

APPLIED OPTICAL TECHNOLOGIES PLC
UPDATE RE EUROPEAN OPERATIONS RESTRUCTURING
9 AUGUST 2004

The Company announced, with its final results for the year ended 31 March 2004, that the focus of its European business would be to eliminate operating losses. Furthermore, moves would be taken to reduce the cost base of the European operations and to rationalise the Group's property usage.

As part of these measures, the Company announces today that it has entered into consultation with its employees in the United Kingdom with regard to restructuring the European operations. The Company expects that these consultations, together with other measures put in place by the European management team, will lead to a significant reduction in the ongoing cost base of its European operations.

The European operation continues to pursue significant new opportunities in the tax stamp market and its management are endeavouring to strike a balance between the need to reduce the cost base whilst maintaining an adequate level of production capacity to service existing and new business.

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