

NEWS RELEASE

COMPANY CONTACT

Doug Baker
Applied Nanotech Holdings, Inc.
248.391.0612
dbaker@appliednanotech.net

Applied Nanotech Awarded U.S. Army Contract for Thermal Management of Portable Energy Systems

Expands production capacity of CarbAI™ material

Austin, Texas – January 19, 2012 - Applied Nanotech Holdings, Inc. (ANI) (OTC BB: APNT) is pleased to announce that it has been awarded a Phase II Small Business Innovation Research (SBIR) contract by the U.S. Army for thermal management solutions to portable energy system challenges. This contract allows for ANI to continue development of its award-winning CarbAI™ based thermal management system for insertion into the power electronic control systems in tactical quiet generators.

CarbAI™ is a heat transfer material with a unique combination of low density, high thermal diffusivity, high thermal conductivity, and a low coefficient of thermal expansion (CTE) that results in a material that far exceeds the capabilities of conventional passive thermal management materials.

"We are very pleased to help the U.S. Army develop more efficient power solutions that improve its effectiveness on the battlefield while simultaneously developing and commercializing our CarbAI™ based thermal management materials," said Dr. Zvi Yaniv, President and CEO at Applied Nanotech, Inc.

The Army's short-term goal is to increase power output of various types of power generators, while simultaneously reducing their size. To accomplish this, generators must incorporate new materials and solutions that deal with excess heat build-up. ANI's technical line of CarbAI™ and related products offer a new approach to thermal management and fits well within the stringent thermal management requirements of the Army.

The contract, in the amount of approximately \$730,000, runs for a period of two years. In conjunction with this project, ANI is expanding its internal processing capacity for its CarbAI™ thermal management material to eight tons per year. ANI will focus on providing value added services to the base material such as segmenting, laminating, and printing circuits directly on to CarbAI™ material, in addition to more specific customer applications.

To further accelerate its sales efforts, ANI is also pleased to announce that it has hired Blair Tolleson to lead its sales efforts in the thermal management area. Tolleson has extensive experience in thermal management materials, having worked for the last six years at Laird Technologies, a manufacturer of electromagnetic interference and thermal management solutions with sales in excess of \$1 billion per year.

ABOUT APPLIED NANOTECH HOLDINGS, INC.

Applied Nanotech Holdings, Inc. is a global nanotechnology leader, focused on solving problems at the molecular level, and commercializing the results of its research. Its team of

PhD-level scientists and engineers work with companies and other organizations to solve technical impasses and create innovations that will create a competitive advantage. The business model is to sell products and license patents and technology to partners that will manufacture and distribute products using the technology. Applied Nanotech has over 300 patents or patents pending. Applied Nanotech's website is <http://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, 2011, 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.

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