

PRESS RELEASE

LE CHÂTEAU REPORTS THIRD QUARTER RESULTS

Montreal, December 4, 2008 – Le Château Inc. (TSX: CTU.A) today reported that net earnings for the third quarter ended October 25, 2008 increased 2.0% to \$10.0 million from \$9.8 million for the third quarter ended October 27, 2007. Earnings per share (basic) for the third quarter increased to \$0.40 per share from \$0.39 per share the previous year. Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the third quarter increased 2.6% to \$19.6 million or 23.4% of sales, compared to \$19.1 million or 23.3% of sales last year.

Sales for the third quarter increased 2.1% to \$83.8 million from \$82.1 million for the same period last year. Comparable store sales decreased by 1.5% over the same period a year ago.

In June 2008, the Toronto Stock Exchange approved the Company's previously announced normal course issuer bid to purchase up to 925,148 Class A subordinate voting shares. Since June 19, 2008, the Company purchased 747,400 Class A subordinate voting shares at an average price of \$12.35 per share for a total of \$9.2 million.

Nine-month Results

Net earnings for the nine-month period increased 25.7% to \$25.4 million or \$1.02 per share from \$20.2 million or \$0.81 per share the previous year. Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the first nine months increased 12.4% to \$50.6 million or 20.8% of sales, compared to \$45.0 million or 19.1% of sales last year.

Sales rose 3.0% to \$243.1 million for the nine months ended October 25 2008, compared to \$236.1 million last year. Comparable store sales decreased 1.5% versus the same period a year ago.

During the first nine months of the year, the Company opened eleven new stores and expanded nine existing locations, resulting in the addition of 72,000 square feet or 7.5% to the Le Château network, bringing the total floor space at end of period to 1,037,000 square feet.

Dividend declaration

The Board of Directors has declared a quarterly dividend (constituting eligible dividends for income tax purposes) of \$0.175 per Class A subordinate voting share and Class B voting share. This is the 61st consecutive dividend declared by Le Château, and is payable on February 17, 2009 to the shareholders of record at the close of business on January 30, 2009.

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 was 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 have 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 have 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 an increase in net earnings for the third quarter ended October 25, 2008 of \$631,000 or \$0.02 per share. The carrying amount of inventories as at October 25, 2008 increased by \$1.8 million to \$57.2 million. As a result of the

restatement, net earnings for the third quarter ended October 27, 2007 decreased by \$146,000 or \$0.01 per share. The carrying amount of inventories as at October 27, 2007 increased by \$2.7 million to \$54.6 million. On a year-to-date basis, the adoption of the new standard resulted in a reduction of net earnings for the nine months ended October 25, 2008 of \$762,000 or \$0.03 per share (2007 - \$1.1 million or \$0.05 per share).

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 220 retail locations, of which 216 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.

CONSOLIDATED BALANCE SHEETS

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	As at October 25, 2008	As at October 27, 2007 <i>(restated)</i>	As at January 26, 2008 <i>(restated)</i>
ASSETS			
Current			
Cash and cash equivalents	\$ 2,405	\$ 11,144	\$ 3,846
Short-term investments	56,643	36,322	66,354
Accounts receivable, prepaid expenses and other assets	5,202	6,796	6,307
Derivative financial instruments	5,060	-	-
Inventories	57,233	54,644	45,903
Total current assets	126,543	108,906	122,410
Fixed assets	91,666	85,976	84,466
	\$ 218,209	\$ 194,882	\$ 206,876
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	\$ 30,681	\$ 29,490	\$ 30,377
Dividend payable	4,278	3,128	3,133
Income taxes payable	824	1,747	5,092
Derivative financial instruments	-	944	-
Current portion of capital lease obligations	1,443	1,403	1,384
Current portion of long-term debt	9,297	7,437	7,113
Future income taxes	1,609	860	927
Total current liabilities	48,132	45,009	48,026
Capital lease obligations	-	1,335	1,008
Long-term debt	20,863	14,228	12,689
Future income taxes	2,891	2,573	2,975
Deferred lease inducements	9,316	8,870	8,573
Total liabilities	81,202	72,015	73,271
Shareholders' Equity			
Capital stock	31,266	31,383	31,794
Contributed surplus	2,270	1,451	1,761
Retained earnings	100,020	90,659	99,884
Accumulated other comprehensive income	3,451	(626)	166
Total shareholders' equity	137,007	122,867	133,605
	\$ 218,209	\$ 194,882	\$ 206,876

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	For the three months ended		For the nine months ended	
	October 25, 2008	October 27, 2007 <i>(restated)</i>	October 25, 2008	October 27, 2007 <i>(restated)</i>
Balance, beginning of period – as previously reported	\$ 99,373	\$ 82,057	\$ 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 - 3 month period \$929; 2007 - 9 month period \$1,400)	-	1,979	1,970	2,978
Excess of cost over stated value of Class A subordinate voting shares purchased and cancelled	(5,063)	-	(7,955)	-
Net earnings	9,988	9,751	25,454	20,237
	104,298	93,787	117,383	100,029
Dividends declared	4,278	3,128	17,363	9,370
Balance, end of period	\$ 100,020	\$ 90,659	\$ 100,020	\$ 90,659

CONSOLIDATED STATEMENTS OF EARNINGS

<i>(Unaudited)</i> <i>(In thousands of dollars, except per share data)</i>	For the three months ended		For the nine months ended	
	October 25, 2008	October 27, 2007 <i>(restated)</i>	October 25, 2008	October 27, 2007 <i>(restated)</i>
Sales	\$ 83,763	\$ 82,103	\$ 243,059	\$ 236,097
Cost of sales and expenses				
Cost of sales and selling, general and administrative	64,187	63,023	192,471	191,059
Depreciation and amortization	4,267	4,257	12,472	12,226
Write-off of fixed assets	11	-	184	1,597
Interest on long-term debt and capital lease obligations	444	372	1,372	1,105
Interest income	(484)	(455)	(1,794)	(1,387)
	68,425	67,197	204,705	204,600
Earnings before income taxes	15,338	14,906	38,354	31,497
Provision for income taxes	5,350	5,155	12,900	11,260
Net earnings	\$ 9,988	\$ 9,751	\$ 25,454	\$ 20,237
Net earnings per share				
Basic	\$ 0.40	\$ 0.39	\$ 1.02	\$ 0.81
Diluted	0.40	0.38	1.01	0.80
Weighted average number of shares outstanding ('000)	24,752	25,025	24,954	24,959

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	For the three months ended		For the nine months ended	
	October 25, 2008	October 27, 2007 <i>(restated)</i>	October 25, 2008	October 27, 2007 <i>(restated)</i>
Net earnings	\$ 9,988	\$ 9,751	\$ 25,454	\$ 20,237
Other comprehensive income				
Change in fair value of forward exchange contracts	4,962	234	5,454	(944)
Realized forward exchange contracts reclassified to net earnings	(242)	(583)	(644)	(320)
Income tax (expense) recovery	(1,501)	117	(1,525)	426
	3,219	(232)	3,285	(838)
Comprehensive income	\$ 13,207	\$ 9,519	\$ 28,739	\$ 19,399

CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	For the three months ended		For the nine months ended	
	October 25, 2008	October 27, 2007 <i>(restated)</i>	October 25, 2008	October 27, 2007 <i>(restated)</i>
OPERATING ACTIVITIES				
Net earnings	\$ 9,988	\$ 9,751	\$ 25,454	\$ 20,237
Adjustments to determine net cash from operating activities				
Depreciation and amortization	4,267	4,257	12,472	12,226
Write-off of fixed assets	11	-	184	1,597
Amortization of deferred lease inducements	(372)	(311)	(1,056)	(751)
Stock-based compensation	193	268	646	466
Future income taxes	-	(70)	(927)	(540)
	14,087	13,895	36,773	33,235
Net change in non-cash working capital items related to operations	(5,923)	(3,497)	(14,439)	(14,104)
Deferred lease inducements	373	2,544	1,799	4,337
Cash flows related to operating activities	8,537	12,942	24,133	23,468
FINANCING ACTIVITIES				
Repayment of capital lease obligations	(321)	(418)	(949)	(1,601)
Proceeds of long-term debt	-	-	18,000	16,344
Repayment of long-term debt	(2,507)	(1,710)	(7,642)	(5,005)
Issue of capital stock upon exercise of options	212	-	614	-
Purchase of Class A subordinate voting shares for cancellation	(6,239)	-	(9,234)	1,008
Dividends paid	(9,952)	(3,128)	(16,218)	(27,234)
Cash flows related to financing activities	(18,807)	(5,256)	(15,429)	(16,488)
INVESTING ACTIVITIES				
Decrease (increase) in short-term investments	(2,915)	(3,409)	9,711	22,577
Additions to fixed assets	(4,626)	(4,946)	(19,856)	(21,156)
Cash flows related to investing activities	(7,541)	(8,355)	(10,145)	1,421
Increase (decrease) in cash and cash equivalents	(17,811)	(669)	(1,441)	8,401
Cash and cash equivalents, beginning of period	20,216	11,813	3,846	2,743
Cash and cash equivalents, end of period	\$ 2,405	\$ 11,144	\$ 2,405	\$ 11,144
Supplementary information:				
Interest paid during the period	\$ 444	\$ 372	\$ 1,372	\$ 1,105
Income taxes paid during the period	4,652	3,189	17,803	10,878

SEGMENTED INFORMATION

(Unaudited)

(In thousands of dollars)

	For the three months ended		For the nine months ended	
	October 25, 2008	October 27, 2007	October 25, 2008	October 27, 2007
Sales by country				
Canada	\$ 82,396	\$ 80,575	\$ 238,678	\$ 230,590
United States	1,367	1,528	4,381	5,507
	\$ 83,763	\$ 82,103	\$ 243,059	\$ 236,097
Sales by division				
Ladies' Clothing	\$ 46,535	\$ 48,390	\$ 137,127	\$ 136,618
Men's Clothing	13,576	12,043	39,385	34,300
Footwear	10,033	9,613	27,843	29,513
Accessories	13,619	12,057	38,704	35,666
	\$ 83,763	\$ 82,103	\$ 243,059	\$ 236,097
Net earnings (loss)				
Canada	\$ 10,165	\$ 10,196	\$ 25,736	\$ 22,323
United States	(177)	(445)	(282)	(2,086)
	\$ 9,988	\$ 9,751	\$ 25,454	\$ 20,237
Identifiable assets				
Canada	\$ 215,984	\$ 192,080	\$ 215,984	\$ 192,080
United States	2,225	2,802	2,225	2,802
	\$ 218,209	\$ 194,882	\$ 218,209	\$ 194,882