

PRESS RELEASE

For Immediate Release

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LE CHÂTEAU INC. ANNOUNCES PROPOSED TREASURY AND SECONDARY PRIVATE PLACEMENT

MONTREAL, QUEBEC, December 7, 2004 – Le Château Inc (TSX: CTU.SV.A), a leading Canadian fashion retailer announces today that it and 125387 Canada Inc., a corporation controlled by Mr. Herschel H. Segal, the Chairman of the Board and Chief Executive Officer of Le Château Inc., have signed an engagement letter with GMP Securities Ltd. with respect to a proposed equity private placement in Canada of 1,000,000 Class A Subordinate Voting Shares. Of the 1,000,000 shares, it is expected that 500,000 will be issued and sold by Le Château and that 500,000 will be sold by 125387 Canada Inc. following the conversion by it of 500,000 Class B Voting Shares.

The final terms of the proposed private placement, including the share price will be determined in the context of market conditions. GMP Securities Ltd. will act as the underwriter of the private placement and the shares will be issued pursuant to applicable prospectus and registration exemptions.

Following the proposed private placement, Mr. Segal, directly or indirectly, will exercise control or direction over 2,480,570 of Le Château's Class B Voting Shares, representing 42.5% of Le Château's equity and 87.0% of the votes attached to all outstanding shares. There are currently 2,323,551 Class A Subordinate Voting Shares and 3,020,000 Class B Voting Shares of Le Château issued and outstanding.

Le Château will use the net proceeds to it from the proposed private placement for store renovations, infrastructure improvements and for general working capital purposes. Le Château will not receive any proceeds from the sale of shares by 125387 Canada Inc.

The closing of the proposed private placement is expected to take place on or about December 23, 2004, or at a later date agreed to by the parties and is conditional upon the receipt of all necessary approvals, including that of the Toronto Stock Exchange, and the satisfaction of other customary conditions. The proposed private placement is also subject to the approval of the Board of Directors of Le Château.

Third quarter results

On December 2, 2004, the Company announced that sales increased 6.9% to \$61,776,000 for the third quarter ended October 30, 2004, compared with sales of \$57,763,000 for the third quarter ended October 25, 2003 last year. Comparable store sales increased by 3.2% in the third quarter of 2004 compared with the same period a year ago. Net earnings for the third quarter increased

29% to \$4,905,000 or \$0.92 per share from \$3,810,000 or \$0.74 per share last year, resulting primarily from continued improvements in gross margins and better leverage of store and head office costs.

Fourth Quarter of Fiscal 2005

Total sales for the first five weeks ended December 4, 2004 increased 19.5% compared to the first five weeks ended November 29, 2003 last year. On a comparable week basis (five week period ended December 4, 2004 versus the five week period ended December 6, 2003), total sales increased 9.1% while same store sales increased 4.9%.

The fourth quarter to date maintains the positive trend of increased sales achieved in the first nine months of the year and confirms the success of the ongoing brand repositioning strategy. Le Château's ability to adapt its image to reflect evolving demographics and capture a broader customer base with a quality mix of seasonless, ageless fashion, and the introduction of an extended range of sizes, are all factors contributing to its growth.

Dividend Increase

On December 2, 2004, the Company announced that its Board of Directors approved a change in the Company's dividend policy increasing the quarterly dividend 16.7% from \$0.15 to \$0.175 per share, subject to the declaration of the dividend in January 2005.

Profile

Le Château is a leading Canadian specialty retailer offering fashion-forward apparel, accessories and footwear to style-conscious women and men.

Le Château brand name clothing is largely designed and developed within its vertically integrated operations and is sold exclusively through its 175 retail locations. All stores are in Canada, except for four locations in the New York City area.

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.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

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