

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

	Nine months ended June 30, 2011	Nine months ended June 30, 2010
Operating activities:		
Net income	\$ 8,170	\$ 6,697
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	2,234	2,002
Amortization of identifiable intangible assets	4,874	5,743
Inventory obsolescence	1,439	663
Excess tax benefits from stock-based compensation	(474)	(39)
Stock-based compensation	2,562	2,603
Deferred income taxes	(883)	(2,201)
Restructuring	(70)	(352)
Other	170	496
Changes in operating assets and liabilities	(1,854)	(3,287)
Net cash provided by operating activities	16,168	12,325
Investing activities:		
Purchase of marketable securities	(44,517)	(38,538)
Proceeds from maturities of marketable securities	35,888	18,615
Acquisition of business, net of cash acquired	-	(3,000)
Proceeds from sale of property and equipment	-	11
Purchase of property, equipment, improvements and certain other intangible assets	(2,166)	(2,337)
Net cash used in investing activities	(10,795)	(25,249)
Financing activities:		
Payments on capital lease obligations	-	(8)
Excess tax benefits from stock-based compensation	474	39
Proceeds from stock option plan transactions	1,839	1,097
Proceeds from employee stock purchase plan transactions	744	691
Net cash provided by financing activities	3,057	1,819
Effect of exchange rate changes on cash and cash equivalents	569	(2,117)
Net increase (decrease) in cash and cash equivalents	8,999	(13,222)
Cash and cash equivalents, beginning of period	50,943	48,434
Cash and cash equivalents, end of period	\$ 59,942	\$ 35,212