

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

	Six months ended March 31,	
	2015	2014
Operating activities:		
Net income	\$ 1,107	\$ 1,426
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, equipment and improvements	1,445	1,828
Amortization of identifiable intangible assets	1,537	1,891
Stock-based compensation	2,222	2,070
Excess tax benefits from stock-based compensation	—	(44)
Deferred income tax provision (benefit)	2,212	(1,065)
Gain on insurance settlement related to property and equipment	(989)	—
Bad debt/product return provision	518	(151)
Inventory obsolescence	476	409
Restructuring charges, net	518	81
Other	(27)	46
Changes in operating assets and liabilities	(7,459)	(9,681)
Net cash provided by (used in) operating activities	<u>1,560</u>	<u>(3,190)</u>
Investing activities:		
Purchase of marketable securities	(22,099)	(5,157)
Proceeds from maturities of marketable securities	19,763	13,778
Proceeds from insurance settlement related to property and equipment	1,014	—
Proceeds from sale of property and equipment	45	—
Purchase of property, equipment, improvements and certain other intangible assets	(3,035)	(1,921)
Net cash (used in) provided by investing activities	<u>(4,312)</u>	<u>6,700</u>
Financing activities:		
Excess tax benefits from stock-based compensation	—	44
Proceeds from stock option plan transactions	6,006	3,209
Proceeds from employee stock purchase plan transactions	505	561
Purchases of common stock	(2,339)	(5,416)
Net cash provided by (used in) financing activities	<u>4,172</u>	<u>(1,602)</u>
Effect of exchange rate changes on cash and cash equivalents	(3,253)	329
Net (decrease) increase in cash and cash equivalents	(1,833)	2,237
Cash and cash equivalents, beginning of period	47,490	41,320
Cash and cash equivalents, end of period	<u>\$ 45,657</u>	<u>\$ 43,557</u>