

**RCG ANNOUNCES RECORD RESULTS
AND
THE ACQUISITION OF TWO NEW BUSINESSES**

24 August 2009

RCG Corporation today announced that:

- **It has achieved record results for the financial year ended June 2009, with net profit before tax of \$7.6 million, up 27% on the prior financial year**
- **It has been awarded the Australian rights to distribute the Merrell brand of footwear and apparel from 1 January 2010.**
- **It has acquired Shoe Superstore, a 3-store chain of comfort and lifestyle footwear stores.**

RCG Corporation Limited (ASX: RCG) has today announced a record annual profit and has also announced the completion of two new acquisitions. Each of these items is outlined in more detail below.

Results for the 2009 Financial Year

RCG Corporation has reported consolidated net profit before tax of \$7.61 million, an increase of 27% on the previous financial year's net profit of \$5.97 million.

Profits grew on the back of the exceptional sales performance of The Athlete's Foot network, which recorded total sales growth of 15% to \$166.7 million and like-for-like stores sales growth of 11%.

The company benefited from both the sales and profit growth and this, together with the company's strong balance sheet, allowed the directors to lift the moratorium on dividend payments and declare a fully franked special dividend of 2.2 cents per share and a fully franked ordinary dividend of 1.5 cents per share for a total of 3.7 cents per share.

Chairman of RCG Corporation, Mr Ivan Hammerschlag, said "The Athlete's Foot has a unique and defensible market position based on selling fit and function, rather than price and fashion. It is now an instantly recognisable brand in the Australian market place and one that is synonymous with quality products and outstanding service.

“We believe that in times of uncertainty consumers are more inclined to gravitate towards brands that they know and trust and that this factor has stood us in good stead over the last financial year and will in the future”, he added.

The rollout of The Athlete’s Foot (TAF)’s new large format stores continues apace, with four stores now having been converted. Sales from the converted stores have exceeded all expectations, with like-for-like sales for each store increases in excess of 30%.

“We are delighted with the performance of our new bigger format stores”, said Mr Hammerschlag, “and we will continue with the rollout in earnest. We expect to have at least ten of these large format stores operational by Christmas 2009, of which at least five will be new stores. We believe that this is the future direction for the business and look forward to converting all stores to the new format over time.”

The new financial year has started positively with like-for-like sales up 6.5% for the first seven weeks.

Merrell

RCG has been awarded the Australian rights to distribute the Merrell brand of outdoor, comfort, active lifestyle, performance footwear and apparel under an agreement with Wolverine World Wide, Inc, the owner of Merrell. The agreement is effective from 1 January, 2010.

We anticipate that the Merrell business will turnover in excess of \$12 million in its first year of operation and, based on the profiles of similar distribution businesses, it is expected to deliver an EBIT contribution in excess of 20%. Given the January commencement date and the costs of establishing this business, RCG is not expecting the business to contribute to earnings until FY11.

Mr Hammerschlag said “RCG will be setting up a wholesale division, operating independently of its retail division, to maximize distribution to the many department store, specialty retail and outdoor retailers already carrying the Merrell brand as well as to new prospective customers. We believe that there are significant expansion opportunities associated with Merrell, which will have a substantial impact on the future profitability of RCG. The Merrell business will be highly complementary to the growth strategy associated with the increased product range in the new large format TAF stores and the Shoe Superstore business. In addition, RCG also intends to rollout a number of Merrell flagship stores over the next three to four years.”

He added, “This is a significant and exciting step for RCG. The Merrell brand is known worldwide as a quality performance and outdoor brand, making it highly complementary with our strategy of acquiring distribution and retail businesses in the sports, fitness, footwear and active lifestyle space and we are delighted to commence this relationship with Wolverine World Wide, Inc.”

Shoe Superstore

RCG also announced today the creation of a complementary chain of footwear stores that will sit alongside and not compete with the 136 strong The Athlete's Foot chain.

The chain's genesis has come through RCG's acquisition of Shoe Superstore Pty Ltd, a three-store chain of branded, comfort and lifestyle footwear stores for an initial upfront investment of approximately \$1 million, including working capital.

The vendors, who are experienced and skilled in the footwear sector, have signed six-year service agreements and will receive an earn-out payment if certain performance conditions are met.

The business, which commenced trading four years ago, is currently operating at breakeven point and will benefit from the expertise, resources and buying power of RCG.

This business is not mall based, but rather is a destination style business in high traffic shopping precincts. RCG intends to employ its retail competencies and resources to improve and grow the existing business, before commencing a gradual but sustained expansion programme. It is not anticipated that Shoe Superstore will have a material impact on RCG's consolidated profit for the next two to three years.

"Shoe Superstore presents an excellent opportunity for us to capitalise on the emerging branded comfort footwear market," said Mr Hammerschlag. "We believe that this is a highly underserved sector of the footwear market, with very few retailers providing a legitimate offering in this space", he continued.

"While The Athlete's Foot is capitalising on the growth in this market through its new larger format stores, we believe that Shoe Superstore will help drive the growth of this segment by servicing a different demographic. By offering range and value to destination shoppers, we believe that Shoe Superstore is a complementary and synergistic business to The Athlete's Foot", added Mr Hammerschlag.

Conclusion

In conclusion Mr Hammerschlag said "RCG has made a record profit on the back of the extraordinary performance of The Athlete's Foot. We have paid a substantial dividend to shareholders; we have negotiated a new 249 year royalty free licence for The Athlete's Foot; and now we have acquired two new businesses, both highly synergistic with our existing business and our existing skill set and which will provide substantial growth platforms for the future. In addition, our balance sheet still has a significant amount of cash and no debt to assist us with the further growth and execution of our strategy."

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