McRAE INDUSTRIES, INC.
REPORTS EARNINGS FOR FISCAL 2011

Mount Gilead, N.C. – November 8, 2011. McRae Industries, Inc. (Pink Sheets: MRINA and MRINB) reported consolidated net revenues for fiscal 2011 of $74,748,000 as compared to $62,571,000 for fiscal 2010. Net earnings for fiscal 2011 totaled $3,829,000 as compared to $2,952,000 for fiscal 2010. Net earnings per diluted Class A common share were $1.84 for fiscal 2011 as compared to $1.47 for fiscal 2010.

CONSOLIDATED RESULTS OF OPERATIONS, FISCAL 2011 COMPARED TO FISCAL 2010

Consolidated net revenues for fiscal 2011 totaled approximately $74.7 million as compared to $62.6 million for fiscal 2010. This 19.3% growth in net revenues was primarily attributable to increased work boot sales, which grew from $21.8 million for fiscal 2010 to $31.2 million for fiscal 2011 as all product lines showed improvement, especially our military boot business which recorded an 84% increase over fiscal 2010 primarily attributable to an additional U. S. Government contract. Net revenues related to our western/lifestyle footwear products, which includes our three primary branded lines and our children's boot products grew from $42.2 million for fiscal 2010 to $43.2 million for fiscal 2011 as demand for these products remained strong. Net revenues associated with our bar code business, most of which was sold at the end of March 2009, totaled $157,000 for fiscal 2011 as compared to $478,000 for fiscal 2010. For fiscal 2012, we continue to be optimistic that the demand for our western/lifestyle products will remain strong and that an improving economy will have a positive impact on our non-military work boot business. We expect fiscal 2012 to be a challenging year for our military boot business as we contend with the Government's overstock position and the culmination of several of our military boot contracts, which will not be replaced until the last half of fiscal 2012, if we are successful in acquiring the business. Revenues from the bar code business will continue to decrease as this business phases out.

Consolidated gross profit for fiscal 2011 amounted to $20.7 million as compared to $18.3 million for fiscal 2010, primarily the result of increased net revenues and slightly higher margins on our western/lifestyle product sales. Gross profit for the western/lifestyle products increased from $14.4 million for fiscal 2010 to $15.8 million for fiscal 2011. Gross profit for our work boot products grew from $3.6 million for fiscal 2010 to $4.6 million for fiscal 2011, primarily the result of the increase in military boot sales.

Consolidated selling, general and administrative ("SG&A") expenses increased from $13.7 million for fiscal 2010 to $14.6 million for fiscal 2011, primarily the result of higher support costs associated with the increase in net revenues. Increased expenditures for sales related compensation, facility rental expense, travel costs, administrative salaries, group health insurance, employee benefit costs and bad debt write-offs were partially offset by reduced outlays for professional services and computer related services.

As a result of the above, consolidated operating profit for fiscal 2011 totaled approximately $6.1 million as compared to $4.6 million for fiscal 2010.

FINANCIAL CONDITION AND LIQUIDITY

At July 30, 2011, our financial condition and liquidity remained strong as cash and cash equivalents totaled $10.3 million as compared to $9.9 million at July 31, 2010. Our working capital increased from $33.9 million at July 31, 2010 to $36.6 million at July 30, 2011.

We currently have two lines of credit with a bank totaling $6.75 million, all of which were fully available at July 30, 2011. One credit line totaling $1.75 million (which is restricted to one hundred percent of the outstanding receivables due from the Government) expires in January 2012. The $5.0 million line of credit, which expires in March 2012, 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 fiscal 2012.

Net cash provided by operating activities for fiscal 2011 amounted to approximately $2.2 million. Net earnings, as adjusted for depreciation, contributed approximately $4.6 million of cash. The increase in accounts receivable used approximately $510,000 of cash as a result of the timing of collection for heavier fourth quarter sales. The normal fourth quarter inventory build–up for the fall selling season for our western/work boot unit used approximately $1.4 million of cash. The reduction in accounts payable used approximately $821,000 and was primarily attributable to the timing of inventory payments.

Net cash used in investing activities totaled approximately $1.0 million. Proceeds from the sale of fixed assets provided $126,000 of cash. Capital expenditures, primarily for military boot manufacturing equipment, moulds for the western/work boot business, office furniture and computer-related equipment, used $822,000 of cash. Land development costs used approximately $258,000 of cash.

Net cash used in financing activities totaled approximately $954,000. Dividend payments totaled $739,000 and the repurchase of company stock used approximately $215,000 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: 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.

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

	July 30, 2011	July 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 10,274	$ 9,948
Accounts and notes receivable, less allowances of $989 and $782, respectively	10,981	10,471
Inventories, net	18,611	17,175
Income tax receivable	277	544
Prepaid expenses and other current assets	176	165
Deferred tax assets	1,688	1,649
Total current assets	42,007	39,952
Property and equipment, net	3,042	2,849
Other assets:		
Real estate held for investment	3,650	3,435
Amount due from split-dollar life insurance	2,288	2,288
Trademarks	2,824	2,824
Total other assets	8,762	8,547
Total assets	$ 53,811	$ 51,348

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

	July 30, 2011	July 31, 2010
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 2,755	$ 3,576
Accrued employee benefits	851	674
Accrued payroll and payroll taxes	1,087	1,111
Other	755	699
Total current liabilities	5,448	6,060
Deferred tax liabilities	1,334	1,134
Total liabilities	6,782	7,194
Commitments and contingencies		
Shareholders' equity:		
Common Stock:		
Class A, $1 par value; authorized 5,000,000 shares; issued and outstanding, 2,046,337 and 2,054,282 shares, respectively	2,046	2,054
Class B, $1 par value; authorized 2,500,000 shares; issued and outstanding, 420,593 and 428,979 shares, respectively	421	429
Retained earnings	44,562	41,671
Total shareholders' equity	47,029	44,154
Total liabilities and shareholders' equity	$ 53,811	$ 51,348

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

For Years Ended	**July 30, 2011**	**July 31, 2010**	**August 1, 2009**
Net revenues	$ 74,748	$ 62,571	$ 62,213
Cost of revenues	54,027	44,278	47,771
Gross profit	20,721	18,293	14,442
Selling, general and administrative expenses	14,626	13,705	14,926
Operating profit (loss)	6,095	4,588	(484)
Other income	202	206	276
Interest expense	(1)	(34)	(15)
Earnings (loss) before income taxes	6,296	4,760	(223)
Provision for income taxes	2,467	1,808	291
Net earnings (loss)	$ 3,829	$ 2,952	$ (514)

Earnings per common share:

Earnings per common share:			
Basic earnings per share:			
Class A	$ 2.22	$ 1.79	$ 0.11
Class B	0	0	0
Diluted earnings per share:			
Class A	1.84	1.47	0.11
Class B	NA	NA	NA
Weighted average number of common shares outstanding:			
Class A	2,053,042	2,068,866	2,089,686
Class B	423,697	432,518	438,915
Total	2,476,739	2,501,384	2,528,601

Note: The Company is required to compute earnings per share in accordance with Statement of Financial Accounting Standards No. 128, “Earnings per Share”. This standard specifies that the Company use the “two-class” method for basic earnings per share and the “if converted” method for diluted earnings per share. The numerator for each of these methods is the sum of dividends paid and net income or loss. Since the dividends paid totaled approximately $752,000 minus the net loss of ($514,000), the total of the numerator is a positive $238,000. Therefore, the earnings per share for fiscal 2009 is reported as a positive number.

McRae Industries, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

For Years Ended	July 30, 2011	July 31, 2010	August 1, 2009
Cash Flows from Operating Activities:			
Net earnings (loss)	$ 3,829	$ 2,952	$ (514)
Adjustments to reconcile net earnings(loss) to net cash provided by (used in) operating activities:			
Depreciation	629	568	564
Gain on sale of assets	(83)	(25)	(51)
Deferred income taxes	161	60	415
Changes in operating assets and liabilities:			
Accounts receivable, net	(510)	(1,178)	(622)
Inventories	(1,436)	(4,320)	2,617
Prepaid expenses and other current assets	(11)	(44)	285
Accounts payable	(821)	203	108
Accrued employee benefits	177	514	(832)
Accrued payroll and payroll taxes	(24)	250	(157)
Income taxes	267	1,820	(2,363)
Other	56	(30)	(525)
Net cash provided by (used in) operating activities	**2,234**	**770**	**(1,075)**
Cash Flows from Investing Activities:			
Proceeds from sale of bar code business	0	0	194
Proceeds from sale of fixed assets	126	157	102
Purchase of land for investment	(258)	(92)	(36)
Capital expenditures	(822)	(369)	(2,056)
Collections on notes receivable	0	598	0
Net cash provided by (used in) investing activities	**(954)**	**294**	**(1,796)**
Cash Flows from Financing Activities:			
Bank loan proceeds	0	0	1,400
Purchase of common stock	(215)	(371)	(199)
Principal repayments of bank notes payable	0	(1,310)	(90)
Dividends paid	(739)	(745)	(752)
Net cash (used in)provided by financing activities	**(954)**	**(2,426)**	**359**
Net (Decrease) Increase in Cash and Cash equivalents	326	(1,362)	(2,512)
Cash and Cash Equivalents at Beginning of Year	9,948	11,310	13,822
Cash and Cash Equivalents at End of Year	**$ 10,274**	**$ 9,948**	**$ 11,310**

Note: During fiscal 2009, the Company's sale of Compsee was financed with a note receivable of $598.