

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

	<u>Three months ended</u> <u>September 30, 2006</u>	<u>Twelve months ended</u> <u>September 30, 2006</u>
Operating activities:		
Net income	\$ 3,015	\$ 11,113
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, equipment and improvements	762	2,711
Amortization of identifiable intangible assets and other assets	2,111	7,855
In-process research and development	2,000	2,000
Stock-based compensation	547	2,289
Deferred income taxes	3,687	1,700
Other	692	256
Changes in operating assets and liabilities:		
Accounts receivable	(122)	(818)
Inventories	(1,815)	(2,883)
Other assets	98	(195)
Accounts payable and accrued expenses	850	(1,988)
Income taxes payable	(4,993)	(1,357)
Net cash provided by operating activities	<u>6,832</u>	<u>20,683</u>
Investing activities:		
Purchase of held-to-maturity marketable securities, net	8,235	(6,023)
Acquisition of MaxStream, Inc., net of cash acquired	(16,096)	(16,096)
Purchase of property, equipment, improvements and certain other intangible assets	<u>(276)</u>	<u>(1,331)</u>
Net cash used in investing activities	<u>(8,137)</u>	<u>(23,450)</u>
Financing activities:		
Principal payments on long-term obligations	(118)	(490)
Borrowing on note payable	5,000	5,000
Payment on note payable	(5,000)	(5,000)
Tax benefit related to the exercise of stock options	241	726
Proceeds from stock option plan transactions	1,627	4,558
Proceeds from employee stock purchase plan transactions	<u>209</u>	<u>764</u>
Net cash provided by financing activities	1,959	5,558
Effect of exchange rate changes on cash and cash equivalents	<u>598</u>	<u>(107)</u>
Net (decrease) increase in cash and cash equivalents	1,252	2,684
Cash and cash equivalents, beginning of period	<u>14,422</u>	<u>12,990</u>
Cash and cash equivalents, end of period	<u>\$ 15,674</u>	<u>\$ 15,674</u>