Digi International Inc.
Condensed Consolidated Statement of Cash Flows
(In thousands)
(Unaudited)

	Three months ended June 30, 2006	Nine months ended June 30, 2006
Operating activities:		
Net income	$ 3,348	$ 8,098
Adjustments to reconcile net income to		
net cash provided by (used in) operating activities:		
Depreciation of property, equipment and improvements	677	1,949
Amortization of identifiable intangible assets and other assets	1,919	5,744
Stock-based compensation	579	1,742
Deferred income taxes	(731)	(1,987)
Other	97	(436)
Changes in operating assets and liabilities:		
Accounts receivable	(189)	(696)
Inventories	(383)	(1,068)
Other assets	(136)	(293)
Accounts payable and accrued expenses	(463)	(2,838)
Income taxes payable	962	3,636
Net cash provided by operating activities	5,680	13,851
Investing activities:		
Purchase of held-to-maturity marketable securities, net	(7,125)	(14,258)
Purchase of property, equipment, improvements and certain other intangible assets	(161)	(1,055)
Net cash used in investing activities	(7,286)	(15,313)
Financing activities:		
Principal payments on long-term obligations	(116)	(372)
Tax benefit related to the exercise of stock options	155	485
Proceeds from stock option plan transactions	258	2,931
Proceeds from employee stock purchase plan transactions	196	555
Net cash provided by financing activities	493	3,599
Effect of exchange rate changes on cash and cash equivalents	(155)	(705)
Net (decrease) increase in cash and cash equivalents	(1,268)	1,432
Cash and cash equivalents, beginning of period	15,690	12,990
Cash and cash equivalents, end of period	$ 14,422	$ 14,422