



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

For the year ended December 31, 2025

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis For the year ended December 31, 2025

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1. INTRODUCTION

Basis of Presentation

This Management's Discussion and Analysis ("MD&A") of Swiss Water Decaffeinated Coffee Inc. ("Swiss Water" or the "Company"), dated as of March 12, 2026, provides a review of the financial results for the quarter and year ended December 31, 2025, relative to the comparable period of 2024. The quarter period represents the fourth quarter ("Q4") of our 2025 fiscal year. This MD&A should be read in conjunction with Swiss Water's audited consolidated financial statements for the year ended December 31, 2025, and in conjunction with the most recent Annual Information Form ("AIF"), which are available on SEDAR+. All financial information is presented in Canadian dollars unless otherwise specified.

Forward-Looking Statements

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

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

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2. OVERVIEW

Company Overview

Swiss Water is a premium chemical-free coffee decaffeinator located in Delta, British Columbia. We employ the proprietary Swiss Water® Process¹ to decaffeinate green coffee without the use of chemical solvents, leveraging science-based systems and controls to produce coffee that is 99.9% caffeine free. Our process is certified organic by Ecocert Canada and is the world's only consumer-branded decaffeination process. Decaffeinating premium green coffee without the use of harmful chemical solvents is our primary business.

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

We provide decaffeinated coffee to our customers through two arrangements:

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

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

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

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

¹ The Company is the registered owner of this trademark.

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before roasting it. As such, when comparing fiscal periods, shipments to roasters are more stable than shipments to importers.

Industry Overview

The global coffee industry is experiencing a significant transformation, driven by evolving consumer preferences and an increasing focus on health-conscious beverage options. The no-caffeine segment, valued at \$2.4 billion USD in 2023, is projected to grow at a 1% 2025 constant value CAGR through 2028¹. Management estimates that the decaffeinated specialty sub-segment in which Swiss Water competes is projected to grow at 2.5%. This reflects an increasing demand for products that balance enjoyment with wellness. This trend is especially evident in key markets where traditional coffee consumption patterns with emerging health and environmental priorities are creating significant opportunities within the chemical-free decaffeination segment.

The United States, the world's largest coffee consuming nation, remains a key market for Swiss Water, with a 66%² daily consumption rate among the population, surpassing all other beverages according to the National Coffee Association's ("NCA") 2025 US Coffee Data Trends Report. The NCA notes that Specialty coffees, particularly premium Arabica varieties used in beverages such as espressos, cappuccinos, and lattes, have captured a significant share, with 46% of the population consuming specialty coffee products daily.

Decaffeinated coffee is experiencing notable growth, especially among younger consumers who are fueling trends in specialty coffee and beverages that support physical and mental well being. Recent data indicates that 7% of coffee drinkers consumed decaffeinated coffee in the prior day, with 11% having consumed it within the past week³.

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

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

External Factors Affecting Key Performance Drivers

Commodity Prices

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

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

² The National Coffee Association "National Coffee Data Trends, Specialty Coffee Report", 2025.

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

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In Q4 2025, the NY'C' averaged US\$3.83/lb, compared to an average of US\$2.83/lb in Q4 2024, an increase of 35%. Year to date, the NY'C' averaged US\$3.63/lb, compared to an average of US\$2.35/lb in 2024, an increase of 54%. The rise and fall of the NY'C' affects our volume of shipments, our revenues, our cost of sales, and our working capital requirements. In an upward trending market, our customers tend to consume their own inventories rather than build them. When the NY'C' declines over a sustained period, our customers tend to add to their inventories.

In the current inverted coffee futures market, where nearby contracts trade above deferred ones, importers and roasters are keeping inventories lean to avoid carrying high-cost coffee that may lose value over time. Many are relying on just-in-time purchasing and shorter coverage windows, often buying hand-to-mouth or through spot purchases rather than building long positions.

Foreign Exchange

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

In Q4 2025, the US\$ averaged C\$1.39, compared to an average of C\$1.40 in Q4 2024. Year to date, the US\$ averaged C\$1.40, compared to an average of C\$1.37 in 2024. When the US\$ depreciates (appreciates), it decreases (increases) our gross profit on green coffee revenues.

Outlook

Operational Foundation

Swiss Water is well-positioned for the future, supported by the continued operation of our consolidated production site in Delta, BC. The unified facility has provided stable, efficient performance, strengthening our ability to meet the growing demand for our premium chemical-free decaffeinated coffee offerings.

With both production lines now in operation for more than two years, the facility is delivering consistent performance and supporting reliable day-to-day production. Continuous operations have contributed to improvements in quality and consistency across the business. We remain confident in our ability to support growth without near-term capacity constraints, and have identified targeted incremental investments that position us to meet anticipated demand over the medium term.

Market Dynamics & Competitive Position

The global coffee market remains highly volatile, with continued inversion in both the NY'C' (Arabica) and London Robusta futures markets, persistent logistical disruptions, foreign exchange volatility and US tariff actions causing rapid changes in coffee origin preference. Despite this turbulent environment, we delivered a very positive performance during the year, with process volumes growing by 2% and total revenue increasing by 49%, demonstrating the strength of our brand and demand for our chemical-free decaffeination process. Importantly, this growth is against a backdrop of a declining U.S. grocery tonnage volume in the year. Based on management's research and estimates, our growth has consistently outpaced the overall decaf market, 5% compared to 1-2%, over the last 25 years, reinforcing our competitive positioning in the specialty coffee segment and ability to navigate volatile conditions.

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While some roasters have adjusted their purchasing strategies and will continue to manage with reduced inventory levels, underlying demand for chemical-free decaffeination continues to rise, and currently our roasting partners are generally operating at or above prior year volumes during the seasonally higher fall roasting period. We continue to closely watch coffee consumption in the US grocery marketplace, and we are expecting ongoing turbulence in consumer demand during the first half of 2026. We expect the long-term trend of chemical-free decaffeination growth to continue, however, extremely elevated coffee futures markets will definitely have an effect on consumption in the near term.

Financial Position & Strengthened Balance Sheet

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

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

As of December 31, 2025, we maintain a strong financial position, with sufficient internally generated funds, cash reserves and access to incremental borrowing capacity to support future growth initiatives. During the year, we had nominal incremental borrowings on our Operating Credit Facility, despite managing a materially higher NYC and delivering year-over-year volume growth. Furthermore, during the year, we also repaid \$5.4 million of construction debt. This strengthening of our balance sheet positions us well to navigate market volatility while investing in long-term strategic priorities. We continue to focus on reducing debt on the balance sheet in the coming years to improve overall returns to shareholders.

Operating Effect of US Tariffs

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

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

However, effective April 5, 2025, the US administration expanded the scope of its tariff initiative and implemented a 10% tariff on most imports from a broad range of countries. While imports of green coffee into Canada remained unaffected, coffee exported from Canada to the United States that retained its original country-of-origin designation was subject to this new tariff structure. These same tariff rules and classifications applied to our competitors based outside Canada. This development introduced additional cost pressures on U.S. bound shipments and affected export

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pricing for many Canadian manufacturers. Swiss Water included any tariff charges it incurred on shipments invoiced to its US customers.

Subsequently, during the third quarter of 2025, the US administration announced its intention to increase tariffs on most Brazilian products imported into the US from 10% to 50%, effective August 7th, 2025. Brazil is the biggest producer of green coffee globally, and all Brazilian coffees processed by Swiss Water and shipped into the US were subject to this elevated tariff. The effect of this change was a rapid demand shift away from the highest coffee volume producing nation in the world. This caused short term disruptions and volume issues.

On November 14, 2025, the US administration removed tariffs on any coffee entering the US, except for Brazilian coffee, which saw tariffs reduced from 50% to 40%. Finally, on November 20, 2025, the US administration completely removed tariffs on Brazilian coffee. This removed the last remaining tariff exposure and returned the Company to a tariff free operating model.

During the year, the Company started to see a slowdown in advance purchase commitments from some US customers as elevated coffee prices, market inversion and broader uncertainty led roasters to manage inventories more conservatively. More recently, as coffee futures prices have declined and market conditions have begun to normalize, the Company has started to see initial indicators of improved purchasing activity as customers replenish inventories. However, our customers remain cautious, and a return to normal purchasing activity is likely to be slow. Management continues to monitor customer buying patterns closely and will adapt as market conditions evolve.

Strategic Priorities & Growth Outlook

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

We remain focused on delivering volume growth and improved profitability in 2026, supported by:

- Expanding awareness of chemical-free decaffeination as consumers prioritize clean-label, naturally processed coffee.
- Optimizing production efficiencies to maximize throughput and margin performance.
- Strengthening our supply chain and sourcing strategies to mitigate volatility while ensuring quality and reliability.
- Repaying debt to reduce financing expenses and increase incremental value for our shareholders.

Conclusion

We enter 2026 with a stable operational foundation and improved financial flexibility. Our operations are now running at steady state, with our focus on incremental improvements to further optimize performance and quality, as we continue to refine our production processes. We have enhanced our financial flexibility through the repayment of the Mill Road debenture and cancellation of related warrants, continued repayments of construction and other debt, and the renewal and expansion of our Revolving Credit Facility.

Despite persistent inflationary pressures and broader economic uncertainty, we continue to outpace overall market growth, reflecting the resilience of our business model and the increasing consumer preference for our differentiated, chemical-free decaffeination process. As we leverage our strengthened platform to pursue targeted growth opportunities, we remain committed to sustainable practices and delivering long-term value to our shareholders, customers, and partners.

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3. FINANCIAL PERFORMANCE

Results of Operations

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

The results of operations are as follows:

In C\$ '000s except for per share amounts	3 months ended December 31				12 months ended December 31			
	2025	2024	\$ Change	% Change	2025	2024	% Change	% Change
Revenue	66,005	49,249	16,756	34%	258,719	173,129	85,590	49%
Cost of sales	(57,989)	(42,275)	(15,714)	37%	(231,728)	(146,939)	(84,789)	58%
Gross profit	8,016	6,974	1,042	15%	26,991	26,190	801	3%
Operating expenses	(3,453)	(3,811)	358	-9%	(14,932)	(15,135)	203	-1%
Operating income	4,563	3,163	1,400	44%	12,059	11,055	1,004	9%
Non-operating or other	(2,926)	(299)	(2,627)	879%	(9,969)	(8,744)	(1,225)	14%
Income tax expense	(431)	(851)	420	-49%	(527)	(1,042)	515	-49%
Net income	1,206	2,013	(807)	-40%	1,563	1,269	294	23%
Adjusted EBITDA ⁽¹⁾	4,194	4,885	(691)	-14%	11,324	14,318	(2,994)	-21%
Earnings (loss) per share ⁽²⁾								
Basic and diluted	0.13	0.21			0.16	0.13		
Diluted	0.13	0.21			(0.01)	0.13		

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

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

Operational Highlights

- Revenues reached \$258.7 million, up 49% compared to 2024. These record highs were achieved within the context of a challenging macro-economic environment, impacted by unprecedented volatility in the NY’C’ coffee futures price, and significant external pressures related to US tariffs.
- Processing volumes increased by 2% when compared to 2024. The overall increase was driven by robust demand from established customers, good spot order flow, and enhanced by incremental sales to new customers.
- Operating Income for the year increased by 9% when compared to 2024. The increase is representative of effective management of controllable costs and a sharp focus on revenue growth.
- Cash flows from operations were used to pay down debt and strengthen our balance sheet, which reflects the Company’s ability to manage costs and generate operational efficiencies. Earnings per share rose to \$0.16 per share, up from \$0.13 per share in 2024.

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- The value of our inventory position increased by \$1.5 million when compared to 2024. The overall balance remains high, reflecting a higher NY'C coffee futures price and a strategic increase in finished goods inventory levels in response to strong customer demand for spot or immediate sales. While we remain focused on working capital discipline, we made the decision to build inventory during the first nine months of this year to guarantee the availability of coffee to our customers. We expect inventory volumes to remain at current levels over the remainder of this year to service continued spot demand, and we will continue to charge for any carry cost premiums we incur on hedging our inventories. We are continuing to monitor export conditions from origin countries and broader supply chain dynamics as we actively manage our working capital investments.
- The NY'C coffee futures price for Arabica coffee remained volatile during Q4, peaking at US\$4.23/lb in November, and ending the quarter at US\$3.49/lb. Spot availability of green coffees remains very low, and pressure on the futures market intensified during the year and continued in Q4. The higher prices and inverted coffee market have led to a softening of consumer demand and volumes shipped to roasters.
- Consolidation of all our operations at one location continued to generate efficiencies from reduced utilities consumption, staffing, and maintenance during the year.

Revenue

We monitor and report our revenue in three categories:

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

Our revenue by category for the indicated period was:

In C\$ '000s	3 months ended December 31				12 months ended December 31			
	2025	2024	\$ Change	% Change	2025	2024	\$ Change	% Change
Process revenue	9,208	9,742	(534)	-5%	37,633	36,226	1,407	4%
Green revenue	51,819	36,515	15,304	42%	202,379	125,536	76,843	61%
Distribution revenue	4,978	2,992	1,986	66%	18,707	11,367	7,340	65%
Total revenue	66,005	49,249	16,756	34%	258,719	173,129	85,590	49%

Revenue for the quarter and year ended December 31, 2025, was \$66.0 million and \$258.7 million, which represents a \$16.8 million or 34% increase and a \$85.6 million or 49% increase, when compared to the same periods in 2024. The increases were primarily driven by a higher NY'C coffee futures price and enhanced further by year-to-date volume growth, increased activity within our storage and distribution business, and tariff expense recovery.

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Revenue by Category

Process revenue for the quarter and year ended December 31, 2025, was \$9.2 million and \$37.6 million, which represents a \$0.5 million or 5% decrease and a \$1.4 million or 4% increase, when compared to the same periods in 2024. In Q4, the decrease was primarily driven by a decrease in volume and customer sales mix, while the year-to-date increase was primarily driven by increased volume, customer sales mix, and foreign exchange benefits associated with the appreciating US\$, primarily in Q1 and Q3.

Green coffee revenue for the quarter and year ended December 31, 2025, was \$51.8 million and \$202.4 million, which represents a \$15.3 million or 42% increase and a \$76.8 million or 61% increase, when compared to the same periods in 2024. The increases were primarily driven by increased NY'C' coffee futures price, year-to-date volume growth, and higher green coffee differentials.

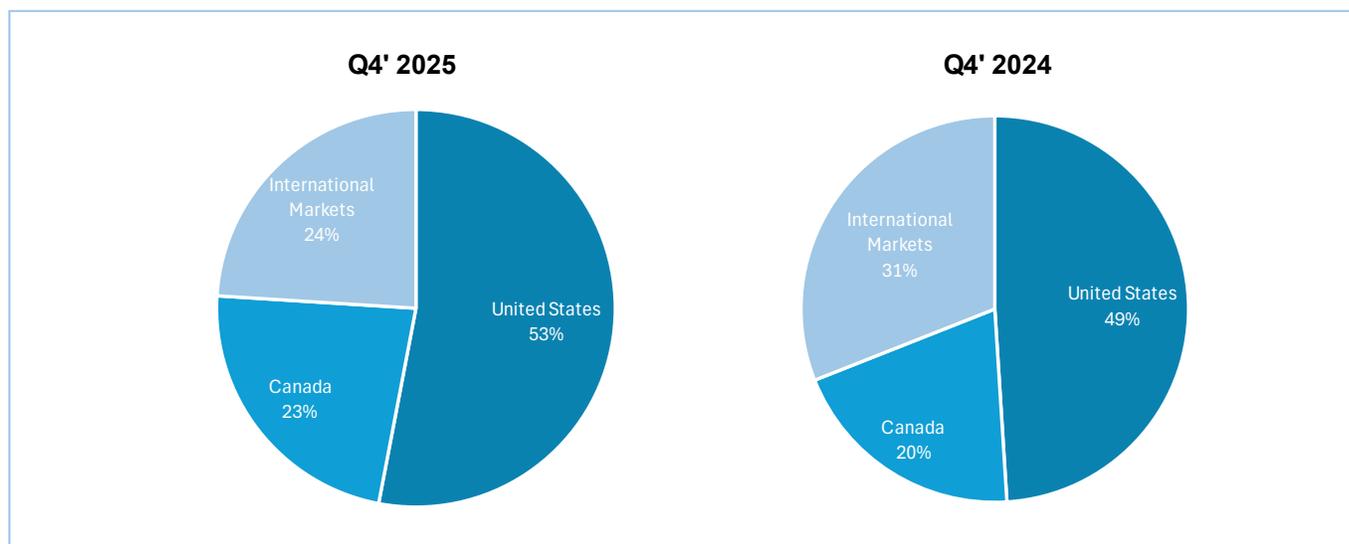
Distribution revenue for the quarter and year ended December 31, 2025, was \$5.0 million and \$18.7 million, which represents a \$2.0 million or 66% increase and a \$7.3 million or 65% increase, when compared to the same periods in 2024. The increases were primarily driven by tariff costs charged back to customers in the United States, increased green coffee logistics services from Seaforth, and increased volumes.

Our largest geographical market by volume for the quarter and year ended December 31, 2025, was the United States, followed by international markets and Canada.

Our sales volumes by geographical segment for the year ended December 31, 2025, are as follows:

- Sales volume in North America increased by 1%.
- Sales volume in international markets increased by 5%.

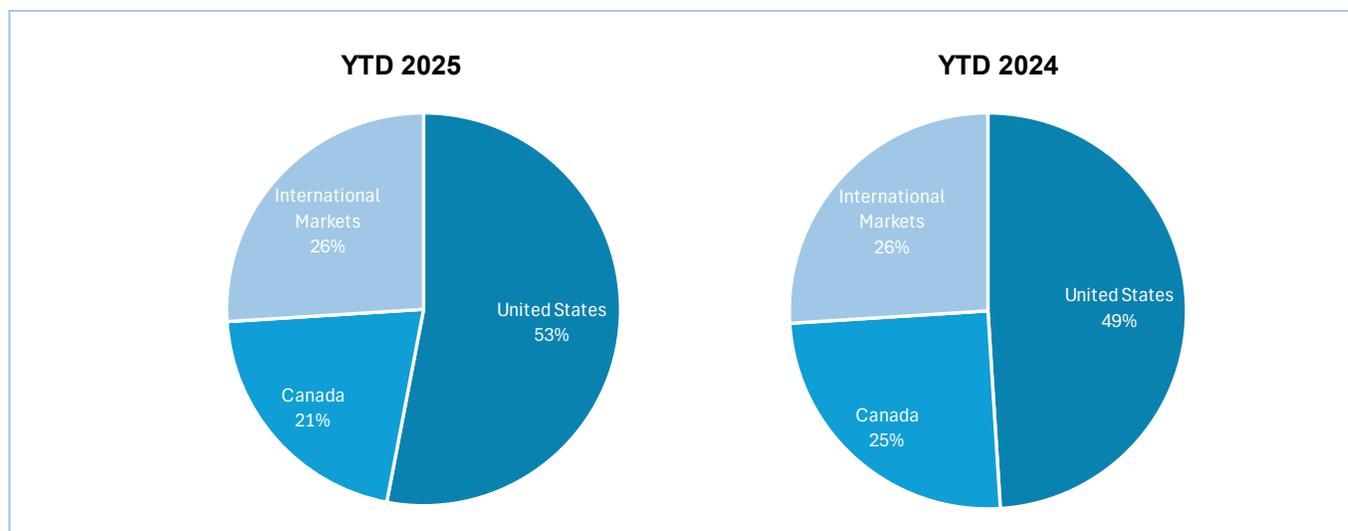
By dollar value, 53% of our sales in Q4 of this year were to customers in the United States, 24% were to international customers, and 23% were to Canadian customers.



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By dollar value, 53% of our sales for the year were to customers in the United States, 26% were to international customers, and 21% were to Canadian customers.



Cost of Sales, Gross Profit and Operating Expenses

In C\$ '000s	3 months ended December 31				12 months ended December 31			
	2025	2024	\$ Change	% Change	2025	2024	\$ Change	% Change
Cost of sales	57,989	42,275	15,714	37%	231,728	146,939	84,789	58%
Gross profit	8,016	6,974	1,042	15%	26,991	26,190	801	3%
Gross margin %	12%	14%			10%	15%		
Operating expenses								
Administration expense	2,500	2,803	(303)	-11%	11,238	11,334	(96)	-1%
Sales and marketing expense	953	1,008	(55)	-5%	3,694	3,801	(107)	-3%
Total operating expenses	3,453	3,811	(358)	-9%	14,932	15,135	(203)	-1%

Cost of Sales

Cost of sales includes the cost of green coffee purchased for our regular business, plant labour, and other processing costs directly associated with our production facility. It also incorporates customer specific hedges, commodity hedges, and an allocation of fixed overhead costs, such as depreciation of our production equipment and amortization of our proprietary process technology.

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

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Cost of sales also includes the costs of operating Seaforth's warehouse, and tariff costs incurred on the shipments to US customers.

Cost of sales for the quarter and year ended December 31, 2025, were \$58.0 million and \$231.7 million, which represent a \$15.7 million or 37% increase and a \$84.8 million or 58% increase, when compared to the same periods in 2024. The increases were primarily driven by an elevated NY'C', increased year-to-date volume, increased activity within our storage and distribution business, and the recognition of tariff costs associated with sales to customers in the United States.

Gross Profit

Gross profit for the quarter and year ended December 31, 2025, was \$8.0 million and \$27.0 million, which represents a \$1.0 million or 15% increase and a \$0.8 million or 3% increase when compared to the same periods in 2024. In Q4, the positive impact of higher green coffee differential margins and foreign exchange benefits on green coffee cost recovery associated with the fluctuations in the US\$ dollar were partially offset by lower volumes. Year to date, the incremental gross margin generated by higher volumes and higher green coffee differential margins was partially offset by foreign exchange losses on green coffee cost recovery, as well as the reversal of an inventory provision in 2024. This provision had a positive impact on gross profit in the prior year, but there was no such reversal in 2025.

Swiss Water includes any tariff charges it incurs on shipments on the invoice to its US customers. Therefore, incremental tariff expenses have not adversely impacted gross margin during 2025.

Administration Expenses

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

Administration expenses for the quarter and year ended December 31, 2025, were \$2.5 million and \$11.2 million, which represent a \$0.3 million or 11% decrease and a \$0.1 million or 1% decrease, when compared to the same periods in 2024. The decreases were primarily driven by lower non-cash stock-based compensation. These decreases were partially offset by planned headcount and inflationary wage increases, and higher professional fees related to research and development.

Sales and Marketing Expenses

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

Sales and marketing expenses for the quarter and year ended December 31, 2025, were \$1.0 million and \$3.7 million, which represent a \$0.1 million or 5% decrease and a \$0.1 million or 3% decrease, when compared to the same periods in 2024. The main driver for the decrease was the timing of marketing activities.

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis For the year ended December 31, 2025

Non-operating or other income and expense

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

In C\$ '000s	3 months ended December 31				12 months ended December 31			
	2025	2024	\$ Change	% Change	2025	2024	\$ Change	% Change
Gain (loss) on risk management activities	(1,737)	477	(2,214)	-464%	(6,406)	(2,161)	(4,245)	196%
Gain (loss) on fair value of embedded option	-	(315)	315	-100%	1,657	(979)	2,636	-269%
Finance income	487	334	153	46%	1,634	1,749	(115)	-7%
Finance expense	(1,538)	(1,865)	327	-18%	(6,593)	(8,740)	2,147	-25%
Gain (loss) on foreign exchange	(138)	1,070	(1,208)	-113%	(261)	1,387	(1,648)	-119%
Total non-operating or other	(2,926)	(299)	(2,627)	879%	(9,969)	(8,744)	(1,225)	14%

Gains and Losses on Risk Management Activities

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

For the quarter and year ended December 31, 2025, we recorded a loss on risk management activities of \$1.7 million and \$6.4 million, compared to a gain of \$0.5 million and a loss of \$2.2 million for the same periods in 2024. The gains and losses primarily reflect the impact of mark-to-market adjustments on hedging instruments due to fluctuations in the NY'C' coffee commodity price, appreciation or depreciation of the US\$, and costs from operating in an inverted coffee futures market. The Company maintains a disciplined and prudent hedging strategy designed to reduce volatility in input costs and aligns with underlying supply commitments. The Company's pricing methodology recovers NY'C' inversion costs from the associated sales, as they are shipped and invoiced, and can lead to a delay between the recognition of inversion costs and their subsequent recovery.

Gains and Losses on Fair Value of Embedded Option

Since 2022, the amended debenture with warrants contained an embedded option, where if MRC were to elect, it would result in fewer than the maximum of 2.25 million of common shares being issued upon the exercise of the warrants.

The embedded option was classified as a financial liability and was revalued at each reporting date. As at December 31, 2024, the fair value of \$2.3 million for the embedded option was determined using the Black-Scholes Option Pricing Model. The variables and assumptions used in computing the fair value were based on management's best estimate. On July 3, 2025, the Company purchased and cancelled the warrants. The Company determined the fair value of the embedded option 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. For the quarter and year ended December 31, 2025, this revaluation resulted in a gain of nil and \$1.7 million (2024: loss of \$0.3 million and \$1.0 million). Refer to Note 13.2 in the audited consolidated financial statements for more details.

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis For the year ended December 31, 2025

Finance Income and Finance Expenses

Finance income reflects the charges we bill customers for financing coffee inventories, as well as the interest earned on our cash balances. Finance expenses include interest costs on our credit facilities and bank debt, other borrowings, the accretion expense on our asset retirement obligation, interest expense on a debenture with warrants, and interest expense on finance leases.

Net finance expense for the quarter and year ended December 31, 2025, was \$1.1 million and \$5.0 million, which represents a \$0.5 million or 31% decrease and a \$2.0 million or 29% decrease, when compared to the same periods in 2024. The decrease was primarily due to the elimination of interest related to the Mill Road's debenture with warrants, following the repayment on October 31, 2024. Finance expense on long-term borrowings also declined, due to a lower average loan balance and more favourable variable interest rates. The savings were partially offset by higher interest on the Operating Credit Facility and the Credit Facility with EDC, reflecting increased average utilization in 2025. In addition, the Company recorded higher finance income in 2024, as a result of cash held in cashable Guaranteed Investment Certificates ("GIC") for the repayment of the MRC debenture with warrants.

Gains and Losses on Foreign Exchange

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

For the quarter and year ended December 31, 2025, we recorded a loss on foreign exchange of \$0.1 million and \$0.3 million, compared to a gain of \$1.1 million and \$1.4 million for the same periods in 2024. The fluctuations in foreign exchange are due to movements in the C\$ versus the US\$. The exchange rate for the quarter and year ended December 31, 2025, averaged C\$1.39 and C\$1.40, compared to C\$1.40 and C\$1.37 for the same periods in 2024.

Income Before Taxes and Net Income

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

For the quarter and year ended December 31, 2025, we recorded net income after taxes of \$1.2 million and \$1.6 million, compared to a net income after taxes of \$2.0 million and \$1.3 million for the same periods in 2024.

Other Comprehensive Income

Gains or losses on our designated revenue hedges that will mature in future periods are recorded in other comprehensive income, net of income tax expense. Other comprehensive income or loss, net of tax, for the quarter and year ended December 31, 2025, was a gain of \$0.4 million and \$2.1 million, compared to a loss of \$2.2 million and \$2.7 million for the same periods in 2024. Increases and decreases are related to fluctuations in the value of the C\$ versus the US\$.

SWISS WATER DECAFFEINATED COFFEE INC.

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Basic and Diluted Earnings per Share

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

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

In C\$ '000s except for per share amounts	3 months ended December 31		12 months ended December 31	
	2025	2024	2025	2024
Basic earnings per share				
Net income	\$ 1,206	\$ 2,013	\$ 1,563	\$ 1,269
Weighted average number of shares	9,544,552	9,517,552	9,541,149	9,440,696
Basic income per share	\$ 0.13	\$ 0.21	\$ 0.16	\$ 0.13

In C\$ '000s except for per share amounts	3 months ended December 31		12 months ended December 31	
	2025	2024	2025	2024
Diluted earnings per share				
Net income	\$ 1,206	\$ 2,013	\$ 1,563	\$ 1,269
Fair value of borrowings embedded option	-	-	(1,657)	-
Net (loss) income after effect of diluted securities	\$ 1,206	\$ 2,013	\$ (94)	\$ 1,269
Weighted average number of shares - basic	9,544,552	9,517,552	9,541,149	9,440,696
Effect of diluted securities: Warrants	-	-	1,128,082	-
Effect of diluted securities: Warrants deemed to be repurchased	-	-	(969,936)	-
Weighted average number of shares - diluted	9,544,552	9,517,552	9,699,295	9,440,696
Diluted (loss) income per share	\$ 0.13	\$ 0.21	\$ (0.01)	\$ 0.13

Antidilutive shares are as follows:

In C\$ '000s except for per share amounts	3 months ended December 31		12 months ended December 31	
	2025	2024	2025	2024
Weighted average number of RSUs outstanding	371,436	343,554	360,560	418,690
Weighted average number of Warrants outstanding	-	2,250,000	-	2,250,000

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis For the year ended December 31, 2025

Reconciliation of Non-IFRS Measures

Adjusted EBITDA

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

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

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

In C\$ '000s	3 months ended December 31		12 months ended December 31	
	2025	2024	2025	2024
Net income	\$ 1,206	\$ 2,013	\$ 1,563	\$ 1,269
Income tax expense	431	851	527	1,042
Income before income tax	\$ 1,637	\$ 2,864	\$ 2,090	\$ 2,311
Finance income	(487)	(334)	(1,634)	(1,749)
Finance expense	1,538	1,865	6,593	8,740
Depreciation & amortization	1,774	1,617	7,131	6,777
Unrealized (gain) loss on foreign exchange forward contracts	16	(34)	(57)	(71)
Fair value (gain) loss on the embedded option	-	315	(1,657)	979
(Gain) loss on foreign exchange	138	(1,070)	261	(1,387)
Share-based compensation	229	302	1,171	1,277
Impact of IFRS 16 - Leases	(651)	(640)	(2,574)	(2,559)
Adjusted EBITDA	\$ 4,194	\$ 4,885	\$ 11,324	\$ 14,318

Adjusted EBITDA for the quarter and year ended December 31, 2025, was \$4.2 million and \$11.3 million, which represents a decrease of \$0.7 million or 14% and \$3.0 million or 21%, when compared to the same periods in 2024. The decreases were primarily driven by an increased loss on risk management activities, partially offset by improvements in operating income, as described above.

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

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis For the year ended December 31, 2025

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

In C\$ '000s	3 months ended December 31		12 months ended December 31	
	2025	2024	2025	2024
Operating income	\$ 4,563	\$ 3,163	\$ 12,059	\$ 11,055
Depreciation & amortization	1,774	1,617	7,131	6,777
Share-based compensation	229	302	1,171	1,277
Gain (loss) on risk management activities	(1,737)	477	(6,406)	(2,161)
Unrealized gain (loss) on foreign exchange forward contracts	16	(34)	(57)	(71)
Impact of IFRS 16 - Leases	(651)	(640)	(2,574)	(2,559)
Adjusted EBITDA	\$ 4,194	\$ 4,885	\$ 11,324	\$ 14,318

Selected Annual Information

In C\$ '000s	December 31	December 31	December 31
	2025	2024	2023
Balance Sheet			
Total assets	208,861	216,918	200,335
Total non-current liabilities	107,638	78,680	108,098
Income Statement			
Revenue	258,719	173,129	166,277
Net income (loss)	1,563	1,269	(528)
Adjusted EBITDA ¹	11,324	14,318	13,354
Dividends paid	-	-	-
Per share, basic²			
Net income (loss)	0.16	0.13	(0.06)
Adjusted EBITDA ¹	1.19	1.52	1.45
Dividends declared	-	-	-
Per share, diluted²			
Net income (loss)	(0.01)	0.13	(0.06)
Adjusted EBITDA ¹	1.17	1.52	1.45

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

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

The selected annual information, other than Adjusted EBITDA, was derived from the financial statements for the year ended December 31, 2025, which are prepared in accordance with IFRS. Our total assets, and in particular our working capital accounts, can fluctuate in relation to the NY'C'. Both 2024 and 2025 saw sustained levels of elevated NY'C'. Our total long-term liabilities decreased in 2024, when compared to 2023, because our operating credit facility was up for renewal in 2025 and, as such, it was classified as a current liability. Also in 2024, the debenture with warrants due to MRC was repaid. Long term liabilities increased in 2025 because the operating credit facility was renewed and was reclassified from current liabilities to long term liabilities. Revenues increased year over year due to volume growth as our capacity expanded at our new production facility in Delta, BC and due to fluctuations in NY'C'.

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis For the year ended December 31, 2025

Summary of Quarterly Results

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

For comparative purposes, we have also provided the averages for the previous 8 quarters:

In C\$ '000s except for per share amounts	8 Quarter Average	Q4 2025	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024	Q2 2024	Q1 2024
Revenue	53,981	66,005	62,747	67,695	62,272	49,249	41,778	43,372	38,730
Gross Profit	6,648	8,016	6,440	5,248	7,287	6,974	6,436	7,665	5,115
Operating income	2,889	4,563	2,214	1,384	3,898	3,163	2,780	3,748	1,364
Adjusted EBITDA ¹	3,205	4,194	3,294	1,828	2,008	4,885	2,161	4,484	2,788
Net income (loss)	354	1,206	216	(374)	515	2,013	(791)	947	(900)
Per Share²									
Net income (loss) - basic	0.04	0.13	0.02	(0.04)	0.05	0.21	(0.08)	0.10	(0.10)
Net income (loss) - diluted	0.01	0.13	0.02	(0.10)	(0.06)	0.21	(0.08)	0.07	(0.10)

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

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

4. FINANCIAL AND CAPITAL MANAGEMENT

Liquidity

As at December 31, 2025, cash was \$6.6 million and net working capital was \$42.3 million, compared with cash of \$8.5 million and net working capital of \$4.0 million as at December 31, 2024. The main driver for the increase in working capital in 2025 is due to the reclassification of our Operating Credit Facility to non-current borrowings, as a result of the renewal and amendment on June 23, 2025, as well as an increase in accounts receivable and a decrease in accounts payable. We believe that our existing cash, cash generated from our operating activities, and the availability under our expanded Operating Credit Facility (as discussed below) will provide us with sufficient liquidity to meet our working capital needs, repayments of our long-term debt, and future contractual obligations. An additional potential source of liquidity is access to capital markets for additional equity or debt financing. We intend to also use our cash on hand for daily operational funding requirements.

Borrowings

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

In C\$ '000s	Maximum Credit	Available Credit	Outstanding loans principal balance ⁽²⁾	Net available Credit
Operating Credit Facility ⁽¹⁾	\$ 80,000	\$ 50,135	\$ 38,395	\$ 11,740
Credit facility with EDC	6,250	6,250	6,250	-
Construction loans with BDC/FCC	57,000	57,000	51,609	-
	\$ 143,250	\$ 113,385	\$ 96,254	\$ 11,740

¹ The Operating Credit Facility is with CIBC and Rabobank. The maximum credit ("ABL") is net of a \$0.5 million outstanding letter of credit and security lien bond and \$0.2 million accrued interest. The ABL borrowing "available credit" noted above is the lower of the asset base and a limit of \$80.0 million.

² The outstanding principal balance excludes accrued interest.

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis For the year ended December 31, 2025

Below, we provide highlights of our borrowings. Additional detailed information on each of the borrowings is disclosed in the audited consolidated financial statements for the year ended December 31, 2025.

As at December 31, 2025, Swiss Water maintains its revolving credit facility with two major banks, namely CIBC and Rabobank (“Credit Facility” or “Operating Credit Facility” or “Revolving Credit Facility”), and another facility with Export Development Canada (“EDC Credit”). These facilities are secured by general security agreements over all of Swiss Water's assets and a floating hypothecation agreement over cash balances. The outstanding balance on the Credit Facility was \$38.4 million as at December 31, 2025 (December 31, 2024: \$35.4 million), while \$6.3 million was drawn on EDC Credit (December 31, 2024: \$6.3 million).

In addition, Swiss Water has construction loans with Business Development of Canada (“BDC”) and Farm Credit Canada (“FCC”), which relate to the build out of the two new production lines at our production facility in Delta. As at December 31, 2025, the principal and accrued interest balance owing to BDC was \$25.6 million and to FCC was \$26.2 million (2024: BDC was \$28.6 million and FCC was \$28.6 million).

We have certain bank and creditor covenants that relate to the maintenance of specified financial ratios. As of December 31, 2025, Swiss Water was in compliance with all covenants that were in effect and not waived.

Operating Credit Facility

Swiss Water's Credit Facility with CIBC and Rabobank provides borrowings up to the lower of the Borrowing Base and \$80.0 million. On June 23, 2025, the Credit Facility was amended and renewed, increasing total available funding from \$45.0 million to \$80.0 million. The expanded facility consists of \$55.0 million 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.

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 US dollars and can be borrowed, repaid, and re-borrowed to fund operations, capital expansions, letters of credit, and for general corporate purposes.

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.

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.

Additional information on the Credit facility is disclosed in Note 13.3 in the audited consolidated financial statements for the year ended December 31, 2025.

Credit Facilities with EDC

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.

SWISS WATER DECAFFEINATED COFFEE INC.

Management Discussion and Analysis For the year ended December 31, 2025

The lenders of the above-mentioned Credit Facility 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. Management is in the process of renewing the EDC Credit facility.

Borrowings under the EDC Credit bear interest at the Canadian Prime Rate plus 1.5% per annum and are subject to applicable fees.

As at December 31, 2025, \$6.3 million was drawn on EDC Credit (December 31, 2024: \$6.3 million).

Under the Operating Credit Facility agreement with CIBC and Rabobank, the Company must maintain specified principal balances at the end of each quarter and fully repay the EDC Credit by June 30, 2029.

EDC also provides a second credit facility, a foreign exchange guarantee. On June 1, 2020, the Company entered into a foreign exchange facility guarantee with EDC to cover margin requirements in relation to the foreign exchange contract facility. On August 4, 2020, the Company's Operating Credit Facility lenders recognized this guarantee under the Operating 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. The foreign exchange guarantee with EDC can be renewed annually at EDC's discretion.

Construction Loan with BDC and FCC

The Company has senior term loan facilities with the Business Development Bank of Canada ("BDC") and Farm Credit Canada ("FCC") that financed the construction of equipment for 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 to fund the capital expansion.

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.

We have certain bank covenants that relate to the maintenance of specified financial ratios. As of December 31, 2025, Swiss Water was in compliance with all covenants that were in effect and not waived.

SWISS WATER DECAFFEINATED COFFEE INC.

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Debenture with Warrants with Mill Road

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.

Summary of Cash Flows

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

In C\$ '000s	3 months ended December 31			12 months ended December 31		
	2025	2024	\$ Change	2025	2024	\$ Change
Net cash flows generated (used in):						
Operating activities	4,192	(4,762)	8,954	7,317	2,141	5,176
Investing activities	(195)	(203)	8	(1,317)	(963)	(354)
Financing activities	(1,330)	(1,504)	174	(7,908)	(3,755)	(4,153)
Net change in cash for the year	2,667	(6,469)	9,136	(1,908)	(2,577)	669
Cash, beginning of year	3,939	14,983	(11,044)	8,514	11,091	(2,577)
Cash, end of year	6,606	8,514	(1,908)	6,606	8,514	(1,908)

Operating Activities

For the quarter and year ended December 31, 2025, net cash generated from operating activities was \$4.2 million and \$7.3 million, respectively, compared to net cash used of \$4.8 million and generated \$2.1 million for the same periods in 2024. The difference between periods is mainly due to the investment in, or the release of, working capital. In Q4 2025, the working capital balance remained relatively flat, whereas in Q4 2024, the working capital balance increased primarily due to an increase in accounts receivable, inventory, and derivative assets and hedged firm commitments, associated with an increase in the NY’C’ commodity price. Year to date, the working capital balance increased primarily due to an increase in accounts receivable and a decrease in accounts payable. Last year, the working capital balance increased primarily due to an increase in accounts receivable, inventory, and derivative assets and hedged firm commitments, associated with an increase in the NY’C’ commodity price.

Investing Activities

For the quarter and year ended December 31, 2025, net cash used in investing activities was \$0.2 million and \$1.3 million, respectively, compared to net cash used of \$0.2 million and \$1.0 million for the same periods in 2024. In 2025 and 2024, we incurred minimal capital expenditures, as the construction of our production facilities is complete.

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Financing Activities

For the quarter and year ended December 31, 2025, net cash used in financing activities was \$1.3 million and \$7.9 million, respectively, compared to net cash used of \$1.5 million and used of \$3.8 million for the same periods in 2024. In Q4, net cash used primarily relates to principal payments on construction loans. Year to date, net cash used primarily relates to principal payments on construction loans, payments of lease liabilities, and the warrant repurchase. Last year, net cash used primarily related to repayment of MRC debt, partially offset by proceeds from the Operating Credit Facility.

Working Capital

In C\$ '000s	2025	2024	\$ Change	% Change
Cash	6,606	8,514	(1,908)	-22%
Accounts receivable	29,179	23,332	5,847	25%
Inventories	46,022	44,494	1,528	3%
Other current assets	2,973	10,989	(8,016)	-73%
Total current assets	84,780	87,329	(2,549)	-3%
Accounts payable and accrued liabilities	25,986	29,044	(3,058)	-11%
Current borrowings	12,012	47,316	(35,304)	-75%
Other current liabilities	4,491	7,011	(2,520)	-36%
Total current liabilities	42,489	83,371	(40,882)	-49%
Net working capital	42,291	3,958	38,333	968%

Accounts Receivable

Our accounts receivable increased by \$5.8 million or 25% when compared to December 31, 2024. In total, 91% of Swiss Water's accounts receivable were current as at December 31, 2025 (December 31, 2024: 85%). The majority of past due amounts were collected shortly after quarter-end. Accounts receivable consist of receivables from customers.

Inventory

Our inventory position increased by \$1.5 million or 3% when compared to December 31, 2024. Despite the lower volumes of inventory on hand at the end of the year compared to the prior year, the increase in inventory value reflects the higher NY'C' commodity price. Inventory consists of coffee, hedges related to NY'C', and foreign exchange, as well as carbon used in production and packaging.

Under hedge accounting, gains and losses on derivative instruments for coffee to be sold in future periods are recorded in inventory. The hedge accounting component of inventory as at December 31, 2025, was a \$1.3 million reduction, compared to a \$7.9 million increase as at December 31, 2024.

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Accounts Payable and Accrued Liabilities

Our accounts payable and accrued liabilities decreased by \$3.1 million or 11% when compared to December 31, 2024. The decrease reflects the timing of payments of supplier invoices.

Current Borrowings

Our current borrowings decreased by \$35.3 million or 75% when compared to December 31, 2024. The decrease is due to the reclassification of the Operating Credit Facility to non-current borrowings, as a result of the renewal and amendment on June 23, 2025.

Contractual Obligations

The following table sets forth our contractual obligations and commitments as at December 31, 2025:

In C\$ '000s	Less than				Over 5 years
	Total	1 year	2-3 years	4-5 years	
Long-term debt ¹	51,817	5,762	12,000	12,000	22,055
Finance leases ²	5,331	2,603	2,728	-	-
Credit facilities ³	44,645	6,250	38,395	-	-
Purchase obligations ⁴	68,848	68,848	-	-	-
Total contractual obligations	170,641	83,463	53,123	12,000	22,055

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

² Minimum obligations for our finance leases.

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

⁴ Purchase obligations represent outstanding capital and coffee purchase commitments.

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

- 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.

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5. RELATED PARTY TRANSACTIONS

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

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

In C\$ '000s	3 months ended December 31		12 months ended December 31	
	2025	2024	2025	2024
Sales	\$ 147	\$ 340	\$ 962	\$ 785
Purchases or raw materials	\$ 17	\$ 2,767	\$ 15,349	\$ 9,348

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

6. SHARE CAPITAL

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).

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).

7. OFF-BALANCE SHEET ARRANGEMENTS

Swiss Water has no off-balance sheet arrangements.

8. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Risks and Uncertainties

Cash from operations may fluctuate with the performance of our business, which can be susceptible to a number of risks. These risks may include, but are not limited to, inflation (such as commodity price increases beyond our control), foreign exchange fluctuations, labour relations, coffee prices (notwithstanding hedging programs, as exact hedging correlation is not attainable), the availability of coffee, competition from existing chemical and other natural or chemical free coffee decaffeinator, competition from new entrants with alternate processing methods or agricultural technologies, regulatory risks, terms of credit agreements, customer concentration, commodity futures losses, ability to maintain organic certification, adequacy of insurance, risks related to information technology and cyber crime, dependence on key personnel, product liability, uncollectable debts, liquidity risk, timing and costs of capital projects, Swiss Water's ability to raise funds through either debt or equity, availability of labour force, equipment and supplies, global environmental change and climate effects on our products and supply chain, geopolitical risks, inflation, changes in interest rates, global pandemics, and general economic downturns. These risks

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and how Swiss Water manages them are described in the AIF. The future effects of these risks and uncertainties cannot be quantified or predicted.

In recent years, geopolitical pressures have increased. Countries have imposed tariffs, and tensions have emerged that have increased country and regional specific risks, including Ukraine, Russia, the Middle East and Israel. At this time, there is uncertainty over the full impact of these pressures on Swiss Water's business. Accordingly, we cannot provide assurance that geopolitical tensions will not negatively affect our legacy trading relationships and growth ambitions. Additional risks and effects related to tariffs are discussed under "Operating Effect of US Tariffs", above.

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

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

Environmental Risks

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

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

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

Our leased facilities are located in the Metro Vancouver area of British Columbia. Vancouver is considered to be at high risk of a major earthquake and flooding. Our new plant in Delta was built to higher seismic standards than our legacy plant in Burnaby, however, any significant earthquake in the vicinity could have a material impact on our operations for a period of time. This would depend on the extent of the damage to our facilities and equipment, and the transportation infrastructure in the region. In short, a major earthquake could have a materially adverse impact

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on our revenues. We carry property and business interruption insurance, including earthquake coverage, which would help offset the cash flow impact of such an event. In addition, we keep some finished goods inventory in third-party coffee warehouses in other regions, and we would be able to sell these finished goods even if our production and distribution of coffee were temporarily interrupted. Nevertheless, the financial and operational impact of a major earthquake cannot be reasonably predicted.

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

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

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

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

Hedge Accounting

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

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

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

Commodity Hedges

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

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

Revenue Hedges

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

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

Purchase Hedges

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

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

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

Financial Instruments

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

We classify our financial assets and financial liabilities in the following measurement categories: (i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and (ii) those to be measured at amortized cost. We have implemented the following classifications for financial instruments other than derivatives:

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

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Commodity Price Risk

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

As at December 31, 2025, the Company had futures contracts to buy 7.3 million pounds of green coffee with a notional value of US\$24.3 million, and contracts to sell 11.2 million pounds of green coffee with a notional value of US\$37.9 million. The furthest contract matures in March 2027 (December 31, 2024: buy 6.5 million pounds of green coffee with a notional value of US\$20.4 million, and contracts to sell 17.0 million pounds of green coffee with a notional value of US\$53.6 million). Based on the volumes of coffee hedged, a 1% decrease in the mark-to-market rate for coffee futures would have resulted in an estimated gain of \$0.2 million to the income before tax, and vice versa (December 2024: \$0.2 million loss).

Foreign Currency Risk

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

As at December 31, 2025, the Company had forward currency contracts to buy US\$18.4 million and sell US\$27.6 million (December 31, 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. Based on the total U.S. dollar exposure hedged, a one cent decrease in the CAD/USD exchange rate would have resulted in an estimated gain of \$0.1 million to the net income and other comprehensive income, and vice versa (2024: \$0.3 million gain).

9. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Measurement of Uncertainty

The preparation of financial statements in accordance with IFRS requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for useful lives of depreciable assets, provision for asset retirement obligations, share-based compensation, borrowing embedded option, derivatives, lease liabilities and right-of-use assets, and income taxes. Actual results may be different from these estimates.

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

Provision for Asset Retirement Obligation

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

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

The present value of future cash flows for asset retirement obligation with respect to our leased decaffeination facility in Delta is estimated at \$3.7 million. This estimate assumes that we restore the current location upon the expiry of the lease for the two lines in Delta, BC, at an estimated undiscounted cash flow of \$5.8 million. Further, the estimate reflects the expected costs of vacating the leased facility in 2038, having regard for the contract language in the lease, the expected useful lives of our plant and equipment, and the expected costs that would be paid to a third party to remove the equipment. The calculation of the ARO does not take into account the fact that we have the option to purchase our leased facility and the underlying land.

Income Taxes

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

Deferred tax assets also reflect estimates of the recoverability of non-capital loss carry forwards. We have recognized the benefit of loss carry forwards to the extent that it is probable that taxable income will be available in the future, against which our non-capital loss carry forwards can be utilized.

As at December 31, 2025, Swiss Water has \$62.8 million of non-capital tax losses carry forward in Canada, of which \$56.6 million will begin to expire in 2040, and \$6.2 million does not expire. This can be used to reduce income taxes payable in future years.

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

Leases and Right-of-Use Assets

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

Borrowings Embedded Option

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.

The warrants were purchased from MRC on July 3, 2025, for \$0.7 million cash, at which time the embedded option liability was extinguished and an unrealized gain of \$1.7 million was recognized.

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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 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 are as follows:

In C\$		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%

10. CHANGES IN ACCOUNTING STANDARDS

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

- *IAS 21 The effects of changes in foreign exchange rates* was amended to specify how to determine whether a currency is exchangeable into another currency and how to determine the spot exchange rate when a currency lacks exchangeability.

The following standards are effective for periods beginning on or 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 the disclosure of deferred differences between fair value and transaction price and credit risk disclosure. In addition, these standards address contracts that reference nature-dependent electricity. The effective date for these amendments is for annual reporting periods beginning on or after January 1, 2026; however, earlier application is permitted.
- *IFRS 10 Consolidated financial statements and IAS 28 Investments in associates and joint ventures* relate to the sale or contribution of assets between an investor and its associate or joint venture, and the 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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- *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.

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

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

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

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

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12. 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.