McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE SECOND QUARTER AND FIRST SIX MONTHS OF FISCAL 2014

Mount Gilead, N.C. – March 20, 2014. McRae Industries, Inc. (Pink Sheets MCRAA and MCRAB) reported consolidated net revenues for the second quarter of fiscal 2014 of $26,604,000 as compared to $26,082,000 for the second quarter of fiscal 2013. Net earnings for the second quarter of fiscal 2014 amounted to $1,501,000 or $0.73 per diluted Class A common share as compared to net earnings of $1,867,000, or $1.26 per diluted Class A common share, for the second quarter of fiscal 2013.

Consolidated net revenues for the first six months of fiscal 2014 totaled $58,257,000 as compared to $50,946,000 for the first six months of fiscal 2013. Net earnings for the first six months of fiscal 2014 amounted to $4,546,000, or $2.06 per diluted Class A common share, as compared to net earnings of $3,810,000, or $2.13 per diluted Class A common share, for the first six months of fiscal 2013.

SECOND QUARTER FISCAL 2014 COMPARED TO SECOND QUARTER FISCAL 2013

Consolidated net revenues totaled $26.6 million for the second quarter of fiscal 2014 as compared to $26.1 million for the second quarter of fiscal 2013. Revenues from our western and lifestyle footwear products totaled approximately $17.5 million for both second quarters of fiscal 2014 and 2013 as heavy first quarter sales negatively impacted second quarter revenue growth for this segment. Revenues related to our work boot products, which include our licensed, private label, and military boot products, increased from $8.5 million for the second quarter of fiscal 2013 to $9.0 million for the second quarter of fiscal 2014. This net revenue growth for the work boot segment was primarily attributable to increased military boot sales related to our new Israeli boot contract. Net revenues associated with our other work boot products were down slightly, primarily the result of supplier and shipping delays. We are cautiously optimistic that our western and life style business activity will remain steady for the remainder of fiscal 2014. In addition, we expect our work boot business to gain momentum as the economy and weather improves and our military boot orders remain at their current production levels.

Consolidated gross profit amounted to approximately $7.4 million for the second quarter of fiscal 2014, down slightly from approximately $7.8 million for the second quarter of fiscal 2013. The gross profit associated with our western and lifestyle product sales totaled $5.9 million for the second quarter of fiscal 2014, down from $6.3 million for the second quarter of fiscal 2013. This decline in gross profit was the result of several operating factors which included higher inbound freight charges, the implementation of a customer shipping incentive program, a slight shift away from our premium brand products and the impact of under-absorbed import costs. The gross profit from our work boot product sales was approximately $1.4 million for the second quarter of fiscal 2014 as compared to $1.5 million for fiscal 2013. Lower sales from our branded work boot products offset the gross profit gain associated with the increase in military boot net revenues.

Consolidated operating costs and expenses totaled approximately $4.8 million for both second quarters of fiscal 2014 and fiscal 2013. Increased consolidated operating costs and expenses for advertising and marketing expenses and office related expenditures were offset by reduced sales compensation costs, administrative salaries, and employee benefit charges.

As a result of the above, consolidated operating profit amounted to $2.6 million for the second quarter of fiscal 2014 as compared to $3.0 million for the second quarter of fiscal 2013.

FIRST SIX MONTHS FISCAL 2014 COMPARED TO FIRST SIX MONTHS FISCAL 2013

Consolidated net revenues for the first six months of fiscal 2014 totaled $58.3 million as compared to $50.9 million for the first six months of fiscal 2013. Our western and lifestyle product sales totaled $39.9 million for the first six months of fiscal 2014 as compared to $36.1 million for the first six months of fiscal 2013, as demand for these products remained strong. Net revenues from our work boot business grew nearly 23%, up from $14.8 million for the first six months of fiscal 2013 to $18.3 million for the first six months of fiscal 2014. The increase in work boot products net revenues resulted primarily from higher military boot shipments associated with our U. S. Government and Israeli contracts.

Consolidated gross profit totaled $17.7 million for the first six months of fiscal 2014 as compared to $15.7 million for the first six months of fiscal 2013. Gross profit attributable to our western and lifestyle products totaled $14.4 million for the first six months of fiscal 2014 as compared to $13.1 million for the first six months of fiscal 2013. This increase in gross profit resulted from the 10% increase in net revenues. Gross profit attributable to our work boot products grew from $2.5 million for the first six months of fiscal 2013 to $3.2 million for the first six months of fiscal 2014. This increase in gross profit was primarily attributable to the improvement in net revenues associated with our military boot products.

Consolidated operating costs and expenses amounted to $10.3 million for the first six months of fiscal 2014 as compared to $9.6 million for the first six months of fiscal 2013. This increase in operating costs and expenses resulted primarily from higher outlays for sales compensation costs, office expenses, advertising and marketing costs, computer services, depreciation expense, donations, and employee benefit charges, which were partially offset by reduced expenditures for administrative salaries and group health insurance costs.

As a result of the above, the consolidated operating profit amounted to $7.4 million for the first six months of fiscal 2014 as compared to $6.1 million for the first six months of fiscal 2013.

FINANCIAL CONDITION AND LIQUIDITY

Our financial condition remained strong at February 1, 2014 as cash and cash equivalents totaled approximately $12.6 million as compared to $10.8 million at August 3, 2013. Our working capital amounted to $47.1 million at February 1, 2014 as compared to $43.1 million at August 3, 2013.

At February 1, 2014 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 2015. Our $5.0 million line of credit, which also expires in January 2015, 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 2014.

For the first six months of fiscal 2014, operating activities provided approximately $2.6 million of cash. Net earnings, as adjusted for depreciation, provided $4.9 million of cash. Accounts and notes receivable, as adjusted for valuation allowances, used approximately $709,000 of cash as a result of timing of payments related to increased year to date sales. Reduced inventory levels provided $342,000 of cash. The timing of payments for inventory, employee benefit distributions, accrued payroll and payroll taxes, and income tax payments used approximately $2.0 million of cash.

Investing activities for the first six months of fiscal 2014 used approximately $346,000 of cash. Capital expenditures, primarily for manufacturing equipment and computer related purchases used approximately $345,000 of cash.

Dividend payments used approximately $534,000 of cash for the first six months of fiscal 2014.

Reclassification

Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation.

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. Readers are cautioned not to place undue reliance upon any such forward-looking statements, which speak only as the date made. Except as otherwise required by federal securities laws, we disclaim any obligation or undertaking to publicly release any updates or revisions to any forward-looking statement contained herein (or elsewhere) to reflect any change in our expectation or any change in events, conditions or circumstances on which any such statement is based.

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)

	February 1, 2014	August 3, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$12,554	$10,804
Accounts and notes receivable, net	16,103	15,394
Inventories, net	22,704	23,046
Income tax receivable	1,249	695
Prepaid expenses and other current assets	420	482
Total current assets	53,030	50,421
Property and equipment, net	3,304	3,319
Other assets:		
Marketable securities- long term	953	958
Real estate held for investment	3,628	3,626
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	9,693	9,696
Total assets	$66,027	$63,436

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

	February 1, 2014	August 3, 2013
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts Payable	$ 3,328	$ 4,054
Accrued employee benefits	1,175	1,707
Accrued payroll and payroll taxes	965	1,209
Other accrued liabilities	481	399
Total current liabilities	5,949	7,369
Shareholders' equity:		
Common Stock:		
Class A, $1 par; Authorized 5,000,000 shares; Issued and outstanding 2,038,543 shares and 2,037,605 shares, respectively	2,039	2,038
Class B, $1 par; Authorized 2,500,000 shares; Issued and outstanding 391,981 shares and 392,919 shares, respectively	392	393
Retained earnings	57,647	53,636
Total shareholders' equity	60,078	56,067
Total liabilities and shareholders' equity	$66,027	$63,436

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	
	February 1, 2014	**January 26, 2013**	**February 1, 2014**	**January 26, 2013**
Net revenues	$ 26,604	$ 26,082	$ 58,257	$ 50,946
Cost of revenues	19,187	18,304	40,539	35,258
Gross profit	7,417	7,778	17,718	15,688
Less: Operating costs and expenses:				
Selling, general and administrative expenses	4,845	4,779	10,315	9,569
Earnings from operations	2,572	2,999	7,403	6,119
Other income	76	56	153	94
Interest expense	0	0	0	0
Earnings before income taxes	2,648	3,055	7,556	6,213
Provision for income taxes	1,147	1,188	3,010	2,403
Net earnings	$ 1,501	$ 1,867	$ 4,546	$ 3,810
Earnings per common share:				
Basic earnings per share:				
Class A	$ 0.87	$ 1.51	$ 2.45	$ 2.56
Class B	.13	.59	.22	.59
Diluted earnings per share:				
Class A	0.73	1.26	2.06	2.13
Class B	N/A	N/A	N/A	N/A
Weighted average number of common shares outstanding:				
Class A	2,038,543	2,034,052	2,038,395	2,032,507
Class B	391,981	404,204	392,129	405,832
Total	2,430,524	2,438,256	2,430,524	2,438,339

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

	Six Months Ended February 1, 2014	Six Months Ended January 26, 2013
Net cash provided by operating activities	$ 2,630	$ 1,978
Cash flows from investing activities:		
Proceeds from sales of assets	0	4
Purchase of land for investment	(1)	(54)
Capital expenditures	(345)	(439)
Purchase of securities	0	(1,045)
Net cash used in investing activities	(346)	(1,534)
Cash flows from financing activities:		
Purchase of company stock	0	(14)
Dividends paid	(534)	(1,620)
Net cash used in financing activities	(534)	(1,634)
Net increase (decrease) in cash and cash equivalents	1,750	(1,190)
Cash and cash equivalents at beginning of period	10,804	12,874
Cash and cash equivalents at end of period	$ 12,554	$ 11,684