RCG Corporation Ltd
ABN 85 108 096 251

23 November 2009

Company Announcements Office
Australian Stock Exchange Limited
By Electronic Lodgement

Dear Sir,

MARKET UPDATE – ANNUAL GENERAL MEETING

Please find attached a document entitled “Market Update” to be presented at the Company’s Annual General Meeting tomorrow, the 24th of November 2009.

Yours faithfully

Michael Hirschowitz
Finance Director & Company

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Market Update

Annual General Meeting

24 November 2009

RCG Corporation Ltd

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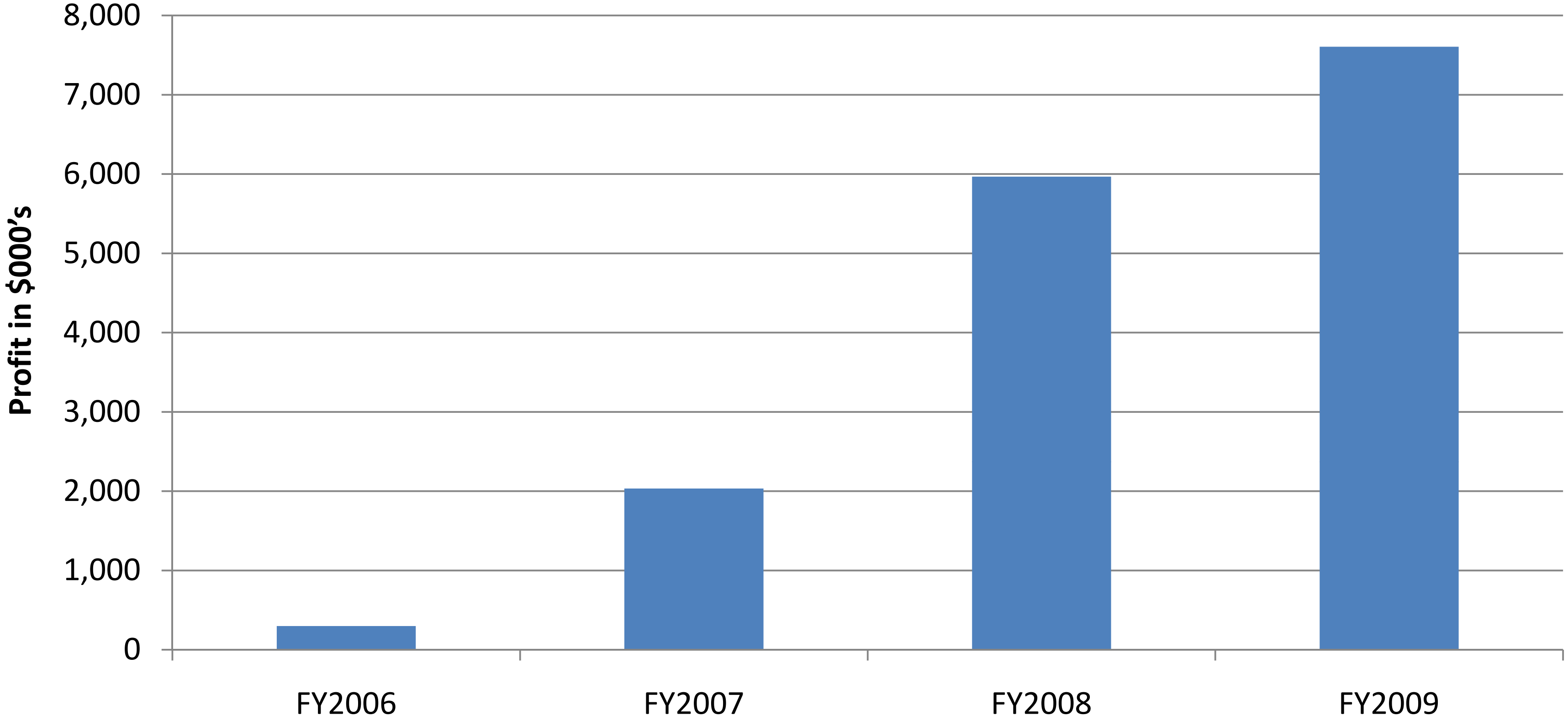
2009 financial year highlights

RCG Group

- Group consolidated net profit before tax of $7.61m, an increase of 27.5% on the same period in the prior year
- As a result of carried forward tax losses, FY08 effective tax rate was only 18%, resulting in consolidated profit after tax increasing by 7.5%
- Declared a special dividend of 2.2c and an ordinary dividend of 1.5c, both fully franked. The payment of the ordinary dividend marks the board’s reinstatement a consistent dividend payment policy

2009 – Another year of record profit



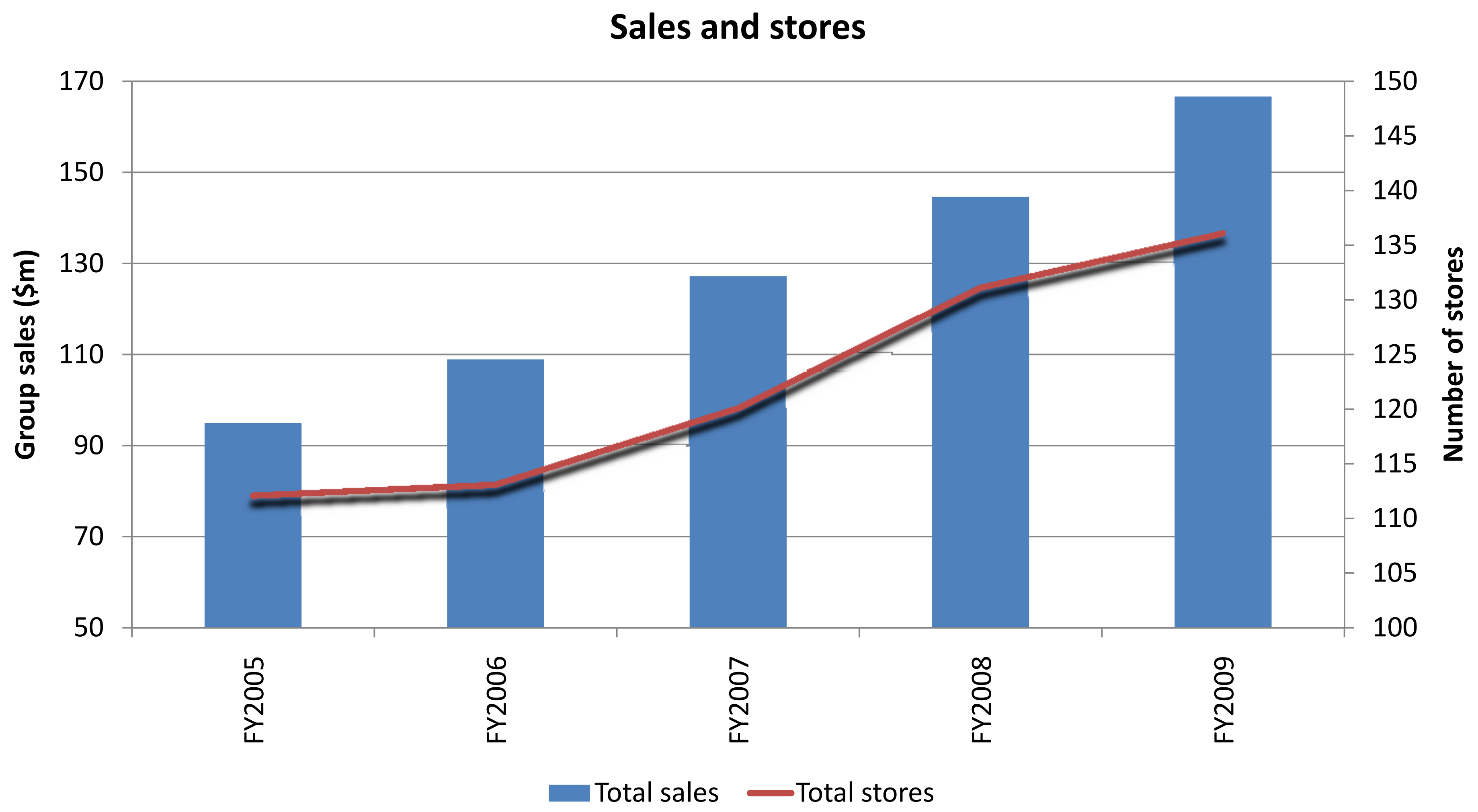
RCG Corporation Ltd

2009 financial year highlights

The Athlete's Foot

- The Athlete's Foot (TAF) achieved EBITDA of $8.33m, which represents an increase of 15.4% on the prior year
- TAF achieved total group sales of $166.7m, an increase of 15.2% on the prior year growth
- TAF achieved like-for-like sales growth of 10.9%, on the back of second half like-for-like growth of 17%
- Opened 6 new TAF stores, taking the total number of stores to 136

2009 – Another year of record sales



RCG Corporation Ltd

Significant transactions since year end

New The Athlete's Foot Licence

- Signed new long term licences for The Athlete's Foot Australia and New Zealand, by paying an upfront amount of US$6.2m
- Term of new licences is 249 years
- Under new licences The Athlete's Foot will no longer pay ongoing licence fees to the US licensor
- This will result in an increase in TAF's EBIT in FY10 by approximately $1.2m ands in FY11 by approximately $1.3m
- In addition to the positive effect on EBIT, the new agreements remove a number of operating restrictions contained within the old agreements

Significant transactions since year end

Merrell Distribution Agreement

- RCG awarded distribution rights to the Merrell brand of outdoor, comfort, active lifestyle and performance footwear and apparel effective 1 January 2010
- RCG has secured the entire Merrell management and sales team and is finalising the set up of the new wholesale /distribution business infrastructure. This is on track to commence operations on 1 January 2010.
- Expected turnover is in excess of $12 million in first year with multiple customers in the department store, speciality and outdoor retail sectors
- Based on profiles of similar businesses, we expect Merrell to deliver an EBIT margin in excess of 20% from FY2011
- Highly complementary with growth strategy in TAF and Shoe Superstore
- RCG believes that there are significant expansion opportunities that will grow the business substantially
- RCG intends to rollout a number of Merrell flagship stores in order to build the brand's presence in Australia

Significant transactions since year end

Shoe Superstore

- RCG acquired 100% of Shoe Superstore for approximately $1 million including working capital
- The vendors have signed six-year service agreements with a potential earn out payment if substantial profit hurdles are met
- Shoe Superstore is a 3-store, non-mall based, chain of branded comfort and lifestyle footwear stores which RCG intends to remodel, improve and grow before commencing a gradual but sustained store rollout programme
- The business provides an excellent platform to capitalise on the emerging branded comfort footwear market and services a different demographic to The Athlete's Foot
- Shoe Superstore is unlikely to have a material impact on group profit for 2 -3 years

The Athlete's Foot – update & outlook

The Athlete's Foot – update & outlook

Sales update and outlook

- Sales growth for the 4 months to October 2009:
  - Total sales growth: 13%
  - Like-for-like sales growth – all stores: 10%
  - Like-for-like sales growth – large format stores: 30%
  - Like-for-like sales growth – traditional stores: 9%
- Like-for-like growth for the first 2 weeks of November: 15%
- Due to inherently uncertain trading conditions for the remainder of the financial year, we have not revised our earlier indication of double digit sales growth and 5% - 7% like-for-like sales growth for the full financial year

The Athlete's Foot – update & outlook

New stores and store conversions

- 6 new stores (all large format) opened since the beginning of the 2010 financial year, with 2 more stores expected to open in the second half of the financial year. This will take the total number of stores in the group 141.
- 5 existing stores have now been converted to large format, with 3 more conversions scheduled to take place before Christmas and another 5 in the second half of the financial year. This will take the total number of large format stores to 21

TAF New Zealand

- TAF has sold its NZ assets for approximately NZ$650k to a newly appointed New Zealand master franchisee. We believe that the NZ market will benefit substantially from the dedicated focus of a master franchisee