

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

	Three months ended December 31,	
	2010	2009
Operating activities:		
Net income	\$ 2,316	\$ 1,199
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, equipment and improvements	713	665
Amortization of identifiable intangible assets and other assets	1,697	1,944
Excess tax benefits from stock-based compensation	(59)	-
Stock-based compensation	871	998
Deferred income taxes	(2,606)	(249)
Other	401	(197)
Changes in operating assets and liabilities	1,415	(445)
Net cash provided by operating activities	<u>4,748</u>	<u>3,915</u>
Investing activities:		
Purchase of marketable securities	(2,174)	(8,161)
Proceeds from maturities of marketable securities	11,409	519
Purchase of property, equipment, improvements and certain other intangible assets	(721)	(915)
Proceeds from sale of property and equipment	-	11
Net cash provided by (used in) investing activities	<u>8,514</u>	<u>(8,546)</u>
Financing activities:		
Payments on capital lease obligations	-	(6)
Excess tax benefits from stock-based compensation	59	-
Proceeds from stock option plan transactions and other	443	-
Proceeds from employee stock purchase plan transactions	269	-
Net cash provided by (used in) financing activities	771	(6)
Effect of exchange rate changes on cash and cash equivalents	(770)	(344)
Net increase (decrease) in cash and cash equivalents	13,263	(4,981)
Cash and cash equivalents, beginning of period	50,943	48,434
Cash and cash equivalents, end of period	<u>\$ 64,206</u>	<u>\$ 43,453</u>