

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

	Six months ended March 31,	
	2014	2013
Operating activities:		
Net income	\$ 1,426	\$ 2,230
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	1,828	1,705
Amortization of identifiable intangible assets	1,891	2,204
Stock-based compensation	2,070	1,914
Excess tax benefits from stock-based compensation	(44)	(53)
Deferred income tax benefit	(1,065)	(1,079)
Bad debt/product return (recovery) provision	(151)	285
Inventory obsolescence	409	554
Restructuring charges, net	81	—
Other	46	(307)
Changes in operating assets and liabilities (net of acquisition)	(9,681)	(4,103)
Net cash (used in) provided by operating activities	<u>(3,190)</u>	<u>3,350</u>
Investing activities:		
Purchase of marketable securities	(5,157)	(37,337)
Proceeds from maturities of marketable securities	13,778	38,161
Acquisition of business, net of cash acquired	—	(12,919)
Purchase of property, equipment, improvements and certain other intangible assets	(1,921)	(2,080)
Net cash provided by (used in) investing activities	<u>6,700</u>	<u>(14,175)</u>
Financing activities:		
Excess tax benefits from stock-based compensation	44	53
Proceeds from stock option plan transactions	3,209	590
Proceeds from employee stock purchase plan transactions	561	248
Purchases of common stock	(5,416)	(6,765)
Net cash used in financing activities	<u>(1,602)</u>	<u>(5,874)</u>
Effect of exchange rate changes on cash and cash equivalents	329	(1,190)
Net increase (decrease) in cash and cash equivalents	2,237	(17,889)
Cash and cash equivalents, beginning of period	41,320	60,246
Cash and cash equivalents, end of period	<u>\$ 43,557</u>	<u>\$ 42,357</u>
Supplemental schedule of non-cash investing activities:		
Issuance of common stock for business acquisition	\$ —	\$ 6,804