

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

	Twelve months ended September 30,	
	2013	2012
Operating activities:		
Net income	\$ 5,805	\$ 7,615
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	3,461	3,339
Amortization of identifiable intangible assets	4,416	4,476
Stock-based compensation	3,773	3,727
Excess tax benefits from stock-based compensation	(67)	(198)
Deferred income tax benefit	(2,055)	(2,452)
Bad debt/product return provision	811	500
Inventory obsolescence	1,258	1,413
Intangible impairment charge	361	—
Restructuring charges, net	313	1,259
Other	(85)	13
Changes in operating assets and liabilities (net of acquisition)	(6,243)	(4,565)
Net cash provided by operating activities	<u>11,748</u>	<u>15,127</u>
Investing activities:		
Purchase of marketable securities	(67,159)	(72,669)
Proceeds from maturities of marketable securities	63,089	65,533
Proceeds from sale of investment	136	135
Acquisition of business, net of cash acquired	(12,919)	—
Purchase of property, equipment, improvements and certain other intangible assets	(2,886)	(3,953)
Net cash used in investing activities	<u>(19,739)</u>	<u>(10,954)</u>
Financing activities:		
Excess tax benefits from stock-based compensation	67	198
Proceeds from stock option plan transactions	2,193	1,072
Proceeds from employee stock purchase plan transactions	1,008	1,041
Purchases of common stock	(14,058)	—
Net cash (used in) provided by financing activities	<u>(10,790)</u>	<u>2,311</u>
Effect of exchange rate changes on cash and cash equivalents	(145)	(922)
Net (decrease) increase in cash and cash equivalents	<u>(18,926)</u>	<u>5,562</u>
Cash and cash equivalents, beginning of period	<u>60,246</u>	<u>54,684</u>
Cash and cash equivalents, end of period	<u>\$ 41,320</u>	<u>\$ 60,246</u>
Supplemental schedule of non-cash investing activities:		
Accrual for capitalized intangible asset	<u>\$ 42</u>	<u>\$ —</u>
Issuance of common stock for business acquisition	<u>\$ 6,741</u>	<u>\$ —</u>