

Digi International Inc.
Condensed Consolidated Statement of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three months ended		Nine months ended	
	June 30, 2006	June 30, 2005	June 30, 2006	June 30, 2005
Net sales	\$ 35,860	\$ 30,208	\$ 103,616	\$ 88,989
Cost of sales (A)	<u>15,222</u>	<u>12,003</u>	<u>44,126</u>	<u>34,489</u>
Gross profit	20,638	18,205	59,490	54,500
Operating expenses:				
Sales and marketing (A)	7,277	6,446	20,830	19,300
Research and development (A)	5,402	3,778	15,227	11,850
General and administrative (A)	2,521	2,649	8,545	7,187
Intangibles amortization	1,687	1,349	5,046	3,883
In-process research and development	-	300	-	300
Total operating expenses	<u>16,887</u>	<u>14,522</u>	<u>49,648</u>	<u>42,520</u>
Operating income	3,751	3,683	9,842	11,980
Other income, net	<u>575</u>	<u>306</u>	<u>1,461</u>	<u>809</u>
Income before income taxes	4,326	3,989	11,303	12,789
Income tax provision (benefit)	<u>978</u>	<u>1,505</u>	<u>3,205</u>	<u>(1,455)</u>
Net income	<u>\$ 3,348</u>	<u>\$ 2,484</u>	<u>\$ 8,098</u>	<u>\$ 14,244</u>
Net income per common share, basic	<u>\$ 0.14</u>	<u>\$ 0.11</u>	<u>\$ 0.35</u>	<u>\$ 0.64</u>
Net income per common share, diluted	<u>\$ 0.14</u>	<u>\$ 0.11</u>	<u>\$ 0.34</u>	<u>\$ 0.61</u>
Weighted average common shares, basic	<u>23,124</u>	<u>22,588</u>	<u>22,968</u>	<u>22,381</u>
Weighted average common shares, diluted	<u>23,904</u>	<u>23,296</u>	<u>23,695</u>	<u>23,420</u>

(A) Stock-based compensation expense charges due to adopting FAS 123R as of October 1, 2005 are included in the above income statement for the three and nine months ended June 30, 2006 as shown below:

Cost of sales	\$ 22	\$ 65
Sales and marketing	185	504
Research and development	132	401
General and administrative	240	772
	<u>\$ 579</u>	<u>\$ 1,742</u>