

PRESS RELEASE

For Immediate Release

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LE CHÂTEAU'S THIRD CONSECUTIVE YEAR OF RECORD BREAKING SALES AND PROFITS

- **Le Château appealing to a broader range of customers**
- **Expect to have one million square feet in Canada by 2009**

Montreal, June 29, 2005 – Le Château Inc (TSX: CTU.SV.A) shareholders attending today's annual meeting were told that Company initiatives which have resulted in three consecutive years of record breaking sales and profits should continue to sustain profitable growth in 2005 and beyond.

Sales for the year ended January 29, 2005 increased 6.3% to reach a record level of \$241.1 million and comparable store sales increased 4.9% over the same period a year ago. Net earnings increased 49% to \$15.9 million or \$2.96 per share (basic) from \$10.6 million or \$2.07 per share (basic) in 2003.

"2004 was certainly a momentous year for the Company," said Le Château Inc. President, Emilia Di Raddo. "Clearly, our strategies which are targeted towards broadening our appeal and attracting fashion customers of all ages continued to prove successful. Growing the top line is obviously necessary, but all of our product and sales strategies have been carefully designed to maximize bottom line profit growth opportunities, thereby enhancing shareholder value."

Based on the strength of the Company's financial results and position, in December 2004, the Board of Directors approved a 16.7% increase in the quarterly dividend from \$0.15 to \$0.175 per share or \$0.70 per share on an annual basis. This was in addition to a 50% increase approved by the Board of Directors in April 2004, increasing the rate from \$0.10 per share to \$0.15 per share.

Lifestyle categories are blurring as fashion has become ageless. Women aged 35, 45 and beyond enjoy the same love for fashion as the younger 18-year-old customer. They are time-starved and continually expect more as better, smarter, more informed consumers. "Le Château's product offering and service continues to evolve with these changing demographics and consumer behaviors," commented Ms. Di Raddo. "This commitment is causing people to rediscover Le Château stores. Over the past couple of years, for example, female customers over the age of twenty-five have increased from 38% of our total female customer base to 56% of the total base in 2004." Key initiatives which have been implemented include the expansion of the Company's product offering with updated fashion classics, items that reflect the very latest international trends and expanding the size range from 00 to 15/16 to respond to a broader customer base that is ready to pay for quality and individualization.

The Company's network of stores across Canada in both primary and secondary markets increased from 161 stores to 174 stores in 3 years and total square footage is up by 16%, to 687,000. "We estimate that by the end of 2005 our retail network will total 760,000 square feet and within four years, primarily through the expansion of existing stores, we will reach one million square feet in Canada. We have placed specific emphasis on expanding into secondary markets. These stores are among the highest in profit margin per square foot. This strategy is consistent with our focus on bottom line growth, not just top line sales growth," remarked Ms. Di Raddo.

The ability to manufacture in Canada with shorter lead times has now become even more of a competitive advantage for the Company. Le Château remains committed to domestic production in the interest of speed and flexibility, enabling it to better manage fashion risk and therefore profit margins. Through its vertically integrated operations it manufactures approximately 50% of its clothing in its Montreal facilities. "We celebrate product through differentiation and uniqueness, not price, and we focus on the exclusivity of our in-house designs. The talent, creativity and passion of our Canadian design and buying team clearly gives us a distinct personality within the industry." said Ms. Di Raddo.

Current year update

"2005 is off to a great start as we set quarterly records for both sales and profits," said Ms. Di Raddo. For the first quarter ended April 30, 2005 sales increased 19.6% to \$60.6 million. Comparable store sales increased 16.9% compared with the same period a year ago. Net earnings for the first quarter increased 112% to \$4.6 million or \$0.79 per share (basic) from \$2.2 million or \$0.42 per share (basic) last year.

"We feel that our season-less approach to fashion positively impacted our sales and profit in this quarter, confirming our philosophy that consumer shopping is not a seasonal event but a daily activity. We believe fashion is no longer about seasons, but rather a constant stream of new and exciting styles that hit our stores daily," said Ms. Di Raddo. "Our customers are clearly responding well to our emphasis on design, quality and balanced merchandise assortments focused on clothing for different occasions - work, special events or casual weekends - essentially seven-days a week dressing. To complete the look we also offer jewelry, hats, bags and shoes that complement our clothing collections. We are a one-stop fashion destination."

For the first eight weeks of the second quarter of fiscal 2005, total retail sales increased 23% and same store sales increased 17% compared to the same period last year.

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 our vertically integrated operations. Our brand name merchandise is sold exclusively through our 178 retail locations. All stores are located 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.