



## Digi International Announces Q2 1999 Reorganization Charges and Program to Improve Gross Margins

March 9, 1999

**MINNEAPOLIS, March 8 /PRNewswire/** -- Digi International Inc. (Nasdaq: DGII) today announced that it will take fiscal second quarter 1999 charges related to the reorganization of the company and a decision that its recently-acquired subsidiary, ITK International, will not continue the sales and marketing of certain products. The company plans to report its financial results for the second quarter of 1999 during the week of April 26.

The company said that as it implements its plans to consolidate various sales, marketing and engineering functions worldwide, it has reorganized its sales and marketing groups. As part of this reorganization, the company announced the following appointments: Don Henry as Vice President of North American Sales; Bob Poorman as Director of International Sales; Joe Toste as Director of Marketing; and Gene Olsen as Chief Technical Officer.

Digi also announced that it is taking steps to lower its operating expenses and to improve its future gross margins through an inventory management program of its distributor sales channels. As a result of this channel inventory management program, the company will experience a decrease in net revenue for the second quarter.

"This program is designed to create a distributor demand for our products that will reduce the steep discounts necessary to sell an equivalent amount of products," said John P. Schinas, Chairman of the Board and interim President and Chief Executive Officer of Digi International. "While our revenue will be unfavorably impacted for the fiscal second quarter, we expect that overall sales of our products through distributors to end-users will increase."

Because of the impact of these management actions, the company said it expects to report an operating loss for the fiscal second quarter of 1999.

### About Digi International

Digi International, based in Minneapolis, Minn., is a leading worldwide 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 a global network of distributors and resellers, system integrators and original equipment manufacturers (OEMs). For more information, visit Digi's Web site at [www.dgii.com](http://www.dgii.com) or call 800-344-4273 (U.S.) or 612-912-3444 (International).

### Forward-Looking Statements:

This press release contains certain 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 plans to improve gross margins, create distributor demand and reduce steep discounts
- This expectation may be impacted by presently unanticipated delays in the effect of the channel normalization program or competitive conditions that may be encountered.
- The expectation that the company plans to reduce operating expenses
- This expectation may be impacted by presently unanticipated expenses, delays in consolidation efforts, general market or competitive conditions.
- The expectation that overall sales to end-users will increase -- This expectation may be impacted by presently unanticipated delays in product availability, as well as general market and competitive conditions.

SOURCE Digi International

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