



RCG EXPECTED TO MAINTAIN PROFITS AND DIVIDENDS

22 November 2011

RCG Corporation today announced that, despite subdued trading conditions, it expects:

- **To maintain its half-year profits and deliver full-year earnings per share growth**
- **To maintain its dividend payout ratio**
- **That The Athlete's Foot will maintain its half and full year profits**
- **To launch a best practice The Athlete's Foot e-commerce site before the end of the financial year, delivering a seamless multichannel experience for its customers**
- **To imminently launch a substantially upgraded Shoe Superstore e-commerce site**
- **To achieve 35% sales growth in its distribution and wholesale division, RCG Brands**

Speaking at its Annual General Meeting today, RCG Corporation Limited's (ASX: RCG) Chairman, Ivan Hammerschlag, announced that, despite significantly subdued retail trading conditions, the company expects to maintain its half-year profit and deliver full-year earnings per share growth. He also went on to announce that the company expects to maintain its dividends and dividend payout ratio.

"These are the worst trading conditions I have seen in the 30 years I have been involved in retail. We are delighted that both our business model and our individual business units are sufficiently robust to withstand this challenging environment", said Mr Hammerschlag.

In his trading update, Mr Hammerschlag announced that for the first four months of the financial year sales in The Athlete's Foot are down 1.2% in total and 3.3% on a like-for-like basis.

"Whilst trading is obviously below expectation, these are still robust results considering that the business has had extremely strong growth over the same period in each of the past three years, creating a very high base.

Like-for-like growth in the same period last year was 6% and it was 10% in each of two years before that. And, given that according to the ABS, the footwear sector is down more 10.6% for the September quarter, we believe that we are still growing market share", he said.

Mr Hammerschlag also announced that despite the subdued trading conditions, The Athlete's Foot is expected to maintain its before tax profit for both the half and full financial year.

He also announced that The Athlete's Foot is making a substantial investment in the technology, infrastructure and personnel to build a best practice e-commerce extension to the business.

"This investment will deliver an integrated, multi-channel experience to TAF customers both online and in-store and will reinforce The Athlete's Foot's authoritative market position. The new e-commerce capability is expected to be launched the last quarter of the financial year, and we are confident that it will become a significant part of the business", said Mr Hammerschlag.

He also discussed other e-commerce initiatives that the group is working on. The Shoe Superstore business is due to launch a substantially upgraded online store within the next two weeks. The business is also working on other exciting e-commerce initiatives which it expects to be able to announce soon.

" Online sales already account for more than 10% of Shoe Superstore's total sales .We are confident that the additional investment will ensure the continuing strong growth of this channel", he said.

The group's best performing division, RCG Brands, reported substantial sales increases for the four months to October, with its flagship Merrell brand more than 20% up on the same period in the prior year. The newly acquired CAT business is also performing to plan.

Mr Hammerschlag said, "We are very pleased with the performance of our wholesale and distribution division which continues to grow at an exceptional rate despite subdued trading conditions. We are confident of being able to grow sales from this division by more than 35% for the financial year."

Mr Hammerschlag concluded by reminding shareholders that the group had no debt and significant cash reserves and was still looking for synergistic business opportunities.

"RCG is extremely well placed to weather the subdued conditions in the retail sector. We have an outstanding and experienced management team which is both growing market share during a time of unprecedented weakness in consumer spending and investing heavily in ensuring that we are at the forefront of the evolving multi-channel landscape. We continue to look for businesses and brands that will help us ensure that RCG becomes the dominant branded footwear business in Australia," he concluded.

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