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

Mount Gilead, N.C. – March 28, 2012. McRae Industries, Inc. (Pink Sheets MRINA and MRINB) reported consolidated net revenues for the second quarter of fiscal 2012 of $19,938,000 as compared to $21,677,000 for the second quarter of fiscal 2011. Net earnings for the second quarter of fiscal 2012 amounted to $1,371,000 or $0.63 per diluted Class A common share as compared to net earnings of $1,024,000, or $.49 per diluted Class A common share, for the second quarter of fiscal 2011.

Consolidated net revenues for the first six months of fiscal 2012 totaled $40,133,000 as compared to $41,417,000 for the first six months of fiscal 2011. Net earnings for the first six months of fiscal 2012 amounted to $2,750,000, or $1.26 per diluted Class A common share, as compared to net earnings of $2,305,000, or $1.08 per diluted Class A common share, for the first six months of fiscal 2011.

SECOND QUARTER FISCAL 2012 COMPARED TO SECOND QUARTER FISCAL 2011

Consolidated net revenues totaled $19.9 million for the second quarter of fiscal 2012 as compared to $21.7 million for the second quarter of fiscal 2011. Revenues from our western and lifestyle footwear products amounted to $13.9 million for the second quarter of fiscal 2012 as compared to $12.4 million for the second quarter of fiscal 2011, 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, totaled approximately $6.0 million for the second quarter of fiscal 2012 as compared to $9.2 million for the second quarter of fiscal 2011. This decrease in work boot net revenues was attributable to the continued contraction in the construction industry and to a reduction in military boot requirements for the U. S. Government. As expected, net revenues from our non-core businesses, primarily the downsized bar code business, were insignificant for fiscal 2012, as compared to $100,000 for fiscal 2011. We expect our western and life style business activity to remain strong for the remainder of fiscal 2012 while we expect our work boot business to continue to struggle as a result of the sluggish economic recovery and reduced orders for government military boots.

Consolidated gross profit amounted to approximately $6.3 million for the second quarter of fiscal 2012 as compared to $5.5 million for the second quarter of fiscal 2011. Gross profit associated with our western and lifestyle product sales totaled $5.2 million for the second quarter of fiscal 2012, up from $4.3 million for the second quarter of fiscal 2011. This increase in gross profit was attributable to a combination of higher net revenues and improved profit margins. Gross profit from our work boot product sales fell nearly 21% for the second quarter of fiscal 2012 as demand for these products declined. The decrease in military boot production for the U. S. Government had a negative impact on per unit manufacturing costs for the second quarter of fiscal 2012, which resulted in significantly lower profit margins. 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 $4.1 million for the second quarter of fiscal 2012 as compared to approximately $3.9 million for the second quarter of fiscal 2011. The increase in consolidated operating costs and expenses resulted primarily from higher outlays for sales compensation costs, building rentals, sales and marketing costs and employee benefit charges, which were partially offset by reduced expenditures for group health insurance and administrative salaries.

As a result of the above, consolidated operating profit amounted to $2.2 million for the second quarter of fiscal 2012 as compared to $1.6 million for the second quarter of fiscal 2011.

FIRST SIX MONTHS FISCAL 2012 COMPARED TO FIRST SIX MONTHS FISCAL 2011

Consolidated net revenues for the first six months of fiscal 2012 totaled $40.1 million, down from $41.4 million for the first six months of fiscal 2011. Our western and lifestyle product sales increased from $24.9 million for the first six months of fiscal 2011 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 fell from $16.2 million for the first six months of fiscal 2011 to $12.0 million for the first six months of fiscal 2012. The decline in work boot products net revenues resulted primarily from significantly lower military boot requirements for the U. S. Government as multiple contracts reach their conclusion. Currently, we are in the bid process to replace the expiring contracts; however, any awards that we receive will only have a minimal impact on the remainder of fiscal 2012. As the economy continues to improve, we expect demand for our other work boot products to improve, which would help to offset the decline in military boot revenues. Revenues from our non-core businesses declined approximately $100,000 for the comparative six month periods.

Consolidated gross profit totaled $12.6 million for the first six months of fiscal 2012 as compared to $11.7 million for the first six months of fiscal 2011. Gross profit attributable to our western and lifestyle products totaled $10.5 million for the first six months of fiscal 2012 as compared to $9.0 million for the first six months of fiscal 2011. This increase in gross profit resulted from increased net revenues and slightly higher margins related to our western and lifestyle products. Gross profit attributable to our work boot products fell from $2.6 million for the first six months of fiscal 2011 to $2.1 million for the first six months of fiscal 2012. This decrease in gross profit was primarily attributable to the decline 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 $8.2 million for the first six months of fiscal 2012 as compared to $8.0 million for the first six months of fiscal 2011. This increase in operating costs and expenses resulted primarily from higher outlays for sales compensation costs, building rentals and employee benefit charges, which were partially offset by reduced expenditures for administrative salaries, travel costs and group health insurance.

As a result of the above, the consolidated operating profit amounted to $4.4 million for the first six months of fiscal 2012 as compared to $3.7 million for the first six months of fiscal 2011.

FINANCIAL CONDITION AND LIQUIDITY

Our financial condition remained strong at January 28, 2012 as cash and cash equivalents totaled $12.9 million as compared to $10.3 million at July 30, 2011. Our working capital amounted to $37.4 million at January 28, 2012 as compared to $35.2 million at July 30, 2011.

At January 28, 2012 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 2013. Our $5.0 million line of credit is in the renewal process and is expected to be renewed through March 2013.

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 2012.

For the first six months of fiscal 2012, operating activities provided approximately $3.5 million of cash. Of this amount, net earnings, as adjusted for depreciation, provided $2.5 million of cash. Accounts and notes receivable, as adjusted for valuation allowances, used approximately $1.3 million of cash as a result of timing of payments related to increased second quarter sales. Our normal seasonal inventory reduction, primarily attributable to our western and lifestyle product lines, provided $1.8 million of cash. The timing of payment for in-transit inventory provided approximately $402,000 of cash.

Investing activities for the first six months of fiscal 2012 used approximately $481,000 of cash. Capital expenditures, primarily for manufacturing equipment and computer related equipment and software, used $463,000 of cash. Land development costs used approximately $19,000 of cash.

Dividend payments for the first six months of fiscal 2012 used $368,000 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: 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 28, 2012	July 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$12,888	$10,274
Accounts and notes receivable, net	12,329	10,981
Inventories, net	16,733	18,611
Income tax receivable	808	631
Prepaid expenses and other current assets	299	176
Total current assets	43,057	40,673
Property and equipment, net	3,210	3,042
Other assets:		
Real estate held for investment	3,669	3,650
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	8,781	8,762
Total assets	$55,048	$52,477

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

	January 28, 2012	**July 30, 2011**
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts Payable	$ 3,157	$ 2,755
Accrued employee benefits	651	851
Accrued payroll and payroll taxes	1,042	1,087
Other accrued liabilities	787	755
Total current liabilities	5,637	5,448
Shareholders' equity:		
Common Stock:		
Class A, $1 par; Authorized 5,000,000 shares; Issued and outstanding 2,048,043 shares and 2,046,337 shares, respectively	2,048	2,046
Class B, $1 par; Authorized 2,500,000 shares; Issued and outstanding 418,887 shares and 420,593 shares, respectively	419	421
Retained earnings	46,944	44,562
Total shareholders' equity	49,411	47,029
Total liabilities and shareholders' equity	$55,048	$52,477

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 28, 2012	**January 29, 2011**	**January 28, 2012**	**January 29, 2011**
Net revenues	$ 19,938	$ 21,677	$ 40,133	$ 41,417
Cost of revenues	13,702	16,141	27,501	29,725
Gross profit	6,236	5,536	12,632	11,692
Less: Operating costs and expenses:				
Selling, general and administrative expenses	4,076	3,905	8,254	7,967
Earnings from operations	2,160	1,631	4,378	3,725
Other income	95	39	138	75
Interest expense	(1)	(1)	(1)	(1)
Earnings before income taxes	2,254	1,669	4,515	3,799
Provision for income taxes	883	645	1,765	1,494
Net earnings	$ 1,371	$ 1,024	$ 2,750	$ 2,305
Earnings per common share:				
Basic earnings per share:				
Class A	$ .76	$ .59	$ 1.52	$ 1.30
Class B	0	0	0	0
Diluted earnings per share:				
Class A	.63	.49	1.26	1.08
Class B	N/A	N/A	N/A	N/A
Weighted average number of common shares outstanding:				
Class A	2,048,010	2,058,337	2,047,735	2,057,013
Class B	418,920	424,924	419,195	426,248
Total	2,466,930	2,483,261	2,466,930	2,483,261

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

	Six Months Ended	
	January 28, 2012	January 29, 2011
Net cash provided by (used in) operating activities	$ 3,463	$ (94)
Cash flows from investing activities:		
Proceeds from sales of assets	1	2
Purchase of land for investment	(19)	0
Capital expenditures	(463)	(235)
Land improvement	0	(245)
Other	0	0
Net cash (used in) investing activities	(481)	(478)
Cash flows from financing activities:		
Purchase of company stock	0	0
Principal payments- notes payable	0	0
Dividends paid	(368)	(370)
Net cash (used in) financing activities	(368)	(370)
Net increase (decrease) in cash and cash equivalents	2,614	(942)
Cash and cash equivalents at beginning of period	10,274	9,948
Cash and cash equivalents at end of period	$ 12,888	$ 9,006