



*The Low Price Leader*

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### **FRED'S INCREASES QUARTERLY CASH DIVIDEND 33% TO \$0.04 PER SHARE**

MEMPHIS, Tenn. (February 26, 2010) – Fred's, Inc. (NASDAQ: FRED) today announced that its Board of Directors has increased the Company's quarterly cash dividend 33% to \$0.04 per share from the previous rate of \$0.03 per share. The dividend is payable on March 15, 2010, to shareholders of record as of March 5, 2010.

Commenting on the announcement, Michael J. Hayes, Chairman, said, "We are pleased to be in a position to increase our dividend again, with this being the second consecutive year in which we have done so. With a strong balance sheet and solid cash flow, we welcome this opportunity to allow our shareholders to participate in our progress in a direct and tangible way."

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](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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