



The Low Price Leader

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FRED'S REPORTS AUGUST SALES

MEMPHIS, Tenn. (September 3, 2009) – Fred's Inc. (NASDAQ:FRED) today reported sales for the four-week fiscal month and seven-month year-to-date period ended August 29, 2009.

Fred's total sales for the month decreased 1% to \$128.0 million from \$129.2 million in August 2008. Comparable store sales for the month declined 1.4% versus an increase of 2.1% in the same period last year.

Fred's total sales for the year-to-date period decreased 2% to \$1.021 billion compared with \$1.041 billion for the same period last year. Excluding stores closed in 2008, total sales from ongoing stores increased 1% in the first seven months of 2009 versus the year-earlier period. On a comparable store basis, year-to-date sales increased 0.5% compared with 3.2% in the same period last year.

Commenting on the announcement, Bruce A. Efird, Chief Executive Officer, said, "Following a strong start to the month, boosted by tax-free holidays in several states, sales in the latter part of August slowed considerably, especially during the final week. This resulted in overall sales for the month that were below expectations. Relative to last year's results, August sales also reflected a greater-than-expected impact of the first-of-the-month calendar shift this year and the benefit last year of pre-Labor Day weekend sales. Those factors should reverse in September, so we continue to look for third quarter comparable store sales that are even to up 2%." Efird noted that Fred's also will open its first "pilot store of the future" in September, highlighting a new look and enhanced product mix for our customers.

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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