

**PRESS RELEASE**

**For Immediate Release**

Source : LE CHÂTEAU INC.  
Contact : Emilia Di Raddo, CA  
President  
(514) 738-7000

Maison Brison  
Brian Quick  
(514) 731-0000

**LE CHÂTEAU THIRD QUARTER EARNINGS INCREASE 25%, SALES UP 12%**

**Montreal, December 6, 2005** – Le Château Inc. (TSX: CTU.SV.A) today reported that sales increased 12.1% to \$69,231,000 for the third quarter ended October 29, 2005, compared with sales of \$61,776,000 for the third quarter ended October 30, 2004. Comparable store sales increased by 7.4% in the third quarter of 2005 compared with the same period a year ago. Increased sales resulted from a combination of the strong appeal of the Company's selection of fall merchandise, as well as increased square footage in strategic locations. Year-to-date, the Company opened thirteen new stores, closed one store and expanded several existing locations, resulting in the addition of 80,000 square feet or 12% to the Le Château network.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 24.6% to \$12,484,000 as compared with \$10,020,000 last year. Net earnings for the third quarter increased 25.2% to \$6,143,000 or \$1.03 per share from \$4,905,000 or \$0.92 per share last year, resulting primarily from continued improvements in gross margins partially due to the strength in the Canadian dollar. The percentage increase in earnings per share was lower than the percentage increase in net earnings due to the dilutive impact of the share issuance in December 2004.

Le Château President Emilia Di Raddo said the Company's strategic direction, geared toward attracting customers of all ages, has produced increasingly positive results. "The success of Le Château comes from our focus on design-driven product that delivers fashion to an ever-widening base of customers. While a new generation discovers us, our older demographic continually rediscovers us – because we never stop renewing our brand. Our seasonless approach to collections, combined with our rapid delivery of original styles, meet the seven-days-a-week lifestyle requirements of our customers. They have come to rely on Le Château for fashion innovation and excitement."

**Nine-month results**

Sales rose 17.7% to \$198,839,000 for the first nine months of the year, compared to \$168,981,000 last year. Comparable store sales increased 13.1% over the same period a year ago.

Earnings before interest, income taxes, depreciation and amortization (EBITDA) increased 45.4% to \$35,067,000 as compared with \$24,109,000 last year. Net earnings for the nine-month period increased 56.5% to \$17,021,000 or \$2.87 per share from \$10,873,000 or \$2.05 per share the previous year.

**Fourth Quarter of Fiscal 2006**

For the first five weeks ended December 3, 2005, total retail sales increased 10.1% and same store sales increased 5.9% compared to the same period last year.

## Dividend Increase

The Board of Directors declared a quarterly dividend of \$0.25 per Class A Subordinate Voting Share and Class B Voting Share, representing an increase of 25% from the previous dividend rate of \$0.20 per share. This is the 49<sup>th</sup> consecutive dividend declared by Le Château, and is payable on February 6, 2006 to the shareholders of record at the close of business on January 13, 2006.

## New Appointment

The Company announced that Maurice Tousson was appointed as a director to fill the vacancy created by the resignation of William Cleman. Mr. Tousson is the President and Chief Executive Officer of CDREM Group Inc., a chain of retail stores known as *Centre du Rasoir* or *Personal Edge*.

## Licensing Agreement

Le Château also announced that it has entered into a pilot licensing agreement with a retail developer in the Middle East regarding the opening of Le Château branded stores in the region. Construction is under way for a small number of test locations, which are expected to be launched over the next several months.

## Profile

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

Le Château's brand name clothing is largely designed and developed within its vertically integrated operations. The Le Château brand merchandise is sold exclusively through its 186 retail locations. All stores are located in Canada, except for five locations in the New York City area.

## 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. 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.

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 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.

**CONSOLIDATED BALANCE SHEETS**

*(Unaudited)*

*(In thousands of dollars)*

	As at October 29, 2005	As at October 30, 2004	As at January 29, 2005
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 25,187	\$ 17,520	\$ 45,985
Short-term investments	14,894	-	-
Accounts receivable and prepaid expenses	3,343	1,707	2,089
Inventories	43,011	40,638	29,393
<b>Total current assets</b>	<b>86,435</b>	<b>59,865</b>	<b>77,467</b>
Fixed assets	65,342	49,335	50,731
	<b>\$ 151,777</b>	<b>\$ 109,200</b>	<b>\$ 128,198</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**Current**

Accounts payable and accrued liabilities	\$ 24,960	\$ 18,224	\$ 22,397
Dividend payable	-	802	1,027
Income taxes payable	3,523	1,469	1,923
Current portion of capital lease obligations	1,466	1,427	1,399
Current portion of long-term debt	4,204	2,897	2,940
<b>Total current liabilities</b>	<b>34,153</b>	<b>24,819</b>	<b>29,686</b>
Capital lease obligations	1,221	2,687	2,329
Long-term debt	11,384	7,508	6,757
Future income taxes	1,695	1,758	1,695
Deferred lease inducements	3,595	2,261	2,487
<b>Total liabilities</b>	<b>52,048</b>	<b>39,033</b>	<b>42,954</b>

**Shareholders' Equity**

Capital stock	26,886	15,302	26,393
Contributed surplus	251	-	-
Retained earnings	72,592	54,865	58,851
<b>Total shareholders' equity</b>	<b>99,729</b>	<b>70,167</b>	<b>85,244</b>
	<b>\$ 151,777</b>	<b>\$ 109,200</b>	<b>\$ 128,198</b>

# le château inc.

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<i>(Unaudited)</i>	For the three months ended		For the nine months ended	
<i>(In thousands of dollars)</i>	October 29, 2005	October 30, 2004	October 29, 2005	October 30, 2004
Balance, beginning of period	\$ 67,644	\$ 50,762	\$ 58,851	\$ 46,388
Net earnings	6,143	4,905	17,021	10,873
	73,787	55,667	75,872	57,261
Dividends	1,195	802	3,280	2,396
<b>Balance, end of period</b>	<b>\$ 72,592</b>	<b>\$ 54,865</b>	<b>\$ 72,592</b>	<b>\$ 54,865</b>

## CONSOLIDATED STATEMENTS OF EARNINGS

<i>(Unaudited)</i>	For the three months ended		For the nine months ended	
<i>(In thousands of dollars, except per share data)</i>	October 29, 2005	October 30, 2004	October 29, 2005	October 30, 2004
<b>Sales</b>	<b>\$ 69,231</b>	<b>\$ 61,776</b>	<b>\$ 198,839</b>	<b>\$ 168,981</b>
<b>Cost of sales and expenses</b>				
Cost of sales and selling, general and administrative	56,513	51,756	163,466	144,512
Depreciation and amortization	2,815	2,286	8,150	6,691
Interest	164	219	534	465
Write-off of fixed assets	234	–	306	360
	59,726	54,261	172,456	152,028
Earnings before income taxes	9,505	7,515	26,383	16,953
Provision for income taxes	3,362	2,610	9,362	6,080
<b>Net earnings</b>	<b>\$ 6,143</b>	<b>\$ 4,905</b>	<b>\$ 17,021</b>	<b>\$ 10,873</b>
<b>Net earnings per share</b>				
Basic	\$ 1.03	\$ 0.92	\$ 2.87	\$ 2.05
Diluted	0.99	0.88	2.77	1.97
<b>Weighted average number of shares outstanding ('000)</b>	<b>5,977</b>	<b>5,334</b>	<b>5,937</b>	<b>5,297</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

*(Unaudited)*

*(In thousands of dollars)*

	For the three months ended		For the nine months ended	
	October 29, 2005	October 30, 2004	October 29, 2005	October 30, 2004
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 6,143	\$ 4,905	\$ 17,021	\$ 10,873
Adjustments to determine net cash from operating activities				
Depreciation and amortization	2,815	2,286	8,150	6,691
Write-off of fixed assets	234	–	306	360
Amortization of deferred lease inducements	(219)	(131)	(517)	(398)
Deferred lease inducements	94	370	1,625	728
Stock-based compensation	129	–	251	–
	<b>9,196</b>	<b>7,430</b>	<b>26,836</b>	<b>18,254</b>
Net change in non-cash working capital items related to operations	(955)	(3,314)	(10,709)	(17,334)
<b>Cash flows from operating activities</b>	<b>8,241</b>	<b>4,116</b>	<b>16,127</b>	<b>920</b>
<b>FINANCING ACTIVITIES</b>				
Repayment of loan to director	–	–	–	566
Repayment of capital lease obligations	(352)	(386)	(1,041)	(1,139)
Proceeds of long-term debt	8,081	807	8,081	9,991
Repayment of long-term debt	(741)	(670)	(2,190)	(1,352)
Issue of capital stock	30	112	493	528
Dividends paid	(2,241)	(798)	(4,307)	(2,119)
<b>Cash flows from financing activities</b>	<b>4,777</b>	<b>(935)</b>	<b>1,036</b>	<b>6,475</b>
<b>INVESTING ACTIVITIES</b>				
Increase in short-term investments	(14,894)	–	(14,894)	–
Additions to fixed assets	(5,736)	(2,997)	(23,067)	(11,942)
<b>Cash flows from investing activities</b>	<b>(20,630)</b>	<b>(2,997)</b>	<b>(37,961)</b>	<b>(11,942)</b>
Increase (decrease) in cash and cash equivalents	(7,612)	184	(20,798)	(4,547)
Cash and cash equivalents, beginning of period	32,799	17,336	45,985	22,067
<b>Cash and cash equivalents, end of period</b>	<b>\$ 25,187</b>	<b>\$ 17,520</b>	<b>\$ 25,187</b>	<b>\$ 17,520</b>
<b>Supplementary information:</b>				
Interest paid during the period	\$ 164	\$ 219	\$ 534	\$ 465
Income taxes paid during the period, net	2,141	1,693	7,779	6,588

# le château inc.

## SEGMENTED INFORMATION

*(Unaudited)*

*(In thousands of dollars)*

	For the three months ended		For the nine months ended	
	October 29, 2005	October 30, 2004	October 29, 2005	October 30, 2004
<b>Sales</b>				
Canada	\$ 67,502	\$ 59,939	\$ 193,287	\$ 163,256
United States	1,729	1,837	5,552	5,725
	<b>\$ 69,231</b>	<b>\$ 61,776</b>	<b>\$ 198,839</b>	<b>\$ 168,981</b>
<b>Net earnings (loss)</b>				
Canada	\$ 6,388	\$ 5,006	\$ 17,466	\$ 11,165
United States	(245)	(101)	(445)	(292)
	<b>\$ 6,143</b>	<b>\$ 4,905</b>	<b>\$ 17,021</b>	<b>\$ 10,873</b>
<b>Identifiable assets</b>				
Canada	\$ 146,292	\$ 104,643	\$ 146,292	\$ 104,643
United States	5,485	4,557	5,485	4,557
	<b>\$ 151,777</b>	<b>\$ 109,200</b>	<b>\$ 151,777</b>	<b>\$ 109,200</b>