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FRED'S COMPARABLE STORE SALES FOR JUNE INCREASE 6.5%

MEMPHIS, Tenn. (July 10, 2008) – Fred's Inc. (NASDAQ:FRED) today reported sales for the five-week fiscal month of June, which ended July 5, 2008.

Fred's total sales for the month rose 5% to \$173.8 million from \$166.2 million in June 2007, with the year-over-year increase reflecting the Company's previously announced program to close 75 underperforming stores and 22 underperforming pharmacies in 2008. Excluding stores closed in 2008, total sales from ongoing stores increased 9% over last year. Comparable store sales for the month increased 6.5%. Last year, comparable store sales increased 1.5% in June.

Total sales for the first five months of fiscal 2008 increased 6% to \$781.5 million compared with \$740.4 million in the year-earlier period. On a comparable store basis, year-to-date sales increased 3.2% 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, "We are pleased to report strong growth in comparable store sales and customer traffic during June. As we watch our initiatives take hold, we are reinforcing our commitment to maintaining strong in-stock levels on key items and building merchandising programs that will surprise and delight our expanding customer base. Basic and consumable products led the way in the strong sales gain for the month as our customers continue to face considerable economic pressures and remain conservative in how they allocate reduced discretionary income."

Separately, Hayes noted that with the Company's progress and current performance, no change to the previously announced strategic plan is anticipated, while expanded financial and growth alternatives continue to be reviewed by the Board with the assistance of its financial advisor, Merrill Lynch & Co. Fred's management remains focused on the strategic plan to improve store performance, reduce costs and increase operating income concurrent with the view of increasing shareholder value.

To date, the Company has closed 67 stores and 22 pharmacies. During the first five months of the current fiscal year, Fred's has opened 15 new stores and two pharmacies. The Company expects to open a total of 18 stores and 15 pharmacies in 2008.

Fred's Inc. operates 664 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.

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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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