



## Digi Reports Preliminary First Quarter Results

December 16, 1999

### Y2K Affects Near Term Timing of Revenue

MINNEAPOLIS--(BUSINESS WIRE)--Dec. 16, 1999--Digi International (Nasdaq:DGII) today reported that it expects revenue for the fiscal first quarter ending December 31, 1999, to be in a range of \$39 million to \$41 million and earnings per diluted share to be in a range of \$0.03 to \$0.07. During Digi's first fiscal quarter of 1999, the Company reported revenue of \$51.4 million and earnings per diluted share of \$0.09.

The Company attributes the current quarter's results primarily to two factors associated with Y2K concerns. Sales to Digi's OEM customers have been affected by a temporary change in the purchasing patterns of end users until after the first of the year. The Company expects to recoup a significant portion of what would have been current quarter revenue during its second and third fiscal quarter. Sales into the Company's channel have been impacted similarly by end user purchasing behavior and also more significantly by inventory reductions as channel participants reduce levels due to Y2K concerns. Digi intends to maintain channel inventory as appropriate for the expected increase in orders during the Company's second fiscal quarter and to ensure sufficient product availability for end users.

"We believe the slowdown in the Company's first fiscal quarter to be uniquely associated with the well documented Y2K 'lock-down' and we are optimistic about our order flow for next quarter," said Joseph T. Dunsmore, newly elected president and CEO of Digi. "In recent months, we have decreased our distributor sales channel inventory to the lowest dollar levels for the past two years. We believe this has positioned us for a positive fiscal second quarter."

Mr. Dunsmore added, "We will continue to focus on ramping up our new Remote Access Solution (RAS) product line, which we expect will fuel significant future growth."

Digi International, based in Minneapolis, 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 [www.digi.com](http://www.digi.com) or call 1-800-344-4273 (U.S.) or (612) 912-3444 (International).

This press release contains statements that constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which generally can be identified by the use of forward-looking terminology such as "anticipate," "believe," "target," "estimate," "may," "will," "expect," "plan," "project," "should," or "continue" or the negative thereof or other variations thereon or similar terminology. Such statements are based on information available to management as of the time of such statements and relate to, among other things, expectations of the business environment in which the Company operates, projections of future performance, perceived opportunities in the market and statements regarding the Company's mission and vision. Such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, including risks related to the highly competitive market in which the Company operates; rapid changes in technologies that may displace products sold by the Company, declining prices of networking products, the Company's reliance on distributors, delays in the Company's product development efforts, uncertainty in consumer acceptance of the Company's products, and changes in the Company's level of revenue or profitability. These and other risks, uncertainties and assumptions identified from time to time in the Company's filings with the Securities and Exchange Commission, including without limitation, its annual reports on Form 10-K and its quarterly reports on Form 10-Q, could cause the Company's future results to differ materially from those expressed in any forward-looking statements made by or on behalf of the Company. Many of such factors are beyond the Company's ability to control or predict. These forward-looking statements speak only as of the date for which they are made. The Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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