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FOR IMMEDIATE RELEASE

DUANE READE HOLDINGS, INC. REPORTS SECOND QUARTER RESULTS

***~ Adjusted FIFO EBITDA Growth of 33%~
~Second Quarter Same-store Sales Increase of 7.9%~
~ Operating Loss Narrowed by 27%~***

New York, NY – August 14, 2007 – Duane Reade Holdings, Inc. today reported financial results for the second quarter ended June 30, 2007.

Second Quarter Key Highlights

- Adjusted FIFO EBITDA improved 33.0% to \$21.6 million from \$16.2 million in the previous year, representing the fourth consecutive quarter of year-over-year Adjusted FIFO EBITDA growth.
- Front-end same-store sales increased a record 9.4% and pharmacy same-store sales grew 6.1%.
- Gross margin improved to 21.1% from 20.3% last year
- Selling, general, and administrative expenses as a percentage of net sales improved to 17.0%, compared to 17.1% in the prior year period.
- Operating loss was \$4.6 million, compared with an operating loss of \$6.3 million in the previous year's second quarter.

Richard W. Dreiling, Chairman, President and Chief Executive Officer, commented, "We are very pleased with the strong operating performance achieved during the second quarter and in particular with our record front-end and industry leading comp store growth. This growth is especially gratifying as the increase follows record front-end comp store growth of 7.3% for the comparable quarter a year ago. Further, quarter after quarter, we are seeing the tangible benefits of our initiatives in merchandising and customer service, as well as the other components of our Full Potential program, which are together driving improvements in our overall financial performance.

Net retail store sales, which exclude pharmacy resale activity, increased 7.1% to \$416.3 million from \$388.8 million in the second quarter of 2006. Total net sales increased 8.3% to \$431.9 million from \$398.8 million in the second quarter of 2006. Total same-store sales increased by 7.9%, with a front-end same-store sales increase of 9.4% and a pharmacy same-store sales increase of 6.1%. During the second quarter, the Company did not open any new stores and closed one store. At the end of the second quarter, the Company operated 244 stores, compared to 247 stores in the previous year.

Front-end sales continued to show significant increases in the convenience food, health and wellness categories as well as in cosmetics and certain beauty items. The Dollar Rewards customer loyalty program also continued to grow in average transaction value, frequency of use and number of active cardholders. Pharmacy sales growth was strong despite a significant increase in the generic dispensing rate to 54.7% from 50.9% last year. The increased use of lower priced but more profitable generic medications adversely impacted the pharmacy same-store sales growth percentage by 3.1%.

Gross margin for the second quarter increased to 21.1% from 20.3% last year and reflected a continuation of the improved trend of front-end margins exhibited over the last several quarters partially offset by reduced pharmacy margins resulting from increased penetration of lower margin Medicare Part D sales combined with

reductions in Medicaid reimbursement rates that went into effect in July 2006. Selling, general and administrative expenses as a percentage of net sales improved to 17.0% from 17.1% in the previous year due to improved leveraging of costs against the strong sales growth. Excluding resales of pharmaceutical merchandise, selling, general and administrative expenses represented 17.6% of net retail sales, as compared to 17.5% in the prior year.

The above factors resulted in a 33.0% increase in Adjusted FIFO EBITDA, as defined on the attached schedule of preliminary operating data, to \$21.6 million, or 5.0% of sales, from \$16.2 million, or 4.1% of sales in last year's second quarter.

Net loss for the quarter was \$20.1 million, compared to a net loss of \$21.1 million in the prior year period. The current year's second quarter results included \$4.2 million of other expenses, including \$1.8 million in costs related to the previously disclosed and completed accounting investigation, \$1.4 million in connection with the Company's former CEO, and \$0.7 million of closed store costs. The previous year's second quarter results included other expenses of \$0.5 million of which, there were virtually no expenses incurred in connection with the Company's former CEO. A breakdown of other expenses is shown on Table 6 of this press release.

Total debt at quarter end was \$560.6 million, reflecting a decrease of \$11.8 million from the balance at the end of fiscal 2006. Availability under the Company's revolving credit facility at quarter end was approximately \$67.5 million. The increased availability from the \$53.1 million available at the end of the first quarter was attributable to the previously announced receipt of \$26.4 million of proceeds during the second quarter from a sale of preferred stock and common stock warrants to certain affiliates of Oak Hill Capital Partners, L.P. The total proceeds of \$39.4 million which were received during the first half are being used to fund the acquisition of up to eight store leases from the Gristedes supermarket chain as well as certain growth related capital expenditures.

Six Month Results

For the six month period, total net sales were \$846.3 million, reflecting an increase of 7.9% compared to \$784.7 million last year. Net retail store sales increased 6.9% to \$816.2 million, from \$763.2 million in the prior year period. Total same-store sales increased 8.1%, with a front-end same-store sales increase of 8.5% and a pharmacy same-store sales increase of 7.5%.

Adjusted FIFO EBITDA, as defined on the attached schedule of preliminary operating data, increased by 35.6% to \$34.3 million or 4.1% of sales from \$25.3 million, or 3.2% of sales, in the prior year period. Operating loss was \$19.6 million in the first half, compared with \$2.1 million in the first half of 2006, primarily due to the recognition of one-time labor contingency income in 2006 of \$18.0 million and an increase in other expenses from \$1.6 million in 2006 to \$9.2 million in 2007 that was primarily due to expenses related to the completed accounting investigation, former CEO matters and certain closed store costs.

Mr. Dreiling concluded, "We are pleased with our strong performance in the first half of the year and expect to build upon and continue that positive momentum throughout the second half. We continue to expect to achieve Adjusted FIFO EBITDA in the range of \$76 to \$80 million, which represents 19% to 26% growth over last year. This month we are opening our first two stores in former Gristedes locations and we expect to have at least seven of the eight stores in operation by year end. The Duane Reade Full Potential program is continuing on all fronts and we expect to see ongoing improvements in our financial performance resulting from these initiatives."

Conference Call Information

The Company will hold a conference call on August 14, 2007 at 10:00 a.m. Eastern Time to discuss financial results for the second quarter ended June 30, 2007. A live webcast of the call will be accessible from the Investor Information section of the Duane Reade website (<http://www.duanereade.com>), and the call will be archived on the website approximately one hour after completion of the call through August 28, 2007. Additionally, a replay of the conference call will be available from approximately 12:00 PM Eastern Time on August 14, 2007 through August 28, 2007. The replay can be accessed by dialing 877-519-4471 access code 9081138.

About Duane Reade

Founded in 1960, Duane Reade is the largest drug store chain in the metropolitan New York City area, offering a wide variety of prescription and over-the-counter drugs, health and beauty care items, cosmetics, greeting cards, photo supplies and photofinishing. As of June 30, 2007, the Company operated 244 stores.

Except for historical information contained herein, the statements in this release and the accompanying discussion on the earnings conference call are forward-looking and made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, this document may contain statements, estimates or projections that constitute "forward-looking" statements as defined under U.S. federal securities laws. Forward-looking statements involve known and unknown risks and uncertainties, which may cause the Company's actual results in future periods to differ materially from forecasted or expected results. Those risks include, among other things, the competitive environment in the drug store industry in general and in the New York metropolitan area, the ability to open and operate new stores, the continued efforts by payers and government agencies to reduce prescription reimbursement rates and prescription drug benefits, the strength of the economy in general, the economic conditions in the New York greater metropolitan area, changes in federal and state laws and regulations, including the potential impact of changes in regulations surrounding the importation of pharmaceuticals from foreign countries and changes in laws governing minimum wage requirements, changes in the Company's operating strategy, capital expenditure plans or development plans, the outcome of pending litigation, the Company's ability to attract, hire and retain qualified pharmacy and other personnel, the Company's significant indebtedness, labor disturbances, the continued impact of, or new occurrences of, terrorist attacks in the New York greater metropolitan area and any actions that may be taken in response, demographic changes, the Company's ability to limit fraud and shrink, the outcome of matters relating to the restatement of the Company's financial statements and the related investigation and recalls of pharmaceutical products due to health concerns or other reasons. Those and other risks are more fully described in Duane Reade's reports filed with the SEC from time to time, including its annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. Except to the extent otherwise required by federal securities laws, we do not undertake to publicly update or revise any forward-looking statements.

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Table 1

Duane Reade Holdings, Inc.
Consolidated Statements of Operations
(Unaudited)
(In thousands)

| | For the 13 Weeks Ended | For the 13 Weeks Ended | For the 26 Weeks Ended | For the 26 Weeks Ended |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | June 30, 2007 | July 1, 2006 | June 30, 2007 | July 1, 2006 |
| Net sales | \$ 431,930 | \$ 398,789 | \$ 846,318 | \$ 784,658 |
| Cost of sales | 340,602 | 317,704 | 673,980 | 628,098 |
| Gross profit | <u>91,328</u> | <u>81,085</u> | <u>172,338</u> | <u>156,560</u> |
| Selling, general & administrative expenses | 73,325 | 68,146 | 146,069 | 137,612 |
| Labor contingency income | - | - | - | (18,004) |
| Depreciation and amortization | 18,416 | 18,628 | 36,453 | 37,306 |
| Store pre-opening expenses | - | 102 | 150 | 152 |
| Other expense (see table 6) | 4,223 | 533 | 9,241 | 1,635 |
| | <u>95,964</u> | <u>87,409</u> | <u>191,913</u> | <u>158,701</u> |
| Operating loss | (4,636) | (6,324) | (19,575) | (2,141) |
| Interest expense, net | 14,645 | 14,135 | 29,080 | 27,873 |
| Loss before income taxes | (19,281) | (20,459) | (48,655) | (30,014) |
| Income tax expense | 856 | 619 | 2,016 | 927 |
| Net loss | <u>\$ (20,137)</u> | <u>\$ (21,078)</u> | <u>\$ (50,671)</u> | <u>\$ (30,941)</u> |

Table 2

Duane Reade Holdings, Inc.
Consolidated Balance Sheets
(Unaudited)
(In thousands)

| | June 30, 2007 | December 30, 2006 |
|---|-----------------------------|-----------------------------|
| | <u> </u> | <u> </u> |
| Current Assets | | |
| Cash | \$ 1,382 | \$ 1,395 |
| Receivables, net (1) | 55,206 | 57,181 |
| Inventories | 220,557 | 218,924 |
| Deferred Income Taxes | - | 2,429 |
| Prepaid Expenses and Other Current Assets | 25,217 | 25,659 |
| Total Current Assets | <u>302,362</u> | <u>305,588</u> |
| Property and Equipment, net | 201,594 | 208,148 |
| Goodwill | 70,384 | 70,384 |
| Other Assets, net (2) | 203,408 | 214,461 |
| Total Assets | <u>\$ 777,748</u> | <u>\$ 798,581</u> |
| Current Liabilities | | |
| Accounts Payable (3) | \$ 80,858 | \$ 83,410 |
| Accrued Expenses (4) | 51,335 | 55,679 |
| Deferred Income Taxes | 341 | - |
| Current Portion of Debt and Capital Leases (5) | 150,141 | 160,295 |
| Total Current Liabilities | <u>282,675</u> | <u>299,384</u> |
| Long Term Debt and Capital Leases | 410,500 | 412,169 |
| Deferred Income Taxes | 28,759 | 29,621 |
| Other Liabilities (6) | 92,256 | 54,670 |
| Total Liabilities | <u>814,190</u> | <u>795,844</u> |
| Total Stockholders' Equity (Deficit) | <u>(36,442)</u> | <u>2,737</u> |
| Total Liabilities and Stockholders' Equity or Deficit | <u>\$ 777,748</u> | <u>\$ 798,581</u> |

- (1) Includes third party pharmacy receivables of \$39,341 and \$39,274 at June 30, 2007 and December 30, 2006, respectively.
- (2) Decrease in other assets from December 30, 2006 is primarily due to the amortization of intangible assets recorded in connection with the Oak Hill acquisition in 2004.
- (3) Decrease in accounts payable from December 30, 2006 of \$2.6 million is primarily due to the timing of merchandise receipts as compared to the prior year-end.
- (4) Decrease in accrued expenses from December 30, 2006 primarily reflects the payment of 2006 incentive compensation in the second quarter of 2007.
- (5) The outstanding revolver loan balance of \$146.9 million at June 30, 2007 and \$157.1 million at December 30, 2006 has been classified as a current liability because cash receipts controlled by the lenders are used to reduce outstanding debt, and the Company does not meet the criteria of FAS 6 - "Classification of Short-Term Obligations Expected to be Refinanced," to reclassify the debt as long-term. This reclassification is not a result of a change in status or compliance with the terms of this indebtedness. The Company expects to continue to borrow under this facility until its maturity in 2011.
- (6) Increase in other liabilities from December 30, 2006 is primarily due to the issuance of liability-classified redeemable preferred stock in connection with the acquisition of certain Gristedes supermarket leases and other capital expenditures.

Table 3

Duane Reade Holdings, Inc.

Operating Data
(Unaudited)
(Dollars in thousands)

| | <u>For the 13 Weeks Ended</u> June 30, 2007 | <u>For the 13 Weeks Ended</u> July 1, 2006 | <u>For the 26 Weeks Ended</u> June 30, 2007 | <u>For the 26 Weeks Ended</u> July 1, 2006 |
|--|---|--|---|--|
| LIFO EBITDA (1) | \$ 13,780 | \$ 12,304 | \$ 16,878 | \$ 17,161 |
| LIFO Expense | 600 | 550 | 1,200 | 1,100 |
| FIFO EBITDA (1) | <u>\$ 14,380</u> | <u>\$ 12,854</u> | <u>\$ 18,078</u> | <u>\$ 18,261</u> |
| FIFO EBITDA as a percentage of net sales | 3.3% | 3.2% | 2.1% | 2.3% |
| Adjusted FIFO EBITDA (2) | \$ 21,562 | \$ 16,213 | \$ 34,308 | \$ 25,307 |
| Adjusted FIFO EBITDA as a percentage of net sales | 5.0% | 4.1% | 4.1% | 3.2% |
| Capital expenditures | \$ 6,457 | \$ 8,557 | \$ 13,406 | \$ 12,270 |
| Lease acquisitions and other investing activities | \$ 5,421 | \$ 2,293 | \$ 8,811 | \$ 4,107 |
| Same-store sales growth | 7.9% | 4.8% | 8.1% | 3.3% |
| Pharmacy same-store sales growth | 6.1% | 1.9% | 7.5% | 0.7% |
| Front-end same-store sales growth | 9.4% | 7.3% | 8.5% | 5.6% |
| Pharmacy sales as a % of net sales | 45.8% | 45.9% | 46.4% | 46.2% |
| Third Party sales as a % of prescription sales | 93.0% | 92.9% | 93.0% | 92.7% |
| Average weekly prescriptions filled per store (3) | 843 | 821 | 837 | 809 |
| Number of stores at end of period | | | 244 | 247 |
| Retail square footage at end of period | | | 1,713,831 | 1,714,178 |
| Average store size (sq.ft.) at end of period | | | 7,024 | 6,940 |

(1) As used in this report, FIFO EBITDA means earnings before interest, income taxes, depreciation, amortization, debt extinguishment, expenses related to the acquisition transaction, labor contingency expense, non-cash charges and credits related to the LIFO inventory valuation method, extraordinary charges and other non-recurring charges. We believe that FIFO EBITDA, as presented, represents a useful measure of assessing the performance of our ongoing operating activities, as it reflects our earnings trends without the impact of certain non-cash charges and other non-recurring items. Targets and positive trends in FIFO EBITDA are used as performance measures for determining certain compensation of management. FIFO EBITDA is also used as a performance measure in our various debt agreements. LIFO EBITDA reflects FIFO EBITDA adjusted to include the effect of non-cash charges and credits related to the LIFO inventory valuation method.

We understand that, although security analysts frequently use FIFO EBITDA in the evaluation of companies, it is not necessarily comparable to other similarly titled captions of other companies due to potential inconsistencies in the method of calculation. FIFO EBITDA is not intended as an alternative to net income as an indicator of our operating performance, or as an alternative to any other measure of performance in conformity with generally accepted accounting principles, nor as an alternative to cash flow from operating activities as a measure of liquidity.

Reconciliations of net loss to FIFO EBITDA, Adjusted FIFO EBITDA and operating cash flow for each period included above and highlighted elsewhere in this document are provided in the tables on the following pages of this press release.

(2) As used in this report, Adjusted FIFO EBITDA means FIFO EBITDA as defined above, adjusted to exclude non-cash rent expenses, certain charges related to the acquisition transaction, closed store costs, accounting investigation costs, former CEO related expenses, and certain other non-recurring payments that are not included in the definition of EBITDA used for our various debt agreements.

(3) Comparative stores only, does not include new stores.

Table 4

Duane Reade Holdings, Inc.

Reconciliation of Net Sales to Net Retail Store Sales

(Unaudited)

(in thousands)

| | For the 13 Weeks Ended | For the 13 Weeks Ended | For the 26 Weeks Ended | For the 26 Weeks Ended |
|------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | June 30, 2007 | July 1, 2006 | June 30, 2007 | July 1, 2006 |
| Net sales | \$ 431,930 | \$ 398,789 | \$ 846,318 | \$ 784,658 |
| Resale activity | 15,658 | 10,001 | 30,094 | 21,443 |
| Net retail store sales | <u>\$ 416,272</u> | <u>\$ 388,788</u> | <u>\$ 816,224</u> | <u>\$ 763,215</u> |

Reconciliation of EBITDA to Net Loss and Net Cash Used in Operating Activities

(Unaudited)

(in thousands)

| | For the 13 Weeks Ended | For the 13 Weeks Ended | For the 26 Weeks Ended | For the 26 Weeks Ended |
|---|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | June 30, 2007 | July 1, 2006 | June 30, 2007 | July 1, 2006 |
| FIFO EBITDA | \$ 14,380 | \$ 12,854 | \$ 18,078 | \$ 18,261 |
| LIFO Expense | 600 | 550 | 1,200 | 1,100 |
| LIFO EBITDA | <u>13,780</u> | <u>12,304</u> | <u>16,878</u> | <u>17,161</u> |
| Depreciation and amortization | (18,416) | (18,628) | (36,453) | (37,306) |
| Labor contingency income | - | - | - | 18,004 |
| Interest expense | (14,645) | (14,135) | (29,080) | (27,873) |
| Income tax provision | (856) | (619) | (2,016) | (927) |
| Net loss | <u>\$ (20,137)</u> | <u>\$ (21,078)</u> | <u>\$ (50,671)</u> | <u>\$ (30,941)</u> |
| Net loss | (20,137) | (21,078) | (50,671) | (30,941) |
| Adjustments to reconcile net loss to cash used in operating activities: | | | | |
| Depreciation and amortization | 19,331 | 19,689 | 38,281 | 39,430 |
| Deferred tax provision | 801 | 585 | 1,908 | 861 |
| Non-cash rent expense | 2,804 | 2,591 | 6,320 | 5,150 |
| Other non-cash expense | 1,750 | 79 | 2,264 | 104 |
| Changes in operating assets and liabilities (net of effect of acquisitions): | | | | |
| Receivables | (1,241) | (3,195) | 1,975 | 2,273 |
| Inventories | (467) | 6,527 | (1,633) | 9,390 |
| Accounts payable | (5,394) | (6,705) | (2,552) | 5,794 |
| Prepaid and accrued expenses | 3,663 | 8,099 | (4,072) | 1,835 |
| Other assets/liabilities, net | (1,656) | (2,550) | 605 | (30,027) |
| Cash used in operating activities | <u>\$ (546)</u> | <u>\$ 4,042</u> | <u>\$ (7,575)</u> | <u>\$ 3,869</u> |

Calculation of Adjusted FIFO EBITDA

| | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|
| FIFO EBITDA as above | \$ 14,380 | \$ 12,854 | \$ 18,078 | \$ 18,261 |
| Non-cash rent expense | 2,804 | 2,591 | 6,320 | 5,150 |
| Former CEO-related expenses | 1,403 | 34 | 3,807 | 385 |
| Oak Hill management fee | 313 | 312 | 625 | 624 |
| Closed store costs | 660 | - | 2,349 | - |
| Accounting investigation costs | 1,798 | - | 2,183 | - |
| Other | 204 | 422 | 946 | 887 |
| Adjusted FIFO EBITDA | <u>\$ 21,562</u> | <u>\$ 16,213</u> | <u>\$ 34,308</u> | <u>\$ 25,307</u> |

Table 5

Duane Reade Holdings, Inc.
 Reconciliation of Range of Projected EBITDA
 to Net Loss
 (Unaudited)
 (in thousands)

| | For the 52 Weeks Ended December 29, 2007 | |
|---------------------------------------|---|--------------|
| Net sales | \$ 1,655,000 | \$ 1,675,000 |
| Resale activity | 50,000 | 50,000 |
| Retail store sales | \$ 1,605,000 | \$ 1,625,000 |
| | | |
| EBITDA (Adjusted FIFO Basis) | \$ 76,000 | \$ 80,000 |
| | | |
| Deferred rent expense | (12,000) | (12,000) |
| Other expense (1) | (14,500) | (14,500) |
| EBITDA (FIFO Basis) | 49,500 | 53,500 |
| | | |
| LIFO expense | (2,500) | (2,500) |
| EBITDA (LIFO Basis) | 47,000 | 51,000 |
| | | |
| Depreciation and amortization expense | (72,500) | (72,500) |
| Interest expense | (57,000) | (57,000) |
| Income taxes | (3,600) | (3,600) |
| Net loss | \$ (86,100) | \$ (82,100) |

(1) Includes Oak Hill management fees, stock option expenses in accordance with FAS 123R accounting investigation costs and expenses attributable to the Company's former CEO.

Table 6

Duane Reade Holdings, Inc.
 Components of "Other Expense"
 (Unaudited)
 (In thousands)

| | For the 13 Weeks Ended | For the 13 Weeks Ended | For the 26 Weeks Ended | For the 26 Weeks Ended |
|--------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| | June 30, 2007 | July 1, 2006 | June 30, 2007 | July 1, 2006 |
| Closed Store Costs | \$ 660 | \$ - | \$ 2,349 | \$ - |
| Oak Hill Management Fee | 313 | 312 | 625 | 624 |
| Accounting Investigation | 1,798 | - | 2,183 | - |
| Former CEO Matters | 1,403 | 34 | 3,807 | 659 |
| Other | 49 | 187 | 277 | 352 |
| Total Other Expense | <u>\$ 4,223</u> | <u>\$ 533</u> | <u>\$ 9,241</u> | <u>\$ 1,635</u> |