



31 January 2008

**Freeplay Energy plc**  
(“Freeplay”, “the Group” or “the Company”)

**Trading Update**

Freeplay Energy plc, the original and global brand of clean, dependable energy products, today gives an update on trading for the year ended 31 December 2007 prior to entering its full year close period.

The Board of Freeplay Energy remains encouraged by the progress made by the Group to date and is particularly pleased by the performance in 2007. The Group restructuring, announced in August 2007, continues to progress as planned and will be completed by the end of March 2008.

**Freeplay Energy Division**

The Freeplay Energy division benefited from a satisfying sell-through in both the UK and the US markets during the Christmas holiday season. As a result of the good sales performance over the Christmas period in the UK, a number of key retailers including Currys and Marks and Spencer have also confirmed that they will continue to stock our products during 2008.

Building our US distribution base in North America remains the Company’s highest priority for 2008 and, while our 2007 results were in-line with guidance given at the time of our interim results in September, these are still below our long term expectations for the region. Despite this, the sell-through of our products at REI, the US department store, was particularly encouraging and the Board is also pleased to have secured and shipped a first order to the Canadian Tire Company, one of the leading outdoor retailers in Canada.

Both the Consumer Electronics Show in Las Vegas and the Outdoor Retailers show in Salt Lake City in January 2008 gave us a good platform to showcase our current product line as well as an opportunity to launch a number of new lines including a radio/flashlight product offering a choice of self-charge, solar and external charge power options and a solar powered radio product that utilises Freeplay’s patented self-charge technology, both of which received a high level of interest from delegates and underline Freeplay’s stated aim to become a broadbased sustainable energy company.

**Dixie Sales (‘Dixie’)**

Revenue for 2007 at Dixie Sales was in line with management’s expectations and the division continued to experience robust growth in the consumer direct (retail) and fees for service lines of business, despite continued market weaknesses in the core dealer parts and whole goods businesses.

The gross margin at Dixie was also somewhat lower than expected due in part to a different product mix with higher proportions of wholesale goods relative to the parts business sold over the course of the year. A change to the customer mix also saw a higher proportion of service dealer sales relative to dealers, impacting gross margin performance further.

However, Dixie Sales has continued to reduce operating expenses to better position the division’s cost structure and, as a result of this, monthly operating costs for the second half of the year were almost 20% less than average monthly operating costs during the first half

of the year although an exceptional charge of approximately \$500k has been incurred as a result of both these restructuring activities and the measures taken to exit underperforming lines of business.

Dixie's new business initiatives continue to give Management optimism and the business has been invited to provide a small special order parts service to support Lowes entry into Canada, underlining the strong relationship that the business enjoys with this significant retail partner. Dixie is also in the final stages of negotiating a service arrangement for a significant Canadian retail enterprise and hopes to make an announcement on this shortly.

### **Aid Division**

The Aid division has continued to perform strongly in 2007. We have now shipped the latest batch of radios for the order received from South Sudan in May of last year with a further balance of US\$1.6m due during Q1 2008.

### **India**

The joint venture with the Narang Group in India continues to excite the Board and provide the Company with a number of interesting opportunities in the region, the latest of which has resulted in the first orders from the Indian Farmers Fertiliser Cooperative (IFFCO) for 225,000 units of a new, Indian market specific LED lantern along with another lighting product which is due to commence shipping in February 2008 and complete by July 2008. A new bespoke facility is due to begin production of Freeplay products in February 2008 enabling the Company to compete more effectively in the region and this, combined with the first orders from the IFFCO, gives the Company encouragement that 2008 will see Freeplay recognise significant growth in the region.

### **One Laptop Per Child**

Freeplay remains fully committed to its involvement in the "One Laptop Per Child" (OLPC) programme through the supply of the human power generators for each laptop and have now shipped first orders to the OLPC project. The project represents an exciting opportunity for the company and an excellent validation of both our technology and our leadership in the field.

### **Rory Stear, Chairman, commented:**

"I am encouraged by the progress made since we announced our significant restructuring programme in August 2007 and am pleased at how the new management team have set about implementing these plans.

"The Group performed in-line with management expectations in 2007 and, against a backdrop of decreased consumer spending in our key markets of the US and the UK, we are encouraged that our products have continued to sell well. The Aid division continues to provide us with a good degree of visibility while our involvement in the One Laptop Per Child underlines our leadership in the field of sustainable energy solutions.

"Following extensive product and market development in India during 2007 we are very gratified to see strong indications that our joint venture with the Narang Group is beginning to bear fruit. The Board views India as a significant creator of value for the Group in 2008 and beyond and remains very excited about the opportunities for the Company in this region."

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**Notes to Editors**

Freeplay Energy plc is the original and leading global brand of clean, dependable energy products. Freeplay Energy's clean, patented technology harnesses human, solar and rechargeable energy and converts it into electricity to power unique portable, consumer products replacing conventional disposable battery-powered systems that are environmentally toxic and expensive. The current product range includes radios, torches, lanterns, mobile phone chargers and standalone foot powered generators. Freeplay Energy's "Lifeline" radio is distributed throughout the developing world by The Freeplay Foundation ([www.freeplayfoundation.org](http://www.freeplayfoundation.org)) and other AID and Humanitarian organisations such as Unicef and other United Nations' agencies. Further information about Freeplay Energy plc and its products can be found at [www.freeplayenergy.com](http://www.freeplayenergy.com).



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