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Final For Release  
CACHE, INC.

NASDAQ COMMON STOCK SYMBOL CACH

CACHE REPORTS SECOND QUARTER 2006 RESULTS

Diluted EPS Totals \$0.10; or \$0.36 Adjusted

Maintains Full Year Earnings Guidance

New York, New York – July 26, 2006 – Cache Inc., (NASDAQ: CACH), a specialty chain of women's apparel stores with 309 stores currently open, reported results for the thirteen and twenty-six week periods ended July 1, 2006. As previously announced, the Company plans to exit its Lillie Rubin business by October 2006 with plans to close 20 Lillie Rubin stores and convert the remaining 17 stores to its new concept, Cache Luxe.

For the 13 week period ended July 1, 2006:

- Net sales increased 7.0% to \$71.7 million compared to \$67.0 million in the second quarter of 2005 and Cache comparable store sales, excluding Lillie Rubin stores, increased 8%;
- Operating income before exit costs associated with the closing of the Lillie Rubin business of \$5.7 million, rose 63.6% to \$7.7 million, or 10.8% of net sales, as compared to \$4.7 million, or 7.0% of net sales in the second quarter of 2005;
- Net income including pre-tax Lillie Rubin exit costs of \$5.7 million and stock option expense of \$0.3 million, totaled \$1.7 million, or \$0.10 per diluted share, as compared to \$0.19 per diluted share last year; and
- Adjusted diluted EPS totaled \$0.36 per diluted share in the second quarter of fiscal 2006. Adjusted diluted EPS exclude: (i) losses related to Lillie Rubin of \$0.05 per diluted share and (ii) Lillie Rubin exit costs of \$0.21 per diluted share. This compares to adjusted second quarter fiscal 2005 diluted earnings per share of \$0.23, which excludes losses related to Lillie Rubin of \$0.04 per diluted share. Second quarter fiscal 2006 adjusted diluted earnings per share includes a \$0.01 per diluted share impact, related to stock option expense with no comparable expense in the second quarter of fiscal 2005.

For the 26 week period ended July 1, 2006:

- Net sales increased 4.4% to \$135.5 million compared to \$129.8 million in the first half of fiscal 2005 and Cache comparable store sales, excluding Lillie Rubin stores, gained 6%;
- Operating income before Lillie Rubin exit costs rose 34.2% to \$10.0 million, or 7.4% of net sales, as compared to \$7.5 million, or 5.8% of net sales in the first half of fiscal 2005;
- Net income including pre-tax Lillie Rubin exit costs of \$5.7 million and stock option expense of \$0.6 million, totaled \$3.4 million, or \$0.21 per diluted share, as compared to \$0.30 per diluted share last year; and
- Adjusted diluted EPS in the first half of fiscal 2006 totaled \$0.52 and exclude: (i) losses related to Lillie Rubin of \$0.10 per diluted share and (ii) Lillie Rubin exit costs of \$0.21 per diluted share. This compares to adjusted diluted earnings per share of \$0.36 in the first half of fiscal 2005, which exclude Lillie Rubin losses of \$0.06 per diluted share. First half fiscal 2006 results included \$0.02 per diluted share impact, related to stock option expense with no comparable expense incurred in the first half of fiscal 2005.

Mr. Brian Woolf, Cache's Chairman commented: "Our second quarter results were at the high end of our recently raised guidance and at Cache reflected strong full price selling across our core categories of dresses, sportswear and accessories. This drove a 390 basis point increase in gross profit margin and a 63.6% gain in operating profit before Lillie Rubin exit costs. We are pleased to end the quarter with inventory that is in great shape and our business positioned to capitalize on the fall season."

Additionally, during the second quarter, the Company:

- Announced plans to introduce a new concept called Cache Luxe while exiting its 39-store Lillie Rubin Chain;
- Opened 10 Cache stores, closed one Cache store and two Lillie Rubin stores; and at quarter-end operated 309 stores in 43 states; and
- Remodeled one Cache store with 64% of its Cache store base in the new store format at quarter-end.

Following quarter end, the Company announced that it retained James P. Frain, formerly of Chico FAS, Inc., as a consultant to advance its marketing efforts.

Gross profit in the second quarter rose by 16.2% to \$35.3 million, or 49.2% of net sales, compared to \$30.4 million, or 45.3% of net sales, in the second quarter of fiscal 2005. For the first half of fiscal 2006, gross profit rose by 12.4% to \$64.5 million, or 47.6% of net sales, compared to \$57.5 million, or 44.3% of net sales, in the prior year period. The increase in gross profit margin for the second quarter and first half of fiscal 2006 can be attributed to strong full price selling.

In total, operating expenses were \$33.2 million, or 46.4% of net sales, as compared to \$25.6 million, or 38.3% of net sales in the second quarter of 2005. The increase in operating expenses was primarily due to the \$5.7 million charge taken to exit the Company's Lillie Rubin business. Additionally, higher depreciation expense and the effect of adopting FAS 123R contributed to the rise in operating expenses in the second quarter of fiscal 2006. Stock option related expense in the second quarter of fiscal 2006 totaled \$0.3 million. The Company did not record any stock option expense in fiscal 2005. For the first half of fiscal 2006, total operating expenses were \$60.1 million, or 44.4% of net sales compared to \$50.0 million, or 38.6% of net sales in the prior year period. The increase in operating expenses for the first half of fiscal 2006 was primary due to the \$5.7 million charge to exit the Company's Lillie Rubin business. Also impacting operating expenses for the first half of fiscal 2006 was stock option expense of \$0.6 million, with no comparable expense in the first half of fiscal 2005.

At July 1, 2006, cash and marketable securities totaled \$56.0 million, rising \$12.9 million from \$43.1 million at July 2, 2005. Inventory was current at \$30.1 million, as compared to \$30.2 million on July 2, 2005. Working capital increased by \$13.1 million to \$69.4 million from \$56.3 million at July 2, 2005.

Mr. Wolf continued: "As we look ahead, we remain enthusiastic about our short and long term growth prospects. Cache remains a preferred shopping destination for our target customer with its compelling fashion assortment. We are also very excited about our new retail platform, Cache Luxe, which will extend our Cache brand by focusing on higher end apparel and accessories for fashion conscious female shoppers. We also expect to benefit from intensified marketing efforts, which include an expanded direct mail effort and television advertising for the first time. This effort will be headed by our recently added consultant, James P. Frain. With the solid momentum in our business, and our new marketing and advertising campaigns underway, we feel confident in our ability to deliver a strong performance during the balance of the year."

A table summarizing financial results follows:

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	<u>Twenty-six Weeks Ended</u>		<u>Thirteen Weeks Ended</u>	
	<u>July 1,</u> <u>2006</u>	<u>July 2,</u> <u>2005</u>	<u>July 1,</u> <u>2006</u>	<u>July 2,</u> <u>2005</u>
	(\$ Thousands, except for per share data)			
Net Sales	\$ 135,503	\$129,763	\$ 71,682	\$ 66,970
Lillie Rubin exit costs	\$ 5,662	\$ 0	\$ 5,662	\$ 0
Operating income	\$ 4,358	\$ 7,468	\$ 2,054	\$ 4,717
Operating income before Lillie Rubin exit costs	\$ 10,020	\$ 7,468	\$ 7,716	\$ 4,717
Net income	\$ 3,386	\$ 4,757	\$ 1,658	\$ 3,000
Basic earnings per share	\$ 0.21	\$ 0.30	\$ 0.11	\$ 0.19
Diluted earnings per share	\$ 0.21	\$ 0.30	\$ 0.10	\$ 0.19
Per share – Lillie Rubin exit costs	\$ 0.21	\$ 0.00	\$ 0.21	\$ 0.00
Per share - loss related to Lillie Rubin	\$ 0.10	\$ 0.06	\$ 0.05	\$ 0.04
Diluted earnings per share excluding exit costs and net loss related to Lillie Rubin	\$ 0.52	\$ 0.36	\$ 0.36	\$ 0.23
Basic weighted average shares outstanding	15,781,000	15,700,000	15,785,000	15,712,000
Diluted weighted average shares outstanding	16,151,000	15,830,000	16,168,000	15,950,000
Number of stores open at end of period	309	297	309	297

### **Guidance**

For fiscal 2006, the Company now estimates net sales in the range of \$279 million to \$285 million as compared to its previous guidance of \$276 million to \$282 million, as it expects sales to benefit from its new marketing initiatives. This compares to actual net sales of \$266.3 million in fiscal 2005. The Company continues to expect fiscal 2006 diluted earnings per share in the range of \$0.79 to \$0.82, which includes (i) increased marketing expenditures; (ii) stock option expense of approximately \$0.05 per diluted share; and (iii) Lillie Rubin exit costs of \$0.21 per share and losses related to Lillie Rubin of \$0.12 to \$0.14 per share. This compares to actual fiscal 2005 diluted earnings per share of \$0.83, including losses related to Lillie Rubin of \$0.16 per share.

For the third quarter, the Company is introducing guidance for net sales in the range of \$60 million to \$63 million, as compared to actual net sales of \$57.3 million in the third quarter of fiscal 2005. Third quarter diluted earnings per share are currently estimated in the range of \$0.07 to \$0.09 per diluted

share, which includes stock option expense of \$0.01 per diluted share and losses related to Lillie Rubin of \$0.02 to \$0.04 per share. This compares to actual diluted earnings per share of \$0.07 in the third quarter of fiscal 2005.

#### Guidance

<i>( \$ in million, except per share amounts)</i>	Third Quarter 2006E		Fiscal 2006E	
	Guidance	2005 Actual	Guidance	2005 Actual
<b>Total Sales</b>	<b>\$60-\$63</b>	<b>\$57.3</b>	<b>\$279-\$285</b>	<b>\$266.3</b>
<b>Lillie Rubin Sales</b>	<b>\$4-\$5</b>	<b>\$4.9</b>	<b>\$13-\$14</b>	<b>\$22.5</b>
<b>Sales Excluding Lillie Rubin</b>	<b>\$56-\$58</b>	<b>\$52.4</b>	<b>\$266-\$271</b>	<b>\$243.8</b>
<b>Diluted EPS*</b>	<b>\$0.07-\$0.09</b>	<b>\$0.07</b>	<b>\$0.79-\$0.82</b>	<b>\$0.83</b>
<b>Losses Related to Lillie Rubin</b>	<b>\$(0.02)-\$(0.04)</b>	<b>\$(0.04)</b>	<b>\$(0.12)-\$(0.14)</b>	<b>\$(0.16)</b>
<b>Lillie Rubin Exit Costs</b>	<b>\$(0.00)</b>		<b>\$(0.21)</b>	
<b>Pro Forma Diluted EPS* Before Lillie Rubin Exit Costs and Losses</b>	<b>\$0.09-\$0.13</b>	<b>\$0.11</b>	<b>\$1.12-\$1.17</b>	<b>\$0.99</b>

\*Estimates for third quarter fiscal 2006 and full year 2006 diluted earnings per share includes \$0.01 and \$0.05, respectively for stock option expense. These expenses were not incurred in fiscal 2005.

#### Store opening plans

The Company expects to open between 18 and 20 new Cache stores, convert two Lillie Rubin stores to Cache and convert 17 Lillie Rubin stores to its Cache Luxe format. In addition, the company has closed six low productivity Cache stores with their natural lease expiration date and plans to close 20 Lillie Rubin stores. During the second quarter, the Company opened 10 new stores and has opened a total of 12 new stores during the first half of 2006. The Company has scheduled a total of 4 additional Cache store openings for the third quarter. At year end, the Company expects to operate approximately 300 stores.

Interested stockholders and other persons are invited to listen to the second quarter earnings conference call scheduled for today, Wednesday July 26, 2006 at 9:00 a.m. Eastern Time. To participate in Cache's conference call dial 1-888 802-2280 approximately five minutes prior to the 9:00am Eastern start time. The call will also be broadcast live over the Internet at <http://www.cache.com>. An online archive will be available immediately following the call and will be accessible until October 26, 2006.

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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