

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

	Three months ended <u>March 31, 2007</u>	Six months ended <u>March 31, 2007</u>
Operating activities:		
Net income	\$ 3,597	\$ 7,399
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	618	1,263
Amortization of identifiable intangible assets and other assets	1,920	3,867
Excess tax benefits from stock-based compensation	(95)	(155)
Stock-based compensation	739	1,504
Deferred income taxes	(800)	(722)
Other	(125)	164
Changes in operating assets and liabilities:		
Accounts receivable	(819)	(162)
Inventories	1,193	(1,737)
Other assets	1,348	572
Accounts payable and accrued expenses	(578)	(3,022)
Income taxes payable	1,119	2,298
Net cash provided by operating activities	<u>8,117</u>	<u>11,269</u>
Investing activities:		
Purchase of held-to-maturity marketable securities	(23,446)	(40,387)
Proceeds from maturities of held-to-maturity marketable securities	10,749	30,892
Contingent purchase price payments related to business acquisitions	-	(781)
Proceeds from the sale of property, equipment, improvements	4	4
Purchase of property, equipment, improvements and certain other intangible assets	(798)	(1,486)
Net cash used in investing activities	<u>(13,491)</u>	<u>(11,758)</u>
Financing activities:		
Payments on capital lease obligations and long-term debt	(95)	(198)
Excess tax benefits from stock-based compensation	95	155
Proceeds from stock option plan transactions	686	1,201
Proceeds from employee stock purchase plan transactions	302	493
Net cash provided by financing activities	988	1,651
Effect of exchange rate changes on cash and cash equivalents	<u>104</u>	<u>350</u>
Net (decrease) increase in cash and cash equivalents	(4,282)	1,512
Cash and cash equivalents, beginning of period	<u>21,468</u>	<u>15,674</u>
Cash and cash equivalents, end of period	<u>\$ 17,186</u>	<u>\$ 17,186</u>