



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

For the Three and Six Months Ended June 30, 2025

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis

For the second quarter ended June 30, 2025

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SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis

For the second quarter ended June 30, 2025

1. INTRODUCTION

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 August 6, 2025, provides a review of the financial results for the three and six months ended June 30, 2025, relative to the comparable period of 2024. The three month period represents the second quarter ("Q2") 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 and six months ended June 30, 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.

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2. OVERVIEW

Company Overview

Swiss Water is a premium chemical-free coffee decaffeinator located in Delta, British Columbia. We employ the proprietary Swiss Water® Process¹ 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

¹ The Company is a registered owner of this trademark.

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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 2028¹. 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%² 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 week³.

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 labelling 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

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

² The National Coffee Association "National Coffee Data Trends, Specialty Coffee Report", 2023.

³ The National Coffee Association "National Coffee Data Trends, Specialty Coffee Report", 2023.

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

In Q2 2025, the NY'C' averaged US\$3.59/lb, compared to an average of US\$2.20/lb in Q2 2024, an increase of 64%. Year to date, the NY'C' averaged US\$3.66/lb, compared to an average of US\$2.05/lb in 2024, an increase of 79%. 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 Q2 2025, the US\$ averaged C\$1.38, compared to an average of C\$1.37 in Q2 2024. Year to date, the US\$ averaged C\$1.41, compared to an average of C\$1.36 in 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, foreign exchange volatility and US tariff uncertainty impacting market conditions. Despite this turbulent environment, we delivered positive performance during the first half of this year, with process volumes growing by 2% year to date. This demonstrates the strength of our brand and demand for our chemical-free decaffeination process. 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 and roasters are approaching the seasonally higher fall roasting. We continue to closely watch coffee consumption in the US grocery marketplace, and we are expecting some softening leading into Q3. We expect the long-term trend of chemical-free

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decaffeination growth to continue, however, extremely elevated coffee futures markets will definitely have an effect on consumption in the near term.

Financial Position & Strengthened Balance Sheet

On June 23, 2025, the Company completed the renewal and amendment of its existing revolving Credit Facility, resulting in an \$80 million revolving credit facility. The Credit Facility provides the Company with \$35 million of incremental borrowing capacity, consisting of \$10 million of expanded revolving credit capacity with a Canadian bank and the introduction of \$25 million of new incremental revolving credit capacity with Rabobank. The Credit Facility has a maturity date of June 23, 2027, and replaces the Company's current credit facility with a Canadian bank, which was scheduled to mature on October 19, 2025. The new agreement includes an option to extend maturity by one year, to June 23, 2028, at the discretion of the lenders.

Furthermore, on June 30, 2025, we reached an agreement with Mill Road Capital LLC ("Mill Road") to purchase and retire the Company's warrant agreements held by Mill Road. On July 3, 2025, the Company made the cash payment, and the warrants were cancelled. The purchase and cancellation of warrants removes an overhang on the company's share price and eliminates the potential risk of dilution to existing shareholders. In Q4 2024, Swiss Water repaid in full the \$15.9 million (principal and accrued interest) debenture held by Mill Road. This repayment reduced our overall debt burden, lowers future interest expenses, simplifies our capital structure, and enhances financial flexibility.

As of June 30, 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 six months of 2025, we repaid \$2.7 million of construction debt and reduced our working capital investments. 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 green coffee 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.

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However, effective April 5, 2025, the US administration implemented a 10% tariff on most imports from a broad range of countries. While imports of green coffee into Canada remain unaffected, coffee exported from Canada to the United States that retains its original country-of-origin designation is 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 started to see a slowdown in advance purchase commitments from some US customers during the second quarter. It appears that some of our trading partners have adjusted their normal purchasing behaviour to manage their exposure to tariff driven inflation. The company is evaluating whether this emerging response is a permanent change or will ease as customers consume existing inventories and feel greater pressure to replenish their coffee holdings over the coming months as the seasonally stronger fall roasting period approaches.

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 warrants cancellation, initiation of construction debt repayments, and the renewal and expansion of its existing revolving Credit Facility. 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 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 and six months ended June 30, 2025, prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting (“IAS 34”) as issued by the International Accounting Standards Board (“IASB”). For the definition of Adjusted EBITDA, refer to the “Reconciliation of Non-IFRS Measures” section of this MD&A.

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The results of operations are as follows:

In C\$ '000s except for per share amounts	3 months ended June 30				6 months ended June 30			
	2025	2024	\$ Change	% Change	2025	2024	% Change	% Change
Revenue	67,695	43,372	24,323	56%	129,967	82,102	47,865	58%
Cost of sales	(62,447)	(35,707)	(26,740)	75%	(117,432)	(69,322)	(48,110)	69%
Gross profit	5,248	7,665	(2,417)	-32%	12,535	12,780	(245)	-2%
Operating expenses	(3,864)	(3,917)	53	-1%	(7,253)	(7,668)	415	-5%
Operating income	1,384	3,748	(2,364)	-63%	5,282	5,112	170	3%
Non-operating or other	(2,005)	(2,077)	72	-3%	(5,232)	(4,565)	(667)	15%
Income (loss) before tax	247	(724)	971	-134%	91	(500)	591	-118%
Net income (loss)	(374)	947	(1,321)	-139%	141	47	94	200%
Adjusted EBITDA ⁽¹⁾	1,828	4,484	(2,656)	-59%	3,836	7,272	(3,436)	-47%
Earnings (loss) per share ⁽²⁾								
Basic	(0.04)	0.10			0.01	0.01		
Diluted	(0.10)	0.07			(0.16)	0.01		

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

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

Operational Highlights

- Total processing volumes in pounds for the first half increased by 2% when compared to 2024, supported by continued customer demand and 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.
- The value of our inventory position decreased by \$1.2 million when compared to 2024. The overall balance remains high, reflecting both a higher NY'C' coffee commodity price and a strategic increase in inventory levels in response to strong customer demand for spot or immediate sales. While we remain focused on working capital discipline, we made the decision to build inventory during the first half of this year to guarantee the 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 Q2, peaking at US\$4.10/lb in April, and ending the quarter at US\$3.00/lb. Spot availability of green coffees remains very low, and pressure on the futures market intensified during the quarter. Moving forward, the higher prices and inverted 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.

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Revenue

We monitor and report our revenue in three categories:

- “Process revenue” 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 June 30				6 months ended June 30			
	2025	2024	\$ Change	% Change	2025	2024	\$ Change	% Change
Process revenue	9,482	9,309	173	2%	18,734	17,564	1,170	7%
Green revenue	53,319	31,231	22,088	71%	103,280	59,117	44,163	75%
Distribution revenue	4,894	2,832	2,062	73%	7,953	5,421	2,532	47%
Total Revenue	67,695	43,372	24,323	56%	129,967	82,102	47,865	58%

Revenue for the three and six months ended June 30, 2025, was \$67.7 million and \$130.0 million, which represents a \$24.3 million or 56% increase and a \$47.9 million or 58% increase, when compared to the same periods in 2024. The increase was primarily driven by a higher NY'C' coffee commodity price and enhanced further by volume growth and pricing initiatives within our distribution business.

Revenue by Category

Process revenue for the three and six months ended June 30, 2025, was \$9.5 million and \$18.7 million, which represents a \$0.2 million or 2% increase and a \$1.2 million or 7% increase, when compared to the same periods in 2024. In Q2, the increase was primarily driven by customer sales mix, while the year to date increase was primarily driven by customer sales mix and foreign exchange benefits associated with the appreciating US\$, primarily in Q1.

Green coffee revenue for the three and six months ended June 30, 2025, was \$53.3 million and \$103.3 million, which represents a \$22.1 million or 71% increase and a \$44.2 million or 75% increase, when compared to the same periods in 2024. The increases were primarily driven by increased NY'C' coffee prices and higher green coffee differentials.

Distribution revenue for the three and six months ended June 30, 2025, was \$4.9 million and \$8.0 million, which represents a \$2.1 million or 73% increase and a \$2.5 million or 47% increase, when compared to the same periods in 2024. In Q2, the increase was primarily driven by increased green coffee logistics services from Seaforth, tariff costs charged back to customers in the United States, and increased freight rates. Year to date, the increase was primarily driven by increased green coffee logistics services from Seaforth and increased freight rates.

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

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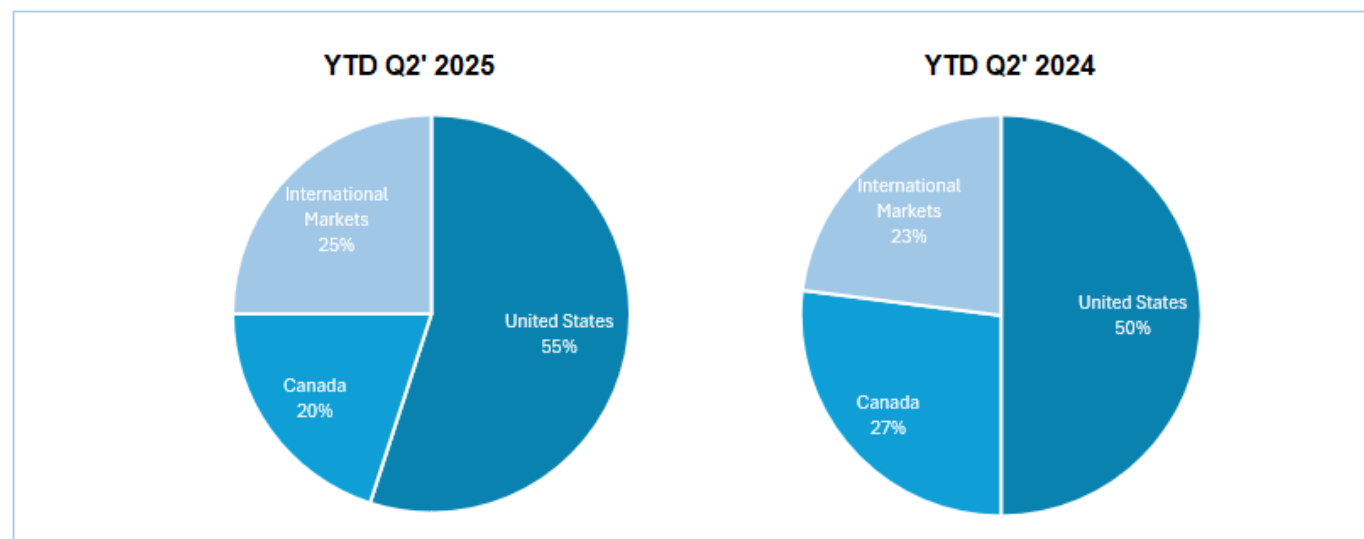
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Our sales volumes by geographical segment for the first half of this year are as follows:

- Sales volume in North America remained flat.
- Sales volume in international markets increased by 9%.

By dollar value, 55% of our sales in the first half of this year were to customers in the United States, 25% were to international customers, and 20% were to Canadian customers.



Cost of Sales, Gross Profit and Operating Expenses

In C\$ '000s	3 months ended June 30				6 months ended June 30			
	2025	2024	\$ Change	% Change	2025	2024	\$ Change	% Change
Cost of sales	62,447	35,707	26,740	75%	117,432	69,322	48,110	69%
Gross profit	5,248	7,665	(2,417)	-32%	12,535	12,780	(245)	-2%
Gross margin %	8%	18%			10%	16%		
Operating expenses								
Administration expenses	2,962	2,947	15	1%	5,397	5,784	(387)	-7%
Sales and marketing expenses	902	970	(68)	-7%	1,856	1,884	(28)	-1%
Total operating expenses	3,864	3,917	(53)	-1%	7,253	7,668	(415)	-5%

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

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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 for the three and six months ended June 30, 2025, was \$62.4 million and \$117.4 million, which represents a \$26.7 million or 75% increase and a \$48.1 million or 69% increase, when compared to the same periods in 2024. In Q2, the increase was primarily driven by an elevated NY'C', with more modest contributions from front-loading of maintenance costs for our production lines, labour costs, and tariff costs associated with sales to customers in the United States. Year to date, the increase was primarily driven by an elevated NY'C', along with some front-loading of maintenance costs for our production lines.

Gross Profit

Gross profit for the three and six months ended June 30, 2025, was \$5.2 million and \$12.5 million, which represents a \$2.4 million or 32% decrease and a \$0.2 million or 2% decrease, when compared to the same periods in 2024. In Q2, the decrease was primarily driven by foreign exchange losses on green coffee cost recovery associated with the depreciating US\$ dollar, front loading of maintenance costs for our production lines, as well as the reversal of an inventory provision in 2024, which increased gross profit in 2024. There was no such reversal in 2025. Year to date, the decrease was primarily driven by the reversal of the 2024 inventory provision and front loading of maintenance costs for our production lines. Gross margin percentage for the three and six months ended June 30, 2025, was 8% and 10%, versus 18% and 16% compared to the same periods in 2024. The decline in gross margin percentage was mainly due to a significant increase in green coffee revenue within our revenue stream sales mix, which has materially lower margins than our other revenue streams, as well as the factors previously described.

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 for the three and six months ended June 30, 2025, were \$3.0 million and \$5.4 million, which represents a negligible or 1% increase and a \$0.4 million or 7% decrease, when compared to the same periods in 2024. Year to date, 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 in Q1. This was partially offset by planned headcount and inflationary 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 behaviour 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

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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 for the three and six months ended June 30, 2025, were \$0.9 million and \$1.9 million, which represents a \$0.1 million or 7% decrease and a negligible or 1% decrease, when compared to the same periods in 2024. The main driver for the decrease in Q2 was the timing of marketing activities in 2025.

Non-operating or other income and expense

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

In C\$ '000s	3 months ended June 30				6 months ended June 30			
	2025	2024	\$ Change	% Change	2025	2024	\$ Change	% Change
Loss on risk management activities	(1,101)	(519)	(582)	112%	(3,940)	(668)	(3,272)	490%
Gain (loss) on fair value of embedded option	546	83	463	558%	1,657	(808)	2,465	-305%
Finance income	362	446	(84)	-19%	740	906	(166)	-18%
Finance expense	(1,702)	(2,293)	591	-26%	(3,420)	(4,581)	1,161	-25%
Gain (loss) on foreign exchange	(110)	206	(316)	-153%	(269)	586	(855)	-146%
Total non-operating or other	(2,005)	(2,077)	72	-3%	(5,232)	(4,565)	(667)	15%

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 and six months ended June 30, 2025, we recorded a loss on risk management activities of \$1.1 million and \$3.9 million, compared to a loss of \$0.5 million and \$0.7 million for the same periods in 2024. The increased losses primarily reflect the impact of rolling hedge positions forward in the currently inverted (versus carry) 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 depreciation 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. The Company's pricing methodology incorporates NY'C' inversion costs for recovery on future sales as they are shipped and invoiced. This creates a lag in the recovery time for the currently inverted market rolling costs, and inversion costs are expected to be recouped in future periods.

Gains and Losses on Fair Value of Embedded Option

Since 2022, the amended debenture with warrants included an embedded option allowing Mill Road, at its election, to receive fewer than the maximum 2.25 million common shares upon warrant exercise. This embedded option is classified as a financial liability and revalued at each reporting date.

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As at June 30, 2025, the Company changed its valuation technique for this option. While the December 31, 2024 fair value was determined using the Black-Scholes Option Pricing Model, which involved assumptions and estimates, the June 30, 2025 fair value was based on the actual consideration paid to extinguish the option. The revised approach reflects management's view that a transaction-based valuation offers a more reliable and observable measure.

The fair value of the embedded option as at June 30, 2025, was \$0.7 million (December 31, 2024: \$2.3 million), based on the fair value of consideration paid to purchase the warrants from Mill Road (see Subsequent Event). The change in fair value resulted in a gain of \$0.5 million and \$1.7 million for the three and six months ended June 30, 2025, respectively (2024: gain of \$0.1 million and loss of \$0.8 million). 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 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 for the three and six months ended June 30, 2025, was \$1.3 million and \$2.7 million, which represents a \$0.5 million or 27% decrease and a \$1.0 million or 27% decrease, when compared to the same periods in 2024. The decrease was primarily due to the elimination of interest related to the Mill Road's debenture with warrants, following the repayment on October 31, 2024. Finance expense on long-term borrowings also declined, due to a lower average loan balance and more favourable variable interest rates. The savings were partially offset by higher interest on the Operating Credit Facility, reflecting increased utilization in 2025.

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 and six months ended June 30, 2025, we recorded a loss on foreign exchange of \$0.1 million and \$0.3 million, compared to a gain of \$0.2 million and \$0.6 million for the same periods in 2024. The fluctuations in foreign exchange are due to movements in the C\$ versus US\$ as the exchange rate for the three and six months ended June 30, 2025, averaged C\$1.38 and C\$1.41, compared to C\$1.37 and C\$1.36 for the same periods in 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 DSUs, C-RSUs and E-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.

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis

For the second quarter ended June 30, 2025

For the three and six months ended June 30, 2025, we recorded net loss after taxes of \$0.4 million and net income after taxes of \$0.1 million, compared to a net income after taxes of \$0.9 million and \$0.05 for the same periods 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 and six months ended June 30, 2025, was a gain of \$2.0 million and \$2.3 million, compared to a loss of \$0.2 million and \$1.1 million for the same periods in 2024. Increases and decreases are related to fluctuations in the value of the C\$ versus the US\$.

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 E-RSUs and warrants, if dilutive, into account. The number of additional shares is calculated by assuming that outstanding warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting period. When the effects of a potential issuance of shares under warrants and E-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 June 30		6 months ended June 30	
	2025	2024	2025	2024
Earnings per share				
Net income (loss)	\$ (374)	\$ 947	\$ 141	\$ 47
Weighted average number of shares	9,544,552	9,502,151	9,537,690	9,362,995
Basic income (loss) per share	\$ (0.04)	\$ 0.10	\$ 0.01	\$ 0.01

SWISS WATER DECAFFEINATED COFFEE INC.

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For the second quarter ended June 30, 2025

In C\$ '000s except for per share amounts	3 months ended June 30		6 months ended June 30	
	2025	2024	2025	2024
Earnings per share				
Net income (loss)	\$ (374)	\$ 947	\$ 141	\$ 47
Fair value of borrowings embedded option	(546)	(84)	(1,657)	-
Net income (loss) after effect of diluted securities	\$ (920)	\$ 863	\$ (1,516)	\$ 47
Weighted average number of shares - basic	9,544,552	9,502,151	9,537,690	9,362,995
Effect of diluted securities: Warrants	2,250,000	2,250,000	2,250,000	-
Effect of diluted securities: Warrants deemed to be repurchased	(2,337,233)	-	(2,257,974)	-
Weighted average number of shares - diluted	9,457,319	11,752,151	9,529,716	9,362,995
Diluted income (loss) per share	\$ (0.10)	\$ 0.07	\$ (0.16)	\$ 0.01

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.

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For the second quarter ended June 30, 2025

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 June 30		6 months ended June 30	
	2025	2024	2025	2024
Operating income	\$ 1,384	\$ 3,748	\$ 5,282	\$ 5,112
Depreciation & amortization	1,850	1,679	3,628	3,395
Share-based compensation	275	189	67	724
Loss on risk management activities	(1,101)	(519)	(3,940)	(668)
Unrealized gain (loss) on foreign exchange forward contracts	54	26	71	(12)
Impact of IFRS 16 - Leases	(634)	(639)	(1,272)	(1,279)
Adjusted EBITDA	\$ 1,828	\$ 4,484	\$ 3,836	\$ 7,272

Adjusted EBITDA for the three and six months ended June 30, 2025, was \$1.8 million and \$3.8 million, which represents a decrease of \$2.7 million or 59% and a decrease of \$3.4 million or 47%, when compared to the same periods in 2024. The decrease was primarily driven by an increase in losses on risk management activities and a decrease in operating income in Q2, as described above.

In any period, material variances in Adjusted EBITDA and net income (loss) versus prior year can arise primarily due to volatility in commodity pricing and foreign exchange rates. Through our risk management activities, we hedge against this volatility so that over time, the Adjusted EBITDA and net income will reflect pure operating performance exclusive of these volatile factors.

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

In C\$ '000s	3 months ended June 30		6 months ended June 30	
	2025	2024	2025	2024
Net income (loss)	\$ (374)	\$ 947	\$ 141	\$ 47
Income tax (recovery) expense	(247)	724	(91)	500
Income (loss) before tax	\$ (621)	\$ 1,671	\$ 50	\$ 547
Finance income	(362)	(446)	(740)	(906)
Finance expense	1,702	2,293	3,420	4,581
Depreciation & amortization	1,850	1,679	3,628	3,395
Unrealized (gain) loss on foreign exchange forward contracts	54	26	71	(12)
Fair value (gain) loss on the embedded option	(546)	(83)	(1,657)	808
(Gain) loss on foreign exchange	110	(206)	269	(586)
Share-based compensation	275	189	67	724
Impact of IFRS 16 - Leases	(634)	(639)	(1,272)	(1,279)
Adjusted EBITDA	\$ 1,828	\$ 4,484	\$ 3,836	\$ 7,272

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis

For the second quarter ended June 30, 2025

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 following table summarizes results for each of the eight most recently completed fiscal quarters.

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

In C\$ '000s except for per share amounts	8 Quarter Average	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
Revenue	47,120	67,695	62,272	49,249	41,778	43,372	38,730	41,237	32,627
Gross Profit	6,152	5,248	7,287	6,974	6,436	7,665	5,115	6,916	3,576
Operating income	2,558	1,384	3,898	3,163	2,780	3,748	1,364	3,372	758
Adjusted EBITDA ¹	3,088	1,828	2,008	4,885	2,161	4,484	2,788	5,008	1,539
Net income (loss)	244	(374)	515	2,013	(791)	947	(900)	961	(417)
Per Share²									
Net income (loss) - basic	0.02	(0.04)	0.05	0.21	(0.08)	0.10	(0.10)	0.10	(0.05)
Net income (loss) - diluted	(0.00)	(0.10)	(0.06)	0.21	(0.08)	0.07	(0.10)	0.10	(0.05)

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

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

4. FINANCIAL AND CAPITAL MANAGEMENT

Liquidity

As at June 30, 2025, cash was \$4.8 million and net working capital was \$49.1 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 increase in working capital in 2025 is due to the reclassification of our Operating Credit Facility to non-current borrowings, as a result of the renewal and amendment on June 23, 2025, as well as an increase in accounts receivable and a significant reduction in accounts payable. We believe that our existing cash, cash generated from our operating activities, and the availability under our expanded Operating Credit Facility (as discussed 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.

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis

For the second quarter ended June 30, 2025

Borrowings

The following is a summary of available credit as at June 30, 2025:

In C\$ '000s		Maximum Credit	Available Credit	Outstanding loans principal balance ⁽²⁾	Net available credit
Operating Credit Facility ⁽¹⁾	\$	80,000	\$ 49,679	\$ 46,806	\$ 2,873
Credit facility with EDC		6,250	6,250	6,250	-
Construction loans with BDC/FCC		57,000	57,000	54,326	-
	\$	143,250	\$ 112,929	\$ 107,382	\$ 2,873

¹ The Operating Credit Facility is with Rabobank and a Canadian bank. The 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 \$80.0 million.

² The outstanding principal balance excludes accrued interest.

Below, we provide highlights of our borrowings. Additional detailed information on each of the borrowings is disclosed in the 2024 consolidated financial statements.

As at June 30, 2025, Swiss Water maintains a revolving operating Credit Facility ("Operating Credit Facility" or "Credit Facility") with two major banks, namely Rabobank and a Canadian bank, and another facility with Export Development Canada ("EDC Credit"). 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 was \$46.8 million as at June 30, 2025 (December 31, 2024: \$35.4 million), while \$6.3 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 June 30, 2025, the balance owing to BDC was \$27.0 million, the same amount as to FCC, \$27.3 million.

During 2024, Swiss Water repaid the debenture and the interest portion owed to Mill Road, whilst warrants related to the debenture with warrants remained outstanding as at June 30, 2025. As disclosed in Subsequent Event, the Company completed an agreement to purchase the warrants from Mill Road subsequent to the period end, and the outstanding warrants were cancelled.

We have certain bank and creditor covenants that relate to the maintenance of specified financial ratios. As of June 30, 2025, Swiss Water was in compliance with all covenants.

Operating Credit Facility

Our primary revolving Operating Credit Facility was initially established in 2019 with a major Canadian bank, and it 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 an 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 June 23, 2025, Swiss Water amended and renewed its Credit Facility, increasing the total available funding by \$35.0 million, from \$45.0 million to a maximum of \$80.0 million, with the purpose of supporting ongoing operations and growth. The expanded facility includes an additional \$10.0 million in revolving credit from a Canadian bank and \$25.0 million in new revolving credit from Rabobank ("Rabo"). The Credit Facility is set to mature on the earlier of

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For the second quarter ended June 30, 2025

June 23, 2027, or upon the occurrence of a default event. There is also an option, subject to lender approval, to extend the maturity date by one year to June 23, 2028.

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 Rate"), Canadian Overnight Repo Rate Average ("CORRA"), in addition to an applicable margin for each of these rates. Fees apply to outstanding letters of credit and the unused portion of the Operating Credit Facility.

The Operating 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: an EDC Credit facility of up to \$6.25 million and a \$6.0 million foreign exchange guarantee.

In 2022, we established the revolving credit facility agreement with EDC ("EDC Credit") to provide additional operational liquidity as needed. The EDC Credit is administered by our primary Operating Credit Facility lenders, with all security and guarantees held by the Operating Credit Facility lenders 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 Operating Credit Facility for repayment, (ii) the third anniversary of the effective date of November 22, 2022, and (iii) the maturity date under the Operating 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 June 30, 2025, \$6.3 million was drawn on EDC Credit (December 31, 2024: \$6.3 million).

On June 23, 2025, as part of the amended and renewed abovementioned Operating Credit Facility, as disclosed in Note 10.3 of the condensed consolidated interim financial statements, the Company is required to initiate evenly distributed principal repayments on a quarterly basis, leading to full repayment by September 30, 2028. The company retains the flexibility to accelerate repayments and eliminate the borrowings earlier.

In addition to the EDC Credit, 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 Operating Credit Facility Lender formally recognized this third-party guarantee through an amendment to the credit agreement on August 4, 2020. The guarantee, valid until July 31, 2025, provides coverage for a maximum aggregate liability of \$6.0 million and enhances our borrowing capacity within the existing Operating Credit Facility. The guarantee was renewed subsequent to period end and is valid until September 30, 2026.

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For the second quarter ended June 30, 2025

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 favourable 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 June 30, 2025, the total loan principal outstanding remained at \$54.3 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 June 30, 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 was extended to December 31, 2024, and monthly installments covering both principal and interest commenced 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 June 30, 2025, Swiss Water remains in compliance with all covenants related to the maintenance of specified financial ratios.

Debenture with Warrants with Mill Road

In 2021, Swiss Water amended the existing \$15.0 million convertible debenture agreement with Mill Road to a debenture with warrants. Under the amended terms of the agreement, the maturity date was extended by one year from October 11, 2023, to October 31, 2024. The other amended terms were: (i) the interest rate increased from a maximum of 7.85% to 9%, (ii) a 1.5% additional interest in kind was added, and (iii) the debt to shares conversion feature was amended. The debt to shares conversion was amended by (a) cancelling the existing conversion feature and (b) replacing the existing conversion feature with warrants to allow Mill Road to purchase up to 2.25 million common shares at a price of \$3.33 per share. The warrants were to expire on October 31, 2024. This amendment was accounted for as an extinguishment of debt, and a new debenture with warrants was

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Management Discussion and Analysis

For the second quarter ended June 30, 2025

established. The Company incurred a financing transaction cost of \$0.2 million associated with the amendment in 2021.

In 2022, Swiss Water amended the debenture with warrants agreement to (i) expand on the Senior Debt restricted covenant, where select liabilities are considered; (ii) allow Swiss Water a right to prepay the principal, and (iii) add security on the debenture. The original principal of \$15.0 million and the maturity date of October 31, 2024, remained the same. Also, the interest on the debenture remained unchanged at 9% paid quarterly, plus 1.5% interest in kind accrued quarterly. Meanwhile, the warrant agreement to issue 2.25 million warrants, with an exercise price of \$3.33 was amended (i) to extend the maturity date from October 31, 2024, to April 30, 2026; and (ii) to add a cashless exercise option whereby Mill Road may have elected to receive, upon exercise, such number of shares that is equal to the difference between the \$3.33 exercise price and the fair market value of the shares at the time of exercise. This amendment was accounted for as an extinguishment of debt, and a new debenture with warrants was established.

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.

However, the warrant agreement with Mill Road remained outstanding as at June 30, 2025, as disclosed in Note 13.3 of the condensed consolidated interim financial statements. On July 3, 2025, these warrants were purchased by the Company from Mill Road, as outlined in Subsequent Event. Additional information related to these warrants is discussed below, under 'Borrowings embedded option' within 'Critical accounting judgements and estimates'.

Summary of Cash Flows

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

In C\$ '000s	3 months ended June 30			6 months ended June 30		
	2025	2024	\$ Change	2025	2024	\$ Change
Net cash flows provided by (used in):						
Operating activities	1,986	5,421	(3,435)	(9,433)	12,443	(21,876)
Investing activities	(404)	(221)	(183)	(833)	(572)	(261)
Financing activities	(1,778)	(417)	(1,361)	6,541	(4,580)	11,121
Net change in cash for the period	(196)	4,783	(4,979)	(3,725)	7,291	(11,016)
Cash, beginning of period	4,985	13,599	(8,614)	8,514	11,091	(2,577)
Cash, end of period	4,789	18,382	(13,593)	4,789	18,382	(13,593)

Operating Activities

For the three and six months ended June 30, 2025, net cash generated from and used in operating activities was \$2.0 million and \$9.4 million, respectively, compared to net cash generated of \$5.4 million and \$12.4 million for the same periods 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. In the second quarter of this year, our working capital balance remained stable as a reduction in our derivative assets was offset by a reduction in accounts payable. Last

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Management Discussion and Analysis

For the second quarter ended June 30, 2025

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 three and six months ended June 30, 2025, net cash used in investing activities was \$0.4 million and \$0.8 million, respectively, compared to net cash used of \$0.2 million and \$0.6 million for the same periods in 2024. In 2025 and 2024, we incurred minimal capital expenditures, as the construction of our production facilities is complete.

Financing Activities

For the three and six months ended June 30, 2025, net cash generated from and used in financing activities was \$1.8 million and \$6.5 million, respectively, compared to net cash used of \$0.4 million and \$4.6 million for the same periods 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 2024 were made using cash generated from operating activities, supplemented by the release of working capital.

Working Capital

In C\$ '000s	2025	2024	\$ Change	% Change
Cash	4,789	8,514	(3,725)	-44%
Accounts receivable	31,327	23,332	7,995	34%
Inventories	43,326	44,494	(1,168)	-3%
Other current assets	6,459	10,989	(4,530)	-41%
Total current assets	85,901	87,329	(1,428)	-2%
Accounts payable and accrued liabilities	18,930	29,044	(10,114)	-35%
Current borrowings	12,191	47,316	(35,125)	-74%
Other current liabilities	5,692	7,011	(1,319)	-19%
Total current liabilities	36,813	83,371	(46,558)	-56%
Net working capital	49,088	3,958	45,130	1140%

Accounts Receivable

Our accounts receivable increased by \$8.0 million or 34% when compared to December 31, 2024. In total, 78% of Swiss Water's accounts receivable were current as at June 30, 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.

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Inventory

Our inventory position decreased by \$1.2 million or 3% when compared to December 31, 2024. The decrease reflects a significant decrease in the hedge accounting component of inventory, partially offset by higher costs due 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 June 30, 2025, was a reduction of \$3.1 million, compared to an increase of \$7.9 million as at December 31, 2024.

Accounts Payable and Accrued Liabilities

Our accounts payable and accrued liabilities decreased by \$10.1 million or 35% when compared to December 31, 2024. The decrease reflects the timing of payments of supplier invoices.

Current Borrowings

Our current borrowings decreased by \$35.1 million or 74% when compared to December 31, 2024. The decrease is due to the reclassification of our operating Credit Facility to non-current borrowings, as a result of the renewal and amendment on June 23, 2025.

Contractual Obligations

In addition to outstanding warrants (as discussed under borrowings and related party transactions sections), the following table sets forth our contractual obligations and commitments as at June 30, 2025:

In C\$ '000s	Less than				Over 5 years
	Total	1 year	2-3 years	4-5 years	
Long-term debt ¹	54,672	5,628	12,000	12,000	25,044
Financing leases ²	6,633	2,603	3,922	108	-
Credit facilities ³	53,314	6,508	46,806	-	-
Borrowings embedded option	675	675	-	-	-
Purchase obligations ⁴	87,967	87,967	-	-	-
Total contractual obligations	203,261	103,381	62,728	12,108	25,044

¹ Long-term debt represents the principal amounts on the construction loans.

² Minimum obligations for our finance leases.

³ Credit facilities include the Operating Credit Facility and EDC Credit. Their maturity dates and their extensions are discussed under the "Borrowings" section of this management discussion and analysis.

⁴ Purchase obligations represent outstanding capital and coffee 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

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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.

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 June 30		6 months ended June 30	
	2025	2024	2025	2024
Sales	\$ 181	\$ 179	\$ 690	\$ 417
Purchases or raw materials	\$ 4,153	\$ 3,253	\$ 10,443	\$ 5,121

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 June 30, 2025, our accounts receivable balance with this company was \$0.1 million, while our accounts payable balance with this company was \$0.7 million (December 31, 2024: nil and \$0.8 million respectively).

Mill Road is a shareholder of Swiss Water, and under the terms of the warrants agreement, Mill Road nominated their designee for Swiss Water's Board of Directors. As a holder of the warrants, Mill Road had the right to exercise the warrants and obtain an additional 2.25 million shares of Swiss Water. As such, as of June 30, Mill Road was considered a related party. As disclosed in Subsequent Event, the Company concluded the purchase of the warrants from Mill Road subsequent to period end, and the outstanding warrants were cancelled on July 3, 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 June 30, 2025, there were 9,544,552 common shares issued and outstanding (December 31, 2024: 9,517,552). During Q1 of 2025, employee E-RSUs were vested, and the increase in common shares reflects the E-RSUs' 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 June 30, 2025, there were no preferred shares issued and outstanding (December 31, 2024: nil).

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For the second quarter ended June 30, 2025

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 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.

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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 rain, 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 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 materially 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 mandates, among other things, include 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.

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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”).

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.

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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 (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 June 30, 2025, the Company had futures contracts to buy 4.5 million pounds of green coffee with a notional value of US\$12.9 million, and contracts to sell 7.6 million pounds of green coffee with a notional value of US\$22.2 million. The furthest contract matures in May 2026 (December 31, 2024: buy 6.5 million pounds of green coffee with a notional value of US\$20.4 million, and contracts to sell 17.0 million pounds of green 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 \$0.1 million to the net income, and vice versa (December 2024: \$0.2 million).

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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 June 30, 2025, the Company had forward currency contracts to buy US\$10.4 million and sell US\$36.0 million (December 31, 2024: buy US\$5.1 million and sell US\$44.5 million) from July 2025 through to August 2027 at various Canadian exchange rates ranging from \$1.33 to \$1.44. An estimated CAD 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, and vice versa (2024: \$0.3 million).

9. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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 when accounting for useful lives of depreciable assets, provision for asset retirement obligations, share-based compensation, borrowing 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 \$5.6 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.

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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 June 30, 2025, Swiss Water and our subsidiaries had a non-capital tax loss carry forward totalling \$62.9 million, which will begin to expire in 2039. Of the \$62.9 million non-capital tax losses carry forwards, \$5.2 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 the impact of the carrying amounts of depreciable and non-depreciable assets also has an impact on deferred income tax assets and liabilities.

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 contains an embedded option, where if Mill Road were to elect, it would result in fewer than the maximum of 2.25 million of common shares being issued upon the exercise of the warrants.

This embedded option is a financial liability revalued at each reporting date. As at June 30, 2025, the Company changed its valuation technique for determining the fair value of the embedded option. As at December 31, 2024, the fair value was based on the Black-Scholes Option Pricing Model, which incorporated a number of assumptions and estimates. However, as at June 30, 2025, the fair value was determined based on the actual consideration agreed upon and paid in connection with the extinguishment of the embedded option. The change in valuation technique reflects the Company's assessment that the use of actual consideration provides a more reliable and observable basis for valuation than the previous model-based approach, which relied on significant estimation.

As at June 30, 2025, the Company determined the fair value of the embedded option to be \$0.7 million based on the fair value of the consideration paid to purchase the warrants from Mill Road, as disclosed in Subsequent Event (December 31, 2024: \$2.3 million). For the three and six months ended June 30, 2025, this revaluation resulted in a gain of \$0.5 million and \$1.7 million (2024: gain of \$0.1 million and a loss of \$0.8 million).

As at December 31, 2024, the fair value of the embedded option was determined using the Black-Scholes Option Pricing Model. The variables and assumptions used in computing the fair value are based on management's best estimate.

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The inputs to the Black-Scholes option pricing model are as follows:

In C\$		June 30 2025	December 31 2024
Share price	\$	N/A	\$ 3.92
Exercise price	\$	N/A	\$ 3.33
Option life		N/A	1.33 years
Volatility		N/A	38%
Risk-free interest rate		N/A	2.92%
Dividend yield		N/A	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.
- *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 the 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

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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 the 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. An 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. An 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. An earlier application is permitted.

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

The Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") of Swiss Water are responsible for establishing and maintaining adequate internal control over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Under the supervision and with the participation of management, we conducted an evaluation of the design and effectiveness of our ICFR as of June 30, 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 June 30, 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 June 30, 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 ending on June 30, 2025, that have materially affected or are reasonably likely to materially affect Swiss Water's ICFR.

12. SUBSEQUENT EVENT

On July 3, 2025, the Company completed an agreement with Mill Road to purchase all outstanding warrants entitling Mill Road to acquire up to 2.25 million common shares of the Company. The warrants had an exercise price of \$3.33 per share and were set to expire on April 30, 2026. The purchase price for the warrants was \$0.7 million. The payment was executed on July 3, 2025, and the outstanding warrants were cancelled.