McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR THE SECOND QUARTER AND
FIRST SIX MONTHS OF FISCAL 2011

Mount Gilead, N.C. – March 15, 2011. McRae Industries, Inc. (Pink Sheets MRINA and MRINB) reported consolidated net revenues for the second quarter of fiscal 2011 of $21,677,000 as compared to $16,712,000 for the second quarter of fiscal 2010. Net earnings for the second quarter of fiscal 2011 amounted to $1,024,000, or $.49 per diluted Class A common share as compared to net earnings of $711,000, or $.35 per diluted Class A common share, for the second quarter of fiscal 2010.

Consolidated net revenues for the first six months of fiscal 2011 totaled $41,417,000 as compared to $33,753,000 for the first six months of fiscal 2010. Net earnings for the first six months of fiscal 2011 amounted to $2,305,000, or $1.08 per diluted Class A common share, as compared to net earnings of $1,748,000, or $.84 per diluted Class A common share, for the first six months of fiscal 2010.

SECOND QUARTER FISCAL 2011 COMPARED TO SECOND QUARTER FISCAL 2010

Consolidated net revenues totaled $21.7 million for the second quarter of fiscal 2011 as compared to $16.7 million for the second quarter of fiscal 2010. Revenues from our western and lifestyle footwear products were $12.4 million for the second quarter of fiscal 2011 as compared to $11.2 million for the second quarter of fiscal 2010, as demand for women's fashion related footwear remained strong. Revenues related to our work boot products, which include our licensed, private label, and military boot products, totaled approximately $9.2 million for the second quarter of fiscal 2011 as compared to $5.3 million for the second quarter of fiscal 2010. Revenues from our non-core businesses, primarily the downsized bar code business, were approximately $100,000 for both second quarters of fiscal 2011 and 2010. We expect our western and life style business activity to remain steady for the remainder of fiscal 2011. In addition, we expect our work boot business to continue to grow as the economy improves.

Consolidated gross profit amounted to approximately $5.5 million for the second quarter of fiscal 2011 as compared to $4.7 million for the second quarter of fiscal 2010. Gross profit from our western and lifestyle product sales increased by 10.2%, primarily attributable to the increase in related net revenues. Gross profit from our work boot product sales increased 40% as demand for these products grew. Increased production of military boots for the U. S. Government had a positive impact on per unit manufacturing costs. A decline in gross profit contributions from our non-core businesses had minimal impact on consolidated gross profit.

Consolidated operating costs and expenses totaled approximately $3.9 million for the second quarter of fiscal 2011 as compared to nearly $3.6 million for the second quarter of fiscal 2010. This 8% increase in consolidated operating costs and expenses resulted primarily from higher outlays for sales compensation costs, travel expenses, building rentals, depreciation charges, group health insurance charges, administration salaries, professional fees, and employee benefit charges, which were partially offset by reduced expenditures for sales and marketing costs.

As a result of the above, consolidated operating profit amounted to $1.6 million for the second quarter of fiscal 2011 as compared to $1.1 million for the second quarter of fiscal 2010.

FIRST SIX MONTHS FISCAL 2011 COMPARED TO FIRST SIX MONTHS FISCAL 2010

Consolidated net revenues grew from $33.8 million for the first six months of fiscal 2010 to $41.4 million for the first six months of fiscal 2011. Our western and lifestyle product sales increased from $22.7 million for the first six months of fiscal 2010 to $24.9 million for the first six months of fiscal 2011, as demand for these products remained strong. Net revenues from our work boot business grew nearly 52%, up from $10.7 million for the first six months of fiscal 2010 to $16.2 million for the first six months of fiscal 2011. This improvement in work boot products net revenues resulted primarily from a growing economy and an increased demand for military combat boot products. Revenues from our non-core businesses declined nearly $200,000 for the comparative six month periods.

Consolidated gross profit totaled $11.7 million for the first six months of fiscal 2011 as compared to $10.1 million for the first six months of fiscal 2010. Gross profit attributable to our western and lifestyle products totaled $9.0 million for the first six months of fiscal 2011 as compared to $8.2 million for the first six months of fiscal 2010. This increase in gross profit resulted primarily from increased net revenues for our western and lifestyle products. Gross profit attributable to our work boot products grew from $1.8 million for the first six months of fiscal 2010 to $2.6 million for the first six months of fiscal 2011. This growth in gross profit was primarily attributable to the increase in net revenues for our work boot products. Our non-core businesses had a negligible impact on gross profit for the comparative six month periods.

Consolidated operating costs and expenses increased from $7.3 million for the first six months of fiscal 2010 to $8.0 million for the first six months of fiscal 2011. This 10% increase in operating costs and expenses resulted primarily from higher outlays for sales compensation costs, building rentals, travel expenses, depreciation charges, administrative salaries, group health insurance costs, and employee benefit charges attributable to our core footwear operations.

As a result of the above, the consolidated operating profit amounted to $2.8 million for the first six months of fiscal 2010 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 29, 2011 as cash and cash equivalents totaled $9.0 million as compared to $9.9 million at July 31, 2010. Our working capital amounted to $34.5 million at January 29, 2011 as compared to $32.8 million at July 31, 2010.

At January 29, 2011 we maintained two lines of credit with a bank totaling $4.75 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 2012. Our $3.0 million line of credit was increased to $5.0 million on March 4, 2011 and it expires in March 2012.

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 2011.

For the first six months of fiscal 2010, operating activities used approximately $94,000 of cash. Net earnings, as adjusted for depreciation, provided $2.6 million of cash. Accounts and notes receivable, as adjusted for valuation allowances, used approximately $3.6 million of cash as a result of timing of payments related to significantly increased second quarter sales. Our normal seasonal reduction of inventory levels in our western and lifestyle product lines provided $1.7 million of cash and was partially offset by increased inventory related to our work boot business. Prepaid insurance and a deposit on a new production machine used approximately $911,000 of cash. Income tax refunds provided approximately $462,000 of cash.

Investing activities for the first six months of fiscal 2011 used approximately $478,000 of cash. Capital expenditures, primarily for manufacturing equipment and computer related equipment and software, used $248,000 of cash. Land development costs also used approximately $245,000 of cash.

Dividend payments for the first six months of fiscal 2011 used $370,000 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 29, 2011	**July 31, 2010**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 9,006	$ 9,948
Accounts and notes receivable, net	14,024	10,471
Inventories, net	15,432	17,175
Income tax receivable	568	1,059
Prepaid expenses and other current assets	1,075	165
Total current assets	40,105	38,818
Property and equipment, net	2,778	2,849
Other assets:		
Real estate held for investment	3,680	3,435
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	8,792	8,547
Total assets	$51,675	$50,214

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

	January 29, 2011	July 31, 2010
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts Payable	$ 3,244	$ 3,576
Accrued employee benefits	565	674
Accrued payroll and payroll taxes	1,114	1,111
Other accrued liabilities	663	699
Total current liabilities	5,586	6,060
Shareholders' equity:		
Common Stock:		
Class A, $1 par; Authorized 5,000,000 shares; Issued and outstanding 2,058,425 shares and 2,054,282 shares, respectively	2,058	2,054
Class B, $1 par; Authorized 2,500,000 shares; Issued and outstanding 424,836 shares and 428,979 shares, respectively	425	429
Retained earnings	43,606	41,671
Total shareholders' equity	46,089	44,154
Total liabilities and shareholders' equity	$51,675	$50,214

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 29, 2011	**January 30, 2010**	**January 29, 2011**	**January 30, 2010**
Net revenues	$ 21,677	$ 16,712	$ 41,417	$ 33,753
Cost of revenues	16,141	11,966	29,725	23,611
Gross profit	5,536	4,746	11,692	10,142
Less: Operating costs and expenses:				
Selling, general and administrative expenses	3,905	3,603	7,967	7,306
Earnings from operations	1,631	1,143	3,725	2,836
Other income	39	50	75	95
Interest expense	(1)	(10)	(1)	(29)
Earnings before income taxes	1,669	1,183	3,799	2,902
Provision for income taxes	645	472	1,494	1,154
Net earnings	$ 1,024	$ 711	$ 2,305	$ 1,748
Earnings per common share:				
Basic earnings per share:				
Class A	$ .59	$ .43	$ 1.30	$ 1.02
Class B	0	0	0	0
Diluted earnings per share:				
Class A	.49	.35	1.08	.84
Class B	N/A	N/A	N/A	N/A
Weighted average number of common shares outstanding:				
Class A	2,058,337	2,081,536	2,057,013	2,082,749
Class B	424,924	435,542	426,248	435,909
Total	2,483,261	2,517,078	2,483,261	2,518,658

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

	Six Months Ended	
	January 29, 2011	**January 30, 2010**
Net cash (used in) provided by operating activities	$ (94)	$ 3,424
Cash flows from investing activities:		
Proceeds from sales of assets	2	0
Purchase of land for investment	0	(23)
Capital expenditures	(235)	(149)
Land improvement	(245)	0
Other	0	1
Net cash (used in) investing activities	(478)	(171)
Cash flows from financing activities:		
Purchase of company stock	0	(103)
Principal payments- notes payable	0	(91)
Dividends paid	(370)	(375)
Net cash (used in) financing activities	(370)	(569)
Net (decrease) increase in cash and cash equivalents	(942)	2,684
Cash and cash equivalents at beginning of period	9,948	11,310
Cash and cash equivalents at end of period	$ 9,006	$ 13,994