

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

	Three months ended December 31,	
	2011	2010
Operating activities:		
Net income	\$ 724	\$ 2,316
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, equipment and improvements	784	713
Amortization of identifiable intangible assets	1,245	1,697
Bad debt/product return provision, net	323	90
Inventory obsolescence	476	201
Excess tax benefits from stock-based compensation	(13)	(59)
Stock-based compensation	931	871
Deferred income taxes	(583)	(584)
Restructuring	236	(50)
Other	(274)	110
Changes in operating assets and liabilities	(3,607)	(557)
Net cash provided by operating activities	<u>242</u>	<u>4,748</u>
Investing activities:		
Purchase of marketable securities	(22,789)	(2,174)
Proceeds from maturities of marketable securities	12,298	11,409
Proceeds from sale of investment	135	-
Purchase of property, equipment, improvements and certain other intangible assets	(1,624)	(721)
Net cash (used in) provided by investing activities	<u>(11,980)</u>	<u>8,514</u>
Financing activities:		
Excess tax benefits from stock-based compensation	13	59
Proceeds from stock option plan transactions	150	443
Proceeds from employee stock purchase plan transactions	314	269
Net cash provided by financing activities	<u>477</u>	<u>771</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(855)</u>	<u>(770)</u>
Net (decrease) increase in cash and cash equivalents	(12,116)	13,263
Cash and cash equivalents, beginning of period	<u>54,684</u>	<u>50,943</u>
Cash and cash equivalents, end of period	<u>\$ 42,568</u>	<u>\$ 64,206</u>