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17 June 2020

ETHERNITY NETWORKS LTD.

("Ethernity" or the "Company")

Update on IA Grant

Ethernity (AIM: ENET), a leading supplier of functional acceleration ethernet adapter cards on FPGA (field programmable gate array) for virtualised networking appliances, has been informed that the application for a grant from the Innovation Authority in Israel (previously the Office of the Chief Scientist) has been declined.

As a result, Ethernity has taken prompt action to institute further cash conservation measures, which include a reduction in R&D resources that are not tightly coupled to the deliveries around Ethernity's 5G UPF-based ACE-NIC100 product offering in order to maintain the Company's momentum in this area.

Furthermore, in light of the situation regarding the Innovation Authority grant, the Board will be reviewing the Company's product developments to focus resources and solutions on its key markets and customers. The revised focus will delay further developments in products outside of Ethernity's key focus on NFV (network function virtualisation) and the 5G market.

As set out in its update on 6 May 2020, the Company anticipates design kit and licensing from existing customer relationships will provide approximately \$2m in revenues over the next 12 months over and above the regular recurring trading. This includes the tier-1 OEM contract announced in April 2020, with \$495k licensing fees and \$240k for continued product development, each of which will be earned in staggered stages over 12 months (and of which \$52,000 has been invoiced to date with the majority of the balance due toward the end of 2020), and a Military / Aerospace tier-1 vendor contract on which negotiations are continuing.

As of 16 June 2020 the Company had retained cash reserves of c. \$540,000 (c. \$1.5m as at 31 March 2020) (unaudited). In addition to this, the Company has obtained a facility for invoice trade financing of up to \$430,000 which will allow acceleration of cash flows on invoicing receipts. As set out in the Company's announcement of 6 May 2020, in the absence of the Innovation Authority grant, it is likely the Company will need to seek access to additional funding in order to trade to its revised plan, strengthen its position in the emerging 5G network market, maximise its ability to secure contracts and conclude negotiations on terms favourable to the Company.

The Company will provide a further update in due course.

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About Ethernity (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 and edge computing.