

14 December 2021

ETHERNITY NETWORKS LTD.

("Ethernity" or the "Company")

Ethernity Update & Change of Registered Address

Ethernity Networks Ltd (AIM: ENET.L), a leading supplier of programable networking solutions utilising patented and innovative network processing technology ported on FPGA (field programmable gate array) for virtualised networking appliances, provides the following market update:

As set out in the half-year results of 19 August 2021, the Company remains confident that on the basis of the current contracts, continued increased customer engagements, focus on delivery of system solutions and the anticipated customer deployments now being realised, Ethernity will meet its growth plan objectives for 2022 and 2023 and is well positioned to become one of the key solutions providers in its marketplace. However, at the same time, the Company noted that delays in roll-out and the general industry-wide shortage of components required for its UEP and ACE-NIC products would defer planned Q3 and Q4 2021 revenues into the latter portions of Q1 and Q2 2022.

Ethernity is progressing its strategy of becoming a supplier of customised and differentiated system solutions, as compared to the legacy model of FPGA code licensing, with a focus on delivering complete solutions, including 5G routing software, network operating systems, and hardware.

In line with this strategy, and in order to achieve competitive market pricing despite recent price increases for components, Ethernity is adapting its hardware version to produce an improved and more comprehensive go-to-market product that will enable greater and more cost-effective functionality, along with faster turnaround on the Company's deliveries.

In addition, given the expected ongoing components shortages, the Company has purchased and secured sufficient critical components for its 2022 system solutions delivery (UEP and ACE-NIC100 products), and is in the process of securing all components for the mass production of our UEP products targeting innovative solutions for the existing wireless connectivity market, to safeguard against delays in 2022 deliveries.

In light of the above, the Company and its customers have re-evaluated the timing of deliveries for the remainder of the 2021 financial year, and the Company now anticipates the likely delay of some expected revenues from Q4 2021 into H1 2022, as detailed below:

- Approximately \$1.2m revenue delays for the remainder of the 2021 year, to be realised in 2022.
- Anticipated revenues for the financial year ended 31 December 2021 of c. \$2.8m (subject to year-end accounting adjustments) with c. 74% gross margin.

Contract and growth review

The past year to date has been a year of significant achievement for the Company and more importantly, a breakthrough year in achieving the goal of becoming a provider of solutions to the market.

The Company anticipates generating significant revenue growth from its FPGA-based programmable system solutions, coupled with further growth in the FPGA Router-on-NIC. Year-on-year revenue growth is anticipated from product orders and contracts already signed, in particular from long-term contracts for Fixed Wireless Access, FPGA-based Universal Edge Platform systems with Ethernity's patented wireless bonding, FPGA Router-on-NIC, and the recently announced \$3m contract for FPGA-based 1G/10G PON OLT.

The anticipated growth into 2022 and beyond from existing signed contracts, over and above the initial contract commitments, is expected to continue the momentum of increased engagements for Ethernity's solutions-based offerings. In particular, opportunities for growth exist as follows:

- Indian OEM contract (February 2021): delivery of 800 units at about \$1.5m (including licensing fee). Based on customer plans following the initial commitment, the contract is anticipated to generate an ongoing business of between 5K to 10k units per annum.
- UEP solution for wireless bonding contract (July 2021): \$930,000 for 1,000 UEP-60 units. Based on customer plans following the initial commitment, orders are anticipated to grow to 4k to 6k units per annum; additional revenue growth anticipated from other customers in the same market.
- \$3m FPGA PON contract (October 2021): following the initial order commitment of \$3m for Combo PON OLT FPGA SoC for 2022 and 2023 under the contract, the FPGA PON OLT business is anticipated to generate further annual revenue of \$3m from H2 2023, excluding other new PON customers with whom the Company is in discussions.
- Over and above the signed contract in October 2021, legacy FPGA SoC business is anticipated to produce further growth, driven by the significant deployment of Ethernity's fixed wireless system solution provider.
- With progress in OpenRAN business, Ethernity's vRouter offload for 5G DU business is well positioned to support the expected growth.

Ethernity CEO David Levi said: "While the component and manufacturing delays remain out of our control to a significant extent, we have taken early action to secure components for our 2022 deliveries. The product contracts we have already signed, the product orders we have received, and the good progress we have experienced with acceptance of our offerings will fuel our revenue growth to position us not just as a technology company, but as a validated system product supplier with differentiated offerings and growing revenue streams. Thus, we expect to continually be considered for larger-scale deployments."

Registered Address Change

The Company informs that it has lodged the change of its registered address with the Companies Registrar in Israel following its recent move of premises and updates that its new registered address is:

Beit Golan, 3rd Floor
1 Golan Street, Corner HaNegev
Airport City
7019900
Israel

For more information on Ethernity's products and solutions, please see The Company's website at www.ethernitynet.com.

For further information, please contact:

Ethernity Networks Tel: +972 8 915 0392

David Levi, Chief Executive Officer
Mark Reichenberg, Chief Financial Officer

Arden Partners plc (NOMAD and Broker) Tel: +44 207 614 5900

Richard Johnson / George Morgan

Peterhouse Capital Limited (Joint Broker) Tel: +44 20 7562 0930

Lucy Williams / Duncan Vasey / Eran Zucker

About Ethernity Networks

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.

MARKET ABUSE REGULATION

The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014 (as implemented into English Law). Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.