

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

|   | Three months ended December 31, |                  |
|---|---------------------------------|------------------|
|   | 2006                            | 2005             |
| Operating activities:   |                                 |                  |
| Net income  | \$ 3,802                        | \$ 2,183         |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                                 |                  |
| Depreciation of property, equipment and improvements  | 645                             | 613              |
| Amortization of identifiable intangible assets and other assets                             | 1,947                           | 1,907            |
| Excess tax benefits from stock-based compensation   | (60)                            | (187)            |
| Stock-based compensation  | 765                             | 531              |
| Deferred income taxes   | 78                              | (708)            |
| Other   | 289                             | (143)            |
| Changes in operating assets and liabilities:  |                                 |                  |
| Accounts receivable   | 657                             | 543              |
| Inventories   | (2,930)                         | (556)            |
| Other assets  | (776)                           | (365)            |
| Accounts payable and accrued expenses   | (2,444)                         | (2,800)          |
| Income taxes payable  | 1,179                           | 1,252            |
| Net cash provided by operating activities   | <u>3,152</u>                    | <u>2,270</u>     |
| Investing activities:   |                                 |                  |
| Purchase of held-to-maturity marketable securities  | (16,941)                        | (15,720)         |
| Proceeds from maturities of held-to-maturity marketable securities                          | 20,143                          | 11,111           |
| Contingent purchase price payments related to business acquisitions                         | (781)                           | -                |
| Purchase of property, equipment, improvements and certain other intangible assets           | (688)                           | (259)            |
| Net cash provided by (used in) investing activities   | <u>1,733</u>                    | <u>(4,868)</u>   |
| Financing activities:   |                                 |                  |
| Payments on capital lease obligations and long-term debt                                    | (103)                           | (143)            |
| Excess tax benefits from stock-based compensation   | 60                              | 187              |
| Proceeds from stock option plan transactions  | 515                             | 1,684            |
| Proceeds from employee stock purchase plan transactions                                     | 191                             | 114              |
| Net cash provided by financing activities   | <u>663</u>                      | <u>1,842</u>     |
| Effect of exchange rate changes on cash and cash equivalents                                | <u>246</u>                      | <u>(276)</u>     |
| Net increase (decrease) in cash and cash equivalents  | 5,794                           | (1,032)          |
| Cash and cash equivalents, beginning of period  | <u>15,674</u>                   | <u>12,990</u>    |
| Cash and cash equivalents, end of period  | <u>\$ 21,468</u>                | <u>\$ 11,958</u> |