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

Mount Gilead, N.C. – March 18, 2013. McRae Industries, Inc. (Pink Sheets MRINA and MRINB) reported consolidated net revenues for the second quarter of fiscal 2013 of $26,082,000 as compared to $19,938,000 for the second quarter of fiscal 2012. Net earnings for the second quarter of fiscal 2013 amounted to $1,867,000 or $1.26 per diluted Class A common share as compared to net earnings of $1,371,000, or $.63 per diluted Class A common share, for the second quarter of fiscal 2012.

Consolidated net revenues for the first six months of fiscal 2013 totaled $50,946,000 as compared to $40,133,000 for the first six months of fiscal 2012. Net earnings for the first six months of fiscal 2013 amounted to $3,810,000, or $2.13 per diluted Class A common share, as compared to net earnings of $2,750,000, or $1.26 per diluted Class A common share, for the first six months of fiscal 2012.

SECOND QUARTER FISCAL 2013 COMPARED TO SECOND QUARTER FISCAL 2012

Consolidated net revenues totaled $26.1 million for the second quarter of fiscal 2013 as compared to $19.9 million for the second quarter of fiscal 2012. Revenues from our western and lifestyle footwear products grew from $13.9 million for the second quarter of fiscal 2012 to $17.5 million for the second quarter of fiscal 2013, as demand for fashion and lifestyle related footwear remained strong. Revenues related to our work boot products, which include our licensed, private label, and military boot products, increased from $6.0 million for the second quarter of fiscal 2012 to $8.5 million for the second quarter of fiscal 2013. This work boot net revenue growth was primarily attributable to increased military boot requirements for the U. S. Government related to our new military boot contracts. Net revenues from our non-core businesses, primarily the downsized bar code business, were insignificant for fiscal 2013. We expect our western and life style business activity to remain strong for the remainder of fiscal 2013. In addition, we expect continued growth in our work boot business as the economic recovery expands in the housing and construction markets.

During the second quarter of fiscal 2013, we were awarded a contract to provide military boots to the Israeli government. The contract is for three years; however, only the first two years have specified order quantities, which total 112,576 pair. The third year quantity will be provided at a future date. Revenues from this contract will commence in the fourth quarter of fiscal 2013.

Consolidated gross profit amounted to approximately $7.8 million for the second quarter of fiscal 2013 as compared to $6.2 million for the second quarter of fiscal 2012. Gross profit associated with our western and lifestyle product sales totaled $6.3 million for the second quarter of fiscal 2013, up from $5.2 million for the second quarter of fiscal 2012. This increase in gross profit was the result of higher net revenues, which were partially offset by slightly lower profit margins. Gross profit from our work boot product sales grew nearly 53%, up from $947,000 for the second quarter of fiscal 2012 to $1,453,000 for the second quarter of fiscal 2013. This improvement in gross profit resulted from higher net revenues and improved profit margins, primarily associated with the military boot business. The decline in gross profit contributions from our non-core businesses had minimal impact on consolidated gross profit.

Consolidated operating costs and expenses totaled approximately $4.8 million for the second quarter of fiscal 2013 as compared to approximately $4.1 million for the second quarter of fiscal 2012. The increase in consolidated operating costs and expenses resulted primarily from higher outlays for sales compensation costs, travel expenses, administrative salaries, health insurance costs, and employee benefit charges, which were partially offset by lower sales and marketing costs.

As a result of the above, consolidated operating profit amounted to $3.0 million for the second quarter of fiscal 2013 as compared to $2.2 million for the second quarter of fiscal 2012.

FIRST SIX MONTHS FISCAL 2013 COMPARED TO FIRST SIX MONTHS FISCAL 2012

Consolidated net revenues for the first six months of fiscal 2013 totaled $50.9 million as compared to $40.1 million for the first six months of fiscal 2012. Our western and lifestyle product sales totaled $36.1 million for the first six months of fiscal 2013 as compared to $28.0 million for the first six months of fiscal 2012, as demand for these products remained strong. Net revenues from our work boot business grew nearly 23%, up from $12.0 million for the first six months of fiscal 2012 to $14.8 million for the first six months of fiscal 2013. The increase in work boot products net revenues resulted from higher demand for all of our product offerings; including higher military boot requirements for the U. S. Government. As the economy continues to improve, we expect demand for our work boot products to increase.

Consolidated gross profit totaled $15.7 million for the first six months of fiscal 2013 as compared to $12.6 million for the first six months of fiscal 2012. Gross profit attributable to our western and lifestyle products totaled $13.1 million for the first six months of fiscal 2013 as compared to $10.5 million for the first six months of fiscal 2012. This increase in gross profit resulted from a 29% increase net revenues, which was offset by slightly lower profit margins. Gross profit attributable to our work boot products grew from $2.1 million for the first six months of fiscal 2012 to $2.5 million for the first six months of fiscal 2013. This increase in gross profit was primarily attributable to the improvement in net revenues for our military boot products. Our non-core businesses had a negligible impact on gross profit for the comparative six month periods.

Consolidated operating costs and expenses amounted to $9.6 million for the first six months of fiscal 2013 as compared to $8.3 million for the first six months of fiscal 2012. This increase in operating costs and expenses resulted primarily from higher outlays for sales compensation costs, travel costs, administrative salaries and wages, health insurance costs, employee benefit charges, and bad debt charges, which were partially offset by reduced expenditures for sales and marketing costs.

As a result of the above, the consolidated operating profit amounted to $6.1 million for the first six months of fiscal 2013 as compared to $4.4 million for the first six months of fiscal 2012.

FINANCIAL CONDITION AND LIQUIDITY

Our financial condition remained strong at January 26, 2013 as cash and cash equivalents totaled $11.7 million as compared to $12.9 million at July 28, 2012. Our working capital amounted to $39.9 million at January 26, 2013 as compared to $38.9 million at July 28, 2012.

At January 26, 2013 we maintained two lines of credit with a bank totaling $6.75 million, all of which was available at the end of the second quarter. One credit line totaling $1.75 million (which is restricted to one hundred percent of the outstanding receivables due from the U. S. Government) expires in January 2014. Our $5.0 million line of credit, which also expires in January 2014, 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 the remainder of fiscal 2013.

For the first six months of fiscal 2013, operating activities provided approximately $2.0 million of cash. Net earnings, as adjusted for depreciation, provided $4.1 million of cash. Accounts and notes receivable, as adjusted for valuation allowances, used approximately $4.1 million of cash as a result of timing of payments related to significantly higher second quarter sales. Our normal seasonal inventory reduction, primarily attributable to our western and lifestyle product lines, provided $2.3 million of cash. The timing of inventory, employee benefit, and income tax payments used approximately $500,000 of cash.

Investing activities for the first six months of fiscal 2013 used approximately $1.5 million of cash. Capital expenditures, primarily for manufacturing equipment, computer related equipment and software, and new communication systems used $439,000 of cash. Land development costs used approximately $54,000 of cash. Investment in held to maturity securities used approximately $1.0 million.

Dividend payments and the purchase of company stock used approximately $1.6 million of cash for the first six months of fiscal 2013.

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: fashion trends affecting our western and lifestyle footwear business, 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)

	January 26, 2013	July 28, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$11,684	$12,874
Marketable securities	77	0
Accounts and notes receivable, net	15,887	11,782
Inventories, net	17,239	19,572
Income tax receivable	641	537
Prepaid expenses and other current assets	508	395
Total current assets	46,036	45,160
Property and equipment, net	3,243	3,116
Other assets:		
Marketable securities- long term	962	0
Real estate held for investment	3,727	3,673
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	9,801	8,785
Total assets	$59,080	$57,061

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

	January 26, 2013	July 28, 2012
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts Payable	$ 3,123	$ 3,373
Accrued employee benefits	959	1,158
Accrued payroll and payroll taxes	1,222	1,003
Other accrued liabilities	819	746
Total current liabilities	6,123	6,280
Shareholders' equity:		
Common Stock:		
Class A, $1 par; Authorized 5,000,000 shares; Issued and outstanding 2,035,356 shares and 2,030,880 shares, respectively	2,035	2,031
Class B, $1 par; Authorized 2,500,000 shares; Issued and outstanding 402,900 shares and 408,376 shares, respectively	403	408
Retained earnings	50,519	48,342
Total shareholders' equity	52,957	50,781
Total liabilities and shareholders' equity	$59,080	$57,061

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

	Three Months Ended		Six Months Ended	
	January 26, 2013	**January 28, 2012**	**January 26, 2013**	**January 28, 2012**
Net revenues	$ 26,082	$ 19,938	$ 50,946	$ 40,133
Cost of revenues	18,304	13,702	35,258	27,501
Gross profit	7,778	6,236	15,688	12,632
Less: Operating costs and expenses:				
Selling, general and administrative expenses	4,779	4,076	9,569	8,254
Earnings from operations	2,999	2,160	6,119	4,378
Other income	56	95	94	138
Interest expense	0	(1)	0	(1)
Earnings before income taxes	3,055	2,254	6,213	4,515
Provision for income taxes	1,188	883	2,403	1,765
Net earnings	$ 1,867	$ 1,371	$ 3,810	$ 2,750
Earnings per common share:				
Basic earnings per share:				
Class A	$ 1.51	$ .76	$ 2.56	$ 1.52
Class B	.59	0	.59	0
Diluted earnings per share:				
Class A	1.26	.63	2.13	1.26
Class B	N/A	N/A	N/A	N/A
Weighted average number of common shares outstanding:				
Class A	2,034,052	2,048,010	2,032,507	2,047,735
Class B	404,204	418,920	405,832	419,195
Total	2,438,256	2,466,930	2,438,339	2,466,930

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

	Six Months Ended January 26, 2013	Six Months Ended January 28, 2012
Net cash provided by operating activities	$ 1,978	$ 3,463
Cash flows from investing activities:		
Proceeds from sales of assets	4	1
Purchase of land for investment	(54)	(19)
Capital expenditures	(439)	(463)
Purchase of securities	(1045)	0
Net cash (used in) investing activities	(1534)	(481)
Cash flows from financing activities:		
Purchase of company stock	(14)	0
Dividends paid	(1620)	(368)
Net cash used in financing activities	(1634)	(368)
Net (decrease) increase in cash and cash equivalents	(1,190)	2,614
Cash and cash equivalents at beginning of period	12,874	10,274
Cash and cash equivalents at end of period	$ 11,684	$ 12, 888