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**FRED'S REPORTS MAY SALES UP 8%
AS COMPARABLE STORE SALES FOR THE MONTH INCREASE 3.4%**

MEMPHIS, Tenn. (June 5, 2008) – Fred's Inc. (NASDAQ:FRED) today reported sales for the four-week fiscal month of May, which ended May 31, 2008.

Fred's total sales for the month rose 8% to \$143.5 million from \$132.3 million in May 2007. Comparable store sales for the month increased 3.4% excluding the impact of 67 stores that have been or are in the process of being closed under the Company's previously announced strategic plan. Last year, comparable store sales increased 0.2% in May.

Total sales for the first four months of fiscal 2008 increased 6% to \$607.8 million compared with \$574.6 million in the year-earlier period. On a comparable store basis, year-to-date sales increased 2.4% excluding stores that have been or are in the process of being closed. In the year-earlier period, comparable store sales increased 1.5%.

Commenting on the announcement, Michael J. Hayes, Chief Executive Officer, said, "Fred's May sales performance continued to demonstrate the solid momentum established thus far in 2008, with comparable store sales reaching the high end of our forecast – bolstered by a 2% gain in customer traffic. The consumer is still very frugal, and while we will continue to fight margin pressure, we also expect to see ongoing gains in store traffic as customers recognize our competitive pricing, extended assortment and convenience. These factors define our niche and bode well for our future, keeping us on track to achieve our forecasted goals this quarter and for the year."

Hayes noted that the Company has moved into the final phases of closing 75 underperforming stores and 22 underperforming pharmacies. To date, the Company has closed 67 stores and 21 pharmacies. Sales from these closed stores, now recorded in total sales, amounted to \$4 million or 3% of the total sales increase in May.

During the first four months of the current fiscal year, Fred's has opened 10 new stores. The Company expects to open a total of 18 stores and 15 pharmacies in 2008.

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Fred's Inc. operates 659 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.

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, those associated with the Company's announced strategic plan, lease buyouts and the underlying assumptions and projections upon which they are based, as well as risks that intended results may not be achieved or may not occur as quickly as expected; 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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