

15 May 2020

ETHERNITY NETWORKS LTD.

("Ethernity" or the "Company")

Notice of Extraordinary General Meeting

Further to the Company's announcement on 6 May 2020, Ethernity (AIM: ENET), a leading supplier of functional acceleration ethernet adapter cards on FPGA (field programmable gate array) for virtualised networking appliances, gives notice of an Extraordinary General Meeting of the Company, to be held at 9.00 a.m. (UK time) / 11.00 a.m. (Israel time) on 22 June 2020 at the Company's offices in Israel.

The Company also updates that the response from the Innovation Authority in Israel (previously the Office of the Chief Scientist) to the Company's application for a grant is now expected prior to the EGM.

The Notice of EGM, together with a Form of Proxy (for Shareholders) or Form of Direction (for Depositary Interest holders), is expected to be despatched to Shareholders and Depositary Interest holders today, and will shortly be available to view on the Investor Relations section of the Company's website, www.ethernitynet.com.

Set out below is an extract from the Notice of EGM with details on the resolutions to be voted on at the EGM and action to be taken. In light of the COVID-19 outbreak and to protect the health and wellbeing of all stakeholders, Shareholders and Depositary Interest holders are strongly encouraged to vote by Form of Proxy or by Form of Direction (as appropriate) rather than attending the EGM in person. The Company will also be making available a facility for attendance by telephone.

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 Shareholders vote in favour of all the proposed resolutions as they intend to do in respect of their own beneficial holdings amounting in aggregate, to 11,344,920 Ordinary Shares representing approximately 34.7 per cent. of the Existing Ordinary Shares.

For further enquiries please contact:

Ethernity Networks Ltd +972 8 915 0392
David Levi, Chief Executive Officer
Mark Reichenberg, Chief Financial Officer

Arden Partners plc (Nominated Adviser, Broker) +44 207 614 5900
Richard Johnson / Benjamin Cryer

The PR Office +44 207 284 6969
Marc Cohen/Tom Gilby

About Ethernity (www.ethernitynet.com)

Ethernity Networks Ltd. (AIM: ENET) provides innovative, comprehensive networking and security solutions on programmable hardware for accelerating telco/cloud networks performance. Ethernity's FPGA logic offers complete Carrier Ethernet Switch Router data plane processing and control software with a rich set of networking features, robust security, and a wide range of virtual function accelerations to optimize telecommunications networks. Ethernity's complete solutions quickly adapt to customers' changing needs, improving time-to-market and facilitating the deployment of 5G, edge computing, and different NFV appliances including 5G UPF, SD-WAN, vCMTS and vBNG with the current focus on 5G emerging appliances.

APPENDIX - EXTRACT FROM NOTICE OF EGM

Chairman's Letter

The Company is convening the EGM to approve resolutions granting the Directors authority to issue shares and allow the Company greater flexibility and funding options. The proposals will also provide the Directors with share issuance authorities in line with other growth companies on the AIM market.

The EGM also includes individual resolutions for (i) the re-election of certain Directors, who are nominated for re-election at the conclusion of a three-year period since the Company's admission to AIM, and (ii) certain amendments to the Company's articles of association to reflect developments in market practice and the law.

Given the UK and Israeli Governments' current guidance on social distancing and prohibition on non-essential travel and public gatherings, we have had to make a number of alterations to the conduct of this EGM:

- In light of the current situation it will not be possible for all shareholders to attend the EGM in person.
- We expect only a very limited number of directors to be in attendance at the EGM to ensure a quorum and to conduct the business of the meeting.
- No other directors will attend in person and social distancing measures will be in place in order to comply with current requirements.
- In order to ensure that any Shareholder wishing to attend the EGM may safely do so, all such persons may only be allowed to do so telephonically.
- The EGM will be condensed and will include only the formal business of the meeting and relevant questions that are posed in writing in advance.

Actions to be taken in respect of the Meeting

WE STRONGLY ENCOURAGE SHAREHOLDERS TO VOTE ON ALL RESOLUTIONS BY APPOINTING THE CHAIRMAN OF THE MEETING AS YOUR PROXY, TO REGISTER ANY QUESTIONS IN ADVANCE AND NOT TO ATTEND THE MEETING IN PERSON.

Shareholders are encouraged to submit their voting instructions as soon as possible, even if they might intend to attend the EGM in person should the Coronavirus (COVID-19) situation and the Israeli Government's guidance change so as to permit this. See below for details with regard to voting instructions.

Shareholders can submit questions to the Board in advance of the EGM by emailing such questions to the Company Secretary, Mark Reichenberg at markr@ethernitynet.com by no later than 9.00 a.m. (UK time)/ 11.00 a.m. (Israel time) on 17 June 2020. We will consider all questions received and endeavour to provide responses to them at the EGM to the extent appropriate and practicable.

Any Shareholder or proxy appointed by a Shareholder who wishes to attend the EGM by telephone is requested to contact Mark Reichenberg (details above) in order to obtain details of how to join the teleconference. Such Shareholders or proxies are requested to provide in that email details of their registered shareholding or proxy appointment in order that their entitlement to attend may be verified.

Any Depository Interest Holder who wishes to join the EGM by telephone is requested first to contact the Depository at Link Market Services Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by email by using nominee.enquiries@linkgroup.co.uk in order to request a Letter of Representation no later than 5.00 p.m. (UK time)/ 7.00 p.m. (Israel time) on 12 June 2020. Any such Depository Interest Holder is then requested to contact Mark Reichenberg as set out above once they have received the Letter of Representation.

The health and well-being of our Shareholders and colleagues remains our priority and the steps set out above are necessary and appropriate ones given the current pandemic.

I would reiterate that the Board would encourage all Shareholders and Depository Interest Holders in the strongest possible terms to use their Form of Proxy or Form of Direction, as relevant, and appoint the chairman of the EGM as their proxy. This will allow their votes to count. The action to be taken in respect of the Meeting depends on whether you hold your Ordinary Shares in certificated form or as Depository 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).

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 Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, BR3 4ZF, United Kingdom or, during normal business hours, by hand to Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case by no later than 9.00 a.m. (UK time)/ 11.00 a.m. (Israel time) on 18 June 2020.

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, by telephone. However, Shareholders are urged not to attend the Extraordinary General Meeting in person.

Depository 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).

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 Link Asset Services, PXS1, 34 Beckenham Road, Beckenham BR3 4ZF, United Kingdom or, during normal business hours by hand, to Link Asset Services, 34 Beckenham Road, Beckenham, Kent BR3 4TU, in each case by no later than 9.00 a.m. (UK time)/ 11.00 a.m. (Israel time) on 17 June 2020.

This will enable your vote to be counted at the Meeting. The completion and return of the Form of Direction will not prevent you from attending the Meeting, or any adjournment of the Meeting, by telephone (subject to obtaining a valid Letter of Representation), however you will not be able to vote at the meeting. Depository Interest holders are urged not to attend the Extraordinary General Meeting in person.

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 as they intend to do in respect of their own beneficial holdings amounting in aggregate, to 11,344,920 Ordinary Shares representing approximately 34.7 per cent. of the Existing Ordinary Shares.

Yours faithfully,

Graham Woolfman

Chairman

EXPLANATORY NOTES TO THE PROPOSED ACTIONS AND RESOLUTIONS

Resolution 1 – Increasing the authorised share capital of the Company

Under the Companies Law, the authorised share capital of the Company may only be increased with the consent of the Shareholders. This resolution increases the authorised share capital to NIS 100,000 consisting of 100,000,000 Ordinary Shares, each having a nominal value of NIS 0.001, and amends the Company's articles of association to reflect said increase in the authorised share capital. The Directors believe that the power provided by this resolution will maintain a desirable degree of flexibility.

Resolution 2 – Disapplication of pre-emption rights on equity issues for cash

Article 9.2 of the Company's articles of association requires that if the Company intends to issue Ordinary Shares or other Equity Securities (as such terms are defined in the Company's articles of association), subject to certain exceptions, it must first offer them to existing Shareholders, which may prove to be both costly and cumbersome. This resolution enables the Directors to allot Ordinary Shares or other Equity Securities on a non-pre-emptive basis, up to an aggregate nominal value of NIS 16,347.34, which is equal to approximately 50% of the nominal value of the issued ordinary share capital of the Company as of 14 May 2020 or in connection with a rights issue or similar offer. The Directors believe that the power provided by this resolution will maintain a desirable degree of flexibility. Unless previously revoked or varied, the disapplication will expire on the conclusion of the next annual general meeting of the Company, provided that it would apply to offers and agreements made prior to such time.

Resolutions 3 to 7 – Re-election of Directors

Resolutions 3 to 7 relate to the re-election of each of David Levi, Shavit Baruch, Mark Reichenberg, Graham Woolfman and Neil Rafferty as directors of the Company in accordance with Article 44.1 of the Company's articles of association and the Companies Law.

Each of Messrs. Woolfman and Rafferty will continue to be entitled to the terms of compensation provided to them for their role as directors, including their entitlement to exculpation, indemnification and insurance to fullest extent permitted by the Companies Law and the Company's articles of association and reimbursement for expenses arising from their directorship. Messrs. Levi, Shavit and Reichenberg do not receive additional compensation for their role as a director of the Company but will continue to be entitled to exculpation, indemnification and insurance to fullest extent permitted by the Companies Law and the Company's articles of association and reimbursement for expenses arising from their directorship.

Resolution 8 – Adoption of new articles of association and summary of changes to the articles of association

Resolution 8 proposes that the Company adopts amended and restated articles of association (the "New Articles"), principally in order to bring them up to date to reflect the Companies Law as currently in force.

A copy of the New Articles and a copy marked to show the changes from the current articles of association are available for inspection and can be viewed on www.ethernitynet.com/investors.

The substantive changes being proposed in the New Articles are intended to reflect developments in market practice and the law. A range of minor amendments have also been made to provide clarity and ensure that the New Articles are in line with the provisions of Companies Law and with the Company's practice. A summary of the principal changes is set out below.

Voting at Shareholders Meetings: In line with market practice for Israeli companies, the New Articles provide that shareholder resolutions will be decided by a poll only (and not by a show of hands), which means that every Shareholder present, in person or by proxy, is entitled to vote on a resolution will have one vote for every Ordinary Share they hold.

Shareholder Resolutions in Writing: In order to reflect the current terms of the Companies Law and to reflect market practice for AIM listed companies, the New Articles eliminate the possibility for the passing of a unanimous written resolution by all of the Company's shareholders.

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 the Company at 13A Hamelacha St., Lod Industrial Park, 7152025 at 11.00 a.m. (Israel time) / 9.00 a.m. (UK time) on 22 June 2020, to consider and, if thought fit, pass the following resolutions:

1. THAT, the Company's authorised share capital be increased from NIS 50,000 consisting of 50,000,000 Ordinary Shares, each having a nominal value of NIS 0.001, to NIS 100,000 consisting of 100,000,000 Ordinary Shares, each having a nominal value of NIS 0.001 and the Company's articles of association shall be amended to reflect such increase.
2. THAT, the board of directors of the Company be authorised to allot Ordinary Shares or other Equity Securities for cash and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if Article 9.2 of Company's articles of association did not apply to any such allotment or sale, such authority to be limited to:
 - 2.1 the allotment of Ordinary Shares or other Equity Securities or sale of treasury shares in connection with a rights issue or similar offer in favour of Shareholders where the Ordinary Shares, other Equity Securities or treasury shares are proposed to ordinary shareholders proportionately (as nearly as may be) to the respective number of ordinary shares held by them subject only to such exclusions or other arrangements as the board of directors of the Company may consider appropriate to deal with fractional entitlements or legal or practical difficulties under the laws of, or the requirements of any recognised regulatory body in, any territory; and
 - 2.2 the allotment of Ordinary Shares or other Equity Securities or sale of treasury shares (otherwise than under paragraph 2.1 above) up to an aggregate nominal value of NIS 16,347.34, such authority and power to expire at the conclusion of the next annual general meeting of the Company, save that the Company may, before the expiry of such period, make an offer or agreement which would or might require Ordinary Shares or other Equity Securities to be allotted after such expiry and the board of directors of the Company may allot Ordinary Shares or other Equity Securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.
3. To re-elect David Levi as a director for a three year term commencing from 22 June 2020 and ending on 22 June, 2023.
4. To re-elect Shavit Baruch as a director for a three year term commencing from 22 June 2020 and ending on 22 June, 2023.
5. To re-elect Mark Reichenberg as a director for a three year term commencing from 22 June 2020 and ending on 22 June, 2023.
6. To re-elect Graham Woolfman as a director for a three year term commencing from 22 June 2020 and ending on 22 June, 2023.
7. To re-elect Neil Rafferty as a director for a three year term commencing from 22 June 2020 and ending on 22 June, 2023.

8. THAT, the articles of association of the Company as described in the notice convening the meeting at which this resolution was proposed be adopted as the new articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company.

The approval of each of Resolution 1 and Resolutions 3 to 8 require the affirmative vote of the majority of the Ordinary Shares present in person or represented by proxy and voting at the Extraordinary General Meeting on such Resolution.

The approval of Resolution 2 requires the affirmative vote of three fourths of the Ordinary Shares present in person or represented by proxy and voting at the Extraordinary General Meeting on such Resolution.

Notes to the Notice of Extraordinary General Meeting

1. Enclosed with this document is either a Form of Proxy for use by shareholders (the "Form of Proxy") of a Form of Direction for use by Depository Interest Holders (the "Form of Direction").
2. Only those Shareholders registered in the Company's register of shareholders as of close of business (UK time) 15 June 2020 (the "Original Cut-Off") are entitled to attend and/or vote at the Meeting, and each only in respect of such number of Ordinary 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 (other than an adjournment due to a lack of a quorum), 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. The quorum for the Meeting shall be two or more shareholders present in person or by proxy and holding Ordinary Shares conferring in the aggregate 25 per cent. or more of the voting power of the Company. If within half an hour from the time appointed for the Meeting a quorum is not present, the Meeting shall be adjourned to the same day in the next week, at the same time and place and the Original Cut-off shall apply. Two or more shareholders who attend an adjourned meeting in person or by proxy will constitute a quorum, regardless of the number Ordinary Shares they hold or represent.
4. 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 Link Asset Services, as soon as possible and in any event so as to be received by no later than 9.00 a.m. (UK time)/ 11.00 a.m. (Israel time) on 18 June 2020 or 48 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 thereat in person, if you so wish.
5. 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 Link Asset Services, PX1, 34 Beckenham Road, Beckenham BR3 42F, United Kingdom, as soon as possible and in any event so as to be received by no later than 9.00 a.m. (UK time)/ 11.00 a.m. (Israel time) on 17 June 2020 or 72 hours before any meeting following adjournment thereof. Holders of DI's must be registered in the Company's depository interest register at 9.00 a.m. (UK time)/ 11.00 a.m. (Israel time) on 17 June 2020 (or at 9.00 a.m. (UK time)/ 11.00 a.m. (Israel time) three days before the date of any adjourned Meetings).
6. 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 shareholders or register of Depository Interests (as applicable) will be accepted to the exclusion of the other joint holders.
7. The approval of each of Resolutions 1 and Resolutions 3 to 8 require the affirmative vote of the majority of the Ordinary Shares present in person or represented by proxy and voting at the Extraordinary General Meeting on such Resolution.

8. The approval of Resolution 2 requires the affirmative vote of three fourths of the Ordinary Shares present in person or represented by proxy and voting at the Extraordinary General Meeting on such Resolution.
9. Any Shareholder or proxy appointed by a Shareholder who wishes to attend the EGM by telephone is requested to contact the Company Secretary, Mark Reichenberg (at markr@ethernitynet.com), in order to obtain details of how to join the teleconference. Such Shareholders or proxies are requested to provide in that email details of their registered shareholding or proxy appointment in order that their entitlement to attend may be verified.
10. Any Depository Interest Holder who wishes to join the EGM by telephone is requested first to contact the Depository at Link Market Services Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by email by using nominee.enquiries@linkgroup.co.uk in order to request a Letter of Representation no later than 5.00 p.m. (UK time)/ 7.00 p.m. (Israel time) on 12 June 2020. Any such Depository Interest Holder is then requested to contact the Company Secretary as set out in the immediately preceding paragraph once they have received the Letter of Representation. However, Depository Interest holders will not be able to vote at the Meeting.
11. 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.
12. A corporation which is a shareholder 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 shareholder, provided the corporation does not do so in relation to the same shares.
13. 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 lodgement of an electronic proxy form, that is found to contain any virus will not be accepted.
14. As at the close of business (UK time) on 14 May 2020 being the date immediately prior to the date of this Notice, the Company's issued share capital comprised of 32,694,686 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 close of business (UK time) on 14 May 2020 is 32,694,686.

DEFINITIONS

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

"AIM"	the AIM market operated by the London Stock Exchange plc
"Board" or "Directors"	the board of directors of the Company
"certificated" or "in certificated form"	the description of a share or security which is not in uncertificated form (that is, not in CREST)
"Company" or "Ethernity"	Ethernity Networks Ltd., incorporated and registered in Israel (with registration number 51-347834-7) whose registered office is at 13A Hamelacha St., Lod Industrial Park, 7152025, Israel)
"Companies Law"	the Israel Companies Law, 5759-1999 and the regulations promulgated thereunder
"CREST"	the computerised settlement system to facilitate transfer of title to or interests in securities in uncertificated form operated by Euroclear UK & Ireland Limited
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), including (i) any enactment or subordinate legislation which amends or supersedes those regulations and (ii) any applicable rules made under those regulations for the time being in force
"Depository"	Depository Link Market Services Trustees Limited, incorporated in England (No 02729260) whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
"Depository 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 Depository who holds the underlying securities on trust
"Depository Interest Holder(s)"	holder(s) of Depository Interests
"EGM" or "Extraordinary General Meeting" or "Meeting"	the extraordinary general meeting of the Company being convened by this notice or any adjournment of such meeting
"Existing Ordinary Shares"	32,694,686 Ordinary Shares currently in issue at the date of this document
"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 Depository Interest Holder(s) at the General Meeting which accompanies this document
"Notice of Extraordinary 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 nominal value each in the share capital of the Company
"Resolutions"	the resolutions to be proposed at the Extraordinary General Meeting, as set out in the Notice of Extraordinary General Meeting
"Shareholder(s)"	holder(s) of Ordinary Shares

“uncertificated” or “in uncertificated form” a share or security recorded in the Company’s register of members as being held in uncertificated form, title to which may be transferred by means of CREST