

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

	Three months ended December 31,	
	2005	2004
Operating activities:		
Net income	\$ 2,183	\$ 2,961
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, equipment and improvements	613	566
Amortization of identifiable intangible assets and other assets	1,907	1,572
Tax benefit related to the exercise of stock options	(249)	1,509
Stock-based compensation	531	-
Other	(143)	(185)
Changes in operating assets and liabilities:		
Accounts receivable	543	(1,029)
Inventories	(556)	(1,341)
Other assets	(365)	(1,045)
Accounts payable and accrued expenses	(2,800)	(2,275)
Income taxes payable	1,252	(2,978)
Other	(708)	(515)
Net cash provided by (used in) operating activities	2,208	(2,760)
Investing activities:		
Purchase of held-to-maturity marketable securities, net	(4,609)	(8,417)
Purchase of property, equipment, improvements and certain other intangible assets	(259)	(196)
Net cash used in investing activities	(4,868)	(8,613)
Financing activities:		
Principal payments on long-term obligations	(143)	-
Tax benefit related to the exercise of stock options	249	
Proceeds from stock option plan transactions	1,684	3,561
Proceeds from employee stock purchase plan transactions	114	179
Net cash provided by financing activities	1,904	3,740
Effect of exchange rate changes on cash and cash equivalents	(276)	505
Net decrease in cash and cash equivalents	(1,032)	(7,128)
Cash and cash equivalents, beginning of period	12,990	19,528
Cash and cash equivalents, end of period	\$ 11,958	\$ 12,400