

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

	Three months ended <u>March 31, 2006</u>	Six months ended <u>March 31, 2006</u>
Operating activities:		
Net income	\$ 2,567	\$ 4,750
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, equipment and improvements	660	1,272
Amortization of identifiable intangible assets and other assets	1,917	3,825
Stock-based compensation	632	1,164
Other	(388)	(533)
Changes in operating assets and liabilities:		
Accounts receivable	(1,050)	(507)
Inventories	(129)	(685)
Other assets	209	(157)
Accounts payable and accrued expenses	424	(2,376)
Income taxes payable	1,539	2,674
Other	<u>(549)</u>	<u>(1,256)</u>
Net cash provided by operating activities	<u>5,832</u>	<u>8,171</u>
Investing activities:		
Purchase of held-to-maturity marketable securities, net	(2,524)	(7,133)
Purchase of property, equipment, improvements and certain other intangible assets	<u>(635)</u>	<u>(895)</u>
Net cash used in investing activities	<u>(3,159)</u>	<u>(8,028)</u>
Financing activities:		
Principal payments on long-term obligations	(113)	(256)
Tax benefit related to the exercise of stock options	213	330
Proceeds from stock option plan transactions	989	2,673
Proceeds from employee stock purchase plan transactions	<u>245</u>	<u>359</u>
Net cash provided by financing activities	1,334	3,106
Effect of exchange rate changes on cash and cash equivalents	<u>(275)</u>	<u>(549)</u>
Net increase in cash and cash equivalents	3,732	2,700
Cash and cash equivalents, beginning of period	<u>11,958</u>	<u>12,990</u>
Cash and cash equivalents, end of period	<u>\$ 15,690</u>	<u>\$ 15,690</u>