

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

	Twelve months ended September 30, 2011	Twelve months ended September 30, 2010
Operating activities:		
Net income	\$ 11,019	\$ 8,941
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, equipment and improvements	3,006	2,649
Amortization of identifiable intangible assets	6,171	7,484
Bad debt/product return provision, net	90	175
Inventory obsolescence	1,935	848
Excess tax benefits from stock-based compensation	(796)	(47)
Stock-based compensation	3,444	3,371
Deferred income taxes	(1,205)	(3,656)
Restructuring	154	(468)
Other	263	27
Changes in operating assets and liabilities	(2,242)	(3,229)
Net cash provided by operating activities	21,839	16,095
Investing activities:		
Purchase of marketable securities	(61,506)	(38,538)
Proceeds from maturities of marketable securities	44,843	29,335
Acquisition of business, net of cash acquired	(3,000)	(3,000)
Purchase of property, equipment, improvements and certain other intangible assets, net of proceeds from sale	(2,736)	(2,964)
Net cash used in investing activities	(22,399)	(15,167)
Financing activities:		
Payments on capital lease obligations	-	(9)
Excess tax benefits from stock-based compensation	796	47
Proceeds from stock option plan transactions	2,853	1,672
Proceeds from employee stock purchase plan transactions	990	894
Net cash provided by financing activities	4,639	2,604
Effect of exchange rate changes on cash and cash equivalents	(338)	(1,023)
Net increase in cash and cash equivalents	3,741	2,509
Cash and cash equivalents, beginning of period	50,943	48,434
Cash and cash equivalents, end of period	\$ 54,684	\$ 50,943