



The Low Price Leader

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FRED'S REPORTS JULY SALES

MEMPHIS, Tenn. (August 6, 2009) – Fred's Inc. (NASDAQ:FRED) today reported sales for the four-week fiscal month, second quarter and six-month period ended August 1, 2009.

Fred's total sales for the month declined 4% to \$124.4 million from \$129.8 million in July 2008. Comparable store sales for the month decreased 4.6% versus an increase of 4.6% in the same period last year.

Total sales for the second quarter declined 3% to \$434.0 million from \$447.1 million in the year-earlier period. Comparable store sales for the quarter decreased 1.3% compared with an increase of 4.9% in the second quarter of 2008.

Fred's total sales for the first six months of fiscal 2009 declined 2% to \$892.4 million compared with \$911.4 million for the same period last year. Excluding stores closed in 2008, total sales from ongoing stores increased 2% in the first half of 2009 versus the year-earlier period. On a comparable store basis, year-to-date sales increased 0.8% compared with 3.5% in the same period last year.

Commenting on the announcement, Bruce A. Efird, Chief Executive Officer, said, "Having planned for flat comparable store sales this month, we are disappointed by our sales results for July. The decline in sales marked an unexpected reversal from the positive sales trends we have seen this year. Challenges in July included the continuing pressures on consumers from high unemployment and the absence of economic stimulus checks that boosted consumer spending last summer. On a positive note, we continue to see an acceleration in the sales of our own-brand merchandise, which carries a higher gross profit even though, at lower price points, they reduced comparable store sales by an estimated 1% in July.

"Looking ahead, we anticipate the continuation of extremely aggressive promotions by competitors as we move toward the holiday season," Efird continued. "Our plans are to be more aggressive in advertising, promotions and sales initiatives, all designed to drive traffic and enable us to resume market share growth in the upcoming months."

Efird noted that, despite lower-than-expected July sales, Fred's expects earnings to be near the mid-range of its projected \$0.12 to \$0.15 per diluted share for the second quarter. This compares with net income per diluted share in the year-earlier quarter of \$0.03, or \$0.10 per diluted share excluding net costs incurred in connection with the Company's store-closing program.

Fred's opened six new pharmacies in July. During the first six months of the current fiscal year, Fred's has opened three new stores and 10 new pharmacies.

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Fred's Inc. operates 669 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, 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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