



Digi International Reports 1998 Fiscal Fourth Quarter And Year-End Results

November 19, 1998

MINNEAPOLIS, Nov. 19 /PRNewswire/ -- Digi International Inc. (Nasdaq: DGII) today announced financial results for its fiscal fourth quarter and year, ended September 30, 1998.

Sales for the fourth quarter were \$48.8 million compared to \$42.1 million for the same quarter of 1997. Net income for the fourth quarter of 1998, excluding charges for acquired in-process research and development and restructuring, would have been \$2.3 million, or \$.15 per fully diluted share, consistent with "First Call" estimates. Including charges of \$39.2 million for acquired in-process research and development and restructuring charges of \$1 million, the company's operating loss for the fiscal fourth quarter was \$36.8 million and the net loss was \$37.6 million, or \$2.62 per basic share.

Fiscal 1998 Results

Sales for the fiscal year ended September 30, 1998 increased to \$182.9 million from \$165.6 million for fiscal 1997. Operating income, excluding the fourth quarter charges for acquired in-process research and development and restructuring charges, rose to \$24.1 million for fiscal 1998 compared to operating income of \$6.1 million, excluding the effects of a \$10.5 million restructuring charge, for the previous year. The operating losses for fiscal years 1998 and 1997, including the charges for acquired in-process research and development and the restructuring charges, were \$16.1 million and \$4.3 million, respectively. The net losses for fiscal years 1998 and 1997 were \$22.7 million, or \$1.65 per share, and \$15.8 million, or \$1.18 per share, respectively.

Write-Off and Restructuring Charges

For the fourth quarter and year ended September 30, 1998, the company reported a restructuring charge of \$1.02 million, or \$.07 per basic share (\$.04 per estimated fully diluted share, net of tax), which reflected the consolidation of facilities and the re-organization and integration of ITK operations with Digi European operations. The company also wrote off acquired in-process research and development of \$39.2 million, or \$2.74 per basic share (\$2.59 per estimated fully diluted share). The company has responded to questions provided by the SEC about these write-offs. Such write-offs are currently under scrutiny by the SEC for many publicly held companies.

"The fourth quarter was very important in laying the groundwork for Digi's future growth," said Jerry A. Dusa, president and CEO of Digi International. "The integration of the two recently acquired companies is progressing as planned. They position Digi to pursue new markets such as Internet telephony and to strengthen our geographic reach in Europe, as well as enhance our leadership position in our core serial port business. In addition, we are optimistic about the broad range of new products we recently announced. Looking forward to 1999, we believe that we are well positioned to show growth in both sales and profitability over 1998."

Digi International Inc.

Three Months Ended September 30	1998	1997
Net sales	\$48,833,351	\$42,125,201
Acquired research and development (a)	\$39,200,000	--
Restructuring (a)	\$1,020,000	--
Operating (loss) income	(\$36,860,150)	\$4,647,113
Net loss	(\$37,577,455)	(\$3,879,896)
Net loss per share - basic and diluted	(\$2.62)	(\$0.29)
Weighted average common shares outstanding - basic and diluted	14,318,462	13,433,740

Twelve Months Ended September 30

Net sales	\$182,931,670	\$165,597,937
Acquired research and development (a)	\$39,200,000	--
Restructuring (a)	\$1,020,000	\$10,471,482
Operating loss	(\$16,082,069)	(\$4,330,264)
AetherWorks net gain (loss)	\$1,350,000	(\$5,764,201)
Net loss	(\$22,658,871)	(\$15,790,844)
Net loss per share - basic and diluted	(\$1.65)	(\$1.18)
Weighted average common shares outstanding - basic and diluted	13,729,765	13,393,408

(a) Relating to the acquisitions of ITK International, Inc. and Central

FORWARD-LOOKING STATEMENTS:

Certain statements made above may contain forward-looking statements that involve risks and uncertainties. Factors that could cause actual results to differ include but are not limited to the following:

- The expectation that the company will show improved sales and profitability -- This expectation may be impacted by presently unanticipated delays in implementing the company's fiscal 1999 business plan, as well as unanticipated expenses or general market conditions and competitive conditions that may be encountered.
- The expectation that the integration of the two recently acquired companies will open new markets -- This expectation may be impacted by general market and competitive conditions that may be encountered.

Digi International, based in Minneapolis, is a leading provider of data communications hardware and software that delivers seamless connectivity solutions for open systems, server-based remote access, Internet telephony, and LAN markets. The company markets its products through an international network of distributors and resellers, system integrators and original equipment manufacturers (OEMs). For complete product information, see Digi's Web site at <http://www.dgii.com> or call 800-344-4273 (U.S) or 612-912-3444 (International).