

**Company** Land of Leather Holdings plc  
**TIDM** LAN  
**Headline** Trading Statement

## **Land of Leather Holdings plc ("Land of Leather" or the "Company")**

### **Trading Statement**

Land of Leather, the UK's leading, specialist, national leather sofa retailer is today providing a trading update after nine days of its very important January Sale period.

#### Trading period – 29 October 2007 to 3 January 2008

- Total sales order intake down 16.6%
- Like for like sales orders down 25.5% (Prior year comparative down 4.5%)

#### Year to date – 30 July 2007 to 3 January 2008

- Total sales order intake down 5.1%
- Like for like sales orders down 16.2% (Prior year comparative up 0.5%)

The January Sale, which commenced on Boxing Day and continues throughout January, typically represents up to a quarter of the annual sales order intake of the business. The difficult trading conditions which the industry has experienced prior to the January Sale have continued and the sales order intake in the first nine days of the Sale has been significantly below the Board's expectation. The second quarter of the financial year was against weaker trading comparatives and therefore it was expected that trading performance would improve. However, the well publicised credit crunch appears to have further affected consumer confidence and spending since November. In addition to the lower sales, the strong promotional activity in the period together with the tendency of the consumer to trade down in more difficult times has resulted in a reduction in expected gross margin in the year to date. This may equate to an estimated full year reduction in the range of 50bp to 150bp.

The current challenging market conditions resulting from low levels of consumer confidence are likely to continue for some time. As a result, the Board expects that the profits for the year ending 3 August 2008 will be significantly below that reported for the last financial year. The majority of the profit shortfall compared to last year is expected to occur in the second half of the financial year as sales orders in the January Sale are principally delivered in that period.

We are taking all the necessary action to reduce our operating costs in line with the lower sales levels and we are currently planning to open two new stores during the remainder of this financial year. As at 29 July 2007, the Company had net cash of approximately £25m and despite the lower profits this year the Board still expects to end the current financial year with substantial net cash. It is the Board's intention therefore that the share buyback programme announced in September 2007 will continue.

The Company will issue its interim management statement for the six months ending 27 January 2008 on 31 January 2008.

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