

25 September 2020

ETHERNITY NETWORKS LTD

("Ethernity" or the "Company")

Share Subscription Agreement

Ethernity Networks Ltd (AIM: ENET.L), a leading supplier of networking processing technology ported on FPGA (field programmable gate array) for virtualised networking appliances, announces that it has entered into a share subscription deed (the "Agreement") with 5G Innovation Leaders Fund LLC ("5G Fund"), a U.S.-based specialist investor, in relation to the issue of new ordinary NIS 0.001 shares ("Shares"), to raise up to £3,200,000.

5G Fund will make an initial investment of £500,000 for new Shares ("subscription shares") valued at £547,000 in the next five days. Additional investments of three tranches of £400,000 each will be made by 5G Fund for subscription shares valued at £438,000 per tranche no later than, respectively, six months, twelve months and eighteen months after the date of the initial investment. Subject to the parties' consent, additional investments of up to £1,500,000 in aggregate, for subscription shares valued at up to £1,647,000, may be made under the Agreement. The proceeds from the investment will be used by the Company for general corporate and working capital purposes.

Each investment made by 5G Fund under the Agreement will be made by way of a prepayment for subscription shares to be issued, at 5G Fund's request, within 18 months of the date of the prepayment. The number of subscription shares to be issued will be determined by dividing the gross subscription amount (or a part thereof) by the average of five daily volume-weighted average prices selected by 5G Fund during a twenty trading day period immediately prior to the date of their issue, rounded down to the next one tenth of a penny (the "subscription price").

ENET's CEO, David Levi, commented: *"This investment assists in supporting delivery of the three contracts signed in the past six months along with others in the pipeline, and significantly strengthens our ability to perfect our product offerings, including our vRouter and UPF offload solutions, to ensure that they remain best-in-class in the very competitive 5G market and to position ourselves as market leaders as 5G networks advance toward mass deployment."*

Further Terms of the Agreement

Each investment tranche is subject to customary conditions precedent. The Agreement includes representations and warranties by the Company that are customary for an equity fundraising of this nature. The Company is required to adhere to customary negative covenants, including a restriction on engaging in a similar transaction either during the currency of the Agreement or within 60 days after termination of the Agreement (for clarity, the Agreement does not restrict the Company from raising additional capital in an equity placing or placings).

5G Fund may postpone any of the investments other than the initial investment by up to 60 days in the event that Company's share price drops below an agreed level for more than two trading days.

The Agreement contains events of default typical for a transaction of this nature. 5G Fund's obligation to provide further funding ceases if an event of default takes place.

The Company has the right, at its option, to repay any subscription amounts in respect of which subscription shares are not yet issued or requested to be issued (unless certain events of default have occurred) provided that 5G can require 30 per cent of any such repayment to be satisfied by the issue of subscription shares.

Concurrently with the initial investment, the Company will issue 880,000 new Shares to 5G Fund at nominal value, which Shares 5G Fund may apply towards the number of Shares that the Company is required to issue under the Agreement. To the extent such Shares have not been so applied, 5G Fund will make an additional payment to the Company, determined on the subscription price as it stands at the time of the payment. The Company will issue 455,130 new Shares to 5G Fund in satisfaction of a fee.

Admission

Application is being made for the admission of 1,335,130 new Shares to trading on the AIM, and dealings are expected to become effective on or about 30 September 2020 ("Admission"). On Admission, these new Shares will rank pari passu with the Company's existing Shares.

Subsequent application will be made for any further subscription shares issued and allotted to 5G Fund to be admitted to trading on AIM. Such further Shares will only be issued to the extent that the Company has corporate authority to do so.

Following Admission, the Company will have 41,713,150 Shares in issue with each Share carrying the right to one vote. There are no Shares currently held in treasury. The total number of voting rights in the Company is therefore 41,713,150 and this figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure Guidance and Transparency Rules.

Market Abuse Regulation (MAR) Disclosure

The information contained in this announcement is deemed by the Company to constitute inside information as stipulated under Article 7 of the Market Abuse Regulations (EU) No 596/2014. With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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About Ethernity (www.ethernitynet.com)

[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.