

**PRESS RELEASE**

**LE CHÂTEAU REPORTS SECOND QUARTER RESULTS**

**Montreal, September 10, 2009** – Le Château Inc. (TSX: CTU.A) today reported that sales for the second quarter ended August 1, 2009 decreased 8.2% to \$81.4 million from \$88.7 million for the second quarter ended July 26, 2008. Comparable store sales decreased 8.1% versus the same period a year ago.

Net earnings for the second quarter ended August 1, 2009 were \$7.8 million compared to \$9.8 million for the second quarter ended July 26, 2008. Earnings per share (diluted) for the second quarter were \$0.32 per share versus \$0.39 per share the previous year. Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the second quarter amounted to \$16.3 million or 20.0% of sales, compared to \$18.7 million or 21.1% of sales last year.

In June 2009, the Toronto Stock Exchange approved the Company's previously announced normal course issuer bid to purchase up to 987,173 Class A subordinate voting shares. Since June 19, 2009, no Class A subordinate voting shares have been purchased by the Company.

**Six-month Results**

Net earnings for the six-month period were \$12.9 million or \$0.53 per share (diluted) compared to \$15.5 million or \$0.61 per share the previous year. Earnings before interest, income taxes, depreciation and amortization (EBITDA) for the first six months amounted to \$28.3 million or 18.5% of sales, compared to \$31.0 million or 19.5% of sales last year.

Sales decreased 3.8% to \$153.2 million for the six months ended August 1, 2009, compared to \$159.3 million last year. Comparable store sales decreased 7.1% versus the same period a year ago.

During the first six months of the year, the Company opened 5 stores, closed 1 and expanded 3 existing locations, resulting in the addition of 37,000 square feet or 3.5% to the Le Château network, bringing the total floor space at end of period to 1,085,000 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 64<sup>th</sup> consecutive dividend declared by Le Château, and is payable on November 17, 2009 to the shareholders of record at the close of business on October 30, 2009.

**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 227 retail locations, of which 223 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 9 stores under license in the Middle East.

The Company's 49-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 except to the extent required under applicable securities law.

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**

Emilia Di Raddo, CA, President (514) 738-7000

Johnny Del Ciancio, CA, Vice-President, Finance, (514) 738-7000

Maison Brison: Rick Leckner, (514) 731-0000

Source: Le Château Inc.

# le château inc.

## CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands of dollars)

	As at August 1, 2009	As at July 26, 2008	As at January 31, 2009
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	\$ 19,626	\$ 20,216	\$ 10,034
Short-term investments	20,000	53,728	56,643
Accounts receivable and other assets	2,502	4,200	4,791
Income taxes refundable	3,139	-	-
Derivative financial instruments	-	340	1,530
Inventories	58,899	46,602	54,012
Future income taxes	406	-	-
Prepaid expenses	7,250	1,840	778
<b>Total current assets</b>	<b>111,822</b>	<b>126,926</b>	<b>127,788</b>
Long-term investments	10,000	-	-
Fixed assets	91,686	91,318	88,643
	<b>\$ 213,508</b>	<b>\$ 218,244</b>	<b>\$ 216,431</b>

## LIABILITIES AND SHAREHOLDERS' EQUITY

### Current

Accounts payable and accrued liabilities	\$ 25,197	\$ 27,217	\$ 25,403
Dividend payable	4,262	9,952	4,239
Income taxes payable	-	418	2,285
Derivative financial instruments	1,277	-	-
Current portion of capital lease obligations	341	1,423	1,008
Current portion of long-term debt	7,565	9,572	8,746
Future income taxes	-	-	487
<b>Total current liabilities</b>	<b>38,642</b>	<b>48,582</b>	<b>42,168</b>
Capital lease obligations	-	341	-
Long-term debt	15,529	23,095	18,982
Future income taxes	3,176	2,999	3,176
Deferred lease inducements	10,139	9,315	9,691
<b>Total liabilities</b>	<b>67,486</b>	<b>84,332</b>	<b>74,017</b>

### Shareholders' equity

Capital stock	32,241	32,191	30,997
Contributed surplus	2,389	2,116	2,460
Retained earnings	112,263	99,373	107,914
Accumulated other comprehensive income (loss)	(871)	232	1,043
<b>Total shareholders' equity</b>	<b>146,022</b>	<b>133,912</b>	<b>142,414</b>
	<b>\$ 213,508</b>	<b>\$ 218,244</b>	<b>\$ 216,431</b>

## CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(Unaudited)

(In thousands of dollars)

	For the three months ended		For the six months ended	
	August 1, 2009	July 26, 2008	August 1, 2009	July 26, 2008
Balance, beginning of period	\$ 108,745	\$ 102,396	\$ 107,914	\$ 99,884
Excess of cost over stated value of Class A subordinate voting shares purchased and cancelled	-	(2,892)	-	(2,892)
Net earnings	7,780	9,821	12,850	15,466
	116,525	109,325	120,764	112,458
Dividends declared	4,262	9,952	8,501	13,085
<b>Balance, end of period</b>	<b>\$ 112,263</b>	<b>\$ 99,373</b>	<b>\$ 112,263</b>	<b>\$ 99,373</b>

# le château inc.

## CONSOLIDATED STATEMENTS OF EARNINGS

<i>(Unaudited)</i> <i>(In thousands of dollars, except per share data)</i>	For the three months ended		For the six months ended	
	August 1, 2009	July 26, 2008	August 1, 2009	July 26, 2008
<b>Sales</b>	\$ 81,437	\$ 88,680	\$ 153,212	\$ 159,296
<b>Cost of sales and expenses</b>				
Cost of sales and selling, general and administrative	65,150	70,022	124,948	128,284
Depreciation and amortization	4,484	4,166	8,787	8,205
Write-off of fixed assets	89	73	89	173
Interest on long-term debt and capital lease obligations	326	494	703	928
Interest income	(162)	(611)	(435)	(1,310)
	<b>69,887</b>	<b>74,144</b>	<b>134,092</b>	<b>136,280</b>
Earnings before income taxes	11,550	14,536	19,120	23,016
Provision for income taxes	3,770	4,715	6,270	7,550
<b>Net earnings</b>	\$ <b>7,780</b>	\$ <b>9,821</b>	\$ <b>12,850</b>	\$ <b>15,466</b>
<b>Net earnings per share</b>				
Basic	\$ 0.32	\$ 0.39	\$ 0.53	\$ 0.62
Diluted	0.32	0.39	0.53	0.61
<b>Weighted average number of shares outstanding ('000)</b>	<b>24,312</b>	<b>25,083</b>	<b>24,268</b>	<b>25,073</b>

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	For the three months ended		For the six months ended	
	August 1, 2009	July 26, 2008	August 1, 2009	July 26, 2008
<b>Net earnings</b>	\$ <b>7,780</b>	\$ <b>9,821</b>	\$ <b>12,850</b>	\$ <b>15,466</b>
<b>Other comprehensive income</b>				
Change in fair value of forward exchange contracts	(1,152)	283	(1,703)	492
Realized forward exchange contracts reclassified to net earnings	345	(147)	(1,104)	(402)
Income tax recovery (expense)	257	(43)	893	(24)
	<b>(550)</b>	<b>93</b>	<b>(1,914)</b>	<b>66</b>
<b>Comprehensive income</b>	\$ <b>7,230</b>	\$ <b>9,914</b>	\$ <b>10,936</b>	\$ <b>15,532</b>

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<i>(Unaudited)</i> <i>(In thousands of dollars)</i>	For the three months ended		For the six months ended	
	August 1, 2009	July 26, 2008	August 1, 2009	July 26, 2008
<b>OPERATING ACTIVITIES</b>				
Net earnings	\$ 7,780	\$ 9,821	\$ 12,850	\$ 15,466
Adjustments to determine net cash from operating activities				
Depreciation and amortization	4,484	4,166	8,787	8,205
Write-off of fixed assets	89	73	89	173
Amortization of deferred lease inducements	(373)	(346)	(729)	(684)
Stock-based compensation	(20)	180	163	453
Future income taxes	-	-	-	(927)
	<b>11,960</b>	<b>13,894</b>	<b>21,160</b>	<b>22,686</b>
Net change in non-cash working capital items related to operations	(1,523)	1,186	(14,700)	(8,516)
Deferred lease inducements	998	957	1,176	1,426
<b>Cash flows related to operating activities</b>	<b>11,435</b>	<b>16,037</b>	<b>7,636</b>	<b>15,596</b>
<b>FINANCING ACTIVITIES</b>				
Repayment of capital lease obligations	(336)	(316)	(667)	(628)
Proceeds of long-term debt	-	-	-	18,000
Repayment of long-term debt	(2,058)	(2,717)	(4,634)	(5,135)
Issue of capital stock upon exercise of options	1,010	402	1,010	402
Purchase of Class A subordinate voting shares for cancellation	-	(2,995)	-	(2,995)
Dividends paid	(4,239)	(3,133)	(8,478)	(6,266)
<b>Cash flows related to financing activities</b>	<b>(5,623)</b>	<b>(8,759)</b>	<b>(12,769)</b>	<b>3,378</b>
<b>INVESTING ACTIVITIES</b>				
Decrease (increase) in short-term investments	-	(648)	36,643	12,626
Increase in long-term investments	-	-	(10,000)	-
Additions to fixed assets	(6,344)	(3,343)	(11,918)	(15,230)
<b>Cash flows related to investing activities</b>	<b>(6,344)</b>	<b>(3,991)</b>	<b>14,725</b>	<b>(2,604)</b>
Increase (decrease) in cash and cash equivalents	(532)	3,287	9,592	16,370
Cash and cash equivalents, beginning of period	20,158	16,929	10,034	3,846
<b>Cash and cash equivalents, end of period</b>	<b>\$ 19,626</b>	<b>\$ 20,216</b>	<b>\$ 19,626</b>	<b>\$ 20,216</b>
<b>Supplementary information:</b>				
Interest paid during the period	\$ 326	\$ 494	\$ 703	\$ 928
Income taxes paid during the period	5,275	4,753	11,344	13,151

# le château inc.

## SEGMENTED INFORMATION

*(Unaudited)*

*(In thousands of dollars)*

	For the three months ended		For the six months ended	
	August 1, 2009	July 26, 2008	August 1, 2009	July 26, 2008
<b>Sales by country</b>				
Canada	\$ 80,180	\$ 87,076	\$ 150,518	\$ 156,282
United States	1,257	1,604	2,694	3,014
	<b>\$ 81,437</b>	<b>\$ 88,680</b>	<b>\$ 153,212</b>	<b>\$ 159,296</b>
<b>Sales by division</b>				
Ladies' Clothing	\$ 44,869	\$ 48,932	\$ 86,572	\$ 90,592
Men's Clothing	14,275	14,944	25,419	25,809
Footwear	9,051	10,339	16,712	17,810
Accessories	13,242	14,465	24,509	25,085
	<b>\$ 81,437</b>	<b>\$ 88,680</b>	<b>\$ 153,212</b>	<b>\$ 159,296</b>
<b>Net earnings (loss)</b>				
Canada	\$ 8,119	\$ 9,841	\$ 13,427	\$ 15,571
United States	(339)	(20)	(577)	(105)
	<b>\$ 7,780</b>	<b>\$ 9,821</b>	<b>\$ 12,850</b>	<b>\$ 15,466</b>
<b>Fixed assets</b>				
Canada	\$ 90,831	\$ 90,220	\$ 90,831	\$ 90,220
United States	855	1,098	855	1,098
	<b>\$ 91,686</b>	<b>\$ 91,318</b>	<b>\$ 91,686</b>	<b>\$ 91,318</b>