

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

Assets	December 31,	
	2009	2008
	(unaudited)	
<b>Current assets</b>		
Cash and cash equivalents.....	\$ 1,895	\$ 1,413
Restricted cash .....	202	—
Accounts receivable, net.....	7,396	8,875
Note receivable .....	450	450
Inventories.....	9,836	7,143
Deferred taxes .....	—	130
Other current assets .....	2,064	1,433
Current assets of discontinued operations .....	1,853	4,345
<b>Total current assets.....</b>	<b>23,696</b>	<b>23,789</b>
Property and equipment, net.....	7,363	8,549
Goodwill and intangibles, net.....	14,790	25,356
Note receivable .....	596	1,015
Other assets, net .....	599	322
Other assets of discontinued operations .....	317	5,175
<b>Total assets .....</b>	<b>\$ 47,361</b>	<b>\$ 64,206</b>
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities</b>		
Notes payable and current maturities of long-term debt .....	\$ 9,297	\$ 8,581
Accounts payable .....	8,124	8,385
Advances from factors .....	1,241	1,494
Accrued expenses.....	7,531	7,737
Deferred gain on sale.....	960	—
Deferred revenue .....	548	840
Current liabilities of discontinued operations .....	2,514	2,705
<b>Total current liabilities .....</b>	<b>30,215</b>	<b>29,742</b>
Long-term debt and notes payable .....	392	6,942
Deferred taxes .....	—	1,227
Other liabilities .....	494	2,223
Other liabilities of discontinued operations.....	—	1,367
<b>Total liabilities .....</b>	<b>31,101</b>	<b>41,501</b>
<b>Total stockholders' equity (noncontrolling interest of \$18 and \$45 respectively .....</b>	<b>16,260</b>	<b>22,705</b>
<b>Total liabilities and stockholders' equity.....</b>	<b>\$ 47,361</b>	<b>\$ 64,206</b>

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

	<b>For the year ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
	(Unaudited)	
Revenue .....	\$ 49,463	\$ 62,260
Cost of sales.....	<u>29,192</u>	<u>42,342</u>
Gross profit.....	20,271	19,918
Selling, general and administrative expenses.....	24,638	30,415
Research and development expenses.....	1,206	1,993
Restructuring, severance and separation expenses.....	678	3,678
Goodwill and asset impairments.....	<u>7,339</u>	<u>35,467</u>
Operating loss.....	(13,590)	(51,635)
Interest and other income (expense), net.....	319	2,722
Interest expense.....	<u>(2,176)</u>	<u>(10,892)</u>
Loss from continuing operations before income tax benefit.....	(15,447)	(59,805)
Benefit for income taxes.....	<u>24</u>	<u>165</u>
Loss from continuing operations.....	(15,423)	(59,640)
Income from discontinued operations attributable to Digital Angel Corporation.....	<u>3,298</u>	<u>1,629</u>
Net loss.....	(12,125)	(58,011)
Loss (income) attributable to the noncontrolling interest, continuing operations.....	110	(102)
Income attributable to the noncontrolling interest, discontinued operations.....	<u>(48)</u>	<u>(20)</u>
<b>Net loss attributable to Digital Angel Corporation.....</b>	<b>\$ (12,063)</b>	<b>\$ (58,133)</b>
<b>(Loss) income per common share – basic and diluted</b>		
Loss from continuing operations.....	\$ (0.81)	\$ (3.94)
Income from discontinued operations.....	0.17	0.11
Net loss.....	<u>\$ (0.64)</u>	<u>\$ (3.83)</u>

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

	<b>For the quarter ended December 31,</b>	
	<b>2009</b>	<b>2008</b>
	(Unaudited)	
Revenue .....	\$ 11,587	\$ 13,764
Cost of sales .....	<u>6,614</u>	<u>9,733</u>
Gross profit .....	4,973	4,031
Selling, general and administrative expenses .....	5,953	7,314
Research and development expenses .....	353	574
Restructuring, severance and separation expenses .....	223	1,343
Goodwill and asset impairments .....	<u>7,339</u>	<u>4,958</u>
Operating loss .....	(8,895)	(10,158)
Interest and other income (expense), net .....	150	1,307
Interest expense .....	<u>(489)</u>	<u>(3,504)</u>
Loss from continuing operations before income tax benefit (provision) .....	(9,234)	(12,355)
Benefit (provision) for income taxes .....	<u>20</u>	<u>(251)</u>
Loss from continuing operations .....	(9,214)	(12,606)
Income (loss) from discontinued operations attributable to Digital Angel Corporation .....	<u>863</u>	<u>(837)</u>
Net loss .....	(8,351)	(13,443)
Loss (income) attributable to the noncontrolling interest, continuing operations .....	100	(11)
(Income) loss attributable to the noncontrolling interest, discontinued operations .....	<u>(12)</u>	<u>10</u>
<b>Net loss attributable to Digital Angel Corporation .....</b>	<b><u>\$ (8,263)</u></b>	<b><u>\$ (13,444)</u></b>
<b>(Loss) income per common share – basic and diluted</b>		
Loss from continuing operations .....	\$ (0.42)	\$ (0.79)
Income (loss) from discontinued operations .....	<u>0.04</u>	<u>(0.05)</u>
Net loss .....	<b><u>\$ (0.38)</u></b>	<b><u>\$ (0.84)</u></b>

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

	<u>For the year ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Operating loss	\$ (13,590)	\$ (51,635)
Depreciation and amortization	4,069	4,010
<b>EBITDA (earnings before interest, taxes, depreciation and amortization)</b>	<b><u>\$ (9,521)</u></b>	<b><u>\$ (47,625)</u></b>
Restructuring, severance and separation expenses <sup>1</sup>	678	5,141
Goodwill and asset impairments	7,339	35,467
<b>Adjusted EBITDA<sup>2</sup></b>	<b><u>\$ (1,504)</u></b>	<b><u>\$ (7,017)</u></b>

<sup>1</sup>Restructuring, severance and separation expenses includes \$1,463 of restructuring expense in cost of sales in 2008.

<sup>2</sup>Adjusted EBITDA is regular EBITDA with the restructuring, severance and separation expenses and goodwill and asset impairments expenses backed out.

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

	<u>For the quarter ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Operating income (loss)	\$ (8,895)	\$ (10,158)
Depreciation and amortization	1,080	590
<b>EBITDA</b>	<u><u>(7,815)</u></u>	<u><u>(9,568)</u></u>
Restructuring, severance and separation expenses <sup>1</sup>	223	1,409
Goodwill and asset impairments	7,339	4,958
<b>Adjusted EBITDA<sup>2</sup></b>	<u><u>\$ (253)</u></u>	<u><u>\$ (3,201)</u></u>

<sup>1</sup>Restructuring, severance and separation expenses includes \$66 of restructuring expense in cost of sales in 2008.

<sup>2</sup>Adjusted EBITDA is regular EBITDA with the restructuring, severance and separation expenses and goodwill and asset impairments expenses backed out.

# # #