



Low Price Leader

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FRED'S COMPARABLE STORE SALES FOR AUGUST INCREASE 2.1%

MEMPHIS, Tenn. (September 3, 2008) – Fred's Inc. (NASDAQ:FRED) today reported sales for the four-week and seven-month periods ended August 30, 2008.

Fred's total sales for the month were \$129.2 million, up slightly from \$129.0 million in August 2007, with the year-over-year change 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 5% in August versus the same month last year. Comparable store sales for the month increased 2.1% versus an increase of 1.7% in August 2007.

Total sales for the year-to-date period increased 4% to \$1.040 billion compared with \$996.4 million in the year-earlier period. On a comparable store basis, sales increased 3.2% through the first seven months of fiscal 2007 compared with 1.4% in the year-earlier period.

Commenting on the announcement, Michael J. Hayes, Chief Executive Officer, said, "We are pleased to report that comparable store sales for August were solidly in our target range, extending the progress we have seen throughout the year. These results are gratifying considering that, as we pointed out in our second quarter release last week, the retail calendar this August effectively has no first-of-the-month push for sales, and we faced stronger comparisons against August of last year.

"Although our stores performed well overall for the month, we saw increased sales activity in Gulf Coast areas as residents stocked up on essentials in preparation for the landfall of Hurricane Gustav," Hayes continued. "Once again, our store and field personnel worked diligently to meet the needs of our customers and prepare our stores to minimize damage. Unlike many customers in the region, we are fortunate to have experienced only minimal damage, although 15 of our stores are still without electricity today." Hayes noted that approximately 35 Fred's stores were directly affected by the storm. The Company's field teams are working to reopen these stores, oversee needed repairs, and meet the upcoming needs of Fred's customers.

Fred's opened one store in August. During the first seven months of the current fiscal year, Fred's has opened 16 new stores and three new pharmacies. To date, the Company has closed 67 stores and 22 pharmacies.

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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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