

**PRESS RELEASE**

**For Immediate Release**

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**LE CHÂTEAU REPORTS RECORD THIRD QUARTER SALES AND EARNINGS,  
INCREASES REGULAR DIVIDEND AND DECLARES A ONE-TIME \$3.00 PER SHARE DIVIDEND**

**Montreal, November 30, 2006** – Le Château Inc. (TSX: CTU.A) today reported that sales increased by 12.4% to \$77.8 million for the third quarter ended October 28, 2006 as compared with sales of \$69.2 million for the third quarter ended October 29, 2005. Comparable store sales increased 6.8% in the third quarter of 2006 compared to the same period last year.

Net earnings for the third quarter increased 36.0% to \$8.4 million or \$1.38 per share, compared to \$6.1 million or \$1.03 per share for the same quarter last year. Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the third quarter increased 29.9% to \$16.3 million or 20.9% of sales, compared to \$12.5 million or 18.1% of sales last year.

**Fourth Quarter of Fiscal 2007**

For the first four weeks ended November 25, 2006, total retail sales have increased 11.5% and comparable store sales have increased 7.1% compared to the same period a year ago.

**Dividend Declarations**

The Board of Directors has declared two dividends for the holders of Class A subordinate voting shares and Class B voting shares. The Board of Directors has increased the regular quarterly dividend by 50% to \$0.375 per share and has declared a one-time dividend of \$3.00 per share. Both dividends are payable on February 13, 2007 to the shareholders of record at the close of business on January 30, 2007.

**Chairman's Remarks**

Commenting on the Company's third quarter results, Le Château's Chairman Herschel Segal said, "The growth objectives we set for the current year are now showing tangible results. We have seen substantial revenue increases in the third quarter in our Ladies' Clothing, Men's Clothing and Footwear divisions, and these improvements validate the strategy we implemented to increase the size of our stores to accommodate the expansion of the Men's and Footwear divisions. To build on this success, the entire management team under the direction of our CEO, Jane Silverstone Segal, will continue to improve productivity in all divisions.

"We are therefore confident in increasing our regular quarterly dividend and declaring this one-time dividend. The Company continues to maintain a conservative financial position with sufficient resources to cover its capital expenditures program and other financial commitments."

**Nine-month Results**

Sales rose 6.1% to \$210.9 million for the nine months ended October 28, 2006, compared to \$198.8 million last year. Comparable store sales increased 0.8% over the same period a year ago. During the first nine months of the year, the Company opened 8 new stores and expanded 19 existing locations, resulting in the addition of 83,000 square feet or 11% to the Le Château network.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the first nine months were \$35.7 million or 16.9% of sales, compared to \$34.8 million or 17.5% of sales last year. Included in expenses for the first nine months were costs of approximately \$732,000 relating to the strategic review.

Net earnings for the nine-month period were \$16.5 million or \$2.74 per share, compared to \$17.0 million or \$2.87 per share the previous year.

## Ongoing Strategic Process

The Company continues to evaluate various strategic alternatives. These include, but are not limited to, a sale of the Company, a business combination or a capital reorganization. While there can be no assurance that any transaction or other action will result, the Board of Directors remains committed to pursuing this process and enhancing shareholder value.

## 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 195 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 for public companies in our industry.

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>	As at	As at	As at
<i>(In thousands of dollars)</i>	October 28, 2006	October 29, 2005	January 28, 2006
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 7,841	\$ 25,187	\$ 17,979
Short-term investments	37,175	14,894	43,083
Accounts receivable and prepaid expenses	4,071	3,343	3,746
Inventories	45,456	43,011	35,444
<b>Total current assets</b>	<b>94,543</b>	<b>86,435</b>	<b>100,252</b>
Fixed assets	78,319	65,342	65,984
	<b>\$ 172,862</b>	<b>\$ 151,777</b>	<b>\$ 166,236</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Accounts payable and accrued liabilities	\$ 29,008	\$ 24,960	\$ 27,668
Dividend payable	1,509	-	1,507
Income taxes payable	324	3,523	3,740
Current portion of capital lease obligations	2,376	1,466	2,634
Current portion of long-term debt	4,329	4,204	4,212
<b>Total current liabilities</b>	<b>37,546</b>	<b>34,153</b>	<b>39,761</b>
Capital lease obligations	2,636	1,221	4,339
Long-term debt	7,055	11,384	10,326
Future income taxes	2,313	1,695	2,365
Deferred lease inducements	5,188	3,595	4,200
<b>Total liabilities</b>	<b>54,738</b>	<b>52,048</b>	<b>60,991</b>
<b>Shareholders' Equity</b>			
Capital stock	27,383	26,886	27,210
Contributed surplus	1,184	251	458
Retained earnings	89,557	72,592	77,577
<b>Total shareholders' equity</b>	<b>118,124</b>	<b>99,729</b>	<b>105,245</b>
	<b>\$ 172,862</b>	<b>\$ 151,777</b>	<b>\$ 166,236</b>

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS**

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	For the three months ended		For the nine months ended	
	October 28, 2006	October 29, 2005	October 28, 2006	October 29, 2005
<b>Balance, beginning of period</b>	\$ 82,714	\$ 67,644	\$ 77,577	\$ 58,851
Net earnings	8,352	6,143	16,503	17,021
	91,066	73,787	94,080	75,872
Dividends	1,509	1,195	4,523	3,280
<b>Balance, end of period</b>	\$ 89,557	72,592	89,557	72,592

**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 28, 2006	October 29, 2005	October 28, 2006	October 29, 2005
<b>Sales</b>	\$ 77,841	\$ 69,231	\$ 210,920	\$ 198,839
<b>Cost of sales and expenses</b>				
Cost of sales and selling, general and administrative	61,583	56,712	175,176	164,059
Depreciation and amortization	3,431	2,815	10,055	8,150
Write-off of fixed assets	126	234	505	306
Interest on long-term debt and capital lease obligations	261	164	846	534
Interest income	(407)	(199)	(1,210)	(593)
	64,994	59,726	185,372	172,456
Earnings before income taxes	12,847	9,505	25,548	26,383
Provision for income taxes	4,495	3,362	9,045	9,362
<b>Net earnings</b>	\$ 8,352	\$ 6,143	\$ 16,503	\$ 17,021
<b>Net earnings per share</b>				
Basic	\$ 1.38	\$ 1.03	\$ 2.74	\$ 2.87
Diluted	1.35	0.99	2.65	2.77
<b>Weighted average number of shares outstanding ('000)</b>	6,036	5,977	6,030	5,937

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	For the three months ended		For the nine months ended	
	October 28, 2006	October 29, 2005	October 28, 2006	October 29, 2005
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 8,352	\$ 6,143	\$ 16,503	\$ 17,021
Adjustments to determine net cash from operating activities				
Depreciation and amortization	3,431	2,815	10,055	8,150
Write-off of fixed assets	126	234	505	306
Amortization of deferred lease inducements	(203)	(219)	(610)	(517)
Deferred lease inducements	614	94	1,598	1,625
Stock-based compensation	230	129	726	251
Future income taxes	-	-	(52)	-
	<u>12,550</u>	<u>9,196</u>	<u>28,725</u>	<u>26,836</u>
Net change in non-cash working capital items related to operations	(243)	(955)	(12,413)	(10,709)
<b>Cash flows related to operating activities</b>	<b>12,307</b>	<b>8,241</b>	<b>16,312</b>	<b>16,127</b>
<b>FINANCING ACTIVITIES</b>				
Repayment of capital lease obligations	(664)	(352)	(1,961)	(1,041)
Proceeds of long-term debt	-	8,081	-	8,081
Repayment of long-term debt	(1,042)	(741)	(3,154)	(2,190)
Issue of capital stock	18	30	173	493
Dividends paid	(1,507)	(2,241)	(4,521)	(4,307)
<b>Cash flows related to financing activities</b>	<b>(3,195)</b>	<b>4,777</b>	<b>(9,463)</b>	<b>1,036</b>
<b>INVESTING ACTIVITIES</b>				
Decrease (increase) in short-term investments	(31,175)	(14,894)	5,908	(14,894)
Additions to fixed assets	(6,703)	(5,736)	(22,895)	(23,067)
<b>Cash flows related to investing activities</b>	<b>(37,878)</b>	<b>(20,630)</b>	<b>(16,987)</b>	<b>(37,961)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(28,766)</b>	<b>(7,612)</b>	<b>(10,138)</b>	<b>(20,798)</b>
Cash and cash equivalents, beginning of period	36,607	32,799	17,979	45,985
<b>Cash and cash equivalents, end of period</b>	<b>\$ 7,841</b>	<b>\$ 25,187</b>	<b>\$ 7,841</b>	<b>\$ 25,187</b>
<b>Supplementary information:</b>				
Interest paid during the period	\$ 261	\$ 164	\$ 846	\$ 534
Income taxes paid during the period, net	3,041	2,141	12,265	7,779

**SEGMENTED INFORMATION**

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	For the three months ended		For the nine months ended	
	October 28, 2006	October 29, 2005	October 28, 2006	October 29, 2005
<b>Sales by country</b>				
Canada	\$ 75,729	\$ 67,502	\$ 205,034	\$ 193,287
United States	2,112	1,729	5,886	5,552
	<b>\$ 77,841</b>	<b>\$ 69,231</b>	<b>\$ 210,920</b>	<b>\$ 198,839</b>
<b>Sales by division</b>				
Ladies' Clothing	\$ 44,090	\$ 37,959	\$ 118,709	\$ 110,151
Men's Clothing	11,376	9,037	30,509	25,303
<i>JUNIOR GIRL</i> Clothing	232	2,907	1,821	8,237
Footwear	9,824	6,223	26,902	18,155
Accessories	12,319	13,105	32,979	36,993
	<b>\$ 77,841</b>	<b>\$ 69,231</b>	<b>\$ 210,920</b>	<b>\$ 198,839</b>
<b>Net earnings (loss)</b>				
Canada	\$ 8,593	\$ 6,388	\$ 17,358	\$ 17,466
United States	(241)	(245)	(855)	(445)
	<b>\$ 8,352</b>	<b>\$ 6,143</b>	<b>\$ 16,503</b>	<b>\$ 17,021</b>
<b>Identifiable assets</b>				
Canada	\$ 167,448	\$ 146,292	\$ 167,448	\$ 146,292
United States	5,414	5,485	5,414	5,485
	<b>\$ 172,862</b>	<b>\$ 151,777</b>	<b>\$ 172,862</b>	<b>\$ 151,777</b>