

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

	Three months ended June 30, 2008	Nine months ended June 30, 2008
Operating activities:		
Net income	\$ 1,985	\$ 8,752
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	601	1,894
Amortization of identifiable intangible assets and other assets	1,534	5,033
Gain on sale of property, equipment and improvements	26	(94)
Excess tax benefits from stock-based compensation	(12)	(177)
Stock-based compensation	926	2,702
Deferred income taxes	(776)	(2,696)
In-process research and development	1,900	1,900
Other	70	222
Changes in operating assets and liabilities:		
Accounts receivable	206	(2,903)
Inventories	(172)	(924)
Other assets	16	253
Accounts payable and accrued expenses	(1,134)	(156)
Income taxes payable	524	1,221
Net cash provided by operating activities	<u>5,694</u>	<u>15,027</u>
Investing activities:		
Purchase of held-to-maturity marketable securities	(5,582)	(57,273)
Proceeds from maturities of held-to-maturity marketable securities	18,486	65,667
Acquisition of Sarian, Inc., net of cash acquired	(27,811)	(27,811)
Contingent purchase price payments related to business acquisitions	-	(1,315)
Increase in restricted cash - non-current	-	(392)
Proceeds from the sale of property, equipment, improvements	421	6,915
Purchase of property, equipment, improvements and certain other intangible assets	(659)	(2,567)
Net cash provided by (used in) investing activities	<u>(15,145)</u>	<u>(16,776)</u>
Financing activities:		
Payments on capital lease obligations	(105)	(293)
Borrowing on note payable	25,000	25,000
Payment on note payable	(25,000)	(25,000)
Excess tax benefits from stock-based compensation	12	177
Proceeds from stock option plan transactions	43	1,679
Proceeds from employee stock purchase plan transactions	454	802
Net cash provided by financing activities	<u>404</u>	<u>2,365</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,337)</u>	<u>(2,240)</u>
Net increase in cash and cash equivalents	(10,384)	(1,624)
Cash and cash equivalents, beginning of period	<u>27,135</u>	<u>18,375</u>
Cash and cash equivalents, end of period	<u>\$ 16,751</u>	<u>\$ 16,751</u>