

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

| | Nine months ended June 30, | |
|---|-------------------------------|------------------|
| | 2014 | 2013 |
| Operating activities: | | |
| Net income | \$ 1,325 | \$ 3,758 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation of property, equipment and improvements | 2,694 | 2,551 |
| Amortization of identifiable intangible assets | 2,787 | 3,326 |
| Stock-based compensation | 3,160 | 2,906 |
| Excess tax benefits from stock-based compensation | (44) | (60) |
| Deferred income tax benefit | (2,033) | (1,397) |
| Bad debt/product return (recovery) provision | (196) | 616 |
| Inventory obsolescence | 610 | 759 |
| Restructuring charges, net | 81 | (37) |
| Other | (24) | (109) |
| Changes in operating assets and liabilities (net of acquisition) | (5,815) | (4,205) |
| Net cash provided by operating activities | <u>2,545</u> | <u>8,108</u> |
| Investing activities: | | |
| Purchase of marketable securities | (15,574) | (49,121) |
| Proceeds from maturities of marketable securities | 35,364 | 51,773 |
| Acquisition of business, net of cash acquired | — | (12,919) |
| Purchase of property, equipment, improvements and certain other intangible assets | (2,719) | (2,415) |
| Net cash provided by (used in) investing activities | <u>17,071</u> | <u>(12,682)</u> |
| Financing activities: | | |
| Excess tax benefits from stock-based compensation | 44 | 60 |
| Proceeds from stock option plan transactions | 3,336 | 1,171 |
| Proceeds from employee stock purchase plan transactions | 770 | 740 |
| Purchases of common stock | (9,651) | (10,577) |
| Net cash used in financing activities | <u>(5,501)</u> | <u>(8,606)</u> |
| Effect of exchange rate changes on cash and cash equivalents | 482 | (1,174) |
| Net increase (decrease) in cash and cash equivalents | <u>14,597</u> | <u>(14,354)</u> |
| Cash and cash equivalents, beginning of period | 41,320 | 60,246 |
| Cash and cash equivalents, end of period | <u>\$ 55,917</u> | <u>\$ 45,892</u> |
| Supplemental schedule of non-cash investing activities: | | |
| Issuance of common stock for business acquisition | \$ — | \$ 6,804 |
| Securities purchased, not settled | <u>\$ —</u> | <u>\$ 250</u> |