

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

	Year ended September 30,	
	2014	2013
Operating activities:		
Net income	\$ 1,751	\$ 5,805
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	3,557	3,461
Amortization of identifiable intangible assets	3,589	4,416
Stock-based compensation	4,330	3,773
Excess tax benefits from stock-based compensation	(44)	(67)
Deferred income tax benefit	(2,681)	(2,055)
Bad debt/product return (recovery) provision	98	811
Inventory obsolescence	860	1,258
Intangible impairment charge	—	361
Restructuring charges, net	81	313
Other	3	(85)
Changes in operating assets and liabilities (net of acquisition)	(9,735)	(6,243)
Net cash provided by operating activities	<u>1,809</u>	<u>11,748</u>
Investing activities:		
Purchase of marketable securities	(27,420)	(67,159)
Proceeds from maturities of marketable securities	47,420	63,089
Proceeds from sale of investment	—	136
Acquisition of business, net of cash acquired	—	(12,919)
Purchase of property, equipment, improvements and certain other intangible assets	(3,421)	(2,886)
Net cash provided by (used in) investing activities	<u>16,579</u>	<u>(19,739)</u>
Financing activities:		
Excess tax benefits from stock-based compensation	44	67
Proceeds from stock option plan transactions	3,689	2,193
Proceeds from employee stock purchase plan transactions	1,009	1,008
Purchases of common stock	(15,702)	(14,058)
Net cash used in financing activities	<u>(10,960)</u>	<u>(10,790)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,258)	(145)
Net increase (decrease) in cash and cash equivalents	<u>6,170</u>	<u>(18,926)</u>
Cash and cash equivalents, beginning of period	41,320	60,246
Cash and cash equivalents, end of period	<u>\$ 47,490</u>	<u>\$ 41,320</u>
Supplemental schedule of non-cash investing and financing activities:		
Accrual for capitalized intangible asset	\$ —	\$ 42
Issuance of common stock for business acquisition	\$ —	\$ 6,741
Accrual for purchase of common stock	\$ 100	\$ —