

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

	For the year ended December 31,	
Assets	2008	2007
	(unaudited)	
Current assets		
Cash and cash equivalents	\$ 1,807	\$ 2,222
Restricted cash	□	90
Accounts receivable, net	10,945	16,143
Note receivable	450	□
Inventories	8,922	14,193
Deferred taxes	130	180
Other current assets	1,530	2,235
Current assets of discontinued operations	5	23,503
Total current assets	23,789	58,566
Property and equipment, net	8,834	12,014
Goodwill and intangibles, net	30,214	57,367
Note receivable	1,015	□
Other assets, net	322	3,960
Other assets of discontinued operations	32	35,729
Total Assets	\$ 64,206	\$ 167,636
Liabilities and Stockholders' Equity		
Current liabilities		
Notes payable and current maturities of long-term debt	\$ 8,581	\$ 14,231
Accounts payable	9,704	13,907
Advances from factors	1,474	1,992
Accrued expenses	9,133	9,839
Deferred revenue	840	804
Current liabilities of discontinued operations	10	13,866
Total current liabilities	29,742	54,639
Long-term debt and notes payable	6,943	17,217
Deferred taxes	2,593	2,229
Other liabilities	2,223	2,752
Other liabilities of discontinued operations	□	6,439
Total Liabilities	41,501	83,276
Commitments and contingencies		
Minority interest – continuing operations	45	208
Minority interest – discontinued operations	□	13,157
Total Stockholders' Equity	22,660	70,995
Total Liabilities and Stockholders' Equity	\$ 64,206	\$ 167,636

DIGITAL ANGEL CORPORATION AND SUBSIDIARIES

Preliminary

Consolidated Statements of Operations Data

(in thousands, except per share data)

	For the year ended December 31,		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
	(Unaudited)		
Revenue	\$ 78,172	\$ 77,794	\$ 54,053
Cost of sales	<u>51,850</u>	<u>48,963</u>	<u>31,779</u>
Gross profit	26,322	28,831	22,274
Selling, general and administrative expenses	34,295	44,338	34,487
Research and development expenses	3,146	4,702	3,442
Restructuring, severance and separation expenses	3,678	□	□
Goodwill and asset impairments	<u>35,467</u>	<u>4,632</u>	<u>□</u>
Operating loss	(50,264)	(24,841)	(15,655)
Gain on sale of assets	□	691	□
Interest and other income (expense), net	2,722	444	1,734
Interest expense	<u>(10,892)</u>	<u>(6,720)</u>	<u>(3,076)</u>
Loss from continuing operations before taxes, minority interest and gains (losses) attributable to capital transactions of subsidiary	(58,434)	(30,426)	(16,997)
Benefit (provision) for income taxes	<u>165</u>	<u>(160)</u>	<u>198</u>
Loss from continuing operations before minority interest and gains (losses) attributable to capital transactions of subsidiary	(58,269)	(30,586)	(16,799)
Minority interest	(122)	8,011	2,368
Net (loss) gain on capital transactions of subsidiary	□	(629)	322
(Loss) gain attributable to changes in minority interest as a result of capital transactions of subsidiary	□	<u>(3,632)</u>	<u>135</u>
Loss from continuing operations	(58,391)	(26,836)	(13,974)
Income (loss) from discontinued operations, net of income taxes of \$0, \$1,056 and \$33	258	(5,184)	(13,235)
Net loss	<u>\$ (58,133)</u>	<u>\$ (32,020)</u>	<u>\$ (27,209)</u>
(Loss) income per common share – basic and diluted			
Loss from continuing operations	\$ (3.85)	\$ (3.11)	\$ (1.66)
Income (loss) from discontinued operations	0.02	(0.60)	(1.57)
Net loss	<u>\$ (3.83)</u>	<u>\$ (3.71)</u>	<u>\$ (3.23)</u>

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

	For the quarter ended December 31,	
	2008	2007
	(Unaudited)	(Unaudited)
Revenue	\$ 16,186	\$ 22,626
Cost of sales	<u>11,863</u>	<u>15,358</u>
Gross profit	4,323	7,268
Selling, general and administrative expenses	7,970	15,390
Research and development expenses	890	1,069
Restructuring, severance and separation expenses	1,344	□
Goodwill and asset impairments	<u>4,958</u>	<u>4,632</u>
Operating loss	(10,839)	(13,823)
Interest and other income (expense), net.....	1,308	151
Interest expense.....	<u>(3,505)</u>	<u>(1,889)</u>
Loss from continuing operations before taxes, minority interest and losses attributable to capital transactions of subsidiary.....	(13,036)	(15,561)
(Provision) benefit for income taxes	<u>(273)</u>	<u>298</u>
Loss from continuing operations before minority interest and losses attributable to capital transactions of subsidiary	(13,309)	(15,263)
Minority interest	(1)	4,309
Net loss on capital transactions of subsidiary.....	□	(432)
Loss attributable to changes in minority interest as a result of capital transactions of subsidiary.....	<u>□</u>	<u>(2,884)</u>
Loss from continuing operations.....	(13,310)	(14,270)
(Loss) income from discontinued operations	(135)	1,420
Net loss	<u>\$ (13,445)</u>	<u>\$ (12,850)</u>
(Loss) income per common share – basic and diluted		
Loss from continuing operations.....	\$ (0.83)	\$ (1.60)
(Loss) income from discontinued operations	<u>(0.01)</u>	<u>0.16</u>
Net loss	<u>\$ (0.84)</u>	<u>\$ (1.44)</u>

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

	For the year ended December 31,		
	2008	2007	2006
Operating loss	\$ (50,264)	\$ (24,841)	\$ (15,655)
Depreciation and amortization	4,434	2,606	1,996
EBITDA (earnings before interest, taxes, depreciation and amortization)	\$ (45,830)	\$ (22,235)	\$ (13,659)
Restructuring, severance and separation expenses ¹	5,141	□	□
Goodwill and asset impairments	35,467	4,632	□
Adjusted EBITDA²	\$ (5,222)	\$ (17,603)	\$ (13,659)

¹Restructuring, severance and separation expenses includes \$1,463 of restructuring expense in cost of sales.

²Adjusted EBITDA is regular EBITDA with the restructuring, severance and separation expenses and goodwill and asset impairment expenses backed out.

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

	For the quarter ended December 31,	
	2008	2007
Operating income (loss)	\$ (10,839)	\$ (13,823)
Depreciation and amortization	676	728
EBITDA	(10,163)	(13,095)
Restructuring, severance and separation expenses	1,344	□
Goodwill and asset impairments	4,958	4,632
Adjusted EBITDA¹	\$ (3,861)	\$ (8,463)

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