

PRESS RELEASE

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Digital Fusion Releases First Quarter 2007 Results

HUNTSVILLE, ALABAMA. – May 31, 2007 Digital Fusion, Inc. (DIGF.PK), an information technology (“IT”), research and engineering, and acquisition and business support services provider today announced financial results for the first quarter ended March 23, 2007.

First Quarter 2007 Highlights

- Revenue of \$9.0 million, an increase of \$1.9 million over same quarter in the previous year
- Earnings before interest, taxes, share-based compensation, depreciation and amortization (EBITDA) of \$577,000, an increase of \$97,000 or 20.2% over same quarter in the previous year

Financial Comparisons

On January 1, 2007, Digital Fusion, Inc. elected to change its accounting period. The election changes the financial reporting period to a 52-53-week year. For 2007, Digital Fusion will have the following quarterly reporting periods: 1) twelve weeks ended March 23, 2007, 2) fourteen weeks ended June 29, 2007, 3) twelve weeks ended September 21, 2007, and 4) fourteen weeks ended December 28, 2007. The financial reporting period ended March 23, 2007 is a 12-week period compared to the previous year’s 13-week period (three months) ended March 31, 2006.

For the twelve weeks ended March 23, 2007, revenues increased to \$9.0 million compared to \$7.1 million for the first quarter of 2006. Non-GAAP net income, which does not include stock option expense, increased to \$311,000 for the twelve weeks compared to net income of \$192,000 for the first quarter of 2006. Non-GAAP earnings per share assuming dilution, was \$0.02 for the first quarter of 2007, compared to earnings per share, assuming dilution, of \$0.01 for the first quarter of 2006. For the quarter, GAAP net loss was \$100,000 and GAAP loss per share was \$0.01, compared to GAAP net loss of \$164,000 and loss per share of \$0.01 for the first quarter of 2006.

Business Discussion

Service revenue increased approximately \$1.4 million in the first quarter of 2007 compared to the same quarter in the previous year. The increase in service revenues during the first quarter of 2007 compared to the same quarter in the previous year was primarily related to the increase in the number of billable employees, the NASA Marshall Space Flight Center contract, and growth in engineering services. Reimbursed costs revenue increased \$646,000 in the first quarter of 2007 compared to the first quarter of 2006. The increase in reimbursed cost revenue is primarily related to an increase in purchases made for customers. Product revenue decreased approximately \$118,000 in the first quarter of 2007 compared to the same quarter of the previous year. The decrease in product revenue resulted from a reduction of software re-sales to governmental organizations. Reselling software is not something the company is focused on, and product revenue is not expected to be significant in the future.

Management Comments

"We are on track in achieving our annual financial goals, and I'm satisfied with our first quarter numbers, but see room for improvement in the second half of 2007. Based on our marketing strategy/business development efforts in late 06 and early 07, I remain confident that our second and third quarters will continue to reflect positive trends, particularly in terms of potential new customers and an expanding scope of operations with our current customer base...including the potential for strategic partnerships with similar companies working in our business space. Our El Paso operation is executing its mission smartly, and I remain confident that our Washington office will meet its goals as we close this calendar year", said Lt. Gen. (Ret.) Frank Libutti, Chairman of the Board and Chief Executive Officer of Digital Fusion.

About Digital Fusion

Digital Fusion, Inc., headquartered in Huntsville, Alabama, is an information technology, research and engineering, and acquisition and business support services company that helps its customers make the most of technology to meet their business needs. Digital Fusion provides state-of-the-art solutions to both government and commercial customers. Digital Fusion's core competencies are focused in the following broad areas: Application Development, Architecture and Security; Network Security; Data Management and Business Intelligence; System Migration and Integration; Sensor Systems Development and Analysis; Aerodynamic Design, Analysis, and Support; Thermal-Structural Modeling; Test and Evaluation; Systems Engineering; Modeling and Simulation; Control System Design and Analysis; Mechanical Design and Analysis; and Program Management Support. For additional information about Digital Fusion visit <http://www.digitalfusion.com>.

Forward Looking Statements. All statements other than statements of historical fact included in this release are forward-looking statements. When used in this release, words such as "project", "anticipate," "believe," "estimate," "expect," "plan", "intend" and similar expressions, as they relate to the Company or its management, as well as assumptions made by and information currently available to the Company's management, identify forward-looking statements. Similarly, statements herein that describe the Company's business strategy, outlook, objectives, plans, intentions or goals are also forward-looking statements. Actual results could differ materially from those contemplated by the forward-looking statements as a result of certain factors including, but not limited to: the effect of business and economic conditions; the impact of competitive products and pricing; capacity and supply constraints or difficulties, the Company's dependence on continued funding of U.S. government programs; contract procurement and termination risks; competitive factors such as pricing pressures and/or competition to

hire and retain employees, and material changes in laws or regulations applicable to the Company businesses. Such statements reflect the current views of the Company with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the operations, results of operations, growth strategy and liquidity of the Company. These statements reflect the Company's current beliefs and are based upon information currently available to it. Be advised that developments subsequent to this release are likely to cause these statements to become outdated with the passage of time.

This press release includes non-GAAP net income, non-GAAP earnings per share data, and other non-GAAP line items from the Non-GAAP Information table in this release. These measures exclude the effect of stock compensation expense for employee stock options associated with the application of SFAS 123R, which Digital Fusion, Inc. adopted effective January 1, 2006. These measures are not in accordance with, or an alternative for, generally accepted accounting principles and may be different from non-GAAP measures used by other companies. Digital Fusion, Inc. believes that the presentation of the non-GAAP measures, when shown in conjunction with the corresponding GAAP measures, provides useful information to management and investors regarding financial and business trends relating to its financial condition and results of operations. In particular, as Digital Fusion, Inc. begins to apply SFAS 123R, it believes that it is useful to investors to understand how the expense associated with the application of SFAS 123R are reflected in its results of operations. The presentation of these non-GAAP measures permits both investors and management to more readily compare past results, which do not include the impact of SFAS 123R, with future results, and to better understand Digital Fusion's performance over the periods presented.

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DIGITAL FUSION, INC.
Condensed Consolidated Balance Sheets
(In thousands)

	March 23, 2006 ⁽¹⁾ (Unaudited)	December 31, 2006
ASSETS		
Current Assets:		
Cash	\$ 2	\$ 1
Accounts receivable (net of allowance for doubtful accounts of \$25 for 2007 and \$25 for 2006)	7,270	5,042
Unbilled receivables	643	1,011
Prepaid expenses and other current assets	145	144
Deferred tax asset, current	1,413	1,291
Total current assets	9,473	7,489
Property and equipment, net of accumulated depreciation of \$1,272 for 2007 and \$1,194 for 2006	1,079	1,137
Goodwill	5,861	5,861
Purchased intangible assets, net	1,100	1,207
Deferred tax asset, long-term	1,127	1,249
Deferred compensation plan asset	131	-
Other assets	23	24
Total assets	\$ 18,794	\$ 16,967
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 5,158	\$ 2,723
Accounts payable	1,063	983
Deferred revenue	3	8
Accrued compensation and related expenses	2,802	2,412
Other current liabilities	394	384
Income taxes payable	4	34
Total current liabilities	9,424	6,544
Long-term debt, less current maturities	-	1,500
Deferred comp plan liability	131	-
Pension obligation	305	305
Total liabilities	9,860	8,349
Stockholders' Equity:		
Preferred Stock - \$.01 par value; authorized 1,000 shares, no share issued and outstanding	-	-
Common Stock - \$.01 par value; authorized 30,000 shares; 11,486 and 11,474 shares issued and outstanding at March 23, 2007 and December 31, 2006, respectively	115	115
Additional paid in capital	46,434	46,018
Accumulated deficit	(37,615)	(37,515)
Total stockholders' equity	8,934	8,618
Total liabilities and stockholders' equity	\$ 18,794	\$ 16,967

(1) Digital Fusion, Inc. elected to change its accounting period to a 52-53-week year. The financial reporting period ended March 23, 2007 is a 12-week period compared to the previous year's 13-week period (three months) ended March 31, 2006.

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DIGITAL FUSION, INC.
Condensed Consolidated Statements of Operations
For the twelve weeks ended March 23, 2007 and three months ended March 31, 2006
(Unaudited)
(In thousands, except per share data)

	<u>March 23,</u> <u>2007⁽¹⁾</u>	<u>March 31,</u> <u>2006</u>
Revenues		
Services and fees	\$ 7,780	\$ 6,377
Reimbursed costs	1,259	609
Product	-	118
Total Revenues	<u>9,039</u>	<u>7,104</u>
Cost of services and goods sold		
Services	6,406	5,179
Reimbursed costs	1,209	593
Product	-	110
Total cost of services and goods sold	<u>7,615</u>	<u>5,882</u>
Gross profit	1,424	1,222
Selling, general and administrative	1,338	1,144
Operating income	<u>86</u>	<u>78</u>
Other expenses:		
Interest expense, net	77	48
Amortization of discount on debt and intrinsic value of convertible debt	-	87
Total interest expense	<u>77</u>	<u>135</u>
Other income (loss)	2	-
Amortization of intangible assets	(107)	(107)
Total other expenses	<u>(105)</u>	<u>(107)</u>
Net income (loss) before income taxes	\$ (96)	\$ (164)
Income tax expense (benefit)	<u>4</u>	<u>-</u>
Net income (loss)	<u>\$ (100)</u>	<u>\$ (164)</u>
Basic earnings (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Basic weighted average common shares outstanding	<u>11,480</u>	<u>11,315</u>
Diluted earnings (loss) per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
Diluted weighted average common shares outstanding	<u>11,480</u>	<u>11,315</u>

⁽¹⁾ Digital Fusion, Inc. elected to change its accounting period to a 52-53-week year. The financial reporting period ended March 23, 2007 is a 12-week period compared to the previous year's 13-week period (three months) ended March 31, 2006.

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DIGITAL FUSION, INC.
Condensed Consolidated Statements of Cash Flows
For the twelve weeks ended March 23, 2007 and three months ended March 31, 2006
(Unaudited)
(In thousands)

	<u>March 23,</u> <u>2007⁽¹⁾</u>	<u>March 31,</u> <u>2006</u>
Cash flows provided by (used in) operating activities:		
Net income (loss)	\$ (100)	\$ (164)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities, net of effect of acquisition:		
Depreciation and amortization	78	46
Amortization of beneficial interest	-	63
Amortization of discount on debt	-	24
Amortization of intangible assets	107	107
Stock-based compensation expense	411	356
Proceeds from sale of trading securities	-	66
Changes in assets and liabilities	<u>(1,420)</u>	<u>4</u>
Net cash provided by (used in) operating activities	<u>(924)</u>	<u>502</u>
Cash flows provided by (used in) investing activities:		
Capital expenditures - property and equipment	<u>(19)</u>	<u>(57)</u>
Net cash provided by (used in) investing activities	<u>(19)</u>	<u>(57)</u>
Cash flows provided by (used in) financing activities:		
Proceeds from exercise of options and warrants	9	96
Repayments of notes payable	(600)	-
Net proceeds from (payments to) line of credit	<u>1,535</u>	<u>(541)</u>
Net cash provided by (used in) financing activities	<u>944</u>	<u>(445)</u>
Net increase (decrease) in cash and cash equivalents	1	-
Cash and cash equivalents, beginning of periods	<u>1</u>	<u>1</u>
Cash and cash equivalents, end of periods	<u>\$ 2</u>	<u>\$ 1</u>

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**Earnings before interest, income taxes, share-based compensation, depreciation,
and amortization (EBITDA)
(unaudited in thousands)**

EBITDA (which we define as earnings before interest, income taxes, share-based compensation, depreciation, and amortization) is not a measure of financial performance under United States generally accepted accounting principles ("US GAAP") and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with US GAAP or as an alternative to cash flow from operating activities as a measure of liquidity. Management believes EBITDA provides additional, useful information regarding Digital Fusion's ability to meet our debt service, capital expenditure and working capital requirements. EBITDA is a traditional measure of a business' ability to generate cash flows irrespective of financing costs and is presented as a supplemental financial measurement in the evaluation of our business.

	<u>Twelve weeks ended March 23, 2007</u>	<u>Three months ended March 31, 2006</u>
Net income (loss)	\$ (100)	\$ (164)
Interest expense	77	48
Income tax expense	4	-
Share-based compensation	411	356
Depreciation	78	46
Amortization of intangible assets	107	107
Amortization of discount on debt and intrinsic value of convertible debt	-	87
EBITDA	<u>\$ 577</u>	<u>\$ 480</u>