

4 January 2018

ETHERNITY NETWORKS LTD

("Ethernity" or the "Company")

Trading Update

Ethernity Networks (AIM:ENET), a technology solutions provider that develops network data processing technology used in high-end Carrier Ethernet applications, today provides the market with an update on trading for the year ended 31 December 2017.

The trend highlighted during the first half of FY17 of a move from FPGA sales to royalties and large licensing deals continued in the second half of FY17 as demonstrated by the announcement of a new contract win with an Australian equipment manufacturer in December 2017.

It was also anticipated that an existing customer would vary a large licensing deal to include an additional large sum of upfront cash and a royalty stream for integrating the Company's data processing code into a customer wireless ASIC. However, ultimately the customer has selected a different Ethernity proposal to use an FPGA SoC. This should result in significant additional revenues being received by the Company through the delivery of a complete FPGA SoC into the customer's large volume market that could not previously be served by the alternative solution. This further demonstrates the Company's vision that FPGA solutions penetrate a larger volume market than has previously been served entirely by ASIC. Ethernity is well placed to benefit from selling complete FPGA SoC solutions.

Further, the supply of products under two other ENET legacy contracts have been delayed from 2017 into 2018, whilst this timing delay is disappointing, the sales from these contracts are expected to be recovered in due course.

As a result of the above, the Company anticipates that revenues and profits for the year ended 31 December 2017 will be below market expectations, however the Company has significantly increased operating profits when compared to the previous year. The Company remains focussed on maximising the opportunity presented by the continued market move to FPGA solutions and continues to invest in the people, infrastructure and industry partners that will see Ethernity best placed to deliver these solutions.

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Market Abuse Regulation

The information communicated in this Announcement is inside information for the purposes of Article 7 of Market Abuse Regulation 596/2014 ("MAR"). For the purposes of MAR and Article 2 of Commission Implementing Regulation (EU) 2016/1055, this announcement is being made on behalf of the Company by Mark Reichenberg, Chief Financial Officer.