



Low Price Leader

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FRED'S COMPARABLE STORE SALES FOR OCTOBER INCREASE 1.3%

MEMPHIS, Tenn. (November 6, 2008) – Fred's Inc. (NASDAQ:FRED) today reported sales for the four-week, quarter and nine-month periods ended November 1, 2008.

Fred's total sales for the month were \$128.0 million, down 2% from \$130.4 million in October 2007, reflecting the Company's previously announced program to close 75 underperforming stores and 22 underperforming pharmacies this year. Excluding stores closed during 2008, total sales from ongoing stores increased 2% in October versus the same month last year. Comparable store sales for the month increased 1.3% versus an increase of 0.6% in October 2007.

Total sales for the third quarter of 2008 were down slightly to \$417.8 million from \$419.9 million in the same period last year. Comparable store sales for the quarter rose 1.4% compared with a 1.1% increase in the third quarter last year.

Total sales for the year-to-date period increased 3% to \$1.329 billion compared with \$1.287 billion in the year-earlier period. On a comparable store basis, sales increased 2.9% through the first nine months of fiscal 2008 versus a 1.2% gain in the year-earlier period.

Commenting on the announcement, Michael J. Hayes, Chief Executive Officer, said, "We were pleased that October comparable store sales remained inline with guidance, reflecting a continuation of improving traffic trends and reinforcing the positive impact of our sales initiatives. These steps, which place greater focus on improving the customer's shopping experience at Fred's, have helped us continue to grow our market share. At the same time, we absorbed the effects of an ongoing shift from branded to generic prescriptions in our pharmacy department, which masks comparable script growth and improved pharmacy margins."

Hayes continued, "We enter the fourth quarter with our inventory positions attuned to an upcoming holiday season that displays signs of uncertainty. We remain in a cash-positive position and have no debt outstanding under our seasonal revolving credit facility. Financially, we are well positioned to deal with the potential volatility this holiday season and opportunities, should they surface, in the vendor, pharmacy or real estate areas."

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"Although the retail climate remains very difficult to predict, we have seen more stable customer patterns over the last few months," Hayes added. "Lower gas prices will help in these uncertain economic times; however, we continue to anticipate that consumers will remain thrifty and value-driven through the holiday season. By taking the steps we have over the past year to improve Fred's operational performance, we are better prepared to meet the challenges ahead and achieve our guidance objectives."

Fred's opened one pharmacy in October. During the first nine months of the current fiscal year, Fred's has opened 17 new stores and five new pharmacies. To date, the Company has closed 74 stores and 22 pharmacies.

Fred's Inc. operates 658 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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