

**Statistics**

NASDAQ Symbol:	DRAD	Market capitalization:	\$39.9 million
URL:	<a href="http://www.digirad.com">www.digirad.com</a>	Average daily volume:	26,405
Three-year trading range:	\$2.05–\$4.68	Common shares outstanding:	18.9 million
Recent price (6/30/08):	\$2.11	Fiscal year ends:	December 31

**Corporate Backgrounder/July 2008**

**Market Makers:** Automated Trading Desk Financial Services; Banc of America Securities; Canaccord Adams; Citadel Derivatives Group; Citigroup Global Markets; Domestic Securities; E\*Trade Capital Markets; J.P. Morgan Securities; Jefferies; Knight Equity Markets; Merrill Lynch, Pierce, Fenner & Smith; Nasdaq Execution Services; Octeg; Piper Jaffray; Susquehanna Capital Group; Susquehanna Financial Group; Timber Hill; UBS Securities; Weeden; William Blair

**Selected Financial Data**

(000s omitted except per share data)

	<b>First Quarter Ended</b>		<b>Twelve Months Ended</b>	
	<b>3/31/08</b>	<b>3/31/07</b>	<b>12/31/07</b>	<b>12/31/06</b>
Revenues	\$18,271	\$17,538	\$73,947	\$71,926
Gross profit	\$4,413	\$5,442	\$20,518	\$19,059
Net income (loss)	\$(1,395)	\$74	\$(1,376)	\$(6,290)
Net income (loss) per share	\$(0.07)	\$0.00	\$(0.07)	\$(0.34)
Weighted average shares	18,931	18,815	18,845	18,761
Cash /equivalents and securities			\$31,662	\$44,326
Working capital			\$33,905	\$45,788

**Analyst Coverage**

*Tycho Peterson, JPMORGAN SECURITIES*

*The projections, analyses and opinions presented in analysts' reports are those of the authors and are not endorsed or adopted by Digirad Corporation.*

**Business Summary**

Digirad Corporation provides medical diagnostic imaging services and products to physicians' offices, hospitals, imaging centers and other medical services providers for cardiac, vascular, and other imaging applications. Approximately 75% of revenues is from Digirad Imaging Solutions (DIS), the Company's mobile imaging services division; the remainder is from product sales and service. In 2007 the Company completed an operational turnaround with a streamlined cost structure, added ultrasound to DIS to diversify revenues and broaden market opportunities, and launched DIS "centers of influence" initiative to collaborate with highly regarded academic medical institutions and their affiliated local-area physicians to add imaging services to their practices. At present, Digirad centers of influence include Emory, Vanderbilt, Penn State, The Methodist Hospital, UCLA, Johns Hopkins and University of Chicago; discussions are ongoing with other centers throughout the U.S. Currently, a fleet of more than 140 nuclear and ultrasound imaging systems is being utilized in 22 states, primarily in eastern, midwestern and southwestern United States.

**Products**

Digirad's Cardius XPO line of nuclear imaging cameras utilize patented solid-state technology and unique multi (single, dual, triple) head design for superior performance/advanced features—sharper digital images, faster processing, compact size, lighter weight for portability, ability to handle patients up to 500 pounds, and improved patient comfort—compared to standard nuclear cameras. Digirad's 2020tc general-purpose nuclear imaging camera has a smaller footprint and may be configured for fixed or mobile use and as a primary or supplemental imager. Digirad's installed base now exceeds 500 systems.

**Strategy and Outlook**

1) Ramp revenues from expanding base of "centers of influence"; continue adding new centers, local-area physicians. 2) Stronger growth of other DIS revenues: more cross-marketing of nuclear, ultrasound imaging services to physicians using one procedure; introduce new imaging procedure. 3) Grow product division sales. 4) Improve gross margin via: higher utilization of equipment, personnel; complete mobile fleet upgrade to multi-head configuration for faster processing, higher daily patient-counts; adjusted/more effective wage incentives. 5) Seek complementary, accretive acquisitions to support centers of influence expansion, add imaging modalities to mobile services, add new regions/customer base. 6) Outlook for full-year 2008 (as of April 24, 2008): \$75 million to \$81 million revenue; consolidated results from net loss of \$2.0 million to net loss of \$4.5 million including estimated \$1 million stock-based non-cash compensation expense. 7) Balance sheet (as of April 24, 2008): \$24+ million cash/equivalents; 3.4:1 current ratio; no long-term debt; \$2.86 shareholders' equity per share.

## Recent Developments

- **June 13** – Digirad announced that Chief Executive Mark Casner presented at CapStone Investments' Second Annual Small-Cap Investor Conference held June 17-18 in Milwaukee.
- **May 22:** Digirad announced the signing of a letter of understanding with Johns Hopkins University School of Medicine in Baltimore, Md. Under terms of the arrangement, Johns Hopkins will be available to read diagnostic images for primary care physicians, throughout the greater Baltimore area and surrounding counties, utilizing Digirad in-office cardiac imaging. Digirad's mobile imaging service will provide state-of-the-art equipment and qualified, trained personnel who will perform the imaging procedures in the physicians' offices. Through agreements between the physicians and Johns Hopkins, patients' images will be interpreted by Johns Hopkins cardiologists and the results returned electronically to the referring physicians.
- **May 5:** Digirad announced that Chief Executive Officer Mark Casner presented at Bank of America's 2008 Health Care Conference on Tuesday, May 13.
- **April 29:** Digirad signed letter of agreement with University of Chicago Medical Center to deliver cardiac diagnostic services to Chicago-area physicians and patients through Digirad's centers of influence program, which now includes seven of the leading academic medical institutions in the United States.
- **April 24:** Reported financial results for first quarter ended March 31, 2008. Consolidated revenues were \$18.3 million, compared to \$17.5 million in first-quarter 2007. DIS revenue rose 13.6 percent to \$13.9 million from \$12.2 million in first-quarter 2007, due primarily to the introduction of ultrasound imaging services. Product-related revenue was \$4.4 million, compared to \$5.3 million in first-quarter 2007, due to fewer camera sales resulting from healthcare imaging reimbursement pressures and the slowing economy. Gross profit declined to \$4.4 million from \$5.4 million in first-quarter 2007, due primarily to lower camera sales, and higher labor and other servicing costs related to DIS. Total operating expenses rose to \$6.1 million from \$5.9 million in first-quarter 2007 due to higher amortization costs from the acquisition of Ultrascan in the second-quarter 2007. Net loss for the quarter was \$1.4 million, or \$(0.07) per share, compared to net profit of \$74,000, or \$0.00 per share, in first-quarter 2007. The Company's plan to stabilize growth of services and reduce the effects of the economy and other market pressures includes not only continuing to drive the centers of influence strategy to augment direct sales and marketing to physicians but also a broader range of imaging services and, therefore, revenue sources.
- **March 19:** Digirad's board of directors appointed veteran healthcare executive John W. Sayward director and audit committee chairman, effective immediately. Sayward, 56, has more than 30 years of finance, accounting, operational and administrative experience in the healthcare industry, and has previously served on the board of a public pharmaceuticals company. He replaces Raymond Dittamore, 65, who resigned from the board and has retired from business. Mr. Dittamore joined the Digirad board in March 2004 and served as chairman of the audit committee.
- **February 6:** Digirad announced it is the recipient of Frost & Sullivan's 2007 North American Nuclear Medicine Equipment Product Line Strategy Award.

## Financial Highlights

### Fiscal Year Ended: December 31

(000s omitted except per share data)

	2007	2006	2005	2004
Revenues	\$73,947	\$71,926	\$68,186	\$68,137
Gross profit	\$20,518	\$19,059	\$15,246	\$21,759
Income (loss) from operations	(\$2,841)	(\$8,224)	(\$11,003)	\$582
Net income (loss)	(\$1,376)	(\$6,290)	(\$9,619)	\$245
Net income (loss) per share – basic & diluted	(\$0.07)	(\$0.34)	(\$0.52)	\$0.01
Weighted average shares outstanding	18,845	18,761	18,468	10,095

## Corporate Information

### CORP. HEADQUARTERS:

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### LEGAL COUNSEL:

Wilson Sonsini Goodrich & Rosati  
San Diego, CA

### AUDITORS:

Ernst & Young

### TRANSFER AGENT:

American Stock Transfer  
San Diego, CA New York, NY  
(718) 921-8206

### OFFICERS:

Mark Casner  
President, CEO

Todd Clyde  
Sr. VP Finance, CFO

Michael Keenan  
Pres. Digirad Imaging Solutions

Paul J. Early  
Corporate Radiation Safety Officer

Chart provided by Big Charts

