

8 April 2020

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ("MAR"). With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

ETHERNITY NETWORKS LIMITED

("Ethernity" or the "Company")

COVID-19 Business Update

Ethernity Networks (AIM: ENET.L), a leading supplier of data processing offload solutions on programmable hardware for accelerating telco/cloud networks, provides the following business update and measures taken in response to the COVID-19 pandemic. The health and well-being of our staff and customers remain a priority and we are taking all necessary precautions to safeguard them.

To date, the COVID-19 situation has not had a material impact on the Company's business engagements, which continue to progress. We have recently seen some recovery in Chinese markets in which the Company is currently significantly engaged, specifically in the 5G marketplace, as evidenced by the recent ACE-NIC delivery to a major Chinese operator. Despite the uncertainty due to the COVID-19 pandemic, worldwide telecom capex remains forecast to grow at a one percent CAGR until 2022*. It is, however, expected that certain anticipated near-term agreements may be the subject of temporary delays due to disruptions, as companies outside of our Chinese markets impose their own safeguarding work policies.

The Company's offices continue to be manned at a 30% level, in line with permissible limits set by the Israeli authorities, allowing R&D staff to continue working in smaller teams to allow social distancing to be observed. Due to the online nature and connectivity capabilities of the business, staff working from home are operating at capacity on a remote basis. As a result, the Company sees no current impact on its ability to meet its delivery milestones and execution of plans other than those that may arise from engaged customers being affected by their own remote working arrangements.

The Company is now focused on supporting the growing engagement around our ACE-NIC family that embeds a Router-on-NIC implementation which is ideal for initial 5G deployment, including further advanced development on the ACE-NIC100 to support 200Gbps UPF offload. This has deferred other developments, including PON, development of which is planned to be re-engaged during the second half of 2020.

In light of the continued uncertainty on the potential impact and duration of the COVID-19 pandemic, the Board has taken certain steps to both safeguard the well-being of staff and to position the Company for the future. Where possible, a work-from-home policy has been implemented and all non-discretionary expenditure has been curtailed. The Company is also taking prudent steps to mitigate any impact through certain short-term cash conservation measures, including a reduction by directors of up to 50% of their remuneration, with 20% of the reduction deferred.

The implementation of these cash management measures is, taking account of our current cash and available resources, expected to allow the Company to meet its planned objectives in the absence of a prolonged uncertain outlook due to the effects of COVID-19. However, the Company recognises that revenues are likely to be delayed due to COVID-19 uncertainty, including where engaged customers' functions are affected through remote working arrangements. The Board continues to closely monitor the situation and will take further action, as appropriate, to manage its working capital position and strengthen the balance sheet to support the execution of the Company's plans.

* *"Telecom Capex to Grow at a One Percent CAGR by 2020" (Dell'Oro report, 3 April 2020)*

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