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FINAL
CACHE, INC.
NASDAQ COMMON STOCK SYMBOL CACH

CACHE REPORTS THIRD QUARTER 2006 RESULTS
Diluted EPS Totals \$0.04; or \$0.10 Adjusted

New York, New York – October 25, 2006 – Cache Inc., (NASDAQ: CACH), a specialty chain of women's apparel stores with 296 stores currently open, reported results for the thirteen and thirty-nine week periods ended September 30, 2006. As previously announced, the Company substantially completed the exit of its Lillie Rubin business and therefore comparable store sales only reflect its ongoing Cache locations.

For the 13 week period ended September 30, 2006:

- Net sales increased 4.7% to \$59.9 million, inclusive of \$2.4 million in sales related to gift card and merchandise credit breakage, as compared to \$57.3 million in the third quarter of 2005 and comparable store sales increased 1%;
- Gross profit increased 8.4% to \$28.3 million, or 47.2% of sales, as compared to \$26.1 million, or 45.6% of net sales for the same period last year;
- Net income totaled \$690,000, or \$0.04 per diluted share and included \$1.0 million, or \$0.04 per diluted share in certain costs and \$247,000, or \$0.01 per diluted share in stock option expense, offset by a \$2.4 million, or \$0.09 per diluted share gain from gift card and merchandise credit breakage. This compares to net income of \$1.1 million, or 0.07 per diluted share last year; and
- The results for the third quarter of 2006 include, losses related to Lillie Rubin of \$0.07 per diluted share, partially offset by a \$0.01 per diluted share reversal of Lillie Rubin exit costs. This compares to third quarter fiscal 2005 results, which include losses related to Lillie Rubin of \$0.04 per diluted share.

For the 39 week period ended September 30, 2006:

- Net sales increased 4.5% to \$195.4 million, inclusive of \$2.4 million in sales related to gift card and merchandise credit breakage, as compared to \$187.0 million in the first nine months of fiscal 2005 and comparable store sales gained 4%;
- Gross profit increased 10.9% to \$92.7 million or 47.5% of net sales, as compared to \$83.6 million, or 44.7% of net sales in the first nine months of fiscal 2005;
- Net income totaled \$4.1 million, or \$0.25 per diluted share inclusive of \$1.0 million, or \$0.04 per diluted share in certain costs and \$849,000, or \$0.04 per diluted share for stock option expense, offset by a \$2.4 million, or \$0.09 per diluted share gain from gift card and merchandise credit breakage. This compares to net income of \$5.9 million, or \$0.37 per diluted share in the first nine months last year; and
- The results for the first nine months of 2006 include losses related to Lillie Rubin of \$0.17 per diluted share and Lillie Rubin exit costs of \$0.21 per diluted share. This compares to first nine months of fiscal 2005 results, which includes Lillie Rubin losses of \$0.10 per diluted share.

Mr. Brian Woolf, Cache's Chairman commented: "The third quarter marked an exciting period in our history. We substantially completed our transition to one brand, while introducing our new Cache Luxe concept, which enables us to expand our customer base, while capitalizing on our design, sourcing and store operating infrastructure. During the quarter, we also implemented several strategies to increase our sales productivity and improve margins. While higher costs and sales disruption related to our intensified marketing efforts and certain costs affected our results during the quarter, we are confident that

the investments we are making will position us to report sustained increases in sales and profits in the near and long term.”

Additionally, during the third quarter, the Company:

- Introduced its Cache Luxe concept by converting 19 Lillie Rubin locations to 16 Cache Luxe stores, as well as 3 side-by-side locations;
- Opened 1 new Cache store, while substantially completing the exit of its Lillie Rubin locations; and
- Remodeled 4 Cache stores, with approximately 66% of its Cache store base in the new store format at quarter-end.

In total, operating expenses were \$27.8 million, or 46.4% of net sales, as compared to \$24.6 million, or 42.9% of net sales in the third quarter of 2005. The increase in operating expenses was primarily due to (i) \$503,000 in costs related to the Company’s software implementation; (ii) \$540,000 in public offering costs and (iii) \$740,000 in expenses related to the Company’s expanded marketing effort. Additionally, higher payroll expense of \$627,000, as well as \$247,000 in costs associated with the adoption of FAS 123R contributed to the rise in operating expenses in the third quarter of fiscal 2006. The Company did not record any stock option expense in fiscal 2005. For the first nine months of fiscal 2006, total operating expenses were \$87.9 million, or 45.0% of net sales compared to \$74.6 million, or 39.9% of net sales in the prior year period. The increase in operating expenses for the first nine months of fiscal 2006 was primary due to the \$5.5 million charge to exit the Company’s Lillie Rubin business. Additionally, higher payroll expense of \$1.9 million, higher advertising expense of \$1.0 million, as well as higher depreciation expense of \$758,000 contributed to higher operating expenses in the nine-month period. Also impacting operating expenses for the nine-month 2006 period was stock option expense of \$849,000, with no comparable expense in the first nine months of fiscal 2005.

Operating profit was \$474,000, as compared to \$1.5 million for the same 13-week period last year. As previously discussed, operating profit was pressured by higher marketing and software implementation expenses, public offering costs and Lillie Rubin losses during the quarter. Operating profit totaled \$4.8 million, as compared to \$9.0 million in the first nine months of fiscal 2005.

At September 30, 2006, cash and marketable securities totaled \$53.5 million, rising \$6.2 million from \$47.3 million at October 1, 2005. Inventory was current and on plan at \$37.1 million, as compared to \$35.6 million on October 1, 2005. Working capital increased by \$14.1 million to \$70.3 million from \$56.2 million at October 1, 2005.

Mr. Woolf continued: “We remain enthusiastic regarding our business prospects. As we begin the fourth quarter, our Cache and Cache Luxe stores are performing well, and we expect to report October comparable store sales, on November 2, 2006, in the mid- to high-single digit range. We believe our expanded marketing efforts, as well as upcoming assortments position us for a successful holiday season. ”

A table summarizing financial results follows:

	<u>Thirty-nine Weeks Ended</u>		<u>Thirteen Weeks Ended</u>	
	<u>September 30,</u> <u>2006</u>	<u>October 1,</u> <u>2005</u>	<u>September 30,</u> <u>2006</u>	<u>October 1,</u> <u>2005</u>
	(\$ Thousands, except for per share data)			
Net Sales	\$195,438	\$187,025	\$59,935	\$57,262
Lillie Rubin exit costs	\$ 5,518	\$ 0	\$ (144)	\$ 0
Operating income	\$ 4,832	\$ 9,009	\$ 474	\$ 1,541
Operating income before Lillie Rubin exit costs	\$ 10,350	\$ 9,009	\$ 330	\$ 1,541
Net income	\$ 4,076	\$ 5,864	\$ 690	\$ 1,107
Basic earnings per share	\$ 0.26	\$ 0.37	\$ 0.04	\$ 0.07
Diluted earnings per share	\$ 0.25	\$ 0.37	\$ 0.04	\$ 0.07
Per share – Lillie Rubin exit costs	\$ 0.21	\$ 0.00	\$ (0.01)	\$ 0.00
Per share - loss related to Lillie Rubin	\$ 0.17	\$ 0.10	\$ 0.07	\$ 0.04
Diluted earnings per share excluding exit costs and net loss related to Lillie Rubin	\$ 0.63	\$ 0.47	\$ 0.10	\$ 0.11
Basic weighted average shares outstanding	15,784,000	15,714,000	15,791,000	15,743,000
Diluted weighted average shares outstanding	16,160,000	15,017,000	16,165,000	16,085,000
Number of stores open at end of period	293	301	293	301

Guidance

The Company noted that due to its planned introduction of a national loyalty program in the first quarter of fiscal 2007, which rewards shoppers that attain a certain level of spending, it has increased its marketing expenses to expand its customer database while pulling back on promotional activity. As a result, for fiscal 2006, the Company currently estimates net sales in the range of \$281 million to \$284 million, as compared to its previous guidance of \$279 million to \$285 million and versus actual net sales of \$266.3 million in fiscal 2005. The Company expects fiscal 2006 diluted earnings per share to be in the range of \$0.72 to \$0.74, which includes (i) \$0.10 per diluted share in 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 \$0.17 to \$0.18 per share. This compares to the Company's previous guidance range for fiscal 2006 diluted earnings per share of \$0.79 to \$0.82 per diluted share, which included Lillie Rubin exit costs of \$0.21 and losses related to Lillie Rubin of \$0.12 to \$0.14 per diluted share. Adjusted for Lillie Rubin exit costs and losses, fiscal 2006 diluted earnings per share are estimated in the range of \$1.10 to \$1.13. 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 fourth quarter, the Company is introducing guidance for net sales in the range of \$86 million to \$89 million, as compared to actual net sales of \$79.3 million in the fourth quarter of fiscal 2005. Fourth quarter diluted earnings per share are currently estimated in the range of \$0.47 to \$0.49 per diluted share, which includes stock option expense of \$0.01 per diluted share and losses related to Lillie Rubin of \$0.01 to \$0.02 per share. Adjusted for Lillie Rubin exit costs and losses, fourth quarter fiscal 2006 diluted earnings per share are estimated in the range of \$0.48 to \$0.51. This compares to actual diluted earnings per share of \$0.47 in the fourth quarter of fiscal 2005.

Guidance

<i>(\$ in million, except per share amounts)</i>	Fourth Quarter		Fiscal Year	
	2006E Guidance	2005 Actual	2006E Guidance	2005 Actual
Total Sales	\$86-\$89	\$79.3	\$281-\$284	\$266.3
Lillie Rubin Sales	\$0.5-\$1.0	\$5.9	\$13-\$14	\$22.5
Sales Excluding Lillie Rubin	\$85-\$88	\$73.4	\$268-\$270	\$243.8
Diluted EPS*	\$0.47-\$0.49	\$0.47	\$0.72-\$0.74	\$0.83
Losses Related to Lillie Rubin	\$(0.01)-\$(0.02)	\$(0.04)	\$(0.17)-\$(0.18)	\$(0.16)
Lillie Rubin Exit Costs	\$(0.00)		\$(0.21)	
Pro Forma Diluted EPS* Before Lillie Rubin Exit Costs and Losses	\$0.48-\$0.51	\$0.51	\$1.10-\$1.13	\$0.99

*Estimates for fourth quarter fiscal 2006 and full year 2006 diluted earnings per share include \$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 approximately 20 new Cache stores in Fiscal 2006. During the third quarter, the Company opened 1 new Cache store and closed 32 Lillie Rubin stores. The company also opened 16 Cache Luxe stores and 3 Cache Luxe locations adjacent to Cache locations. For the year-to-date period, the Company has opened 13 new Cache stores, and has closed 6 Cache stores and 35 Lillie Rubin stores. The Company has scheduled a total of 7 additional Cache store openings for the fourth quarter. At year-end, the Company expects to operate approximately 295 stores.

Interested stockholders and other persons are invited to listen to the third quarter earnings conference call scheduled for today, Wednesday October 25, 2006 at 9:00 a.m. Eastern Time. To participate in Cache's conference call dial (800) 811-8845 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 January 25, 2007.

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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