

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

	Three months ended December 31,	
	2007	2006
Operating activities:		
Net income	\$ 3,670	\$ 3,802
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, equipment and improvements	601	645
Amortization of identifiable intangible assets and other assets	1,896	1,947
Excess tax benefits from stock-based compensation	(129)	(60)
Stock-based compensation	872	765
Deferred income taxes	(1,095)	78
Other	162	289
Changes in operating assets and liabilities:		
Accounts receivable	667	657
Inventories	(620)	(2,930)
Other assets	304	(776)
Accounts payable and accrued expenses	(4,149)	(2,444)
Income taxes payable	1,838	1,179
Net cash provided by operating activities	<u>4,017</u>	<u>3,152</u>
Investing activities:		
Purchase of held-to-maturity marketable securities	(23,836)	(16,941)
Proceeds from maturities of held-to-maturity marketable securities	19,918	20,143
Contingent purchase price payments related to business acquisitions	(1,315)	(781)
Purchase of property, equipment, improvements and certain other intangible assets	<u>(1,176)</u>	<u>(688)</u>
Net cash (used in) provided by investing activities	<u>(6,409)</u>	<u>1,733</u>
Financing activities:		
Payments on capital lease obligations and long-term debt	(102)	(103)
Excess tax benefits from stock-based compensation	129	60
Proceeds from stock option plan transactions	1,224	515
Proceeds from employee stock purchase plan transactions	<u>348</u>	<u>191</u>
Net cash provided by financing activities	1,599	663
Effect of exchange rate changes on cash and cash equivalents	<u>196</u>	<u>246</u>
Net (decrease) increase in cash and cash equivalents	(597)	5,794
Cash and cash equivalents, beginning of period	<u>18,375</u>	<u>15,674</u>
Cash and cash equivalents, end of period	<u>\$ 17,778</u>	<u>\$ 21,468</u>