

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

	Three months ended December 31,	
	2008	2007
Operating activities:		
Net income	\$ 1,016	\$ 3,670
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, equipment and improvements	590	601
Amortization of identifiable intangible assets and other assets	1,854	1,896
Excess tax benefits from stock-based compensation	(2)	(129)
Stock-based compensation	968	872
Deferred income taxes	(836)	(1,095)
Other	112	162
Changes in operating assets and liabilities:		
Accounts receivable	3,800	667
Inventories	(5,360)	(620)
Other assets	(317)	304
Accounts payable and accrued expenses	(778)	(4,149)
Income taxes payable, net	(820)	1,838
Net cash provided by operating activities	227	4,017
Investing activities:		
Purchase of marketable securities	(4,173)	(23,836)
Proceeds from maturities of marketable securities	16,064	19,918
Contingent purchase price payments related to business acquisitions	-	(1,315)
Purchase of property, equipment, improvements and certain other intangible assets	(843)	(1,176)
Net cash provided by (used in) investing activities	11,048	(6,409)
Financing activities:		
Payments on capital lease obligations	(69)	(102)
Excess tax benefits from stock-based compensation	2	129
Proceeds from stock option plan transactions	55	1,224
Proceeds from employee stock purchase plan transactions	309	348
Net cash provided by financing activities	297	1,599
Effect of exchange rate changes on cash and cash equivalents	(3,116)	196
Net increase (decrease) in cash and cash equivalents	8,456	(597)
Cash and cash equivalents, beginning of period	14,176	18,375
Cash and cash equivalents, end of period	\$ 22,632	\$ 17,778