



Digi International Reports Fiscal Second Quarter 1999 Results

April 21, 1999

MINNEAPOLIS, April 21 /PRNewswire/ -- Digi International Inc. (Nasdaq: DGII) today announced financial results for its fiscal second quarter, ended March 31, 1999.

Sales for the quarter were \$42.6 million compared to \$45.1 million for the year-ago period. The net loss for the fiscal second quarter was \$2.5 million, or (\$.17) per share, compared to net income of \$4.7 million, or \$.33 per diluted share, for the year-ago period.

Sales for the first six months of fiscal year 1999 were \$94.0 million compared to \$87.6 million for the same period last year. The net loss for the first two quarters of fiscal year 1999 was \$1.1 million compared to net income of \$8.5 million for the year-ago period. The net loss per share for the first six months of fiscal year 1999 was (\$.08) compared to net income of \$.63 per diluted share for the first six months of fiscal year 1998.

As the company indicated earlier, several factors impacted second quarter results. The company discontinued the sale of certain modem products and wrote down by \$1.4 million the carrying value of related inventories. The company reorganized its sales organization, resulting in severance-related charges of approximately \$1.5 million. The company also implemented a channel inventory management program that decreased net revenue during the quarter.

In addition to these factors, the company's effective income tax rate, estimated to be 58 percent in fiscal 1999, remains significantly higher than the statutory income tax rate, due primarily to the non-deductibility of the amortization of intangible assets and goodwill of approximately \$1.4 million per quarter, associated with the acquisitions of Central Data Corporation and ITK International.

"As we enter the second half of fiscal 1999, we expect to maintain tight control on operating expenses and restore the company to profitability through revenue growth," said John P. Schinas, Chairman of the Board and interim President and CEO of Digi International. "With the normalization of channel inventory, we expect overall sales to increase and gross margins to improve going forward, and we believe that we can get back on a solid growth track by year end."

The company said it has responded to a second round of comments received in January from the Securities and Exchange Commission (SEC) including comments relating to the value of acquired in-process research and development recorded in connection with the Central Data and ITK acquisitions.

DIGI INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS AND SIX MONTHS ENDED MARCH 31, 1999 AND 1998
(UNAUDITED)

	Three months ended		Six months ended	
	March 31		March 31	
	1999	1998	1999	1998
Net sales	\$42,631,488	\$45,058,973	\$94,026,510	\$87,649,032
Cost of sales	24,153,615	21,993,344	49,057,929	43,214,657
Gross Margin	18,477,873	23,065,629	44,968,581	44,434,375
Operating expenses:				
Sales and marketing	10,972,993	9,007,379	22,947,075	17,266,872
Research and development	5,887,729	3,948,109	12,363,946	7,759,010
General and administrative	5,527,153	3,445,691	10,679,442	7,055,815
Restructuring	1,452,909	--	1,452,909	--
Total operating expenses	23,840,784	16,401,179	47,443,372	32,081,697
Operating (loss) income	(5,362,911)	6,664,450	(2,474,791)	12,352,678
Other income (expense), principally interest	(35,517)	548,470	(245,302)	817,355
(Loss) income before				

income taxes	(5,398,428)	7,212,920	(2,720,093)	13,170,033
(Benefit) provision for income taxes	(2,890,040)	2,547,584	(1,577,655)	4,662,359
Net (loss) income	\$(2,508,388)	\$4,665,336	\$(1,142,438)	\$8,507,674
Net (loss) income per common share	\$(0.17)	\$0.35	\$(0.08)	\$0.63
Net (loss) income per common share, assuming dilution	\$(0.17)	\$0.33	\$(0.08)	\$0.60
Weighted average common shares	14,590,771	13,508,084	14,581,396	13,494,509
Weighted average common shares, assuming dilution	14,590,771	14,265,107	14,581,396	14,149,319

About Digi International

Digi International, based in Minneapolis, Minn., is a leading worldwide provider of voice and data communications hardware and software that delivers seamless connectivity solutions for open systems, server-based remote access, 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 <http://www.digi.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 gross margins will improve, sales overall will increase and that the company will be restored to profitability -- This expectation may be impacted by presently unanticipated delays in the effect of the channel normalization program and product availability, as well as general market and competitive conditions.

-- The expectation that the company will maintain control of operating expenses -- This expectation may be impacted by presently unanticipated expenses, delays in consolidation efforts, general market or competitive conditions.

-- The expectation that the company's 1999 effective tax rate will increase to 58 percent -- This expectation may be impacted by the changes in the company's level of profitability or changes in the allocation of the purchase prices made in connection with the ITK and CDC acquisitions.