

Applied Optical Technologies plc
("AOT" or "the Company")

Trading Statement

Applied Optical Technologies plc announces today that, further to the Interim Statement on 21 November 2002, it has not yet seen the upturn in profitability expected in the second half of the year. While the Company's American operations are performing ahead of forecast the European operations continue to experience difficult trading conditions and the Company now expects results for the financial year to be materially below market expectations. Management are looking at options for further rationalisation of the European operations and will carry out a thorough review of certain of its assets as part of the audit process.

European Operations

Significant progress continues to be made in improving the technical and manufacturing capabilities of the European business. However, sales volumes have been below expectations due to a combination of ongoing delays in the banknote market, difficult conditions in certain geographical markets and an under performing sales organisation.

The Company is pleased to announce the appointment of a new sales director for Europe, Andrew Mills. Mr Mills was formerly sales and marketing director at Portals, Bathford (De la Rue), and was previously with ICI and Kodak. The sales organisation has also been strengthened by the appointment of two new Sales Executives who will be responsible for UK and Asian sales respectively. In addition a specialist consultancy has been engaged to assist in improving the performance of the European sales organisation.

American Operations

The American operations are trading above forecast and continue to grow and successfully compete for new business. Recent new business includes a number of new brand protection accounts and the award of a contract from the State of Pennsylvania worth in excess of \$1 million per year. The American management team is optimistic about the prospects for its business in the coming year.

Investor relations

Given the increased emphasis on security in the United States and OpSec's previous listing on Nasdaq, the American investment markets are a potential source of investors for AOT. A series of initial presentations to potential American investors has been scheduled for the week commencing 24 February 2003.

Mark Turnage, Chief Executive, commented:

"We are confident that the combination of the improving operating performance of our European business and the measures we are taking to rationalise further our operations and improve our sales organisation will lead to a marked upturn in the performance of this part of our business. Our American business continues to perform well, our balance sheet and cash position remain strong and the signs for the next financial year are encouraging."

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