

PRESS RELEASE

LE CHÂTEAU REPORTS THIRD QUARTER RESULTS

Montreal, December 6, 2007 – Le Château Inc. (TSX: CTU.A) today reported that net earnings for the third quarter ended October 27, 2007 increased 18.5% to \$9.9 million from \$8.35 million for the third quarter ended October 28, 2006. Earnings per share for the third quarter increased to \$0.40 per share from \$0.35 per share the previous year. Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the third quarter increased 18.7% to \$19.3 million or 23.5% of sales, compared to \$16.26 million or 20.9% of sales last year, resulting primarily from continued improvements in gross margins.

Sales for the third quarter increased 5.5% to \$82.1 million from \$77.8 million for the same period last year. Comparable store sales increased by 0.4% versus the same period a year ago.

Nine-month Results

Sales rose 11.9% to \$236.1 million for the nine months ended October 27, 2007, compared to \$210.9 million last year. Comparable store sales increased 7.1% over the same period a year ago. During the first nine months of the year, the Company opened 16 new stores, closed one store and expanded 11 existing locations, resulting in the addition of 110,000 square feet or 12.9% to the Le Château network.

Net earnings for the nine-month period increased 29.6% to \$21.4 million from \$16.5 million the previous year. Earnings per share for the nine-month period increased to \$0.86 per share from \$0.68 per share for same period last year. Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the first nine months increased 30.7% to \$46.7 million or 19.8% of sales, compared to \$35.7 million or 16.9% of sales last year.

Fourth quarter of fiscal 2008

For the first five weeks ended December 1, 2007, total retail sales have increased 11.5% and comparable store sales have increased 6.2% over the same period a year ago.

Dividend declaration

The Board of Directors has declared a quarterly dividend (constituting eligible dividends for income tax purposes) of \$0.125 per Class A subordinate voting share and Class B voting share. This is the 57th consecutive dividend declared by Le Château, and is payable on February 11, 2008 to the shareholders of record at the close of business on January 25, 2008.

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 211 retail locations, of which 206 are located in Canada and 5 in the New York City area. The Company's outlets are primarily found in major urban shopping malls, complemented with high pedestrian-traffic, street-front locations. In addition, the Company has 8 stores under license in the Middle East.

The Company's 48-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 business initiatives and whether such business 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.

For further information

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Source: Le Château Inc.

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CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands of dollars)

As at
October 27, 2007

As at
October 28, 2006

As at
January 27, 2007

	As at October 27, 2007	As at October 28, 2006	As at January 27, 2007
ASSETS			
Current			
Cash and cash equivalents	\$ 11,144	\$ 7,841	\$ 2,743
Short-term investments	36,322	37,175	58,899
Accounts receivable and prepaid expenses	6,796	4,071	4,457
Inventories	51,951	45,456	40,967
Total current assets	106,213	94,543	107,066
Fixed assets	85,976	78,319	78,643
	\$ 192,189	\$ 172,862	\$ 185,709
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	\$ 29,490	\$ 29,008	\$ 32,870
Dividend payable	3,128	1,509	20,992
Income taxes payable	1,747	324	833
Derivative financial instruments	944	-	-
Current portion of capital lease obligations	1,403	2,376	2,051
Current portion of long-term debt	7,437	4,329	4,392
Total current liabilities	44,149	37,546	61,138
Capital lease obligations	1,335	2,636	2,288
Long-term debt	14,228	7,055	5,934
Future income taxes	2,573	2,313	2,891
Deferred lease inducements	8,870	5,188	5,284
Total liabilities	71,155	54,738	77,535
Shareholders' Equity			
Capital stock	31,383	27,383	30,221
Contributed surplus	1,451	1,184	1,139
Retained earnings	88,826	89,557	76,814
Accumulated other comprehensive income	(626)	-	-
Total shareholders' equity	121,034	118,124	108,174
	\$ 192,189	\$ 172,862	\$ 185,709

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited)

(In thousands of dollars)

For the three months ended
October 27, 2007

For the three months ended
October 28, 2006

For the nine months ended
October 27, 2007

For the nine months ended
October 28, 2006

	For the three months ended October 27, 2007	For the three months ended October 28, 2006	For the nine months ended October 27, 2007	For the nine months ended October 28, 2006
Balance, beginning of period	\$ 82,057	\$ 82,714	\$ 76,814	\$ 77,577
Net earnings	9,897	8,352	21,382	16,503
	91,954	91,066	98,196	94,080
Dividends declared	3,128	1,509	9,370	4,523
Balance, end of period	\$ 88,826	\$ 89,557	\$ 88,826	\$ 89,557

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CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In thousands of dollars, except per share data)

	For the three months ended		For the nine months ended	
	October 27, 2007	October 28, 2006	October 27, 2007	October 28, 2006
Sales	\$ 82,103	\$ 77,841	\$ 236,097	\$ 210,920
Cost of sales and expenses				
Cost of sales and selling, general and administrative	62,807	61,583	189,374	175,176
Depreciation and amortization	4,257	3,431	12,226	10,055
Write-off of fixed assets	-	126	1,597	505
Interest on long-term debt and capital lease obligations	372	261	1,105	846
Interest income	(455)	(407)	(1,387)	(1,210)
	66,981	64,994	202,915	185,372
Earnings before income taxes	15,122	12,847	33,182	25,548
Provision for income taxes	5,225	4,495	11,800	9,045
Net earnings	\$ 9,897	\$ 8,352	\$ 21,382	\$ 16,503

Net earnings per share

Basic	\$ 0.40	\$ 0.35	\$ 0.86	\$ 0.68
Diluted	0.39	0.34	0.84	0.66

Weighted average number of shares outstanding ('000)

25,025	24,143	24,959	24,120
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands of dollars)

	For the three months ended		For the nine months ended	
	October 27, 2007	October 28, 2006	October 27, 2007	October 28, 2006
Net earnings	\$ 9,897	\$ 8,352	\$ 21,382	\$ 16,503
Other comprehensive income				
Change in fair value of forward exchange contracts	(839)	-	(944)	-
Realized forward exchange contracts reclassified to net earnings	490	-	(320)	-
Income tax (expense) recovery	117	-	426	-
	(232)	-	(838)	-
Comprehensive income	\$ 9,665	\$ 8,352	\$ 20,544	\$ 16,503

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands of dollars)

For the three months ended
October 27, 2007 October 28, 2006

For the nine months ended
October 27, 2007 October 28, 2006

OPERATING ACTIVITIES

Net earnings	\$	9,897	\$	8,352	\$	21,382	\$	16,503
Adjustments to determine net cash from operating activities								
Depreciation and amortization		4,257		3,431		12,226		10,055
Write-off of fixed assets		-		126		1,597		505
Amortization of deferred lease inducements		(311)		(203)		(751)		(610)
Stock-based compensation		268		230		466		726
Future income taxes		-		-		-		(52)
		14,111		11,936		34,920		27,127
Net change in non-cash working capital items related to operations		(3,713)		(243)		(15,789)		(12,413)
Deferred lease inducements		2,544		614		4,337		1,598
Cash flows related to operating activities		12,942		12,307		23,468		16,312

FINANCING ACTIVITIES

Repayment of capital lease obligations		(418)		(664)		(1,601)		(1,961)
Proceeds of long-term debt		-		-		16,344		-
Repayment of long-term debt		(1,710)		(1,042)		(5,005)		(3,154)
Issue of capital stock		-		18		1,008		173
Dividends paid		(3,128)		(1,507)		(27,234)		(4,521)
Cash flows related to financing activities		(5,256)		(3,195)		(16,488)		(9,463)

INVESTING ACTIVITIES

Decrease (increase) in short-term investments		(3,409)		(31,175)		22,577		5,908
Additions to fixed assets		(4,946)		(6,703)		(21,156)		(22,895)
Cash flows related to investing activities		(8,355)		(37,878)		1,421		(16,987)
Increase (decrease) in cash and cash equivalents		(669)		(28,766)		8,401		(10,138)
Cash and cash equivalents, beginning of period		11,813		36,607		2,743		17,979
Cash and cash equivalents, end of period	\$	11,144	\$	7,841	\$	11,144	\$	7,841

Supplementary information:

Interest paid during the period	\$	372	\$	261	\$	1,105	\$	846
Income taxes paid during the period		3,189		3,041		10,878		12,265

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SEGMENTED INFORMATION

(Unaudited)

(In thousands of dollars)

	For the three months ended		For the nine months ended	
	October 27, 2007	October 28, 2006	October 27, 2007	October 28, 2006
Sales by country				
Canada	\$ 80,575	\$ 75,729	\$ 230,590	\$ 205,034
United States	1,528	2,112	5,507	5,886
	\$ 82,103	\$ 77,841	\$ 236,097	\$ 210,920
Sales by division				
Ladies' Clothing	\$ 48,390	\$ 44,322	\$ 136,618	\$ 120,530
Men's Clothing	12,043	11,376	34,300	30,509
Footwear	9,613	9,824	29,513	26,902
Accessories	12,057	12,319	35,666	32,979
	\$ 82,103	\$ 77,841	\$ 236,097	\$ 210,920
Net earnings (loss)				
Canada	\$ 10,342	\$ 8,593	\$ 23,468	\$ 17,358
United States	(445)	(241)	(2,086)	(855)
	\$ 9,897	\$ 8,352	\$ 21,382	\$ 16,503
Identifiable assets				
Canada	\$ 189,387	\$ 167,448	\$ 189,387	\$ 167,448
United States	2,802	5,414	2,802	5,414
	\$ 192,189	\$ 172,862	\$ 192,189	\$ 172,862