

RCG ANNOUNCES RECORD FULL YEAR PROFIT AND FINAL DIVIDEND

23 August 2010

RCG Corporation today announced:

- **Consolidated NPAT of \$6.9m for the year ending 27 June 2010, an increase of 30.6% on the prior year**
- **Sales growth in The Athlete's Foot of 11.6%, including like-for-like growth of 8.3%**
- **Like-for-like sales growth in Shoe Superstore for the 10 months since acquisition of 13.5% over the same period in the prior year**
- **Sales in wholesale division RCG Brands of \$6.2m since its 1 January 2010 commencement date**
- **A fully franked final dividend of 1.25 cents per share, taking total ordinary dividends for FY2010 to 2 cents, an increase of 33.3% on the prior year**
- **A fully franked special dividend of 1 cent per share**

RCG Corporation Limited (ASX: RCG) has today announced a record full year profit and final dividend for the year ended 27 June 2010 on the back of continued strong trading by its operating businesses.

Results for the year ended 27 June 2010

RCG has lifted consolidated Net Profit After Tax by 30.6% from \$5.3 million to \$6.9 million for the 2010 financial year. Diluted Earnings Per Share increased by 18.6% from 2.39 cents to 2.84 cents, despite a 23% increase in the number of shares on issue arising from the exercise of 43.8 million share options.

The Athlete's Foot (TAF)

Profits grew on the back of the exceptional sales performance of The Athlete's Foot network, which now numbers 143 stores across Australia and New Zealand. The chain recorded total sales growth of 11.6% from \$166.7 million to \$186.1 million for the year, with 8.3% like-for-like sales growth. This is the sixth consecutive year during which TAF has achieved like-for-like growth of more than 8% and total sales growth in excess of 10%

Strong sales have continued into the new financial year with positive like-for-like growth being reported across all states and territories.

The Athlete's Foot opened eight new stores during the 2010 financial year, all of which are on the new, larger footprint format. In addition, seven existing stores were converted to the larger format, taking the total number of large format stores to 16 at the end of the financial year. With the opening of an additional two stores since the end of the financial year, the total number of large format stores now stands at 18.

Chairman of RCG Corporation, Mr Ivan Hammerschlag, said "We are delighted with the performance of The Athlete's Foot. The business continues to deliver consistently outstanding results, in contrast to the significant volatility being experienced by the wider retail sector. It is worth noting that like-for-likes in both halves of the financial year exceeded 8%, higher than many other retailers.

"We also continue to be very pleased with the performance of our new larger format stores. This format has now become the standard presentation for all new stores and we are working hard to convert existing stores to the new format as quickly possible", he added.

Shoe Superstore (SSS)

RCG acquired Shoe Superstore on 1 September 2009. SSS operates three non-mall based stores plus an e-store, selling branded comfort and lifestyle footwear. For the 10 months from the time of acquisition to the end of the financial year like-for-like sales were up 13.5%.

SSS has undergone a complete strategic review with all elements of the business, including brand identity, logo, fitout, stock mix, pricing policy, stock levels and customer service being refreshed. All elements of the brand refresh have been implemented in the Bondi Junction pilot store, which has experienced instant, sustained and significant performance improvements since the introduction of the new elements.

Mr Hammerschlag said, "While there is still work to be done, we now satisfied that we have a viable and compelling retail offer in SSS. We are actively seeking new sites and expect to rollout at least two new stores and refit at least one existing store during the new financial year."

RCG Brands (RCGB)

RCG commenced its distribution of the Merrell brand of outdoor, comfort, active lifestyle, performance footwear and apparel on 1 January 2010. The Merrell business is held by RCG's wholesale and distribution subsidiary, RCG Brands Pty Limited. The transition of the Merrell business from the previous distributor to RCGB was without interruption.

RCGB recorded sales of \$6.2 million for the six months and an EBIT contribution of \$0.5 million after incurring \$0.8 million of non-repeatable start up costs.

Mr Hammerschlag said, "We continue to be very excited about the Merrell business and the opportunities it presents. The seamless transition of the business to RCG is a testament to the robustness of our planning and the quality of our infrastructure."

Wolverine World Wide, Inc, owner of the Merrell brand, has recently awarded RCGB two other distribution licences: Chaco, a brand of technical and performance sandals and footwear; and Cushe a lifestyle, beach and surf footwear brand. As these are both new brands in the Australian market, their overall contribution to the profitability of RCGB in the short term will be limited.

Mr Hammerschlag said, "We are extremely pleased with the relationships we are developing with our international brand partners and expect these to bear additional fruit over time. We are working hard to grow our wholesale division into a multi-branded business and are actively examining several different prospects in this regard."

Dividends

RCG has announced that it will pay a fully franked ordinary final dividend of 1.25 cents per share and a fully franked special dividend of 1.0 cents per share on Monday 27 September 2010 to shareholders registered on the 10 September 2010 record date. RCG's dividend reinvestment plan will not apply to this dividend.

The ordinary final dividend takes the total of ordinary dividends in respect of the 2010 financial year to 2.0 cents per share, representing 33.3% growth on the 1.50 cents per share paid in respect of the previous year.

This dividend is consistent with the announcement made by the Company in November 2009 that the board is committed to returning to shareholders a high proportion of after tax earnings as fully franked dividends.

Mr Hammerschlag concluded, "The Company remains highly liquid and profitable and we are delighted to be able to increase our dividend payments. In addition to paying ordinary dividends we will of course continue to monitor our capital requirements and, where appropriate, will consider further special dividends from time to time."

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