

February 18, 2010



## Rocky Brands, Inc. Announces Fourth Quarter and 2009 Full Year Results

Fourth Quarter Non-GAAP Diluted Earnings Per Share Improves 85% to \$0.24

Funded Debt Decreased \$32.1 million, or 37% to \$55.6 Million

Inventories Declined 21% to \$55.4 Million

NELSONVILLE, Ohio--(BUSINESS WIRE)-- Rocky Brands, Inc. (Nasdaq: RCKY) today announced financial results for its fourth quarter and fiscal year ended December 31, 2009.

For the fourth quarter of 2009, net sales were \$61.7 million versus net sales of \$66.0 million in the fourth quarter of 2008. The Company reported net income of \$0.9 million, or \$0.16 per diluted share in 2009, versus a net loss of \$2.2 million, or (\$0.41) per diluted share for the fourth quarter of 2008.

The Company reported Non-GAAP earnings of \$0.24 per diluted share in the fourth quarter of 2009, excluding restructuring charges of (\$0.08) per diluted share associated with the closing of fifteen mini warehouses that the Company operated under its Lehigh retail division and the relocation of its customer service center to Nelsonville from Nashville compared to earnings of \$0.13 per diluted share in the fourth of quarter 2008, excluding non-cash charges of (\$0.54) per diluted share for the write-down of the Lehigh and Gates trademarks. A reconciliation of income per diluted share on a GAAP basis to income per diluted share excluding the restructuring and non-cash impairment charges is shown below.

Mike Brooks, Chairman and Chief Executive Officer, commented "Throughout 2009 we focused on taking costs out of our business and improving the efficiency of our organization. Our efforts led to fourth quarter operating results that exceeded expectations and represented a solid ending to the year. We are very pleased with our bottom line performance compared with the year ago quarter and equally excited about the improvement in our balance sheet. Better management of our receivables and inventories allowed us to significantly reduce borrowings on our credit facility during the past 12-months and resulted in year-end debt levels down 37%. At the same time, we have made meaningful progress restructuring our retail division as well as developing innovative new product lines and brand extensions for our wholesale channels. We begin 2010 optimistic about our growth

prospects and committed to leveraging our leaner operating platform to drive enhanced profitability."

#### Fourth Quarter Review

Net sales for the fourth quarter decreased to \$61.7 million compared to \$66.0 million a year ago. Wholesale sales for the fourth quarter decreased 7.3% to \$45.9 million compared to \$49.5 million for the same period in 2008. Retail sales for the fourth quarter were \$12.5 million compared to \$15.4 million for the same period last year. Retail sales were down year-over-year as a result of the ongoing transition to more internet driven transactions, and the decision to remove a portion of our Lehigh mobile stores from operation to help lower costs as discussed below. Military segment sales for the fourth quarter were \$3.3 million versus \$1.2 million for the same period in 2008. Fourth quarter 2009 military sales include the initial shipments of insulated boots under the \$29 million blanket purchase agreement the company received from the General Services Administration (GSA) in July 2009.

Gross margin in the fourth quarter of 2009 was \$22.0 million, or 35.7% of sales compared to \$24.8 million, or 37.6% for the same period last year. The 190 basis point decrease is primarily due to the increase in sales in our military segment which carry lower gross margins than our retail and wholesale segments.

Selling, general and administrative (SG&A) expenses decreased \$3.2 million or 14.7% to \$18.4 million, or 29.9% of sales for the fourth quarter of 2009 compared to \$21.6 million, or 32.7% of sales, a year ago. The decrease in SG&A expenses was primarily the result of a reduction in salaries & benefits, advertising expense, Lehigh mobile store expenses and bad debt expense.

Income from operations, excluding restructuring charges increased to \$3.6 million, or 5.8% of sales for the period compared to income from operations, excluding the non-cash intangible impairment charges, of \$3.2 million, or 4.9% sales in the prior year.

Interest expense decreased \$0.4 million or 17.3% to \$1.8 million for the fourth quarter of 2009 versus \$2.2 million for the same period last year. The decrease is primarily the result of a reduction in average borrowings compared to the same period last year.

The Company's funded debt decreased \$32.1 million, or 36.6% to \$55.6 million at December 31, 2009 versus \$87.7 million at December 31, 2008.

Inventory decreased \$14.9 million, or 21.2%, to \$55.4 million at December 31, 2009 compared with \$70.3 million on the same date a year ago.

The Company's accounts receivable decreased \$14.3 million, or 23.8% to \$45.8 million at December 31, 2009 versus \$60.1 million at December 31, 2008.

#### Full Year 2009 Results

For the full year 2009, net sales were \$229.5 million versus net sales of \$259.5 million in 2008. The Company reported net income of \$1.2 million, or \$0.21 per diluted share in 2009, versus net income of \$1.2 million, or \$0.21 per diluted share in 2008.

Excluding the aforementioned charges, the Company reported Non-GAAP earnings of \$0.29

per diluted share for the full year of 2009 compared to earnings of \$0.75 per diluted share in 2008. A reconciliation of income per diluted share on a GAAP basis to income per diluted share excluding the restructuring and non-cash impairment charges is shown below.

Reconciliation of Income per Diluted Share on GAAP Basis to a non-GAAP Basis

|   | Three Months Ended |            | Twelve Months Ended |         |
|---|--------------------|------------|---------------------|---------|
|   | December 31,       |            | December 31,        |         |
|   | 2009               | 2008       | 2009                | 2008    |
| Income / (loss) per diluted share on a GAAP Basis | \$ 0.16            | \$ (0.41 ) | \$ 0.21             | \$ 0.21 |
| Restructuring charges                             | \$ 0.08            | \$ -       | \$ 0.08             | \$ -    |
| Exclude non-cash impairment charges               | \$ -               | \$ 0.54    | \$ -                | \$ 0.54 |
| Income per diluted share on a non-GAAP basis *    | \$ 0.24            | \$ 0.13    | \$ 0.29             | \$ 0.75 |

\*Income per diluted share excluding the amounts shown above is a non-GAAP measure. The Company believes this is an important measure since it represents the income per diluted share from operations excluding the restructuring and non-cash impairment charges.

Conference Call Information

The Company's conference call to review fourth quarter fiscal 2009 results will be broadcast live over the internet today, Thursday, February 18, 2010 at 4:30 pm Eastern Time. The broadcast will be hosted at [www.rockybrands.com](http://www.rockybrands.com).

About Rocky Brands, Inc.

Rocky Brands, Inc. is a leading designer, manufacturer and marketer of premium quality footwear and apparel marketed under a portfolio of well recognized brand names including Rocky Outdoor Gear(R), Georgia Boot(R), Durango(R), Lehigh(R), and the licensed brands Dickies(R), Michelin(R) and Mossy Oak(R).

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

This press release contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended, which are intended to be covered by the safe harbors created thereby. Those statements include, but may not be limited to, all statements regarding intent, beliefs, expectations, projections, forecasts, and plans of the Company and its management, and include statements in this press release regarding enhanced profitability (paragraph 4). These forward-looking statements involve numerous risks and uncertainties, including, without limitation, the various risks inherent in the Company's business as set forth in periodic reports filed with the Securities and Exchange Commission,

including the Company's annual report on Form 10-K for the year ended December 31, 2008 (filed March 3, 2009) and the Company's quarterly report on Form 10-Q for the quarters ended March 31, 2009 (filed May 4, 2009), June 30, 2009 (filed July 31, 2009) and September 30, 2009 (filed October 30, 2009). One or more of these factors have affected historical results, and could in the future affect the Company's businesses and financial results in future periods and could cause actual results to differ materially from plans and projections. Therefore there can be no assurance that the forward-looking statements included in this press release will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the Company, or any other person should not regard the inclusion of such information as a representation that the objectives and plans of the Company will be achieved. All forward-looking statements made in this press release are based on information presently available to the management of the Company. The Company assumes no obligation to update any forward-looking statements.

Rocky Brands, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

|                                       | December 31, 2009 | December 31, 2008 |
|---------------------------------------|-------------------|-------------------|
|                                       | Unaudited         | Audited           |
| ASSETS:                               |                   |                   |
| CURRENT ASSETS:                       |                   |                   |
| Cash and cash equivalents             | \$ 1,797,093      | \$ 4,311,313      |
| Trade receivables - net               | 45,831,558        | 60,133,493        |
| Other receivables                     | 1,476,643         | 1,394,235         |
| Inventories                           | 55,420,467        | 70,302,174        |
| Deferred income taxes                 | 1,475,695         | 2,167,966         |
| Income tax receivable                 | -                 | 75,481            |
| Prepaid expenses                      | 1,309,138         | 1,455,158         |
| Total current assets                  | 107,310,594       | 139,839,820       |
| FIXED ASSETS - net                    | 22,669,876        | 23,549,319        |
| IDENTIFIED INTANGIBLES & GOODWILL     | 30,516,910        | 31,020,478        |
| OTHER ASSETS                          | 2,892,683         | 2,452,501         |
| TOTAL ASSETS                          | \$ 163,390,063    | \$ 196,862,118    |
| LIABILITIES AND SHAREHOLDERS' EQUITY: |                   |                   |
| CURRENT LIABILITIES:                  |                   |                   |
| Accounts payable                      | \$ 6,781,534      | \$ 9,869,948      |
| Current maturities - long term debt   | 511,870           | 480,723           |

Accrued expenses:

|  |            |             |
|--|------------|-------------|
| Taxes - other                            | 440,223    | 641,670     |
| Income tax payable                       | 26,242     | -           |
| Other                                    | 5,226,749  | 4,261,689   |
| Total current liabilities                | 12,986,618 | 15,254,030  |
| LONG TERM DEBT - less current maturities | 55,079,776 | 87,258,939  |
| DEFERRED INCOME TAXES                    | 9,071,639  | 9,438,921   |
| DEFERRED LIABILITIES                     | 3,774,356  | 3,960,472   |
| TOTAL LIABILITIES                        | 80,912,389 | 115,912,362 |

SHAREHOLDERS' EQUITY:

Common stock, no par value;

25,000,000 shares authorized; issued and outstanding

|  |            |            |
|--|------------|------------|
| December 31, 2009 - 5,576,465; December 31, 2008 - 5,516,898 | 54,598,104 | 54,250,064 |
|--|------------|------------|

|  |                |                |
|--|----------------|----------------|
| Accumulated other comprehensive loss       | (3,217,144 )   | (3,222,215 )   |
| Retained earnings                          | 31,096,714     | 29,921,907     |
| Total shareholders' equity                 | 82,477,674     | 80,949,756     |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | \$ 163,390,063 | \$ 196,862,118 |

Rocky Brands, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

|                    | Three Months Ended |               | Twelve Months Ended |                |
|--------------------|--------------------|---------------|---------------------|----------------|
|                    | December 31,       |               | December 31,        |                |
|                    | 2009               | 2008          | 2009                | 2008           |
|                    | Unaudited          | Unaudited     | Unaudited           | Audited        |
| NET SALES          | \$ 61,659,962      | \$ 66,045,405 | \$ 229,485,575      | \$ 259,538,145 |
| COST OF GOODS SOLD | 39,628,552         | 41,234,024    | 144,928,219         | 157,294,936    |
| GROSS MARGIN       | 22,031,410         | 24,811,381    | 84,557,356          | 102,243,209    |
| OPERATING EXPENSES |                    |               |                     |                |

|  |              |                 |              |              |
|--|--------------|-----------------|--------------|--------------|
| Selling, general and administrative expenses         | 18,430,127   | 21,598,071      | 75,072,208   | 87,496,049   |
| Restructuring charges                                | 711,169      | -               | 711,169      | -            |
| Non-cash intangible impairment charges               | -            | 4,862,514       | -            | 4,862,514    |
| Total operating expenses                             | 19,141,296   | 26,460,585      | 75,783,377   | 92,358,563   |
| INCOME/ (LOSS) FROM OPERATIONS                       | 2,890,114    | (1,649,204 )    | 8,773,979    | 9,884,646    |
| OTHER INCOME AND (EXPENSES) :                        |              |                 |              |              |
| Interest expense                                     | (1,834,608 ) | (2,217,217 )    | (7,500,513 ) | (9,318,454 ) |
| Other - net  | 319,957      | (58,103 )       | 577,856      | (26,718 )    |
| Total other - net                                    | (1,514,651 ) | (2,275,320 )    | (6,922,657 ) | (9,345,172 ) |
| INCOME/ (LOSS) BEFORE INCOME TAXES                   | 1,375,463    | (3,924,524 )    | 1,851,322    | 539,474      |
| INCOME TAX EXPENSE/ (BENEFIT)                        | 465,997      | (1,683,665 )    | 676,515      | (627,665 )   |
| NET INCOME/ (LOSS)                                   | \$ 909,466   | \$ (2,240,859 ) | \$ 1,174,807 | \$ 1,167,139 |
| NET INCOME/ (LOSS) PER SHARE                         |              |                 |              |              |
| Basic  | \$ 0.16      | \$ (0.41 )      | \$ 0.21      | \$ 0.21      |
| Diluted  | \$ 0.16      | \$ (0.41 )      | \$ 0.21      | \$ 0.21      |
| WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING |              |                 |              |              |
| Basic  | 5,564,408    | 5,509,691       | 5,551,382    | 5,508,614    |

|         |           |           |           |           |
|---------|-----------|-----------|-----------|-----------|
| Diluted | 5,592,446 | 5,509,691 | 5,551,382 | 5,513,430 |
|---------|-----------|-----------|-----------|-----------|

Source: Rocky Brands, Inc.