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6 May 2020

**ETHERNITY NETWORKS LTD.**

("Ethernity" or the "Company")

**Market Update**

and

**Proposed Extraordinary General Meeting**

Ethernity (AIM: ENET), a leading supplier of functional acceleration ethernet adapter cards on FPGA (field programmable gate array) for virtualised networking appliances, provides the following update on the business, its markets and the Company's response to COVID-19.

The Company has seen some recovery in Chinese markets in which the Company is currently significantly engaged, specifically in the 5G marketplace. The Company continues to experience an increase in engagement with system integrators and operators interested in Ethernity's solutions where these solutions are proving increasingly aligned to the offerings operators wish to make to their customers in their marketplaces, as evidenced by a design win with a large Chinese OEM who are building their 5G UPF offering based on the Ethernity ACENIC-100 FPGA Smart NIC. The Company has recently signed a new design contract with a North American tier-1 telecommunications OEM, as announced on 30 April 2020, and is now in contract negotiations for a new design order in the Summer for a complete hardware and software NIC solution for a Military/Aerospace tier-1 vendor which, on success, would lead to initial milestone revenue followed by recurrent multi-year revenue from 2021.

The Company anticipates that its current 5G UPF (user plane functionality) engagements with the Chinese OEMs will lead to a roll-out of up to 2,000 FPGA SmartNIC cards during 2021 at unit prices ranging from \$2k to \$3k. Additionally, design kit and licensing revenues from existing customer relationships, including those detailed above are anticipated to result in up to \$2m of revenues over the next 12 months, on top of the ongoing recurrent royalties and FPGA revenue.

Due to the online nature and connectivity capabilities of the business, staff required to work from home due to COVID-19 regulations are operating at capacity on a remote basis. While, certain anticipated near-term agreements have been the subject of delays due to disruptions outside the Company's control, discussions are ongoing with further potential customers in both the 5G market (FPGA SmartNIC) and licensing contracts, which could provide additional opportunities.

On the basis of 5G deployment and the resultant increased use of NFV technologies in the telco cloud and Radio Access Network (RAN), the Company anticipates that positive cash flow generation will commence by from H2 2021.

As at 31 March 2020 the Company had retained cash reserves of \$1.5m (\$2.7m as at 31 December 2019) (unaudited) and, as announced on 8 April 2020, in light of the current COVID-19 situation the Company has taken prudent steps to mitigate any impact through certain short-term cash conservation measures. The Company has applied for a grant from the Innovation Authority in Israel (previously the Office of the Chief Scientist) under a new program that has been initiated in light of the COVID-19 situation, which response is expected by the end of the first week of June 2020. The Company may also seek to take advantage of other government-sponsored COVID-19 assistant packages should these become available.

However, given the continued high levels of uncertainty created by COVID-19, in the absence of receiving the Innovation Authority grant, it is likely the Company will need to seek access to alternative funding in order to trade to its current plan and maximise its ability to secure contracts and conclude negotiations on terms favourable to the Company. Accordingly, the Company expects to shortly dispatch to shareholders a circular to include a notice of Extraordinary General Meeting (“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 will also include individual resolutions for (i) the re-election of certain Directors, who are up for re-election as the conclusion of a three-year period since IPO nears, and (ii) certain amendments to the Company’s articles of association to reflect developments in market practice and the law.

A further announcement on details of the EGM and the circular will be made in due course.

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About Ethernity ([www.ethernitynet.com](http://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.

#### **COVID-19 virus**

Given the rapidly changing global situation, and the current uncertainty over the duration of the disruption caused by the COVID-19 pandemic, it is impossible to predict, with any certainty, the continuing impact on the Company’s business. As such, this announcement should be considered against this backdrop and shareholders and potential investors should understand that there is a corresponding level of uncertainty surrounding any forward-looking statements and assumptions stated.