

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

	Six months ended March 31,	
	2012	2011
Operating activities:		
Net income	\$ 2,846	\$ 4,555
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, equipment and improvements	1,606	1,453
Amortization of identifiable intangible assets	2,437	3,393
Bad debt/product return provision, net	338	13
Inventory obsolescence	776	836
Excess tax benefits from stock-based compensation	(67)	(226)
Stock-based compensation	1,886	1,713
Deferred income taxes	(1,173)	(1,296)
Restructuring	296	(70)
Other	(117)	(7)
Changes in operating assets and liabilities	(2,720)	(2,844)
Net cash provided by operating activities	<u>6,108</u>	<u>7,520</u>
Investing activities:		
Purchase of marketable securities	(41,640)	(28,999)
Proceeds from maturities of marketable securities	30,566	26,950
Proceeds from sale of investment	135	-
Purchase of property, equipment, improvements and certain other intangible assets	(2,650)	(1,421)
Net cash used in investing activities	<u>(13,589)</u>	<u>(3,470)</u>
Financing activities:		
Excess tax benefits from stock-based compensation	67	226
Proceeds from stock option plan transactions	521	1,119
Proceeds from employee stock purchase plan transactions	568	486
Net cash provided by financing activities	<u>1,156</u>	<u>1,831</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(621)</u>	<u>458</u>
Net (decrease) increase in cash and cash equivalents	(6,946)	6,339
Cash and cash equivalents, beginning of period	<u>54,684</u>	<u>50,943</u>
Cash and cash equivalents, end of period	<u>\$ 47,738</u>	<u>\$ 57,282</u>
Supplemental schedule of noncash investing activities:		
Securities purchased, not settled	<u>\$ (3,600)</u>	<u>\$ -</u>