



ROOTS CORPORATION

Interim Condensed Consolidated Financial Statements

For the 13 and 26 week periods ended August 2, 2025 and August 3, 2024
In Canadian dollars
(Unaudited)

NOTICE TO READER

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim condensed consolidated financial statements, they must be accompanied by a notice to this effect. The accompanying unaudited interim condensed consolidated financial statements of Roots Corporation have been prepared by and are the responsibility of management of Roots Corporation.

Roots Corporation's independent auditor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the accompanying interim condensed consolidated financial statements. Readers are cautioned that these financial statements may not be appropriate for their intended purposes.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	Note	August 2, 2025	August 3, 2024	February 1, 2025
Assets				
Current assets				
Cash		\$ 1,928	\$ 2,704	\$ 34,021
Accounts receivable	10	11,289	7,488	11,843
Inventories		49,901	43,968	40,994
Prepaid expenses		5,448	3,769	3,367
Income tax recoverable		1,071	6,426	–
Derivative assets	4, 10	–	933	2,549
Total current assets		69,637	65,288	92,774
Non-current assets:				
Fixed assets		31,272	33,812	32,038
Right-of-use assets		59,887	61,106	64,425
Intangible assets		130,458	182,748	131,594
Goodwill		7,906	7,906	7,906
Other assets	9	300	300	300
Total non-current assets		229,823	285,872	236,263
Total assets		\$ 299,460	\$ 351,160	\$ 329,037
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	10	\$ 30,400	\$ 29,488	\$ 29,461
Deferred revenue		4,737	4,808	5,223
Income taxes payable		–	–	3,915
Derivative liability	4,10	271	–	–
Current portion of lease liabilities	10	19,846	20,351	22,004
Current portion of long-term debt	5, 10	3,535	4,024	5,937
Total current liabilities		58,789	58,671	66,540
Non-current liabilities:				
Bank indebtedness	5, 10	3,107	350	–
Deferred tax liabilities		10,751	22,952	11,028
Long-term portion of lease liabilities	10	51,797	52,723	56,508
Long-term debt	5, 10	33,417	39,104	35,433
Total non-current liabilities		99,072	115,129	102,969
Total liabilities		157,861	173,800	169,509
Shareholders' equity:				
Share capital	6	183,201	187,544	187,934
Contributed surplus	8	4,926	4,845	4,748
Retained earnings (deficit)		(46,329)	(15,715)	(35,027)
Accumulated other comprehensive income (loss)	4	(199)	686	1,873
Total shareholders' equity		141,599	177,360	159,528
Total liabilities and shareholders' equity		\$ 299,460	\$ 351,160	\$ 329,037

On behalf of the Board of Directors:

"Erol Uzumeri" Director
"Mary Ann Curran" Director

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Net Loss
(In thousands of Canadian dollars, except per share amounts)
(Unaudited)

For the 13 and 26 week periods ended August 2, 2025 and August 3, 2024

	Note	August 2, 2025 (13 weeks)	August 3, 2024 (13 weeks)	August 2, 2025 (26 weeks)	August 3, 2024 (26 weeks)
Sales		\$ 50,769	\$ 47,747	\$ 90,749	\$ 85,208
Cost of goods sold		19,941	20,827	35,349	36,187
Gross profit		30,828	26,920	55,400	49,021
Selling, general and administrative expenses	8	34,732	31,845	68,021	63,827
Loss before interest expense and income taxes recovery		(3,904)	(4,925)	(12,621)	(14,806)
Interest expense		1,993	2,177	4,008	4,304
Loss before income taxes		(5,897)	(7,102)	(16,629)	(19,110)
Income taxes recovery	11	(1,503)	(1,866)	(4,324)	(4,979)
Net loss		\$ (4,394)	\$ (5,236)	\$ (12,305)	\$ (14,131)
Basic and diluted loss per share	7	\$ (0.11)	\$ (0.13)	\$ (0.31)	\$ (0.35)

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Comprehensive Loss
(In thousands of Canadian dollars)
(Unaudited)

For the 13 and 26 week periods ended August 2, 2025 and August 3, 2024

	Note	August 2, 2025 (13 weeks)	August 3, 2024 (13 weeks)	August 2, 2025 (26 weeks)	August 3, 2024 (26 weeks)
Net loss		\$ (4,394)	\$ (5,236)	\$ (12,305)	\$ (14,131)
Other comprehensive income (loss):					
Items that may be subsequently reclassified to net income (loss):					
Effective portion of changes in fair value of cash flow hedges	4,10	(133)	523	(2,627)	1,175
Gain (cost) of hedging excluded from cash flow hedges	4,10	225	46	397	39
Tax impact of cash flow hedges	4,10	(24)	(151)	591	(322)
Total other comprehensive income (loss)		68	418	(1,639)	892
Total comprehensive loss		\$ (4,326)	\$ (4,818)	\$ (13,944)	\$ (13,239)

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Changes in Shareholders' Equity
(In thousands of Canadian dollars)
(Unaudited)

For the 26 week periods ended August 2, 2025 and August 3, 2024

August 2, 2025 (26 weeks)	Note	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance, February 1, 2025		\$ 187,934	\$ 4,748	\$ (35,027)	\$ 1,873	\$ 159,528
Net loss		–	–	(12,305)	–	(12,305)
Net loss from change in fair value of cash flow hedges, net of income taxes	4,10	–	–	–	(1,639)	(1,639)
Transfer of net realized gain on cash flow hedges to inventories, net of income taxes		–	–	–	(433)	(433)
Share-based compensation	8	–	278	–	–	278
Issuance of Shares	6	100	(100)	–	–	–
Purchase of Shares	6	(4,833)	–	1,003	–	(3,830)
Balance, August 2, 2025		\$ 183,201	\$ 4,926	\$ (46,329)	\$ (199)	\$ 141,599

August 3, 2024 (26 weeks)	Note	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total
Balance, February 3, 2024		\$ 187,544	\$ 4,708	\$ (1,584)	\$ 149	\$ 190,817
Net loss		–	–	(14,131)	–	(14,131)
Net gain from change in fair value of cash flow hedges, net of income taxes	4,10	–	–	–	892	892
Transfer of net realized gain on cash flow hedges to inventories, net of income taxes		–	–	–	(355)	(355)
Share-based compensation	8	–	137	–	–	137
Balance, August 3, 2024		\$ 187,544	\$ 4,845	\$ (15,715)	\$ 686	\$ 177,360

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

Interim Condensed Consolidated Statement of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

For the 26 week periods ended August 2, 2025 and August 3, 2024

	Note	August 2, 2025 (26 weeks)	August 3, 2024 (26 weeks)
Cash provided by (used in):			
Operating activities:			
Net loss		\$ (12,305)	\$ (14,131)
Items not involving cash:			
Depreciation and amortization		13,897	14,543
Share-based compensation expense	8	278	137
Gain on lease modifications		–	(96)
Interest expense		4,008	4,304
Income taxes recovery	11	(4,324)	(4,979)
Interest paid		(1,223)	(1,541)
Payment of interest on lease liabilities		(2,539)	(2,533)
Income taxes paid		(190)	(12)
Change in non-cash operating working capital:			
Accounts receivable		554	(1,414)
Inventories		(8,907)	(7,811)
Prepaid expenses		(2,081)	(1,103)
Accounts payable and accrued liabilities		(1,045)	4,608
Deferred revenue		(486)	(493)
		(14,363)	(10,521)
Financing activities			
Proceeds from Revolving Credit Facility	5	2,500	–
Long-term debt financing costs	5	(274)	(100)
Repayment of Term Credit Facility	5	(6,890)	(2,012)
Purchase of Shares	6	(1,830)	–
Payment of principal on lease liabilities, net of tenant allowance		(10,786)	(9,388)
		(17,280)	(11,500)
Investing activities			
Additions to fixed assets		(3,535)	(3,593)
Additions to right-of-use assets		–	(28)
Additions to intangible assets		(22)	(37)
		(3,557)	(3,658)
Decrease in cash		(35,200)	(25,679)
Cash, beginning of period		34,021	28,033
Cash net of bank indebtedness, end of period		\$ (1,179)	\$ 2,354

See accompanying notes to unaudited interim condensed consolidated financial statements.

ROOTS CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

1. Nature of operations and basis of presentation

Nature of operations

Established in 1973, Roots is a global lifestyle brand. Starting from a small cabin in northern Canada, Roots has become a global brand which, as at August 2, 2025, operated 98 corporate retail stores and 11 short-term pop-up locations in Canada, two corporate retail stores in the United States, and an eCommerce platform, roots.com. We have more than 100 partner-operated stores in Asia, and we also operate a dedicated Roots-branded storefront on Tmall.com in China. We design, market, and sell a broad selection of products in different departments, including women's, men's, children's, and gender-free apparel, leather goods, footwear, and accessories. Our products are built with uncompromising comfort, quality, and style that allows you to feel At Home With Nature™. We offer products designed to meet life's everyday adventures and provide you with the versatility to live your life to the fullest. We also wholesale through business-to-business channels and license the brand to a select group of licensees selling products to major retailers.

Roots Corporation is a Canadian corporation doing business as "Roots" and "Roots Canada", incorporated under the *Canada Business Corporations Act* on October 14, 2015. Its head office and registered office is located at 1400 Castlefield Avenue, Toronto, Ontario M6B 4C4. Roots Corporation and its subsidiaries are collectively referred to in these interim condensed consolidated financial statements as the "Company" or "Roots Corporation". The Company's common shares ("Shares") are listed on the Toronto Stock Exchange ("TSX") under the trading symbol "ROOT".

The Company experiences seasonal fluctuations in the financial results of its retail business, as a meaningful portion of its sales and earnings occur in the third and fourth fiscal quarters. The Company's working capital requirements generally increase in the periods preceding these peak periods, and it is not uncommon for net income (loss) before interest expense, income taxes expense (recovery) and depreciation and amortization ("EBITDA") to be negative in the first two fiscal quarters.

ROOTS CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

Basis of presentation

(a) Statement of compliance:

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”) and the accounting policies described in the Company’s audited consolidated financial statements as at and for the 52 week period ended February 1, 2025 (the “annual financial statements”). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards (“IFRS”). However, select explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the annual financial statements. These interim condensed consolidated financial statements were authorized for issue by the Company’s Board of Directors (“Board”) on September 9, 2025.

(b) Basis of measurement:

These interim condensed consolidated financial statements were prepared on a historical cost basis, except for derivative financial instruments consisting of foreign currency forward contracts (“forward contracts”) and interest rate swap contracts (“swap contracts”), other assets consisting of non-derivative equity securities, and cash-settled deferred share units (“DSU”), which are measured at fair value.

(c) Use of estimates and judgements:

In preparing these interim condensed consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements.

ROOTS CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

2. Material accounting policies

The accounting policies as disclosed in the annual financial statements for the year ended February 1, 2025 have been applied consistently in the preparation of these interim condensed consolidated financial statements.

New standard not yet adopted:

IFRS 18, Presentation and Disclosure in Financial Statements ("IFRS 18")

In April 2024, the IASB issued *IFRS 18*, which replaces IAS 1, *Presentation of Financial Statements*, to achieve comparability of the financial performance of similar entities. The standard impacts the presentation of the primary financial statements and notes, including the required classification of income and expenses into three categories: operating, investing and financing, with defined subtotals, including "operating profit". *IFRS 18* will also require management-defined performance measures to be disclosed in a separate note to the consolidated financial statements. The standard is effective for annual reporting periods beginning on or after January 1, 2027.

The Company is assessing the impact of this new standard on the consolidated financial statements.

3. Operating segments

The Company has two reportable operating segments:

- (a) The "Direct-to-Consumer" segment comprises sales through corporate retail stores and the Company's eCommerce website roots.com; and
- (b) The "Partners and Other" segment consists primarily of the wholesale of Roots-branded products to our international operating partner. The Partners and Other segment also includes the Company's sales from its Roots-branded storefront on business-to-consumer marketplace website Tmall.com in China, royalties earned through the licensing of our brand to select manufacturing partners, the wholesale of Roots-branded products to select retail partners, and the sale of custom Roots-branded products to select business clients.

The Company defines an operating segment on the same basis that the Chief Operating Decision Maker (the "CODM") uses to evaluate performance internally and to allocate resources. The Company has determined that the President and Chief Executive Officer is its CODM. The accounting policies of the reportable segments are the same as those described in the Company's material accounting policies (see Note 2). The Company measures each reportable operating segment's performance based on sales and gross profit, which is the profit metric used by the CODM for assessing performance of each segment. The Company does not report total assets or total liabilities based on its operating segments.

ROOTS CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

Information for each reportable operating segment, as presented to the CODM, is included below:

	August 2, 2025 (13 weeks)			August 3, 2024 (13 weeks)		
	Direct-to- Consumer	Partners and Other	Total	Direct-to- Consumer	Partners and Other	Total
Sales	\$ 41,049	\$ 9,720	\$ 50,769	\$ 36,417	\$ 11,330	\$ 47,747
Cost of goods sold	15,121	4,820	19,941	13,947	6,880	20,827
Gross profit	25,928	4,900	30,828	22,470	4,450	26,920
Selling, general and administrative expenses ⁽¹⁾			34,732			31,845
Loss before interest expense and income taxes recovery			(3,904)			(4,925)
Interest expense ⁽¹⁾			1,993			2,177
Loss before income taxes recovery			\$ (5,897)			\$ (7,102)

	August 2, 2025 (26 weeks)			August 3, 2024 (26 weeks)		
	Direct-to- Consumer	Partners and Other	Total	Direct-to- Consumer	Partners and Other	Total
Sales	\$ 75,657	\$ 15,092	\$ 90,749	\$ 67,822	\$ 17,386	\$ 85,208
Cost of goods sold	27,944	7,405	35,349	25,836	10,351	36,187
Gross profit	47,713	7,687	55,400	41,986	7,035	49,021
Selling, general and administrative expenses ⁽¹⁾			68,021			63,827
Loss before interest expense and income taxes recovery			(12,621)			(14,806)
Interest expense ⁽¹⁾			4,008			4,304
Loss before income taxes recovery			\$ (16,629)			\$ (19,110)

⁽¹⁾ These unallocated items represent income and expenses which management does not report when analyzing segment underlying performance.

ROOTS CORPORATION

Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

4. Financial instruments

The Company's financial instruments consist of cash, accounts receivable, other assets, accounts payable and accrued liabilities, long-term debt, derivative assets and derivative liabilities.

The Company has determined that the carrying amount of its short-term financial assets and financial liabilities approximates its fair value due to the short-term maturity of these financial instruments.

The fair value of long-term debt approximates its carrying value, as determined based on Level 2 of the fair value hierarchy.

The fair value of other assets, which consist of common shares of Saturday Industries Limited ("Mr. Saturday"), are determined using valuation techniques based on unobservable inputs. This has been determined using Level 3 of the fair value hierarchy.

The fair values of derivative assets and derivative obligations resulting from forward contracts and swap contracts are determined using a valuation technique that employs the use of market observable inputs and are based on the differences between the contract rates and the market rates as at the period-end date, taking into consideration discounting to reflect the time value of money. This has been determined using Level 2 of the fair value hierarchy.

There were no transfers between levels of the fair value hierarchy for the 13 and 26 week periods ended August 2, 2025 and August 3, 2024.

The Company enters into forward contracts to hedge its exposure for a portion of purchases denominated in U.S. dollars. As at August 2, 2025, the Company had outstanding forward contracts to buy US\$36,230 (August 3, 2024 – US\$29,925, February 1, 2025 – US\$37,020) of U.S. dollars at an average forward rate of 1.38 (August 3, 2024 – 1.35, February 1, 2025 – 1.37). As at August 2, 2025, the forward contracts have maturity dates between August 5, 2025 and July 6, 2026.

For the 13 week periods ended August 2, 2025 and August 3, 2024, the effective portion of changes in the fair value of all matured forward contracts and outstanding forward contracts resulted in a loss of \$133 (net of tax – \$98) and a gain of \$515 (net of tax – \$379), respectively, which were recorded in other comprehensive loss.

For the 26 week periods ended August 2, 2025 and August 3, 2024, the effective portion of changes in the fair value of all matured forward contracts and outstanding forward contracts resulted in a loss of \$2,627 (net of tax – \$1,931) and a gain of \$1,157 (net of tax – \$851), respectively, which were recorded in other comprehensive loss.

For the 26 week period ended August 3, 2024, the Company entered into interest rate swap contracts to hedge a portion of its exposure to changes in the market interest rates for the Credit Facilities, as described in Note 5. The Company had swap contracts to affix its Canadian Overnight Repo Rate Average ("CORRA") rate at 4.4% per annum, until September 2024 on \$40,000 of its long-term debt under its Credit Facilities. The swap contracts expired on maturity and there were no interest rate swap contracts outstanding as at August 2, 2025.

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Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

For the 13 and 26 week periods ended August 3, 2024, the effective portion of changes in the fair value of interest rate swap contracts resulted in a gain of \$8 (net of tax – \$6) and a gain of \$18 (net of tax – \$13), respectively, which were recorded in other comprehensive loss.

5. Long-term debt

The Company has a secured credit agreement (“Credit Agreement”) with a syndicate of lenders consisting of a term loan (“Term Credit Facility”) and a revolving credit loan (“Revolving Credit Facility”) (together with the Term Credit Facility, the “Credit Facilities”).

On June 7, 2024, the Company amended its Credit Agreement to adjust certain definitions, covenant limits, and transitioned from the Canadian Dollar Offered Rate (“CDOR”) to the Canadian Overnight Repo Rate Average (“CORRA”). The Company incurred \$100 of costs associated with the amendment, which were recorded as debt financing costs within long-term debt and will be recognized as interest expense over the remaining term of the loan.

On May 22, 2025, the Company amended its Credit Agreement to extend the current maturity date of September 6, 2026 to September 6, 2027. In addition, the amendment reduced the \$60,000 Revolver Credit Facility, which includes a swing loan of \$10,000, down to \$45,000, and increased the maximum annual excess cash flow sweep, as defined in the Credit Agreement, from \$5,000 to \$7,500. The Company incurred \$274 of costs associated with the amendment, which were recorded as debt financing costs within long-term debt and will be recognized as interest expense over the remaining term of the loan.

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Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

The following table reconciles the changes in cash flows from financing activities for long-term debt for the 26 week periods ended August 2, 2025 and August 3, 2024:

	August 2, 2025 (26 weeks)	August 3, 2024 (26 weeks)
Long-term debt, beginning of period	\$ 41,370	\$ 45,010
Drawings on swing loan (bank indebtedness)	3,107	350
Proceeds from Revolving Credit Facility	2,500	–
Long-term debt repayments of Term Credit Facility	(6,890)	(2,012)
Long-term debt financing costs	(274)	(100)
Total changes to long-term debt financing activities	(1,557)	(1,762)
Amortization of long-term debt financing costs	246	230
Total non-cash long-term debt activity	246	230
Total long-term debt & bank indebtedness, end of period ⁽¹⁾	\$ 40,059	\$ 43,478

(1) Total long-term debt of \$36,952 at August 2, 2025 is net of \$839 unamortized long-term debt financing costs. As at August 3, 2024, total long-term debt of \$43,128 is net of \$1,064 unamortized long-term debt financing costs.

Recorded in the interim condensed consolidated statement of financial position as follows:

	August 2, 2025 (26 weeks)	August 3, 2024 (26 weeks)
Current portion of long-term debt	3,535	4,024
Non-current portion of long-term debt	33,417	39,104
Non-current bank indebtedness	3,107	350
	\$ 40,059	\$ 43,478

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Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

6. Share capital

The Company's authorized share capital consists of an unlimited number of Shares and an unlimited number of preferred shares, issuable in series. The holders of Shares are entitled to receive distributions as declared from time to time by the Board. Shareholders are entitled to one vote per share at shareholder meetings of the Company.

Preferred shares of each series, if and when issued, will, with respect to the payment of dividends, be entitled to preference over Shares. Except as provided in any special rights or restrictions attaching to any series of preferred shares issued from time to time, the holders of preferred shares will not be entitled to vote at any shareholder meetings of the Company.

There were no dividends or distributions declared during the 13 and 26 week periods ended August 2, 2025 and August 3, 2024.

The following table provides a summary of changes to the Company's share capital for the 26 week periods ended August 2, 2025 and August 3, 2024:

	26 week period ended August 2, 2025		26 week period ended August 3, 2024	
	Number of Shares	Share capital	Number of Shares	Share capital
Outstanding Shares, beginning of period	40,450,213	\$ 187,934	40,250,213	\$ 187,544
Issuance of Shares	15,985	100	–	–
Purchase of Shares ⁽¹⁾	(606,800)	(4,833)	–	–
Outstanding Shares, end of period	39,859,398	\$ 183,201	40,250,213	\$ 187,544

(1) For the 26 week period ending August 2, 2025, the reduction to share capital includes a \$2,000 obligation to repurchase shares under the Automatic Shares Purchase Plan ("ASPP") plus \$2,833 for the purchase of 606,800 shares for cancellation.

During the 26 week period ended August 2, 2025, 15,985 Shares (26 week period ended August 3, 2024 – nil Shares) were issued from treasury as a result of the exercise of 15,985 restricted share units ("RSUs") (26 week period ended August 3, 2024 – nil RSUs) granted under the Company's Omnibus Equity Incentive Plan (the "Omnibus Plan"), see Note 8. No stock options were exercised during the 26 week periods ended August 2, 2025 or August 3, 2024.

As at August 2, 2025, there were 39,859,398 Shares (August 3, 2024 – 40,250,213, February 1, 2025 – 40,450,213) and nil preferred shares (August 3, 2024 – nil, February 1, 2025 – nil) issued and outstanding. All issued Shares are fully paid.

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Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

Share Purchase

On April 9, 2025, the TSX accepted the Company's notice of intention to commence a normal course issuer bid ("NCIB"), allowing the Company to purchase, at its discretion, up to 1,347,118 Shares. The program commenced on April 11, 2025 and will be terminated on April 10, 2026.

From time to time, the Company participates in an ASPP that allows the purchase of Shares for cancellation under the NCIB at any time during predetermined trading blackout periods. On April 9, 2025, the Company entered into an ASPP. As at August 2, 2025, an obligation of \$2,000 (August 3, 2024 and February 1, 2025 – \$nil) was recognized in accounts payable and accrued liabilities, and recorded against share capital, for the potential purchase of Shares under the ASPP.

During the 26 week period ended August 2, 2025, 606,800 were purchased for cancellation for \$1,830, resulting in a decrease to share capital of \$2,833 and an increase to retained earnings (deficit) of \$1,003. During the 26 week period ended August 3, 2024, no Shares were purchased for cancellation.

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Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

7. Loss per share

The Company presents basic and diluted loss per share (“EPS”) data. Basic EPS is calculated by dividing net loss by the weighted average number of Shares outstanding during the period. Diluted EPS is determined by adjusting net loss and the weighted average number of Shares outstanding, for the effects of all dilutive potential shares, which comprise share-based compensation granted to employees.

	August 2, 2025 (13 weeks)	August 3, 2024 (13 weeks)	August 2, 2025 (26 weeks)	August 3, 2024 (26 weeks)
Weighted average Shares outstanding	40,020,311	40,250,213	40,068,608	40,250,213
Dilutive share-based compensation	–	–	–	–
Dilutive weighted average Shares outstanding	40,020,311	40,250,213	40,068,308	40,250,213

	August 2, 2025 (13 weeks)	August 3, 2024 (13 weeks)	August 2, 2025 (26 weeks)	August 3, 2024 (26 weeks)
Net loss	\$ (4,394)	\$ (5,236)	\$ (12,305)	\$ (14,131)
Basic and diluted loss per share	\$ (0.11)	\$ (0.13)	\$ (0.31)	\$ (0.35)

For the 13 and 26 week periods ended August 2, 2025 and August 3, 2024, 1,891,453 and 2,141,869 stock options, respectively, were not included in the calculation of diluted weighted average Shares outstanding, as they were anti-dilutive.

For the 13 and 26 week periods ended August 2, 2025 and August 3, 2024, 494,583 and 15,985 restricted share units (“RSUs”), respectively, were excluded in the calculation of diluted weighted average Shares outstanding, as they were anti-dilutive.

For both the 13 and 26 week periods ended August 2, 2025 and August 3, 2024, 100,000 common share purchase warrants (“Warrants”) were not included in the calculation of diluted weighted average Shares outstanding, as they were anti-dilutive.

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Notes to Interim Condensed Consolidated Financial Statements (continued)
(In thousands of Canadian dollars, except share and per share amounts)
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8. Share-based compensation

Under the various share-based compensation plans, the Company may grant stock options or other security-based instruments to buy up to 3,624,534 Shares. As at August 2, 2025, 1,891,453 stock options, 100,000 Warrants and 494,583 RSUs were granted and outstanding.

The following is a summary of the Company's stock option and Warrants activity for the 13 and 26 week periods ended August 2, 2025 and August 3, 2024:

August 2, 2025 (13 weeks)	Legacy Employee Option Plan		Omnibus Plan		Omnibus Plan		Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of Warrants	Weighted average exercise price	Number of options & Warrants	Weighted average exercise price
Outstanding options, beginning of period ⁽¹⁾	144,575	\$ 6.26	1,746,878	\$ 2.92	100,000	\$ 2.98	1,991,453	\$ 3.17
Outstanding options, end of period	144,575	\$ 6.26	1,746,878	\$ 2.92	100,000	\$ 2.98	1,991,453	\$ 3.17
Exercisable options, end of period	144,575	\$ 6.26	1,473,963	\$ 3.00	66,667	\$ 2.98	1,685,205	\$ 3.28

(1) The outstanding Warrants were issued against the Omnibus plan, reducing the available shares to issue.

August 3, 2024 (13 weeks)	Legacy Employee Option Plan		Omnibus Plan		Omnibus Plan		Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of Warrants	Weighted average exercise price	Number of options & Warrants	Weighted average exercise price
Outstanding options, beginning of period ⁽¹⁾	144,575	\$ 6.26	1,997,294	\$ 2.83	100,000	\$ 2.98	2,241,869	\$ 3.06
Outstanding options, end of period	144,575	\$ 6.26	1,997,294	\$ 2.83	100,000	\$ 2.98	2,241,869	\$ 3.06
Exercisable options, end of period	144,575	\$ 6.26	1,653,965	\$ 2.82	33,334	\$ 2.98	1,831,874	\$ 3.10

(1) The outstanding Warrants were issued against the Omnibus plan, reducing the available shares to issue.

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(Unaudited)

August 2, 2025 (26 weeks)	Legacy Employee Option Plan		Omnibus Plan		Omnibus Plan		Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of Warrants	Weighted average exercise price	Number of options & Warrants	Weighted average exercise price
Outstanding options, beginning of period ⁽¹⁾	144,575	\$ 6.26	1,597,294	\$ 2.99	100,000	\$ 2.98	1,841,869	\$ 3.25
Granted	–	–	149,584	2.22	–	–	149,584	2.22
Forfeited	–	–	–	–	–	–	–	–
Outstanding options, end of period	144,575	\$ 6.26	1,746,878	\$ 2.92	100,000	\$ 2.98	1,991,453	\$ 3.17
Exercisable options, end of period	144,575	\$ 6.26	1,473,963	\$ 3.00	66,667	\$ 2.98	1,685,205	\$ 3.28

August 3, 2024 (26 weeks)	Legacy Employee Option Plan		Omnibus Plan		Omnibus Plan		Total	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price	Number of Warrants	Weighted average exercise price	Number of options & Warrants	Weighted average exercise price
Outstanding options, beginning of period	155,284	\$ 6.26	2,009,544	\$ 2.84	100,000	\$ 2.98	2,264,828	\$ 3.08
Granted ⁽¹⁾	–	–	–	–	–	–	–	–
Forfeited	(10,709)	6.26	(12,250)	5.42	–	–	(22,959)	5.81
Outstanding options, end of period	144,575	\$ 6.26	1,997,294	\$ 2.83	100,000	\$ 2.98	2,241,869	\$ 3.06
Exercisable options, end of period	144,575	\$ 6.26	1,653,965	\$ 2.82	33,334	\$ 2.98	1,831,874	\$ 3.10

(1) The granted Warrants were issued against the Omnibus plan, reducing the available shares to issue.

During the 13 week period ended August 2, 2025, no stock options were granted. During the 26 week period ended August 2, 2025, the fair value of stock options granted was \$126. During the 13 and 26 week periods ended August 3, 2024, no stock options were granted.

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The fair value of the stock options and Warrants issued in the period were estimated at the date of grant using the Black Scholes model and used the following assumptions:

	August 2, 2025 (26 weeks)	August 3, 2024 (26 weeks)
Expected volatility	33.0% - 33.6%	N/A
Share price at grant date	\$2.22	N/A
Exercise price	\$2.22	N/A
Risk-free interest rate	2.92% - 3.10%	N/A
Expected term	5.5 years - 7.5 years	N/A
Fair value per option	\$0.81 - \$0.95	N/A

The computation of expected volatility was based on the historical volatility of comparable companies from a representative peer group selected based on industry. The risk-free interest rate is based on Government of Canada bond yields with maturities that coincide with the exercise period and terms of the grant. The expected life estimate was determined by management based on a number of factors including vesting terms, exercise behaviour and the contractual term of the options.

The following is a summary of the Company's RSU and deferred share unit ("DSU") activity for the 13 and 26 week periods ended August 2, 2025 and August 3, 2024:

August 2, 2025 (13 weeks)	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	–	494,583	1,116,281	494,583	1,116,281
Granted	–	–	28,171	–	28,171
Units, end of period	–	494,583	1,144,452	494,583	1,144,452

August 3, 2024 (13 weeks)	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	15,985	–	949,050	15,985	949,050
Granted	–	–	43,933	–	43,933
Units, end of period	15,985	–	992,983	15,985	992,983

August 2, 2025 (26 weeks)	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	15,985	–	1,077,123	15,985	1,077,123
Granted	–	494,583	67,329	494,583	67,329
Exercised	(15,985)	–	–	(15,985)	–
Units, end of period	–	494,583	1,144,452	494,583	1,144,452

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August 3, 2024 (26 weeks)	Legacy Equity Incentive Plan	Omnibus Plan	DSU Plan	Total	
	Number of RSUs	Number of RSUs	Number of DSUs	Number of RSUs	Number of DSUs
Units, beginning of period	15,985	–	911,525	15,985	911,525
Granted	–	–	81,458	–	81,458
Exercised	–	–	–	–	–
Units, end of period	15,985	–	992,983	15,985	992,983

There were no RSUs granted during the 13 week periods ended August 2, 2025 and August 3, 2024. The fair value of the RSUs granted during the 26 week period ended August 2, 2025 was \$1,098 (26 week period ended August 3, 2024 – nil). There were no RSUs vested as at August 2, 2025 (August 3, 2024 – 15,985).

The fair value of DSUs granted during the 13 and 26 week periods ended August 2, 2025 were \$86 and \$176, respectively (13 and 26 week periods ended August 3, 2024 - \$90 and \$180, respectively).

The fair values of the DSUs granted were calculated based on the closing price of a Share on the TSX on the last trading date immediately prior to the date of grant.

The grant date fair value of share-based compensation awards granted to employees is recognized as share-based compensation expense, recorded in selling, general and administrative expenses with a corresponding increase to contributed surplus, over the period that the employees unconditionally become entitled to the awards. For the 13 and 26 week periods ended August 2, 2025, the Company recorded share-based compensation expense of \$203 and \$278, respectively (13 and 26 week periods ended August 3, 2024 - \$46 and \$137, respectively).

The fair value of cash-settled DSUs on the grant date is recorded in selling, general and administrative expenses with a corresponding increase to accounts payable and accrued liabilities. The DSUs are recorded at fair value based on the Company's closing share price on the last trading day of the period, which determines the cash payment required to settle each DSU. Changes in the fair value are recorded in selling, general, and administrative expenses with a corresponding adjustment to accounts payable and accrued liabilities. As at August 2, 2025, the fair market value of future DSU cash-settlement obligations was \$2,824 (August 3, 2024 – \$2,065). For the 13 and 26 week periods ended August 2, 2025, the Company recorded \$351 and \$858, respectively, as increases to selling, general, and administrative expenses as a result of the changes in the fair market value of DSU cash-settlement obligations (13 and 26 week periods ended August 3, 2024 - \$283 and \$257 as decreases to selling, general, and administrative expenses, respectively).

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9. Other assets

Other assets include a minority equity investment in Mr. Saturday by acquiring common shares in Mr. Saturday ("Mr. Saturday Shares"), as part of the Company's appointment of Mr. Saturday and its principal Joey Gollish as Creative Director in Residence.

The Company elected, upon initial recognition, to present changes in the fair value of the Mr. Saturday Shares in other comprehensive income (loss) as the Company determined they are not held-for-trading. As at August 2, 2025, the Mr. Saturday Shares had a fair value of \$300 (August 3, 2024 - \$300, February 1, 2025 - \$300), resulting in no gain or loss for the 13 and 26 periods ended August 2, 2025 (13 and 26 week periods ended August 3, 2024 - \$nil).

10. Financial risk management

The Company has exposure to the following risks from its use of financial instruments:

(a) Liquidity risk:

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company prepares cash flow forecasts to ensure it has sufficient funds through operations and access to debt facilities to meet its financial obligations. The Company maintains the Credit Facilities, as described in Note 5, allowing it to access funds for operations. Continued compliance with the covenants under the Credit Facilities is dependent on the Company achieving financial forecasts. Market conditions are difficult to predict and there is no assurance that the Company will achieve its forecasts. In the event of non-compliance, the Company's lenders have the right to demand repayment of the amounts outstanding under the current lending agreements or pursue other remedies including provision of waivers for financial covenants.

The contractual maturities of the Company's current and long-term financial liabilities as at August 2, 2025, excluding interest payments, are as follows:

	Carrying amount	Contractual cash flows	Remaining to maturity			
			Under 1 year	1 – 3 years	3 – 5 years	More than 5 years
Non-derivative financial liabilities						
Bank indebtedness	\$ 3,107	\$ 3,107	\$ –	\$ 3,107	\$ –	\$ –
Accounts payable and accrued liabilities	30,400	30,400	30,400	–	–	–
Long-term debt	36,952	37,791	3,535	34,256	–	–
Lease liabilities	71,643	86,630	20,590	32,933	15,321	17,786
	\$ 142,102	\$ 157,928	\$ 54,525	\$ 70,296	\$ 15,321	\$ 17,786

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(b) Currency risk:

The Company is exposed to foreign exchange risk on foreign currency denominated financial assets and liabilities. A five-percentage point change in the Canadian dollar against the U.S. dollar, assuming that all other variables are constant, would have changed pre-tax net loss for the 13 and 26 week periods ended August 2, 2025 by \$511 (13 and 26 week periods ended August 3, 2024 – \$351), as a result of the period-end revaluation on these financial assets and liabilities. For the 13 and 26 week periods ended August 2, 2025, the Company recorded \$(26) and \$462, respectively, as an increase (decrease) to selling, general, and administrative expenses as a result of the revaluation of these foreign currency denominated financial assets and liabilities (13 and 26 week periods ended August 3, 2024 - \$(60) and \$(61), respectively).

The Company purchases a significant amount of its merchandise in U.S. dollars and enters into forward contracts to reduce the foreign exchange risk with respect to these U.S. dollar denominated purchases. A five-percentage point change in the Canadian dollar against the U.S. dollar, assuming that all other variables remain constant, would have changed other comprehensive income (loss) for the 13 and 26 week periods ended August 2, 2025 by \$2,469 (13 and 26 week periods ended August 3, 2024 – \$2,048), as a result of the revaluation on the Company's forward contracts.

(c) Interest rate risk:

Market fluctuations in interest rates impact the Company's earnings with respect to cash borrowings under the Credit Facilities. During the 13 and 26 week periods ended August 3, 2024, the Company hedged its exposure to the volatility of the interest rate on \$40,000 of its long-term debt under its Credit Facilities until the interest rate swap contracts expired on maturity September 6, 2024, reducing the impact of market fluctuations in interest rates on pre-tax net loss. No instruments were used to hedge interest rates during the 13 and 26 periods ended August 2, 2025. A one percentage point change in the applicable interest rate would have changed pre-tax net loss for the 13 and 26 week periods ended August 2, 2025 by \$93 and \$198, respectively (13 and 26 week periods ended August 3, 2024 – \$14 and \$29, respectively).

(d) Credit risk:

Credit risk is the risk of an unexpected loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's financial instruments that are exposed to concentrations of credit risk are primarily cash, accounts receivable and derivative contracts used to hedge market risks. The Company limits its exposure to credit risk with respect to cash and derivative contracts by dealing primarily with large Canadian and U.S. financial institutions. The Company's accounts receivable consists primarily of receivables from business partners in the Partners and Other segment, which are generally settled in the following fiscal quarter.

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As at August 2, 2025, the Company's maximum exposure to credit risk for accounts receivable was \$11,289 (August 3, 2024 – \$7,488, February 1, 2025 – \$11,843).

(e) Capital management:

The Company manages its capital and capital structure with the objective of ensuring that sufficient liquidity is available to support its financial obligations and to execute its strategic plans. The Company considers net income (loss) before interest expense, income taxes expense (recovery) and depreciation and amortization ("EBITDA") as a measure of its ability to service its debt and meet other financial obligations as they become due.

11. Income taxes recovery

Income taxes recovery for the 13 week period ended August 2, 2025 was \$1,503 (13 week period ended August 3, 2024 – \$1,866), resulting in an effective income taxes recovery rate for the 13 week period ended August 2, 2025 of 25.5% (13 week period ended August 3, 2024 – 26.3%). Income taxes recovery for the 26 week period ended August 2, 2025 was \$4,324 (26 week period ended August 3, 2024 – \$4,979), resulting in an effective income taxes recovery rate for the 26 week period ended August 2, 2025 of 26.0% (26 week period ended August 3, 2024 – 26.1%). The lower effective income tax recovery rate during the 13 and 26 week periods ended August 2, 2025 was primarily attributable to higher non-deductible share-based compensation expenses.

12. Related party transactions

The Company's related parties include key management personnel and key shareholders of the Company, including other entities under common control. Investment funds managed by Searchlight Capital Partners, L.P. ("Searchlight") beneficially own approximately 51.5% of the total issued and outstanding Shares. Shareholders of a company formerly known as Roots Canada Ltd., through their wholly-owned entities (the "Founders"), continue to own a minority interest of the total issued and outstanding Shares.

The Company leases a building for its leather factory from a company that is under common control of the Founders. For the 13 and 26 week periods ended August 2, 2025, the rent expense amounts that relate to the lease of this property were \$188 and \$376, respectively (13 and 26 week periods ended August 3, 2024 - \$182 and \$363, respectively). This transaction was conducted in the normal course of business and has been accounted for at its exchange value under selling, general, and administrative expenses.