

NEWS RELEASE

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Applied Nanotech Holdings, Inc. Announces Court Decision

Austin, TX, July 28, 2008 – Applied Nanotech Holdings, Inc. (OTC BB: APNT) announced that the U.S. Court of Appeals for the Fifth Circuit issued its opinion in its litigation with Canon, Inc. The appeals court in part affirmed, and in part reversed, the rulings of the district court. While the appeals court accepted, without deciding, the district court's decision that SED, Inc as originally formed did not qualify as a Canon subsidiary, and that Canon had materially breached the contract, it found that termination of the license agreement was not an appropriate remedy. The appeals court also ruled that the restructured SED, Inc., which is 100% owned by Canon, now qualifies as a Canon subsidiary. The appeals court denied Applied Nanotech's appeal that the district court had improperly excluded certain evidence from the trial. The decision reinstates Canon's non-exclusive license to substantially all of Applied Nanotech's field emission patents, excluding certain display applications. The entire ruling can be found at the court's website at www.ca5.uscourts.gov.

“Our legal counsel is currently reviewing the possible next steps in the litigation, and while we are disappointed by the Court's decision, it has no impact on our day to day operation of the business,” said Tom Bijou, Chairman and CEO of Applied Nanotech Holdings, Inc. “We have not factored any income from Canon into our business plans. We continue to make excellent progress in the other areas of our business, including conductive inks, sensors, and nanomaterials, as well as in other activities in the electron emission and display fields, such as backlights. Our revenue and backlog levels remain strong.”

ABOUT APPLIED NANOTECH HOLDINGS, INC.

Applied Nanotech Holdings, Inc is a premier research and commercialization organization dedicated to developing applications for nanotechnology with an extremely strong position in the fields of electron emission applications from carbon film/nanotubes, sensors, functionalized nanomaterials, and nanoelectronics. It also possesses investments related to electronic digitized sign technology. It has over 250 patents or patents pending and its business model is to license its technology to partners that will manufacture and distribute products using the technology. Its website is www.appliednanotech.net.

SAFE HARBOR STATEMENT

This press release contains forward-looking statements that involve risks and uncertainties concerning our business, products, and financial results. Actual results may differ materially from the results predicted. More information about potential risk factors that could affect our business, products, and financial results are included in our annual report on Form 10-K for the fiscal year ended December 31, 2007, and in reports subsequently filed by us with the Securities and Exchange Commission ("SEC"). All documents are available through the SEC's Electronic Data Gathering Analysis and Retrieval System (EDGAR) at www.sec.gov or from our website listed above. We hereby disclaim any obligation to publicly update the information provided above, including forward-looking statements, to reflect subsequent events or circumstances.