14 February 2022

ETHERNITY NETWORKS LTD.

("Ethernity" or the "Company")

Company Update

Ethernity Networks Ltd (AIM: ENET.L), a leading supplier of programable networking solutions utilising patented and innovative network processing technology ported on FPGA (field programmable gate array) for virtualised networking appliances, provides the following update:

In its previous market update, in December 2021, the Company had noted that due to the worldwide components shortage and price increases, it was planning to adapt its networking hardware device to produce a more competitively priced go-to-market product.

Ethernity is pleased to update that following internal positioning work and collaboration with certain of the Company's contracted customers, it was agreed to restore the plans to produce the contracted UEP platform (planned for completion of fabrication by end of Feb/22), which is a higher-end product that better fits the 5G transport market. This includes the original design plan to support 25GbE, additional L3 features, security functions, and Power Over Ethernet (POE) for radio equipment, making the product more attractive within the industry.

This decision to return to the higher-end version of the UEP, as originally contracted, focuses the market for the products on both distributed/centralized units (DU/CU) and wireless bonding, and will result in faster time to revenue for the contracted UEP platform. By positioning the UEP product towards the higher end of the market, the Company can continue with the completion of its UEP (adapted for disaggregated non-vendor locked indoor/outdoor wireless backhaul deployment) and with its ACE-NIC (for integration into servers), allowing for deployment of a differentiated higher-end product during FY 2022 while, at the same time, fulfilling existing contracted customer orders. Ethernity has positioned the product in parallel to capture new 5G deployments for the connection of 5G DU/CU, using the Company's patented wireless bonding technology and 5G security offload. The Company expects that the above UEP product, or ACE-NIC variant, will generate significant revenues during the FY 2022/23 period.

Moreover, to overcome the current components shortage, the Company is also collaborating with two existing customers to secure components for thousands of units expected to be deployed during 2022/23. The collaborations with existing customers and efforts in securing supply of components will allow Ethernity to accelerate progress over the next 2 years towards mass production, as well as the migration towards delivery of system products. The Company anticipates significant growth in 2022/2023, and successful delivery of existing and pipeline contracts would deliver in excess of $20m over the next 24 months. In addition, the Company continues to benefit from royalty and licensing revenue streams.

The Company's recent progress has allowed Ethernity to better focus its R&D resources to fulfil execution of many of the significant contracts signed during the last year, as well as to position Ethernity to achieve its growth plans and strategy of becoming a supplier of customised and differentiated system solutions, with a focus on delivering complete solutions, including 5G routing software, network operating systems, and hardware devices.

Ethernity CEO David Levi said: "Our recent efforts to consolidate our progress, both in our R&D and in our sales, and to ensure that we are on a path toward financial growth have been extremely successful, and I am now confident that we are placed on a solid foundation for the next couple of years. This will allow us to seek additional customers for our established products and solutions, further growing our revenues and gross margins."

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

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About Ethernity Networks

Ethernity Networks (AIM: ENET.L) provides innovative, comprehensive networking and security solutions on programmable hardware for accelerating telco/cloud networks. 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 NFV.

MARKET ABUSE REGULATION

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