

For immediate release

29 January 2009

**Gooch & Housego PLC
(The “Company”)**

Trading Update

Gooch & Housego PLC, the specialist manufacturer of optical components and systems, today announces that it has experienced a sudden and significant drop in demand for certain of its products with the result that earnings for the year to 30 September 2009 are likely to be materially lower than the Board’s original expectations for the current financial year.

The most significant impact has been felt in the Company’s key Acousto-Optics & Electro-Optics business unit where demand for acousto-optic Q-switches for general industrial, semiconductor and microelectronic applications has decreased by between a quarter and a half depending on the end user market. Whilst the order book remains strong, customers are significantly reducing their monthly requirements as they experience a similar reduction in demand for their laser systems. The effect is being felt on a global basis with the US, European and Asia-Pacific markets all affected. Indications are that demand will remain depressed for the foreseeable future.

Other sectors of the business, particularly those serving the aerospace, defence and life sciences markets have been less affected. The Company’s Precision Optics, Fibre Optics and Instrumentation & Life Sciences business units are all trading broadly in line with the Board’s original expectations for the current financial year.

In view of the decrease in sales steps are being taken to realign the cost base of the Company with the greatest savings taking place in the Acousto-Optics & Electro-Optics business unit.

The Company has been impacted by the recent rapid decline in the value of Sterling against the US Dollar and to a lesser extent the Euro. More than 85% of Company revenues are denominated in currencies other than Sterling with the US Dollar accounting for approximately 79% and the Euro approximately 6% with proportionately higher level of Company profits associated with the US Dollar.

The effect of the decline in the value of Sterling particularly against the US Dollar will to some extent offset the anticipated decrease in revenues at the Company’s key Acousto-Optics & Electro-Optics business unit.

However, the Company’s borrowings are predominantly denominated in US Dollars with approximately 85% of total borrowings in US Dollars and the balance in Sterling. Whilst the US Dollar borrowings provide a natural hedge given the Company’s significant US Dollar asset base and the high proportion of US Dollar revenues and profits, the fall in the value of Sterling against the US Dollar has the effect of increasing the magnitude of the Company’s debt when translated into Sterling.

Consequently, the Company is in discussions with its bankers, The Royal Bank of Scotland plc, concerning the impact of these currency issues that affect, and may continue to affect, certain bank covenant calculations.

The Board is confident that the Company will meet its bank interest and debt repayment obligations to its bankers as they fall due.



The Company believes that it is not appropriate to finalise its accounts for the year ended 30 September 2008 until the discussions with its bankers have been satisfactorily completed. Following completion of these discussions, the date of the Company's Annual General Meeting will be announced.

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