

19 November 2020

**ETHERNITY NETWORKS LTD**

("Ethernity" or the "Company")

**Notice of Extraordinary General Meeting**

Ethernity Networks (AIM: ENET.L), a leading supplier of data processing offload solutions running on programmable hardware and used to accelerate telco/cloud networks, gives notice of an Extraordinary General Meeting of the Company ("EGM"), to be held at 11.00 a.m. Israel time (9.00 a.m. UK time) on 29 December 2020 at the Company's offices in Israel, to seek shareholder approval, in compliance with the provisions of the Israeli Companies Law, for the issue of certain shares and options to Directors of the Company.

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 later today, and will be available to view on the Investor Relations section of the Company's website, [www.ethernitynet.com](http://www.ethernitynet.com).

Set out below is the letter from the Chairman, extracted from the Notice of EGM, setting out the background and reasons for the EGM, detailing the resolutions to be voted on at the EGM and action to be taken.

In light of the evolving COVID-19 situation and related public health guidance and legislation (including restrictions on travel and a prohibition on public gatherings), the Board of Directors believes that it is in the best interests of the Company and its shareholders that the EGM will be run as a closed meeting and shareholders will not be able to attend. Shareholders and Depositary Interest holders should accordingly vote by Form of Proxy or by Form of Direction (as appropriate).

"Introduction

I am pleased to be writing to you with details of the forthcoming Extraordinary General Meeting of the shareholders of Ethernity Networks Ltd. to be held at the offices of the Company at 13A Hamelacha St., Lod Industrial Park, 7152025, Israel, at 11.00 a.m. Israel time (9.00 a.m. UK time) on 29 December 2020.

The formal notice of the Meeting is set out on pages 9 to 10 of this document.

Background to and Reasons for the Meeting

As previously announced in the Company's ongoing updates regarding funding and the impact of the COVID-19 situation, the Company continues to apply cash conservation measures albeit funding steps as announced have been completed.

A. Share Based Compensation to the Non-Executive Directors

Due to ongoing levels of contribution from Neil Rafferty, non-executive Director, the call on his time has far exceeded his contracted time. He has agreed to continue these additional services for the second half of the financial year ending 31 December 2020 and has agreed to be remunerated for his contribution through the issue of shares in lieu of cash, to be calculated with reference to a price of 20p per share.

Additionally Neil Rafferty has agreed to a fee substitution via compensation in shares of 50% of his monthly fees due for November and December 2020. The number of shares to be issued is calculated on the same basis as above.

The Company has also agreed an issue of shares, on similar terms as to Neil Rafferty above with the exception of the 50% fee substitution for November and December 2020, to be made to myself as Chairman, as a termination award under the Company's Compensation Policy in recognition of work done.

The total amount of share based compensation in relation to the above matter and the resultant number of shares to be issued, is as follows:

- Graham Woolfman, non-executive Chairman, is to receive £33,000 @ 20p per share being 165,000 shares
- Neil Rafferty, non-executive director, is to receive £28,000 @ 20p per share being 140,000 shares.

In order to complete this allotment, as is required in terms of the Israel Companies Law, 5759-1999 and the regulations promulgated thereunder, any award or issue of shares or options to a director requires the recommendation of the Remuneration Committee of the Company to the Board. This recommendation was confirmed in a meeting of the Remuneration Committee of the Company on the 9th of November 2020, and the approval of the Board of Directors of the Company in a meeting held on the 10th of November 2020 which adopted and approved the Remuneration Committee's proposals subject to approval by a disinterested majority of the shareholders in a General Meeting.

Neil Rafferty in conformity with the requisite law and governance did not participate in any decision by the Remuneration Committee to recommend this proposal to the Board for approval, and similarly neither Neil nor myself participated in any resolution by the Board to approve our individual interests in the proposals.

Furthermore, as per the Company's adopted Compensation Policy, these share awards will be subject to a lock-in period of one (1) year from the date of allotment.

#### B. Award of Options to the Chief Financial Officer

A general award of options to employees of the Company was approved by the Remuneration Committee on 9 November 2020 in accordance with the terms of the Company's approved Israel Share Option Plan (ISOP).

As part of this general award, following a meeting of the Remuneration Committee on 9 November 2020, the Remuneration Committee proposed to the Board that Mark Reichenberg be awarded 100,000 options at an exercise price of 20p. The Board has subsequently approved this award in a resolution passed on 18 November 2020.

Under the Israeli Companies Law this award is subject to and conditional upon the approval by shareholders in a General Meeting of the Company.

These proposed options will vest equally in three parts on 19 November 2021 and thereafter on an annual basis. Subsequent to approval of the additional grant, Mark Reichenberg will have 209,000 options, of which 81,750 are vested.

Actions to be taken in respect of the Meeting

**WE STRONGLY ENCOURAGE SHAREHOLDERS TO VOTE ON ALL RESOLUTIONS BY APPOINTING THE CHAIR 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 Government of Israel'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](mailto:markr@ethernitynet.com) by no later than 9.00 a.m. (UK time)/ 11.00 a.m. (Israel time) on 24 December 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](mailto: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 18 December 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 Chair 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 24 December 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 23 December 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 12,934,566 Ordinary Shares representing approximately 31.01 per cent. of the Existing Ordinary Shares, save that I shall abstain from voting my holding of 10,715 Ordinary Shares on Resolution 1 and Neil Rafferty shall abstain from voting his holding of 7,143 Ordinary Shares on Resolution 2.

#### Conclusion

My resignation as Non-Executive Chairman of the Company was announced on the 18th November 2020, and therefore I anticipate that this will be the last General Meeting of the Company, which I will Chair. I would like to take this opportunity to thank my Board colleagues for their work and support during the period of my appointment, as well as shareholders for their support of the Company.

I wish the Company every success and look forward to following its continued development.

Yours faithfully,  
Graham Woolfman  
Chairman"

#### For further information, please contact:

##### **Ethernity Networks**

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David Levi, Chief Executive Officer

Mark Reichenberg, Chief Financial Officer

##### **Arden Partners plc (NOMAD and Broker)**

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Richard Johnson / Benjamin Cryer

##### **VSA Capital Limited (Joint Broker)**

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### **About Ethernity Networks**

Ethernity Networks (AIM: ENET.L) provides innovative, comprehensive networking and security solutions that run on programmable hardware and are used for accelerating telecommunications networks. Ethernity's FPGA logic offers complete Carrier Ethernet Switch Router data plane processing 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 deployment of 5G, edge computing, and NFV.