

## ASX ANNOUNCEMENT

### RCG FORECASTS MORE THAN 20% RISE IN PRE-TAX PROFIT FOR 2010 FINANCIAL YEAR

26 MAY 2010

RCG Corporation today announced that:

- **It expects an increase of more than 20% in Profit Before Tax for FY2010**
- **Like-for-like sales growth in The Athlete's Foot is 9.7% for the year to date, and 11.3% for the four months January – April 2010**
- **Like-for like-sales growth in Shoe Superstore is 17% for the 8 months since acquisition**
- **Newly acquired Merrell distribution business is performing as expected; RCG awarded two new distribution licences by owner of the Merrell brand**

RCG Corporation Limited (ASX: RCG) has today forecast consolidated pre-tax profit growth of more than 20 percent for the 12 months ending 30 June 2010 on the back of continued strong trading by its operating businesses.

The Athlete's Foot's (TAF) 142 store chain has continued its strong sales run with like-for-like sales growth of 9.7% for the year to date to the end of April 2010. Current indications suggest that like-for-like sales for May 2010 will be close to those of last year – an outstanding achievement given the 25% sales growth in May 2009, following the stimulus payments made by the Rudd Government at that time.

The exceptional sales performance of TAF, particularly in the second half of the financial year with like-for-like growth of 11.3% for the four months to April, makes it one of the few retail chains that continues to post strong sales growth this year. Expectations are that full year sales growth will be at the upper end of guidance provided by the group in its half year results.

TAF continues to rollout its very successful larger store model, and will have converted or opened at least 30 such stores by Christmas 2010. Subject to site availability, the business has reaffirmed its commitment to converting at least 12 existing stores and opening five new larger format stores each year.

Shoe Superstore (SSS), which RCG acquired in September 2009, has posted like-for-like sales growth of 17% over the last eight months and has also achieved substantial improvements in gross margin. The newly refurbished Bondi Junction store, complete with new branding and logo, is delivering very encouraging results. This refurbishment is a component of RCG's strategic review of the business. Once the review has been complete and the model finalised, SSS is planning to rollout up to 30 stores over the next five years.

The newly created RCG Brands, RCG's wholesale and distribution business, commenced in January 2010 after Wolverine World Wide, Inc awarded RCG the distribution rights to the Merrell brand of outdoor, comfort and active lifestyle footwear and apparel. Merrell is expected to deliver an EBIT margin of more than 20% of turnover in the 2011 financial year.

Wolverine World Wide, Inc has just awarded RCG Brands licences for two new brands, Chaco and Cushe, which RCG will begin distributing toward the end of the 2010 Calendar year.

Chairman of RCG Corporation, Mr Ivan Hammerschlag, said "We are very pleased with the continued strong performance of The Athlete's Foot, as well as the new Shoe Superstore and RCG Brands businesses. The Group continues to deliver consistently outstanding results, even in deteriorating market conditions. This is a testament to the clear and focussed direction and the cohesiveness of both management and of TAF's franchisees."

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