

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

	Three months ended March 31, 2008	Six months ended March 31, 2008
Operating activities:		
Net income	\$ 3,097	\$ 6,767
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	692	1,293
Amortization of identifiable intangible assets and other assets	1,603	3,499
Gain on sale of property, equipment and improvements	(120)	(120)
Excess tax benefits from stock-based compensation	(36)	(165)
Stock-based compensation	904	1,776
Deferred income taxes	(685)	(1,920)
Other	(10)	152
Changes in operating assets and liabilities:		
Accounts receivable	(4,216)	(3,549)
Inventories	(132)	(752)
Other assets	(67)	237
Accounts payable and accrued expenses	5,127	978
Income taxes payable	(1,281)	697
Net cash provided by operating activities	<u>4,876</u>	<u>8,893</u>
Investing activities:		
Purchase of held-to-maturity marketable securities	(27,855)	(51,691)
Proceeds from maturities of held-to-maturity marketable securities	27,262	47,181
Contingent purchase price payments related to business acquisitions	-	(1,315)
Increase in restricted cash - non-current	(392)	(392)
Proceeds from the sale of property, equipment, improvements	6,954	6,954
Purchase of property, equipment, improvements and certain other intangible assets	(731)	(1,908)
Net cash provided by (used in) investing activities	<u>5,238</u>	<u>(1,171)</u>
Financing activities:		
Payments on capital lease obligations and long-term debt	(86)	(188)
Excess tax benefits from stock-based compensation	36	165
Proceeds from stock option plan transactions	412	1,636
Proceeds from employee stock purchase plan transactions	-	348
Net cash provided by financing activities	<u>362</u>	<u>1,961</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,119)</u>	<u>(923)</u>
Net increase in cash and cash equivalents	9,357	8,760
Cash and cash equivalents, beginning of period	<u>17,778</u>	<u>18,375</u>
Cash and cash equivalents, end of period	<u>\$ 27,135</u>	<u>\$ 27,135</u>