

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

	Three months ended		Twelve months ended	
	September 30, 2006	September 30, 2005	September 30, 2006	September 30, 2005
Net sales	\$ 41,047	\$ 36,208	\$ 144,663	\$ 125,198
Cost of sales (exclusive of amortization of purchased and core technology shown separately below)(A)	18,196	15,026	62,322	49,516
Amortization of purchased and core technology (B)	1,329	1,164	4,836	4,191
Gross profit	21,522	20,018	77,505	71,491
Operating expenses:				
Sales and marketing (A)	7,761	7,040	28,591	26,339
Research and development (A)	5,634	4,681	20,861	16,531
General and administrative (A)	2,147	2,818	10,692	10,005
Intangibles amortization (B)	599	502	2,138	1,359
In-process research and development	2,000	-	2,000	300
Total operating expenses	18,141	15,041	64,282	54,534
Operating income	3,381	4,977	13,223	16,957
Other income, net	583	217	2,044	1,026
Income before income taxes	3,964	5,194	15,267	17,983
Income tax provision	949	1,773	4,154	318
Net income	<u>\$ 3,015</u>	<u>\$ 3,421</u>	<u>\$ 11,113</u>	<u>\$ 17,665</u>
Net income per common share, basic	<u>\$ 0.12</u>	<u>\$ 0.15</u>	<u>\$ 0.48</u>	<u>\$ 0.79</u>
Net income per common share, diluted	<u>\$ 0.12</u>	<u>\$ 0.15</u>	<u>\$ 0.46</u>	<u>\$ 0.76</u>
Weighted average common shares, basic	<u>24,434</u>	<u>22,654</u>	<u>23,338</u>	<u>22,450</u>
Weighted average common shares, diluted	<u>25,276</u>	<u>23,210</u>	<u>24,080</u>	<u>23,371</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 twelve months ended September 30, 2006 as shown below:

Cost of sales	\$ 24	\$ 89
Sales and marketing	190	694
Research and development	129	530
General and administrative	204	976
	<u>\$ 547</u>	<u>\$ 2,289</u>

(B) Amortization of purchased and core technology has been reclassified from identifiable intangibles amortization expense which is a component of general and administrative expense, to a separate line item within cost of sales for all periods presented.