



**SWISS WATER DECAFFEINATED COFFEE INC.
CONSOLIDATED FINANCIAL STATEMENTS**

For the Years Ended December 31, 2025 and December 31, 2024

To the Shareholders of Swiss Water Decaffeinated Coffee Inc.:

Opinion

We have audited the consolidated financial statements of Swiss Water Decaffeinated Coffee Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2025 and December 31, 2024, and the consolidated statements of income, comprehensive income (loss), changes in shareholders' equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2025 and December 31, 2024, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with IFRS® Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Application of hedge accounting for derivative financial instruments

Key Audit Matter Description

We draw attention to Note 3.11 - Summary of material accounting policies - Financial instruments, Note 9 - Derivative assets and liabilities, Note 25.1 - Commodity price risk hedges on purchase commitments and inventory, and Note 25.2 - Foreign exchange currency risk hedges of the consolidated financial statements.

The Company uses derivative financial instruments to hedge the risk exposure of commodity prices and foreign currency. The Company designates derivative financial instruments as hedging instruments; and designates the majority of forecasted sales revenue and the change in fair value of designated coffee inventory and hedged firm commitments as hedged items to help manage the risk of change in commodity prices and foreign exchange. Management calculates changes in fair value of hedging instruments and hedged items.

The principal consideration for our determination that this is a key audit matter is due to its complexity; management judgment to determine the correct treatment and presentation under hedge accounting; pervasive impact to the Company's financial performance; and audit effort in performing audit procedures to assess the appropriateness of the Company's conclusion.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Audit Response

We responded to this matter by performing procedures in relation to the application of hedge accounting for derivative financial instruments. Our audit work in relation to this included, but was not restricted to, the following:

- Obtained and reviewed most-up-to-date Commodity Risk Management and Foreign Exchange Risk Management Policies approved by the Board of Directors.
- Reviewed consolidated financial statement note disclosures related to commodity price risk hedges on purchase commitments and inventory and foreign exchange currency risk hedges related to sale and purchase in U.S. dollars for completeness, adequacy, and appropriateness.
- On a sample basis, tested operative effectiveness of internal controls relevant to designation of derivatives as hedges and appropriateness of classification as revenue and cost of sale items.
- Engaged internal specialists to obtain an independent mark-to-market rate factor used to calculate the unrealized gain or loss as at year-end for foreign exchange hedging and used to assess reasonability of unrealized gain or loss recognized by management as at year-end.
- Obtained third-party confirmations and agreed balances recorded as at year-end in the consolidated financial statements to the amounts confirmed.
- On a sample basis, recalculated realized foreign exchange gain or loss recognized for the matured hedges during the period and assessed amounts recognized by management for reasonability and appropriateness.
- On a sample basis, recalculated realized gain or loss recognized for futures contracts to buy green coffee received by the Company and sold during the period and assessed amounts recognized by management for reasonability and appropriateness.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS® Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Brent Wolfe.

Vancouver, British Columbia

March 11, 2026

MNP LLP
Chartered Professional Accountants

SWISS WATER DECAFFEINATED COFFEE INC.

Consolidated Statements of Financial Position as at

(Tabular amounts are in thousands of Canadian dollars)

		<u>December 31, 2025</u> <u>December 31, 2024</u>	
Assets	Note		
Current assets			
Cash	6	\$ 6,606	\$ 8,514
Accounts receivable	7	29,179	23,332
Inventories	8	46,022	44,494
Prepaid expenses and other receivables		897	753
Derivative assets and hedged firm commitments	9, 25	2,076	10,236
Total current assets		<u>84,780</u>	<u>87,329</u>
Non-current assets			
Deposits and other receivables		146	157
Property, plant and equipment	10	123,779	129,323
Deferred tax assets	14	104	109
Derivative assets	9, 25	52	-
Total non-current assets		<u>124,081</u>	<u>129,589</u>
Total assets		<u>\$ 208,861</u>	<u>\$ 216,918</u>
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	12	\$ 25,986	\$ 29,044
Borrowings	13	12,012	47,316
Other liabilities	15	1,755	1,289
Lease liabilities	16	1,903	1,781
Derivative liabilities and hedged firm commitments	9, 25	833	3,941
Total current liabilities		<u>42,489</u>	<u>83,371</u>
Non-current liabilities			
Other liabilities	15	407	186
Borrowings	13	83,981	51,225
Borrowings embedded option	13.2	-	2,332
Lease liabilities	16	13,048	14,948
Asset retirement obligation	17	3,670	3,587
Deferred tax liabilities	14	6,460	5,177
Derivative liabilities	9, 25	72	1,225
Total non-current liabilities		<u>107,638</u>	<u>78,680</u>
Total liabilities		<u>150,127</u>	<u>162,051</u>
Shareholders' equity			
Share capital	18	\$ 45,259	\$ 45,189
Share-based compensation reserve		317	190
Accumulated other comprehensive loss		(180)	(2,287)
Retained earnings		13,338	11,775
Total equity		<u>58,734</u>	<u>54,867</u>
Total liabilities and shareholders' equity		<u>\$ 208,861</u>	<u>\$ 216,918</u>
Commitments and contingencies (Note 26)			
Subsequent event (Note 27)			
Approved on behalf of the Board:	(signed) " Alan Wallace ", Director	(signed) " Frank Dennis ", Director	

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

SWISS WATER DECAFFEINATED COFFEE INC.

Consolidated Statements of Income for the Years Ended

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

	Note	<u>December 31, 2025</u>		<u>December 31, 2024</u>	
Revenue	19, 24	\$	258,719	\$	173,129
Cost of sales			(231,728)		(146,939)
Gross profit			26,991		26,190
Operating expenses					
Administration expenses			(11,238)		(11,334)
Sales and marketing expenses			(3,694)		(3,801)
Total operating expenses			(14,932)		(15,135)
Operating income			12,059		11,055
Non-operating or other					
Loss on risk management activities			(6,406)		(2,161)
Gain (loss) on fair value of embedded option	13.2		1,657		(979)
Finance income			1,634		1,749
Finance expense	13		(6,593)		(8,740)
(Loss) gain on foreign exchange			(261)		1,387
Total non-operating or other			(9,969)		(8,744)
Income before tax			2,090		2,311
Income tax expense	14		(527)		(1,042)
Net income		\$	<u>1,563</u>	\$	<u>1,269</u>
Earnings per share					
Basic income per share	22	\$	0.16	\$	0.13
Diluted (loss) income per share	22	\$	(0.01)	\$	0.13

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

SWISS WATER DECAFFEINATED COFFEE INC.

Consolidated Statements of Comprehensive Income (loss) and Consolidated Statements of Changes in Shareholders' Equity

(Tabular amounts are in thousands of Canadian dollars except for amounts of shares)

Consolidated Statements of Comprehensive Income (loss)

	December 31, 2025	December 31, 2024
Net income	\$ 1,563	\$ 1,269
Other comprehensive income (loss) net of tax		
Items that may be subsequently reclassified to income:		
Unrealized gain (loss)		
Derivatives designated as cash flow hedges - currency risk hedges on US\$ future revenue	1,587	(4,826)
Items reclassified to income:		
Realized gain recognized in income		
Derivatives designated as cash flow hedges		
- currency risk hedges on US\$ future revenue, recognized in revenue	1,331	1,019
Other comprehensive income (loss) related to hedging activities	2,918	(3,807)
Tax (expense) recovery on other comprehensive income (loss) related to hedging activities	(788)	1,053
Cumulative translation adjustment	(23)	18
Other comprehensive income (loss) net of tax	2,107	(2,736)
Net income and other comprehensive income (loss)	\$ 3,670	\$ (1,467)

Consolidated Statements of Changes in Shareholders' Equity

	Note	Shares	Share capital Amount	Share-based compensation reserve	Accumulated other comprehensive income (loss)	Retained earnings	Total equity
Balance at December 31, 2023		9,212,955	\$ 44,318	\$ 586	\$ 449	\$ 10,506	\$ 55,859
Shares issued for restricted share units		304,597	871	(871)	-	-	-
Share-based compensation		-	-	475	-	-	475
Net income and other comprehensive loss		-	-	-	(2,736)	1,269	(1,467)
Balance at December 31, 2024		9,517,552	\$ 45,189	\$ 190	\$ (2,287)	\$ 11,775	\$ 54,867
Balance at December 31, 2024		9,517,552	\$ 45,189	\$ 190	\$ (2,287)	\$ 11,775	\$ 54,867
Shares issued for restricted share units	18.4	27,000	70	(70)	-	-	-
Share-based compensation		-	-	197	-	-	197
Net income and other comprehensive income		-	-	-	2,107	1,563	3,670
Balance at December 31, 2025	18.1	9,544,552	\$ 45,259	\$ 317	\$ (180)	\$ 13,338	\$ 58,734

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

SWISS WATER DECAFFEINATED COFFEE INC.

Consolidated Statements of Cash Flows For the Years Ended

(Tabular amounts are in thousands of Canadian dollars)

	Note	<u>December 31, 2025</u> <u>December 31, 2024</u>	
Operating activities			
Net income		\$ 1,563	\$ 1,269
Items not affecting cash:			
Depreciation and amortization	10	7,131	6,777
Share-based compensation expense		1,171	1,277
Unrealized gain on risk management activities		(57)	(71)
Unrealized (gain) loss on fair value of embedded option	13.2	(1,657)	979
Finance income		(1,634)	(1,749)
Finance expense		6,593	8,740
Income tax expense	14	527	1,042
Other		(176)	(577)
		<u>13,461</u>	<u>17,687</u>
Change in non-cash working capital relating to operating activities	23	(4,013)	(11,264)
Net cash generated from operations		9,448	6,423
Interest received		1,643	1,727
Interest paid	23	(3,700)	(6,169)
Income tax (paid) recovered		(74)	160
Net cash generated from operating activities		7,317	2,141
Investing activities			
Additions to plant and equipment	23	(1,317)	(963)
Net cash used in investing activities		(1,317)	(963)
Financing activities			
Payment of lease liabilities		(1,778)	(1,680)
Repayment of construction loan	13.1	(5,391)	-
Proceeds from credit facility	13.3	15,075	10,425
Repayments of credit facility	13.3	(15,000)	(3,750)
Proceeds from EDC credit facility	13.4	-	6,250
Repayment of MRC debenture	13.2	-	(15,000)
Repurchase of Company's warrants	13.2	(675)	-
Transaction costs: debt financing activities	23	(139)	-
Net cash used in financing activities		(7,908)	(3,755)
Decrease in cash and cash equivalents		(1,908)	(2,577)
Cash, beginning of the year		8,514	11,091
Cash, end of the year		\$ 6,606	\$ 8,514

Supplemental cash flow information (Note 23)

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

SWISS WATER DECAFFEINATED COFFEE INC.

Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

1. THE COMPANY AND ITS OPERATIONS

Swiss Water Decaffeinated Coffee Inc. (“Swiss Water” or the “Company”) is an entity incorporated under the Canada Business Corporations Act (“CBCA”). The common shares of the Company are listed on the Toronto Stock Exchange under the symbol ‘SWP’. The Company’s head office is located at 7750 Beedie Way, Delta, British Columbia, V4G 0A5, Canada.

Swiss Water is primarily involved in the decaffeination of green coffee without the use of chemicals by employing the proprietary SWISS WATER® Process. The Company leverages science-based systems and quality controls to produce coffee that is 99.9% caffeine free.

Swiss Water owns all of the interests of Seaforth Supply Chain Solutions Inc. (“Seaforth”), which is incorporated under CBCA and operates in Delta, British Columbia, Canada; Swiss Water Decaffeinated Coffee Company USA, Inc. (“SWUS”), an entity registered in Washington State, USA, and; Swiss Water Decaffeinated Coffee Europe SARL (“SWEU”), an entity registered in Bordeaux, France.

Seaforth provides a complete range of green coffee handling and storage services, while SWUS and SWEU act as marketing and sales companies and do not have significant assets.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). IFRS comprises IFRS’s, International Accounting Standards (“IAS”), and interpretations issued by the IFRS Interpretations Committee (“IFRIC”) and the former Standing Interpretations Committee (“SIC”).

These consolidated financial statements for the year ended December 31, 2025, were approved for issuance by the Company’s Directors on March 10, 2026. There were no significant non-adjusting events that occurred between the reporting date and the date of authorization, except as disclosed in Note 27.

2.1 Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is based on the fair value of the consideration given in exchange for assets.

2.2 Currency of presentation

These consolidated financial statements are presented in Canadian dollars. Except for per share amounts, all amounts are expressed in thousands of Canadian dollars, unless otherwise stated. References to US\$ are to United States dollars.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2025 and 2024

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

3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are as follows:

3.1 Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. Subsidiaries are all entities over which the Company has the power to control the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. Control assessments consider potential voting rights that are currently exercisable or convertible. All intercompany balances, transactions, income, and expenses are eliminated on consolidation.

3.2 New and amended 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 the Company did not have a material impact on its consolidated financial statements.

- *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.

3.3 New and amended standards not yet effective

These standards are effective for periods beginning after January 1, 2026. The Company is assessing the impacts on 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 losses on derecognition of financial instruments (including derecognition of lease liabilities and transaction price). The standards also clarify the dates of the initial recognition and derecognition of financial assets, and they clarify the initial measurement of financial instruments when the fair value at initial recognition differs from the transaction price. IFRS 7 further provides guidance on implementing disclosure of deferred differences between fair value and transaction price and credit risk disclosure. In addition, these standards address contracts that reference nature-dependent electricity. The effective date for these amendments is for annual reporting periods beginning on or after January 1, 2026; however, earlier application is permitted.
- *IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures* relate to the sale or contribution of assets between an investor and its associate or joint venture, and the amendments clarify accounting for a subsidiary when a *parent* company loses control of the subsidiary. The standards also clarify the determination of a 'De Facto Agent' when assessing control and provide other annual improvements to the standard. IAS 28 amended 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.

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For the years ended December 31, 2025 and 2024

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- *IFRS 18 Presentation and disclosure in the financial statements* is a new standard issued by IASB in April 2024, effective for annual reporting periods beginning on or after January 1, 2027. An early adoption is permitted. The Company is currently assessing the impacts of the new standard. The adoption of IFRS 18 is expected to primarily affect:
 - presentation and disclosure within the financial statements, including an additional disclosure to reconcile between the presentation of transactions by nature versus presentation of transactions by function (currently, the Company presents expenses recognized in the consolidated statement of income using a classification based on their function within the Company and provides specific disclosure of expenses by nature within the notes);
 - the presentation and disclosure of certain management-defined performance measures currently discussed in the Company's Management's Discussion and Analysis; and
 - the classification of certain cash flows in the Company's consolidated statement of cash flows, primarily the potential reclassification of interest paid from operating activities to financing activities.
- *IFRS 19 Subsidiaries without public accountability: disclosures* is a new standard issued by IASB in May 2024. The standard specifies the disclosure requirements an entity is permitted to apply instead of the disclosure requirements in other IFRS Accounting Standards. The new Standard is applicable for annual reporting periods beginning on or after January 1, 2027. An earlier application is permitted.

3.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers, the Chief Executive Officer, and the Chief Financial Officer. A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment reflects the provision of products or services within a particular economic environment that is subject to risks and returns that are different from those of other economic environments. The Company operates in a primarily one single business segment, decaffeination of green coffee beans. Performance is monitored on a geographic basis.

3.5 Foreign currency translation

Functional and presentation currency

Items in these consolidated financial statements are measured using each entity's "functional currency", being the currency of the primary economic environment in which it operates. Swiss Water and Seaforth use the Canadian dollar as both functional and presentation currency. SWUS subsidiary's functional currency is the United States dollar, and SWEU subsidiary's functional currency is the Euro.

Foreign currency transactions

Foreign currency transactions and balances are translated into the functional currency as follows: (i) monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing at the reporting date; (ii) non-monetary items measured at historical cost in a foreign currency are translated at the exchange rate at the transaction date; (iii) non-monetary items measured at fair value in a foreign currency are translated at the exchange rate when the fair value was determined; and (iv) foreign currency transactions are translated at the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses are

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

recognized in net income and presented in the consolidated statement of income based on the nature of the underlying transactions in the period incurred.

Foreign operations

Foreign operations are translated from their functional currencies into the Company's presentation currency, on consolidation as follows: (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date; (ii) income and expenses for each statement of income are translated at a quarterly average exchange rate, unless this rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case transaction date rates are used; (iii) share capital for each statement of financial position presented are translated at historical rate; and (iv) resulting exchange differences are recognized in other comprehensive income (loss) as cumulative translation adjustments. Exchange differences relating to long-term intercompany balances that form part of the net investment in a foreign operation are also recognized in other comprehensive income as a separate component within equity.

3.6 Cash

Cash comprises cash on hand. Bank overdrafts are presented within borrowings in current liabilities on the consolidated statement of financial position.

3.7 Inventories

Raw materials are measured at the lower of cost, determined on a specific identification basis, and net realizable value, being the estimated selling price of finished goods less the estimated cost of completion. Finished goods are measured at the lower of cost and net realizable value. Finished goods cost includes expenses directly attributable to the manufacturing process, such as direct materials, direct labour, and a proportionate share of fixed and variable production overheads based on normal operating capacity. Interchangeable items are valued on a first-in, first-out basis. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3.8 Property, plant and equipment

The Company leases facilities that house its buildings, equipment, production facilities, offices and warehouse facilities. Property, plant and equipment are carried at acquisition cost, or manufacturing cost less depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of property, plant and equipment. Acquisition costs and manufacturing costs may also include share-based compensation from restricted stock units and a portion of salaries and benefits directly related to the construction of new qualifying assets, costs related to interest on the lease liability, and depreciation of right-of-use assets relating to leased properties during the construction phase, interest on capitalized borrowing costs incurred during the period of time that is required to complete and prepare the asset for its intended use, asset retirement obligations and transfers from the equity of any gains or losses on qualifying cash flow hedges of foreign currency related to purchases of property, plant and equipment.

Additions to property, plant and equipment's carrying amount are recognized only when future economic benefits are probable, and costs can be reliably measured. Repairs and maintenance are expensed as incurred. Major renovations are depreciated over the remaining useful life or to the date of the next major renovation,

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

whichever is sooner. Assets under construction are classified as construction-in-progress and transferred to the appropriate category when they are completed and ready for use as intended. Depreciation of these assets commences when the asset is available for use.

Depreciation is recognized on a straight-line basis to allocate the cost or valuation of each asset to its residual value over its estimated useful life commencing when the asset is ready for its intended use. Depreciation is straight-line over the estimated useful life as follows:

Right-of-use assets	to the expiry of the lease renewal option or lease term
Leasehold improvements	to the expiry of the lease renewal option or lease term
Building	to the expiry of the lease renewal option or lease term
Machinery and equipment	5 to 35 years
Computer equipment	5 years
Furniture and fixtures	5 years

Residual values and useful lives are reviewed at each reporting date. Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are included in the consolidated statement of income. For additional policies related to right-of-use assets, refer to "lease liabilities and right-of-use assets".

3.9 Intangible assets

Proprietary process technology ("PPT")

PPT represents intangible assets of Swiss Water with a finite life and is carried at cost less accumulated amortization. Amortization was recognized on a straight-line basis to allocate the cost of PPT to its residual value over its estimated useful life. PPT assets were fully amortized as at December 31, 2023. The Company maintains its trademarks.

Brand

Swiss Water's brand has a finite useful life and is carried at cost less accumulated amortization. Amortization was recognized on a straight-line basis over its estimated useful life. Brand assets were fully amortized as at December 31, 2023. The Company continues to maintain its trademarks.

3.10 Impairment of assets

At each reporting date, the Company assesses property, plant and equipment and finite life intangible assets for indicators of impairment. If an indicator exists, the recoverable amount of the asset or cash-generating unit ("CGU") is estimated. The Company has determined it has a single CGU.

An impairment loss is recognized when the carrying amount of the cash-generating unit ("CGU") exceeds the recoverable amount, defined as the higher of fair value less costs to sell or value-in-use. Value-in-use is based on the present value of expected future cash flows, discounted at rates reflecting the asset's or CGU's risk profile. Management applies judgement in estimating future cash flows and profits, and in determining appropriate discount factors and rates.

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3.11 Financial instruments

Recognition and initial measurement

Financial assets and liabilities, including derivatives, are recognized on the consolidated statement of financial position when the Company becomes a party to the financial instrument or derivative contract.

Financial assets and financial liabilities are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, the Company classifies non-derivative financial assets into one of the following categories:

- a) **Amortized cost:** Assets that are held for the collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in net income and presented in other gains together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of income. The Company has classified accounts receivable at amortized cost.
- b) **Fair value through other comprehensive income (“FVOCI”):** Assets that are held for a collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income (“OCI”), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in the net income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to net income and recognized in other gains. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and impairment expenses are presented as a separate line item in the consolidated statement of income. The Company does not have any non-derivative financial assets classified as at FVOCI.
- c) **Fair value through profit or loss (“FVPL”):** Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. Gains or losses, including any interest income, are recognized in the net income and are presented net within other gains in the period in which they arise. The Company has classified cash as at FVPL.

The Company reclassifies financial assets when and only when its business model for managing those assets changes.

Non-derivative financial liabilities

Non-derivative financial liabilities are classified as measured at amortized cost or FVPL. A financial liability is classified as FVPL if it is classified as held-for-trading, it is a derivative, or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value with net gains or losses, including any interest income, recognized in net income and presented within other gains in the period in which it arises. Other

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financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Financial liabilities are not reclassified.

The Company has classified accounts payable and accrued liabilities, borrowings (including credit facilities, the debt portion of the debenture with warrants, and construction loans) as at amortized cost.

Other liabilities related to the cash portion of Deferred Share Units and Restricted Share Units are recognized initially at fair value and are classified as other financial liabilities and are measured at FVPL. Stock-based compensation expense is recorded in the consolidated statement of income, as applicable.

Derivative financial assets and liabilities

Derivative financial assets and liabilities pertaining to commodity price risk hedges and currency risk hedges related to US\$ denominated purchases are classified as FVPL, while the derivative financial assets and liabilities pertaining to currency risk hedges related to US\$ denominated future process revenue are classified as FVOCI. FVPL and FVOCI accounting treatments are described above. A further discussion on designation, recognition, measurement, and re-measurement of derivative financial assets and liabilities is below.

Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership.

Impairment

The Company assesses all information available, including, on a forward-looking basis, the expected credit losses associated with its assets carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk for the relevant financial asset. The Company's only financial assets at amortized cost are accounts receivable and other receivables; for these, the Company applies the simplified approach as permitted by IFRS 9, which requires expected lifetime credit losses to be recognized from the initial recognition of the receivables.

Derivatives and hedging activities

Recognition and measurement

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged, and the type of hedge relationship designated. The Company designates certain derivatives as either:

- a) hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedges),
- b) hedges of a particular risk associated with the cash flows of recognized assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- c) hedges of a net investment in a foreign operation (net investment hedges).

The Company documents at the inception of the hedging transaction the economic relationship between hedging instruments and hedged items, including whether the hedging instrument is expected to offset changes in cash flows of hedged items. The Company documents its risk management objective and strategy for undertaking various hedge transactions at the inception of each hedging relationship.

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Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in the cash flow hedge reserve within equity until the hedged expected future cash flows affect net income; at which time, the gains or losses are reclassified to the consolidated statement of income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of income. When option contracts are used to hedge forecast transactions, the Company designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in the intrinsic value of the options are recognized in the cash flow hedge reserve within equity. The changes in the time value of the options, that relate to the hedged item ('aligned time value'), are recognized within other comprehensive income in the 'derivatives designated as cash flows hedges' within equity.

Commodity and Currency risk hedges

The Company applied hedge accounting to economic hedges entered into in accordance with its Foreign Exchange Risk Management Policy ("FX Policy") and the Commodity Price Risk Management Policy ("Commodity Policy"). Economically, the specific hedging activities carried out under these policies by the Company are as follows.

- The Company designates derivative financial instruments as hedging instruments, and the change in fair value of designated coffee inventory and hedged firm commitments as hedged items in a fair value relationship to manage the risk of changes in benchmark commodity prices, as described under '*Commodity price risk hedges*', below.
- The Company designates derivative financial instruments as hedging instruments and designates highly probable forecasted sales revenue as hedged items in a cash flow hedge relationship to manage the foreign exchange risk associated with the cash flows of highly probable forecast transactions, as described under '*Currency risk hedges related to US\$ denominated future process revenue*', below.
- As well, the Company also designates derivative financial instruments as hedging instruments and the change in fair value of designated purchase commitments as hedged items in a fair value hedge relationship to manage the risk of changes in foreign exchange, as described under '*Currency risk hedges related to US\$ denominated purchases*', below.

Commodity price risk hedges

Commodity price risk hedges relate to purchase commitments related to coffee inventory ("commodity hedges"). When the Company enters into a purchase commitment to purchase green coffee and fixes the New York 'C' ("NY'C") price component (which it will later sell at a to-be-determined price based on the NY'C), the Company enters into an offsetting short position on the Intercontinental Exchange. The Company monitors, on a macro basis, the amount of purchase commitments and the amount of inventory on hand for which the ultimate sale price is variable and has not yet been fixed based on the NY'C' and compares this to the amount of coffee covered by future net short positions to determine whether the net short position requires adjustment.

At each period end, commodity hedges are remeasured to their fair value. Under hedge accounting, the effective portion of the gains (losses) for price fixed hedged coffee contracts and coffee inventory will be held on the consolidated statement of financial position until inventory for such contracts is received and

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subsequently sold, at which time the gains (losses) will flow to cost of sales on the consolidated statement of income.

Currency risk hedges related to US\$ denominated future process revenue:

The Company enters into forward contracts to sell US\$ at future dates to hedge the foreign exchange cash flow variability of expected US\$ from processing fee revenue. The hedged processing revenue includes both processing fee revenue from tolling arrangements (processing of customer owned coffee) as well as the US\$ processing fee layer of inventory sales agreements.

At each period end, currency risk hedges on US\$ future revenues are remeasured to their fair value. Under hedge accounting, unrealized gains (losses) for US\$ forward contracts are reclassified so that the impact on the consolidated statement of income is deferred through other comprehensive income until the hedge instrument matures, at which time the realized gain (loss) is reflected in revenue on the consolidated statement of income.

Currency risk hedges related to US\$ denominated purchases:

The Company enters into forward contracts to buy US\$ for significant purchase commitments denominated in US\$. Purchase commitments denominated in US\$ include purchases of green coffee inventory, which, once decaffeinated, is sold at a fixed Canadian dollar ("C\$") price. To mitigate the exposure to changing margins on these transactions arising from fluctuations in the US\$/C\$ exchange rate, the Company enters into US\$ forward purchase contracts, which economically lock in the US\$/C\$ exchange rate and effectively the Company locks in the C\$ cost of equipment or inventory (inventory which is to be sold at the fixed C\$ amount).

At each period end, currency risk hedges on US\$ denominated purchases are remeasured to their fair value and:

- a) under hedge accounting, the effective portion of the gains (losses) will be held on the consolidated statement of financial position (in inventory or as a part of derivative assets or derivative liabilities) until the inventory is received and subsequently sold, at which time the gains (losses) will flow to the cost of sales on the consolidated statement of income, as well as
- b) under hedge accounting, the effective portion of the gains (losses) will be held on the consolidated statement of financial position (in derivative assets or derivative liabilities) until the equipment is received, at which time the gains (losses) will flow to the property, plant and equipment on the consolidated statement of financial position.

On all hedges entered into, if the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedged instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in net income at the time of the hedge relationship rebalancing.

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Fair value hierarchy

The Company classifies financial instruments using a fair value hierarchy based on the significance of inputs used in measurement. Valuation of each level is based on the following inputs:

- a) Level 1 – quoted prices in active markets for identical assets or liabilities;
- b) Level 2 – observable inputs other than quoted prices, directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- c) Level 3 – inputs that are not based on observable market data.

Observable market inputs are used whenever available. Each financial instrument is classified at the lowest hierarchy level for which a significant input is considered in measuring fair value.

3.12 Lease liabilities and right-of-use assets

IFRS 16 - Leases

IFRS 16 requires a single, on-balance sheet accounting model for lessees, under which lessees recognize a right-of-use asset for their right to use an underlying asset and a lease liability for their obligation to make lease payments, with limited exceptions for short-term or low-value leases.

Management judgement and estimates over leases

The preparation of the consolidated financial statements requires management to apply judgements and estimates in lease classification. Key judgements and estimates are discussed in Note 4.

Lease policy

At lease inception, the Company assesses whether a contract contains a lease. A contract contains a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. This assessment considers whether: (i) the contract involves an identified asset; (ii) the Company has the right to obtain substantially all economic benefits from the asset throughout the term; and (iii) the Company has the right to direct the use of the asset. The Company has determined that its offices, production and warehouse facilities, and select equipment leases meet this definition.

At inception or upon reassessment, consideration is allocated to each lease component based on relative stand-alone prices. For land and building leases, the Company elects not to separate non-lease components and accounts for the entire arrangement as a single lease component.

Right-of-use assets are presented within 'property, plant, and equipment', with corresponding lease liabilities recognized separately on the consolidated statement of financial position.

The Company recognizes a right-of-use asset and a lease liability at lease commencement. The right-of-use asset is initially measured at cost, comprising the lease liability adjusted for any payments made at or before commencement, initial direct costs, and estimated costs to dismantle or restore the asset, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method over the shorter of its useful life or the lease term, including expected renewal options, and is reduced for impairment or adjusted for lease liability remeasurements.

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The lease liability is initially measured at the present value of unpaid lease payments, discounted using the rate implicit in the lease, or if not readily determinable, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate. The incremental borrowing rate is based on the lease term, currency, start date, risk-free government bond rates, a credit risk adjustment based on bond yields, and an entity-specific adjustment reflecting differences in risk profile.

Lease payments included in the measurement of the lease liability comprise of (i) fixed payments; (ii) variable lease payments that depend on an index rate, initially measured using the index as at the commencement date; (iii) amounts expected to be payable under a residual value guarantee, and : (iv) the exercise price under purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in net income if the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, and records these lease payments as an expense when incurred.

The Company recognizes a depreciation for right-of-use assets and interest expense on lease liabilities in the consolidated statement of income.

On the consolidated statement of cash flows, principal repayments of lease liabilities are classified as financing activities, while interest is included in operating activities. Payments for short-term leases and leases of low-value assets not included in the lease liability are also classified as operating cash flows.

3.13 Current and deferred income taxes

Income tax expense or credit comprises current and deferred tax and is recognized in the consolidated statement of income, except to the extent that it relates to items recorded in other comprehensive income or directly in equity. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax is based on taxable income for the period, using enacted or substantively enacted tax laws, at the reporting date, and includes adjustments for prior periods. The Company periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where interpretation of tax laws is uncertain, based on expected payments to tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable income or loss and does not give rise to equal taxable and deductible temporary differences, it is not accounted for. Deferred

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income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related asset is realized, or the liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable income will be available against which temporary differences and non-capital loss carry forwards can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in net income, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

3.14 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that it will lead to an outflow of economic resources from the Company, and amounts can be estimated reliably, although the timing or amount of outflows may still be uncertain.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date, including the risks and uncertainties associated with the present obligation. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

All provisions are reviewed at the end of each reporting period and adjusted or reversed to reflect management's current best estimate of the expenditure required to settle the present obligation at the end of the reporting period. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. Provisions are reduced by actual expenditures for which the provision was originally recognized.

Where discounting has been used, the carrying amount of a provision is accreted during the period to reflect the passage of time.

3.15 Share capital

Common shares

Common shares are classified as equity and recorded at the proceeds received, net of issuance costs directly attributable to the issuance of new common shares. Repurchased shares are deducted from equity, with no gain or loss recognized in the consolidated statement of income on the issue, sale, purchase or cancellation of the Company's shares. Any excess of purchase price over the cost per share is allocated to retained earnings.

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Warrants

The Company issues warrants subject to shareholders, regulatory bodies, and creditor approvals. Each warrant allows the holder to obtain one share of Swiss Water in exchange for cash at a price per share determined at the time the warrants are issued. Each warrant can be exercised at any time and not later than the exercise date of the warrant. The initial fair value of the warrants is measured at the grant date using the Black-Scholes option-pricing model.

When the warrant holder holds a warrant where a fixed amount of shares is issued for a fixed amount of cash, the fair value of the warrants is initially recognized as a component of equity in the consolidated statement of changes in equity and is not remeasured at each period end. If the holder of warrants decides to exercise the warrants, the fair value of the warrants will be derecognized from the warrants reserve component of the equity and recognized as part of share capital. No adjustment is made for warrants that expire. Financing transaction costs directly attributed to the issuance of warrants are deducted against the warrant's value.

When a warrant holder holds a warrant where a variable amount of shares is issued for a non-fixed amount of cash, such as a cashless option, the fair value of the warrants is initially recognized as a financial liability in the consolidated statement of financial position and is remeasured at each period end. If the holder of warrants decides to exercise the warrants, the fair value of the warrants will be derecognized from the warrant's financial liability component of the consolidated statement of financial position and recognized as part of share capital on the consolidated statement of changes in equity. Expired warrants and financing transactions related to financial liabilities are accounted for in accordance with IFRS 9. Refer to accounting policies related to financial liabilities under the section 'Summary of material accounting policies', sub-heading 'Financial instruments'.

At each period end, warrants are tested for potential dilution effect when calculating basic and diluted earnings per share. All issued and outstanding warrants were cancelled during the year ended December 31, 2025, refer to Note 18.3.

Dividends

Dividends to the Company's shareholders are recognized when dividends are approved for payment.

3.16 Share-based compensation

The Company maintains an equity-based restricted share unit ("E-RSU") plan, a cash-based restricted share unit ("C-RSU") plan for certain officers and employees, and a deferred share unit ("DSU") plan for non-employee directors (collectively, "participants"). E-RSUs may be settled using a combination of cash and/or equity, while C-RSUs and DSUs are cash-settled.

E-RSUs and C-RSUs

Equity-settled portion

The equity-settled portion of E-RSUs under the E-RSU Plan is measured at the grant date fair value of the Company's common shares using a volume weighted average price in accordance with the terms of the E-RSU Plan. The fair value is expensed on a straight-line basis over the vesting period, based on the estimated number of units expected to vest, with a corresponding increase in equity (share-based compensation reserve). Estimates are revised as needed, with adjustments recognized in net income and equity, and finalized on the vesting date with actual shares vested.

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Cash -settled portion

For cash-settled awards, including C-RSUs under the C-RSU Plan and the cash portion of E-RSUs under the E-RSU Plan, a liability is recognized, measured initially at fair value using a volume weighted average share price. The liability is expensed on a straight-line basis over the vesting period based on the estimated number of units expected to vest. Estimates are updated if expectations change; on the vesting date, the liability is finalized, and any adjustments are recognized in net income, with a corresponding adjustment to current or long-term liability. At each reporting date and on settlement, the liability is remeasured at fair value using a volume weighted average share price, with changes recognized in net income.

DSUs

DSUs are issued to participants to defer a portion of their compensation and are classified as cash-settled share-based payment transactions, as participants receive cash following a redemption event. DSUs have no vesting conditions or forfeiture provisions as they are issued in exchange for deferred compensation. The liability and corresponding expense are recognized at issuance and remeasured at each reporting date and on settlement, with changes recorded in net income. Fair value is determined using the average closing price of Swiss Water shares for the five trading days preceding the relevant date, in accordance with the DSU Plan.

3.17 Revenue recognition

IFRS 15 requires revenue recognition to follow a five-step model of identifying contracts, separating performance obligations, determining and allocating the transaction price, and recognizing the revenue as each performance obligation is satisfied.

The Company's primary sources of revenue are proceeds from sales of Swiss Water's decaffeinated coffee, services provided to decaffeinate customers' owned coffee, and distribution services.

Swiss Water's revenue is measured based on the consideration agreed upon in contracts with customers and is recognized when the Company transfers control over products and services to the customer, either at a point in time or over time.

For all revenue contracts, no significant judgements are made with respect to evaluating the timing of satisfaction of performance obligations, transaction prices, and amounts allocated to performance obligations. Consideration amounts are not variable. Warranty, returns, or refunds do not apply to the Company.

Payment terms are typically between 30 and 60 days, apart from select customers, where payment terms are extended. For contracts with extended payment terms, the Company charges customers a financing component, recognized separately in 'finance income' on the consolidated statement of income. As a practical expedient, the Company does not adjust the promised amount of consideration for the effects of a significant financing component when the Company expects, at contract inception, that the period between when the Company transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

Revenue is disaggregated based on the customer's geographic region as described in the segmented reporting accounting policy. Also, the revenue from contracts with customers is disaggregated by major products and services: decaffeinated coffee sales, decaffeination services, and distribution services.

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Decaffeinated coffee sales

Decaffeinated coffee sales are the amounts that are charged to customers for the sale of decaffeinated coffee. The performance obligation is satisfied at a point in time when a customer obtains control of the product, which is when decaffeinated coffee is picked up by or delivered to the customer.

Decaffeination services

Decaffeination services represent the amount charged to customers for the service of decaffeinating customer-owned coffee. The performance obligation is to provide the service, which is satisfied over time.

Distribution services

Distribution services revenue consists of shipping, handling, tariffs, and warehousing charges billed to customers. The performance obligation is satisfied over time as services are provided, which is at the same time as these services are consumed.

3.18 Employee benefits

Liabilities for wages, salaries, non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting period are recognized for services rendered up to the reporting date. These are measured at the amounts expected to be paid and presented in accounts payable and accrued liabilities on the consolidated statement of financial position.

The Company provides benefits to employees through a registered retirement savings plan (“RRSP”), contributing a percentage of employee earnings to an RRSP administered by an independent third party. Employees manage their own RRSP accounts, and the Company has no legal or constructive obligation beyond its contributions.

Contributions to government pension insurance plans are recognized as employee benefit expenses when due.

3.19 Earning per share (“EPS”)

The Company presents basic and diluted EPS for its common shares. Basic EPS is calculated by dividing income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted EPS is calculated by dividing income or loss attributable to shareholders of the Company by the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares.

3.20 Related party transactions

Balances and transactions between the parent Company and its subsidiaries, which are related parties, have been eliminated on consolidation. For related party transactions incurred during the periods covered in these consolidated financial statements, the disclosure includes the nature of a related party relationship, information about transactions, as well as outstanding balances, including commitments.

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4. MANAGEMENT JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgement is used by management in selecting accounting policies, the determination of functional currency, the identification of CGUs, and the identification of revenue streams. In addition, judgement is often required in applying accounting policies, and with respect to items where the choice of a specific policy, accounting estimate, or assumption to be followed could materially affect the reported results or net asset position of the Company, should it later be determined that a different choice would be more appropriate.

Management considers the accounting estimates and assumptions discussed below to be its critical accounting estimates and accordingly, provides an explanation of each below. Actual results could differ from those estimates and assumptions.

4.1 Provision for asset retirement obligations

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

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

4.2 Income taxes

The Company computes 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 the Company's 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. The Company has 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 the non-capital loss carry forwards can be utilized.

The financial reporting bases of the Company's 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.

4.3 Leases and right-of-use assets

The preparation of consolidated financial statements requires that the Company's management make assumptions and estimates related to leases and right-of-use assets. When assessing the recognition of a lease and right-of-use assets, 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 discount

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rate/implicit borrowing rate, the assessment of the likelihood of exercising options, and estimation of the fair value of the leased property at lease inception.

4.4 Debenture with warrants

At initial recognition, in the calculation of the fair value of the liability portion of the debenture with warrants, management estimated the interest rate on a similar instrument of comparable credit status providing for substantially the same cash flows, on the same terms, but without the warrants exercise option. Prior to the repurchase of warrants, as disclosed in Note 13.2 (iii), management estimated the fair values of the borrowings embedded option liability related to the debenture with warrants at initial recognition and at the end of each reporting period using the Black-Scholes option pricing model, which requires management estimates. Pricing models require the input of highly subjective assumptions, including the expected share price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants. During the year ended December 31, 2024, the debenture portion and interest were repaid in full.

5. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity and indebtedness. In order to maintain or adjust the capital structure, the Company may, from time to time, issue common shares, preferred shares, issue additional debt, adjust its capital spending, modify its dividend policy, and/or dispose of certain assets to manage current and projected debt levels.

The Company manages its capital in order to meet its growth objectives and payments of quarterly dividends to its shareholders. The dividend policy of Swiss Water is subject to the discretion of the Board of Directors, which reviews the level of dividends periodically on the basis of a number of factors, including Swiss Water's financial performance, future prospects, and the capital requirements of the business.

6. CASH

Cash includes cash held with banks and financial institutions.

7. ACCOUNTS RECEIVABLE

Accounts receivable are amounts due from customers for goods sold or services performed in the ordinary course of business. Information about the Company's exposure to foreign currency risk, interest rate risk, and credit risk can be found in the Note 'Financial risk management'. The Company monitors lifetime expected credit losses using the simplified approach, which is determined based on historic and adjusted relevant forward-looking information. The Company's customers have a negligible default rate, and the Company's experience both in frequency and amount of losses is not significant. As a result, the expected credit losses provision as at December 31, 2025, is \$0.1 million (2024: \$0.2 million).

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8. INVENTORIES

Inventories consist of the following:

	December 31, 2025	December 31, 2024
Raw materials	\$ 26,126	\$ 14,227
Finished goods	20,507	21,380
Carbon	321	439
Packaging	377	549
Hedge accounting component	(1,309)	7,899
	\$ 46,022	\$ 44,494

The hedge accounting component represents the derivative adjustment related to designated hedges for inventory on hand as at each period.

For the year ended December 31, 2025, cost of sales includes the following costs of raw materials and adjustments for obsolete inventory:

	December 31, 2025	December 31, 2024
Cost of raw materials	\$ 204,398	\$ 139,858
Obsolete inventory recovery	(80)	(634)

9. DERIVATIVE ASSETS AND LIABILITIES

The Company's derivative assets and (liabilities) are as follows:

	December 31, 2025	December 31, 2024
Derivative assets and hedged firm commitments, current	\$ 2,076	\$ 10,236
Derivative assets, non-current	52	-
Derivative liabilities and hedged firm commitments, current	(833)	(3,941)
Derivative liabilities, non-current	(72)	(1,225)
Borrowings embedded option	Note 13.2	(2,332)
	\$ 1,223	\$ 2,738

These derivative assets and liabilities are disaggregated between: derivative financial instruments, carried at fair value through profit or loss; derivative financial instruments, carried at fair value through other comprehensive income; and other hedged items.

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9.1 Derivative financial instruments carried at FVPL

The Company's derivative financial instruments, carried at fair value through profit or loss, are as follows:

	December 31, 2025	December 31, 2024
Net coffee futures contracts	\$ 1,395	\$ 4,508
Net US dollar forward contracts, current	(201)	290
Net US dollar forward contracts, long-term	(20)	-
Borrowings embedded option	-	(2,332)
	Note 13.2	
	\$ 1,174	\$ 2,466

9.2 Derivative financial instruments carried at FVOCI

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

	December 31, 2025	December 31, 2024
Net US dollar forward contracts, current	\$ (290)	\$ (1,983)
Net US dollar forward contracts, long-term	-	(1,225)
	\$ (290)	\$ (3,208)

9.3 Other hedged items

The other hedged items consist of hedges related to coffee purchase commitments and hedges on coffee sales commitments:

	December 31, 2025	December 31, 2024
Hedged firm commitments on coffee purchases, current	\$ (285)	\$ 5,434
Hedged firm commitments on coffee sales, current	624	(1,954)
	\$ 339	\$ 3,480

10. PROPERTY, PLANT AND EQUIPMENT

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

	December 31, 2025	December 31, 2024
Property, plant and equipment	\$ 111,777	\$ 115,512
Right-of-use assets	12,002	13,811
	\$ 123,779	\$ 129,323

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10.1 Property, plant and equipment

The carrying value of property, plant and equipment is as follows:

	Machinery and equipment		Leasehold improvement		Computer equipment		Furniture and fixtures		Construction in progress		Total			
Cost														
January 1, 2025	\$	109,138	\$	18,159	\$	6,879	\$	732	\$	178	\$	193	\$	135,279
Additions		43		-		-		107		17		1,292		1,459
ARO remeasurement		-		-		(41)		-		-		-		(41)
Transfers		837		-		59		79		-		(975)		-
December 31, 2025	\$	110,018	\$	18,159	\$	6,897	\$	918	\$	195	\$	510	\$	136,697
Accumulated depreciation														
January 1, 2025	\$	(14,298)	\$	(3,806)	\$	(1,023)	\$	(499)	\$	(141)	\$	-	\$	(19,767)
Depreciation		(3,558)		(1,053)		(444)		(81)		(17)		-		(5,153)
December 31, 2025	\$	(17,856)	\$	(4,859)	\$	(1,467)	\$	(580)	\$	(158)	\$	-	\$	(24,920)
December 31, 2025	\$	92,162	\$	13,300	\$	5,430	\$	338	\$	37	\$	510	\$	111,777

	Machinery and equipment		Leasehold improvement		Computer equipment		Furniture and fixtures		Construction in progress		Total			
Cost														
January 1, 2024	\$	108,311	\$	18,159	\$	7,235	\$	677	\$	171	\$	80	\$	134,633
Additions		96		-		-		-		-		906		1,002
ARO remeasurement		-		-		(356)		-		-		-		(356)
Transfers		731		-		-		55		7		(793)		-
December 31, 2024	\$	109,138	\$	18,159	\$	6,879	\$	732	\$	178	\$	193	\$	135,279
Accumulated depreciation														
January 1, 2024	\$	(10,735)	\$	(2,699)	\$	(575)	\$	(392)	\$	(116)	\$	-	\$	(14,517)
Depreciation		(3,563)		(1,107)		(448)		(107)		(25)		-		(5,250)
December 31, 2024	\$	(14,298)	\$	(3,806)	\$	(1,023)	\$	(499)	\$	(141)	\$	-	\$	(19,767)
December 31, 2024	\$	94,840	\$	14,353	\$	5,856	\$	233	\$	37	\$	193	\$	115,512

During the year ended December 31, 2025, depreciation expense of \$5.0 million (2024: \$5.0 million) was charged to cost of sales and \$0.2 million (2024: \$0.2 million) was included in administrative expenses. In addition, \$0.2 million of allocated depreciation was transferred from inventory to cost of sales (2024: \$0.3 million transferred from cost of sales to inventory).

In 2025, the Company recognized remeasurement reductions in leasehold improvements in the amount of \$0.04 million for asset retirement obligations related to the production facility in Delta (2024: \$0.4 million).

10.2 Right-of-use assets

For the year ended December 31, 2025, right-of-use assets depreciation expense of \$1.6 million (2024: \$1.6 million) was charged to cost of sales and \$0.2 million (2024: \$0.2 million) was included in administrative expenses.

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Related lease obligations are disclosed in Note 16. The carrying value of right-of-use assets is as follows:

	Equipment		Property		Total
Cost					
Balance at January 1, 2025	\$ 244	\$	24,144	\$	24,388
Balance at December 31, 2025	\$ 244	\$	24,144	\$	24,388
Accumulated depreciation					
Balance at January 1, 2025	\$ (132)	\$	(10,435)	\$	(10,567)
Depreciation	(35)		(1,778)		(1,813)
Balance at December 31, 2025	\$ (167)	\$	(12,213)	\$	(12,380)
Foreign exchange	-		(6)		(6)
Balance at December 31, 2025	\$ 77	\$	11,925	\$	12,002
Cost					
Balance at January 1, 2024	\$ 243	\$	24,144	\$	24,387
Additions	16		-		16
Disposals	(15)		-		(15)
Balance at December 31, 2024	\$ 244	\$	24,144	\$	24,388
Accumulated depreciation					
Balance at January 1, 2024	\$ (98)	\$	(8,658)	\$	(8,756)
Depreciation	(49)		(1,777)		(1,826)
Disposals	15		-		15
Balance at December 31, 2024	\$ (132)	\$	(10,435)	\$	(10,567)
Foreign exchange	-		(10)		(10)
Balance at December 31, 2024	\$ 112	\$	13,699	\$	13,811

11. INTANGIBLE ASSETS

As of December 31, 2025 and 2024, proprietary process technology and brand were fully amortized. The Company maintains its trademark registrations.

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are as follows:

	December 31, 2025		December 31, 2024
Accounts payable	\$ 22,656	\$	24,838
Accrued liabilities	3,323		4,152
Income tax payable	7		54
	\$ 25,986	\$	29,044

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13. BORROWINGS

As at and during the years ended December 31, 2025 and 2024, the Company was in compliance with all banks' and creditor's covenants that were in effect and not waived.

The Company's borrowings are as follows:

		December 31, 2025	December 31, 2024
Construction loans with BDC and FCC	Note 13.1	\$ 51,459	\$ 56,839
Credit facility	Note 13.3	38,284	35,398
Borrowings with EDC	Note 13.4	6,250	6,304
Borrowings, total		\$ 95,993	\$ 98,541
Less current portion			
Construction loans with BDC and FCC	Note 13.1	(5,762)	(5,614)
Credit facility	Note 13.3	-	(35,398)
Borrowings with EDC	Note 13.4	(6,250)	(6,304)
Borrowings, current		\$ (12,012)	\$ (47,316)
Borrowings, non-current		\$ 83,981	\$ 51,225

13.1 Construction loans with BDC and FCC

As of December 31, 2025 and 2024, the construction loans' balances due to BDC and FCC are as follows:

		December 31, 2025	December 31, 2024
Current portion			
Construction loans interest, current		\$ 207	\$ 250
Construction loan with BDC, current, variable 5.55% (2024: 7.36%)		632	632
Construction loan with BDC, current, fixed 4.45%		2,368	2,369
Construction loan with FCC, current, variable 5.4% (2024: 7.22%)		1,648	1,494
Construction loan with FCC, current, fixed 4.38%		907	869
		\$ 5,762	\$ 5,614
Long term portion			
Construction loan with BDC, non-current, variable 5.55% (2024: 7.36%)		4,737	5,368
Construction loan with BDC, non-current, fixed 4.45%		17,762	20,131
Construction loan with FCC, non-current, variable 5.4% (2024: 7.22%)		15,331	17,006
Construction loan with FCC, non-current, fixed 4.38%		8,224	9,131
Financing transaction costs		(357)	(411)
		\$ 51,459	\$ 56,839

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13.1 (i) BDC/FCC - Agreements and financing transaction cost

The Company has senior term loan facilities with the Business Development Bank of Canada (“BDC”) and Farm Credit Canada (“FCC”) to finance equipment and construction of its production lines in Delta, British Columbia.

In 2021, the Company expanded its existing BDC facility and entered into a pari passu financing arrangement with FCC for total senior debt of \$45.0 million, funded equally by both lenders. Each lender advanced \$22.5 million, with outstanding balances of \$10.0 million each at closing. The facilities include both fixed-rate and variable-rate portions.

In 2022, the Company amended the facilities to provide up to an additional \$12.0 million of senior debt, funded equally by BDC and FCC, at variable rates.

The BDC and FCC term loans originally required interest-only payments until July 1, 2024, followed by principal and interest repayments to maturity. In June 2024, the facilities were amended to extend the interest-only period to December 31, 2024. Monthly repayments of principal and interest commenced on January 1, 2025 and are scheduled through maturity on June 1, 2034. The amendment was accounted for as a modification under IFRS 9, with no gain or loss recognized.

At December 31, 2025, the FCC facilities comprise a fixed-rate loan bearing interest at 4.38% and a variable-rate loan bearing interest at the FCC variable personal property rate minus 0.75%. The BDC facilities comprise a fixed-rate loan bearing interest at 4.45% and a variable-rate loan bearing interest at the BDC floating rate minus 1.5%.

The loans permit early repayment of principal, subject to certain conditions.

Financing transaction costs incurred in connection with these facilities are deferred and amortized over the term of the loans. Deferred financing costs included in non-current borrowings amounted to \$0.4 million at December 31, 2025 (2024: \$0.4 million).

13.1 (ii) BDC/FCC - Borrowing capacity

In 2022, the Company increased its combined borrowing capacity with BDC and FCC from \$45.0 million to \$57.0 million to fund the construction of its second production line in Delta, British Columbia. The facilities were fully drawn upon completion of the project in September 2023.

13.1 (iii) BDC/FCC - Finance expense and interest paid

For the years ended December 31, 2025 and 2024, loan additions, interest charged, and interest paid on BDC and FCC loans were as follows:

	December 31, 2025	December 31, 2024
Balance, open	\$ 56,839	\$ 56,824
Principal repayments	(5,391)	-
Interest and fees charged	2,635	3,225
Interest paid	(2,678)	(3,263)
Financing costs amortization	54	53
Balance, end	\$ 51,459	\$ 56,839

Interest on the BDC and FCC loans is calculated on outstanding balances and paid monthly.

For the year ended December 31, 2025, interest incurred on the BDC and FCC loans amounted to 2.6 million, of which \$2.7 million was paid (2024: \$3.2 million incurred and \$3.3 million paid).

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The effective interest rates on the variable-rate portions of the BDC and FCC loans for the year ended December 31, 2025 were 5.55% and 5.40%, respectively (2024: 7.36% and 7.22%). Finance costs and effective interest rates are based on the average balances drawn on each facility.

13.1 (iv) BDC/FCC - Security

The construction loans are secured by a general security agreement and a first security interest over all existing equipment and machinery, as well as new equipment and machinery financed under the facility. The loans are also guaranteed by Seaforth.

13.2 Debenture with warrants with MRC

The debenture with warrants represented amounts payable to Mill Road Capital LLC ("MRC"), a related party, including principal and accrued interest, net of unamortized financing costs.

The debenture was repaid in full on October 31, 2024. The total repayment of \$15.9 million comprised \$15.0 million of principal and \$0.9 million of accrued interest. Upon repayment, all obligations under the debenture were extinguished.

The repayment of the debenture did not affect the Company's obligations under the related warrant agreement. The warrants remained outstanding until July 3, 2025, when the Company purchased the warrant rights from MRC for \$0.7 million and all warrants were immediately cancelled.

As at December 31, 2025 and 2024, there was no outstanding debenture balance.

13.2 (i) MRC – Agreements and financing transaction costs

In 2016, the Company issued an unsecured subordinated convertible debenture to MRC for gross proceeds of \$15.0 million.

In 2021, the debenture was amended to a debenture with warrants. The amendment extended the maturity date to October 31, 2024 and increased the interest rate to 9% per annum, plus 1.5% interest in kind accrued quarterly. The conversion feature was cancelled and replaced with warrants to purchase up to 2.25 million common shares at an exercise price of \$3.33 per share. The warrants were originally set to expire on October 31, 2024. This amendment was accounted for as an extinguishment of debt and the establishment of a new debenture with warrants.

In 2022, the agreement was further amended to add security, expand certain covenant provisions, and permit prepayment of principal. The warrant agreement was also amended to extend the warrant expiry date to April 30, 2026 and to introduce a cashless exercise feature. These amendments were accounted for as an extinguishment of debt and the establishment of a new debenture with warrants.

13.2 (ii) MRC – Finance expense and interest paid

The debenture with warrants bore interest at 9% per annum, paid quarterly in arrears, subject to compliance with specified covenant thresholds. In addition, the Company incurred interest in kind at 1.5% per annum, accruing quarterly and payable at maturity.

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For the years ended December 31, 2025 and 2024, interest expensed and paid, and principal on the debenture due to MRC were as follows:

	December 31, 2025	December 31, 2024
Balance, open	\$ -	\$ 14,631
Interest charged	-	2,296
Interest paid	-	(1,927)
Principal paid	-	(15,000)
Balance, end	\$ -	\$ -

13.2 (iii) MRC – Embedded option within the debenture with warrants

In 2022, the debenture with warrants was amended to include an embedded option that permitted MRC, upon exercise, to receive fewer than the maximum 2.25 million common shares otherwise issuable under the warrant agreement. The embedded option was classified as a financial liability and remeasured at fair value at each reporting date.

On July 3, 2025, the Company repurchased the warrants from MRC for \$0.7 million. As a result, the embedded option liability was extinguished, and an unrealized gain of \$1.7 million was recognized. At the repurchase date, the fair value of the embedded option was determined to be \$0.7 million, based on the consideration agreed to by both parties and the cash paid to purchase the warrants from MRC, which represented the most reliable measure of fair value at that time.

As at December 31, 2024, the fair value of the embedded option was \$2.3 million. For the year ended December 31, 2024, the remeasurement resulted in a loss of \$1.0 million. The 2024 fair value of the embedded option was determined using the Black-Scholes option pricing model, based on management's best estimates of the relevant assumptions. The inputs to the Black-Scholes option pricing model were as follows:

	December 31, 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%
Fair value of embedded option	\$ -	\$ 2,332

13.2 (iv) MRC – Security

In 2022, the debenture with warrants was secured by a secondary general security agreement, after primary lenders ranking senior to MRC for the construction loans and credit facility, over all Swiss Water present and newly acquired personal property and proceeds. Prior to this, the debenture with warrants was unsecured. Following the repayment on October 31, 2024, all obligations, duties and responsibilities of the parties to the debenture were extinguished.

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13.3 Operating Credit Facility

As at December 31, 2025 and 2024, the Operating Credit Facility comprises:

	December 31, 2025	December 31, 2024
Credit facility, effective interest rate 5.28% (2024: 6.9%)	\$ 38,395	\$ 35,407
Less unamortized financing transaction costs	(111)	(9)
	\$ 38,284	\$ 35,398

13.3 (i) Credit Facility - Agreements and financing transaction cost

In 2019, Swiss Water entered into a revolving credit facility agreement (“Credit Facility” or “Operating Credit Facility”) with CIBC, a Canadian Bank, providing borrowings up to the lower of the Borrowing Base (defined below) and \$30.0 million.

In 2022, the available credit was increased to \$45.0 million to support operations and growth. In tandem, this Credit Facility lending provided additional lending of up to \$6.25 million through Export Development Canada (“EDC”), as discussed below, under EDC Credit. The maturity date was extended to the earlier of October 19, 2025, or the occurrence of an event of default.

On June 23, 2025, the Credit Facility was amended and renewed, increasing total available funding to \$80.0 million. The expanded facility includes \$55.0 million of revolving credit from CIBC and \$25.0 million from Rabobank (“Rabo”). The facility matures on the earlier of June 23, 2027, or an event of default, with an option, subject to lender approval, to extend maturity by one year to June 23, 2028. No principal repayment is required prior to maturity, provided the outstanding balance does not exceed the Borrowing Base.

Deferred financing transaction costs incurred in connection with the facility are recorded in non-current borrowings and amortized over the term of the loan. During 2025, additional deferred financing costs of \$0.2 million were incurred and amortized since. As at December 31, 2025, deferred financing costs totalled \$0.1 million (2024: \$0.01 million).

13.3 (ii) Credit Facility - Finance expense and interest paid

Interest on the Credit Facility is based on multiple rate options, including 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 also apply to outstanding letters of credit and the unused portion of the Credit Facility.

During the year ended December 31, 2025, the effective interest rate on the Credit Facility variable loan was 5.28% (2024: 6.90%). Interest expense is added to the Operating Credit Facility balance.

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For the year ended December 31, 2025 and 2024 loan advances, repayments, and fees and interest charged were as follows:

	December 31, 2025		December 31, 2024	
Balance, open	\$	35,398	\$	26,728
Principal advances		15,075		10,425
Principal repayments		(15,000)		(3,750)
Interest and fees charged		2,459		1,874
Interest transferred from EDC		454		-
Financing costs addition		(177)		-
Financing costs amortization		75		121
Balance, end	\$	38,284	\$	35,398

13.3 (iii) Credit Facility - Security

The Credit Facility is secured by substantially all of the Company's assets, except those pledged to BDC and FCC. This includes a first priority security interest over all inventory, accounts receivable, excess margin and gains in the commodity hedging account, gains in the foreign exchange contract facility, and other assets of the Company.

13.3 (iv) Credit Facility - Borrowing base

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

As at December 31, 2025 and 2024, the Company's borrowing availability is as follows:

	December 31, 2025		December 31, 2024	
Gross borrowing base availability	\$	50,456	\$	39,619
Advances, repayments, fees and interest from inception		(38,395)		(35,407)
Outstanding letter of credit and security lien bond		(537)		(537)
Interests and fees accrued		216		163
	\$	11,740	\$	3,838

13.3 (v) Credit Facility - Foreign exchange and commodity futures contract facilities

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

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13.4 Credit Facility with EDC (“EDC Credit”)

As at December 31, 2025 and 2024, the EDC Credit balance was as follows:

	December 31, 2025	December 31, 2024
Credit facility - Bank, with an interest rate of 6.16% (2024: 7.39%)	\$ 6,250	6,304

13.4 (i) EDC Credit - Agreements

In 2022, the Company entered into a revolving credit facility with Export Development Canada (“EDC Credit”) for borrowings of up to \$6.25 million. The EDC Credit is intended to provide additional liquidity to support the Company’s operations and working capital requirements, if needed.

The lender of the above-mentioned Credit Facility with the Canadian Bank is the administrative agent for the EDC Credit. All security and guarantees held by the lender of the Credit Facility are also extended to the EDC Credit.

The EDC Credit facility terminates on the earliest of: (i) demand by the lender of the Credit Facility for repayment, (ii) November 22, 2026, or (iii) the maturity date under the Credit Facility.

The lender may, at its sole discretion, renew the EDC Credit for up to five successive one-year periods following the first anniversary of the effective date.

Under the Operating Credit Facility (Note 13.3) with CIBC and Rabobank, the Company is required to maintain specified maximum principal amounts at the end of each quarter and fully repay the EDC Credit by June 30, 2029.

13.4 (ii) EDC Credit - Finance expense and interest paid

Borrowings under the EDC Credit bear interest at the Canadian Prime Rate plus 1.5% per annum and are subject to applicable fees. The effective interest rate on the EDC Credit for the year ended December 31, 2025 was 6.16% (2024: 7.39%).

For the year ended December 31, 2025 and 2024 loan advances, repayments, and fees and interest charged were as follows:

	December 31, 2025	December 31, 2024
Balance, open	\$ 6,304	\$ -
Advances	-	6,250
Interest and fees charged	400	54
Interest payable transferred to Operating Credit Facility	(454)	-
Balance, end	\$ 6,250	\$ 6,304

13.4 (iii) EDC Credit - Security

The EDC Credit is secured by the same collateral and guarantees as the Company’s Credit Facility with CIBC and Rabobank noted above.

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13.5 Foreign exchange facility guarantee with EDC

On June 1, 2020, the Company entered into a foreign exchange facility guarantee with EDC to cover margin requirements in relation to the foreign exchange contract facility. On August 4, 2020, the Company's Credit Facility lender recognized this guarantee under the Credit Facility. The facility guarantees a maximum aggregate liability of up to \$6.0 million, and it is valid until September 30, 2026. This guarantee provides additional borrowing capacity within the abovementioned Credit Facility with the Canadian Bank.

14. INCOME TAXES

14.1 Income tax expense

Swiss Water has \$62.8 million non-capital tax losses carry forward in Canada, as of the end of December 31, 2025, of which \$56.6 million will begin to expire in 2040, and \$6.2 million does not expire.

For the year ended December 31, 2025, tax expense on other comprehensive income related to hedging activities was \$0.8 million (2024: \$1.1 million). The current and deferred income tax expense is as follows:

	December 31, 2025	December 31, 2024
Current income tax expense	\$ 27	\$ 61
Deferred tax expense	500	981
Income tax expense	\$ 527	\$ 1,042

14.2 Income tax receivable and income tax payable

As at December 31, 2025 income tax payable in the amount of \$0.01 million is included in accounts payable and accrued liabilities (2024: \$0.01 million), and it is presented on the consolidated statement of financial position.

14.3 Reconciliation

Income tax expense for the year can be reconciled to the accounting profit as follows:

	December 31, 2025	December 31, 2024
Income before tax	\$ 2,090	\$ 2,311
Statutory rate	27%	27%
Income tax calculated at applicable tax rates	\$ 564	\$ 624
Non-deductible tax items	(32)	421
Foreign tax rate differential	(5)	(3)
Income tax expense	\$ 527	\$ 1,042

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14.4 Deferred income tax assets (liabilities)

Deferred tax assets and liabilities are as follows:

	December 31, 2025	December 31, 2024
Deferred tax assets	\$ 104	\$ 109
Deferred tax liabilities	\$ (6,460)	\$ (5,177)
	\$ (6,356)	\$ (5,068)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

The movement in deferred income tax assets and liabilities during the year was as follows:

	Goodwill and intangibles	Property plant and equipment	Financing issuance costs and other	ARO	Lease Liability	Share based compen- sation	Derivatives liability and embedded option	Debt with warrants	Other compre- hensive income	Tax Losses	Total
Balance at January 1, 2024	\$ 679	\$ (31,828)	\$ 604	\$ 1,036	\$ 4,966	\$ 326	\$ 304	\$ 114	\$ (177)	\$ 18,836	\$ (5,140)
To income tax expense	(47)	885	325	(67)	(450)	72	1,199	516	-	(3,404)	(971)
To equity	-	-	-	-	-	-	-	-	1,043	-	1,043
Balance at December 31, 2024	\$ 632	\$ (30,943)	\$ 929	\$ 969	\$ 4,516	\$ 398	\$ 1,503	\$ 630	\$ 866	\$ 15,432	\$ (5,068)
Balance at January 1, 2025	\$ 632	\$ (30,943)	\$ 929	\$ 969	\$ 4,516	\$ 398	\$ 1,503	\$ 630	\$ 866	\$ 15,432	\$ (5,068)
To income tax expense	(42)	1,197	866	22	(479)	186	(1,670)	(630)	-	50	(500)
To equity	-	-	-	-	-	-	-	-	(788)	-	(788)
Balance at December 31, 2025	\$ 590	\$ (29,746)	\$ 1,795	\$ 991	\$ 4,037	\$ 584	\$ (167)	\$ -	\$ 78	\$ 15,482	\$ (6,356)

15. OTHER LIABILITIES

Other liabilities balances represent the fair value of the deferred share units and the cash settled portion of the restricted share units, and are outstanding as follows:

	December 31, 2025	December 31, 2024
Other liabilities, current	\$ 1,755	\$ 1,289
Other liabilities, non-current	407	186
	\$ 2,162	\$ 1,475

16. LEASE LIABILITIES

16.1 Lease liabilities

Lease liabilities are as follows:

	December 31, 2025	December 31, 2024
Lease liabilities, current	\$ 1,903	\$ 1,781
Lease liabilities, non-current	13,048	14,948
	\$ 14,951	\$ 16,729

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The Company leases the following, with right-of-use assets disclosed in the property, plant and equipment note:

- Swiss Water leases a build-to-suit production facility in Delta, BC. The lease commenced in July 2018 and is renewable at the Company's option in five-year increments, up to a total term of 30 years. The Company has multiple purchase options starting at the end of the second five-year term. The buy-out price is based on fair market value determined through appraisal, subject to a contractual minimum of \$24.0 million and a maximum of \$27.0 million. In 2022, the Company exercised its first renewal option, extending the lease to July 2028.
- Seaforth leases a storage warehouse in Delta, BC, with a current term expiring in June 2027 and two five-year renewal options.
- Swiss Water leases office equipment with lease terms expiring in January 2028.
- SWEU leases a sales office in France, which expires in October 2027.

16.2 Amounts recognized in the consolidated statements of income and cash flows

The amounts recognized in the consolidated statements of income and cash flows are as follows:

	December 31, 2025	December 31, 2024
Balance, open	\$ 16,729	\$ 18,393
Additions	-	15
Terminations	-	(3)
Finance expense	792	877
Lease cash payments	(2,574)	(2,559)
Foreign exchange	4	6
Balance, end	\$ 14,951	\$ 16,729

Lease cash payments are allocated between principal and interest. The interest component is included in operating activities, while principal repayments are presented as financing activities in the consolidated statement of cash flows.

16.3 Minimum lease payments

As at December 31, 2025, the minimum payments under lease liabilities are as follows:

	December 31, 2025
No later than 1 year	\$ 2,603
Later than 1 year and no later than 5 years	2,729
Later than 5 years	-
	\$ 5,332

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17. ASSET RETIREMENT OBLIGATION (“ARO”)

The Company estimates total undiscounted cash flows to settle its ARO of approximately \$5.8 million, all relating to the Delta location. As at December 31, 2025, an ARO liability of \$3.7 million was recognized (2024: \$3.6 million), representing the present value of the obligation discounted at a risk-free rate of 3.57% (2024: 3.35%).

Changes in the ARO during the years ended December 31, 2025 and 2024 were as follows:

	December 31, 2025	December 31, 2024
Balance, open	\$ 3,587	\$ 3,839
Remeasurement recognized in property, plant and equipment	(41)	(356)
Accretion	124	104
Balance, end	\$ 3,670	\$ 3,587

18. SHARE CAPITAL

18.1 Common shares

Swiss Water is authorized to issue an unlimited number of common shares without par value. Each common share carries one vote and is entitled to dividends when declared.

As at December 31, 2025, there were 9,544,552 common shares issued and outstanding (2024: 9,517,552).

18.2 Preferred 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 December 31, 2025, there were nil preferred shares issued and outstanding (2024: nil).

18.3 Warrants

In 2021, the Company issued 2.25 million warrants to MRC, each exercisable for one common share at an exercise price of \$3.33, originally expiring on October 31, 2024. The warrants were initially recognized as equity and were not subsequently remeasured.

In 2022, the debenture with warrants agreement was amended to extend the warrant expiry to April 30, 2026 and to introduce a cashless exercise feature, allowing MRC to receive a variable number of shares based on the difference between the exercise price and the fair market value of the shares. As a result of the introduction of the cashless exercise feature, the warrants were reclassified from equity to a financial liability. The number of warrants outstanding and the exercise price remained unchanged.

On July 3, 2025, the Company repurchased and cancelled all outstanding warrants (see Note 13.2(iii)).

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18.4 Equity-based restricted share units (E-RSUs)

The Company maintains an equity-based restricted share unit plan under which E-RSUs may be granted to officers, employees, and consultants. The E-RSU Plan is administered by the Board of Directors, which determines the terms of awards. On May 9, 2022, shareholders approved an increase in the maximum number of common shares issuable under this plan to a maximum of 1,115,509.

E-RSUs vest on the third anniversary of the grant date, subject to continued employment, and are forfeited upon termination prior to vesting. Upon vesting, each E-RSU converts into one common share. Participants may elect to receive up to 50% of the vested award value in cash to fund withholding taxes. Any cash-settled E-RSUs are returned to the E-RSU Plan pool and may be reissued.

The Company grants both performance-based and non-performance E-RSUs. Performance E-RSUs vest on the same schedule and are subject to additional performance conditions established by the Board.

E-RSU awards are adjusted for dividends declared during the vesting period.

The Company values the E-RSUs using the volume-weighted average price ("VWAP") of the Company's common shares on the Toronto Stock Exchange for the five trading days immediately preceding the relevant measurement date.

The movement in E-RSUs was as follows:

	Number of E-RSUs	Volume based weighted average share price	Average remaining vesting period in years	Performance based
Balance at January 1, 2024	716,900	\$ 2.19	0.54	
E-RSUs granted	149,277	\$ 3.43	2.24	No
E-RSUs granted - performance	59,777	\$ 3.43	2.24	Yes
E-RSUs cash-settled	(47,000)	\$ 3.53	-	No
E-RSUs cash-settled - performance	(108,578)	\$ 2.95	-	Yes
E-RSUs equity-settled	(57,000)	\$ 3.05	-	No
E-RSUs equity-settled - performance	(247,597)	\$ 2.88	-	Yes
E-RSUs forfeited	(3,500)	\$ 2.68	-	No
E-RSUs forfeited - performance	(118,725)	\$ 2.88	-	Yes
Balance at December 31, 2024	343,554	\$ 3.30	1.65	
Balance at January 1, 2025	343,554	\$ 3.30	1.65	
E-RSUs granted	61,891	\$ 3.30	2.25	No
E-RSUs granted - performance	25,491	\$ 3.30	2.25	Yes
E-RSUs cash-settled	(25,000)	\$ 3.44	-	No
E-RSUs equity-settled	(27,000)	\$ 2.58	-	No
E-RSUs forfeited	(7,500)	\$ 3.19	-	No
Balance at December 31, 2025	371,436	\$ 3.76	1.23	

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18.5 Cash-based restricted share units (C-RSUs)

In 2025, Swiss Water established a cash-based restricted share unit plan for certain employees to align employee incentives with those of shareholders. C-RSUs are settled in cash, and no common shares are issued.

A liability is recognized for C-RSUs and initially measured at fair value using the volume-weighted average share price. The liability is expensed to the consolidated statements of net income on a straight-line basis over the vesting period, based on the estimated number of C-RSUs expected to vest and be settled in cash. Estimates are revised as necessary, with cumulative expense adjusted to reflect updated expectations.

The liability is remeasured at fair value at each reporting date and at settlement, with changes in fair value recognized in the consolidated statements of income. The liability is classified as current or long-term based on the expected settlement date.

The Company periodically grants both performance and non-performance C-RSUs. All C-RSUs vest on the third anniversary of the grant date, with performance C-RSUs subject to achieving additional performance objectives established by the Board of Directors.

Each C-RSU award is adjusted for dividends paid during the vesting period. The adjustment is calculated by multiplying the number of C-RSUs outstanding at the dividend payment date by the quotient of the dividend per common share divided by the market price on that date.

C-RSUs are valued using the VWAP, based on the Canadian dollar trading price of the Company's common shares on the Toronto Stock Exchange for the five trading days immediately preceding the relevant measurement date, calculated as total trading value divided by total trading volume, in accordance with the C-RSU Plan.

The movement in C-RSUs was as follows:

	Number of C-RSUs	Volume based weighted average share price	Average remaining vesting period in years	Performance based
Balance at January 1, 2025	-	\$ -	-	
C-RSUs granted	92,837	\$ 3.30	2.25	No
C-RSUs granted - performance	38,236	\$ 3.30	2.25	Yes
Balance at December 31, 2025	131,073	\$ 4.41	2.25	

18.6 Deferred share units (DSUs)

The Company maintains a deferred share unit plan that allows eligible participants to defer compensation and receive DSUs with a value equivalent to the deferred amount, thereby promoting alignment with shareholders.

DSUs have been issued since April 2012 and are measured by dividing the deferred compensation by the fair market value ("FMV"), defined as the weighted average closing price of the Company's common shares over the five business days immediately preceding the relevant date.

Upon a redemption event, participants are entitled to a lump-sum cash payment, net of applicable withholding taxes, equal to the number of DSUs held multiplied by the FMV on the redemption date. DSUs have no vesting or forfeiture conditions, as they are issued in exchange for deferred compensation.

Outstanding DSUs are increased for dividends declared on the Company's common shares.

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The movement in DSUs was as follows:

	Number of DSUs	Weighted average share price	Performance based
Balance at January 1, 2024	234,661	\$ 2.78	
DSUs issued	72,048	\$ 3.29	No
Balance at December 31, 2024	306,709	\$ 3.91	
Balance at January 1, 2025	306,709	\$ 3.91	
DSUs issued	71,401	\$ 3.68	No
DSUs redeemed	(18,487)	\$ 3.25	No
Balance at December 31, 2025	359,623	\$ 4.45	

19. REVENUE

The following are disaggregation of revenue and contract balances related to contracts with customers. Details on contracts with customers, disaggregation, judgements, performance obligations, transaction price, and timing of satisfaction of performance obligations are outlined in the accounting policies under 'Revenue recognition'. Related credit risk and customer concentration are discussed in the note on 'Financial risk management', under 'Credit risk'.

19.1 Disaggregation of revenue

Revenue disaggregated by geographical markets is disclosed in Note 24 under segment reporting. The Company also disaggregates revenue by major products and services: decaffeinated coffee sales, decaffeination services, and distribution services, with the following results for the years ended December 31, 2025 and 2024:

	December 31, 2025	December 31, 2024
Decaffeinated coffee sales	\$ 230,961	\$ 151,326
Decaffeination services	8,961	10,285
Distribution services	18,797	11,518
	\$ 258,719	\$ 173,129

19.2 Contract balances

As at December 31, 2025, the accounts receivable balance of \$29.2 million (2024: \$23.3 million) consists of amounts due from customer contracts and reflects the Company's right to a consideration that is unconditional. Provision for expected credit loss is included in accounts receivable balance as discussed in Note 7.

As at December 31, 2025, \$0.1 million of deferred revenue, related to cash received in advance of deliveries, was included in accrued liabilities (2024: \$0.4 million). During both years ended December 31, 2025 and 2024, there were no significant changes in the contract assets and contract liabilities balances. The Company did not have other contract assets or liabilities from contracts with customers.

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20. EMPLOYEE BENEFITS EXPENSES

Expenses recognized for employee benefits are detailed below:

	December 31, 2025		December 31, 2024	
Short-term benefits	\$	13,290	\$	13,583
Long-term benefits		1,171		1,277
Post-employment benefits		1,316		1,314
	\$	15,777	\$	16,174

Short-term benefits comprise salaries, accrued bonuses, benefits, and director fees. Long-term benefits comprise share-based compensation under the E-RSU, C-RSU, and DSU plans.

Post-employment benefits are contributions to employee retirement accounts, as well as statutory remittances related to post-employment benefits. These are recognized as an expense when employees have rendered service entitling them to the contributions.

21. RELATED PARTY TRANSACTIONS

The Company's related parties include its subsidiaries, key management personnel, and a company related to a director. Details of transactions between the Company and related parties (other than its subsidiaries identified in Note 1) are discussed below.

21.1 Compensation of key management personnel

The remuneration of directors and key management personnel included in the consolidated statement of income for the years ended December 31, 2025 and 2024 was as follows:

	December 31, 2025		December 31, 2024	
Short-term benefits	\$	1,951	\$	2,401
Long-term benefits		918		1,007
Post-employment benefits		309		276
	\$	3,178	\$	3,684

21.2 Trading transactions

During the year, the Company entered into the following transactions with a company that is related to a director of the Company:

	December 31, 2025		December 31, 2024	
Sales	\$	962	\$	785
Purchases of raw materials	\$	15,349	\$	9,348

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As at December 31, 2025, the Company had the following balances receivable from and payable to a company that is related to a director:

	December 31, 2025	December 31, 2024
Accounts receivable	\$ 37	\$ 17
Accounts payable	\$ -	\$ 841

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

21.3 Employee Loans

On October 26, 2021, the Company and a member of key management entered into a promissory note in the amount of \$0.07 million. For as long as the borrower remains an employee, the obligation to repay the principal is forgiven against current and future awards under the RSU plan, by forfeiture of awards. The loan is interest free other than in the event of default, in which case the promissory note would bear simple interest at a rate of 10% per annum. As at December 31, 2025, the loan balance of \$0.01 million was included in prepaid expenses and other receivables (2024: \$0.01 million was included in non-current assets, deposits and other receivables).

22. BASIC AND DILUTED EARNINGS PER SHARE

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

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Basic and dilutive earnings per share are as follows:

	December 31, 2025		December 31, 2024	
Basic income per share				
Net income attributable to shareholders	\$	1,563	\$	1,269
Weighted average number of shares		9,541,149		9,440,696
Basic income per share	\$	0.16	\$	0.13
Diluted (loss) income per share				
Net income attributable to shareholders	\$	1,563	\$	1,269
Fair value of borrowings embedded option		(1,657)		-
Net (loss) income after effect of diluted securities	\$	(94)	\$	1,269
Weighted average number of shares - basic		9,541,149		9,440,696
Effect of dilution: Warrants		1,128,082		-
Effect of dilution: Warrants deemed to be repurchased		(969,936)		-
Weighted average number of shares - diluted		9,699,295		9,440,696
Diluted (loss) income per share	\$	(0.01)	\$	0.13

Potential common shares are anti-dilutive when their conversion to common shares increases earnings per share or decreases loss per share from continuing operations. Anti-dilutive potential common shares are excluded from the weighted average number of shares outstanding for the purposes of calculating the diluted earnings per share.

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

	December 31, 2025		December 31, 2024	
Weighted average number of RSUs outstanding		360,560		418,690
Weighted average number of Warrants outstanding		-		2,250,000

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23. SUPPLEMENTAL CASH FLOW INFORMATION

Cash is cash on hand, which is subject to an insignificant risk of changes in value. Changes in non-cash working capital are as follows:

	December 31, 2025	December 31, 2024
Accounts receivable	\$ (5,786)	\$ (4,258)
Inventories	(10,820)	(6,100)
Other assets and liabilities	(274)	(630)
Prepaid expenses	(144)	131
Accounts payable and accrued liabilities	(3,018)	13,844
Derivative assets, liabilities and hedged firm commitments	15,354	(14,251)
Borrowings embedded option	675	-
	\$ (4,013)	\$ (11,264)

Cash and non-cash transactions recognized within operating activities are as follows:

- During the year ended December 31, 2025, Swiss Water paid \$0.1 million in cash to settle E-RSUs (2024: \$0.5 million).
- During the year ended December 31, 2025 and 2024, lease payments for short-term leases and leases of low value, which are not included in the measurement of the lease liability, are classified as cash flows from operating activities.

Cash and non-cash transactions affecting operating and investing activities are as follows:

- As at December 31, 2025, \$0.3 million of additions to property, plant and equipment were recorded in accounts payable and accrued liabilities (2024: \$0.1 million). These transactions did not require the use of the Company's cash.
- During the year ended December 31, 2025, \$0.2 million of depreciation on manufacturing equipment was allocated from inventory to cost of sales to (2024: \$0.3 million from cost of sales to inventory). This is a non-cash item within operating and investing activities.
- During the year ended December 31, 2025, \$0.04 million of non-cash asset retirement obligation for the Delta leased property was removed from property, plant and equipment (2024: \$0.4 million removed).

Cash and non-cash transactions affecting operating and financing activities are as follows:

- During the year ended December 31, 2025 and 2024, the Company has classified the interest portion of lease payments within operating activities and the principal portion within financing activities.

Other cash and non-cash transactions:

- During the year ended December 31, 2025, the Company capitalized nil (2024: \$0.1 million) of share-based compensation to property, plant and equipment. This is a non-cash item within financing and investing activities.

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- During the year ended December 31, 2024, Swiss Water entered into leases in the amount of \$0.02 million for right-of-use assets that were also added to leased liabilities. There were no such transactions in 2025. These non-cash items affect financing and investing activities.

24. SEGMENT REPORTING

The Company's sales are primarily generated by the decaffeination of the green coffee segment and in three geographic areas: Canada, the United States, and other international markets. The Company's revenue from external customers and its non-current assets (excluding deferred tax assets), by location, are detailed below.

24.1 Non-current assets (excluding deferred taxes)

Non-current assets, excluding deferred taxes, are in the following geographic segments:

	December 31, 2025	December 31, 2024
Canada	\$ 123,922	\$ 129,401
United States	-	3
Europe	55	76
	\$ 123,977	\$ 129,480

24.2 Revenue

Revenue is primarily generated from a single business segment of decaffeination of green coffee beans. Management examines revenue from the sale of coffee and services provided to customers who are located in the following geographic regions:

	December 31, 2025	December 31, 2024
Canada	\$ 55,513	\$ 42,469
United States	135,992	84,792
International	67,214	45,868
	\$ 258,719	\$ 173,129

25. FINANCIAL RISK MANAGEMENT

The Company's risk management program focuses on the unpredictability of commodity prices and foreign exchange rates and seeks to minimize potential adverse effects on the Company's financial performance and cash flows. The Company uses derivative financial instruments to hedge these risk exposures. In addition, the Company monitors other financial risks on a regular basis.

Risk management is carried out under policies approved by the Board of Directors. The Company's exposure to and management of financial risks is discussed in more detail below.

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25.1 Commodity price risk hedges on purchase commitments and inventory

Commodity price risk is the risk that the fair value of inventory will fluctuate as a result of changes in commodity prices. The Company utilizes futures contracts to manage its commodity price exposure. The Company buys and sells futures contracts for coffee on the Intercontinental Exchange in order to offset its inventory position and fix the input cost of green coffee.

As at December 31, 2025, the Company had futures contracts to buy 7.3 million lbs of green coffee with a notional value of US\$24.3 million, and contracts to sell 11.2 million lbs of green coffee with a notional value of US\$37.9 million. The furthest contract matures in March 2027 (2024: buy 6.5 million lbs of green coffee with a notional value of US\$20.4 million, and contracts to sell 17.0 million lbs 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 gain of \$0.2 million to the income before tax, and vice versa (2024: \$0.2 million loss).

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

Carrying amount of hedging instruments	December 31, 2025		December 31, 2024	
Fair value hedge	Commodity price risk Coffee futures		Commodity price risk Coffee futures	
Nominal amount of hedging instruments (in US\$'000)	\$	13,556	\$	33,197
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	\$	1,395	\$	4,508
Changes in fair value used for calculating hedge ineffectiveness		-		-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	December 31, 2025		December 31, 2024	
Fair value hedge	Purchase commitments and coffee inventory		Purchase commitments and coffee inventory	
Nominal amount of hedged item (in '000 lbs)		3,966		10,566
Line items in the statement of financial position where hedged item is located		Inventories & hedged firm commitments		Inventories & hedged firm commitments
Assets	\$	347	\$	13,348
Liabilities		1,589		1,656
Changes in fair value used for calculating hedge ineffectiveness		-		-

25.2 Foreign exchange currency risk hedges

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

As at December 31, 2025, the Company had forward currency contracts to buy US\$18.4 million and sell US\$27.6 million (2024: buy US\$5.1 million and sell US\$44.5 million) from January 2026 through to October 2027 at various Canadian exchange rates ranging from \$1.33 to \$1.41. An estimated CAD 1 cent decrease in the value of US\$

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would have resulted in an estimated gain of \$0.1 million to the net income and other comprehensive income before tax, and vice versa (2024: \$0.3 million gain).

The following tables provide a summary of amounts related to foreign currency forward contracts designated as hedging instruments. Not included in the tables below are fair value for swaps and other contracts, as these are not designated hedge instruments.

Currency risk hedges related to US\$ sales

As at December 31, 2025, the Company designated as hedging instruments US\$27.6 million in forward contracts to sell US dollars, which relate to highly probable forecasted sales revenue (2024: US\$44.5 million).

Carrying amount of hedging instruments	December 31, 2025	December 31, 2024
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedging instruments (in US\$'000)	\$ 27,600	\$ 44,530
Line items in the statement of financial position where hedging instrument is located		
Derivative Assets	\$ 85	\$ -
Derivative Liabilities	375	3,208
Changes in fair value used for calculating hedge ineffectiveness	-	-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	December 31, 2025	December 31, 2024
Cashflow hedge	Currency risk Foreign currency forwards	Currency risk Foreign currency forwards
Nominal amount of hedged item (in US\$'000)	\$ 27,600	\$ 44,530
Line items in the statement of financial position where hedged item is located	Accumulated other comprehensive income	Accumulated other comprehensive income
Assets	\$ n/a	\$ n/a
Liabilities	n/a	n/a
Changes in fair value used for calculating hedge ineffectiveness	-	-
Cashflow hedge reserve	(290)	(3,208)

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Currency risk hedges related to US\$ purchases

As at December 31, 2025, the Company designated as hedging instruments US\$12.2 million in forward contracts to buy US dollars, which relate to coffee purchases (2024: US\$5.1 million).

Carrying amount of hedging instruments	December 31, 2025		December 31, 2024	
Fair value hedge		Foreign currency purchase forwards		Foreign currency purchase forwards
Nominal amount of hedging instruments (in US\$'000)	\$	12,181	\$	5,124
Line item in the statement of financial position where hedging instrument is located				
Derivative Assets	\$	20	\$	294
Derivative Liabilities		245		5
Changes in fair value used for calculating hedge ineffectiveness		-		-
Accumulated amount of fair value hedge adjustment on hedged item included in the carrying amount of the hedged items	December 31, 2025		December 31, 2024	
Fair value hedge		Firm purchase commitments & inventories		Firm purchase commitments & inventories
Nominal amount of hedged item (in US\$'000)	\$	12,181	\$	5,124
Line item in the statement of financial position where hedged item is located		Inventories & hedged firm commitments		Inventories & hedged firm commitments
Assets	\$	277	\$	-
Liabilities		5		313
Changes in fair value used for calculating hedge ineffectiveness		-		-

25.3 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest rate risk for cash is low as it is held in fixed-rate instruments. The Company does have interest rate risk related to its credit facilities and variable construction loans, where a 1% increase in the Canadian Prime Rate loan, holding all other variables constant, would result in a \$0.5 million decrease to income after taxes (2024: \$0.5 million decrease). There was no interest rate risk on fixed rate construction loans.

25.4 Credit risk

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

The Company does not have significant credit risk related to cash as amounts are held with major financial institutions.

The Company follows a program of credit evaluations of customers. A customer's credit check is performed in advance of providing credit to a customer, by reviewing their external credit ratings and interviewing customers' reputable vendors and then reviewed annually.

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For the year ended December 31, 2025, revenues from three major customers of \$90.7 million (2024: \$57.5 million) represented 35% (2024: 33%) of total revenues for the year. Three major customers represented 51% of total accounts receivable as at December 31, 2025 (2024: 37%).

The Company had 9% of its accounts receivable past due but not impaired as at December 31, 2025 (2024: 15%). Of the past due accounts receivable, 86% are 1-30 days past due (2024: 97%), while 14% are over 31 days past due (2024: 3%).

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

25.5 Liquidity risk

Non-derivative financial liabilities carrying amounts and their related contractual cash flows are as follows:

	Carrying Amount		Contractual Cash Flows							
	December 31, 2025		< 1 Year	2-3 Years	4-5 Years	Thereafter				
Accounts payable	\$	22,656	\$	22,656	\$	-	\$	-	-	
Other liabilities		2,162		1,755		407		-	-	
Lease liabilities		14,951		2,603		2,728		-	-	
Credit facility with banks		38,284		-		38,395		-	-	
Credit facility with EDC and interest		6,250		6,250		-		-	-	
Construction loans and interest		51,459		5,762		12,000		12,000	22,054	
Total	\$	135,762	\$	39,026	\$	53,530	\$	12,000	\$	22,054

The Company has in place a planning and budgeting process to assist in determining the funds required to support the Company's normal operating requirements on an ongoing basis and its future plans. The Company ensures that there are sufficient committed financing facilities to meet its short-term business requirements, taking into account its anticipated cash flows from operations, its existing bank indebtedness and additional borrowing capacity. The Company has maintained compliance with its banking covenants that were in effect and not waived as at December 31, 2025, and remains able to satisfy its liabilities as they become due.

25.6 Fair value of financial instruments

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

- Level 1 captures the Company's cash and commodity futures.
- Level 2 captures the Company's foreign exchange forward contracts, derivative financial liabilities, borrowings embedded option, construction loans, credit facilities, and other liabilities.
- The Company does not have level 3 financial instruments.

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Financial instruments that are measured at fair value are categorized as follows. During the year ended December 31, 2025, there were no transfers between level 1 and 2 instruments.

	December 31, 2025		Level 1		Level 2		Level 3	
Financial assets								
Cash	\$	6,606	\$	6,606	\$	-	\$	-
Derivative assets		1,504		1,395		109		-
	\$	8,110	\$	8,001	\$	109	\$	-
Financial liabilities								
Derivative liabilities	\$	620	\$	-	\$	620	\$	-
Other liabilities		2,162		-		2,162		-
	\$	2,782	\$	-	\$	2,782	\$	-
	December 31, 2024		Level 1		Level 2		Level 3	
Financial assets								
Cash and cash equivalents	\$	8,514	\$	8,514	\$	-	\$	-
Derivative assets		4,801		4,507		294		-
	\$	13,315	\$	13,021	\$	294	\$	-
Financial liabilities								
Derivative liabilities	\$	3,213	\$	-	\$	3,213	\$	-
Borrowings embedded option		2,332		-		2,332		-
Other liabilities		1,475		-		1,475		-
	\$	7,020	\$	-	\$	7,020	\$	-

The carrying values of accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term nature of these instruments. The carrying value of borrowings approximates fair value as interest is charged at a market rate.

26. COMMITMENTS AND CONTINGENCIES

In addition to lease liabilities and borrowings noted above, the Company has the following commitments:

The Company has provided a standby letter of credit in the amount of \$0.5 million as security for a construction bond. This commitment restricts the available borrowing base draws as highlighted in Note 13.3(iv), 'Credit Facility – Borrowing base'.

The Company also has, in the normal course of business, entered into various contracts. As of December 31, 2025, these contracts related to the purchase of green coffee and were in the amount of \$68.8 million (2024: \$82.8 million). Of these contracts, \$68.6 million will become payable within twelve months from December 31, 2025.

The Company is, from time to time, involved in various claims, legal proceedings and complaints arising in the ordinary course of business. It does not believe that adverse decisions in any pending or threatened proceedings, or any amount it may be required to pay by reason thereof, will have a material adverse effect on the financial condition or future results of operations of the Company.

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27. SUBSEQUENT EVENT

On February 10, 2026, 80,000 E-RSUs vested under the Company's RSU Plan. Of these, 26,250 were converted to common shares. A further 21,500 were elected to be converted to common shares and are in the process of being issued. The remaining 32,250 E-RSUs will return to the E-RSU pool.