

## **PRESS RELEASE**

### **For Immediate Release**

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## **LE CHÂTEAU REPORTS STRONG SECOND QUARTER RESULTS**

**Montreal, September 7, 2004** – Le Château Inc. (TSX: CTU.A) today reported that sales increased 4.3% to \$56,528,000 for the second quarter ended July 31, 2004, compared with sales of \$54,180,000 for the second quarter ended July 26, 2003. Comparable store sales increased by 4.2% in the second quarter of 2004 compared with the same period a year ago. Increased sales reflect the strong appeal of our spring merchandise, as well as increased square footage.

Net earnings for the second quarter increased 49% to \$3,780,000 or \$0.71 per share from \$2,543,000 or \$0.50 per share last year, resulting primarily from improved gross margins and better leverage of our store and head office costs.

Net earnings attributable to Canadian operations amounted to \$3,878,000 or \$0.73 per share for the second quarter, compared to \$2,828,000 or \$0.55 per share the previous year. The U.S. reported a net loss \$98,000 Cdn or \$(0.02) Cdn per share for the period, compared to a net loss of \$285,000 Cdn or \$(0.05) Cdn per share for the same period a year ago, an improvement of \$187,000, as our strategy to improve the productivity of U.S. stores continues to show results.

### **Six-month results**

Sales rose 7.8% to \$107,205,000 for the first six months of the year, compared to \$99,450,000 last year. Net earnings for the six-month period increased 104% to \$5,968,000 or \$1.13 per share from \$2,924,000 or \$0.58 per share the previous year. Comparable store sales increased 4.7% over the same period a year ago.

Net earnings attributable to Canadian operations amounted to \$6,159,000 or \$1.17 per share for the first six months, compared to \$3,714,000 or \$0.73 per share the previous year. The U.S. reported a net loss \$191,000 Cdn or \$(0.04) Cdn per share for six-month period, compared to a net loss of \$790,000 Cdn or \$(0.15) Cdn per share for the same period a year ago, an improvement of \$599,000.

Emilia Di Raddo, President of Le Château, said, "We attribute the positive first-half results to our ongoing efforts to reposition the Le Château brand. The success of our brand is linked to our ability to adapt our image to reflect evolving demographics and capture a broader customer base. Our season-less, ageless approach to fashion, as well as the introduction of an extended range of sizes and a greater focus on quality, are all factors in our continuing success. Our menswear business has also been a strong contributing factor, with a sales increase of 18% in the first half of the year. In the first six months of 2004, eight existing stores were expanded into adjacent premises to accommodate menswear boutiques, and we expect to expand five more in the remainder of the year."

### **Third Quarter of Fiscal 2005**

For the first five weeks ended September 4, 2004, total retail sales increased 6.4% and same store sales increased 0.1% compared to the same period last year.

### **Profile**

Le Château is a leading Canadian specialty retailer offering fashion-forward apparel, accessories and footwear to style-conscious women and men.

Le Château brand name clothing is largely designed and developed within our vertically integrated operations. Our brand name merchandise is sold exclusively through our 171 retail locations. All stores are in Canada, except for four locations in the New York City area.

### **Forward-Looking Statements**

This news release may contain forward-looking statements relating to the Company and/or the environment in which it operates that are based on the Company's expectations, estimates and forecasts. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict and/or are beyond the Company's control. A number of factors may cause actual outcomes and results to differ materially from those expressed. These factors include those set forth in other public filings of the Company. Therefore, readers should not place undue reliance on these forward-looking statements. In addition, these forward-looking statements speak only as of the date made and the Company disavows any intention or obligation to update or revise any such statements as a result of any event, circumstance or otherwise.

Factors which could cause actual results or events to differ materially from current expectations include, among other things: the ability of the Company to successfully implement its strategic initiatives and whether such strategic initiatives will yield the expected benefits; competitive conditions in the businesses in which the Company participates; changes in consumer spending; general economic conditions and normal business uncertainty; customer preferences towards product offerings; seasonal weather patterns; fluctuations in foreign currency exchange rates; changes in the Company's relationship with its suppliers; interest rate fluctuations and other changes in borrowing costs; and changes in laws, rules and regulations applicable to the Company.

## **CONSOLIDATED BALANCE SHEETS**

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	As at July 31, 2004	As at July 26, 2003	As at January 31, 2004
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 17,336	\$ 4,901	\$ 22,067
Accounts receivable and prepaid expenses	1,698	1,948	1,394
Income taxes refundable	-	227	-
Inventories	38,553	32,386	26,075
Loan to director	-	566	566
<b>Total current assets</b>	<b>57,587</b>	<b>40,028</b>	<b>50,102</b>
Fixed assets	48,624	40,356	44,444
	<b>\$ 106,211</b>	<b>\$ 80,384</b>	<b>\$ 94,546</b>

## **LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>Current</b>			
Accounts payable and accrued liabilities	\$ 20,362	\$ 15,400	\$ 20,148
Dividend payable	799	516	525
Income taxes payable	551	-	2,003
Current portion of capital lease obligations	1,460	1,120	1,525
Current portion of long-term debt	2,673	1,249	914
<b>Total current liabilities</b>	<b>25,845</b>	<b>18,285</b>	<b>25,115</b>
Capital lease obligations	3,040	3,104	3,728
Long-term debt	7,595	1,226	852
Future income taxes	1,758	1,888	1,758
Deferred lease inducements	2,022	1,995	1,931
<b>Total liabilities</b>	<b>40,260</b>	<b>26,498</b>	<b>33,384</b>
<b>Shareholders' equity</b>			
Capital stock	15,190	14,179	14,774
Retained earnings	50,761	39,707	46,388
<b>Total shareholders' equity</b>	<b>65,951</b>	<b>53,886</b>	<b>61,162</b>
	<b>\$ 106,211</b>	<b>\$ 80,384</b>	<b>\$ 94,546</b>

## CONSOLIDATED STATEMENTS OF EARNINGS

<i>(Unaudited)</i>	<b>For the three months ended</b>		<b>For the six months ended</b>	
<i>(In thousands of dollars, except per share data)</i>	<b>July 31, 2004</b>	<b>July 26, 2003</b>	<b>July 31, 2004</b>	<b>July 26, 2003</b>
<b>Sales</b>	<b>\$ 56,528</b>	<b>\$ 54,180</b>	<b>\$ 107,205</b>	<b>\$ 99,450</b>
<b>Cost of sales and expenses</b>				
Cost of sales and selling, general and administrative	48,142	47,923	92,756	90,342
Interest	125	63	246	130
Depreciation and amortization	2,221	2,028	4,405	3,986
Write-off of fixed assets	145	13	360	13
	<b>50,633</b>	<b>50,027</b>	<b>97,767</b>	<b>94,471</b>
Earnings before income taxes	5,895	4,153	9,438	4,979
Provision for income taxes	2,115	1,610	3,470	2,055
<b>Net earnings</b>	<b>\$ 3,780</b>	<b>\$ 2,543</b>	<b>\$ 5,968</b>	<b>\$ 2,924</b>
<b>Net earnings per share</b>				
Basic	\$ 0.71	\$ 0.50	\$ 1.13	\$ 0.58
Diluted	0.68	0.48	1.08	0.55
<b>Weighted average number of shares outstanding ('000)</b>	<b>5,309</b>	<b>5,127</b>	<b>5,278</b>	<b>5,076</b>

## SEGMENTED INFORMATION

<i>(Unaudited)</i>	<b>For the three months ended</b>		<b>For the six months ended</b>	
<i>(In thousands of dollars)</i>	<b>July 31, 2004</b>	<b>July 26, 2003</b>	<b>July 31, 2004</b>	<b>July 26, 2003</b>
<b>Sales</b>				
Canada	\$ 54,554	\$ 52,277	\$ 103,317	\$ 95,869
United States	1,974	1,903	3,888	3,581
	<b>\$ 56,528</b>	<b>\$ 54,180</b>	<b>\$ 107,205</b>	<b>\$ 99,450</b>
<b>Net earnings (loss)</b>				
Canada	\$ 3,878	\$ 2,828	\$ 6,159	\$ 3,714
United States	(98)	(285)	(191)	(790)
	<b>\$ 3,780</b>	<b>\$ 2,543</b>	<b>\$ 5,968</b>	<b>\$ 2,924</b>
<b>Identifiable assets</b>				
Canada	\$ 102,098	\$ 76,204	\$ 102,098	\$ 76,204
United States	4,113	4,180	4,113	4,180
	<b>\$ 106,211</b>	<b>\$ 80,384</b>	<b>\$ 106,211</b>	<b>\$ 80,384</b>