by \$21.4 million or 64% to \$55.0 million when compared to the first quarter of 2024. The increase was primarily driven by an elevated NY'C', foreign exchange benefits associated with the appreciating US\$, and volume.

### Gross Profit

Gross profit increased by \$2.2 million or 42% to \$7.3 million when compared to the first quarter of 2024. The increase was primarily driven by revenue growth. Gross margin percentage for the quarter was 12%, down slightly from 13% in Q1 last year. The first quarter decline in gross margin percentage was driven by the reversal of an inventory provision in Q1 of 2024. There was no such reversal in Q1 2025.

### Administration Expenses

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

Administration expenses decreased by \$0.4 million or 14% to \$2.4 million when compared to the first quarter of 2024. The primary driver of the lower expense was a decrease in non-cash stock-based compensation driven by a decline in Swiss Water's share price, partially offset by planned headcount and wage increases, and higher professional fees.

### Sales and Marketing Expenses

Sales and marketing expenses include compensation and other personnel-related expenses for sales and marketing staff, consumer initiatives, trade advertising, and promotion costs, as well as related travel expenses. We invest in research regarding the behavior of decaffeinated coffee consumers. These insights enable us to create effective consumer advertising programs, and they form the foundation of the consultative services we provide to our customers. We also aim to grow brand awareness with both the coffee trade and consumers. We employ a range of marketing activities to achieve this, including digital and print advertising, social media communications, sponsorship, and exhibiting at key industry events.

Sales and marketing expenses increased by \$0.04 million or 4% to \$1.0 million when compared to the first quarter of 2024. The main driver for the increase was the timing of marketing activities in 2025.

# SWISS WATER DECAFFEINATED COFFEE INC.

## Management Discussion and Analysis For the first quarter ended March 31, 2025

### Non-operating or other income and expense

The total non-operating or other income is as follows:

In C\$ '000s	3 months ended March 31			
	2025	2024	\$ Change	% Change
Loss on risk management activities	(2,839)	(149)	(2,690)	1805%
Gain (loss) on fair value of embedded option	1,111	(891)	2,002	-225%
Finance income	378	460	(82)	-18%
Finance expense	(1,718)	(2,288)	570	-25%
(Loss) gain on foreign exchange	(159)	380	(539)	-142%
Total non-operating or other	(3,227)	(2,488)	(739)	30%

### Gains and Losses on Risk Management Activities

Our financial results include gains or losses from risk management activities related to derivative instruments designated for hedge accounting. For instruments designated under hedge accounting (see 'Hedge Accounting' section), the gains or losses are reflected in revenue, cost of sales, or other comprehensive income for future transactions.

For the three months ended March 31, 2025, we recorded a loss on risk management activities of \$2.8 million, compared to a loss of \$0.1 million in the first quarter last year. The increased loss this quarter primarily reflects the impact of rolling hedge positions forward in an inverted NY'C' futures market, which results in incremental realized losses as contracts re-settle below current price levels. These results also reflect mark-to-market adjustments on hedging instruments due to fluctuations in the NY'C' coffee commodity price and appreciation of the US\$. The Company maintains a disciplined and prudent hedging strategy designed to reduce volatility in input costs and aligns with underlying supply commitments. Also, over time, the Company's pricing methodology incorporates NY'C' costs.

### Gains and Losses on Fair Value of Embedded Option

The change in fair value of the embedded option relates to the warrant agreement with Mill Road, which was amended effective November 22, 2022. Under IFRS, the warrant agreement is deemed to contain an embedded option that is revalued at the end of each reporting period. 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 our best estimate at the end of each reporting period.

For the three months ended March 31, 2025, the revaluation of this embedded option resulted in a gain of \$1.1 million, compared to a loss of \$0.9 million in the same period in 2024. The fluctuations are due to movements in Swiss Water's share price and the risk-free interest rate that are used as inputs in the Black Scholes Option Pricing Model. Refer to Note 10.2 in the condensed consolidated interim financial statements for more details.

### Finance Income and Finance Expenses

Finance income reflects the charges we bill customers for financing coffee inventories, as well as the interest earned on our cash balances. Finance expenses include interest costs on our credit facilities and bank debt, other

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## Management Discussion and Analysis For the first quarter ended March 31, 2025

borrowings, the accretion expense on our asset retirement obligation, interest expense on a debenture with warrants, and interest expense on finance leases.

Net finance expense decreased by \$0.5 million or 27% to \$1.3 million when compared to the first quarter of 2024. The decrease was primarily due to the removal of interest associated with the debenture with warrants, following repayment on October 31, 2024. Finance expense on long-term borrowings also declined, reflecting a lower average loan balance and favourable variable interest rates. The savings were partially offset by higher interest on the operating credit facility due to increased utilization during the quarter.

### Gains and Losses on Foreign Exchange

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

For the three months ended March 31, 2025, we recorded a loss on foreign exchange of \$0.2 million, compared to a gain of \$0.4 million in Q1 of last year. The fluctuations in foreign exchange are due to movements in the Canadian versus US dollar as the exchange rate averaged C\$1.44 in Q1 2025, compared to C\$1.35 in Q1 2024.

### Income Before Taxes and Net Income

Net income consists of income before tax, less deferred, and current income taxes. Swiss Water and our subsidiaries are subject to tax in Canada, the USA, and France. The current income tax expense arises as a reflection of increases and decreases in net income before taxes, adjusted for non-tax items. The deferred income tax arises from temporary differences between the depreciation and amortization expenses deducted for accounting purposes, and related capital cost allowances deducted for tax purposes. Timing differences on the deductibility of derivatives, accruals such as asset retirement obligations, cash liabilities of the DSU and RSU, leases, and bond value of warrants. In addition, changes in corporate income tax rates as adjusted for substantively enacted higher future tax rates are included in the calculation of deferred income tax. The latter is offset by the tax benefit of tax loss carry forwards.

For the three months ended March 31, 2025, we recorded net income after taxes of \$0.5 million, compared to a net loss after taxes of \$0.9 million for the same period in 2024.

### Other Comprehensive Income

Gains or losses on our designated revenue hedges that will mature in future periods are recorded in other comprehensive income, net of income tax expense. Other comprehensive income or loss, net of tax, for the three months ended March 31, 2025, was a gain of \$0.3 million, compared to a loss of \$0.9 million for the same period in 2024. Increases and decreases are related to fluctuations in the value of the Canadian dollar versus the US dollar.

### Basic and Diluted Earnings per Share

Basic earnings per share are calculated by dividing net income by the basic weighted average number of shares outstanding during the period. Diluted earnings per share are calculated by dividing net income, adjusted for the effects of all dilutive potential common shares, by the diluted weighted average number of shares outstanding. The weighted average number of shares outstanding on a diluted basis takes the additional shares for the assumed exercise of RSUs and warrants, if dilutive, into account. The number of additional shares is calculated by assuming

## SWISS WATER DECAFFEINATED COFFEE INC.

### Management Discussion and Analysis For the first quarter ended March 31, 2025

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 earnings per share are the same.

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

In C\$ '000s except for per share amounts	3 months ended March 31	
	2025	2024
<b>Earnings per share</b>		
Net income (loss)	\$ 515	\$ (900)
Weighted average number of shares	9,530,752	9,223,838
Basic income (loss) per share	\$ 0.05	\$ (0.10)

In C\$ '000s except for per share amounts	3 months ended March 31	
	2025	2024
<b>Earnings per share</b>		
Net income (loss)	\$ 515	\$ (900)
Fair value of borrowings embedded option	(1,111)	-
Net loss after effect of diluted securities	\$ (596)	\$ (900)
Weighted average number of shares - basic	9,530,752	9,223,838
Effect of diluted securities: Warrants	2,250,000	-
Effect of diluted securities: Warrants deemed to be repurchased	(2,182,760)	-
Weighted average number of shares - diluted	9,597,992	9,223,838
Diluted loss per share	\$ (0.06)	\$ (0.10)

## Reconciliation of Non-IFRS Measures

### Adjusted EBITDA

Adjusted EBITDA is a non-GAAP measure that is often used to assess operating cash flow by excluding financing costs, taxes, and non-cash items. We believe this measure provides readers with additional insight into Swiss Water's financial performance and capacity to pay distributions to stakeholders when considered alongside IFRS measures. Since Adjusted EBITDA lacks a standardized IFRS definition, it may not be comparable to similar measures presented by other companies.

We define Adjusted EBITDA as net income before interest, depreciation, amortization, impairments, share-based compensation, gains/losses on foreign exchange, gains/losses on disposal of property and equipment, fair-value adjustments on embedded options, gains/losses on extinguishment of debt, adjustment for the impact of IFRS 16 – Leases, other gains/losses related to asset retirement obligation and provision for income taxes. Our definition of Adjusted EBITDA also excludes unrealized gains and losses on the undesignated portion of foreign exchange forward contracts.

## SWISS WATER DECAFFEINATED COFFEE INC.

### Management Discussion and Analysis For the first quarter ended March 31, 2025

Adjusted EBITDA decreased by \$0.8 million or 28% to \$2.0 million when compared to the first quarter of 2024. The decrease was primarily driven by an increase in realized losses on risk management activities, partially offset by an increase in operating income.

The following table provides a reconciliation between Adjusted EBITDA and operating income, the most comparable IFRS measure for the periods presented:

In C\$ '000s	3 months ended March 31	
	2025	2024
Operating income	\$ 3,898	\$ 1,364
Depreciation & amortization	1,778	1,716
Share-based compensation	(208)	535
Loss on risk management activities	(2,839)	(149)
Unrealized (gain) loss on foreign exchange forward contracts	17	(38)
Impact of IFRS 16 - Leases	(638)	(640)
Adjusted EBITDA	\$ 2,008	\$ 2,788

The reconciliation of net income, an IFRS measure, to Adjusted EBITDA is as follows:

In C\$ '000s	3 months ended March 31	
	2025	2024
Net income (loss) for the period	\$ 515	\$ (900)
Income tax (recovery) expense	156	(224)
Income (loss) before tax	\$ 671	\$ (1,124)
Finance income	(378)	(460)
Finance expense	1,718	2,288
Depreciation & amortization	1,778	1,716
Unrealized (gain) loss on foreign exchange forward contracts	17	(38)
Fair value (gain) loss on the embedded option	(1,111)	891
Loss (gain) on foreign exchange	159	(380)
Share-based compensation	(208)	535
Impact of IFRS 16 - Leases	(638)	(640)
Adjusted EBITDA	\$ 2,008	\$ 2,788

### Summary of Quarterly Results

There is an element of seasonality in our business, in that the second half of the year tends to have higher volumes and revenues. The transition out of our old Burnaby production facility impacted the typical seasonality pattern in 2023. The following table summarizes results for each of the eight most recently completed fiscal quarters.

# SWISS WATER DECAFFEINATED COFFEE INC.

## Management Discussion and Analysis For the first quarter ended March 31, 2025

For comparative purposes, we have also provided the averages for the previous 8-quarter period:

In C\$ '000s except for per share amounts	8 Quarter Average	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023	Q2 2023
Revenue	44,079	62,272	49,249	41,778	43,372	38,730	41,237	32,627	43,368
Gross Profit	5,923	7,287	6,974	6,436	7,665	5,115	6,916	3,576	3,412
Operating income	2,395	3,898	3,163	2,780	3,748	1,364	3,372	758	76
Adjusted EBITDA <sup>1</sup>	3,087	2,008	4,885	2,161	4,484	2,788	5,008	1,539	1,825
Net income (loss)	245	515	2,013	(791)	947	(900)	961	(417)	(371)
<b>Per Share<sup>2</sup></b>									
Net income (loss) - basic	0.02	0.05	0.21	(0.08)	0.10	(0.10)	0.10	(0.05)	(0.04)
Net income (loss) - diluted	0.00	(0.06)	0.21	(0.08)	0.07	(0.10)	0.10	(0.05)	(0.06)

<sup>1</sup> Adjusted EBITDA is defined in the 'Non-IFRS Measures' section of this MD&A and is a "Non-GAAP Financial Measure" as defined by CSA Staff Notice 52-306.

<sup>2</sup> Per-share calculations are based on the weighted average number of shares outstanding during the periods.

## 4. FINANCIAL AND CAPITAL MANAGEMENT

### Liquidity

As at March 31, 2025, cash was \$5.0 million and net working capital was \$2.8 million, compared with cash of \$8.5 million and net working capital of \$4.0 million as at December 31, 2024. The main driver for the decrease in working capital in 2025 is due to the increase in our operating credit facility, driven by a higher NY'C' coffee commodity price. We believe that our existing cash, cash generated from our operating activities, and the availability under our operating credit facilities (as defined below), will provide us with sufficient liquidity to meet our working capital needs, repayments of our long-term debt, and future contractual obligations. An additional potential source of liquidity is access to capital markets for additional equity or debt financing. We intend to also use our cash on hand for daily operational funding requirements.

### Borrowings

The following is a summary of available credit as at March 31, 2025:

In C\$ '000s	Maximum Credit	Available Credit	Outstanding loans principal balance <sup>(2)</sup>	Net available credit
Credit facility with a Canadian bank <sup>(1)</sup>	\$ 50,000	\$ 47,184	\$ 46,084	\$ 1,100
Credit facility with EDC	6,250	6,250	6,250	-
Construction loans with BDC/FCC	57,000	57,000	55,673	-
	\$ 113,250	\$ 110,434	\$ 108,007	\$ 1,100

<sup>1</sup> The Credit facility with a Canadian bank maximum credit ("ABL") is net of a \$0.5 million outstanding letter of credit and security lien bond and \$0.2 million accrued interest. The ABL borrowing "available credit" noted above is the lower of the asset base and a limit of \$50.0 million.

<sup>2</sup> The outstanding principal balance excludes accrued interest.

As at March 31, 2025, Swiss Water maintains credit facility with a major Canadian bank and another with Export Development Canada ("EDC"). These facilities are secured by general security agreements over all of Swiss Water's assets and a floating hypothecation agreement over cash balances. The outstanding balance on the credit facility with the Canadian bank was \$46.0 million as at March 31, 2025 (December 31, 2024: \$35.4 million), while \$6.3



# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis For the first quarter ended March 31, 2025

million was drawn on EDC Credit (December 31, 2024: \$6.3 million). In addition, Swiss Water has construction loans with Business Development of Canada (“BDC”) and Farm Credit Canada (“FCC”), which relate to the build out of the two new production lines at our facility in Delta. As at March 31, 2025, the balance owing to BDC was \$27.7 million, the same amount as to FCC, \$27.9 million. During the year 2024, Swiss Water repaid the debenture and the interest portion owing to Mill Road, whilst warrants related to the debenture with warrants remain outstanding until April 2026.

Additional detailed information on each of the borrowings is disclosed in the 2024 consolidated financial statements.

We have certain bank covenants that relate to the maintenance of specified financial ratios. As of March 31, 2025, Swiss Water was in compliance with all covenants.

### Credit Facilities with a Canadian Bank

Our primary revolving credit facility (“Credit Facility”), established in 2019 with a major Canadian bank, initially provided for borrowings up to the lower of the Borrowing Base and \$30.0 million. In 2022, we increased our available credit to \$45.0 million with the purpose of supporting operations and growth. In tandem, this Credit facility provided additional lending of up to \$6.25 million credit facility through EDC. The maturity date was extended from October 18, 2022, to the earlier of October 19, 2025, or an event triggering default. On February 21, 2025, the Credit Facility limit was temporarily increased to a maximum of \$50.0 million. This temporary limit will remain in effect until the Credit Facility is renewed. Discussions have been initiated with the existing provider to renew this facility.

Swiss Water is not required to repay the Credit Facility as long as the outstanding balance is not in excess of the Borrowing Base.

The Borrowing Base is determined by our eligible inventories and accounts receivable, commodity hedging account equity margin, and market-to-market gains, netted against any losses in the commodity account and foreign exchange contract facility. The facility allows for borrowings in both Canadian and US dollars to fund operations, capital expansions, letters of credit, and general corporate purposes.

The Credit Facility has multiple interest rate options that are based on the Canadian Prime Rate, Base Rate, Secured Overnight Financing Rate (“SOFR”), and Canadian Overnight Repo Rate Average (“CORRA”), in addition to an applicable margin/fee for each of these rates. Fees apply to outstanding letters of credit and the unused portion of the credit. On June 6, 2024, following a banking benchmark replacement transition, the Canadian Bank lender amended the existing credit facility agreement, to replace LIBO Rate with SOFR and Bankers’ Acceptance Rate plus an acceptance fee with CORRA.

The Credit Facility includes a US\$8.0 million foreign exchange and commodity futures contract facility, which allows us 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.

### Credit Facilities with EDC

Our credit arrangement with EDC consists of two components, a credit facility of up to \$6.25 million and a \$6.0 million foreign exchange guarantee.

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis For the first quarter ended March 31, 2025

In 2022, we established the revolving credit facility agreement with EDC (the "EDC Credit") to provide additional operational liquidity as needed. The EDC Credit is administered by our primary Credit Facility lender, with all security and guarantees held by the Credit Facility lender extending to secure the EDC Credit.

Borrowings under the EDC Credit accrue interest at the Canadian Prime Rate plus 1.5% per annum and are subject to certain fees. The EDC Credit facility will terminate on the earliest of: (i) demand by the lender of the Credit Facility for repayment, (ii) the third anniversary of the effective date of November 22, 2022, and (iii) the maturity date under the Credit Facility. The Bank may in its sole discretion, renew the EDC Credit for a maximum of five successive one-year periods after the first anniversary of the effective date. As at March 31, 2025, \$6.3 million was drawn on EDC Credit (December 31, 2024: \$6.3 million).

In addition to the credit facility, Swiss Water entered into a foreign exchange facility guarantee with EDC on June 1, 2020, to address margin requirements related to the foreign exchange facility. Our Credit Facility Lender formally recognized this third-party guarantee through an amendment to the credit agreement on August 4, 2020. The guarantee, valid until May 31, 2025, provides coverage for a maximum aggregate liability of \$6.0 million and enhances our borrowing capacity within the existing credit facility.

### Construction Loan with BDC and FCC

Our construction financing arrangements with BDC and FCC have supported the expansion of our Delta, British Columbia facility. The initial financing was established in 2018 through a term loan facility ("Term Loan") of up to \$20.0 million with BDC, carrying an interest rate of 4.95% per annum over 12 years. Principal repayments were originally scheduled to commence on July 1, 2021, and mature on June 1, 2033.

In 2021, we expanded our financing capacity to \$45.0 million to fund the construction of a second production line at our Delta location. This expansion was structured as a Pari Passu arrangement between BDC and FCC, with each lender providing 50% of the total financing. Under this arrangement, the original BDC borrowing increased from \$20.0 million to \$22.5 million ("BDC Amended Term Loan"), and FCC provided an additional \$22.5 million ("FCC Term Loan"). At the transaction's closing, our outstanding debt to each lender was \$10.0 million, with FCC paying \$10.0 million to BDC on our behalf to facilitate the Pari Passu restructuring.

The FCC Term Loan is comprised of both fixed and variable components, with the fixed portion bearing an interest rate of 4.38% until maturity, while the variable portion carries a rate of the variable rate minus 0.75%. The BDC Amended Term Loan maintains a fixed interest rate of 4.45% until maturity. Both loans are secured through a general security agreement and first security interest on all existing and newly financed equipment and machinery, with Seaforth providing additional guarantees to both FCC and BDC.

In 2022, we further amended our senior debt facility with BDC and FCC (the "Amended Senior Facility"), securing an additional \$12.0 million in senior debt financing on favorable terms. This amendment increased our total senior debt facility from \$45.0 million to \$57.0 million, with the incremental funding split equally between the lenders. As at March 31, 2025, the total loan principal outstanding remained at \$55.6 million (December 31, 2024: \$57.0 million). These additional funds, combined with our existing credit facilities and internal cash flow, enabled the completion of our second production line in Delta.

We have certain bank covenants that relate to the maintenance of specified financial ratios. As of March 31, 2025, Swiss Water was in compliance with all covenants.

Originally, the loan terms required interest-only payments until July 1, 2024, after which principal repayments were to commence. However, pursuant to an amendment effective June 2024, the interest-only payment period has been extended to December 31, 2024, with monthly installments covering both principal and interest commenced

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis

### For the first quarter ended March 31, 2025

on January 1, 2025. The loans will continue to be repaid through monthly installments until their maturity on June 1, 2034. Required principal repayments are approximately \$6.0 million per year until maturity. Early repayment options remain available, subject to specific conditions. This amendment has been treated as a modification under IFRS 9, with no associated gain or loss recognized. As of March 31, 2025, Swiss Water remains in compliance with all covenants related to the maintenance of specified financial ratios.

### Debenture with Warrants / Convertible Debenture with Mill Road Capital

In 2021, Swiss Water amended its existing \$15.0 million convertible debenture agreement with Mill Road to a \$15.0 million debenture with warrants. This amendment extended the maturity date by one year to October 31, 2024, and implemented several key changes to the agreement terms. These modifications included an increase in the interest rate from 7.85% to 9%, the addition of a 1.5% "payment in kind" interest component, and an increase in the senior debt covenant from \$45.0 million to \$60.0 million. Additionally, the existing debt-to-shares conversion feature was cancelled and replaced with warrants allowing Mill Road to purchase up to 2.25 million common shares at \$3.33 per share.

Further amendments to the debenture and warrants agreement were executed in 2022, while maintaining the original \$15.0 million principal and October 31, 2024 maturity date. These amendments expanded the Senior Debt restricted covenant, granted Swiss Water the right to prepay principal, added secondary security on the debenture, and increased the senior debt limit to \$123.25 million. The interest structure remained unchanged at 9% paid quarterly plus 1.5% interest in kind accrued quarterly. The warrants agreement was also modified to extend the maturity date to April 30, 2026, and introduce a cashless exercise option, allowing Mill Road to receive shares equal in value to the difference between the \$3.33 exercise price and the shares' fair market value at exercise.

Given that amendments included a cashless exercise option where the agreement no longer limits an exchange of a fixed amount of cash for a fixed amount of common shares (subject to terms, the option allows a variable number of shares being issued), this debenture with warrants restructuring transaction was accounted for using the extinguishment method of accounting for debt reconstruction.

The option for cashless exercise of warrants embedded in the debenture with warrants was recognized as a derivative financial liability "Borrowings embedded option" on the Consolidated Statements of Financial Position. As at March 31, 2025, it is valued at \$1.2 million, using the Black Scholes Option Pricing Model (December 31, 2024: \$2.3 million).

The debenture was repaid in full on October 31, 2024. The total repayment of \$15.9 million consisted of \$15.0 million of principal and \$0.9 million of accrued interest. Following this payment, all obligations, duties and responsibilities of the parties to the debenture were concluded. The maturity of the debenture did not affect the obligations of the Company or the rights of Mill Road under their existing warrant agreement.

# SWISS WATER DECAFFEINATED COFFEE INC.

## Management Discussion and Analysis For the first quarter ended March 31, 2025

### Summary of Cash Flows

The following is a summary of cash flows for the period:

In C\$ '000s	3 months ended March 31		
	2025	2024	\$ Change
Net cash flows provided by(used in):			
Operating activities	(11,419)	7,022	(18,441)
Investing activities	(429)	(351)	(78)
Financing activities	8,319	(4,163)	12,482
<b>Net cash increase for the period</b>	<b>(3,529)</b>	<b>2,508</b>	<b>(6,037)</b>
Cash and cash equivalents beginning of period	8,514	11,091	(2,577)
<b>Cash and cash equivalents end of period</b>	<b>4,985</b>	<b>13,599</b>	<b>(8,614)</b>

### Operating Activities

For the first quarter, net cash used in operating activities was \$11.4 million compared to net cash generated of \$7.0 million for the same period in 2024. The difference between periods is due to the investment in, or the release of, working capital. In the first quarter of this year, our working capital balance increased primarily due to an increase in value related to the elevated NY'C' and in volumes held in inventory. Last year, a release of working capital occurred as we consumed the remaining inventory we had built in anticipation of the production capacity constraint during our exit from Burnaby.

### Investing Activities

For the first quarter, net cash used in investing activities was \$0.4 million compared to net cash used of \$0.4 million for the same period in 2024. In 2025 and 2024, we incurred minimal capital expenditures, as the construction of our production facilities is complete.

### Financing Activities

For the first quarter, net cash generated from financing activities was \$8.3 million, compared to net cash used of \$4.2 million for the same period in 2024. In 2025, net proceeds from our operating credit facility were used to finance the increase in working capital, as a result of the elevated NY'C'. The increase in net proceeds was partially offset by principal repayments on our construction loans, which commenced in January 2025. The repayments to our operating credit facility in 2023 were made using cash generated from operating activities, supplemented by the release of working capital.

# SWISS WATER DECAFFEINATED COFFEE INC.

## Management Discussion and Analysis For the first quarter ended March 31, 2025

### Working Capital

In C\$ '000s	3 months ended March 31			
	2025	2024	\$ Change	% Change
Cash and cash equivalents	4,985	8,514	(3,529)	-41%
Accounts receivable	24,771	23,332	1,439	6%
Inventory	58,920	44,494	14,426	32%
Other current assets	4,915	10,989	(6,074)	-55%
<b>Total current assets</b>	<b>93,591</b>	<b>87,329</b>	<b>6,262</b>	<b>7%</b>
Accounts payable and accrued liabilities	27,703	29,044	(1,341)	-5%
Current borrowings	58,107	47,316	10,791	23%
Other current liabilities	4,985	7,011	(2,026)	-29%
<b>Total current liabilities</b>	<b>90,795</b>	<b>83,371</b>	<b>7,424</b>	<b>9%</b>
<b>Net working capital</b>	<b>2,796</b>	<b>3,958</b>	<b>(1,162)</b>	<b>-29%</b>

### Accounts Receivable

Our accounts receivable increased by 1.4 million or 6% when compared to December 31, 2024. In total, 84% of Swiss Water's accounts receivable were current as at March 31, 2025 (December 31, 2024: 85%). The majority of past due amounts were collected shortly after the end of the quarter. Accounts receivable consist of receivables from customers.

### Inventory

Our inventory position increased by \$14.4 million or 32% when compared to December 31, 2024. The increase reflects higher inventory levels and elevated valuations linked to the NY'C' commodity price. Inventory consists of coffee, hedges related to NY'C', and foreign exchange, as well as carbon used in production, and packaging.

Under hedge accounting, gains and losses on derivative instruments for coffee to be sold in future periods are recorded in inventory. The hedge accounting component of inventory as at March 31, 2025, was \$9.3 million, compared to \$7.9 million as at December 31, 2024.

### Accounts Payable and Accrued Liabilities

Our accounts payable and accrued liabilities decreased by \$1.3 million or 5% when compared to December 31, 2024. The decrease reflects the payment of supplier invoices, partially offset by the elevated NY'C'.

### Current Borrowings

Our current borrowings increased by \$10.8 million or 23% when compared to December 31, 2024. The increase is due to the higher loan balance on our operating credit facility associated with the elevated NY'C'.

# SWISS WATER DECAFFEINATED COFFEE INC.

## Management Discussion and Analysis For the first quarter ended March 31, 2025

### Contractual Obligations

In addition to outstanding warrants (as discussed in under borrowings and related party transactions sections), the following table sets forth our contractual obligations and commitments as at March 31, 2025:

In C\$ '000s	Less than				Over 5 years
	Total	1 year	2-3 years	4-5 years	
Long-term debt <sup>1</sup>	55,896	6,405	11,878	11,878	25,735
Financing leases <sup>2</sup>	7,266	2,587	4,250	429	-
Credit facilities <sup>3</sup>	52,492	52,492	-	-	-
Purchase obligations <sup>4</sup>	92,617	92,617	-	-	-
<b>Total contractual obligations</b>	<b>208,271</b>	<b>154,101</b>	<b>16,128</b>	<b>12,307</b>	<b>25,735</b>

<sup>1</sup> Long-term debt represents the principal amounts on the construction loans.

<sup>2</sup> Minimum obligations for our finance leases.

<sup>3</sup> Credit facilities include a credit with a Canadian bank and a credit with EDC. Both mature in 2025, and the maturity date can be extended subject to lenders' approval.

<sup>4</sup> Purchase obligations represent outstanding capital, and coffee and purchase commitments.

Swiss Water leases the following offices, warehouses, and equipment:

- On August 26, 2016, we signed a lease agreement for a build-to-suit production facility in Delta. The initial lease term was five years and renewable at Swiss Water's discretion in five-year increments, up to a total of 30 years. The lease commenced in July 2018. Under the lease, Swiss Water has multiple options to buy the land and building at specified future dates starting at the end of the second five-year term. The buy-out value will be determined through an appraisal process, aligning with the fair market value of the property, subject to a specified maximum value of \$27.0 million and a minimum value of \$24.0 million agreed upon in the lease contract. Management believes that the current fair market value of the property is in excess of the specified maximum value which would result in the buy-out value being this specified maximum value. During 2022, we exercised the first option to renew Swiss Water's lease in Delta for another five years until July 2028.
- Seaforth leases a warehouse in Delta and the lease expires in June 2027. We have two options to renew the lease for an additional term of five years each.
- Swiss Water leases a sales office in France which expires in October 2027.
- Seaforth leases a truck. The lease expires in February 2028.
- Swiss Water leases various office equipment with an expiry date between June 2025 and October 2028.

# SWISS WATER DECAFFEINATED COFFEE INC.

## Management Discussion and Analysis For the first quarter ended March 31, 2025

### 5. RELATED PARTY TRANSACTIONS

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

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

In C\$ '000s	3 months ended March 31	
	2025	2024
Sales	\$ 509	\$ 239
Purchases or raw materials	\$ 6,290	\$ 1,868

All transactions were in the normal course of business and were measured at the fair value of the consideration received or receivable, which was established and agreed upon with related parties. As at March 31, 2025, our accounts receivable balance with this company was \$0.3 million while our accounts payable balance with this company was \$2.1 million (December 31, 2024: nil and \$0.8 million respectively).

Mill Road is a shareholder of Swiss Water and, under the terms of the debenture with warrants agreement, Mill Road added a nominee to Swiss Water's board of directors. Also, under the warrants agreement, Mill Road has the right to a cashless exercise of warrants to obtain an additional 2.25 million shares of Swiss Water. As such, Mill Road is considered a related party. For more details, refer to Note 10.2 in the condensed consolidated interim financial statements for the three months ended March 31, 2025.

### 6. SHARE CAPITAL

Swiss Water is authorized to issue an unlimited number of common shares. Each share is equally eligible to receive dividends when declared and represents one vote at meetings of shareholders. As at March 31, 2025, there were 9,544,552 common shares issued and outstanding (December 31, 2024: 9,517,552). During this first quarter of 2025, employee RSUs were vested and the increase in common shares reflects the RSU's conversion to common shares.

On May 9, 2022, at the Annual and Special Meeting of Shareholders, the Shareholders approved the amendment to the Articles of Amalgamation of the Company to create two new classes of shares, Class A Preferred Shares and Class B Preferred Shares. As at March 31, 2025, there were no preferred shares issued and outstanding (December 31, 2024: nil).

### 7. OFF-BALANCE SHEET ARRANGEMENTS

Swiss Water has no off-balance sheet arrangements.

### 8. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### Risks and Uncertainties

Cash from operations may fluctuate with the performance of our business, which can be susceptible to a number of risks. These risks may include, but are not limited to, inflation (such as commodity price increases beyond our control), foreign exchange fluctuations, labour relations, coffee prices (notwithstanding hedging programs, as exact

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis

For the first quarter ended March 31, 2025

hedging correlation is not attainable), the availability of coffee, competition from existing chemical and other natural or chemical-free coffee decaffeinator, competition from new entrants with alternate processing methods or agricultural technologies, regulatory risks, terms of credit agreements, customer concentration, commodity futures losses, ability to maintain organic certification, adequacy of insurance, risks related to information technology and cyber crime, dependence on key personnel, product liability, uncollectable debts, liquidity risk, timing and costs of capital projects, Swiss Water's ability to raise funds through either debt or equity, availability of labour force, equipment and supplies, global environmental change and climate effects on our products and supply chain, geopolitical risks, inflation, changes in interest rates, global pandemics, and general economic downturns. These risks and how Swiss Water manages them are described in the AIF. The future effects of these risks and uncertainties cannot be quantified or predicted.

In recent years geopolitical pressures have increased. Tensions have emerged that have enhanced country and regional specific risks, including Ukraine, Russia and Israel. At this time there is uncertainty over the full impact of these pressures on Swiss Water's business. Accordingly, we cannot provide assurance that geopolitical tensions will not negatively affect our legacy trading relationships and growth ambitions.

Swiss Water's operations may be negatively impacted in the event of a local or global outbreak of disease. A pandemic may impact demand for our products and services, and the capability of our supply chains. It may also impact expected credit losses on our amounts due from customers and whether the entity continues to meet the criteria for hedge accounting. For example, if a hedged forecast transaction is no longer highly probable to occur, hedge accounting would be discontinued.

Risks are also discussed in detail in the 'Financial Risk Management' note in our condensed consolidated interim financial statements. Furthermore, in this management discussion and analysis, we discuss risk under the headings 'Hedge Accounting' and 'Financial Instruments'.

## Environmental Risks

The Canadian Securities Administrators ("CSA") identifies five categories of risks: litigation, physical, regulatory, reputational and business model, for which issuers are asked to identify material risks and if they are reasonably likely to affect financial statements in the future.

Environmental matters relate to a broad range of issues, including those related to air, water, waste and land. As a small company with limited human and financial resources, we focus on only those risks that we believe could have a materially adverse impact on our operations and/or financial results within our planning horizon, rather than seeking to identify all possible future risks. Risk assessment involves judgment, uncertainty and estimates, which can provide only reasonable, rather than an absolute, assurance that all the applicable risks and their expected impacts on Swiss Water are considered.

The most pervasive environmental risks that we face relate to the fact that we buy, sell and store an agricultural commodity. The supply of green coffee can be impacted by numerous environmental conditions such as frosts, drought, plant disease and insect damage, which can impact the quality and size of the coffee crop. In addition, certain environmental conditions, such as excessive rains, can hamper crop harvesting. A shortage of coffee can impact our processing volumes and revenues. We seek to mitigate the risks of coffee shortages by maintaining an extensive list of coffee suppliers; by dealing with importers who themselves have multiple suppliers rather than contracting directly with farmers or coffee co-operative organizations; by maintaining up to three months of coffee inventories at any time; by developing and modifying coffee blends that take into consideration coffee availability and cost from various coffee origins; and, by entering into purchase contracts with suppliers for future delivery of coffee (rather than relying on 'spot' deliveries). In addition, the coffee commodity price is closely tied to available



# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis For the first quarter ended March 31, 2025

supplies of coffee globally. We mitigate the commodity price risk through our commodity price risk management policy.

Our leased facilities are located in the Metro Vancouver area of British Columbia. Vancouver is considered to be at high risk of a major earthquake and flooding. Our new plant in Delta was built to higher seismic standards than our legacy plant in Burnaby, however, any significant earthquake in the vicinity could have a material impact on our operations for a period of time. This would depend on the extent of the damage to our facilities and equipment, and the transportation infrastructure in the region. In short, a major earthquake could have a material adverse impact on our revenues. We carry property and business interruption insurance, including earthquake coverage, which would help offset the cash flow impact of such an event. In addition, we keep some finished goods inventory in third-party coffee warehouses in other regions, and we would be able to sell these finished goods even if our production and distribution of coffee were temporarily interrupted. Nevertheless, the financial and operational impact of a major earthquake cannot be reasonably predicted.

We are subject to a number of environmental laws and regulations related to our facilities in British Columbia. These mandate among other things, the maintenance of air and water quality. We routinely monitor our compliance with these standards. Based on our compliance record and our maintenance programs, as well as currently enacted laws and regulations, we do not believe that these regulatory risks are material. In addition, there are risks associated with global regulatory changes and their related impact on demand and competition, which we routinely monitor for compliance.

We expect to incur increased costs for energy and water consumption over time. If we cannot pass on such increased costs to our customers, our profitability may be adversely impacted.

We believe that all known environmental obligations and provisions have been appropriately reflected in our financial statements. We have not identified any material litigation, reputational, or business model risks related to environmental matters. Nevertheless, we may be subject to potential unknown or unforeseeable environmental impacts arising from, or related to, our business. Costs associated with such issues could be material.

We believe that the trend toward increased environmental awareness and social consciousness creates an opportunity for us to grow our business, as consumers and coffee industry participants place greater emphasis on reducing their impact on the environment and on living healthier lifestyles. As one of the few chemical-free decaffeimators in the world, we believe that an increased focus on environmental matters and health will allow us to win more business from decaffeimators that use chemicals such as methylene chloride to decaffeinate coffee.

## Hedge Accounting

There are risks related to unpredictability over coffee commodity prices and foreign exchange rates. To minimize these risks, we follow our risk management program, which is carried out under two policies approved by the Board of Directors: The Foreign Exchange Risk Management Policy and the Commodity Price Risk Management Policy. With the use of derivative financial instruments, we hedge potential adverse effects on our financial performance and cash flows.

Under the risk management program, we enter into three types of hedges and each type is discussed below:

- 1) Commodity price risk hedges on coffee purchase commitments and coffee inventory (“commodity hedges”);
- 2) Currency risk hedges related to US\$ denominated future process revenues (“revenue hedges”);
- 3) Currency risk hedges related to US\$ denominated purchases of green coffee (“purchase hedges”).

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis

For the first quarter ended March 31, 2025

### Commodity Hedges

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

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

### Revenue Hedges

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

At each period end, revenue hedges are re-measured to their fair value. Under hedge accounting, unrealized gains/losses for open revenue hedges are recorded in other comprehensive income. When a revenue hedge matures, the realized gain/loss on that contract is reclassified from accumulated other comprehensive income to process revenue.

### Purchase Hedges

We enter into forward contracts to buy US\$ to manage foreign exchange risk related to both customer-specific green coffee inventory purchases and capital equipment acquisitions.

For customer-specific hedging, we use forward contracts to purchase US\$ for green coffee inventory that, once decaffeinated, will be sold at a fixed C\$ price under a contractual agreement. This approach effectively locks in the C\$ cost of inventory, ensuring price stability for our customers. These hedges are re-measured to fair value at each period-end. Under hedge accounting, any associated gains or losses are deferred on the statement of financial position until the inventory is sold, at which point they are recorded in cost of sales on the income statement.

This structured approach to hedging helps manage financial risk and ensures greater predictability in costs.

### Financial Instruments

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

We classify our financial assets and financial liabilities in the following measurement categories (i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis For the first quarter ended March 31, 2025

(ii) those to be measured at amortized cost. We have implemented the following classifications for financial instruments other than derivatives:

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

### Commodity Price Risk

Commodity price risk is the risk that the fair value of inventory will fluctuate due to changes in commodity prices. We utilize futures contracts to manage our commodity price exposure. We buy and sell futures contracts for coffee on the Intercontinental Exchange in order to offset our inventory position and to fix the input cost of green coffee.

As at March 31, 2025, Swiss Water had futures contracts to buy 7.9 million pounds of green coffee with a notional value of US\$29.8 million, and contracts to sell 14.4 million pounds of green coffee with a notional value of US\$54.1 million. The furthest contract matures in March 2026 (December 31, 2024: buy 6.5 million pounds of coffee with a notional value of US\$20.4 million, and contracts to sell 17.0 million pounds of coffee with a notional value of US\$53.6 million). An estimated 1% decrease in the mark-to-market rate applied to coffee futures would have resulted in an estimated decrease of \$0.7 million to the net income before tax, and vice versa (December 31, 2024: \$0.2 million loss and vice versa).

### Foreign Currency Risk

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

As at March 31, 2025, Swiss Water had forward currency contracts to buy US\$7.2 million and sell US\$44.7 million (December 31, 2024: buy US\$5.1 million and sell US\$44.5 million) from April 2025 through to August 2027 at various Canadian exchange rates ranging from \$1.30 to \$1.45. An estimated Canadian 1 cent decrease in the value of the US dollar would have resulted in an estimated increase of \$0.2 million to the net income and other comprehensive income before tax, and vice versa (December 31, 2024: \$0.3 million).

## 9. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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### Measurement of Uncertainty

The preparation of financial statements in accordance with IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis

For the first quarter ended March 31, 2025

when accounting for useful lives of depreciable assets, provision for asset retirement obligations, share-based compensation, borrowings embedded option, derivatives, lease liabilities and right-of-use assets, and income taxes. Actual results may be different from these estimates.

An accounting estimate is deemed critical only if it requires us to make assumptions about matters that are highly uncertain at the time the accounting estimate is made, and different estimates that we could have used in the current period would have a material impact on our financial condition or the results of operations.

### Provision for Asset Retirement Obligation

Analysis and estimates are performed by Swiss Water to determine the amount of restoration costs to be recognized as a provision in our consolidated financial statements. The estimates consider the contract language in our leases, the expected useful lives of our equipment, inflation rates, discount rates, and the expected costs that would be paid to a third party to remove property and equipment.

The amount that we recognized as a provision in the asset retirement obligation is the best estimate of the consideration required to settle the present obligation at the end of the reporting period. This takes the risks and uncertainties surrounding the obligation into account. When the final determination of such obligation amounts differs from the recognized provisions, Swiss Water's financial statements will be impacted.

The present value of future cash flows for asset retirement obligation with respect to our leased decaffeination facility in Delta is estimated at \$3.6 million. This estimate assumes that we restore the current location upon the expiry of the lease for the two lines in Delta, BC at an estimated undiscounted cash flow of \$5.5 million. Further, the estimate reflects the expected costs of vacating the leased facility in 2038 having regard for the contract language in the lease, the expected useful lives of our plant and equipment, and the expected costs that would be paid to a third party to remove the equipment. The calculation of the ARO does not take the fact that we have the option to purchase our leased facility and underlying land into account.

### Income Taxes

We compute income taxes using the liability method, under which deferred income taxes are provided for the temporary differences between the financial reporting bases and the tax bases of our assets and liabilities. Deferred tax assets and liabilities are measured using the enacted and substantively enacted income tax rates that are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred tax assets also reflect estimates of the recoverability of non-capital loss carry forwards. We have recognized the benefit of loss carry forwards to the extent that it is probable that taxable income will be available in the future against which our non-capital loss carry forwards can be utilized. As at March 31, 2025, Swiss Water and our subsidiaries had combined a non-capital tax loss carry forward totaling \$73.6 million, which will begin to expire in 2039. Of the \$73.6 million non-capital tax losses carry forwards, \$3.8 million does not expire. This can be used to reduce income taxes payable in future years.

The financial reporting bases of our assets reflect the useful lives of depreciable assets, as well as the carrying amounts of assets with indefinite useful lives. Accordingly, management estimates that impact the carrying amounts of depreciable and non-depreciable assets also have an impact on deferred income tax assets and liabilities.

# SWISS WATER DECAFFEINATED COFFEE INC.

## Management Discussion and Analysis

For the first quarter ended March 31, 2025

### Leases and Right-of-Use Assets

The preparation of consolidated financial statements requires that Swiss Water's management make assumptions and estimates on our finance leases. Certain estimates and assumptions need to be made and applied, which include but are not limited to, the determination of the expected lease term and minimum lease payments, the assessment of the likelihood of exercising options, and the estimation of the fair value of the leased properties at lease inception.

### Borrowings Embedded Option

Since 2022, the amended debenture with warrants agreement with Mill Road contained an embedded cashless option feature related to warrants. This embedded option is a financial liability and was recognized initially at \$1.9 million effective on November 22, 2022, and is subsequently revalued at each reporting date. As at March 31, 2025, Swiss Water recognized the fair value of the embedded option in the amount of \$1.2 million (December 31, 2024: \$2.3 million). For the three months ended March 31, 2025, Swiss Water recorded a gain of \$1.1 million (2023: loss of \$0.9).

At initial recognition, in the calculation of the fair value of the liability portion within the debenture with warrants, we estimated the interest rate on a similar instrument of comparable credit status providing for substantially the same cash flows, on the same terms, but without the warrants exercise option. We estimate the fair values of the borrowings embedded option liability related to the debenture with warrants at initial recognition and at the end of each reporting period using the Black-Scholes Option Pricing Model which requires management estimates. 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.

The fair value of the embedded option in the debenture with warrants agreement was determined using the Black-Scholes Option Pricing Model. The variables and assumptions used in computing the fair value are based on our best estimate, as discussed in our condensed consolidated interim financial statements.

In C\$	March 31 2025	December 31 2024
Share price	\$ 3.26	\$ 3.92
Exercise price	\$ 3.33	\$ 3.33
Option life	1.08 years	1.33 years
Volatility	40%	38%
Risk-free interest rate	2.47%	2.92%
Dividend yield	0.00%	0.00%

## 10. CHANGES IN ACCOUNTING STANDARDS

The following amendments to accounting standards became effective for annual periods beginning on or after January 1, 2025. The adoption of these revised standards by Swiss Water did not have a material impact on our consolidated financial statements.

- *IFRS 16 Leases* has amended guidance over accounting for lease liability in a sale and leaseback transaction.

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis

### For the first quarter ended March 31, 2025

- *IAS 1 Presentation of financial statements* was amended to clarify the classification of non-current liabilities with covenants, depending on the rights that exist at the end of the reporting period. Liabilities should be classified as non-current if a company has a substantive right to defer settlement for at least 12 months at the end of the reporting period.
- *IAS 7 Statement of Cash Flows and IFRS 7 Financial instruments* disclosures contain amendments that require disclosures of the effects of supplier finance arrangements on an entity's liabilities and cash flows, as well as liquidity risk and risk management.
- *IAS 21 The effects of changes in foreign exchange rates* was amended to specify how to determine whether a currency is exchangeable into another currency and how to determine the spot exchange rate when a currency lacks exchangeability. The amendments' effective date is January 1, 2025, early adoption is permitted.

The following standards are effective for periods beginning after January 1, 2025. The Company is assessing the impacts to the consolidated financial statements.

- *IFRS 7 Financial instruments disclosure, in tandem with IFRS 9 Financial instruments*, provides amendments to the classification and measurements of financial instruments, gains and loss on derecognition of financial instruments (including derecognition of lease liabilities and transaction price). The standards also clarify the dates of the initial recognition and derecognition of financial assets, and they clarify the initial measurement of financial instruments when the fair value at initial recognition differs from the transaction price. IFRS 7 further provides guidance on implementing disclosure of deferred differences between fair value and transaction price and credit risk disclosure. In addition, these standards address contracts that reference nature-dependent electricity. The effective date for these amendments is for annual reporting periods beginning on or after January 1, 2026, however, earlier application is permitted.
- *IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures* relate to the sale or contribution of assets between an investor and its associate or joint venture, and the amendments clarify accounting for a subsidiary when a *parent* company loses control of the subsidiary. The standards also clarify the determination of a 'De Facto Agent' when assessing control and provide other annual improvements to the standard. IAS 28 amended equity method procedures. The amendments' effective date is January 1, 2026, early adoption is permitted.
- *IAS 7 Statement of cash flows* amended paragraph 37 to clarify investments in subsidiaries, associates, and joint ventures. Amendments are applicable for annual *reporting* periods beginning on or after January 1, 2026. Earlier application is permitted.
- *IFRS 18 Presentation and disclosure in the financial statements*, is a new standard issued by IASB in April 2024. The new Standard is applicable for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted.
- *IFRS 19 Subsidiaries without public accountability: disclosures* is a new standard issued by IASB in May 2024. The new Standard is applicable for annual reporting periods beginning on or after January 1, 2027. Earlier application is permitted.

# SWISS WATER DECAFFEINATED COFFEE INC.

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## Management Discussion and Analysis

For the first quarter ended March 31, 2025

### 11. INTERNAL CONTROLS OVER FINANCIAL REPORTING & DISCLOSURE CONTROLS AND PROCEDURES

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The Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”) of Swiss Water are responsible for establishing and maintaining adequate internal control over financial reporting (“ICFR”) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Under the supervision and with the participation of management, we conducted an evaluation of the design and effectiveness of our ICFR as of March 31, 2025, based on the updated framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO 2013”). Based on this assessment, the CEO and CFO concluded that, as of March 31, 2025, Swiss Water’s ICFR was effective.

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

The CEO and CFO evaluated or caused to be evaluated under supervision, the effectiveness of our disclosure controls and procedures, and based on this evaluation, the CEO and CFO concluded that, as of March 31, 2025, Swiss Water’s disclosure controls and procedures were effective. There were no changes in our ICFR that occurred during the period beginning on January 1, 2025, and ended on March 31, 2025, that have materially affected or are reasonably likely to materially affect, Swiss Water’s ICFR.

### 12. SUBSEQUENT EVENT

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On April 2, 2025, the US administration announced the implementation of a 10% tariff on most imports from a broad range of countries, effective April 5, 2025.

While imports of coffee beans into Canada remain unaffected, coffee exported from Canada to the United States that retain their original country-of-origin designation are now subject to this new tariff structure. These tariff rules and classifications also apply to our competitors in both Europe and Mexico.

This development introduces additional cost pressures on Swiss Water’s U.S.-bound shipments. From Q2’25 Swiss Water will include any tariff charges it incurs on shipments on the invoice to its US customers. The Company is evaluating the negative impact that higher prices may have on customer purchasing behaviour going forward.