

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

	<u>Three months ended</u> <u>September 30, 2007</u>	<u>Twelve months ended</u> <u>September 30, 2007</u>
Operating activities:		
Net income	\$ 5,576	\$ 19,773
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	575	2,453
Amortization of identifiable intangible assets and other assets	1,943	7,712
Bad debt and product return recoveries	101	(93)
Provision for inventory obsolescence	152	369
Gain on sale of property, equipment and improvements	(422)	(427)
Excess tax benefits from stock-based compensation	(306)	(621)
Stock-based compensation	767	3,025
Deferred income taxes	1,497	(115)
Changes in operating assets and liabilities:		
Accounts receivable	967	(142)
Inventories	(905)	(4,448)
Other assets	(584)	125
Accounts payable	(1,426)	(508)
Accrued expenses	1,367	(454)
Income taxes payable	(1,598)	(270)
Net cash provided by operating activities	<u>7,704</u>	<u>26,379</u>
Investing activities:		
Purchase of held-to-maturity marketable securities	(36,149)	(92,742)
Proceeds from maturities of held-to-maturity marketable securities	10,855	66,757
Contingent purchase price payments related to business acquisitions	-	(781)
Proceeds from the sale of property, equipment, improvements	933	950
Purchase of property, equipment, improvements and certain other intangible assets	(570)	(2,899)
Net cash used in investing activities	<u>(24,931)</u>	<u>(28,715)</u>
Financing activities:		
Payments on capital lease obligations and long-term debt	(82)	(369)
Excess tax benefits from stock-based compensation	306	621
Proceeds from stock option plan transactions	956	3,389
Proceeds from employee stock purchase plan transactions	216	1,170
Net cash provided by financing activities	<u>1,396</u>	<u>4,811</u>
Effect of exchange rate changes on cash and cash equivalents	<u>138</u>	<u>226</u>
Net (decrease) increase in cash and cash equivalents	(15,693)	2,701
Cash and cash equivalents, beginning of period	<u>34,068</u>	<u>15,674</u>
Cash and cash equivalents, end of period	<u>\$ 18,375</u>	<u>\$ 18,375</u>