

PRESS RELEASE

LE CHÂTEAU REPORTS FIRST QUARTER RESULTS

Montreal, June 7, 2007 – Le Château Inc. (TSX: CTU.A) today reported that sales increased 15.0% to \$70.4 million for the first quarter ended April 28, 2007 as compared with \$61.2 million for the first quarter ended April 29, 2006. Comparable store sales increased by 10.0% versus the same period a year ago.

Net earnings for the first quarter increased 68.6% to \$4.6 million or \$0.74 per share from \$2.7 million or \$0.45 per share for the same period last year. Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the first quarter increased 46.6% to \$10.8 million or 15.3% of sales, compared to \$7.4 million or 12.0% of sales last year.

Le Château's CEO Jane Silverstone Segal said, "The sales growth achieved during the first quarter resulted from a combination of the strong appeal of the Company's product offerings, as well as increased footage arising from new store openings and the expansion of certain stores."

During the first quarter, the Company opened four new stores, closed one store and expanded nine existing locations, resulting in the addition of 27,000 square feet or 3% to the Le Château network.

Second quarter of fiscal 2008

For the first five weeks ended June 2, 2007, total retail sales have increased 17.8% and comparable store sales have increased 12.5% 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 \$0.50 per Class A subordinate voting share and Class B voting share (on a pre-split basis). This is the 55th consecutive dividend declared by Le Château, and is payable on August 17, 2007 to the shareholders of record at the close of business on July 20, 2007.

Stock split

As disclosed on April 12, 2007, the Company intends to propose a four-for-one stock split of its Class A subordinate voting shares and Class B voting shares. The stock split will be subject to approval by the Company's shareholders at the forthcoming meeting of shareholders to be held on June 27, 2007. Further information relating to the stock split is provided in the Company's information circular dated May 22, 2007. All share and per share information presented do not reflect the effects of the stock split.

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 203 retail locations, of which 198 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.

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.

le château inc.

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands of dollars)

	As at April 28, 2007	As at April 29, 2006	As at January 27, 2007
ASSETS			
Current			
Cash and cash equivalents	\$ 11,720	\$ 5,808	\$ 2,743
Short-term investments	32,516	37,276	58,899
Accounts receivable and prepaid expenses	4,410	4,512	4,457
Income taxes refundable	852	796	-
Inventories	46,349	37,249	40,967
Total current assets	95,847	85,641	107,066
Fixed assets	86,394	73,972	78,643
	\$ 182,241	\$ 159,613	\$ 185,709

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	\$ 31,948	\$ 24,563	\$ 32,870
Dividend payable	3,114	1,507	20,992
Income taxes payable	-	-	833
Derivative financial instruments	829	-	-
Current portion of capital lease obligations	1,680	2,674	2,051
Current portion of long-term debt	7,414	4,204	4,392
Total current liabilities	44,985	32,948	61,138
Capital lease obligations	1,975	3,655	2,288
Long-term debt	17,703	9,251	5,934
Future income taxes	2,612	2,365	2,891
Deferred lease inducements	5,508	4,671	5,284
Total liabilities	72,783	52,890	77,535

Shareholders' Equity

Capital stock	30,367	27,212	30,221
Contributed surplus	1,358	722	1,139
Retained earnings	78,283	78,789	76,814
Accumulated other comprehensive income	(550)	-	-
Total shareholders' equity	109,458	106,723	108,174
	\$ 182,241	\$ 159,613	\$ 185,709

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited)

(In thousands of dollars)

	For the three months ended	
	April 28, 2007	April 29, 2006
Balance, beginning of period	\$ 76,814	\$ 77,577
Net earnings	4,583	2,719
	81,397	80,296
Dividends	3,114	1,507
Balance, end of period	\$ 78,283	\$ 78,789

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In thousands of dollars, except per share data)

	For the three months ended	
	April 28, 2007	April 29, 2006
Sales	\$ 70,385	\$ 61,187
Cost of sales and expenses		
Cost of sales and selling, general and administrative	59,597	53,826
Depreciation and amortization	3,846	3,198
Write-off of fixed assets	-	51
Interest on long-term debt and capital lease obligations	347	304
Interest income	(488)	(411)
	63,302	56,968
Earnings before income taxes	7,083	4,219
Provision for income taxes	2,500	1,500
Net earnings	\$ 4,583	\$ 2,719
Net earnings per share		
Basic	\$ 0.74	\$ 0.45
Diluted	0.72	0.43
Weighted average number of shares outstanding ('000)	6,221	6,026

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands of dollars)

	For the three months ended	
	April 28, 2007	April 29, 2006
Net earnings	\$ 4,583	\$ 2,719
Other comprehensive income		
Losses on forward exchange contracts designated as cash flow hedges (net of income taxes of \$279)	(550)	-
Gains on forward exchange contracts designated as cash flow hedges prior to January 28, 2007, transferred to net earnings in the current period (net of income taxes of \$108)	(212)	-
	(762)	-
Comprehensive income	\$ 3,821	\$ 2,719

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands of dollars)

	For the three months ended	
	April 28, 2007	April 29, 2006
OPERATING ACTIVITIES		
Net earnings	\$ 4,583	\$ 2,719
Adjustments to determine net cash from operating activities		
Depreciation and amortization	3,846	3,198
Write-off of fixed assets	-	51
Amortization of deferred lease inducements	(205)	(179)
Stock-based compensation	219	264
	8,443	6,053
Net change in non-cash working capital items related to operations	(7,942)	(10,212)
Deferred lease inducements	429	650
Cash flows related to operating activities	930	(3,509)
FINANCING ACTIVITIES		
Repayment of capital lease obligations	(684)	(644)
Proceeds of long-term debt	16,344	-
Repayment of long-term debt	(1,553)	(1,083)
Issue of capital stock	146	2
Dividends paid	(20,992)	(1,507)
Cash flows related to financing activities	(6,739)	(3,232)
INVESTING ACTIVITIES		
Decrease in short-term investments	26,383	5,807
Additions to fixed assets	(11,597)	(11,237)
Cash flows related to investing activities	14,786	(5,430)
Increase (decrease) in cash and cash equivalents	8,977	(12,171)
Cash and cash equivalents, beginning of period	2,743	17,979
Cash and cash equivalents, end of period	\$ 11,720	\$ 5,808
Supplementary information:		
Interest paid during the period	\$ 347	\$ 304
Income taxes paid during the period	4,113	6,038

SEGMENTED INFORMATION

(Unaudited)

(In thousands of dollars)

	For the three months ended	
	April 28, 2007	April 29, 2006
Sales by country		
Canada	\$ 68,304	\$ 59,392
United States	2,081	1,795
	\$ 70,385	\$ 61,187
Sales by division		
Ladies' Clothing	\$ 41,420	\$ 36,128
Men's Clothing	9,754	8,312
Footwear	8,335	7,204
Accessories	10,876	9,543
	\$ 70,385	\$ 61,187
Net earnings (loss)		
Canada	\$ 4,792	\$ 3,109
United States	(209)	(390)
	\$ 4,583	\$ 2,719
Identifiable assets		
Canada	\$ 177,595	\$ 154,668
United States	4,646	4,945
	\$ 182,241	\$ 159,613