McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE THIRD QUARTER AND
FIRST NINE MONTHS OF FISCAL 2012

Mount Gilead, N.C. – June 27, 2012. McRae Industries, Inc. (Pink Sheets: MRINA and MRINB) reported consolidated net revenues from operations for the third quarter of fiscal 2012 of $18,523,000 as compared to $18,037,000 for the third quarter of fiscal 2011. Net earnings for the third quarter of fiscal 2012 amounted to $911,000 or $0.45 per diluted Class A common share as compared to $721,000, or $0.36 per diluted Class A common share, for the third quarter of fiscal 2011.

Consolidated net revenues from operations for the first nine months of fiscal 2012 totaled $58,656,000 as compared to $59,454,000 for the first nine months of fiscal 2011. Net earnings for the first nine months of fiscal 2012 amounted to $3,661,000 or $1.71 per diluted Class A common share, as compared to $3,026,000, or $1.44 per diluted Class A common share, for the first nine months of fiscal 2011.

THIRD QUARTER FISCAL 2012 COMPARED TO THIRD QUARTER FISCAL 2011

Consolidated net revenues for the third quarter of fiscal 2012 amounted to $18.5 million as compared to $18.0 million for the third quarter of fiscal 2011. This increase in net revenues resulted primarily from continued strong demand for our western/lifestyle boot products, which grew from $9.4 million for the third quarter of fiscal 2011 to $12.4 million for the third quarter of fiscal 2012. Net revenues from our work boot business fell approximately 29%, primarily the result of reduced military boot requirements associated with contracts that expired during this fiscal year. We have responded to the government's solicitations for new contracts; however, we have not received any new contract awards at the time of this press release. Any newly awarded government contracts are not expected to generate any significant revenue for the fourth quarter of this fiscal year.

Consolidated gross profit totaled approximately $5.4 million for the third quarter of fiscal 2012 as compared to $4.6 million for the third quarter of fiscal 2011. This rise in gross profit resulted primarily from the increase in net revenues from our western/lifestyle boot products coupled with a 3% improvement in gross profit margins as timing of price increases outpaced the impact of higher product costs. Gross profit from our work boot products fell nearly 22% as work boot product sales continue to be weak as a result of the sluggish economy and the reduction of military boot requirements for the U. S. Government, which has increased per unit manufacturing costs.

Consolidated operating costs and expenses for the third quarter of fiscal 2012 totaled $4.0 million as compared to $3.7 million for the third quarter of fiscal 2011. This increase in operating costs and expenses was primarily attributable to higher expenditures or charges for sales related compensation and employee benefit costs.

As a result of the above, the consolidated operating earnings for the third quarter of fiscal 2012 were approximately $1.4 million as compared to $900,000 for the third quarter of fiscal 2011.

FIRST NINE MONTHS FISCAL 2012 COMPARED TO FIRST NINE MONTHS FISCAL 2011

Consolidated net revenues for the first nine months of fiscal 2012 amounted to $58.7 million as compared to $59.5 million for the first nine months of fiscal 2011. This slight decrease in net revenues resulted primarily from the decline in military boot net revenues as a result of the timing between expiring contracts and new contract awards. As the economy improves, we expect net revenues from our other work boot products to increase. Our western/lifestyle product net revenues partially offset the decline in the work boot segment as net revenues grew from $34.3 million for the first nine months of fiscal 2011 to $40.4 million for the first nine months of fiscal 2012. Demand for these products continues to be strong and we expect sales of these products to remain strong for the fourth quarter of fiscal 2012.

Consolidated gross profit for the first nine months of fiscal 2012 totaled $18.1 million as compared to $16.3 million for the first nine months of fiscal 2011. This improvement in consolidated gross profit resulted from a combination of revenue growth and increased gross profit margins in our western/lifestyle boot segment. Gross profit as a percentage of net revenues for this segment was up 3% for the first nine months of fiscal 2012 as compared to the first nine months of fiscal 2011, primarily the result of the timing of sales price increases and product cost increases. Gross profit related to our work boot segment fell approximately 22% as higher per unit manufacturing costs associated with our military boot business had a negative impact on results.

Consolidated operating costs and expenses amounted to $12.2 million for the first nine months of fiscal 2012 as compared to $11.6 million for the first nine months of fiscal 2011. This increase in consolidated operating costs and expenses was primarily attributable to increased expenditures for sales compensation related costs, rental expense, and employee benefit charges, which were partially offset by reduced outlays for administrative salaries and sales and marketing expenses.

As a result of the above, the consolidated operating profit for the first nine months of fiscal 2012 totaled approximately $5.9 million as compared to approximately $4.7 million for the first nine months of fiscal 2011.

FINANCIAL CONDITION AND LIQUIDITY

The Company's financial condition continues to be strong as cash and cash equivalents totaled $15.0 million at April 28, 2012 as compared to $10.3 million at July 30, 2011. Our working capital totaled $37.7 million at April 28, 2012 as compared to $35.2 million at July 30, 2011.

We currently maintain two lines of credit with a bank totaling $6.75 million, all of which was available at April 28, 2012. Our credit line totaling $1.75 million (which is restricted to one hundred percent of the outstanding receivables due from the U. S. Government) and our $5.0 million line of credit (which is secured by our western/work boot business accounts receivable and inventory) expire in January 2013.

We believe that our current cash and cash equivalents, cash generated from operations, and available lines of credit will be sufficient to meet our capital requirements for the remainder of fiscal 2012.

Operating activities for the first nine months of fiscal 2012 provided $6.4 million of cash. Net earnings as adjusted for depreciation, provided $4.1 million of cash. Our trade accounts receivable used approximately $182,000 of cash. The reduction of inventory levels, primarily in our western/work boot business, provided approximately $2.4 million of cash as third quarter sales remained strong. The timing of in-transit inventory payments provided approximately $475,000 of cash. Income tax payments used approximately $400,000 of cash.

Investing activities used approximately $746,000 of cash. Capital expenditures, primarily for manufacturing equipment, office equipment and air handling equipment, used approximately $727,000 of cash.

Financing activities used approximately $897,000 of cash to repurchase company stock and to pay dividends amounting to $346,000 and $551,000, respectively.

Forward-Looking Statements

This press release includes certain forward-looking statements. Important factors that could cause actual results or events to differ materially from those projected, estimated, assumed or anticipated in any such forward-looking statements include: the effect of competitive products and pricing, risks unique to selling goods to the Government (including variation in the Government's requirements for our products and the Government's ability to terminate its contracts with vendors), loss of key customers, acquisitions, supply interruptions, additional financing requirements, our expectations about future Government orders for military boots, loss of key management personnel, our ability to successfully develop new products and services, and the effect of general economic conditions in our markets.

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McRae Industries, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	April 28, 2012	July 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,025	$ 10,274
Accounts and notes receivable, net	11,163	10,981
Inventories, net	16,231	18,611
Income tax receivable	1,046	631
Prepaid expenses and other current assets	302	176
Total current assets	43,767	40,673
Property and equipment, net	3,302	3,042
Other assets:		
Real estate held for investment	3,671	3,650
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	8,783	8,762
Total assets	$ 55,852	$ 52,477

McRae Industries, Inc. and Subsidiaries
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)
(Unaudited)

	April 28, 2012	July 30, 2011
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts Payable	$ 3,229	$ 2,755
Accrued employee benefits	861	851
Accrued payroll and payroll taxes	1,131	1,087
Other	838	755
Total current liabilities	6,059	5,448
Shareholders' equity:		
Common Stock:		
Class A, $1 par; Authorized 5,000,000 shares; Issued and outstanding 2,029,657 shares and 2,046,337, respectively	2,030	2,046
Class B, $1 par; Authorized 2,500,000 shares; Issued and outstanding 410,287 shares and 420,593, respectively	410	421
Retained earnings	47,353	44,562
Total shareholders' equity	49,793	47,029
Total liabilities and shareholders' equity	$55,852	$52,477

McRae Industries, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share data)
(Unaudited)

	Three Months Ended		Nine Months Ended	
	April 28, 2012	**April 29, 2011**	**April 28, 2012**	**April 29, 2011**
Net revenues	$18,523	$18,037	$58,656	$59,454
Cost of revenues	13,105	13,454	40,606	43,179
Gross profit	5,418	4,583	18,050	16,275
Less: Operating costs and expenses:				
Selling, general and administrative expenses	3,963	3,665	12,217	11,632
Earnings from operations	1,455	918	5,833	4,643
Other income	57	52	195	127
Interest expense	0	0	(1)	(1)
Earnings before income taxes	1,512	970	6,027	4,769
Provision for income taxes	601	249	2,366	1,743
Net earnings	$ 911	$ 721	$ 3,661	$ 3,026
Earnings per common share:				
Basic earnings per share:				
Class A	$ .54	$ .44	$ 2.06	$ 1.74
Class B	0	0	0	0
Diluted earnings per share:				
Class A	$ .45	$ .36	$ 1.71	$ 1.44
Class B	N/A	N/A	N/A	N/A
Weighted average number of Common shares outstanding:				
Class A	2,029,214	2,051,443	2,041,561	2,055,157
Class B	412,213	421,701	416,868	424,732
Total	2,441,427	2,473,144	2,458,429	2,479,889

McRae Industries, Inc. and Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended	
	April 28, 2012	April 29, 2011
Net cash provided by operating activities	$ 6,394	$ 3,730
Cash flows from investing activities:		
Proceeds from sales of assets	2	89
Purchase of land for investment	(21)	0
Land development costs	0	(246)
Capital expenditures	(727)	(458)
Net cash used in investing activities	(746)	(615)
Cash flows from financing activities:		
Purchase of company stock	(346)	(168)
Dividends paid	(551)	(555)
Net cash used in financing activities	(897)	(723)
Net increase in cash and cash equivalents	4,751	2,392
Cash and cash equivalents at beginning of period	10,274	9,948
Cash and cash equivalents at end of period	$ 15,025	$ 12,340