

PRESS RELEASE

LE CHÂTEAU REPORTS FIRST QUARTER RESULTS

Montreal, June 16, 2015 – Le Château Inc. (TSX: CTU.A), a leading Canadian brand in specialty retailing, offering a broad array of contemporary fashion apparel, accessories and footwear for style-conscious women and men, today reported its results for the first quarter ended May 2, 2015. The 2015 year refers to the 13-week period ended May 2, 2015 while the 2014 year refers to the 13-week period ended April 26, 2014.

Sales for the first quarter ended May 2, 2015 amounted to \$50.8 million, a decrease of 4.8% from \$53.3 million for the first quarter ended April 26, 2014. Sales were negatively impacted in the first quarter of 2015 by soft store traffic and a competitive retail environment. Comparable store sales decreased 6.2% for the first quarter versus the same period a year ago. Included in comparable store sales are online sales which increased 24.7% for the first quarter.

Earnings (loss) before interest, income taxes, depreciation, amortization, write-off and/or impairment of property and equipment ("Adjusted EBITDA") (see non-GAAP measures below) for the first quarter amounted to \$(7.1) million, compared to \$(9.3) million last year. The improvement of \$2.2 million in adjusted EBITDA for the first quarter of 2015 was primarily attributable to the increase of \$263,000 in gross margin dollars and the decrease of \$1.9 million in selling, general and administrative expenses. The increase of \$263,000 in gross margin dollars was the result of the increase in gross margin percentage to 64.3% from 60.7% in 2014, offset by the 4.8% decline in sales for the first quarter of 2015. The gross margin improvement in the first quarter of 2015 resulted from reduced promotional activity.

Net loss for the first quarter amounted to \$12.4 million or \$(0.41) per share compared to a net loss of \$13.0 million or \$(0.48) per share the previous year. In addition, tax benefits amounting to \$3.4 million attributed to losses generated during the first quarter of 2015 have not been recognized.

During the first quarter of 2015, the Company renovated two existing locations. Total square footage for the Le Château network as at May 2, 2015 amounted to 1,216,000 square feet, compared to 1,245,000 square feet as at April 26, 2014.

Although still negative, comparable stores sales performance during the first quarter marked an improvement over most recent quarters. Our stores in top-tier malls continue to do well and outperform stores in our other locations. The gross margin for the quarter increased significantly reflecting greater traction of our brand message from new early-adopting customers, particularly in new concept stores and online. We continue to execute our business plan and remain optimistic about the opportunity to grow our business and improve our margins.

Second Quarter of 2015

For the first six weeks ended June 13, 2015, total retail sales decreased 5.6% and comparable store sales decreased 4.8% compared to the same period last year. Included in comparable store sales are online sales which increased 36.5%.

For the year-to-date, the Company introduced two new concept stores: Scarborough Town Centre in Ontario on April 1, 2015 and Fairview Pointe Claire in Quebec on May 21, 2015. The Company plans to launch another three new concept stores over the next few months which include: Yorkdale Shopping Centre, Ontario in July 2015, St. Laurent Shopping Centre in Ottawa, Ontario in August 2015 and Mayfair Shopping Centre, British Columbia in August 2015. With the above-mentioned stores, a total of 20 stores will have been converted to new concept stores since the fall of 2011.

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 sold exclusively through the Company's 220 retail locations, of which 119 are located in Canada. The Company's retail locations are primarily found in major urban shopping malls, as well as street-front locations with high pedestrian traffic. In addition, the Company has 4 stores under license in the Middle East. Le Château's web-based marketing is further broadening the Company's customer base among internet shoppers in both Canada and the United States. With its 55-year tradition of vertical integration, emphasizing a design and manufacturing approach to retailing, Le Château is unique among Canadian fashion merchants.

Non-GAAP Measures

In addition to discussing earnings measures in accordance with IFRS, this press release provides adjusted EBITDA as a supplementary earnings measure, which is defined as earnings (loss) before interest, income taxes, depreciation, amortization, write-off and/or impairment of property and equipment. Adjusted 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 following table reconciles adjusted EBITDA to loss before income tax recovery for the first quarters ended May 2, 2015 and April 26, 2014:

(Unaudited) (In thousands of Canadian dollars)	For the three months ended	
	May 2, 2015	April 26, 2014
Loss before income tax recovery	\$ (12,358)	\$ (14,761)
Depreciation and amortization	4,398	4,591
Write-off and impairment of property and equipment	20	180
Finance costs	806	687
Finance income	(2)	(3)
Adjusted EBITDA	\$ (7,136)	\$ (9,306)

The Company also discloses comparable store sales which are defined as sales generated by stores that have been open for at least one year.

The above measures do not have a standardized meaning prescribed by IFRS 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 also 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; seasonality and weather patterns; changes in the Company's relationship with its suppliers; lease renewals; information technology security and loss of customer data; fluctuations in foreign currency exchange rates; interest rate fluctuations; liquidity risk and changes in laws, rules and regulations applicable to the Company. The foregoing list of risk factors is not exhaustive and other factors could also adversely affect our results.

The Company's unaudited interim condensed financial statements and Management's Discussion and Analysis for the first quarter ended May 2, 2015 are available online at www.sedar.com.

For further information

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Source: Le Château Inc.

LE CHÂTEAU

CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In thousands of Canadian dollars)

	As at May 2, 2015	As at April 26, 2014	As at January 31, 2015
ASSETS			
Current assets			
Cash	\$ -	\$ 2,334	\$ 1,195
Accounts receivable	1,447	1,433	2,025
Income taxes refundable	694	5,894	619
Inventories	119,844	130,288	115,357
Prepaid expenses	8,145	2,740	1,079
Total current assets	130,130	142,689	120,275
Property and equipment	55,493	70,354	58,091
Intangible assets	2,616	3,681	2,961
	\$ 188,239	\$ 216,724	\$ 181,327
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Bank indebtedness	\$ 1,145	\$ -	\$ -
Current portion of credit facility	29,397	50,437	14,737
Trade and other payables	13,287	18,774	16,133
Deferred revenue	3,031	3,316	3,452
Current portion of provisions	629	286	678
Derivative financial instruments	-	28	-
Current portion of long-term debt	1,411	6,814	2,007
Total current liabilities	48,900	79,655	37,007
Credit facility	36,788	-	33,674
Long-term debt	10,154	11,963	5,836
Provisions	1,444	383	1,473
Deferred lease credits	10,752	12,702	11,354
Total liabilities	108,038	104,703	89,344
Shareholders' equity			
Share capital	47,967	42,962	47,967
Contributed surplus	5,015	3,871	4,439
Retained earnings	27,219	65,208	39,577
Accumulated other comprehensive loss	-	(20)	-
Total shareholders' equity	80,201	112,021	91,983
	\$ 188,239	\$ 216,724	\$ 181,327

LE CHÂTEAU

CONSOLIDATED STATEMENTS OF LOSS

(Unaudited)

(In thousands of Canadian dollars, except per share information)

For the three months ended

May 2, 2015

April 26, 2014

Sales	\$	50,746	\$	53,305
Cost of sales and expenses				
Cost of sales		18,131		20,953
Selling		35,702		37,187
General and administrative		8,467		9,242
		62,300		67,382
Results from operating activities		(11,554)		(14,077)
Finance costs		806		687
Finance income		(2)		(3)
Loss before income taxes		(12,358)		(14,761)
Income tax recovery		-		(1,716)
Net loss	\$	(12,358)	\$	(13,045)
Net loss per share				
Basic	\$	(0.41)	\$	(0.48)
Diluted		(0.41)		(0.48)
Weighted average number of shares outstanding ('000)		29,964		27,343

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Unaudited)

(In thousands of Canadian dollars)

For the three months ended

May 2, 2015

April 26, 2014

Net loss	\$	(12,358)	\$	(13,045)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods				
Change in fair value of forward exchange contracts		-		(28)
Income tax recovery		-		8
		-		(20)
Realized forward exchange contracts reclassified to net loss		-		(418)
Income tax recovery		-		113
		-		(305)
Total other comprehensive loss		-		(325)
Comprehensive loss	\$	(12,358)	\$	(13,370)

LE CHÂTEAU

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(In thousands of Canadian dollars)

For the three months ended

May 2, 2015

April 26, 2014

SHARE CAPITAL			
Balance, beginning of period	\$	47,967	\$ 42,960
Issuance of subordinate voting shares upon exercise of options		-	2
Balance, end of period	\$	47,967	\$ 42,962
CONTRIBUTED SURPLUS			
Balance, beginning of period	\$	4,439	\$ 3,581
Fair value adjustment for long-term debt		403	-
Stock-based compensation expense		173	290
Balance, end of period	\$	5,015	\$ 3,871
RETAINED EARNINGS			
Balance, beginning of period	\$	39,577	\$ 78,253
Net loss		(12,358)	(13,045)
Balance, end of period	\$	27,219	\$ 65,208
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)			
Balance, beginning of period	\$	-	\$ 305
Other comprehensive income (loss) for the period		-	(325)
Balance, end of period	\$	-	\$ (20)
Total shareholders' equity	\$	80,201	\$ 112,021

LE CHÂTEAU

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(In thousands of Canadian dollars)

For the three months ended

May 2, 2015

April 26, 2014

OPERATING ACTIVITIES			
Net loss	\$	(12,358)	\$ (13,045)
Adjustments to determine net cash from operating activities			
Depreciation and amortization		4,398	4591
Write-off and impairment of property and equipment		20	180
Amortization of deferred lease credits		(602)	(584)
Deferred lease credits		-	(126)
Stock-based compensation		173	290
Provisions		(78)	13
Finance costs		806	687
Interest paid		(711)	(575)
Income tax recovery		-	(1,716)
		(8,352)	(10,285)
Net change in non-cash working capital items related to operations		(14,315)	(7,160)
Income taxes refunded		-	898
Cash flows related to operating activities		(22,667)	(16,547)
FINANCING ACTIVITIES			
Increase in credit facility		17,708	19,607
Financing costs		(31)	-
Proceeds of long-term debt		5,000	5,000
Repayment of long-term debt		(875)	(2,053)
Issue of share capital upon exercise of options		-	2
Cash flows related to financing activities		21,802	22,556
INVESTING ACTIVITIES			
Additions to property and equipment and intangible assets		(1,475)	(5,121)
Cash flows related to investing activities		(1,475)	(5,121)
Increase (decrease) in cash		(2,340)	888
Cash, beginning of period		1,195	1,446
Cash (bank indebtedness), end of period	\$	(1,145)	\$ 2,334