



The Low Price Leader

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FRED'S REPORTS OCTOBER SALES

MEMPHIS, Tenn. (November 5, 2009) – Fred's Inc. (NASDAQ:FRED) today reported sales for the four-week fiscal month, third quarter, and nine-month year-to-date period ended October 31, 2009.

Fred's total sales for the month declined slightly to \$128.1 million from \$128.4 million in October 2008. Comparable store sales for the month rose 0.4% versus an increase of 1.3% in the same period last year.

Total sales for the third quarter of 2009 were \$422.7 million, up 1% from \$418.1 million in the same period last year. Comparable store sales for the quarter increased 1.0% compared with a 1.4% increase in the third quarter last year.

Fred's total sales for the year-to-date period decreased 1% to \$1.315 billion compared with \$1.329 billion for the same period last year. Excluding stores closed, total sales from ongoing stores increased 1% in the first nine months of 2009 versus the year-earlier period. On a comparable store basis, year-to-date sales increased 0.8% compared with 2.9% in the same period last year.

Commenting on the announcement, Bruce A. Efird, Chief Executive Officer, said, "We experienced a solid sales performance in our pharmacy department during October, highlighted by strong script growth as our Prescription Plus program continues to gain momentum. In the general merchandise departments, sales for the month were below our projected range. For the quarter, overall comparable store sales ended at the midrange.

"Throughout the quarter, the key states where we are located have experienced unemployment of more than 10% – higher than the national average – resulting in customers who are both frugal and cautious," Efird continued. "With competitive promotional activity accelerating, we adjusted our approach to maintaining market share by adding increased advertising and price promotions during the quarter. While it brought increased unit volume, total sales were below the required level to offset the added markdowns and advertising expense. The financial impact of the added expenses is expected to be in the range of \$0.03 to \$0.04 per diluted share for the quarter. We did anticipate a very competitive marketplace for the remainder of the year and, as such, our promotional and marketing programs are aggressively budgeted going forward. Another sign of the times was a 600% increase in layaway sales in October compared with the same month last year. Since we cannot record these as sales in the quarter, this has a financial impact that shifts \$0.03 to \$0.04 of earnings per diluted share from the third quarter to the fourth quarter. Also, the Company incurred the expense associated with closing nine stores during third quarter, but we do not anticipate any additional closings in the remaining months of fiscal 2009."

Efird noted that layaway sales are included in the calculation of comparable store sales at the time of purchase, but sales and profit recognition are deferred for accounting treatment until the merchandise is fully paid and picked up.

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During October, Fred's opened four express pharmacy locations. For the third quarter, the Company opened one store eight pharmacies and closed nine stores.

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, 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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