

PRESS RELEASE

LE CHÂTEAU REPORTS FIRST QUARTER RESULTS

- Net earnings increased 33%
- Quarterly dividend increased 20%
- Special dividend of \$0.25 per share declared
- Normal course issuer bid announced

Montreal, June 5, 2008 – Le Château Inc. (TSX: CTU.A) today reported that net earnings for first quarter ended April 26, 2008 increased 33.3% to \$5.6 million from \$4.2 million for the first quarter ended April 28, 2007. Earnings per share (basic) for the first quarter increased to \$0.23 per share from \$0.17 per share the previous year. Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the first quarter increased 21.6% to \$12.4 million or 17.5% of sales, compared to \$10.2 million or 14.4% of sales last year, resulting primarily from continued improvements in gross margins.

Sales for the first quarter increased 0.3% to \$70.6 million from \$70.4 million for the same period last year. Comparable store sales decreased by 4.6% versus the same period a year ago.

During the first quarter, the Company opened six new stores and expanded six existing locations, resulting in the addition of 41,000 square feet or 4.2% to the Le Château network, bringing the total floor space at end of period to 1,006,000 square feet.

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 20% from \$0.125 to \$0.15 per share and has declared a special dividend of \$0.25 per share. Both dividends (constituting eligible dividends for income tax purposes) are payable on August 19, 2008 to the shareholders of record at the close of business on July 25, 2008.

Normal course issuer bid

The Company announced today that it intends, subject to the approval of the Toronto Stock Exchange, to proceed with a normal course issuer bid. Under the bid, the Company may purchase up to 925,148 Class A subordinate voting shares of the Company, representing 5% of the issued shares of such class as at June 5, 2008. The bid will commence on June 19, 2008 and may continue to June 18, 2009. The average daily trading volume for the 6-month period preceding June 1, 2008 is 27,359 shares. In accordance with TSX requirements, a maximum daily repurchase of 25% of this average may be made, representing 6,839 shares. The shares will be purchased on behalf of the Company by a registered broker through the facilities of the Toronto Stock Exchange. The price paid for the shares will be the market price at the time of acquisition, and the number of shares purchased and the timing of any such purchases will be determined by the Company. All shares purchased by the Company will be cancelled. The Company currently has 18,502,964 Class A subordinate voting shares outstanding. During the past 12 months, no shares were purchased by the Company.

The directors of the Company have concluded that purchases of up to 925,148 of the issued and outstanding Class A subordinate voting shares are an appropriate and desirable use of the Company's available funds and, therefore, would be in the best interests of the Company. As a result of such purchases, the number of issued shares will be decreased and, consequently, the proportionate share interest of all remaining shareholders will be increased on a pro rata basis.

Annual General Meeting

The Company's annual general meeting is scheduled for June 19, 2008 at its head office located at 8300 Decarie Boulevard. The record date for this meeting is May 15, 2008.

New Accounting Standard Implemented in 2008:

On January 27, 2008, the Company adopted the recommendations of the following Section of the Canadian Institute of Chartered Accountants ("CICA") Handbook:

Section 3031, Inventory, was developed based on International Financial Reporting Standards ("IFRS"). The standard was revised to provide more extensive guidance than Section 3030, to facilitate the CICA's move towards IFRS, and to reduce the number of alternatives for the measurement of inventories. Section 3031 requires inventories to be measured at the lower of cost and net realizable value. The Company previously valued its inventory at the lower of average cost and net realizable value less a normal profit margin, using the retail inventory method.

The Company has adopted this new standard retrospectively, with restatement of prior period amounts. The initial impact of measuring the inventories under the new standard is an increase to the carrying amount of opening inventories as at January 27, 2008 of \$2.9 million (\$4.4 million as at January 28, 2007). Opening retained earnings as at January 27, 2008 has been increased by \$2.0 million, equal to the change in opening inventories net of tax of \$927,000. For the previous year, opening retained earnings as at January 28, 2007 has been increased by \$3.0 million, equal to the change in opening inventories net of tax of \$1.4 million.

The adoption of the new standard resulted in a reduction of net earnings for the first quarter ended April 26, 2008 of \$442,000 or \$0.01 per share. The carrying amount of inventories as at April 26, 2008 increased by \$2.2 million to \$49.9 million. As a result of the restatement, net earnings for the first quarter ended April 28, 2007 decreased by \$402,000 or \$0.01 per share. The carrying amount of inventories as at April 28, 2007 increased by \$3.8 million to \$50.1 million.

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 216 retail locations, of which 212 are located in Canada and 4 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.

Non-GAAP Measures

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 Company also discloses comparable store sales which are defined as sales generated by stores that have been opened for at least one year.

The above measures do 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 26, 2008	As at April 28, 2007 (restated)	As at January 26, 2008 (restated)
ASSETS			
Current			
Cash and cash equivalents	\$ 16,929	\$ 11,720	\$ 3,846
Short-term investments	53,080	32,516	66,354
Accounts receivable and prepaid expenses	6,800	4,410	6,307
Income taxes refundable	-	852	-
Inventories	49,868	50,136	45,903
Total current assets	126,677	99,634	122,410
Fixed assets	92,214	86,394	84,466
	\$ 218,891	\$ 186,028	\$ 206,876

LIABILITIES AND SHAREHOLDERS' EQUITY

Current

Accounts payable and accrued liabilities	\$ 29,815	\$ 31,948	\$ 30,377
Dividend payable	3,133	3,114	3,133
Income taxes payable	456	-	5,092
Derivative financial instruments	-	829	-
Current portion of capital lease obligations	1,403	1,680	1,384
Current portion of long-term debt	10,049	7,414	7,113
Future income taxes	-	1,211	927
Total current liabilities	44,856	46,196	48,026
Capital lease obligations	677	1,975	1,008
Long-term debt	25,335	17,703	12,689
Future income taxes	2,956	2,612	2,975
Deferred lease inducements	8,704	5,508	8,573
Total liabilities	82,528	73,994	73,271

Shareholders' Equity

Capital stock	31,794	30,367	31,794
Contributed surplus	2,034	1,358	1,761
Retained earnings	102,396	80,859	99,884
Accumulated other comprehensive income	139	(550)	166
Total shareholders' equity	136,363	112,034	133,605
	\$ 218,891	\$ 186,028	\$ 206,876

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited)

(In thousands of dollars)

	For the three months ended	
	April 26, 2008	April 28, 2007 (restated)
Balance, beginning of period – as previously reported	\$ 97,914	\$ 76,814
Adjustment to opening retained earnings resulting from adoption of new accounting standard for Inventories, net of income taxes of \$927 (2007 - \$1,400)	1,970	2,978
Net earnings	5,645	4,181
	105,529	83,973
Dividends declared	3,133	3,114
Balance, end of period	\$ 102,396	\$ 80,859

CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

(In thousands of dollars, except per share data)

	For the three months ended	
	April 26, 2008	April 28, 2007 (restated)
Sales	\$ 70,616	\$ 70,385
Cost of sales and expenses		
Cost of sales and selling, general and administrative	58,262	60,188
Depreciation and amortization	4,039	3,846
Write-off of fixed assets	100	-
Interest on long-term debt and capital lease obligations	434	347
Interest income	(699)	(488)
	62,136	63,893
Earnings before income taxes	8,480	6,492
Provision for income taxes	2,835	2,311
Net earnings	\$ 5,645	\$ 4,181
Net earnings per share		
Basic	\$ 0.23	\$ 0.17
Diluted	0.22	0.17
Weighted average number of shares outstanding ('000)	25,063	24,883

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(In thousands of dollars)

	For the three months ended	
	April 26, 2008	April 28, 2007 (restated)
Net earnings	\$ 5,645	\$ 4,181
Other comprehensive income		
Change in fair value of forward exchange contracts	209	(829)
Realized forward exchange contracts reclassified to net earnings	(255)	(320)
Income tax recovery	19	387
	(27)	(762)
Comprehensive income	\$ 5,618	\$ 3,419

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands of dollars)

For the three months ended
April 26, 2008 April 28, 2007
(restated)

OPERATING ACTIVITIES

Net earnings	\$	5,645	\$	4,181
Adjustments to determine net cash from operating activities				
Depreciation and amortization		4,039		3,846
Write-off of fixed assets		100		-
Amortization of deferred lease inducements		(338)		(205)
Stock-based compensation		273		219
Future income taxes		(927)		(189)
		8,792		7,852
Net change in non-cash working capital items related to operations		(9,702)		(7,351)
Deferred lease inducements		469		429
Cash flows related to operating activities		(441)		930

FINANCING ACTIVITIES

Repayment of capital lease obligations		(312)		(684)
Proceeds of long-term debt		18,000		16,344
Repayment of long-term debt		(2,418)		(1,553)
Issue of capital stock		-		146
Dividends paid		(3,133)		(20,992)
Cash flows related to financing activities		12,137		(6,739)

INVESTING ACTIVITIES

Decrease in short-term investments		13,274		26,383
Additions to fixed assets		(11,887)		(11,597)
Cash flows related to investing activities		1,387		14,786

Increase in cash and cash equivalents		13,083		8,977
Cash and cash equivalents, beginning of period		3,846		2,743
Cash and cash equivalents, end of period	\$	16,929	\$	11,720

Supplementary information:

Interest paid during the period	\$	434	\$	347
Income taxes paid during the period		8,398		4,113

SEGMENTED INFORMATION

(Unaudited)

(In thousands of dollars)

For the three months ended
 April 26, 2008 April 28, 2007
 (restated)

	\$	69,206	\$	68,304
Sales by country				
Canada	\$	69,206	\$	68,304
United States		1,410		2,081
	\$	70,616	\$	70,385
Sales by division				
Ladies' Clothing	\$	41,660	\$	41,420
Men's Clothing		10,865		9,754
Footwear		7,471		8,335
Accessories		10,620		10,876
	\$	70,616	\$	70,385
Net earnings (loss)				
Canada	\$	5,730	\$	4,390
United States		(85)		(209)
	\$	5,645	\$	4,181
Identifiable assets				
Canada	\$	216,460	\$	181,382
United States		2,431		4,646
	\$	218,891	\$	186,028