

PRESS RELEASE

For Immediate Release

Source: LE CHÂTEAU INC.
Contact: Emilia Di Raddo, CA
President
(514) 738-7000

Maison Brison
Brian Quick
(514) 731-0000

LE CHÂTEAU REPORTS RECORD THIRD QUARTER RESULTS

Montreal, December 2, 2004 – Le Château Inc. (TSX: CTU.SV.A) today reported that sales increased 6.9% to \$61,776,000 for the third quarter ended October 30, 2004, compared with sales of \$57,763,000 for the third quarter ended October 25, 2003 last year. Comparable store sales increased by 3.2% in the third quarter of 2004 compared with the same period a year ago. Increased sales reflect the strong appeal of our fall merchandise, as well as increased square footage.

Net earnings for the third quarter increased 29% to \$4,905,000 or \$0.92 per share from \$3,810,000 or \$0.74 per share last year, resulting primarily from continued improvements in gross margins and better leverage of our store and head office costs.

Net earnings attributable to Canadian operations amounted to \$5,006,000 or \$0.94 per share for the third quarter, compared to \$4,022,000 or \$0.78 per share the previous year. The U.S. reported a net loss \$101,000 Cdn or \$(0.02) Cdn per share for the period, compared to a net loss of \$212,000 Cdn or \$(0.04) Cdn per share for the same period a year ago, an improvement of \$111,000, as our strategy to improve the productivity of U.S. stores continues to show results.

Nine-month results

Sales rose 7.5% to \$168,981,000 for the first nine months of the year, compared to \$157,213,000 last year. Net earnings for the nine-month period increased 61% to \$10,873,000 or \$2.05 per share from \$6,734,000 or \$1.32 per share the previous year. Comparable store sales increased 4.2% over the same period a year ago.

Net earnings attributable to Canadian operations amounted to \$11,165,000 or \$2.11 per share for the first nine months, compared to \$7,736,000 or \$1.52 per share the previous year. The U.S. reported a net loss \$292,000 Cdn or \$(0.06) Cdn per share for nine-month period, compared to a net loss of \$1,002,000 Cdn or \$(0.20) Cdn per share for the same period a year ago, an improvement of \$710,000.

Emilia Di Raddo, President of Le Château, said, "Our third quarter results continue the trend of increased sales and net earnings achieved for the first half of the 2004 fiscal year, as we execute our strategy 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, the introduction of an extended range of sizes, a greater focus on quality, as well as improved product offering in our footwear and accessories divisions, are all factors in our continuing success. Our menswear division also continues to strengthen and grow, with a sales increase of 17% for the first nine months of the year. During this same time period, ten existing stores were expanded into adjacent premises to accommodate menswear boutiques, and three more are slated for similar expansion during the remainder of the year."

Fourth Quarter of Fiscal 2005

Total sales for the first four weeks ended November 27, 2004 increased 16.8% compared to the first four weeks ended November 22, 2003 last year. On a comparable week basis (four week period ended November 27, 2004 versus the four week period ended November 29, 2003), total sales increased 9.0% while same store sales increased 4.6%.

Dividend Increase

The Board of Directors approved a change in the Company's dividend policy increasing the quarterly dividend 16.7% from \$0.15 to \$0.175 per share, subject to the declaration of the dividend in January 2005.

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 175 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 October 30, 2004	As at October 25, 2003	As at January 31, 2004
ASSETS			
Current			
Cash and cash equivalents	\$ 17,520	\$ 6,540	\$ 22,067
Accounts receivable and prepaid expenses	1,707	1,222	1,394
Inventories	40,638	34,646	26,075
Loan to director	-	566	566
Total current assets	59,865	42,974	50,102
Fixed assets	49,335	41,538	44,444
	\$ 109,200	\$ 84,512	\$ 94,546

LIABILITIES AND SHAREHOLDERS' EQUITY

Current			
Accounts payable and accrued liabilities	\$ 18,224	\$ 15,785	\$ 20,148
Dividend payable	802	519	525
Income taxes payable	1,469	1,061	2,003
Current portion of capital lease obligations	1,427	1,137	1,525
Current portion of long-term debt	2,897	1,037	914
Total current liabilities	24,819	19,539	25,115
Capital lease obligations	2,687	2,813	3,728
Long-term debt	7,508	1,040	852
Future income taxes	1,758	1,888	1,758
Deferred lease inducements	2,261	1,883	1,931
Total liabilities	39,033	27,163	33,384
Shareholders' equity			
Capital stock	15,302	14,351	14,774
Retained earnings	54,865	42,998	46,388
Total shareholders' equity	70,167	57,349	61,162
	\$ 109,200	\$ 84,512	\$ 94,546

CONSOLIDATED STATEMENTS OF EARNINGS

<i>(Unaudited)</i> <i>(In thousands of dollars, except per share data)</i>	For the three months ended		For the nine months ended	
	October 30, 2004	October 25, 2003	October 30, 2004	October 25, 2003
Sales	\$ 61,776	\$ 57,763	\$ 168,981	\$ 157,213
Cost of sales and expenses				
Cost of sales and selling, general and administrative	51,756	49,448	144,512	139,790
Interest	219	105	465	235
Depreciation and amortization	2,286	1,995	6,691	5,981
Write-off of fixed assets	-	95	360	108
	54,261	51,643	152,028	146,114
Earnings before income taxes	7,515	6,120	16,953	11,099
Provision for income taxes	2,610	2,310	6,080	4,365
Net earnings	\$ 4,905	\$ 3,810	\$ 10,873	\$ 6,734
Net earnings per share				
Basic	\$ 0.92	\$ 0.74	\$ 2.05	\$ 1.32
Diluted	0.88	0.71	1.97	1.27
Weighted average number of shares outstanding ('000)	5,334	5,169	5,297	5,107

SEGMENTED INFORMATION

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	For the three months ended		For the nine months ended	
	October 30, 2004	October 25, 2003	October 30, 2004	October 25, 2003
Sales				
Canada	\$ 59,939	\$ 55,915	\$ 163,256	\$ 151,784
United States	1,837	1,848	5,725	5,429
	\$ 61,776	\$ 57,763	\$ 168,981	\$ 157,213
Net earnings (loss)				
Canada	\$ 5,006	\$ 4,022	\$ 11,165	\$ 7,736
United States	(101)	(212)	(292)	(1,002)
	\$ 4,905	\$ 3,810	\$ 10,873	\$ 6,734
Identifiable assets				
Canada	\$ 104,643	\$ 80,288	\$ 104,643	\$ 80,288
United States	4,557	4,224	4,557	4,224
	\$ 109,200	\$ 84,512	\$ 109,200	\$ 84,512