



Low Price Leader

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FRED'S COMPARABLE STORE SALES FOR JULY INCREASE 4.6%

MEMPHIS, Tenn. (August 7, 2008) – Fred's Inc. (NASDAQ:FRED) today reported sales for the five-week fiscal month, quarter and six-month period ended August 2, 2008.

Fred's total sales for the month rose 3% to \$129.7 million from \$126.5 million in July 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 7% over last year. Comparable store sales for the month increased 4.6% versus an increase of 0.5% in July last year.

Total sales for the second quarter rose 5% to \$447.0 million from \$424.6 million in the year-earlier period. Comparable store sales for the quarter increased 4.9% compared with an increase of 0.8% in the second quarter of 2007.

Total sales for the first six months of fiscal 2008 increased 5% to \$911.4 million compared with \$866.9 million in the year-earlier period. On a comparable store basis, year-to-date sales increased 3.5% versus 1.3% in the year-earlier period.

Commenting on the announcement, Michael J. Hayes, Chief Executive Officer, said, "We are gratified to see continued strength in our sales during July, allowing us to reach the year's midpoint with sales and traffic growth that are ahead of plan. In turn, our strong sales have offset the margin pressures in the quarter resulting from inflation and reduced discretionary spending, positioning us to hit the higher end of our earnings projections for the period.

"The internal initiatives we have set in motion over the past year and a half have enabled us to capitalize on what we see as a consumer trend toward value and convenience in response to mounting economic pressures," Hayes continued. "This success is evident from our better-than-plan sales performance for the first half of 2008, and additional validation can be seen in the continued gains in traffic and comparable store sales for our market niche, which come while many other retailers are reporting an increasingly difficult sales environment. Thus, as we enter the back half of the year, we remain confident about the initiatives we have put in place, and those we plan to execute in the third and fourth quarters of 2008. Although the current economic environment is pressuring gross margins, and will likely continue to do so in the second half of the year, we believe our short- and long-term initiatives will produce ongoing success, positioning us to achieve the goals we outlined in our strategic plan announced in February."

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Fred's opened one store and one pharmacy in July. During the first six months of the current fiscal year, Fred's has opened 17 new stores and three pharmacies. To date, the Company has closed 67 stores and 22 pharmacies.

Fred's Inc. operates 665 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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