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Land of Leather Holdings plc

Trading Update

Land of Leather, the UK's only national solely leather specialist upholstery retailer, announces its trading update for the 13 weeks ended Sunday 28th January 2007 which includes the important January Sale period.

Trading period - 13 weeks to 28th January 2007

- Total sales order intake up 12.8%
- Like for like sales orders down 4.6% (Prior year comparative up 10.5%)

26 weeks ended 28th January 2007

- Total sales order intake up 22.0%
- Like for like sales orders down 0.7% (Prior year comparative up 5.2%)

Total sales orders have continued to grow with an increase of 12.8% in the second quarter, with the first half year now showing an increase in total sales orders of 22.0%.

The first quarter trading statement indicated that trading in the second quarter would be more challenging due to strong comparatives of 10.5%. In addition, customer shopping patterns were affected by the loss of two significant bank holiday trading days and a slow down in consumer spending following the recent interest rate increases in November and January.

We opened a further seven new stores in the second quarter of the financial year; Rotherham, Bray, Kilkenny, Dunfermline, Ayr, Salisbury and Stockport. This brings the total store number to 94 stores as at 28th January 2007. We expect to open two new stores at Easter which will result in a total of 15 new stores in the financial year ending 29th July 2007.

The first half profits will be significantly ahead of the previous year, despite the higher costs incurred by the opening of 13 stores in the period, as a result of the strong sales prior to December and further substantial improvement in gross margin. A difficult January sale will affect delivered sales in the second half of the year but full year profits to 29th July 2007 are expected to remain in line with market expectations.

Commenting on the trading update Paul Briant, Chief Executive, said: "The second quarter sales reflect what has been a challenging January Sale for Land of Leather. However, we remain confident in our strong product offer which represents exceptional value despite the fact market conditions are likely to be very challenging."

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