

FEBRUARY 7, 2007
FINAL FOR IMMEDIATE RELEASE

CACHE, INC.
NASDAQ COMMON STOCK SYMBOL CACH

CACHE REPORTS FOURTH QUARTER 2006 EARNINGS OF \$0.28 PER SHARE
Fourth Quarter Diluted EPS includes \$0.02 higher than expected Lillie Rubin Costs
Introduces Fiscal 2007 Diluted EPS Guidance Range of \$1.15-\$1.20 per Share
Reports 10% Increase in January 2007 Comparable Store Sales

New York, New York – February 7, 2007 – Cache Inc., (NASDAQ: CACH), a specialty chain of women's apparel stores with 295 stores currently open, reported results for the thirteen and 52-week periods ended December 30, 2006.

For the thirteen week period ended December 30, 2006:

- Net sales rose by 5.4% to \$83.6 million compared to \$79.3 million for the same period last year and comparable store sales gained 6%;
- Gross profit increased 6.9% to \$40.3 million, or 48.3% of sales, as compared to \$37.7 million, or 47.6% of net sales for the same period last year;
- Net income totaled \$4.6 million, or \$0.28 per diluted share and included: (i) \$159,000, or \$0.01 per diluted share related to Lillie Rubin exit costs; (ii) \$3.2 million, or \$0.12 per diluted share in increased marketing expenditures, and (iii) \$283,000, or \$0.01 per diluted share in stock option expense. This compares to net income of \$7.5 million, or \$0.47 per diluted share for the same period last year; and
- Lillie Rubin net loss was \$422,000 or \$0.03 per diluted share in the fourth quarter of fiscal 2006 compared to a net loss of \$865,000 or \$0.05 per diluted share in the fourth quarter last year.

Commenting on the results, Mr. Brian Woolf, Cache Chairman and Chief Executive Officer, stated: "Fiscal 2006 marked a year in which we positioned Cache to report sustained growth in sales and profitability. During the fall, with our merchandise assortments resonating with our core customers, and the exit of Lillie Rubin substantially complete, we began to implement marketing initiatives aimed at increasing customer loyalty and awareness of our Cache brand. We also extended Cache's reach by appealing to a higher income consumer with the launch of Cache Luxe. Finally, we began to take advantage of sourcing opportunities that have already produced higher gross margins for our Company. Nonetheless, we were disappointed in our fourth quarter performance, as we did not experience the expected lift in sales during late December. As a result, we were unable to offset our investment in marketing. We were also negatively affected by our decision to take early markdowns on fur trim and leather outerwear. That said, sales trends in January were robust, increasing 10% on a comparable store basis. During the month, we benefited from the shift in New Year's Eve business to January this year and a solid response to our product offerings. With marketing expense growth moderating from last year, and an expectation of continued benefits from sourcing, along with our launch of our loyalty program, we believe we are well positioned to achieve our 2007 goals."

For the fifty-two week period ending December 30, 2006:

- Net sales rose by 4.8% to \$279.0 million compared to \$266.3 million, in the fifty-two week period in 2005 and comparable store sales gained 6%;
- Gross profit increased 9.6% to \$133.1 million, or 47.7% of sales, as compared to \$121.4 million, or 45.6% of net sales for the same period last year;
- Net income totaled \$8.6 million, or \$0.53 per diluted share and included: (i) \$5.7 million, or \$0.21 per diluted share related to Lillie Rubin exit costs; (ii) \$4.2 million, or \$0.16 per diluted share in increased marketing expenditures, and (iii) \$1.1 million, or \$0.04 per diluted share in stock option expense. This compares to net income of \$13.4 million, or \$0.83 per diluted share last year;

- Lillie Rubin net loss was \$3.2 million, or \$0.20 per diluted share in fiscal 2006 compared to a net loss of \$2.5 million, or \$0.16 per diluted share in fiscal 2005; and
- Adjusted diluted earnings per share for fiscal 2006, which excludes exit costs and losses related to Lillie Rubin were \$0.94 and compares to adjusted diluted earnings per share for fiscal 2005 of \$0.99 in fiscal 2005.

Additionally in Fiscal 2006: The Company

- Exited its 39-store Lillie Rubin chain to focus solely on its Cache brand;
- Launched a new concept, Cache Luxe with 16 locations;
- Opened a net of 10 new Cache stores ending the year with 277 Cache locations;
- Expanded its marketing program; and
- Completed 11 Cache remodels with 66% of its Cache store base in the new store format at year-end.

In total, operating expenses for the fourth quarter of fiscal 2006 were \$33.2 million, or 39.8% of net sales, as compared to \$26.8 million, or 33.7% of net sales in the fourth quarter of 2005. The increase in operating expenses was primarily due to: (i) \$159,000 in exit costs related to Lillie Rubin; and (ii) \$3.2 million in expenses related to the Company's expanded marketing effort. Additionally, higher payroll expense of \$1.4 million, as well as \$283,000 in costs associated with the adoption of FAS 123R contributed to the rise in operating expenses in the fourth quarter of fiscal 2006. The Company did not record any stock option expense in Fiscal 2005. For the fiscal year, total operating expenses were \$121.2 million, or 43.4% of net sales compared to \$101.4 million, or 38.1% of net sales in the prior year period. The increase in operating expenses for fiscal 2006 was primary due to a \$5.7 million charge to exit the Company's Lillie Rubin business. Additionally, a \$4.3 million increase in payroll expense along with a \$4.2 million increase in advertising expense, as well as higher depreciation expense, legal fees and costs associated with the Company's software implementation contributed to increase in operating expenses in fiscal 2006. Also, impacting operating expenses in fiscal 2006, was stock option expense of \$1.1 million, with no comparable expense in fiscal 2005.

The increase in sales and gross margin was more than offset by the increase in total operating expenses and produced operating profit for the fourth quarter of fiscal 2006 of \$7.1 million, as compared to \$11.0 million for the fourth quarter of fiscal 2005. For the fiscal 2006 year, operating profit totaled \$11.9 million, as compared to \$20.0 million in fiscal 2005.

The Company's balance sheet remained strong. At December 30, 2006, cash and marketable securities totaled \$61.5 million, rising \$8.2 million from \$53.3 million at December 31, 2005. Inventories were on plan and current at \$34.8 million, as compared to \$32.8 million at December 31, 2005. On a comparable basis, including the Company's Cache locations, inventory increased approximately 5% per store. Working capital increased by \$19.4 million to \$83.2 million from \$63.8 million at December 31, 2005.

A table summarizing financial results follows:

	52 Weeks <u>Ended</u> Dec. 30, <u>2006</u>	52 Weeks <u>Ended</u> Dec. 31, <u>2005</u>	13 Weeks <u>Ended</u> Dec. 30, <u>2006</u>	13 Weeks <u>Ended</u> Dec. 31, <u>2005</u>
	(\$ Thousands, except for per share data)			
Sales	\$ 278,992	\$266,345	\$ 83,554	\$ 79,320
Lillie Rubin exit costs	\$ 5,677	\$ 0	\$ 159	\$ 0
Operating income	\$ 11,902	\$ 20,008	\$ 7,070	\$ 10,999
Operating income before Lillie Rubin exit costs	\$ 17,579	\$ 20,008	\$ 7,229	\$ 10,999
Net income	\$ 8,643	\$ 13,405	\$ 4,567	\$ 7,541
Basic earnings per share	\$ 0.55	\$ 0.85	\$ 0.29	\$ 0.48
Diluted earnings per share	\$ 0.53	\$ 0.83	\$ 0.28	\$ 0.47
Per share – Lillie Rubin exit costs	\$ 0.21	\$ 0.00	\$ 0.01	\$ 0.00
Per share - loss related to Lillie Rubin	\$ 0.20	\$ 0.16	\$ 0.03	\$ 0.05
Diluted earnings per share excluding exit costs and net loss related to Lillie Rubin	\$ 0.94	\$ 0.99	\$ 0.32	\$ 0.52
Basic weighted average shares outstanding	15,849,000	15,726,000	16,002,000	15,645,000
Diluted weighted average shares outstanding	16,216,000	16,150,000	16,467,000	16,060,000
Number of stores open at end of period	296	306	296	306

Guidance

The Company estimates fiscal 2007 net sales in the range of \$296 million to \$302 million compared to actual net sales of \$279.0 million in fiscal 2006. Fiscal 2007 diluted earnings per share is estimated in the range of \$1.15 to \$1.20. This compares to actual diluted earnings per share of \$0.53 in fiscal 2006. Adjusted actual diluted earnings per share for fiscal 2006, which excludes exit costs and losses related to Lillie Rubin, were \$0.94. For the first quarter, the Company continues to expect net sales to range between \$67 million and \$69 million compared to actual net sales of \$63.8 million in the first quarter of fiscal 2006. Net sales excluding Lillie Rubin were \$58.9 million in the first quarter of fiscal 2006. The Company continues to expect comparable store sales for the first quarter of fiscal 2007 to increase in the mid-single digit range. First quarter fiscal 2007 diluted earnings per share continue to be estimated in the range of \$0.17 to \$0.19, which compares to actual diluted earnings per share of \$0.11 in the first quarter of fiscal 2006.

Mr. Woolf concluded: "We remain very enthusiastic regarding our growth prospects both in the near and long term. Our brand is vibrant and with intensified marketing, terrific product and lower sourcing costs, we believe we are poised to deliver to our expectations and further our position as a key shopping destination among sophisticated fashion conscious consumers."

Store Opening Plans

The Company also noted that it has plans to open between 15 and 20 new stores in fiscal 2007. The Company plans to end the year with approximately 310 locations, increasing square footage by approximately 5% to approximately 630,000 square feet. The Company also indicated that it expects to open approximately 5 stores during the first half of the year.

January 2007 Comparable Store Sales

Separately, the Company announced January 2007 comparable store sales. Comparable store sales (sales for stores open at least one year or more) increased 10% during the four week January 2007 period, as compared to the same period in 2006. Total revenues for the four-week period ended January 27, 2007 increased \$0.9 million, or 6.4% to \$15.3 million. Revenues for the fiscal 2006 period include sales for the former Lillie Rubin chain.

Conference Call

The Company also announced that it will conduct a conference call to discuss its fourth quarter and fiscal 2006 results today, Wednesday, February 7, 2006 at 9:00 a.m. Eastern Time. Investors and analysts interested in participating in the call are invited to dial (800) 936-9754, approximately ten minutes prior to the start of the call. The conference call will also be web-cast live at www.cache.com. A replay of this call will be available until February 14, 2007 and can be accessed by dialing (877) 519-4471 and entering code 8341302.

Certain matters discussed within this press release may constitute forward-looking statements within the meaning of the federal securities laws. Although Cache, Inc. believes the statements are based on reasonable assumptions, there can be no assurance that these expectations will be attained. Actual results and timing of certain events could differ materially from those projected in or contemplated by the forward-looking statements due to a number of factors, including, without limitation, ability to successfully open new stores, introduction of the Cache Luxe concept, dependence on management, dependence on vendors and distributors, reliance on foreign manufacturers, material weakness in our internal controls, industry trends, merchandise and fashion trends, competition, seasonality and changes in general economic conditions and consumer spending patterns, as well as other risks outlined from time to time in the filings of Cache, Inc. with the Securities and Exchange Commission.

Financial Tables Follow:

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