McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE THIRD QUARTER AND FIRST NINE MONTHS OF FISCAL 2013

Mount Gilead, N.C. – June 5, 2013. McRae Industries, Inc. (Pink Sheets: MCRAA and MCRAB) reported consolidated net revenues from operations for the third quarter of fiscal 2013 of $22,585,000 as compared to $18,523,000 for the third quarter of fiscal 2012. Net earnings for the third quarter of fiscal 2013 amounted to $1,333,000 or $0.62 per diluted Class A common share as compared to $911,000, or $0.45 per diluted Class A common share, for the third quarter of fiscal 2012.

Consolidated net revenues from operations for the first nine months of fiscal 2013 totaled $73,531,000 as compared to $58,656,000 for the first nine months of fiscal 2012. Net earnings for the first nine months of fiscal 2013 amounted to $5,143,000 or $2.75 per diluted Class A common share, as compared to $3,661,000, or $1.71 per diluted Class A common share, for the first nine months of fiscal 2012.

THIRD QUARTER FISCAL 2013 COMPARED TO THIRD QUARTER FISCAL 2012

Consolidated net revenues for the third quarter of fiscal 2013 amounted to $22.6 million as compared to $18.5 million for the third quarter of fiscal 2012. This increase in net revenues resulted from continued strong demand for our western/lifestyle boot products coupled with a 50% increase in net revenues from our work boot products, which grew from $6.1 million for the third quarter of fiscal 2012 to $9.1 million for the third quarter of fiscal 2013. The improvement in net revenues from our work boot business resulted primarily from increased military boot requirements for the U. S. Government related to our two new contracts. At the time of this press release, it is not possible for us to determine what impact, if any, the government sequestration will have on our military boot business. Boot shipments related to our recent awarded Israeli contract are scheduled to begin during the fourth quarter of this fiscal year. We continue to respond to the government's solicitations for new contracts; however, we have not received any additional contract awards at the time of this press release.

Consolidated gross profit totaled approximately $6.3 million for the third quarter of fiscal 2013 as compared to $5.4 million for the third quarter of fiscal 2012. This 16% increase in gross profit was the result of improved performance in both boot segments. Our western/lifestyle segment was up 5.8% while our work boot segment was up approximately 71% as higher military boot production levels had a positive impact by lowering per unit manufacturing costs.

Consolidated operating costs and expenses for the third quarter of fiscal 2013 totaled $4.2 million as compared to $4.0 million for the third quarter of fiscal 2012. This increase in operating costs and expenses was primarily attributable to higher expenditures or charges for sales related compensation, travel expenses and employee benefit costs which were partially offset by lower facility rental charges.

As a result of the above, the consolidated operating earnings for the third quarter of fiscal 2013 were approximately $2.1 million as compared to $1.4 million for the third quarter of fiscal 2012.

FIRST NINE MONTHS FISCAL 2013 COMPARED TO FIRST NINE MONTHS FISCAL 2012

Consolidated net revenues for the first nine months of fiscal 2013 amounted to $73.5 million as compared to $58.7 million for the first nine months of fiscal 2012. This significant increase in net revenues resulted from strong performances in both of our product segments. Net revenues from our western/lifestyle products segment grew from $40.4 million for the first nine months of fiscal 2012 to $49.4 million for the first nine months of fiscal 2013 as market demand remained strong. Net revenues associated with our work boot segment totaled $23.9 million for the first nine months of fiscal 2013, up from $18.1 million for the first nine months of fiscal 2012, primarily the result of increased boot requirements related to our two new military boot contracts with the U. S. Government.

Consolidated gross profit for the first nine months of fiscal 2013 totaled $22.0 million as compared to $18.0 million for the first nine months of fiscal 2012. This 21% increase in consolidated gross profit resulted from the combined revenue growth in our western/lifestyle boot and work boot segments. Gross profit as a percentage of net revenues for the first nine months of fiscal 2013 totaled 29.8% as compared to 30.6% for the first nine months of fiscal 2012. This decline in gross margin percentage was primarily the result of higher imported product manufacturing and transportation costs. Gross profit margins related to our work boot segment improved slightly, up from 16.4% for the first nine months of fiscal 2012 to 16.8% for the first nine months of fiscal 2013 as higher military boot production levels lowered per unit manufacturing costs.

Consolidated operating costs and expenses amounted to $13.7 million for the first nine months of fiscal 2013 as compared to $12.2 million for the first nine months of fiscal 2012. This increase in consolidated operating costs and expenses was primarily attributable to increased expenditures or charges for sales compensation related costs, group health insurance, travel costs, administrative salaries, professional fees, bad debt and employee benefit charges, which were partially offset by reduced outlays for facility rentals and sales and marketing expenses.

As a result of the above, the consolidated operating profit for the first nine months of fiscal 2013 totaled approximately $8.3 million as compared to approximately $5.8 million for the first nine months of fiscal 2012.

FINANCIAL CONDITION AND LIQUIDITY

The Company’s financial condition continues to be strong. Cash and cash equivalents totaled $14.0 million at April 27, 2013 as compared to $12.9 million at July 28, 2012. Our working capital totaled $40.7 million at April 27, 2013 as compared to $38.9 million at July 28, 2012.

We currently maintain two lines of credit with a bank totaling $6.75 million, all of which was available at April 27, 2013. 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 2014.

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 2013.

Operating activities for the first nine months of fiscal 2013 provided approximately $5.1 million of cash. Net earnings as adjusted for depreciation, provided $5.6 million of cash. Our trade accounts receivable used approximately $2.7 million of cash as a result of increased sales in both boot segments. The reduction of inventory levels provided approximately $1.4 million of cash as third quarter sales remained strong. The timing of inventory and accrued payroll related payments provided approximately $817,000 of cash. Income tax payments used approximately $217,000 of cash.

Investing activities used approximately $1.9 million of cash. Capital expenditures, primarily for manufacturing equipment, office equipment and air handling equipment, used approximately $807,000 of cash. Our investment in securities used approximately $1.0 million of cash.

Financing activities used approximately $162,000 of cash to repurchase company stock. Dividend payments used approximately $1.8 million of cash.

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.

Contact:
D. Gary McRae
(910) 439-6147

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

	April 27, 2013	July 28, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 14,032	$ 12,874
Marketable securities	76	0
Accounts and notes receivable, net	14,496	11,782
Inventories, net	18,191	19,572
Income tax receivable	839	537
Prepaid expenses and other current assets	366	395
Total current assets	48,000	45,160
Property and equipment, net	3,448	3,116
Other assets:		
Marketable securities- long term	960	0
Real estate held for investment	3,732	3,673
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	9,804	8,785
Total assets	$ 61,252	$ 57,061

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

	April 27, 2013	July 28, 2012
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts Payable	$ 3,790	$ 3,373
Accrued employee benefits	1,271	1,158
Accrued payroll and payroll taxes	1,403	1,003
Other	858	746
Total current liabilities	7,322	6,280
Shareholders' equity:		
Common Stock:		
Class A, $1 par; Authorized 5,000,000 shares; Issued and outstanding 2,037,405 shares and 2,030,880, respectively	2,038	2,031
Class B, $1 par; Authorized 2,500,000 shares; Issued and outstanding 393,119 shares and 408,376, respectively	393	408
Retained earnings	51,499	48,342
Total shareholders' equity	53,930	50,781
Total liabilities and shareholders' equity	$61,252	$57,061

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 27, 2013	April 28, 2012	April 27, 2013	April 28, 2012
Net revenues	$22,585	$18,523	$73,531	$58,656
Cost of revenues	16,248	13,105	51,506	40,606
Gross profit	6,337	5,418	22,025	18,050
Less: Operating costs and expenses:				
Selling, general and administrative expenses	4,195	3,963	13,764	12,217
Earnings from operations	2,142	1,455	8,261	5,833
Other income	62	57	156	195
Interest expense	(2)	0	(2)	(1)
Earnings before income taxes	2,202	1,512	8,415	6,027
Provision for income taxes	869	601	3,272	2,366
Net earnings	$ 1,333	$ 911	$ 5,143	$ 3,661
Earnings per common share:				
Basic earnings per share:				
Class A	$ .74	$ .54	$ 3.30	$ 2.06
Class B	.09	0	.68	0
Diluted earnings per share:				
Class A	$ .62	$ .45	$ 2.75	$ 1.71
Class B	N/A	N/A	N/A	N/A
Weighted average number of Common shares outstanding:				
Class A	2,037,358	2,029,214	2,034,124	2,041,561
Class B	395,426	412,213	402,363	416,868
Total	2,432,784	2,441,427	2,436,487	2,458,429

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

	Nine Months Ended	
	April 27, 2013	**April 28, 2012**
Net cash provided by operating activities	$ 5,059	$ 6,394
Cash flows from investing activities:		
Proceeds from sales of assets	4	2
Purchase of land for investment	(59)	(21)
Purchase of securities	(1,045)	0
Capital expenditures	(807)	(727)
Net cash used in investing activities	(1,907)	(746)
Cash flows from financing activities:		
Issuance of company stock	6	0
Purchase of company stock	(162)	(346)
Dividends paid	(1,838)	(551)
Net cash used in financing activities	(1,994)	(897)
Net increase in cash and cash equivalents	1,158	4,751
Cash and cash equivalents at beginning of period	12,874	10,274
Cash and cash equivalents at end of period	$ 14,032	$ 15,025