



**FOR IMMEDIATE RELEASE**

## **DUCKWALL-ALCO STORES REPORTS OPERATING RESULTS FOR FIRST THIRTEEN WEEKS OF FISCAL 2011**

**ABILENE, Kan. (June 10, 2010)** -- Duckwall-ALCO Stores, Inc. (NASDAQ: DUCK), which specializes in providing a superior selection of essential products for everyday life in small-town America, today announced operating results for its first quarter ending May 2, 2010.

Net sales from continuing operations for the first quarter of fiscal 2011 decreased 1.9% to \$113.0 million, and same-store sales decreased 2.7%.

Net loss for the first quarter was \$1.9 million, or \$0.51 per diluted share, compared to a net loss of \$50,000, or \$0.01 per diluted share, for the first quarter of the fiscal 2010.

Richard Wilson, President and CEO, commented, "First-quarter results were negatively impacted by weak sales, which reduced gross margin contribution by approximately \$950,000. We needed to take \$1.4 million in clearance markdowns to address aged inventory, and sales mix also impacted results by approximately \$630,000. We continued to make progress on SG&A expense with an overall reduction of \$789,000 primarily as a result of additional savings on store labor and benefits. Our focus in fiscal 2011 will be on executing five core initiatives designed to increase store traffic, maximize profitability and drive shareholder value. In addition, we have significantly strengthened our balance sheet by reducing debt."

The Company is committed to executing the following five core initiatives for fiscal 2011:

1. Providing "Everyday Value" with a core assortment of high quality, competitively priced merchandise.
2. Driving traffic with expanded food and consumable assortments.
3. Improving profitability and prices with an emphasis on growing "Private Label" products.
4. Rationalizing assortments to provide a better shopping experience and improve operating results.
5. Building store productivity by refining space allocation and productivity metrics.

### **Investor Conference Call**

**The Company will host an investor conference call at 10:00 a.m. Central Daylight Time on June 11, 2010, to discuss operating results for the first quarter ended May 2, 2010. The dial-in number for the conference call is 866-316-1367 (international/local participants dial 913-312-1268), and the Confirmation Code is 7674121. Parties interested in participating in the conference call should dial in approximately five minutes prior to 10:00 a.m. Central Daylight Time. A replay of the call will be available from two hours after completion on June 11, 2010 through June 16, 2010 by dialing 888-203-1112 or for international/local callers by dialing 719-457-0820. The Replay Passcode is 7674121. A replay of the call will also be available four hours after completion of the call by visiting the Investors page on the Company's website, [www.ALCOstores.com](http://www.ALCOstores.com).**

### **Supplemental Data**

The Company has included certain tables in this press release that are set forth fully in the Company's 10-Q.

### **Certain Non-GAAP Financial Measures**

The Company has included Adjusted Gross Margin and Adjusted EBITDA, non-GAAP performance measures, as part of its disclosure as a means to enhance its communications with stockholders. Certain stockholders have specifically requested this information to assist them in comparing the Company to other retailers that disclose similar non-GAAP performance measures. Further, management utilizes these measures in internal evaluation, review of performance and comparison with the Company's financial measures to those of its peers. Adjusted EBITDA differs from the most comparable GAAP financial measure (earnings [loss] from continuing operations) in that it does not include certain items, as does Adjusted Gross Margin. These items are excluded by management to better evaluate normalized operational cash flow and expenses excluding unusual, inconsistent and non-cash charges. To compensate for the limitations of evaluating the Company's performance using Adjusted Gross Margin and Adjusted EBITDA, management also utilizes GAAP performance measures such as gross margin return on investment, return on equity and cash flow from operating activities. As a result, Adjusted Gross Margin and Adjusted EBITDA may not reflect important aspects of the results of the Company's operations.

### **About Duckwall-ALCO Stores, Inc.**

Duckwall-ALCO Stores, Inc. is a regional broad line retailer that specializes in meeting the needs of smaller, underserved communities across 23 states, primarily in the central United States. The Company offers an exceptional selection of quality products and recognized brand names at reasonable prices. Its specialty is delivering those products with the friendly, personal service its customers have come to expect. With 256 stores, Duckwall-ALCO Stores is proud to have continually provided excellent products at good value prices to its customers for 109 years. To learn more about Duckwall-ALCO Stores, Inc. visit [www.ALCOstores.com](http://www.ALCOstores.com).

### **Forward-looking statements**

This press release contains forward-looking statements, as referenced in the Private Securities Litigation Reform Act of 1995 ("the Act"). Any forward-looking statements are made by the Company in good faith, pursuant to the safe-harbor provisions of the Act. These forward-looking statements reflect management's current views and projections regarding economic conditions, retail industry environments, and Company performance. Factors which could significantly change results include but are not limited to: sales performance, expense levels, competitive activity, interest rates, changes in the Company's financial condition, the company's high operating leverage in an environment of flat or declining consumer spending, the economic viability of small rural towns the company serves and macro-economic factors affecting, and potentially affecting, the retail industry in general such as a decline in the value of the US dollar against the currencies of countries from which US retailers import product, the introduction of a national sales tax or Value Added Tax, continued high levels of unemployment, rising fuel prices and the high level of consumer indebtedness. Additional information regarding these and other factors may be included in the Company's 10-Q filings and other public documents, copies of which are available from the Company on request and are available from the United States Securities and Exchange Commission.

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- Tables to follow -

**Duckwall-ALCO Stores, Inc.**  
**Consolidated Statements of Operations**  
(dollars in thousands, except share and per share amounts)  
(Unaudited)

	For the Thirteen Week Periods Ended	
	May 2, 2010	May 3, 2009
Net sales	\$ 113,023	115,160
Cost of sales	77,852	76,712
Gross margin	35,171	38,448
Selling, general and administrative	34,814	35,603
Depreciation and amortization	2,482	2,377
Total operating expenses	37,296	37,980
Operating income (loss) from continuing operations	(2,125)	468
Interest expense, net	674	537
Loss from continuing operations before income taxes	(2,799)	(69)
Income tax benefit	(1,011)	(33)
Loss from continuing operations	(1,788)	(36)
Loss from discontinued operations, net of income tax benefit	(141)	(14)
Net loss	\$ (1,929)	(50)
Loss per diluted share		
Continuing operations	\$ (0.47)	(0.01)
Net loss per share	\$ (0.51)	(0.01)
Weighted-average shares outstanding:		
Basic	3,811	3,798
Diluted	3,811	3,798

For the Thirteen Week Periods Ended

May 2, 2010

May 3, 2009

Supplemental Data:

Same-store gross margin dollar change	(2.1) %	1.5 %
Same-store SG&A dollar change	(0.9) %	(0.9) %
Same-store total customer count change	(3.0) %	5.9 %
Same-store average sale per ticket change	0.7 %	3.5 %

	Fiscal 2010	For the Thirteen Week Periods Ended		Trailing Twelve Periods Ended
		May 2, 2010	May 3, 2009	May 2, 2010
Net earnings (loss) from continuing operations (1)	\$ 3,100	(1,788)	(36)	1,348
Plus:				
Interest	2,149	674	537	2,286
Taxes (1)	2,174	(1,011)	(33)	1,196
Depreciation and amortization (1)	9,982	2,482	2,377	10,087
Share-based compensation	757	81	185	653
Preopening store costs (2)	128	199	-	327
Store transformation project costs	2,096	-	1,378	718
=Adjusted EBITDA (1)(3)(4)(5)	20,386	637	4,408	16,615
Cash	5,164	5,186	8,208	5,186
Debt	40,992	35,606	60,946	35,606
Debt, net of cash	\$ 35,828	30,420	52,738	30,420

(1) These amounts will not agree with the fiscal year end 2010 10-K or fiscal 2010 first quarter 10-Q filing due to the five stores the Company closed since the second quarter of fiscal 2010. These stores are now shown in discontinued operations.

(2) These costs are not consistent quarter to quarter as the Company does not open the same number of stores in each quarter of each fiscal year. These costs are directly associated with the number of stores that have been or will be opened and are incurred prior to the grand opening of each store.

(3) For the trailing twelve periods ended May 2, 2010 the average open weeks for the Company's two non same-stores is nine weeks.

(4) The Company implemented new initiatives for fiscal year 2010. The fiscal 2010 initiatives include, but are not limited to, reduced point-of-sale hardware lease expense, energy expense and accident reduction programs. These initiatives achieved approximately \$734 in SG&A savings for the first quarter of fiscal 2010 when compared to the prior year same period.

(5) The store transformation project completed in fiscal 2010 continues to provide SG&A savings in fiscal 2011. This initiative achieved approximately \$458 in SG&A savings for the first quarter of fiscal 2011 when compared to the prior year same period.

**Duckwall-ALCO Stores, Inc.**  
**Consolidated Balance Sheets**  
(dollars in thousands, except share and per share amounts)  
(Unaudited)

	May 2, 2010	May 3, 2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,186	\$ 8,208
Receivables	5,852	5,104
Prepaid income taxes	1,605	5,710
Inventories	137,892	159,994
Prepaid expenses	2,919	3,445
Deferred income taxes	3,864	5,345
Assets held for sale	1,331	1,539
Total current assets	158,649	189,345
Property and equipment, at cost	100,025	98,375
Less accumulated depreciation	69,894	67,442
Net property and equipment	30,131	30,933
Property under capital leases, net of accumulated amortization	1,329	2,601
Other non-current assets	1,326	185
Total assets	\$ 191,435	\$ 223,064

**Duckwall-ALCO Stores, Inc.****Consolidated Balance Sheets**

(dollars in thousands, except share and per share amounts)

(Unaudited)

	<u>May 2, 2010</u>	<u>May 3, 2009</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 1,475	\$ 1,384
Current maturities of capital lease obligations	1,312	1,878
Accounts payable	26,452	35,128
Accrued salaries and commissions	4,835	5,408
Accrued taxes other than income	5,096	4,235
Self-insurance claim reserves	4,697	5,266
Other current liabilities	4,005	3,661
Total current liabilities	<u>47,872</u>	<u>56,960</u>
Long-term debt, less current maturities	1,036	2,511
Notes payable under revolving loan agreement	30,630	52,634
Capital lease obligations - less current maturities	1,153	2,539
Deferred gain on leases	4,115	4,502
Deferred income taxes	705	160
Other noncurrent liabilities	1,761	1,642
Total liabilities	<u>87,272</u>	<u>120,948</u>
Stockholders' equity:		
Common stock, \$.0001 par value, authorized 20,000,000 shares; issued and outstanding 3,828,102 shares and 3,797,947 shares, respectively	1	1
Additional paid-in capital	39,672	38,741
Retained earnings	64,490	63,374
Total stockholders' equity	<u>104,163</u>	<u>102,116</u>
Total liabilities and stockholders' equity	<u>\$ 191,435</u>	<u>\$ 223,064</u>