

**PRESS RELEASE**

**For Immediate Release**

**Source : LE CHÂTEAU INC.**

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**LE CHÂTEAU REPORTS FIRST QUARTER RESULTS**

**Montreal, June 8, 2006** – Le Château Inc. (TSX: CTU.A) today reported results for the first quarter ended April 29, 2006. All dollar amounts are in Canadian dollars unless otherwise indicated.

Net earnings for the quarter were \$2.7 million or \$0.45 per share compared to \$4.6 million or \$0.79 per share for the same quarter last year. The decline in net earnings was largely the result of a decrease in comparable store sales of 4.3% in the quarter, as compared with a 16.9% increase for the first quarter a year ago. Included in the first quarter expenses are approximately \$535,000 of costs relating to the ongoing strategic review.

During the quarter, the Company opened two new stores and expanded 12 existing locations, resulting in the addition of 37,000 square feet to the Le Château network. Sales generated by this expansion as well as other new space over the past year offset the decline in comparable store sales, resulting in total sales for the quarter of \$61.2 million, or a 1.0% increase compared with \$60.6 million for the same period last year. Earnings before interest, income taxes, depreciation and amortization (EBITDA) were \$7.4 million compared to \$9.9 million for the first quarter last year.

Sales and profit figures were impacted by the closing of our *JUNIOR GIRL* division, the rapid introduction of a major footwear department across the chain, a full corporate strategic review, and other factors which softened our focus on giving customers precisely what they want. Although our first quarter results still show impressive profits, management has dedicated significant resources on the product side to accelerate growth in sales and profits.

As previously announced on March 14, 2006, the Company engaged Genuity Capital Markets to assist in evaluating various strategic alternatives, including, but not limited to, a sale of the Company, a business combination or a capital reorganization. The process continues and there can be no assurance that any transaction or other action will result.

**Dividend Declaration**

The Board of Directors declared a quarterly dividend of \$0.25 per Class A subordinate voting share and Class B voting share. This is the 51<sup>st</sup> consecutive dividend declared by Le Château, and is payable on August 8, 2006 to the shareholders of record at the close of business on July 14, 2006.

**Second Quarter of Fiscal 2007**

For the first five weeks ended June 3, 2006, total retail sales increased 0.1% and same store sales decreased 4.1% compared to the same period last year.

## **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.

## **Supplementary Earnings Measure**

In addition to discussing earnings measures in accordance with Canadian generally accepted accounting principles ("GAAP"), this press release provides earnings before interest, income taxes, depreciation and amortization ("EBITDA") as a supplementary earnings measure. Depreciation and amortization include the write-off of fixed assets. EBITDA is provided to assist readers in determining the ability of the Company to generate cash from operations and to cover financial charges. It is also widely used for valuation purposes.

The above measure does not have a standardized meaning prescribed by GAAP and may not be comparable to similar measures presented by other companies.

## **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>	<b>As at</b>	<b>As at</b>	<b>As at</b>
<i>(In thousands of dollars)</i>	<b>April 29, 2006</b>	<b>April 30, 2005</b>	<b>January 28, 2006</b>
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 5,808	\$ 33,592	\$ 17,979
Short-term investments	37,276	-	43,083
Accounts receivable and prepaid expenses	4,512	3,078	3,746
Income taxes refundable	796	-	-
Inventories	37,249	32,708	35,444
<b>Total current assets</b>	<b>85,641</b>	<b>69,378</b>	<b>100,252</b>
Fixed assets	73,972	60,137	65,984
	<b>\$ 159,613</b>	<b>\$ 129,515</b>	<b>\$ 166,236</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 24,563	\$ 21,310	\$ 27,668
Dividend payable	1,507	1,039	1,507
Income taxes payable	-	1,017	3,740
Current portion of capital lease obligations	2,674	1,421	2,634
Current portion of long-term debt	4,204	2,847	4,212
<b>Total current liabilities</b>	<b>32,948</b>	<b>27,634</b>	<b>39,761</b>
Capital lease obligations	3,655	1,965	4,339
Long-term debt	9,251	6,131	10,326
Future income taxes	2,365	1,695	2,365
Deferred lease inducements	4,671	3,012	4,200
<b>Total liabilities</b>	<b>52,890</b>	<b>40,437</b>	<b>60,991</b>
<b>Shareholders' Equity</b>			
Capital stock	27,212	26,628	27,210
Contributed surplus	722	-	458
Retained earnings	78,789	62,450	77,577
<b>Total shareholders' equity</b>	<b>106,723</b>	<b>89,078</b>	<b>105,245</b>
	<b>\$ 159,613</b>	<b>\$ 129,515</b>	<b>\$ 166,236</b>

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

<i>(Unaudited)</i> <i>(In thousands of dollars, except per share data)</i>	For the three months ended	
	April 29, 2006	April 30, 2005
<b>Balance, beginning of period</b>	\$ 77,577	\$ 58,851
Net earnings	2,719	4,638
	<b>80,296</b>	63,489
Dividends	1,507	1,039
<b>Balance, end of period</b>	<b>\$ 78,789</b>	<b>\$ 62,450</b>

**CONSOLIDATED STATEMENTS OF EARNINGS**

<i>(Unaudited)</i> <i>(In thousands of dollars, except per share data)</i>	For the three months ended	
	April 29, 2006	April 30, 2005
<b>Sales</b>	\$ 61,187	\$ 60,601
<b>Cost of sales and expenses</b>		
Cost of sales and selling, general and administrative	53,826	50,712
Depreciation and amortization	3,198	2,620
Write-off of fixed assets	51	44
Interest on long-term and capital lease obligations	304	193
Interest income	(411)	(186)
	<b>56,968</b>	53,383
Earnings before income taxes	4,219	7,218
Provision for income taxes	1,500	2,580
<b>Net earnings</b>	<b>\$ 2,719</b>	<b>\$ 4,638</b>
<b>Net earnings per share</b>		
Basic	\$ 0.45	\$ 0.79
Diluted	0.43	0.76
<b>Weighted average number of shares outstanding ('000)</b>	<b>6,026</b>	<b>5,880</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(In thousands of dollars)

For the three months ended

April 29, 2006

April 30, 2005

**OPERATING ACTIVITIES**

Net earnings	\$ 2,719	\$ 4,638
Adjustments to determine net cash from operating activities		
Depreciation and amortization	3,198	2,620
Write-off of fixed assets	51	44
Amortization of deferred lease inducements	(179)	(148)
Deferred lease inducements	650	673
Stock-based compensation	264	-
	<b>6,703</b>	<b>7,827</b>
Net change in non-cash working capital items related to operations	<b>(10,212)</b>	<b>(6,297)</b>
<b>Cash flows related to operating activities</b>	<b>(3,509)</b>	<b>1,530</b>

**FINANCING ACTIVITIES**

Repayment of capital lease obligations	(644)	(342)
Repayment of long-term debt	(1,083)	(719)
Issue of capital stock	2	235
Dividends paid	(1,507)	(1,027)
<b>Cash flows related to financing activities</b>	<b>(3,232)</b>	<b>(1,853)</b>

**INVESTING ACTIVITIES**

Decrease in short-term investments	5,807	-
Additions to fixed assets	(11,237)	(12,070)
<b>Cash flows related to investing activities</b>	<b>(5,430)</b>	<b>(12,070)</b>

<b>Decrease in cash and cash equivalents</b>	<b>(12,171)</b>	<b>(12,393)</b>
Cash and cash equivalents, beginning of period	17,979	45,985
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,808</b>	<b>\$ 33,592</b>

**Supplementary information:**

Interest paid during the period	\$ 304	\$ 193
Income taxes paid during the period, net	6,038	3,487

**SEGMENTED INFORMATION**

(Unaudited)

(In thousands of dollars)

For the three months ended

April 29, 2006

April 30, 2005

**Sales by country**

Canada	\$ 59,392	\$ 58,685
United States	1,795	1,916
	\$ 61,187	\$ 60,601

**Sales by division**

Ladies' Clothing	\$ 34,946	\$ 34,843
Men's Clothing	8,312	7,241
JUNIOR GIRL Clothing	1,182	2,673
Footwear	7,204	5,259
Accessories	9,543	10,585
	\$ 61,187	\$ 60,601

**Net earnings (loss)**

Canada	\$ 3,109	\$ 4,739
United States	(390)	(101)
	\$ 2,719	\$ 4,638

**Identifiable assets**

Canada	\$ 154,668	\$ 125,330
United States	4,945	4,185
	\$ 159,613	\$ 129,515