



*Low Price Leader*

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### **FRED'S REPORTS JANUARY SALES**

MEMPHIS, Tenn. (February 5, 2009) – Fred's Inc. (NASDAQ:FRED) today reported sales for the fiscal month, quarter and year ended January 31, 2009.

Fred's total sales for the four-week month declined 5% to \$126.1 million from \$133.2 million in January 2008, reflecting the Company's closing of 74 underperforming stores and 23 underperforming pharmacies this year. Excluding stores closed during 2008, total sales from ongoing stores were flat in January versus the same month last year. Comparable store sales for the month declined 1.9% versus a 1.2% decline in comparable store sales for January 2008.

Fred's total sales for the 13-week fourth quarter decreased 5% to \$469.4 million versus \$494.1 million in the year-earlier quarter. Comparable store sales for the fourth quarter decreased 1.1% compared with a decline of 2.5% in the fourth quarter last year.

Total sales for fiscal 2008 increased 1% to \$1.80 billion from \$1.78 billion in fiscal 2007. Comparable store sales for 2008 rose 1.8% versus a 0.3% gain for the prior year.

Commenting on the announcement, Michael J. Hayes, Chairman, said, "We were disappointed by January sales, particularly in the last week of the month, where the impact of the slumping economy, combined with severe ice storms and adverse weather in several of our markets, resulted in negative comparable sales for that week that reached into the high single digits. We estimate the impact of the adverse weather and related store closings on comparable store sales for the month to be in the range of 0.5% to 1.0%. Also, while customer traffic was positive for the month, the increase was more than offset by a downturn in average transaction amount as sales for January were driven by lower pharmacy sales, since the cold and flu season has not yet developed, and conservative purchasing patterns by customers that are focused on promotional items and basic product mix. With the below-plan January results, we now expect fourth quarter earnings from operations in the range of \$0.15 to \$0.18 per share.

"Despite the challenging environment," Hayes continued, "Fred's was able to finish fiscal 2008 with a strong balance sheet, highlighted by a solid cash position, reduced inventory levels and no outstanding borrowings under our revolving credit agreement, and we continue to generate strong cash flows in line with our expectations. We realize that many of the economic challenges of 2008 will still be with us in 2009. In anticipation of these challenges, our leadership team, now directed by CEO Bruce Efird, has generated aggressive initiatives to combat pressures on margin, mix and sales, which will bode well for 2009."

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Fred's Inc. operates 663 discount general merchandise stores, including 24 franchised Fred's stores in the southeastern United States. For more information about the Company, visit Fred's Website at [www.fredsinc.com](http://www.fredsinc.com).

*Comments in this news release that are not historical facts are forward-looking statements that involve risks and uncertainties that could cause actual results to differ materially from those projected in the forward-looking statements. These risks and uncertainties include, but are not limited to, general economic trends, changes in consumer demand or purchase patterns, delays or interruptions in the flow of merchandise between the Company's distribution centers and its stores or between the Company's suppliers and same, a disruption in the Company's data processing services, costs and delays in acquiring or developing new store sites, and other contingencies discussed in the Company's Securities and Exchange Commission filings. Fred's undertakes no obligation to release revisions to these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unforeseen events, except as required to be reported under the rules and regulations of the Securities and Exchange Commission.*

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