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17 January 2023

**ETHERNITY NETWORKS LTD**  
("Ethernity" or the "Company")

**Placing, Broker Option and Trading Update**

Ethernity Networks (AIM: ENET.L; OTCQB: ENETF), a leading supplier of data processing semiconductor technology for virtualized networking appliances, is pleased to announce a placing (the "**Placing**") to raise £1.55 million (gross) through the issue of 22,142,858 new ordinary shares of NIS 0.001 each ("**Ordinary Shares**") at 7p per share (the "**Issue Price**"). Peterhouse Capital Limited ("**Peterhouse**") is acting as placing agent to the Placing. The Placing has not been underwritten.

**Highlights**

- Placing to raise £1.55 million through the issue of 22,142,858 new Ordinary Shares (the "**Placing Shares**") at the Issue Price
- David Levi, Director and CEO, in support of the Placing has subscribed for 3,028,571 Placing Shares for an aggregate sum of £212,000
- Participants in the Placing to receive one warrant for every Placing Share subscribed for, exercisable at 15p, subject to the passing of the relevant resolutions at an extraordinary general meeting of the Company
- Broker option (the "**Broker Option**") for a further 2,142,857 new Ordinary Shares which will raise up to a further £150,000 enabling existing shareholders to participate in the Placing via Peterhouse
- Shavit Baruch, Director and VP R&D, has indicated that he intends to participate in the Broker Option up to an amount of £46,814
- Net proceeds of approximately £1.46 million will strengthen the balance sheet, to allow the Company to support the growing number of engagements for its offerings towards successful developments, field deployments, and for general working capital purposes
- In addition to the Placing, various service providers to the Company have agreed to subscribe for 2,388,771 new Ordinary Shares in lieu of outstanding fees (the "**Fee Shares**") totalling £167,214 (the Fee Shares and the Placing Shares are, together, the "**New Ordinary Shares**")
- Admission of the New Ordinary Shares is expected to occur on or around 20 January 2023 ("**Admission**")

**David Levi, CEO, commented:** “Ethernity continues to progress its current strategy, and advance the opportunities being presented by the components shortages to leverage our data processing SoC technology and IP, as well as our PON semiconductor technology. The Placing allows the Company to be financially positioned for the next stage of its development to service anticipated mass deployment growth on existing contracts and capitalise on new opportunities.”

## **Trading Update**

The Company has made significant progress during 2022 in the development and commercialisation of its Data Processing Unit (DPU) System-on-Chip (SoC) devices, Passive Optical Networks (PON) SoC devices, and Universal Edge Platform (UEP) offerings and anticipates further growth from the Company’s progress for its FPGA SmartNIC data plane offload.

### *2022 trading update*

Subject to completion of the audit, the Company anticipates that revenues for 2022 will be not less than \$2.9 million, an increase of 10% (2021: \$2.64 million). Approximately \$600,000 of revenue that was expected to be recorded in 2022 is now expected to be reported in 2023 as a result of delays in projects resulting from component shortages, and certain customers informing the Company that they were not ready to receive milestone deliveries as had previously been anticipated.

During 2022, the following highlights were achieved that are expected to support revenue growth in 2023:

- the Company completed the delivery of all the FPGA SoC orders planned for 2022 to its U.S. fixed wireless system provider customer;
- FPGA SoC sales increased by 200% compared to 2021;
- the Company signed with its U.S. fixed wireless OEM customer a contract for a second-generation platform based on a scaled-up version of the Company’s DPU SoC offering;
- the Company progressed with the delivery of the \$3 million GPON and XGS-PON OLT SoC contract for its Chinese/Indian OEM, and is currently working with the customer to complete the hardware integration of the customer platform, to be ready for deployment;
- the Company signed a follow-on contract of \$4.6 million with that customer for delivery of a PON device for Fiber-to-the-Room deployment; and
- the Company delivered a UEP2025 for testing and integration with an existing prominent microwave wireless OEM customer and is working with the customer on joint go-to-market plans for the U.S. wireless internet service provider (WISP) market.

### *2023 outlook*

The Company will continue to focus its resources towards either existing or new contracts that produce revenues and cash flows for the Company in the short and medium term, be that the revenues in the form of licensing fees or sale of devices and systems. To this end, development resources will only be added on the basis of further contracts that contribute towards the generation of such revenue streams. Given the opportunities that are presenting themselves to the Company for further expanded or new engagements on PON, SoC and other system product expansion, the resources will be best utilised in these areas that will produce revenues and cash flows in the short and medium term. With this in mind, the Company is currently re-evaluating whether to continue the work with an Indian OEM customer, the contract of which was announced on 22 September 2020, as the customer continues to experience repeated delays from their side, and the Company does not wish to continually apply resources where no progress is being made with the customer.

The Company has good revenue visibility for 2023 and, based on contracted orders and conservative estimates of the potential orders that are under discussion with prospective customers, the Directors believe that revenues of \$9 million for 2023 are achievable. The contracted revenues for 2023 include:

- continued supply of FPGA SoC devices for its U.S. fixed wireless OEM customer and expected initial revenues for the deployment of the second-generation product;
- commencement of shipment of FPGA PON SoC devices under the \$7.6 million of contracts signed with the Chinese/Indian broadband network OEM customer; and
- other royalties, maintenance, licensing fees and payments due under existing contracts for various DPU SoC projects, including second generation products from a U.S. fixed wireless OEM customer, a U.S. Tier 1 broadband provider, a U.S. based aviation company, and various Israeli OEMs for 4G cellular base stations, Ethernet Access devices and a European OEM bonding SoC project.

On top of the contracted revenues above, the Company anticipates further modest revenue from:

- discussions with four new OEMs for the potential deployment of the Company's PON OLT (optical line termination) SoC for optimised SFP (small form-factor pluggable), and remote low power PON OLT complete system solutions that would result in licensing revenue towards further deployment of SoC or systems during 2024 and beyond;
- the Company's existing prominent microwave wireless OEM customer contract for the sale of the Company's wireless link bonding UEP system offering, with sales targeted for 2023 with focus on U.S. WISPs; and
- anticipated sales of the complete OLT product manufactured by the Company's Chinese/Indian OEM customer that is based on the Company's PON SoC devices into the WISPs U.S. market in conjunction with the UEP2025 wireless link bonding, targeting the same market.

### **Reasons for the Placing and Use of Proceeds**

As Ethernity continues to implement its strategy of becoming a supplier of customised and differentiated solutions and technology, the Placing will serve to place the Company in a stronger position for the next stage of its development and growth towards successful developments and field deployments.

The net proceeds of the Placing, along with any funds raised via the Broker Option, will be applied to strengthen the balance sheet, providing additional working capital to allow the Company to support the delivery of recently secured contracts and engagements.

### **Details of the Placing**

The Company has resolved to issue 22,142,858 Placing Shares at the Issue Price raising gross proceeds of £1.55 million. In addition, conditional on the approval of shareholders of resolutions granting the necessary share capital authorities under Israeli law at an Extra General Meeting ("**EGM**") of the Company, investors in the Placing will receive one warrant for every Placing Share subscribed for, exercisable at a price of 15p per share (the "**Warrants**"). The Warrants will be exercisable for a period of 24 months from the date of grant. The Warrants are not transferable and will not be traded on an exchange. The Warrants contain an accelerator clause such that the Company may serve notice ("**Notice**") on the Warrant holders to exercise their Warrants in the event that the closing mid-market share price of the Company's Ordinary Shares trade at 20p or more over a consecutive five-day trading period from date of Admission. In the event the Company serves Notice, any Warrants remaining unexercised after seven calendar days following the issue of the Notice will be cancelled.

The Company will shortly be convening the EGM to seek shareholder approval for an increase in the authorised share capital and disapplication of pre-emption rights, details of which are set out below.

The Company has entered into a placing agreement pursuant to which Peterhouse, as agent for the Company, has agreed to use its reasonable endeavours to procure places for the Placing at the Issue Price. The placing agreement contains warranties from the Company in favour of Peterhouse 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 Peterhouse in relation to certain liabilities that they may incur in respect of the Placing.

Peterhouse 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 Peterhouse 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.

**The Placing Shares are being issued under the Company's existing share authorities and are not conditional on the passing of the resolutions at the EGM. Should the resolutions at the EGM not be passed, the Placing will still proceed but the Company will not be able to grant the Warrants to participants in the Placing.**

### **Broker Option**

In order to provide qualified Ethernity shareholders ("**Existing Shareholders**") and other qualified investors with an opportunity to participate on the same basis as the investors in the Placing, the Company has granted Peterhouse a Broker Option over 2,142,857 new Ordinary Shares (or such other number of Ordinary Shares as agreed between the Company and Peterhouse) ("**Broker Option Shares**"). Full take up of this number of new Ordinary Shares under the Broker Option would raise a further £150,000 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 16 January 2023, will be given a priority right to participate in the Broker Option and all orders from such Existing Shareholders will be accepted and processed by Peterhouse, subject to scale-back in the event of over-subscription under the Broker Option. 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 4.45 p.m. UK time on 18 January 2023, 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 dealings**

David Levi, CEO, has subscribed for 3,028,571 Placing Shares. On Admission, David Levi's interest in the Company's Ordinary Shares shall comprise 12,615,731 Ordinary Shares representing approximately 12.29% of the Company issued share capital as enlarged by issue of the New Ordinary Shares. Further details of David Levi's share purchase are set out in the table at the end of this announcement.

Shavit Baruch has notified the Company of his intention to apply for 668,771 Ordinary Shares pursuant to the Broker Option and a further update will be provided once the Broker Option has closed.

### **Related party transaction**

As a Director and substantial shareholder of Ethernity, David Levi is a related party of the Company pursuant to the AIM Rules for Companies. The Directors of the Company (excluding David Levi and Shavit Baruch, who may be participating in the Broker Option), having consulted with the Company's Nominated Adviser, Allenby Capital Limited, consider that the terms of David Levi's participation in the Placing are fair and reasonable in so far as the Company's shareholders are concerned.

### **Broker warrant**

In connection with the Placing, Peterhouse will be granted warrants to subscribe for new ordinary shares in the capital of the Company, exercisable at the Issue Price (the "**Broker Warrants**"). The number of Broker Warrants granted to Peterhouse will be determined following the closing of the Broker Option. The Broker Warrants can be exercised for a period of 24 months from the date of Admission.

### **Fee Shares**

In addition to the Placing, service providers to the Company have agreed to receive 2,388,771 Fee Shares at the Issue Price in satisfaction of £167,214 of outstanding fees due to them. The Fee Shares are subject to a one-year lock-in period. There are no Warrants attached to the Fee Shares.

### **Admission to trading**

The New Ordinary Shares (comprising the Placing Shares and the Fee Shares) will rank *pari passu* with the Company's existing Ordinary Shares. Application is being made to for the admission of the 24,531,629 New Ordinary Shares to trading on AIM and Admission is expected to occur at 8.00 a.m. on or around 20 January 2023.

### **Total voting rights**

Following Admission (and prior to the issue of any new Ordinary Shares pursuant to the Broker Option) the Company's enlarged issued share capital will be 102,616,066 Ordinary Shares. The Company holds no Ordinary Shares in Treasury. This figure of 102,616,066 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.

### **Notice of EGM**

The Company will shortly be posting to shareholders a notice convening the EGM to seek approval for the dis-application of the pre-emption rights required to be able to issue the Warrants. The EGM will be held at 3rd Floor Beit Golan, 1 Golan St. Corner HaNegev, Airport City 7019900, Israel at 11.00 a.m. Israel time (9.00 a.m. UK time) on 9 February 2023. A copy of the EGM notice will be made available on the Company's website, [www.ethernitynet.com](http://www.ethernitynet.com).

### **For further information, please contact:**

#### **Ethernity Networks Ltd**

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

Tel: +972 8 915 0392

#### **Allenby Capital Limited** (Nominated Adviser and Joint Broker)

James Reeve / Piers Shimwell (Corporate Finance)  
Amrit Nahal (Sales and Corporate Broking)

Tel: +44 (0)20 3328 5656

#### **Peterhouse Capital Limited** (Joint Broker)

Lucy Williams / Duncan Vasey / Eran Zucker

Tel: +44 (0)20 7562 0930

#### **Harbor Access Inc** (US Investor Relations)

Jonathan Paterson

Tel: +1 (475) 477 9401

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

Ethernity Networks (AIM: ENET.L OTCQB: ENETF) provides innovative, comprehensive networking and security solutions on programmable hardware for accelerating telco/cloud networks. Ethernity's semiconductor 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.

**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	CEO	
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 Identification code	ordinary shares of NIS 0.001 nominal value each ISIN: IL0011410359	
b)	Nature of the transaction	Placing for new ordinary shares	
c)	Price(s) and volume(s)		
		Price(s)	Volume(s)
		7p	3,028,571
d)	Aggregated information	N/A - single transaction	
e)	Date of the transaction	16 January 2023 to be completed on 20 January 2023	
f)	Place of the transaction	Outside a trading venue	