

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

28 November 2024

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

Business update

Ethernity Networks Limited (AIM: ENET.L) (OTCMKTS: ENETF), a leading supplier of data processing semiconductor technology for networking appliances, announces a business update.

Potential ASIC business

As previously announced, the Company has been engaged in discussions with two Tier-1 wireless backhaul OEMs with regard to evolving Ethernity's FPGA technology and solution to an ASIC and these discussions are still progressing.

One OEM has been testing the Ethernity universal edge platform ("**UEP**") during the year and the other OEM, that is familiar with Ethernity's technology from a previous engagement, has expressed an interest in co-funding the development of the ASIC, with a view to providing volume orders for the ASIC for a period of five years once it became available.

The Company is in meaningful discussions with several well-established Tier-1 third-party ASIC vendors that have expressed their interest in development of the ASIC and, should it commence, the Company plans to select one of them. This ASIC vendor would undertake the ASIC design work based on the Company's existing UEP product and semiconductor data processing technology that is available today on the UEP FPGA SoC.

The Company estimates that the overall non-recurring engineering ("**NRE**") amount for the ASIC would be in the range of 15m- 17m, including ASIC design, contribution to Ethernity and the associated IP, which would need to be funded by the prospective customers and be accompanied by minimum purchase commitments for the finished product.

Should the ASIC product reach production, the Company believes that there would be an opportunity to generate meaningful revenues from the ASIC sales. In addition, the Company believes there is an opportunity sell it as a complete ASIC based UEP system product to OEM customers.

The Company believes that the ASIC proposals provided to the two Tier-1 wireless backhaul vendors offer significant value for these vendors, both in terms of expedited time to market and significant cost savings compared to existing, off-the-shelf ASICs. While no contract has been signed yet with these vendors nor can there be any guarantee that contracts will be signed, we are making progress in negotiating with one of the two vendors that has indicated an interest to select Ethernity and in funding an extensive part of the NRE required for the ASIC development and the Company is exploring the possibility of additional NRE being funded from another vendor.

Additional vendors have indicated their interest in the Company's proposed ASIC product, including existing customers that use Ethernity's FPGA based solution.

U.S based Tier-1 Aerospace customer

As announced on 28 June 2024, the Company signed a 1.05 million licensing contract with a leading American aerospace company. We are pleased to update that, following the U.S. Government approval received in September 2024, the Company has delivered the first few project milestones on schedule. The customer is extremely satisfied with the Company's product, the quality of support provided by its personnel and the Company's adherence to project milestones.

Recently, the Company has commenced discussions on two new potential opportunities to expand the business with this customer. The first is an opportunity to provide customization services, as an extension of the contract won earlier this year. The second is a significantly larger opportunity with a new division within the same customer group, that is interested in deploying the Company's technology on their platform. This additional opportunity, should a contract be signed based on current discussions, would involve customized development, resulting in substantial NRE to Ethernity and additional license payments.

U.S based fixed wireless customer

In the final results for the year ended 31 December 2023, published in April 2024, we stated that our major fixed wireless customer anticipated placing new orders for both first and second-generation products throughout the second half of 2024. In the interim results for the period ended 30 June 2024 ("**H2 2024**"), we highlighted that the decline in revenue during the period was primarily due to a reduction in hardware component sales (e.g., FPGA SoCs). The Company believed that decline stemmed from excess inventory accumulated in the telecom market during 2022-2023, driven by the global chip shortage. At the time, we expected that the demand would return to the previous levels during H2 2024, which was projected to include orders being received from our fixed wireless customer. As an indicator of this, in preparation for the expected new orders the Company was approved as a supplier to the fixed wireless customer's Contract Manufacturer (CM) to enable the CM to order FPGAs directly from Ethernity, for the customer. Unfortunately, these orders have not yet been received.

Last week, the Company received a pricing update from its FPGA supplier (one of the largest semi-conductor suppliers in the US) indicating an additional 20% price increase for a specific FPGA device related to the Company's business with this fixed wireless vendor. This new price increase follows a prior 20% price increase during 2022-2023.

business with this fixed wireless vendor. This new price increase follows a prior 30% price increase during 2022-2023. Due to the significant increase in the component costs, the customer is reviewing its 2025 purchasing strategy and may reduce orders, as the price increase makes it challenging for Ethernity to meet the customer's target price for the FPGA.

David Levi, CEO, commented: "Whilst we are disappointed by the potential reduction of FPGA orders from the U.S fixed wireless vendor, we believe that the future growth of the Company lies with the ASIC opportunity in hand. We are extremely encouraged by the progress being made with one of the OEM vendors in relation to the potential selection of Ethernity and its ASIC proposal."

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About Ethernity (www.ethernitynet.com)

Ethernity Networks (AIM: ENET.L, OTCMKTS: 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.

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