

THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY OR FORM OF DIRECTION (AS APPLICABLE) ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, please seek personal financial advice immediately from your stockbroker, bank manager, fund manager, solicitor, accountant or other appropriate independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or transfer or have sold or transferred all of your ordinary shares of NIS 0.001 in the capital of Ethernity Networks Ltd. (“**Ordinary Shares**”) or depositary interests representing Ordinary Shares (“**Depositary Interests**”), please forward this document, together with the accompanying Form of Proxy or Form of Direction (as applicable), as soon as possible to the purchaser or the transferee or to the bank, stockbroker or other agent through or to whom the sale or transfer was effected for onward transmission to the purchaser or transferee. If you sell or transfer or have sold or transferred only part of your holding of Ordinary Shares or Depositary Interests, you should retain this document and the accompanying Form of Proxy or Form of Direction (as applicable).



Notice of Extraordinary General Meeting

To be held at the offices of Howard Kennedy LLP, at No.1, London Bridge, London SE1 9BG at **10.00 a.m. UK time (12.00 p.m. Israel time) on 15 November 2017.**

Your attention is drawn to the letter from the Chairman of the Company which is set out on pages 4 to 5 (inclusive) of this document and which recommends you to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Whether or not you intend to attend the Extraordinary General Meeting, please complete and submit the enclosed Form of Proxy or Form of Direction (as applicable) in accordance with the instructions printed on it.

The Form of Proxy must be received by Capita Asset Services no later than **10.00 a.m. (London time)/12.00 p.m. (Tel Aviv time) on 13th November 2017.** The Form of Direction must be received by Capita Asset Services no later than **10.00 a.m. (London time)/12.00 p.m. (Tel Aviv time) on 10 November 2017.**

ETHERNITY NETWORKS LTD.

Incorporated and registered in Israel with registered no. 51-347834-7

Registered Office:

1 Hamelacha St
Lod Industrial Park
7152001
Israel

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DEFINITIONS

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

“AIM”	the AIM market operated by the London Stock Exchange
“Board” or “Directors”	the directors of the Company
“CREST”	the computerised settlement system to facilitate transfer of title to or interests in securities in uncertificated form operated by Euroclear UK & Ireland Limited
“Depositary”	Capita IRG Trustees Limited, incorporated in England (No.2729260) whose registered office is at 34 Beckenham Road, Beckenham, Kent BR3 4TU
“Depositary Interest” or “DI”	dematerialised interests representing underlying Ordinary Shares in the ratio of 1:1 that can be settled electronically through and held in CREST, as issued by the Depositary who holds the underlying securities on trust
“Depositary Interest Holder(s)”	holder(s) of Depositary Interests
“Form of Proxy”	the form of proxy for use by Shareholders at the General Meeting which accompanies this document
“Form of Direction”	the form of direction for use by Depositary Interest Holder(s) at the General Meeting which accompanies this document
“Notice of General Meeting”	the notice of the Extraordinary General Meeting, which is set out at the end of this document
“Ordinary Shares”	ordinary shares of NIS 0.001 each in the share capital of the Company
“Resolutions”	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting
“Shareholder(s)”	holder(s) of Ordinary Shares

LETTER FROM THE CHAIRMAN
ETHERNITY NETWORKS LTD.

(Incorporated and registered in the State of Israel with registered no. 51-347834-7)

Registered Office:

1 Hamelacha St
Lod Industrial Park
7152001
Israel

6 October 2017

Dear Shareholder or Depositary Interest Holder,

Notice of Extraordinary General Meeting

I am pleased to be writing to you with details of the forthcoming extraordinary general meeting of the shareholders of Ethernity Networks Ltd. (the “**Company**”) to be held at the offices of Howard Kennedy LLP, at No.1 London Bridge, London SE1 9BG, at **10.00 a.m. UK time (12.00 p.m. Israel time) on 15 November 2017**, (the “**Meeting**” or “**General Meeting**”).

The formal notice of the Meeting is set out on pages 8 to 9 of this document. The explanatory notes on pages 6 to 7 outline the business to be considered at the Meeting.

Actions to be taken in respect of the Meeting

The action to be taken in respect of the Meeting depends on whether you hold your Ordinary Shares in certificated form or as Depositary Interests.

Certificated Shareholders

Please check that you have received the following with this document:

- a Form of Proxy for use in respect of the Meeting; and
- a reply-paid envelope for use in connection with the return of the Form of Proxy (in the UK only).

Whether or not you propose to attend the Meeting, you are strongly encouraged to complete, sign and return the Form of Proxy in accordance with the instructions printed on it as soon as possible but, in any event, so as to be received by post, at Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF, United Kingdom or, during normal business hours, by hand to Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case by no later than **10.00 a.m. (London time)/12.00 p.m. (Tel Aviv time) on 13 November 2017**.

This will enable your vote to be counted at the Meeting in the event of your absence. The completion and return of the Form of Proxy will not prevent you from attending and voting at the Meeting, or any adjournment of the Meeting, in person, should you wish to do so.

Depositary Interest holders

Please check that you have received the following with this document:

- a Form of Direction for use in respect of the Meeting; and
- a reply-paid envelope for use in connection with the return of the Form of Direction (in the UK only).

Whether or not you propose to attend the Meeting, you are strongly encouraged to complete, sign and return the Form of Direction in accordance with the instructions printed on it as soon as possible but, in any event, so as to be received by post, at Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF, United Kingdom or, during normal business hours by hand, to Capita Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case by no later than **10.00 a.m. (London time)/12.00 p.m. (Tel Aviv time) on 10 November 2017**.

This will enable your vote to be counted at the Meeting. You will not be able to vote at the meeting, but If you would like to attend the Meeting in person as a Depositary Interest Holder, please contact the Depositary (the “**Depositary**”) Capita IRG Trustees Limited to request a Letter of Representation to be issued to you.

Recommendation

The Directors of the Company believe that all of the proposals to be considered at the Meeting are in the best interests of the Company and its shareholders as a whole and, accordingly, unanimously recommend that you vote in favour of all the proposed resolutions.

Yours faithfully,

Graham Woolfman

Chairman

EXPLANATORY NOTES

Appointment of External Directors

As described in the Company's AIM Admission Document dated 23 June 2017 ("**Admission Document**"), in accordance with the Israeli Companies Law, 5759-1999, and the rules and regulations promulgated thereunder (the "**Companies Law**"), the Company may have been required to appoint at least two External Directors, which has been confirmed as necessary.

An "External Director" is a director who meets certain independence criteria prescribed by the Companies Law. External Directors are also subject to certain duties and responsibilities prescribed by the Companies Law, details of which are set out in paragraph 15 of Part I and paragraph 4 of Part IV of the Admission Document.

Following an appropriate selection process, the Nomination Committee has identified Zohar Yinon and Chen Saft-Feiglin as suitable External Directors and has recommended their appointment to the Company's Board subject to shareholders' approval. Each of Zohar Yinon and Chen Saft-Feiglin (each a "**Nominee**" and collectively the "**Nominees**") has agreed to be appointed as an External Director of the Company.

If their appointment is approved by the Shareholders, each of the Nominees shall, subject to the provisions of the Companies Law, serve as a member of the Board for a period of three years and be entitled to be paid (i) an aggregate gross amount of NIS 30,000 or £6,369* per annum (or the pro rata portion of such amount for any period less than a year) and (ii) a gross amount of NIS 2,000 or £425* for each meeting of the Board and/or a committee of the Board of which he or she is a member, which he or she attends.

As required under the Companies Law, each of the Nominees has executed a declaration confirming that he or she is qualified to serve as an External Director (the "**Declarations**").

Changes to composition of board committees

On Admission of the Company to AIM, the Company established an Audit Committee, a Remuneration Committee and a Nomination Committee.

Audit committee

The Audit Committee is currently comprised of Neil Rafferty, Graham Woolfman and Mark Reichenberg (non-voting), and is chaired by Neil Rafferty.

In accordance with the requirements of the Companies Law, following the appointment of Zohar Yinon and Chen Saft-Feiglin as External Directors, the composition of the Audit Committee will change. Graham Woolfman will resign from the Audit Committee as in terms of Companies Law the Chairman of the Company may not serve as a member of the Audit Committee and the members will be Zohar Yinon, Chen Saft-Feiglin and Neil Rafferty and the Audit Committee will be chaired by Zohar Yinon who is considered to have "financial and accounting expertise" in accordance with the requirements of the Companies Law.

Remuneration committee

The Remuneration Committee is currently comprised of Neil Rafferty, Graham Woolfman and David Levi (non-voting) and is chaired by Neil Rafferty.

In accordance with the requirements of the Companies Law, following the appointment of Zohar Yinon and Chen Saft-Feiglin as External Directors, the composition of the Remuneration Committee will change. Graham Woolfman will resign from the Remuneration Committee and the members shall be Zohar Yinon, Chen Saft-Feiglin and Neil Rafferty and the Remuneration Committee will be chaired by Chen Saft-Feiglin.

It is a requirement of the Companies Law that all External Directors of the Company must be members of the Remuneration Committee. Following the appointment of Zohar Yinon and Chen Saft-Feiglin, the Remuneration Committee will be considered a formal Remuneration Committee for the purposes of the Companies Law. Graham Woolfman will be required to resign because it is a requirement of the Companies Law that the Company's chairman may not serve as a member of the Remuneration Committee.

* Based on currency exchange rate of NIS4.7103/£.

Nomination committee

The Nomination Committee is currently comprised of Neil Rafferty, Graham Woolfman and David Levi and is chaired by Graham Woolfman, and will remain unchanged following the appointment of the Nominees as External Directors.

BIOGRAPHIES OF PROPOSED EXTERNAL DIRECTORS

Zohar Yinon

Zohar Yinon has been the CEO of Hagihon Company Ltd. since September 2011. During his tenure he led a “turn-around” integrative recovery plan that positioned the company as a leading regional/municipal water and wastewater utility company in Israel and abroad. Prior to this, Mr. Yinon was the chief financial officer of Israel Military Industries, Ltd. and a VP Business Development in Granite Hacarmel Ltd. and has held other roles in Israel’s private and public sectors, including with companies traded on the Tel Aviv Stock Exchange.

Mr. Yinon holds a B.A. in Economics and an MBA in Business Administration, both from Bar-Ilan University (Israel) and he graduated managerial programs of M&A and Corporate Governance from the Interdisciplinary Center (“IDC”) in Herzliya.

Mr. Yinon is a member of the CTG global panel of experts evaluating new start-ups in the field of Clean-tech and has served as a board member in a wide range of companies including governmental, private, publicly listed and start-up companies).

Mr. Yinon served as a Major in the Israel Defense Forces.

Chen Saft-Feiglin

Chen Saft-Feiglin is a lawyer and notary admitted in Israel with more than 20 years of experience in commercial law, insolvency and recovery procedures as well as 15 years of experience as a business and family mediator and family business consultant.

Ms. Saft-Feiglin is the founder and owner of Chen Saft People, Processes and Enterprises, providing consulting services for family firms and enterprises, mediation in commercial disputes and divorce mediation.

Previously, Ms. Saft-Feiglin was a partner at Saft Walsh Law Offices, which was a niche law practice handling corporate, M&A, private client work and general representation of foreign clients (private and corporate) in Israel. Ms. Saft-Feiglin specialised in insolvencies (including liquidations, receiverships and procedure freezing).

Ms. Saft-Feiglin holds an LLB from Bar Ilan University and an MBA majoring in business and managerial psychology.

Ms. Saft-Feiglin served as a Lieutenant in the Israel Defense Forces.

Exculpation, Indemnification and Insurance to Directors and officers

As described in the Company’s AIM Admission Document, under the Companies Law, the grant of exemption, indemnification and insurance to Board members, and under certain circumstances, also to officers of the Company who are not Directors, requires the approval of shareholders of the Company. Accordingly, the Company is seeking shareholders’ approval to the grant of exemption and indemnification of its current and future Board members and officers, as shall be from time to time, to the fullest extent permitted by applicable law .

The Company is also seeking confirmation and ratification by shareholders for the obtaining of general Directors’ and Officers’ insurance policy for the benefit of each of its current and future directors and officers, taken out with effect from the date of Admission as well as for the Public Offering of Securities Insurance policy taken out effective from the date of Admission.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Ethernity Networks Ltd. (the “**Company**”) will be held at the offices of Howard Kennedy LLP, at No.1, London Bridge, London SE1 9BG at **10.00 a.m. (UK time) on 15 November 2017**, to consider and, if thought fit, pass the following resolutions:

1. Appointment of Zohar Yinon as an External Director for a term of three years.
2. Appointment of Chen Saft-Feiglin as an External Director for a term of three years.
3. Approval of the entering into by the Company of exculpation and indemnification agreements with each of the current and future members of the board of directors of the Company, from time to time, to the fullest extent permitted by applicable law and the Articles of Association of the Company.
4. Confirmation and ratification of the general Director’s and Officer’s insurance policy for the benefit of each of its current and future directors and officers, entered into by the Company with effect from the date of admission to AIM with coverage of up to five million Pounds Sterling, and for which the annual premium is ten thousand Pounds Sterling, as shall be determined by the Board from time to time, as well as for the Public Offering of Securities Insurance policy taken out effective from the date of Admission of fifteen million Pounds Sterling for a period of 6 years at a one off premium of thirty five thousand Pounds Sterling.

The approval of each of Resolutions 1 and 2 requires the affirmative vote of the majority of the shares present in person or represented by proxy and voting at the General Meeting on each such Resolution, excluding abstentions, provided that either: (i) such majority includes a majority of the shares voted by shareholders who are not “controlling shareholders” and who do not have a “personal interest” in the resolution (excluding a “personal interest” that is not as a result of a relationship with the “controlling shareholder”); or (ii) the total number of shares of shareholders who are not “controlling shareholders” and who do not have a “personal interest” in the resolution who voted against the resolution does not exceed 2 per cent. of the outstanding voting shares of the Company.

The approval of each of Resolution 3 and 4 requires the affirmative vote of the majority of the shares present in person or represented by proxy and voting at the General Meeting on each such Resolution, excluding abstentions, provided that either: (i) such majority includes a majority of the shares voted by shareholders who are not “controlling shareholders” and who do not have a “personal interest” in the resolution; or (ii) the total number of shares of shareholders who are not “controlling shareholders” and who do not have a “personal interest” in the resolution, who voted against the resolution does not exceed 2 per cent. of the outstanding voting shares of the Company.

The term “controlling shareholder” means a shareholder who has the ability to direct the activities of the Company, other than by virtue of being an office holder. A shareholder is presumed to be a controlling shareholder if the shareholder holds 50 per cent. or more of the voting rights in the Company or has the right to appoint the majority of the directors of the Company or its chief executive officer (referred to in the Companies Law as the general manager). In addition, the term controlling shareholder includes any shareholder that holds 25 per cent. or more of the voting rights of the Company if no other shareholder holds more than 50 per cent. of the voting rights in the Company. As of the date hereof, the Company is not aware of any controlling shareholders.

A “personal interest” of a shareholder is defined as: (1) such shareholder’s personal interest in an act or a transaction of the Company, including (i) a personal interest of such shareholder’s relative, and (ii) a personal interest of a corporation in which such shareholder or any of his/her relatives serves as a director or the chief executive officer, owns at least five percent (5 per cent.) of its issued share capital or its voting rights or has the right to appoint a director or chief executive officer, but excluding a personal interest arising solely from the holding of shares in the Company. A personal interest includes the personal interest of either the proxy holder (whether or not the shareholder granting the proxy has a personal interest) or the shareholder granting the proxy, in each case, whether or not the proxy holder has discretion how to vote in the matter. The term “relative” means a shareholder’s spouse, sibling, parent, grandparent or descendant and the spouse’s sibling, parent or descendant; and the spouse of each of the foregoing persons.

By order of the Board

Mark Reichenberg
Company Secretary

1 Hamelacha St
Lod Industrial Park, 7152001
Israel

Incorporated and registered in Israel with registered no. 51-347834-7

6 October 2017

Notes to the Notice of Extraordinary General Meeting:

1. Enclosed with this document is either a Form of Proxy for shareholders (the “**Form of Proxy**”) or a Form of Direction for Depository Interest holders (the “**Form of Direction**”).
2. Only those shareholders registered in the Company’s register of shareholders as of close of business. (London time) on 10 November 2017 (the “**Original Cutoff**”) are entitled to attend and/or vote at the Meeting, and each only in respect of such number of shares registered in his or its name at that time. If the Meeting is adjourned to a time not more than 48 hours after the original Meeting time, the Original Cut-off will continue to apply. Any changes to the Company’s register of shareholders made after the Original Cut-off shall be disregarded for these purposes.
3. If you are a shareholder of the Company, whether or not you intend to be present at the Meeting, please complete and return the Form of Proxy (in accordance with the instructions set out in that document) to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF, United Kingdom, as soon as possible and in any event so as to be received by no later than 10.00 a.m. (London time)/12.00 p.m. (Tel Aviv time) on 13 November 2017 or 24 hours before any meeting following adjournment thereof (in accordance with the Uncertified Securities Regulations 2001, and any other provisions notwithstanding). Completion and return of a signed Form of Proxy will not prevent you from attending the Meeting and voting in person, if you so wish.
4. If you are a holder of Depository Interests, please complete and return the Form of Direction (in accordance with the instructions set out in that document) to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF, United Kingdom, as soon as possible and in any event so as to be received by no later than 10.00 a.m. (London time)/12.00 p.m. (Tel Aviv time) on 10 November 2017 or 72 hours before any meeting following adjournment thereof. Holders of DIs must be registered in the Company’s depository interest register at 10.00 a.m./p.m. on 10 November 2017 (or at 10.00 a.m. 3 days before the date of any adjourned Meeting).
5. In the case of joint holders, the signature of only one of the joint holders is required on the Form of Proxy, or Form of Direction (as applicable) but the vote of the first named on the register of members or register of Depository Interests (as applicable) will be accepted to the exclusion of the other joint holders.
6. According to the Companies Law, the approval of each of Resolutions 1 and 2 requires the affirmative vote of the majority of the shares present in person or represented by proxy and voting at the Meeting on each such proposal, excluding abstentions, provided that either: (i) such majority includes a majority of the shares voted by shareholders who are not “controlling shareholders” and who do not have a “personal interest” in the resolution (excluding a “personal interest” that is not as a result of a relationship with the “controlling shareholder”); or (ii) the total number of shares of shareholders who are not “controlling shareholders” and who do not have a “personal interest” in the resolution who voted against the resolution does not exceed 2 per cent. of the outstanding voting shares of the Company. In addition, the approval of each of Resolutions 3 and 4 requires the affirmative vote of the majority of the shares present in person or represented by proxy and voting at the Meeting on each such proposal, excluding abstentions, provided that either: (i) such majority includes a majority of the shares voted by shareholders who are not “controlling shareholders” and who do not have a “personal interest” in the resolution; or (ii) the total number of shares of shareholders who are not “controlling shareholders” and who do not have a “personal interest” in the resolution, who voted against the resolution does not exceed 2 per cent. of the outstanding voting shares of the Company. For this purpose, you are asked to indicate in the Form of Proxy or Form of Direction (as applicable) whether you are a controlling shareholder or have a personal interest in any of these proposals.
7. Depository Interest holders wishing to attend the meeting should contact the Depository at Capita IRG Trustees Limited, 34 Beckenham Road, Beckenham BR3 4TU, United Kingdom or by email to custodymgt@capita.co.uk in order to request a Letter of Representation no later than 10.00 a.m. (London time)/12.00 p.m. (Tel Aviv time) on 10 November 2017. However, Depository Interest holders will not be able to vote at the Meeting.
8. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST Personal Member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
9. A corporation which is a member may by resolution of its directors or other governing body authorise a person to act as its representative who may exercise, on its behalf, all its powers as a member, provided they do not do so in relation to the same shares.
10. Please note that the Company takes all reasonable precautions to ensure no viruses are present in any electronic communication it sends out but the Company cannot accept responsibility for loss or damage arising from the opening or use of any email or attachments from the Company and recommends that shareholders and Depository Interest holders subject all messages to virus checking procedures before use. Any electronic communication received by the Company, including the lodgment of an electronic proxy form, that is found to contain any virus will not be accepted.
11. As at 6.00 p.m. on 5 October 2017, being the date immediately prior to the date of this Notice, the Company’s issued share capital comprised of 32,518,186 Ordinary Shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 5 October 2017 is 32,518,186.
12. The forms of the offer letters of Zohar Yinon and Chen Saft-Feiglin, their Declarations and a form of the Directors’ indemnity agreement, will be available for inspection at the offices of Howard Kennedy LLP, at No.1, London Bridge, London SE1 9BG at **10.00 a.m. (UK time) on 15 November 2017** during normal business hours from the date of this Notice for at least 15 minutes prior to the Meeting and during the Meeting.