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27 September 2021

ETHERNITY NETWORKS LTD.

("Ethernity" or the "Company")

Over-subscribed Placing and Subscription to raise £4.2m

Ethernity (AIM: ENET), a leading supplier of functional acceleration ethernet adapter cards on FPGA (field programmable gate array) for virtualised networking appliances, is pleased to announce a placing (the "Placing") and subscription (the "Subscription") (together, the "Fundraising") to raise £4.2m (gross) through the issue of 12,000,001 new ordinary shares of NIS 0.001 each ("Ordinary Shares") at 35p per share (the "Issue Price"). Arden Partners plc ("Arden") and Peterhouse Capital Limited ("Peterhouse") are acting as placing agents to the Placing. The Fundraising is not underwritten.

Summary / Highlights

- Fundraising to raise £4.2m* through the issue of 12,000,001 new Ordinary Shares ("New Shares") at the Issue Price. The issue was over-subscribed and scaled back.
- David Levi, CEO, participating for 253,431 New Shares via the Subscription in support of the fundraising
- Investors to receive warrants on a 1 for 1 basis, exercisable at 60p, with 'accelerator clause' when the share price reaches 80p for 5 consecutive days.
- Broker option ("Broker Option") to make available further £250,000 to existing shareholders via Peterhouse.
- Net proceeds of approximately £3.94m* to strengthen the balance sheet, to allow the Company to support the growing number of engagements for its 5G offering towards successful field deployments, and for general working capital purposes.
- Admission of the New Shares expected on or around 4 October 2021 ("Admission")

** excluding any additional funds raised through the Broker Option*

Details of the Fundraising

The Company has placed 12,000,001 New Shares at the Issue Price raising gross proceeds of £4.2m before expenses (approximately £3.94m net proceeds to the Company). The New Shares will have placing warrants attached, details of which are set out below.

The Issue Price represents a discount of approximately 20% on the six month VWAP and 35% to the closing price on 24 September 2021. The New Shares to be issued pursuant to the Fundraising will represent approximately 17.8% of the Company's issued ordinary share capital as enlarged by the Fundraising (excluding any New Shares issued via the Broker Option).

As part of the Fundraising the Company will issue to investors one warrant for every one New Share to subscribe for a further new Ordinary Share at a price of 60p per Ordinary Share ("Warrants") with a life term of 18 months from the date of Admission. The Warrants are not transferable and will not be traded on an exchange. The Warrant holders may exercise at any time during the 18 month life span of the Warrants, however the Warrants have an accelerator clause if the closing mid-market share price of the Company exceeds 80p over a 5-consecutive day period within 18 months of Admission. The Company may serve notice ("Notice") on the Warrant holders to exercise their Warrants in the event that the vesting criterion is met. In the event the Company serves Notice, any Warrants remaining unexercised after 7 calendar days following the notification of the Notice will be cancelled.

The New Shares are being issued under the Company's existing share authorities.

The Fundraising is conditional, amongst other things, on Admission occurring by no later than 8.00 a.m. on 4 October 2021 (or such later date as Arden, Peterhouse and the Company may agree, not being later than 8.00 a.m. on 30 October 2021).

The Company has entered into a Placing Agreement with Arden and Peterhouse (the "Joint Brokers"), pursuant to which the Joint Brokers as agents for the Company, have agreed to use their reasonable endeavours to procure places for the Placing at the Issue Price. The Placing Agreement contains warranties from the Company in favour of the Joint Brokers in relation to, inter alia, the accuracy of the information contained in the documents relating to the Placing and also certain other matters relating to the Company and its affairs. In addition, the Company has agreed to indemnify the Joint Brokers in relation to certain liabilities that they may incur in respect of the Placing.

The Joint Brokers may terminate the Placing Agreement in certain circumstances (including for breach of warranty at any time prior to Admission, if such breach is reasonably considered by the Joint Brokers to be material in the context of the Placing, and in the event of a force majeure event or material adverse change occurring at any time prior to Admission).

Arden and Peterhouse have been issued with 32,971 and 201,960 warrants, respectively, to subscribe for further new Ordinary Shares at the Issue Price per Ordinary Share. The warrants have a life term of 24 months from the date of Admission.

Reasons for the Placing and Use of Proceeds

As Ethernity continues to implement its strategy of becoming a supplier of customised and differentiated system solutions, the Placing will serve to position the Company in a stronger position for the next stage of its development and growth.

The net proceeds of the Fundraising of approximately £3.94m (excluding any additional funds raised through the Broker Option or the exercise of Warrants) are to be applied to strengthen the balance sheet, providing additional working capital to allow the Company to support the growth and delivery of the recently secured contracts and engagements for its 5G offering towards successful field deployments.

Broker Option

In order to provide qualified Ethernity shareholders ("Existing Shareholders") and other qualified investors with an opportunity to participate on the same exact basis as the Fundraising (with the same Placing Price and identical warrant entitlement), the Company has granted Peterhouse Capital a Broker Option over a minimum of 714,286 New Ordinary Shares in the Company exercisable at the Placing Price ("Broker Option Shares"). Full

take up of the minimum number of shares under the Broker Option would raise a further £250,000.10 for the Company, before expenses.

Existing Shareholders who hold shares in the Company and are on the register of members as at the close of business on 23 September 2021, will be prioritised for participation in the Broker Option (other than at the discretion of Peterhouse) and all orders from such Existing Shareholders will be accepted and processed by Peterhouse on a strictly "First Come, First Served" basis. The Broker Option has not been underwritten. Peterhouse is entitled to participate in the Broker Option as principal.

The Broker Option is exercisable by Peterhouse on more than one occasion, at any time from the time of this announcement to 5.00 p.m. UK time on 28 September 2021, at its absolute discretion, following consultation with the Company. There is no obligation on Peterhouse to exercise the Broker Option or to seek to procure subscribers for the Broker Option. Peterhouse may also, subject to prior consent of the Company, allocate new shares after the time of any initial allocation to any person submitting a bid after that time.

The Broker Option Shares are not being made available to the public and none of the Broker Option Shares are being offered or sold in any jurisdiction where it would be unlawful to do so. No Prospectus will be issued in connection with the Broker Option.

To subscribe for Broker Option Shares, Existing Shareholders and other qualified investors should communicate their bid to Peterhouse via their stockbroker as Peterhouse cannot take direct orders from individual private investors. Existing Shareholders or other interested parties who wish to register their interest in participating in the Broker Option Shares should instruct their stockbroker to call Peterhouse on STX: 76086 or 020 7469 0938 or 020 7469 0936 or 020 7220 9797. Each bid should state the number of Broker Option Shares the Existing Shareholder wishes to subscribe for at the Issue Price

Director's subscription

David Levi is subscribing for 253,431 New Shares, with associated Placing Warrants, through the Subscription. On Admission, David Levi's interest in the Company's shares shall comprise 9,437,160 Ordinary Shares representing approximately 14.0% of the Company issued share capital as enlarged by the Placing and Subscription.

As a Director and substantial shareholder of Ethernity, David Levi is a related party of the Company under the AIM Rules for Companies (the "AIM Rules"). As a result, his subscription is a related party transaction pursuant to Rule 13 of the AIM Rules. Accordingly, the independent Directors of the Company (being all the Directors with the exception of David Levi), having consulted with the Company's Nominated Adviser, Arden, consider that the terms of the Director's subscription are fair and reasonable in so far as the Company's shareholders are concerned.

Admission

The New Shares will rank *pari passu* with the Company's existing Ordinary Shares and an application is being made to the London Stock Exchange for admission of the New Shares to trading on AIM. Admission is expected to occur at 8.00 a.m. on or around 4 October 2021.

Total voting rights

Following Admission (and excluding any new Ordinary Shares issued via the Broker Option) the Company's enlarged issued share capital will be 67,339,127 Ordinary Shares. The Company holds no Ordinary Shares in Treasury. This figure of 67,339,127 Ordinary Shares may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change in their interest in, the share capital of the Company under the FCA's Disclosure Guidance and Transparency Rules.

For further information, please contact:

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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.

The notifications below are made in accordance with the requirements of the EU regulation on market abuse.

Template for notification and public disclosure of transactions by persons discharging managerial responsibilities and persons closely associated with them

1 Details of the person discharging managerial responsibilities / person closely associated

a) Name David Levi

2 Reason for the notification

a) Position/status Director

b) Initial notification /Amendment Initial notification

3 Details of the issuer, emission allowance market participant, auction platform, auctioneer

or auction monitor

a) Name Ethernity Networks Ltd.

b) LEI 213800LZJO33QBNXU496

4 Details of the transaction(s): section to be repeated for (i) each type of instrument;

(ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted

a) Description of the financial instrument, type of instrument ordinary shares of NIS 0.001 nominal value each
ISIN: IL0011410359

Identification code

b) Nature of the transaction Subscription for shares

c) Price(s) and volume(s)

Price(s)	Volume(s)
35p	253,431

d) Aggregated information

N/a - single transactions

e) Date of the transaction

24 September 2021

f) Place of the transaction

Off Exchange