McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR FISCAL 2012

Mount Gilead, N.C. – November 13, 2012. McRae Industries, Inc. (Pink Sheets: MRINA and MRINB) reported consolidated net revenues for fiscal 2012 of $75,684,000 as compared to $74,748,000 for fiscal 2011. Net earnings for fiscal 2012 totaled $4,842,000 as compared to $3,829,000 for fiscal 2011. Net earnings per diluted Class A common share were $2.27 for fiscal 2012 as compared to $1.84 for fiscal 2011.

CONSOLIDATED RESULTS OF OPERATIONS, FISCAL 2012 COMPARED TO FISCAL 2011

Consolidated net revenues for fiscal 2012 amounted to approximately $75.7 million as compared to $74.7 million for fiscal 2011. This increase in net revenues was primarily attributable to strong demand for our western/lifestyle boot products, which grew from $43.2 million for fiscal 2011 to $52.5 for fiscal 2012. Consolidated net revenues from our work boot product sales fell from $31.2 million for fiscal 2011 to $23.0 million for fiscal 2012, primarily the result of significantly reduced shipments of military boots to the U. S. Government (the "Government"). The reduction in business with the Government was primarily attributable to two factors: (1) the Government was overstocked with boots as a result of reduced foreign troop deployments and (2) a couple of our primary military boot contracts expired during the current fiscal year. At the end of fiscal 2012, however, we received two new military boot contracts which have a base year and four one-year options. Net revenues associated with our bar code business, most of which was sold at the end of March 2009, totaled $31,000 for fiscal 2012 as compared to $157,000 for fiscal 2011. For fiscal 2013, we are optimistic that the demand for our western/lifestyle products will remain strong and that an improving economy will have a positive impact on our non-military work boot business. Revenues from the bar code business will continue to be insignificant.

Consolidated gross profit for fiscal 2012 increased 13%, up from $20.7 million for fiscal 2011 to $23.4 million for fiscal 2012, This improvement in gross profit resulted primarily from increased net revenues and slightly higher overall margins on both our western/lifestyle and work boot product sales. Gross profit as a percentage of net revenues for the western/lifestyle products increased from 36.6% for fiscal 2011 to 37.3% for fiscal 2012. Gross profit as a percentage of net revenues for our work boot products grew from 14.8% for fiscal 2011 to 15.7% for fiscal 2012.

Consolidated selling, general and administrative ("SG&A") expenses increased from $14.6 million for fiscal 2011 to $15.7 million for fiscal 2012, primarily the result of higher support costs associated with the increase in net revenues. Increased expenditures for sales related compensation, facility rental expense, advertising, professional fees, and employee benefit costs were partially offset by reduced outlays for administrative compensation, health insurance costs, and lower bad debt charges.

As a result of the above, consolidated operating profit for fiscal 2012 totaled approximately $7.7 million as compared to $6.1 million for fiscal 2011.

FINANCIAL CONDITION AND LIQUIDITY

At July 28, 2012, our financial condition and liquidity remained strong as cash and cash equivalents totaled $12.9 million as compared to $10.3 million at July 30, 2011. Our working capital increased from $36.6 million at July 30, 2011 to $40.3 million at July 28, 2012.

We currently have two lines of credit with a bank totaling $6.75 million, all of which were fully available at July 28, 2012. One credit line totaling $1.75 million (which is restricted to one hundred percent of the outstanding receivables due from the Government) expires in January 2013. The $5.0 million line of credit, which also expires in January 2013, is secured by the inventory and accounts receivable of our Dan Post Boot Company subsidiary.

We believe that our current cash and cash equivalents, cash generated from operations, and available credit lines will be sufficient to meet our capital requirements for fiscal 2013.

Net cash provided by operating activities for fiscal 2012 amounted to approximately $4.5 million. Net earnings, as adjusted for depreciation, contributed approximately $5.5 million of cash. The increase in accounts receivable used approximately $801,000 of cash as a result of the timing of collection related to heavier than normal fourth quarter sales. Inventory build–up for the fall selling season for our western/work boot unit used approximately $961,000 of cash. The reduction in accounts payable used approximately $821,000 and was primarily attributable to the timing of inventory payments. The normal lag in accrued employee benefit payments provided $307,000 of cash.

Net cash used in investing activities totaled approximately $800,000. Capital expenditures for military boot manufacturing equipment, moulds and warehouse racks for the western/work boot business, and a new telephone system, used $767,000 of cash. Land development costs used approximately $23,000 of cash.

Net cash used in financing activities totaled approximately $1.1 million. Dividend payments totaled $734,000 and the repurchase of company stock used approximately $356,000 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), changes in fashion cycles and trends in the western boot business, 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
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	July 28, 2012	July 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,874	$ 10,274
Accounts and notes receivable, less allowances of $989 and $782, respectively	11,782	10,981
Inventories, net	19,572	18,611
Income tax receivable	209	277
Prepaid expenses and other current assets	395	176
Deferred tax assets	1,726	1,688
Total current assets	46,558	42,007
Property and equipment, net	3,116	3,042
Other assets:		
Real estate held for investment	3,673	3,650
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	8,785	8,762
Total assets	$ 58,459	$ 53,811

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

	July 28, 2012	July 30, 2011
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 3,373	$ 2,755
Accrued employee benefits	1,158	851
Accrued payroll and payroll taxes	1,003	1,087
Other	746	755
Total current liabilities	6,280	5,448
Deferred tax liabilities	1,398	1,334
Total liabilities	7,678	6,782
Commitments and contingencies		
Shareholders' equity:		
Common Stock:		
Class A, $1 par value; authorized 5,000,000 shares; issued and outstanding, 2,030,880 and 2,046,337 shares, respectively	2,031	2,046
Class B, $1 par value; authorized 2,500,000 shares; issued and outstanding, 408,376 and 420,593 shares, respectively	408	421
Retained earnings	48,342	44,562
Total shareholders' equity	50,781	47,029
Total liabilities and shareholders' equity	$ 58,459	$ 53,811

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

For Years Ended	**July 28, 2012**	**July 30, 2011**	**July 31, 2010**
Net revenues	$ 75,684	$ 74,748	$ 62,571
Cost of revenues	52,329	54,027	44,278
Gross profit	23,355	20,721	18,293
Selling, general and administrative expenses	15,671	14,626	13,705
Operating profit (loss)	7,684	6,095	4,588
Other income	249	202	206
Interest expense	(1)	(1)	(34)
Earnings (loss) before income taxes	7,932	6,296	4,760
Provision for income taxes	3,090	2,467	1.808
Net earnings (loss)	$ 4,842	$ 3,829	$ 2,952

Earnings per common share:

Earnings per common share:			
Basic earnings per share:			
Class A	$ 2.73	$ 2.22	$ 1.79
Class B	0	0	0
Diluted earnings per share:			
Class A	2.27	1.84	1.47
Class B	NA	NA	NA

Weighted average number of common shares outstanding:			
Class A	2,038,902	2,053,042	2,068,866
Class B	414,853	423,697	432,518
Total	2,453,755	2,476,739	2,501,384

McRae Industries, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

For Years Ended	July 28, 2012	July 30, 2011	July 31, 2010
Cash Flows from Operating Activities:			
Net earnings (loss)	$ 4,842	$ 3,829	$ 2,952
Adjustments to reconcile net earnings(loss) to net cash provided by (used in) operating activities:			
Depreciation	640	629	568
Gain on sale of assets	45	(83)	(25)
Deferred income taxes	26	161	60
Changes in operating assets and liabilities:			
Accounts receivable, net	(801)	(510)	(1.178)
Inventories	(961)	(1,436)	(4,320)
Prepaid expenses and other current assets	(219)	(11)	(44)
Accounts payable	618	(821)	203
Accrued employee benefits	307	177	514
Accrued payroll and payroll taxes	(84)	(24)	250
Income taxes	68	267	1,820
Other	(9)	56	(30)
Net cash provided by (used in) operating activities	**4,472**	**2,234**	**770**
Cash Flows from Investing Activities:			
Proceeds from sale of assets	8	126	157
Purchase of land for investment	(23)	(258)	(92)
Capital expenditures	(767)	(822)	(369)
Collections on notes receivable	0	0	598
Net cash provided by (used in) investing activities	**(782)**	**(954)**	**294**
Cash Flows from Financing Activities:			
Purchase of common stock	(356)	(215)	(371)
Principal repayments of bank notes payable	0	0	(1,310)
Dividends paid	(734)	(739)	(745)
Net cash (used in)provided by financing activities	**(1,090)**	**(954)**	**(2,426)**
Net (Decrease) Increase in Cash and Cash equivalents	2,600	326	(1,362)
Cash and Cash Equivalents at Beginning of Year	10,274	9,948	11,310
Cash and Cash Equivalents at End of Year	**$ 12,874**	**$ 10,274**	**$ 9,948**

Note: During fiscal 2009, the Company's sale of Compsee was financed with a note receivable of $598.