

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

	Three months ended		Six months ended	
	March 31, 2006	March 31, 2005	March 31, 2006	March 31, 2005
Net sales	\$ 34,380	\$ 29,312	\$ 67,756	\$ 58,782
Cost of sales (A)	<u>14,894</u>	<u>11,328</u>	<u>28,904</u>	<u>22,487</u>
Gross profit	19,486	17,984	38,852	36,295
Operating expenses:				
Sales and marketing (A)	6,802	6,411	13,553	12,854
Research and development (A)	5,011	3,820	9,825	8,072
General and administrative (A)	2,781	2,348	6,024	4,538
Intangibles amortization	1,680	1,209	3,359	2,534
Stock-based compensation	-	-	-	-
In-process research and development	-	-	-	-
Total operating expenses	<u>16,274</u>	<u>13,788</u>	<u>32,761</u>	<u>27,998</u>
Operating income	3,212	4,196	6,091	8,297
Other income, net	<u>554</u>	<u>312</u>	<u>886</u>	<u>502</u>
Income before income taxes	3,766	4,508	6,977	8,799
Income tax provision (benefit)	<u>1,199</u>	<u>(4,291)</u>	<u>2,227</u>	<u>(2,961)</u>
Net income	<u>\$ 2,567</u>	<u>\$ 8,799</u>	<u>\$ 4,750</u>	<u>\$ 11,760</u>
Net income per common share, basic	<u>\$ 0.11</u>	<u>\$ 0.39</u>	<u>\$ 0.21</u>	<u>\$ 0.53</u>
Net income per common share, diluted	<u>\$ 0.11</u>	<u>\$ 0.37</u>	<u>\$ 0.20</u>	<u>\$ 0.50</u>
Weighted average common shares, basic	<u>23,001</u>	<u>22,477</u>	<u>22,890</u>	<u>22,277</u>
Weighted average common shares, diluted	<u>23,687</u>	<u>23,645</u>	<u>23,609</u>	<u>23,473</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 six months ended March 31, 2006 as shown below:

Cost of sales	\$ 23	\$ 42
Sales and marketing	193	321
Research and development	142	270
General and administrative	274	531
	<u>\$ 632</u>	<u>\$ 1,164</u>