Digi International Reports Fiscal 2000 Second Quarter Results, Charge Associated with European Operations and Receipt of AetherWorks Note Payment

April 20, 2000

(Minneapolis, 2000-04-20) Digi International® Inc. (Nasdaq: DGII) announced today that its net sales for the fiscal second quarter ended March 31, 2000, totaled $25.8 million, which is below analysts' expectations and down from $42.6 million in the year-ago quarter. For the fiscal 2000 second quarter Digi's loss was $13.3 million, or $0.88 per common and diluted share, versus a loss of $2.3 million, or $0.15 per common and diluted share, in the year ago period. During the current quarter, the company recorded a pre-tax charge of $18.4 million, to reflect the impaired value of certain assets resulting from the discontinuation of its NetBlazer® product line. During the quarter, Digi also received an $8.0 million payment which allowed the company to recover the value of a note receivable from AetherWorks Corporation, which had been previously written-off. This recovery is reflected as $8.0 million of non-operating income.

"We are very disappointed by the lower sales volume in our fiscal second quarter," said Joseph T. Dunsmore, Digi president and CEO. "We believe the revenue shortfall stems from two factors: apparent erosion of the asynchronous serial port market and the reduced pace at which our customers placed orders after the industry-wide slowdown following the Y2K changeover."

Dunsmore continued, "This company is clearly capable of much stronger performance. We have taken, or are in the process of taking, a number of steps to reignite sales. In addition to the recently announced executive appointments of Michael Bantz, vice president North American sales, and Burk Murray, vice president of marketing, we are deploying a new operating strategy which focuses investment in growth market segments, combined with increased accountability for execution throughout the company."

"Going forward," Dunsmore continued, "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."

Concluded Dunsmore, "Customer response to our new RAS concentrators and the impact they're having in the small to medium enterprise market has been very positive. We expect that this line will be a major driver of future growth, offsetting in part the erosion of the asynchronous serial port business."

Impairment Loss
The second quarter charge reflects the write-off of certain of the company's intangible assets associated with the July 1998 ITK acquisition and all of the intangible assets associated with ITK's Voice over Internet Protocol (VoIP) technology. Digi has decided to discontinue any further development of such technology. The resources required to successfully develop and market a competitive product based upon such technology are not presently available to the company, and Digi expects that more efficient means of participation in the VoIP market space will be available in the near term. This is a non-cash charge that reduced operating and net income but did not affect Digi's cash flow. Digi expects future amortization of intangible assets will be approximately $1.0 million per quarter, net of taxes.

AetherWorks Corporation Note Recovery
The company also announced that it received a payment of $8.0 million during the current quarter, representing payment in full of a non-convertible note receivable from AetherWorks Corporation, following the acquisition of AetherWorks by Nx Networks. Digi previously recorded this note receivable as having no carrying value, due to significant uncertainty as to its collectability.

The net loss, excluding (1) amortization of intangible assets, net of taxes, (2) the NetBlazer asset impairment charge, net of taxes, and (3) the AetherWorks Corporation note recovery, net of taxes, was $5.3 million, or $0.35 per common and diluted share, in the fiscal second quarter of 2000. In the comparable quarter a year ago, the net loss, excluding amortization of intangible assets and related deferred tax benefits was $0.2 million, or $0.02 per common and diluted share.

Gross margin for the three-month period ended March 31, 2000, declined to 47.6% from 55.2% for the quarter ended December 31, 1999, but rose from 43.3% for the year earlier quarter. Due to lower product shipments during the second quarter, the company was unable to absorb the fixed manufacturing costs creating the decline in gross margin on a quarter-to-quarter basis. We expect to return to normal margins as our sales rebound. The impact of the NetBlazer inventory write-off on the gross margin was 1.1% during the quarter.

Operating expenses excluding impairment and restructuring charges declined $1.9 million for the quarter compared to the first fiscal quarter ended December 31, 1999, and decreased $4.9 million from the year ago quarter.

Digi's effective income tax rate for the quarter was 15.6%, compared to 48.0% for the quarter ended December 31, 1999. The lower tax rate is primarily due to the accounting treatment of deferred tax liabilities related to the ITK intangible asset write-off.

Book value per share was $7.55, down $0.82 versus the prior quarter. Tangible book value per share rose $0.51 to $5.94 compared to the prior quarter, and net cash and marketable securities per share increased $0.62 to $3.16. The increase in days sales outstanding (DSOs) from 59 days for the quarter ended December 31, 1999, to 61 days in the quarter ended March 31, 2000, was in line with Digi's expectations.

DIGI INTERNATIONAL INC. CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS AND SIX MONTHS ENDED MARCH 31, 2000 AND 1999

Three months ended March 31	2000	1999
Net sales	$25,799,765	42,631,488
Cost of sales	13,526,558	24,153,615
Gross margin	12,273,207	18,477,873
Operating expenses:		
Sales & marketing	7,928,430	10,972,993
Research & development	5,976,235	
General & administrative	4,864,484	
Impairment Loss	18,068,249	
Restructuring	(138,467)	1,452,909
Total operating expenses	36,698,931	25,083,735
Operating loss	(24,425,724)	(6,605,862)
Other income (loss)	8,688,720	(35,517)
Income before income taxes	(15,737,004)	(6,641,379)
Income tax benefit	2,455,067)	(4,390,253)
Net loss	$(13,281,937)	(2,251,126)
Net income per common share, basic and diluted	$(0.88)	$(0.15)
Weighted average common shares, basic and diluted	15,062,575	14,590,771

Six Months ended March 31	2000	1999
Net sales	65,939,970	94,026,510
Cost of sales	31,491,787	49,057,929
Gross margin	34,448,183	44,968,581
Operating expenses:		
Sales & marketing	15,923,418	22,947,075
Research & development	12,470,359	12,363,946
General & administrative	11,055,425	13,184,589
Impairment loss	18,068,249	-
Restructuring	(138,467)	1,452,909
Total operating expenses	57,378,984	49,948,519
Operating loss	(22,930,801)	(4,979,938)
Other income (loss)	9,150,545	(245,302)

Loss Income before income taxes	(13,780,256)	5,225,240)
Income tax benefit	(1,515,827)	(3,448,658)
Net loss	(12,264,429)	(1,776,582)
Net income per common share, basic and diluted	$(0.82)	$(0.12)
Weighted average common shares, basic and diluted	15,015,184	14,581,396

Net (loss) income and net (loss) income per common and diluted share excluding (1) amortization of intangible assets net of taxes,(2) impairment loss net of taxes, and (3) the Aetherworks Corporation note recovery

Three months ended March 31	2000	1999
Net loss for the three months and six months ended March 31	$(13,281,937)	$(2,251,126)
(1) Intangible asset amortization, net of taxes	1,860,928	2,024,105
(2) Impairment loss, net of taxes	14,123,812	-
(3) Aetherworks Corporation note recovery	(8,000,000)	-
Net (loss) income excluding (1) amortization of intangible assets, net of taxes, (2) the impairment loss net of taxes and (3) the Aetherworks Corporation note recovery	$(5,297,197)	$(227,021)
Net (loss) income per common and diluted share, excluding (1) amortization of intangible assets net of taxes, (2) the impairment loss net of taxes, and (3) the AetherWorks Corporation note recovery	$(0.35)	$(0.02
Weighted average common shares, basic	15,062,575	14,590,771
Weighted average common shares, assuming dilution	15,062,575	14,590,771

Six months ended March 31	2000	1999
Net loss for the three months and six months ended March 31	$(12,264,429)	$(1,776,582)
(1) Intangible asset amortization, net of taxes	3,771,428	3,998,483
(2) Impairment loss, net of taxes	14,123,812	-
(3) Aetherworks Corporation note recovery	(8,000,0000)	-
Net (loss) income excluding (1) amortization of intangible assets net of taxes, (2) the impairment loss net of taxes and (3) the Aetherworks Corporation note recovery	$(2,369,189)	$2,221,901
Net (loss) income per common and diluted share, excluding (1) amortization of intangible assets net of taxes, (2) the impairment	$(0.16)	$0.15

loss net of taxes, and (3) the AetherWorks Corporation note recovery		
Weighted average common shares, basic	15,015,184	14,581,396
Weighted average common shares, assuming dilution	15,015,184	14,810,263

DIGI INTERNATIONAL INC. CONSOLIDATED CONDENSED BALANCE SHEET

	March 31 , 2000	September 30, 1999
ASSETS		
Current assets:		
Cash and marketable securities	$48,311,380	$34,678,029
Accounts receivable, net	20,928,993	33,955,669
Inventories, net	24,886,269	22,446,667
Other		
Total current assets	99,363,635	96,474,711
Property, equipment and improvements, net	28,463,348	30,242,877
Intangible assets, net	24,482,279	47,804,611
Other assets	3,852,190	1,807,829
Total assets	$156,161,452	$176,330,028
LIABILILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable, current	$4,377,108	$4,759,095
Current portion of long-term debt	336,500	330,028
Accounts payable and accrued expenses	27,932,746	30,951,194
Restructuring	11,883	488,298
Total current liabilities	32,658,237	36,528,615
Long-term liabilities	8,138,539	12,637,051
Total liabilities	40,796,776	49,165,666
Total stockholders' equity	115,364,676	127,164,362
Total liabilities and stockholders' equity	$156,161,452	$176,330,028

Digi invites all those interested in hearing management's discussion on the current quarter results as well as detail the major components of Digi's new strategy to attend our fiscal second quarter conference call either by phone or on the Web. Participants can access the call directly at 9:30 a.m. Central time on Thursday, April 20, 2000, by dialing (888) 209-3768 (U.S.) or (212) 271-4770 (International). A replay will be available for one week following the call by dialing (800) 633-8284 (U.S.) or (858) 812-6440 (International). To access the replay please enter the following access code when prompted: 14836949. Participants may also access a live web cast of the conference call through the investor relations section of Digi's web site, www.digi.com, or by going directly to www.streetfusion.com.

Forward-Looking Statements

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. Digi, Digi International, the Digi logo are either trademarks or registered trademarks of Digi International Inc. in the United States and/or other countries. All other brand names and product names are trademarks or registered trademarks of their respective companies.

About Digi International...Bringing Server-Powered Communications to the World

Digi International (Nasdaq: DGII), based in Minneapolis, is a leading worldwide provider of voice and data communications hardware and software delivering 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 (612) 912-3444 (International).

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