

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

	Three months ended September 30, 2008	Twelve months ended September 30, 2008
Operating activities:		
Net income	\$ 3,599	\$ 12,351
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	594	2,488
Amortization of identifiable intangible assets and other assets	1,797	6,830
In-process research and development	-	1,900
Loss on impairment of investment	1,015	1,015
Gain on sale of property, equipment and improvements	91	(3)
Excess tax benefits from stock-based compensation	(7)	(184)
Stock-based compensation	995	3,697
Deferred income taxes	3,759	1,063
Other	480	702
Changes in operating assets and liabilities:		
Accounts receivable	1,065	(1,838)
Inventories	(2,169)	(3,093)
Other assets	(157)	96
Accounts payable and accrued expenses	1,882	1,726
Income taxes payable	(3,901)	(2,680)
Net cash provided by operating activities	<u>9,043</u>	<u>24,070</u>
Investing activities:		
Purchase of held-to-maturity marketable securities	(11,923)	(69,196)
Proceeds from maturities of held-to-maturity marketable securities	12,190	77,857
Acquisition of Sarian, Inc., net of cash acquired	-	(27,811)
Acquisition of Spectrum, net of cash acquired	(4,042)	(4,042)
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	39	6,954
Purchase of property, equipment, improvements and certain other intangible assets	(1,858)	(4,425)
Net cash used in investing activities	<u>(5,594)</u>	<u>(22,370)</u>
Financing activities:		
Payments on capital lease obligations	(68)	(361)
Borrowing on note payable	-	25,000
Payment on note payable	-	(25,000)
Excess tax benefits from stock-based compensation	7	184
Purchase of treasury stock	(5,104)	(5,104)
Proceeds from stock option plan transactions	20	1,699
Proceeds from employee stock purchase plan transactions	216	1,018
Net cash used in financing activities	<u>(4,929)</u>	<u>(2,564)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(1,095)</u>	<u>(3,335)</u>
Net decrease in cash and cash equivalents	(2,575)	(4,199)
Cash and cash equivalents, beginning of period	<u>16,751</u>	<u>18,375</u>
Cash and cash equivalents, end of period	<u>\$ 14,176</u>	<u>\$ 14,176</u>