

**PRESS RELEASE**

For Immediate Release

**Source: LE CHÂTEAU INC.**

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**LE CHÂTEAU HOLDS ANNUAL GENERAL MEETING**

**Montreal, June 28, 2006** – At today's annual general meeting of Le Château Inc (TSX: CTU.A), Chairman and Chief Executive Officer Herschel H. Segal told shareholders that, by all financial measures, 2005 was a year of unprecedented success for the Company. We continued to hold our traditionally strong position in the middle of the retail spectrum between big box stores and specialty boutiques, without ceding ground to either group. We did so by holding fast to our approach of offering design-driven fashion at affordable prices, and by being opportunistic – in 2005 we recognized and quickly seized opportunities in menswear, accessories, and footwear.

Several factors contributed to the financial accomplishments of 2005, including: the intensification of the Company's multi-generational appeal; accelerated expansion into secondary markets; the increase in average square footage of stores; proprietary information technology which sped up reaction time and rendered domestic manufacturing capability even more of an advantage; and improved global sourcing.

Sales for the year ended January 28, 2006 increased 15.7% to reach a record level of \$279.1 million and comparable store sales increased 11.2% over the same period a year ago. Earnings before income taxes were \$36.0 million, up 47.8% from \$24.3 million in 2004 and net earnings increased 48% to \$23.5 million or \$3.95 per share (basic) from \$15.9 million or \$2.96 per share (basic) in 2004.

In response to the Company's improving financial results and position, the Board of Directors approved two dividend increases during the year. The first was a 14% increase in September 2005, increasing the rate from \$0.175 per share to \$0.20 per share. The second was a 25% increase in December 2005, increasing the rate from \$0.20 per share to \$0.25 per share, or \$1.00 per share on an annualized basis.

**Current year update**

"We reported excellent results for the first quarter of this year, but they failed to match our outstanding results for the first quarter of last year, when our net earnings increased by 112% over the previous year," noted Mr. Segal. "That was a tough number to surpass or even equal."

For the first quarter ended April 29, 2006 sales increased 1.0% to \$61.2 million. Comparable store sales decreased 4.3% compared with the same period a year ago. Net earnings for the first quarter were \$2.7 million or \$0.45 per share (basic) compared to \$4.6 million or \$0.79 per share (basic) last year. The Board of Directors also declared a dividend of \$0.25 per share, which is the 51<sup>st</sup> consecutive quarter the Company has declared a dividend.

"We have recaptured the momentum lost in the first quarter and, since the end of May, our numbers have been improving," remarked Mr. Segal. "In fact, during the month of June we returned to positive comparable store sales with a 1.2% increase. The rise in comparable sales may not yet be dramatic, but it's evident and trending steadily upward. "

For the first eight weeks of the second quarter of fiscal 2007, total retail sales increased 2.4% and same store sales decreased 1.9% compared to the same period last year.

## Outlook

Mr. Segal identified Le Château's challenges and goals for the remaining months of this year:

- The Company is reasserting itself in ladies wear. It is reaffirming its fashion leadership in that segment. Le Château is focused on returning to healthy comparable store increases in both its ladies and accessories divisions;
- The Company has identified great opportunity in footwear and menswear, and the groundwork has been laid for growth in those divisions;
- Le Château will enhance productivity by continuing to increase the footprint of its stores whenever circumstances permit.

Most importantly, Mr. Segal noted, the Company is poised to use its quick replenishment machine to give its customers more of what they want, almost as soon as they want it.

## Profile

Le Château is a leading Canadian brand in specialty retailing offering a broad array of contemporary fashion apparel, accessories and footwear for style-conscious women and men. The Le Château brand is synonymous with ageless fashion at accessible prices and is sold exclusively through the Company's 188 retail locations across Canada, except for five locations in the New York City area. The Company's outlets are primarily found in major urban shopping malls and complemented with high pedestrian-traffic, street-front locations.

The Company's 47-year tradition of vertical integration, a design and manufacturing approach to retailing, makes it unique among Canadian fashion merchants.

## 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.