



Digi International Reports Preliminary Second Quarter Results, Charge Associated with European Operations, and Expected Payment of AetherWorks Note

March 16, 2000

MINNEAPOLIS--(BUSINESS WIRE)--March 16, 2000--Digi International (Nasdaq:DGII) today reported that it expects revenue for the second fiscal quarter ending March 31, 2000, to be in the range of \$30 million to \$34 million. For the second fiscal quarter of 1999, Digi recorded revenue of \$42.6 million with a loss per diluted share of \$0.17. The company also announced that in the current quarter it will take a pre-tax charge in the range of approximately \$18 million to \$20 million to reflect the impaired value of certain assets resulting from the discontinuation of its NetBlazer(R) product line, which was acquired from ITK in July 1998.

Digi attributes the current quarter's lower than expected revenue to the slow pace at which its customers are placing orders following the initial slow-down industry-wide following the "Y2K" change over.

The charge reflects the write off of the carrying value of goodwill associated with the ITK acquisition and certain of the company's tangible assets and all of the intangible assets associated with the NetBlazer technology acquired in 1998. The company has decided to discontinue any further development of NetBlazer it acquired in 1998. The technical resources required to successfully develop a competitive product are not presently available to the company, and the company expects that more efficient means of participation in the Voice over Internet Protocol (VoIP) market space will be available in the near term. Digi's German operation will continue to develop and market its ISDN product lines and will continue to serve as our European development center. This charge is a non-cash charge that will reduce operating and net income but will not affect the company's cash flow.

"While we are obviously disappointed with our financial performance for the second quarter, we remain optimistic for the remainder of fiscal 2000," said Joseph T. Dunsmore, president and CEO of Digi. "We expect that increased sales activity backed by large orders in hand will fuel revenue growth in the fiscal third quarter. Additionally, our discontinuation of the NetBlazer product line will allow us to reallocate research and development resources to focus more on our core strategy, which is providing hardware and software for server-based communications."

Dunsmore added, "Customer response to our new RAS concentrators and the impact they're having in the small to medium enterprise market has been very positive. In addition, we recently hired Michael Bantz as our new vice president of North American Sales. We are excited to have him leading our sales efforts and providing management with sophisticated marketplace intelligence and feedback. He brings the maturity, leadership, and guidance experience that our sales organization needs."

The company also announced that it expects to receive a payment of \$8.0 million (pre-tax) during the current quarter, representing payment in full of a non-convertible note of AetherWorks Corporation, following the acquisition of AetherWorks by Nx Networks (Nasdaq: NTRX). This note has been previously recorded by the company as having no carrying value, due to significant uncertainty as to its collectability.

About Digi International

Digi International (Nasdaq:DGII), 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 or call 800-344-4273 (U.S.) or 952-912-3444 (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 forward-looking 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, including without limitation the communications market; rapid changes in technologies that may displace products sold by the Company; declining prices of networking products; the Company's reliance on OEMs and distributors and the timing and volume of their order flow; 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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