2 December 2020

ETHERNITY NETWORKS LTD.

("Ethernity" or the "Company")

Ethernity Update – on target for 2020 and positioned for growth in 2021

Ethernity (AIM: ENET), a leading supplier of data processing offload solutions on programmable FPGA (field programmable gate array) hardware for accelerating telco/cloud networks, provides the following market update:

Highlights:

- Revenue momentum with H2 2020 expected to be in line with market expectations (FY20: c. $2.0 million), representing growth of ~400% over H1 2020 and similarly H2 2019.
- Increasing visibility over 2021 forecast revenue with approximately 60% forecast revenue currently anticipated from existing ENET licensing contracts, subject to customer confirmations of order volumes.
- Testing of ACE-NIC100 fully integrated within 5G deployment - selected over two major SmartNIC competitors' offerings. Larger scale commercial field trial now expected in 2021.

Financial performance

The Company is pleased to report continued momentum during H2 2020, with contracted sales representing a 400% growth on H1 2020 revenues, and similarly on H2 2019. It is expected that the majority of these revenues will be recognised in 2020.

Licensing and SoC (system-on-a-chip) contracts

Anticipated revenue for 2021 based on both signed contracts and customer forecasts received from existing licensing contracts, excluding any ACE-NIC business, currently account for approximately 60% of the Company's total forecast FY 2021 revenue. This represents a further growth of 300% over the current FY 2020 market expectations. Delivery, and revenue recognition, is expected to commence in Q1 2021 and to ramp up throughout the year.

The North American tier-1 telecommunication OEM, initially contracted in October 2018 for delivery of 10G PON OLT, now has consumed the prepaid licenses under that contract. Consequently, all further additional licenses will be billed and paid quarterly. In addition, the customer further upgraded its contract signed in April 2020, to support double capacity of 400Gbps per CPON OLT shelf, which upgrade includes further revenue to the Company.

A customer who signed a contract in May 2017 to enable 1Gbps over fixed wireless residential service as an alternative to fibre has now advanced beyond field trials to actual service deployment, incorporating Ethernity's FPGA SoC as the main switch and traffic manager device, to be located at each antenna. Following successful field trials in 2020, the customer has forecast that they will require ~$500,000 ENET FPGA SoCs based on their planned deployment rollout for 2021, the vast majority of these to be supplied in H2 2021, and a further requirement of up to ~$1m in SoCs in 2022.

5G business

The Company has continued to test and develop its product both with OEMs and end-users including national telecoms operators. These initial testing phases have progressed well and the Company now anticipates that that these will lead to larger scale field trials prior to eventual commercial deployments.

The Southeast Asian national telecom operator, referenced to in the Interim Results announced in September 2020, has now successfully integrated its open source-based 5G User Plane Functionality (UPF) software onto Ethernity's ACE-NIC100 FPGA SmartNIC and tested it against other tier-1 competitors. The operator is now progressing to commercial field trials utilising the ACE-NIC100 to reduce cost, space and latency, noting that the Company's router-on-FPGA NIC and forwarding engine was selected over SmartNICs from the top two tier-1 SmartNIC competitors.

One of Ethernity's partners was selected to develop customised UPF software for a private 5G network to a Chinese mobile service operator as part of the OpenUPF initiative, which will now be targeted primarily toward industrial and

private 5G deployments. Ethernity's ACE-NIC will be used to meet the operator's performance requirements, by implementing the forwarding within the FPGA SmartNIC to reduce latency and increase performance.

Further to the licensing contract signed in September 2020 with an Indian OEM customer, the parties have agreed that the hardware manufactured by the Indian vendor incorporating the Ethernity technology can be sold by Ethernity outside of the Indian market. This is anticipated to result in additional revenues for the Company, as Ethernity will be able to market the complete product solution into new geographic markets through other channels.

The Company is receiving significant interest in its ACE-NIC100 for 5G Distributed Unit (DU) with embedded Virtual Router function, which product offering was announced on 22 October 2020. This includes multiple interactions with major server vendors and system integrators who anticipate incorporating the FPGA router data plan embedded in the ACE-NIC, into their offering.

Marketing

The Company is commencing a marketing campaign to position Ethernity's 5G offering as the optimum component that allows an instant upgrade from 4G to 5G performance without the need for substantial investment in cloud entities, such as servers and switches. Ethernity's ACE-NIC100 is currently being tested by a European vendor for use in 4G Gateways and to allow operators to easily scale their performance to 5G.

The Company is also engaged in marketing activities directed towards the Chinese markets and has received a grant from the Israeli government for up to $185,000 in contribution of up to 50% of Ethernity's marketing activities in the region.

Ethernity CEO David Levi said: "We are seeing great strides toward mass deployment of 5G over the next two years, and we continue to see demand for FPGA-based virtualized routing and other telecom applications in 4G LTE, Broadband, Avionics, and other markets, positioning the Company for a successful business transition from 2021 and onwards. We are excited by the progress made and the inroads achieved during the past year".

For more information on Ethernity's products and solutions, please see The Company's website at www.ethernitynet.com.

For further information, please contact:

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

Arden Partners plc (NOMAD and Broker) Tel: +44 207 614 5900
Richard Johnson / Benjamin Cryer

VSA Capital Limited (Joint Broker) Tel: +44 20 3005 5000
Andrew Monk, Corporate Broking
Simon Barton, Corporate Finance

Peterhouse Capital Limited (Joint Broker) Tel: +44 20 7562 0930
Lucy Williams / Duncan Vasey / Eran Zucker

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.