

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) November 19, 1998

Digi International Inc.

(Exact name of Registrant as specified in its charter)

DELAWARE

0-17972

41-1532464

(State or other jurisdiction
of incorporation)

(Commission File
Number)

(IRS Employer
Identification No.)

11001 BREN ROAD EAST
MINNETONKA, MINNESOTA

55343

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code (612) 912-3444

Item 5. OTHER EVENTS.

The Press Release of Digi International Inc. dated November 19, 1998 which is attached hereto as Exhibit 99 is hereby incorporated by reference in response to this Item 5.

Item 7. EXHIBITS.

99. Press Release dated November 19, 1998.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DIGI INTERNATIONAL INC.

Date: November 19, 1998

By /s/ Jerry A. Dusa

Jerry A Dusa
President and Chief Executive Officer

EXHIBIT INDEX

No. ---	Exhibit -----	Page ----
99	Press Release dated November 19, 1998.	Filed Electronically

FOR IMMEDIATE RELEASE

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DIGI INTERNATIONAL REPORTS 1998 FISCAL FOURTH QUARTER AND YEAR-END RESULTS

MINNEAPOLIS, NOVEMBER 19, 1998 -- Digi International Inc. (Nasdaq: DGII) today announced financial results for its fiscal fourth quarter and year, ended September 30, 1998.

Sales for the fourth quarter were \$48.8 million compared to \$42.1 million for the same quarter of 1997. Net income for the fourth quarter of 1998, excluding charges for acquired in-process research and development and restructuring, would have been \$2.3 million, or \$.15 per fully diluted share, consistent with "First Call" estimates. Including charges of \$39.2 million for acquired in-process research and development and restructuring charges of \$1 million, the company's operating loss for the fiscal fourth quarter was \$36.8 million and the net loss was \$37.6 million, or \$2.62 per basic share.

FISCAL 1998 RESULTS

Sales for the fiscal year ended September 30, 1998 increased to \$182.9 million from \$165.6 million for fiscal 1997. Operating income, excluding the fourth quarter charges for acquired in-process research and development and restructuring charges, rose to \$24.1 million for fiscal 1998 compared to operating income of \$6.1 million, excluding the effects of a \$10.5 million restructuring charge, for the previous year. The operating losses for fiscal years 1998 and 1997, including the charges for acquired in-process research and development and the restructuring charges, were \$16.1 million and \$4.3 million, respectively. The net

losses for fiscal years 1998 and 1997 were \$22.7 million, or \$1.65 per share, and \$15.8 million, or \$1.18 per share, respectively.

WRITE-OFF AND RESTRUCTURING CHARGES

For the fourth quarter and year ended September 30, 1998, the company reported a restructuring charge of \$1.02 million, or \$.07 per basic share (\$.04 per estimated fully diluted share, net of tax), which reflected the consolidation of facilities and the re-organization and integration of ITK operations with Digi European operations. The company also wrote off acquired in-process research and development of \$39.2 million, or \$2.74 per basic share (\$2.59 per estimated fully diluted share). The company has responded to questions provided by the SEC about these write-offs. Such write-offs are currently under scrutiny by the SEC for many publicly held companies.

"The fourth quarter was very important in laying the groundwork for Digi's future growth," said Jerry A. Dusa, president and CEO of Digi International. "The integration of the two recently acquired companies is progressing as planned. They position Digi to pursue new markets such as Internet telephony and to strengthen our geographic reach in Europe, as well as enhance our leadership position in our core serial port business. In addition, we are optimistic about the broad range of new products we recently announced. Looking forward to 1999, we believe that we are well positioned to show growth in both sales and profitability over 1998."

Three Months Ended September 30	1998	1997
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Net sales	\$48,833,351	\$42,125,201
Acquired research and development (1)	\$39,200,000	-
Restructuring (1)	\$1,020,000	-
Operating (loss) income	(\$36,860,150)	\$4,647,113
Net loss	(\$37,577,455)	(\$3,879,896)
Net loss per share - basic and diluted	(\$2.62)	(\$0.29)
Weighted average common shares outstanding - basic and diluted	14,318,462	13,433,740
Twelve Months Ended September 30		

Net sales	\$182,931,670	\$165,597,937
Acquired research and development (1)	\$39,200,000	-
Restructuring (1)	\$1,020,000	\$10,471,482
Operating loss	(\$16,082,069)	(\$4,330,264)
AetherWorks net gain (loss)	\$1,350,000	(\$5,764,201)
Net loss	(\$22,658,871)	(\$15,790,844)
Net loss per share - basic and diluted	(\$1.65)	(\$1.18)
Weighted average common shares outstanding - basic and diluted	13,729,765	13,393,408

(1) Relating to the acquisitions of ITK International, Inc. and Central Data Corp.

FORWARD-LOOKING STATEMENTS:

Certain statements made above may contain 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 WILL SHOW IMPROVED SALES AND PROFITABILITY - This expectation may be impacted by presently unanticipated delays in implementing the company's fiscal 1999 business plan, as well as unanticipated expenses or general market conditions and competitive conditions that may be encountered.
- - THE EXPECTATION THAT THE INTEGRATION OF THE TWO RECENTLY ACQUIRED COMPANIES WILL OPEN NEW MARKETS - This expectation may be impacted by general market and competitive conditions that may be encountered.

Digi International, based in Minneapolis, is a leading 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 an international network of distributors and resellers, system integrators and original equipment manufacturers (OEMs). For complete product information, see Digi's Web site at www.dgii.com or call 1-800-344-4273 (U.S) or (612) 912-3444 (International).

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DIGI INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS AND TWELVE MONTHS ENDED SEPTEMBER 30, 1998 AND 1997
(UNAUDITED)

	Three months ended Sept. 30		Twelve months ended Sept. 30	
	1998	1997	1998	1997
Net sales	\$ 48,833,351	\$ 42,125,201	\$ 182,931,670	\$ 165,597,937
Cost of sales	23,434,457	21,062,642	88,539,156	85,482,536
Gross margin	25,398,894	21,062,559	94,392,514	80,115,401
Operating expenses:				
Sales and marketing	10,984,907	8,323,469	37,288,027	36,671,271
Research and development	5,076,455	4,048,049	16,963,410	17,978,135
General and administrative	5,977,682	4,043,928	16,003,146	19,324,777
Acquired research & development	39,200,000	-	39,200,000	-
Restructuring	1,020,000	-	1,020,000	10,471,482
Total operating expenses	62,259,044	16,415,446	110,474,583	84,445,665
Operating income (loss)	(36,860,150)	4,647,113	(16,082,069)	(4,330,264)
Other income, net	341,016	(189,646)	1,818,286	153,809
AetherWorks Corporation net gain (loss)	-	(1,129,725)	1,350,000	(5,764,201)
AetherWorks Corporation write off	-	(5,758,548)	-	(5,758,548)
Income (loss) before income taxes	(36,519,134)	(2,430,806)	(12,913,783)	(15,699,204)
Provision (benefit) for income taxes	1,058,321	1,449,090	9,745,088	91,640
Net income (loss)	\$ (37,577,455)	\$ (3,879,896)	\$ (22,658,871)	\$ (15,790,844)
Net income (loss) per common share, basic	\$ (2.62)	\$ (0.29)	\$ (1.65)	\$ (1.18)
Net income (loss) per common share, assuming dilution	\$ (2.62)	\$ (0.29)	\$ (1.65)	\$ (1.18)
Weighted average common shares, basic	14,318,462	13,433,740	13,729,765	13,393,408
Weighted average common shares, assuming dilution	14,318,462	13,433,740	13,729,765	13,393,408

DIGI INTERNATIONAL INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

ASSETS	September 30 1998	September 30 1997
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Current assets:		
Cash and cash equivalents	\$ 10,355,368	\$ 31,329,666
Accounts receivable, net	48,549,145	25,658,522
Inventories, net	27,365,924	23,683,312
Other	5,349,397	4,147,942
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Total current assets	91,619,834	84,819,442
Property, equipment and improvements, net	33,990,923	23,617,696
Intangible assets, net	31,354,483	6,876,597
Other	2,978,883	2,997,601
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Total assets	\$ 159,944,123	\$ 118,311,336
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LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 15,255,175	\$ 10,118,921
Demand notes payable	10,707,000	
Current portion of long-term debt	264,025	
Income taxes payable	3,007,045	1,771,986
Accrued expenses:		
Advertising	2,651,742	2,847,672
Compensation	5,300,903	2,388,468
Restructuring	5,254,000	
Accrued AetherWorks Corporation obligations		3,350,000
Other	11,284,223	2,363,258
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Total current liabilities	53,724,113	22,840,305
Long-term debt	11,124,446	-
Other	275,000	-
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Total liabilities	65,123,559	22,840,305
Commitments and contingency		
Stockholders' equity:		
Preferred stock, \$.01 par value; 2,000,000 shares authorized; none outstanding		
Common stock, \$.01 par value; 60,000,000 shares authorized; 15,790,975 and 14,727,256 shares issued	157,910	147,273
Additional paid-in capital	68,695,448	44,403,102
Retained earnings	52,455,031	75,113,902
Foreign currency translation adjustment	(815,809)	-
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	120,492,580	119,664,277
Unearned stock compensation	(3,777,204)	(1,787,658)
Treasury stock, at cost, 1,247,094 and 1,269,492 common shares	(21,894,812)	(22,405,588)
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Total stockholders' equity	94,820,564	95,471,031
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Total liabilities and stockholders' equity	\$ 159,944,123	\$ 118,311,336
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