

PRESS RELEASE

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Digital Fusion Releases Third Quarter 2007 Results

HUNTSVILLE, ALABAMA. – November 14, 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 third quarter ended September 21, 2007.

Third Quarter 2007 Highlights

- Revenue of \$12.1 million, an increase of \$3.2 million over same quarter in the previous year
- Earnings before interest, taxes, share-based compensation, depreciation and amortization (EBITDA) of \$941,000, an increase of \$486,000 or 119.4% 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 September 21, 2007 is a 12-week period compared to the previous year’s 13-week period (three months) ended September 30, 2006.

For the twelve weeks ended September 21, 2007, revenues increased to \$12.1 million compared to \$8.9 million for the third quarter of 2006. For the quarter, GAAP net income was \$169,000 and earnings per share was \$0.01, compared to GAAP net loss of \$194,000 and loss per share of \$0.02 for the third quarter of 2006.

For the thirty-eight weeks ended September 21, 2007, revenues increased to \$32.8 million compared to \$24.6 million for the nine months ended September 30, 2006. For the thirty-eight weeks ended September 21, 2007, GAAP net income was \$78,000 and earnings per share, was \$0.01 compared to GAAP net loss of \$663,000 and loss per share of \$0.06 for the nine months ended September 30, 2006.

Business Discussion

Service revenue increased approximately \$389,000 in the third quarter of 2007 compared to the same quarter in the previous year. The increase in service revenues during the third quarter of 2007 compared to the same quarter in the previous year was primarily related to the increase in the number of billable employees in engineering and IT services, partially offset by the shorter quarterly reporting period noted above. Reimbursed costs revenue increased \$2.8 million in the third quarter of 2007 compared to the third quarter of 2006. The increase in reimbursed cost revenue is primarily related to

an increase in sub-contract activity related to ITAC and purchases made for customers. Product revenue decreased approximately \$35,000 in the third 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

“The third quarter met our expectations and I remain confident that we are on track in achieving our financial goals. I believe our results validate that our strategy of broadening our customer base through organic growth is working. We are also starting to see the results of our business development initiatives and the refinement of our bid and proposal pipeline,” 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.

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

	September 21, 2007 ⁽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)	8,830	5,042
Unbilled receivables	998	1,011
Prepaid expenses and other current assets	144	144
Deferred tax asset, current	1,413	1,291
Total current assets	11,387	7,489
Property and equipment, net of accumulated depreciation of \$608 for 2007 and \$1,194 for 2006	1,020	1,137
Goodwill	5,861	5,861
Purchased intangible assets, net	886	1,207
Deferred tax asset, long-term	1,127	1,249
Deferred compensation plan asset	258	-
Other assets	-	24
Total assets	\$ 20,539	\$ 16,967
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 2,523	\$ 2,723
Accounts payable	2,454	983
Deferred revenue	98	8
Accrued compensation and related expenses	3,347	2,412
Other current liabilities	1,303	384
Income taxes payable	-	34
Total current liabilities	9,725	6,544
Long-term debt, less current maturities	-	1,500
Deferred comp plan liability	355	-
Pension obligation	305	305
Total liabilities	10,385	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; 11,641 and 11,474 shares issued and outstanding at September 21, 2007 and December 31, 2006, respectively	117	115
Additional paid in capital	47,474	46,018
Accumulated deficit	(37,437)	(37,515)
Total stockholders' equity	10,154	8,618
Total liabilities and stockholders' equity	\$ 20,539	\$ 16,967

(1) Digital Fusion, Inc. elected to change its accounting period to a 52-53-week year. The financial reporting period ended September 21, 2007 is a 38-week period compared to the previous year's 39-week period (nine months) ended September 30, 2006.

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DIGITAL FUSION, INC.
Condensed Consolidated Statements of Operations
For the twelve and thirty-eight weeks ended September 21, 2007 and
three and nine months ended September 30, 2006
(Unaudited)
(In thousands, except per share data)

	<u>Twelve weeks and Three months</u> <u>ended</u>		<u>Thirty-eight weeks and Nine</u> <u>months ended</u>	
	<u>September 21,</u> <u>2007</u>	<u>September 30,</u> <u>2006</u>	<u>September 21,</u> <u>2007</u>	<u>September 30,</u> <u>2006</u>
Revenues:				
Services and fees	\$ 8,083	\$ 7,694	\$ 25,108	\$ 21,000
Reimbursed costs	4,009	1,180	7,647	3,346
Product	-	35	-	217
Total Revenue	<u>12,092</u>	<u>8,909</u>	<u>32,755</u>	<u>24,563</u>
Cost of services and goods sold:				
Services	6,571	6,386	20,649	17,387
Reimbursed costs	3,793	1,148	7,282	3,256
Product	-	27	-	188
Total cost of services and good sold	<u>10,364</u>	<u>7,561</u>	<u>27,931</u>	<u>20,831</u>
Gross profit	1,728	1,348	4,824	3,732
Selling, general and administrative	<u>1,389</u>	<u>1,277</u>	<u>4,237</u>	<u>3,653</u>
Operating income (loss)	<u>339</u>	<u>71</u>	<u>587</u>	<u>79</u>
Other income (expenses):				
Interest expense, net	(58)	(70)	(181)	(162)
Amortization of discount on debt and intrinsic value of convertible debt	<u>-</u>	<u>(89)</u>	<u>-</u>	<u>(264)</u>
Total interest expense	(58)	(159)	(181)	(426)
Other income	-	1	6	5
Amortization of intangible assets	<u>(107)</u>	<u>(107)</u>	<u>(321)</u>	<u>(321)</u>
Total other expenses	<u>(165)</u>	<u>(265)</u>	<u>(496)</u>	<u>(742)</u>
Net Income (loss) before income taxes	174	(194)	91	(663)
Income tax expense (benefit)	<u>5</u>	<u>-</u>	<u>13</u>	<u>-</u>
Net income (loss) ⁽¹⁾	<u>\$ 169</u>	<u>\$ (194)</u>	<u>\$ 78</u>	<u>\$ (663)</u>
Basic earnings (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ (0.06)</u>
Basic weighted average common stock shares outstanding	<u>11,549</u>	<u>11,462</u>	<u>11,549</u>	<u>11,406</u>
Diluted earnings (loss) per share	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ 0.01</u>	<u>\$ (0.06)</u>
Diluted weighted average common stock shares outstanding	<u>13,516</u>	<u>11,462</u>	<u>13,656</u>	<u>11,406</u>

Digital Fusion, Inc. elected to change its accounting period to a 52-53-week year. The financial reporting period ended September 21, 2007 is a 12 and 38-week period compared to the previous year's 13 and 39-week period (three and nine months) ended September 30, 2006.

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DIGITAL FUSION, INC.
Condensed Consolidated Statements of Cash Flows
For the thirty-eight weeks ended September 21, 2007 and
nine months ended September 30, 2006
(Unaudited)
(In thousands)

	<u>September 21,</u> <u>2007⁽¹⁾</u>	<u>September 30,</u> <u>2006</u>
Cash flows provided by (used in) operating activities:		
Net income (loss)	\$ 78	\$ (663)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities, net of effect of acquisition:		
Depreciation and amortization	227	166
Amortization of beneficial interest	-	190
Amortization of discount on debt	-	74
Amortization of intangible assets	321	321
Stock-based compensation expense	1,393	1,083
Proceeds from sale of trading securities	-	66
Changes in assets and liabilities	(284)	1,446
Net cash provided by (used in) operating activities	1,735	2,683
Cash flows provided by (used in) investing activities:		
Capital expenditures – property and equipment	(110)	(707)
Net cash provided by (used in) investing activities	(110)	(707)
Cash flows provided by (used in) financing activities:		
Proceeds from exercise of options and warrants	77	116
Repayments of notes payable	(600)	-
Net proceeds from (payments to) line of credit	(1,101)	(2,091)
Net cash provided by (used in) financing activities	(1,624)	(1,975)
Net increase (decrease) in cash and cash equivalents	1	1
Cash and cash equivalents, beginning of periods	1	1
Cash and cash equivalents, end of periods	\$ 2	\$ 2

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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 and Three months</u> <u>ended</u>		<u>Thirty-eight weeks and Nine</u> <u>months ended</u>	
	<u>September 21,</u> <u>2007</u>	<u>September 30,</u> <u>2006</u>	<u>September 21,</u> <u>2007</u>	<u>September 30,</u> <u>2006</u>
Net income (loss)	\$ 169	\$ (194)	\$ 78	\$ (663)
Net interest expense	58	69	175	157
Income tax expense	5	-	13	-
Share-based compensation	528	296	1,393	1,083
Depreciation	74	62	227	166
Amortization of intangible assets	107	107	321	321
Amortization of discount on debt and intrinsic value of convertible debt	-	89	-	264
EBITDA	<u>\$ 941</u>	<u>\$ 429</u>	<u>\$ 2,207</u>	<u>\$ 1,328</u>