

DIGITAL ANGEL CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets Data
(in thousands, except par values)

	<u>September 30,</u> 2009	<u>December 31,</u> 2008
Assets	(unaudited)	
Current assets		
Cash and cash equivalents.....	\$ 2,027	\$ 1,807
Restricted cash	196	□
Accounts receivable, net.....	10,590	10,945
Note receivable	450	450
Inventories.....	12,846	8,922
Deferred taxes	143	130
Other current assets	1,293	1,530
Current assets of discontinued operations	<u>5</u>	<u>5</u>
Total current assets.....	<u>27,550</u>	23,789
Property and equipment, net.....	8,352	8,834
Goodwill and intangibles, net.....	28,714	30,214
Note receivable	701	1,015
Other assets, net	624	322
Other assets of discontinued operations	<u>5</u>	<u>32</u>
Total Assets.....	<u>\$ 65,946</u>	<u>\$ 64,206</u>
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current maturities of long-term debt	\$ 10,581	\$ 8,581
Accounts payable	14,079	9,704
Advances from factors	2,632	1,474
Accrued expenses.....	10,186	9,133
Deferred revenue	687	840
Current liabilities of discontinued operations	<u>5</u>	<u>10</u>
Total current liabilities	<u>38,170</u>	29,742
Long-term debt and notes payable	2,644	6,943
Deferred taxes	2,556	2,593
Other liabilities	<u>891</u>	<u>2,223</u>
Total Liabilities	<u>44,261</u>	41,501
Total Stockholders' Equity (noncontrolling interest of \$94 and \$45 respectively	<u>21,685</u>	22,705
Total Liabilities and Stockholders' Equity.....	<u>\$ 65,946</u>	<u>\$ 64,206</u>

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

	For the three months ended September 30,	
	2009	2008
Revenue.....	\$ 15,663	\$ 18,856
Cost of sales	<u>9,159</u>	<u>11,781</u>
Gross profit	6,504	7,075
Selling, general and administrative expenses	6,967	8,169
Research and development expenses.....	468	730
Restructuring, severance and separation expenses	142	410
Goodwill and asset impairments	<u>□</u>	<u>24,989</u>
Operating loss	(1,073)	(27,223)
Interest and other income (expense), net.....	51	(1,159)
Interest expense.....	<u>(670)</u>	<u>(3,178)</u>
Loss from continuing operations before taxes.....	(1,692)	(31,560)
Benefit for income taxes	<u>68</u>	<u>150</u>
Loss from continuing operations.....	(1,624)	(31,410)
(Loss) income from discontinued operations (attributable to Digital Angel Corporation).....	<u>(51)</u>	<u>992</u>
Net loss	(1,675)	(30,418)
Loss (income) attributable to noncontrolling interest, continuing operations	2	(17)
Net loss attributable to Digital Angel Corporation.....	<u>\$ (1,673)</u>	<u>\$ (30,435)</u>
Loss per common share – basic and diluted		
Loss from continuing operations	\$ (0.09)	\$ (2.04)
(Loss) income from discontinued operations	(0.00)	0.07
Net loss.....	<u>\$ (0.09)</u>	<u>\$ (1.97)</u>

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

	For the nine months ended September 30,	
	2009	2008
Revenue.....	\$ 50,692	\$ 61,985
Cost of sales	<u>29,863</u>	<u>39,987</u>
Gross profit	20,829	21,998
Selling, general and administrative expenses	21,593	26,325
Research and development expenses.....	1,380	2,256
Restructuring, severance and separation expenses	455	2,334
Goodwill and asset impairments	<u>□</u>	<u>29,358</u>
Operating loss	(2,599)	(38,275)
Interest and other income (expense), net.....	671	1,415
Interest expense.....	<u>(1,738)</u>	<u>(7,388)</u>
Loss from continuing operations before taxes.....	(3,666)	(44,248)
Benefit for income taxes	<u>27</u>	<u>438</u>
Loss from continuing operations.....	(3,639)	(43,810)
Loss from discontinued operations (attributable to Digital Angel Corporation)	<u>(135)</u>	<u>(757)</u>
Net loss	(3,774)	(44,567)
Income attributable to the noncontrolling interest, continuing operations	(27)	(121)
Net loss attributable to Digital Angel Corporation.....	<u><u>\$ (3,801)</u></u>	<u><u>\$ (44,688)</u></u>
Loss per common share – basic and diluted		
Loss from continuing operations.....	\$ (0.20)	\$ (2.96)
Loss from discontinued operations.....	<u>(0.01)</u>	<u>(0.05)</u>
Net loss.....	<u><u>\$ (0.21)</u></u>	<u><u>\$ (3.01)</u></u>

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

	<u>For the three-months ended September 30,</u>	
	<u>2009</u>	<u>2008</u>
Operating loss	\$ (1,073)	\$ (27,223)
Depreciation and amortization	1,128	1,283
EBITDA	<u>55</u>	<u>(25,940)</u>
Restructuring, severance, separation expenses and goodwill and asset impairments	142	25,585 ²
Adjusted EBITDA	<u>\$ 197</u>	<u>\$ (355)</u>

¹Adjusted EBITDA is regular EBITDA with the restructuring, severance, separation expenses and goodwill and asset impairments backed out.

²Includes \$0.2 million of restructuring related charges included in cost of goods sold in the three-months ended September 30, 2008.

	<u>For the nine-months ended September 30,</u>	
	<u>2009</u>	<u>2008</u>
Operating loss	\$ (2,599)	\$ (38,275)
Depreciation and amortization	3,334	3,739
EBITDA	<u>735</u>	<u>(34,536)</u>
Restructuring, severance, separation expenses and goodwill and asset impairments	455	33,090 ²
Adjusted EBITDA¹	<u>\$ 1,190</u>	<u>\$ (1,446)</u>

¹Adjusted EBITDA is regular EBITDA with the restructuring, severance, separation expenses and goodwill and asset impairments backed out.

²Includes \$1.4 million of restructuring related charges included in cost of goods sold in the nine-months ended September 30, 2008.

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