

29 January 2004

**Applied Optical Technologies plc
("the Company")**

Trading Statement

The Company announces today that it has been notified of a one year extension to its contract to provide tax stamps to a Middle Eastern country. Delivery under the new contract is scheduled to commence in May and is worth approximately £4.1 million. The original contract, to supply the initial launch quantities, was scheduled to be completed in the current year but, due to delays at the customer, will now continue into the next year.

The Company has recently signed a four year contract to provide security laminates to a major Latin American country for voter ID cards worth approximately \$4.5 million over the life of the contract. Under an earlier contract the Company supplied laminates for this customer. As a result of the customer sourcing its cards from a new supplier, significant delays were imposed on the programme.

In addition to the delays experienced with the two contracts above, there has been a delay to another significant tax stamp programme the Company had expected to secure by mid January. The recent movement in the dollar-sterling exchange rate has added to the impact of these delays and the Company now expects results for the financial year to be materially below market expectations.

In the Interim Statement we commented that a Strategic Review was underway to review the options open to the Board to ensure a return to profitability and a recovery in the valuation placed by the market on the Group. The Company is currently at an advanced stage of discussions in respect of one of these options and hopes to be able to make a further announcement in the near future.

Mark Turnage, Chief Executive, commented:

“We have recently been awarded several large contracts but the arrival of these has taken longer than expected. Whilst the delays are disappointing, these contracts will help underpin the Company’s trading position for next year.”

- Ends -

For further information, please contact:

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