



**The Low Price Leader**

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**FRED'S DECEMBER TOTAL SALES INCREASE 4%  
AS COMPARABLE STORE SALES INCREASE 1.3%**

MEMPHIS, Tenn. (January 7, 2010) – Fred's Inc. (NASDAQ:FRED) today reported sales for the five-week fiscal month of December and the 11-month period ended January 2, 2010.

Fred's total sales for the month were \$209.3 million, up 4% from \$201.4 million in December 2008. Comparable store sales for the month increased 1.3% versus flat comparable store sales in the same period last year.

Total sales for the year-to-date period were \$1.663 billion, down 1% from \$1.673 billion in the year-earlier period. Excluding closed stores, total sales from ongoing stores increased 1% in the 2009 year-to-date period versus the same period last year. On a comparable store basis, sales increased 0.5% through the first 11 months of fiscal 2009 versus an increase of 2.2% in the year-earlier period.

Commenting on the announcement, Bruce A. Efird, Chief Executive Officer, said, "We are pleased with Fred's December sales performance, especially considering the tough consumer environment that persists, as comparable store sales for the month rebounded. Several key factors contributed to these positive results, including improved customer traffic, continued pharmacy department script growth, and better clearance of seasonal inventory. Also, we successfully executed our expanded layaway program, experiencing an increase of approximately 320% over last year and meeting our expectations for the program. This progress, combined with better merchandise planning, allowed us to reduce our per-store inventory at the end of December 7% from the year-earlier level. As we approach the end of fiscal 2009, Fred's is well prepared to take advantage of several opportunities, setting the stage for a successful 2010."

Fred's Inc. operates 667 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](http://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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