

February 14, 2017



DataWind Reports Fiscal Third Quarter 2017 Results

MISSISSAUGA, Ontario, Feb. 14, 2017 (GLOBE NEWSWIRE) -- **DataWind Inc.** (TSX:DW), a leader in the delivery of internet access in emerging markets, reported financial results for its fiscal third quarter 2017 ended December 31, 2016. All amounts are in Canadian dollars.

Financial and Operational Highlights

- Revenues for the nine months ending December 31, 2016 increased to \$49.5 million, an 18% increase over the same period in the previous year.
- The total number of units sold for the nine months ending December 31, 2016 was 929,000, a 32% increase over the same period in the previous year.
- Fiscal Q3 2017 revenues totaled \$6.9 million, compared to \$15.5 million during the same year-ago quarter.
- Fiscal Q3 2017 revenue was driven by unit sales of 145,000, compared to 404,000 in the previous quarter and 251,000 in the same year-ago quarter.
- Fiscal Q3 2017 gross profit totaled \$1.9 million, down from \$4.6 million during the same year-ago quarter.
- Fiscal Q3 2017 adjusted EBITDA loss was \$11.7 million compared to an adjusted EBITDA gain of \$106,000 during the year-ago quarter.

Management Commentary

"In November 2016, the Indian government demonetized all Rs.500 and Rs.1000 notes in circulation (approximately \$7 and \$14 USD) and is in process of replacing them with a new line of currency," said Suneet Singh Tuli, president and CEO of DataWind. "These currency notes represented 86% of the value of all currency in circulation in India at the time. The government's action resulted in a severe cash-crunch for our target customers. As a result, we saw a significant decrease in sales during the quarter, as Indian people spent what little physical cash they have on necessities. According to media reports, many people in our target-segment resorted to one-meal per day to survive the liquidity crisis. Further, courier companies delivering our products have suspended delivery due to extremely low collection rates on COD (cash-on-delivery) orders, which has severely impacted the company's sales. The impact to COD sales will continue to be felt for several more weeks until sufficient new currency can be brought into circulation. In early February,

media reports indicated up to 25% of ATMs in the country were without cash.”

“Despite the slowdown, which we expect to also impact our fiscal fourth quarter results, we have made substantial progress with our own TV home shopping distribution channel. By investing in our own distribution network, we have seen gross margins expand, collections improve, and we have become less dependent on third parties to sell our products.”

“We estimate that it will take up to June 2017 for sufficient currency to be printed and distributed. As of February 14, 2017, sales levels have recovered to approximately 67% of their Q2-2017 levels, primarily through our direct TV shopping infomercials.”

“Looking beyond the demonetization in India, we believe we are in a strong position to regain our momentum and ultimately be the go-to provider of low-cost Internet access to developing countries.”

Financial Summary

Revenue

Revenue for the fiscal third quarter of 2017 totaled \$6.9 million compared to \$15.5 million in the same year-ago quarter. The results for the current quarter were significantly impacted by the demonetization of Rs.500 and Rs.1000 Indian currency and the resulting suspension of product delivery by courier companies due to extremely low collection rates on COD orders.

Unit Sales

Unit sales totaled 145,000 for the third quarter of fiscal 2017, compared to 404,000 last quarter and 251,000 in the same year-ago quarter.

Gross Profit

Gross profit was \$1.9 million or 28.3% of sales in Q3 2017, compared to \$4.6 million or 29.4% in the same year-ago period. Gross margins were down slightly due to an increase in component pricing which was offset by improved efficiency meeting channel requirements, reduced import duties, and the implementation of the company's TV home shopping distribution channel.

Looking forward, hardware margins are expected to stabilize below 30% while increased Internet service sales should allow the overall margin to continue to rise.

Research and Development (R&D)

R&D costs in the fiscal third quarter of 2017 were \$398,000, compared to \$385,000 during the comparable year-ago quarter.

General and Administrative (G&A)

G&A costs, which include sales and marketing expenses and salaries, were \$13.3 million in the third quarter, as compared to \$4.1 million in the same year-ago period. The increase was driven by an investment into the company's TV Home Shopping strategy and the company recognized \$6.2 million of provisions for inventory and doubtful debt.

Net Loss

Net loss in Q3 2017 was \$12.8 million or \$(0.53) per common share, compared to \$509,000 or \$(0.02) per common share in Q3 2016. The increased loss was due to increased G&A costs and lower sales.

Adjusted EBITDA

Adjusted EBITDA loss totaled \$11.7 million for Q3 2017, down from an adjusted EBITDA of \$106,000 in the year-ago quarter.

For more information, please refer to the company's MD&A and full financial statements that have been filed with SEDAR.

Conference Call

DataWind management will hold a conference call followed by a question and answer period later today, February 14, 2017 at 4:45 p.m. Eastern time to discuss these results.

Interested parties can listen to the live presentation by dialing the toll-free number or by clicking the webcast link below.

Date: Tuesday, February 14, 2017

Time: 4:45pm Eastern time

Toll-free number: (844) 647-5492

International number: (661) 378-9451

Conference ID: 673 56 209

Webcast: <http://edge.media-server.com/m/p/6atzadhm>

Please call the conference telephone number 10 minutes before the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Liolios at +1(949) 574-3860.

A webcast replay of the call will be available after the call ends through March 14, 2017 via webcast link on the Investor Information section of the DataWind website at www.datawind.com.

About DataWind

DataWind, Inc. is a leader in providing affordable mobile Internet connectivity in emerging markets. The company's patented, cloud-based technology reduces up to 97% the amount of data needed for web browsing, providing a broadband experience on any network -- even on legacy 2G networks that are still prevalent in developing countries. DataWind also provides economical smartphones and tablets that come bundled with one year of unlimited Internet access, making it the largest tablet provider in India. DataWind's unique solution offers broad social and economic benefits for the billions of people around the world for whom an Internet connection was previously out of reach. DataWind is traded on the Toronto Stock Exchange (TSX:DW). For more information, visit www.datawind.com.

Adjusted EBITDA

Adjusted net loss before interest, taxes, depreciation and amortization ("Adjusted EBITDA") is a non-IFRS measure and excludes finance costs, interest income, income tax expense or recovery, depreciation and amortization and income and expenses of a non-

recurring, unusual or one-time nature. Adjusted EBITDA is a measure used by management, the retail industry and investors as an indicator of the Company's operating performance, ability to incur and service debt, and as a valuation metric. While Adjusted EBITDA is a non-IFRS measure, management believes that it is an important indicator of operating performance because it excludes the effect of financing and investing activities by eliminating the effects of interest and depreciation and removes the impact of certain non-recurring items that are not indicative of our ongoing operating performance. Therefore, management believes Adjusted EBITDA gives investors greater transparency in assessing the Company's result of operations

These measures do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other reporting issuers. Adjusted EBITDA should not be considered in isolation or as an alternative to measures prepared in accordance with IFRS.

Forward-Looking Information

This press release includes certain forward-looking statements that are based upon current expectations, which involve risks and uncertainties associated with our business and the environment in which the business operates. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements, including those identified by the expressions "anticipate", "believe", "plan", "estimate", "expect", "intend" and similar expressions to the extent they relate to the Company or its management. The forward-looking statements are not historical facts, but reflect management's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. The Company does not undertake or accept any obligation to release publicly any updates or revisions to any forward-looking statements to reflect any change in the Company's expectations, except as prescribed by applicable securities laws.

Key assumptions made in preparing the forward-looking statements contained in this MD&A include, but are not limited to, the following: the Company will continue to successfully increase its sales volumes, the Company will be able to maintain its gross margin, and the Company will continue to effectively manage the transition from private to public entity by hiring key senior and middle management and effectively rolling out and adopting appropriate policy changes.

No securities regulatory authority has either approved or disapproved the contents of this press release/media advisory.

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DataWind Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

As at December 31, 2016 and March 31, 2016

(in thousands of Canadian dollars except per share data and except where indicated)

(Unaudited)

ASSETS

**December
2016**

**March
2016**

Current assets			
Cash and cash equivalents	\$	266	\$ 230
Trade and other receivables		31,082	29,467
Inventories		13,216	10,036
		44,564	39,733
Non-current assets			
Property, plant, and equipment		277	218
Total Assets	\$	44,841	\$ 39,951
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	\$	37,246	\$ 18,607
Loans and borrowings		11,652	12,291
Total Liabilities		48,898	30,898
SHAREHOLDERS' EQUITY			
Share capital		54,816	52,276
Contributed surplus		3,647	3,521
Accumulated other comprehensive loss		(238)	(223)
Deficit		(62,282)	(46,521)
Total Shareholders' Equity		(4,057)	9,053
Total Liabilities and Shareholders' Equity	\$	44,841	\$ 39,951

DataWind Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

Three and nine months period ended December 31, 2016 and December 31, 2015

(in thousands of Canadian dollars except per share data and except where indicated) (Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	2015	2016	2015
Revenue	\$ 6,862	\$ 15,501	\$ 49,466	\$ 41,913
Cost of goods sold	4,918	10,949	33,876	30,402
Gross profit	1,944	4,552	15,590	11,511
Operating expenses:				
Research and development	398	385	1,191	1,138
Administration cost	13,295	4,086	27,438	10,749
Foreign exchange loss/(gain)	81	(269)	(424)	709
Total operating expenses	13,774	4,202	28,205	12,596
Operating profit/(loss)	(11,830)	350	(12,615)	(1,085)
Finance and other income	-	-	-	21
Finance expense	(959)	(859)	(3,146)	(2,638)
Loss before income taxes	(12,789)	(509)	(15,761)	(3,702)
Tax expense	-	-	-	-
Net loss	(12,789)	(509)	(15,761)	(3,702)
Other comprehensive income:				
Unrealized foreign exchange translation gain/(loss)	(239)	(102)	(15)	310
Net comprehensive loss for the period	\$ (13,028)	\$ (611)	\$ (15,776)	\$ (3,392)
Net loss per share				
Basic	\$ (0.53)	\$ (0.02)	\$ (0.65)	\$ (0.17)

Weighted Average number of shares outstanding	24,292,848	22,089,099	24,292,848	22,068,153
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DataWind Inc.

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

Three months period ended December 31, 2016 and December 31, 2015

(in thousands of Canadian dollars except per share data and except where indicated)

(Unaudited)

	Three-month period ended	
	Dec 31,	
	2016	2015
Cash flows from operating activities		
Net loss for the period	\$ (12,789)	\$ (509)
Non-cash items:		
Foreign exchange translation loss/(gain)	81	-
Depreciation of property and equipment	23	25
Finance expenses	959	859
Provision for bad debt and slow moving inventory	6,323	-
Stock based compensation	42	59
Changes in non-cash working capital items	(5,361)	434
Trade and other receivables	(1,036)	(6,169)
Inventories	(3,247)	(2,765)
Accounts payable and accrued liabilities	10,609	5,582
Net cash used in operating activities	965	(2,918)
Cash flows from investing activities		
Addition of property and equipment during the period	(50)	(16)
Net cash used in investing activities	(50)	(16)
Cash flows from financing activities		
Issuance of common shares	56	108
Loan received during the period	-	618
Loan repaid during the period	-	-
Interest paid during the period	(397)	(905)
Net cash (used in)/provided by financing activities	(341)	(179)
Net change in cash and cash equivalents	574	(3,113)
Cash and cash equivalents – beginning of period	807	7,337
Exchange (gains)/losses	(1,115)	(31)
Cash and cash equivalents – end of period	\$ 266	\$ 4,193

DataWind Inc.

RECONCILIATION OF QUARTERLY NET LOSS TO ADJUSTED EBITDA

(in thousands of Canadian dollars except per share data and except where indicated) (Unaudited)

A reconciliation of the Company's quarterly net loss to Adjusted EBITDA is outlined in the following table:

	Three-month periods ended		
(in CAD "000" except per share amounts)	Dec, 2016	Sep, 2016	Dec, 2015
Net loss	\$ (12,789)	\$ (1,679)	\$ (509)
Depreciation/amortization expenses	23	18	25
Extended payment finance (i)	448	376	344

Finance costs	511	544	515
Finance and other income	-	-	-
Foreign exchange translation (gain)/loss	81	(547)	(269)
Adjusted EBITDA (ii)	\$ (11,726)	\$ (1,288)	\$ 106
Adjusted EBITDA loss per share	\$ (0.48)	\$ (0.05)	\$ (0.00)

(i) Extended Payment Finance *represents finance cost paid to third parties for financing of Chinese manufacturers for the extended payment terms for material.*

(ii) Adjusted EBITDA is a measure used by management, the retail industry and investors as an indicator of the Company's performance, ability to incur and service debt and as a valuation metric. Adjusted EBITDA is a non-IFRS measure.

Please see the SEDAR filings for the complete consolidated financial statements which include footnotes that are an integral part of these statements.

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