

PRESS RELEASE

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Digital Fusion Releases First Quarter 2008 Results

HUNTSVILLE, ALABAMA. – May 7, 2008 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 21, 2008.

First Quarter 2008 Highlights

- Revenue of \$13.2 million, an increase of \$4.2 million or 47% over same quarter in the previous year
- Earnings before interest, taxes, share-based compensation, depreciation and amortization (EBITDA) of \$973,000, an increase of \$398,000 or 69% over same quarter in the previous year

Financial Comparisons

For the twelve weeks ended March 21, 2008, revenues increased to \$13.2 million compared to \$9.0 million for the first quarter of 2007. For the quarter, GAAP net income was \$138,000 and earnings per share was \$0.01, compared to GAAP net loss of \$100,000 and loss per share of \$0.01 for the first quarter of 2007.

Business Discussion

Service revenue increased approximately \$1.1 million in the first quarter of 2008 compared to the same quarter in the previous year. The increase in service revenues during the first quarter of 2008 compared to the same quarter in the previous year was primarily related to the increase in the number of billable employees resulting from growth in business support services, engineering services, and IT services. Reimbursed costs revenue increased \$3.0 million in the first quarter of 2008 compared to the first quarter of 2007. The increase in reimbursed cost revenue is primarily related to the ITAC contract and an increase in sub-contract activity and purchases made for customers.

Management Comments

“The first quarter results are generally in line with our expectations and I expect operating margins to improve throughout the rest of 2008. We continue to qualify and pursue new business opportunities in our core competencies and are well positioned to capitalize on future BRAC related activities.” 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.

DIGITAL FUSION, INC.
Condensed Consolidated Balance Sheets
(In thousands, except for per share amounts)

	March 21, 2008	December 28,
ASSETS	(Unaudited)	2007
Current Assets:		
Cash	\$ 2	\$ 2
Accounts receivable (net of allowance for doubtful accounts of \$167 for 2008 and \$167 for 2007)	9,237	7,952
Unbilled receivables	1,577	1,170
Prepaid expenses and other current assets	115	138
Deferred tax asset, current	2,062	2,062
Total current assets	12,993	11,324
Property and equipment, net of accumulated depreciation of \$673 for 2008 and \$745 for 2007	1,108	1,004
Goodwill	5,861	5,861
Purchased intangible assets, net	673	780
Deferred tax asset, long-term	1,710	1,710
Deferred compensation plan asset	356	326
Other assets	19	18
Total assets	\$ 22,720	\$ 21,023
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 3,210	\$ 1,762
Accounts payable	2,392	3,077
Deferred revenue	11	28
Accrued compensation and related expenses	3,346	2,891
Other current liabilities	165	239
Income taxes payable	113	235
Total current liabilities	9,237	8,232
Long-term debt, less current maturities	-	-
Deferred comp plan liability	537	502
Total liabilities	9,774	8,734
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; 11,707 and 11,700 shares issued and outstanding at March 21, 2008 and December 28, 2007, respectively	117	117
Additional paid in capital	48,613	48,095
Accumulated deficit	(35,784)	(35,923)
Total stockholders' equity	12,946	12,289
Total liabilities and stockholders' equity	\$ 22,720	\$ 21,023

DIGITAL FUSION, INC.
Condensed Consolidated Statements of Operations
For the twelve weeks ended March 21, 2008 and March 23, 2007
(Unaudited)
(In thousands, except for per share data)

	<u>Twelve weeks ended</u>	
	<u>March 21, 2008</u>	<u>March 23, 2007</u>
Revenues:		
Services and fees	\$ 8,922	\$ 7,780
Reimbursed costs	4,308	1,259
Total revenues	<u>13,230</u>	<u>9,039</u>
Cost of services and goods sold:		
Services	7,412	6,406
Reimbursed costs	4,154	1,209
Total cost of services and goods sold	<u>11,566</u>	<u>7,615</u>
Gross profit	1,664	1,424
Selling, general and administrative	<u>1,278</u>	<u>1,338</u>
Operating income	<u>386</u>	<u>86</u>
Other income (expenses):		
Interest expense, net	(28)	(77)
Other income (expense)	-	2
Amortization of intangible assets	<u>(107)</u>	<u>(107)</u>
Total other expenses	<u>(135)</u>	<u>(182)</u>
Net income (loss) before income taxes	251	(96)
Income tax expense	<u>113</u>	<u>4</u>
Net income	<u>\$ 138</u>	<u>\$ (100)</u>
Basic earnings per share	<u>\$ 0.01</u>	<u>\$ (0.01)</u>
Basic weighted average common stock shares outstanding	<u>11,705</u>	<u>11,480</u>
Diluted earnings per share	<u>\$ 0.01</u>	<u>\$ (0.01)</u>
Diluted weighted average common stock shares outstanding	<u>13,790</u>	<u>11,480</u>

DIGITAL FUSION, INC.
Condensed Consolidated Statements of Cash Flows
For the twelve weeks ended March 21, 2008 and March 23, 2008
(Unaudited)
(In thousands)

	<u>March 21, 2008</u>	<u>March 23, 2007</u>
Cash flows provided by operating activities:		
Net income	\$ 138	\$ (100)
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	72	78
Amortization of intangible assets	107	107
Prepaid warrant expense	-	4
Stock-based compensation expense	515	411
Changes in assets and liabilities	<u>(2,108)</u>	<u>(1,424)</u>
Net cash used in operating activities	<u>(1,276)</u>	<u>(924)</u>
Cash flows used in investing activities:		
Capital expenditures – property and equipment	<u>(176)</u>	<u>(19)</u>
Net cash used in investing activities	<u>(176)</u>	<u>(19)</u>
Cash flows provided by (used in) financing activities:		
Proceeds from exercise of options and warrants	3	9
Repayments of notes payable	(1,500)	(600)
Proceeds from line of credit	<u>2,949</u>	<u>1,535</u>
Net cash provided by financing activities	<u>1,452</u>	<u>944</u>
Net increase in cash and cash equivalents	0	1
Cash and cash equivalents, beginning of periods	<u>2</u>	<u>1</u>
Cash and cash equivalents, end of periods	<u>\$ 2</u>	<u>\$ 2</u>

**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</u>	
	<u>March 21, 2008</u>	<u>March 23, 2007</u>
Net income (loss)	\$ 138	\$ (100)
Net interest expense and other income	28	77
Income tax expense	113	4
Share-based compensation	515	411
Depreciation	72	78
Amortization of intangible assets	<u>107</u>	<u>107</u>
EBITDA	<u>\$ 973</u>	<u>\$ 577</u>