



FOR IMMEDIATE RELEASE

DUCKWALL-ALCO STORES REPORTS STRONG TOP-LINE AND BOTTOM-LINE FIRST QUARTER FISCAL 2010 RESULTS

ABILENE, Kan. (June 11, 2009) -- 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 3, 2009.

Net sales from continuing operations, excluding the Company's two fuel centers, increased 11.0% to \$114.1 million and same-store sales increased 6.2%.

Net loss for the first quarter was \$50,000, or (\$0.01) per basic share, compared to net loss of \$5.9 million, or (\$1.54) per basic share, for the first quarter of the prior fiscal year. Earnings were impacted by a, net after tax, charge of approximately \$800,000 for the Company's Store Transformation Project, which will be completed in June 2009.

Quarterly Adjusted EBITDA dollars increased \$5.8 million. Adjusted Gross Margin dollars grew \$5.5 million, or 16.5%, and 210 basis points, as a percentage of sales. These results were driven by the sales increase, lower markdowns, freight costs and continued shrink improvement.

Larry Zigerelli, President and CEO, commented, "We are very pleased with these strong results, especially in light of the weak economy. All five elements of our turn around program and strategic plan, that began in the Fall of 2008, are on or ahead of schedule and continue to progress. First, completely revamping our merchandising and marketing programs. Second, relentlessly driving out all unnecessary costs. Third, significantly improving our operational excellence through superior in-stock performance and superior in-store service. Fourth, taking full advantage of our first ever significant investment in technology and implementing a new fact-based, accountable culture. Fifth, dramatically upgrading the quality and performance of our organization. I am optimistic that we will continue to successfully transform the Company for sustainable long term growth."

Investor Conference Call

The Company will host an investor conference call at 10:00 a.m. Central Daylight Time on June 12, 2009, to discuss operating results for the quarter ended May 3, 2009. The dial-in number for the conference call is 888-819-8018 (international/local participants dial 913-661-9178), and the Confirmation Code is 3414694. 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 12 through June 17 by dialing 888-203-1112 or for international/local callers by dialing 719-457-0820. The Replay Passcode is 3414694. 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.

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 as a means of 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 that of its peers. Adjusted EBITDA differs from the most comparable GAAP financial measure (earnings from continuing operations before discontinued 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 free cash flow. 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 258 stores, Duckwall-ALCO Stores is proud to have continually provided excellent products at good value prices to its customers for 108 years. To learn more about Duckwall-ALCO Stores, Inc. visit 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, and factors affecting the retail category in general. 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. and Subsidiaries
Consolidated Statements of Operations
(Dollars in thousands, except share and per share amounts)
(Unaudited)

	For the Thirteen Week Periods Ended	
	May 3, 2009	May 4, 2008
Net sales	\$ 115,466	\$ 105,688
Cost of sales	76,914	73,952
Gross margin	38,552	31,736
Selling, general and administrative	35,737	36,793
Depreciation and amortization	2,377	1,773
Total operating expenses	38,114	38,566
Operating income (loss) from continuing operations	438	(6,830)
Interest expense, net	537	605
Loss from continuing operations before income taxes	(99)	(7,435)
Income tax benefit	(45)	(3,054)
Loss from continuing operations	(54)	(4,381)
Earnings (loss) from discontinued operations, net of income expense (benefit)	4	(1,472)
Net loss	\$ (50)	\$ (5,853)
Loss per share		
Continuing operations	\$ (0.01)	\$ (1.15)
Net loss per share	\$ (0.01)	\$ (1.54)
Weighted-average shares outstanding:		
Basic	3,798	3,811
Diluted	3,798	3,811

	For the Thirteen Week Periods Ended	
	May 3, 2009	May 4, 2008
Supplemental Data:		
Gross margin as reported	\$ 38,552	\$ 31,736
Inventory review initiative charge	-	1,345
Adjusted Gross Margin	\$ 38,552	\$ 33,081
Same-store gross margin dollar change	9.9%	(0.5)%
Same-store SG&A dollar change	(3.0)%	3.8%
Same-store total customer count change	1.6%	(3.9)%
Same-store average sale per ticket change	2.9%	2.2%

Adjusted EBITDA from net earnings (loss) from continuing operations:

	Fiscal 2009	For the Thirteen Week Periods Ended		Trailing Twelve
		May 3, 2009	May 4, 2008	Periods Ended May 3, 2009
Net earnings (loss) from continuing operations (1)	\$ (3,021)	(54)	(4,381)	1,306
Plus:				
Interest	1,867	537	605	1,799
Taxes (1)	(2,090)	(45)	(3,054)	919
Depreciation and amortization (1)	9,302	2,377	1,773	9,906
Share-based compensation	186	185	(329)	700
Preopening store costs (2)	1,846	-	722	1,124
Inventory review initiative	1,345	-	1,345	-
Executive and staff severance	1,942	-	1,942	-
Store transformation project costs	2,220	1,378	-	3,598
=Adjusted EBITDA (1)(3)(4)(5)	13,597	4,378	(1,377)	19,352
<u>Adjusted EBITDA</u>				
Same-stores	44,090	11,526	7,132	48,484
Non same-stores (3)	2,216	294	60	2,450
Store support center	(23,054)	(5,251)	(6,232)	(22,073)
Warehouse	(9,655)	(2,191)	(2,337)	(9,509)
Reconciled Adjusted EBITDA (1)(3)(4)(5)	13,597	4,378	(1,377)	19,352
Cash	4,744	8,208	4,977	8,208
Debt	49,841	60,946	41,080	60,946
Debt, net of cash	\$ 45,097	52,738	36,103	52,738

(1) These amounts will not agree with the fiscal 2009 first quarter 10-Q filing due to the one store the Company closed in the third quarter of fiscal 2009. This store is 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 or will be opened and are incurred prior to the grand opening of each store.

(3) For the trailing twelve periods ended May 3, 2009 the average open weeks for the Company's 11 non same-stores is 46 weeks.

(4) During fiscal year 2009, the Company made a change in its Executive Management team and Board of Directors resulting in several initiatives to reduce certain SG&A expenses. For the trailing twelve periods ended May 3, 2009, these initiatives resulted in approximately \$8.5 million reduced SG&A expenses when compared to the same prior year trailing twelve periods. The initiatives include, but are not limited to, executive and staff reduction, reduced ALCO same-store hourly wages, advertising expenses, net of coop offset and floor care services along with reduced total Company insurance and travel expenses.

(5) In addition to continued efforts regarding the fiscal 2009 SG&A initiatives, the Company has 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. The resulted in approximately \$734 reduced SG&A savings for the first quarter of fiscal 2010 when compared to the prior year same period.

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

	May 3, 2009	May 4, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,208	\$ 4,977
Receivables	5,104	3,898
Prepaid income taxes	5,710	4,955
Inventories	159,994	145,123
Prepaid expenses	3,445	3,263
Deferred income taxes	5,345	6,835
Assets held for sale	1,539	-
Total current assets	189,345	169,051
Property and equipment, at cost	98,375	89,315
Less accumulated depreciation	67,442	61,360
Net property and equipment	30,933	27,955
Property under capital leases, net of accumulated amortization	2,601	4,435
Other non-current assets	185	270
Deferred income taxes	-	3,028
Total assets	\$ 223,064	\$ 204,739
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt	\$ 1,384	\$ 1,298
Current maturities of capital lease obligations	1,878	1,840
Accounts payable	35,128	36,023
Accrued salaries and commissions	5,408	5,685
Accrued taxes other than income	4,235	3,554
Self-insurance claim reserves	5,266	4,693
Other current liabilities	3,661	6,344
Total current liabilities	56,960	59,437
Long-term debt, less current maturities	2,511	3,895
Notes payable under revolving loan	52,634	29,671
Capital lease obligations - less current maturities	2,539	4,376
Deferred gain on leases	4,502	4,888
Deferred income taxes	160	-
Other noncurrent liabilities	1,642	1,594
Total liabilities	120,948	103,861
Stockholders' equity:		
Common stock, \$.0001 par value, authorized 20,000,000 shares; issued and outstanding 3,797,947 shares and 3,810,591 shares, respectively	1	1
Additional paid-in capital	38,741	38,324
Retained earnings	63,374	62,553
Total stockholders' equity	102,116	100,878
Total liabilities and stockholders' equity	\$ 223,064	\$ 204,739