

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

	Three months ended <u>June 30, 2007</u>	Nine months ended <u>June 30, 2007</u>
Operating activities:		
Net income	\$ 6,798	\$ 14,197
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	615	1,878
Amortization of identifiable intangible assets and other assets	1,902	5,769
Excess tax benefits from stock-based compensation	(160)	(315)
Stock-based compensation	754	2,258
Deferred income taxes	(890)	(1,612)
Other	(146)	18
Changes in operating assets and liabilities:		
Accounts receivable	(947)	(1,109)
Inventories	(1,806)	(3,543)
Other assets	137	709
Accounts payable and accrued expenses	2,119	(903)
Income taxes payable	(970)	1,328
Net cash provided by operating activities	<u>7,406</u>	<u>18,675</u>
Investing activities:		
Purchase of held-to-maturity marketable securities	(16,206)	(56,593)
Proceeds from maturities of held-to-maturity marketable securities	25,010	55,902
Contingent purchase price payments related to business acquisitions	-	(781)
Proceeds from the sale of property, equipment, improvements	13	17
Purchase of property, equipment, improvements and certain other intangible assets	(843)	(2,329)
Net cash provided (used) in investing activities	<u>7,974</u>	<u>(3,784)</u>
Financing activities:		
Payments on capital lease obligations and long-term debt	(89)	(287)
Excess tax benefits from stock-based compensation	160	315
Proceeds from stock option plan transactions	1,232	2,433
Proceeds from employee stock purchase plan transactions	461	954
Net cash provided by financing activities	<u>1,764</u>	<u>3,415</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(262)</u>	<u>88</u>
Net increase in cash and cash equivalents	16,882	18,394
Cash and cash equivalents, beginning of period	<u>17,186</u>	<u>15,674</u>
Cash and cash equivalents, end of period	<u>\$ 34,068</u>	<u>\$ 34,068</u>