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

Mount Gilead, N.C. – June 30, 2011. McRae Industries, Inc. (Pink Sheets: MRINA and MRINB) reported consolidated net revenues from operations for the third quarter of fiscal 2011 of $18,037,000 as compared to $15,476,000 for the third quarter of fiscal 2010. Net earnings for the third quarter of fiscal 2011 amounted to $721,000, or $0.36 per diluted Class A common share as compared to $695,000, or $0.35 per diluted Class A common share, for the third quarter of fiscal 2010.

Consolidated net revenues from operations for the first nine months of fiscal 2011 totaled $59,454,000 as compared to $49,228,000 for the first nine months of fiscal 2010. Net earnings for the first nine months of fiscal 2011 amounted to $3,026,000 or $1.44 per diluted Class A common share, as compared to $2,442,000, or $1.19 per diluted Class A common share, for the first nine months of fiscal 2010.

THIRD QUARTER FISCAL 2011 COMPARED TO THIRD QUARTER FISCAL 2010

Consolidated net revenues for the third quarter of fiscal 2011 amounted to $18.0 million as compared to $15.5 million for the third quarter of fiscal 2010. This increase in net revenues was primarily attributable to the improvement in demand for our work boot products, which grew from $5.9 million for the third quarter of fiscal 2010 to $8.6 million for the third quarter of fiscal 2011. Net revenues for our western/life style products remained strong at approximately $9.4 million for both fiscal third quarters.

Consolidated gross profit totaled approximately $4.6 million for the third quarters of both fiscal 2011and 2010. Higher production costs primarily for labor, health insurance, freight, and mold rental had a negative impact on gross profit for the third quarter of fiscal 2011 as compared to the third quarter of fiscal 2010. These higher costs were due in part to the lower margin work boot segment increasing its share of the overall sales mix from 39% for the third quarter of fiscal 2010 to 48% for the third quarter of fiscal 2011. Gross profit as a percentage of net revenues fell from 29.9% for the third quarter of fiscal 2010 to 25.0% for the third quarter of fiscal 2011.

Consolidated operating costs and expenses for the third quarter of fiscal 2011 totaled $3.7 million as compared to $3.5 million for the third quarter of fiscal 2010. This 9% increase in operating costs and expenses was primarily attributable to higher expenditures or charges for administrative salaries, travel expenses, advertising costs and bad debt charges, which were partially offset by lower outlays for professional fees and employee benefit costs.

As a result of the above, the consolidated operating earnings for the third quarter of fiscal 2011 were approximately $900,000 as compared to $1.1 million for the third quarter of fiscal 2010.

FIRST NINE MONTHS FISCAL 2011 COMPARED TO FIRST NINE MONTHS FISCAL 2010

Consolidated net revenues for the first nine months of fiscal 2011 amounted to $59.5 million as compared to $49.2 million for the first nine months of fiscal 2010. This 21% increase in net revenues resulted from solid performances in both of our boot segments. Our western/life style product revenues grew from $32.2 million for the first nine months of fiscal 2010 to $34.3 million for the first nine months of fiscal 2011as demand for these products remained strong. Our work boot business grew from $16.6 million for the first nine months of fiscal 2010 to $24.8 million for the first nine months of fiscal 2011. This 49% increase in net revenues resulted primarily from increased demand for military boots for the U. S. Government. Net revenues attributable to our other work boot products grew 11%, from $9.0 million to $10.0 million, for the first nine months of fiscal 2011 as compared to the same period of fiscal 2010, primarily the result of an improved economy.

Consolidated gross profit for the first nine months of fiscal 2011 totaled $16.3 million as compared to $14.8 million for the first nine months of fiscal 2010. This improvement in consolidated gross profit resulted primarily from the revenue growth in both of our boot segments. Gross profit as a percentage of net revenues fell from 30% for the first nine months of fiscal 2010 to 27% for the first nine months of fiscal 2011. This decline in gross profit margin was primarily attributable to higher production costs, freight costs, and a sales mix shift where lower margin work boot product sales made up a higher percentage of the overall sales mix, growing from 34% for the first nine months of fiscal 2010 to 42% for the first nine months of fiscal 2011.

Consolidated operating costs and expenses amounted to $11.6 million for the first nine months of fiscal 2011 as compared to $10.8 million for the first nine months of fiscal 2010. This increase in consolidated operating costs and expenses was primarily attributable to increased expenditures for sales compensation related costs, administrative salaries, rental expense , employee benefit charges, travel expenses, group health insurance charges, and marketing and advertising expenses, which were partially offset by reduced professional fees.

As a result of the above, the consolidated operating profit for the first nine months of fiscal 2011 totaled $4.7 million as compared to $4.0 million for the first nine months of fiscal 2010.

FINANCIAL CONDITION AND LIQUIDITY

The Company's financial condition continues to be strong as cash and cash equivalents totaled $12.3 million at April 29, 2011 as compared to $9.9 million at July 31, 2010. Our working capital totaled $34.9 million at April 29, 2011 as compared to $32.8 million at July 31, 2010.

We currently maintain two lines of credit with a bank totaling $6.75 million, all of which was available at April 29, 2011. 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 $5.0 million line of credit expires in March 2012.

We believe that our current cash and cash equivalents, cash generated from operations, and available lines of credit will be sufficient to meet our capital requirements for the remainder of fiscal 2011.

Operating activities for the first nine months of fiscal 2011 provided $3.7 million of cash. Net earnings as adjusted for depreciation, provided $3.5 million of cash. Our trade accounts receivable used approximately $900,000 of cash while our reduced inventory levels provided approximately $1.6 million of cash. Both of these results were primarily attributable to increased third quarter sales. Prepaid items, primarily the investment in more than 504,000 Euros to be used to purchase new manufacturing equipment, used approximately $630,000 of cash. Income tax benefits provided approximately $104,000 of cash.

Investing activities used approximately $615,000 of cash. Capital expenditures, primarily for manufacturing equipment, office equipment and air handling equipment, used approximately $458,000. Land development costs used $246,000 of cash. Proceeds from the sale of land and other assets provided $89,000 of cash.

Financing activities used approximately $723,000 of cash. Payments to repurchase company stock and dividend payments used $168,000 and $555,000 of cash, respectively.

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), 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)

	April 29, 2011	July 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 12,340	$ 9,948
Accounts and notes receivable, net	11,376	10,471
Inventories, net	15,600	17,175
Income tax receivable	935	1,059
Prepaid expenses and other current assets	912	165
Total current assets	41,163	38,818
Property and equipment, net	2,850	2,849
Other assets:		
Real estate held for investment	3,641	3,435
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	8,753	8,547
Total assets	$ 52,766	$ 50,214

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

	April 29, 2011	July 31, 2010
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts Payable	$ 3,855	$ 3,576
Accrued employee benefits	663	674
Accrued payroll and payroll taxes	1,114	1,111
Other	676	699
Total current liabilities	6,308	6,060
Shareholders' equity:		
Common Stock:		
Class A, $1 par; Authorized 5,000,000 shares; Issued and outstanding 2,049,608 shares and 2,054,282, respectively	2,050	2,054
Class B, $1 par; Authorized 2,500,000 shares; Issued and outstanding 420,594 shares and 428,979, respectively	421	429
Retained earnings	43,987	41,671
Total shareholders' equity	46,458	44,154
Total liabilities and shareholders' equity	$52,766	$50,214

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

	Three Months Ended		Nine Months Ended	
	April 29, 2011	**May 1, 2010**	**April 29, 2011**	**May 1, 2010**
Net revenues	$18,037	$15,476	$59,454	$49,228
Cost of revenues	13,454	10,831	43,179	34,442
Gross profit	4,583	4,645	16,275	14,786
Less: Operating costs and expenses:				
Selling, general and administrative expenses	3,665	3,487	11,632	10,793
Earnings from operations	918	1,158	4,643	3,993
Other income	52	60	127	155
Interest expense	0	(4)	(1)	(33)
Earnings before income taxes	970	1,214	4,769	4,115
Provision for income taxes	249	519	1,743	1,673
Net earnings	$ 721	$ 695	$ 3,026	$ 2,442
Earnings per common share:				
Basic earnings per share:				
Class A	$ .44	$ .43	$ 1.74	$ 1.45
Class B	0	0	0	0
Diluted earnings per share:				
Class A	$ .36	$ .35	$ 1.44	$ 1.19
Class B	N/A	N/A	N/A	N/A
Weighted average number of Common shares outstanding:				
Class A	2,051,443	2,055,579	2,055,157	2,073,693
Class B	421,701	429,274	424,732	433,697
Total	2,473,144	2,484,853	2,479,889	2,507,390

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

	Nine Months Ended	
	April 29, 2011	May 1, 2010
Net cash provided by operating activities	$ 3,730	$ 3,791
Cash flows from investing activities:		
Proceeds from sales of assets	89	0
Purchase of land for investment	0	(22)
Land development costs	(246)	0
Capital expenditures	(458)	(331)
Net cash used in investing activities	(615)	(353)
Cash flows from financing activities:		
Principal repayments of bank loan	0	(1,310)
Purchase of company stock	(168)	(362)
Dividends paid	(555)	(559)
Net cash used in financing activities	(723)	(2,231)
Net increase in cash and cash equivalents	2,392	1,207
Cash and cash equivalents at beginning of period	9,948	11,310
Cash and cash equivalents at end of period	$ 12,340	$ 12,517