

DIGITAL ANGEL AND SUBSIDIARIES
Condensed Consolidated Balance Sheets Data
(in thousands, except par value)

	March 31, 2008	December 31, 2007
	(unaudited)	
Assets		
Current assets		
Cash and cash equivalents	\$ 2,336	\$ 2,222
Restricted cash	34	90
Accounts receivable, net of allowance for doubtful accounts of \$190 and \$279 at March 31, 2008 and December 31, 2007, respectively	15,404	16,143
Note receivable from VeriChip Corporation	-	2,167
Due from affiliates	73	246
Inventories	14,415	14,192
Deferred taxes	180	180
Other current assets	2,058	2,236
Current assets of discontinued operations	3,212	5,584
Total current assets	37,712	43,060
Property and equipment, net	12,025	12,014
Goodwill	47,013	39,247
Intangible assets, net	21,782	22,173
Note receivable from VeriChip Corporation	7,595	10,752
Other assets, net	3,501	3,960
Other assets of discontinued operations	2,196	2,243
Investment in affiliates – continuing operations	10,964	12,293
Investment in affiliates – discontinued operations	528	477
Total Assets	\$ 143,316	\$ 146,219
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current maturities of long-term debt	\$ 9,208	\$ 14,231
Accounts payable	14,433	13,907
Advances from factor	2,681	1,992
Accrued expenses	8,926	9,839
Deferred revenue	482	804
Current liabilities of discontinued operations	4,629	5,361
Total current liabilities	40,359	46,134
Long-term debt and notes payable	16,011	17,217
Deferred taxes	7,304	6,282
Other liabilities	4,101	2,751
Other liabilities of discontinued operations	1,546	2,632
Total Liabilities	69,321	75,016
Commitments and contingencies		
Minority interest - continuing operations	259	208
Stockholders' Equity	73,736	70,995
Total Liabilities and Stockholders' Equity	\$ 143,316	\$ 146,219

DIGITAL ANGEL AND SUBSIDIARIES
Condensed Consolidated Statements of Operations Data
(in thousands, except per share data) (unaudited)

	For the Three-Months Ended March 31,	
	2008	2007
Revenue	\$ 22,426	\$ 15,298
Cost of sales	<u>14,127</u>	<u>9,654</u>
Gross profit	8,299	5,644
Selling, general and administrative expenses	9,090	9,075
Research and development expenses	795	1,218
Overhead reduction plan expenses	<u>461</u>	<u>—</u>
Operating loss	(2,047)	(4,649)
Interest and other income	405	1,323
Interest expense	(2,687)	(945)
Equity in loss of affiliate	<u>(1,329)</u>	<u>(2,137)</u>
Loss from continuing operations before taxes, minority interest and loss attributable to capital transactions of subsidiary	(5,658)	(6,408)
Benefit (provision) for income taxes	<u>19</u>	<u>(25)</u>
Loss from continuing operations before minority interest and loss attributable to capital transactions of subsidiary	(5,639)	(6,433)
Minority interest	(49)	1,532
Loss attributable to changes in minority interest as a result of capital transactions of subsidiary	<u>—</u>	<u>(130)</u>
Loss from continuing operations	(5,688)	(5,031)
Income (loss) from discontinued operations, net of income taxes of \$0	912	(118)
Net loss	<u><u>\$ (4,776)</u></u>	<u><u>\$ (5,149)</u></u>
(Loss) Income per common share – basic and diluted		
Loss from continuing operations	\$ (0.05)	\$ (0.07)
Income (loss) from discontinued operations	<u>0.01</u>	<u>(0.01)</u>
Net loss	<u><u>\$ (0.04)</u></u>	<u><u>\$ (0.08)</u></u>

DIGITAL ANGEL AND SUBSIDIARIES
Reconciliation to Non-GAAP Financial Information
(in thousands) (unaudited)

	Three-Months Ended March 31, 2008	Three-Months Ended March 31, 2007
Operating income (loss)	\$ (2,047)	\$ (4,649)
Depreciation and amortization	1,195	507
EBITDA	\$ (852)	\$ (4,142)

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