

Digital Angel Corporation

NASDAQ: DIGA



Investor Presentation - June 2010
Joe Grillo - CEO

Digital Angel®

Safe Harbor

This document contains certain “forward-looking” statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Forward-looking statements included in this presentation include, without limitation, future expectations in our financial performance; our ability to streamline our operations and drive our business towards profitability; and our expectations for the success of and cost savings resulting from our restructuring plan. These forward-looking statements are based on the Company's current expectations and beliefs and are subject to a number of risks, uncertainties and assumptions. Among the important factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements are our ability to successfully implement our business strategy and restructuring plan; uncertainty as to our working capital requirements over the next 12 to 24 months; our ability to successfully obtain the necessary working capital to meet the operating needs of our businesses; our ability to successfully integrate the businesses of acquired companies; our ability to maintain compliance with the covenants of our credit facilities; the degree of success we have in leveraging our brand reputation; our ability to become a major player in the food source traceability and safety arena; our ability to successfully develop survival and emergency radios for the military and commercial uses; our reliance on third-party dealers and distributors to successfully market and sell our products; our ability to defend against costly product liability claims and claims that our products infringe the intellectual property rights of others; our ability to comply with current and future regulations relating to our businesses; our inability to meet all applicable Nasdaq Capital Market requirements; and our ability to maintain proper and effective internal accounting and financial controls. Additional information about these and other factors that could affect the Company's businesses is set forth in the Company's Form 10-K under the caption "Risk Factors" filed with the Securities and Exchange Commission ("SEC") on April 1, 2010, and subsequent filings with the SEC. The Company undertakes no obligation to update or release any revisions to these forward-looking statements to reflect events or circumstances after the date of this statement or to reflect the occurrence of unanticipated events, except as required by law.

DIGA History & Evolution

2007

Applied Digital Solutions (NASDAQ: ADSX)
Digital Angel Corporation (AMEX: DOC)
VeriChip Corporation (NASDAQ: CHIP)

Many small unrelated businesses

- 5 business segments
- Many CEOs
- High overhead
- Minimal business correlation or concentration



Digital Angel®

2008 - 2009

Digital Angel Corporation
(NASDAQ: DIGA)

New CEO: Joe Grillo
(as of January 2008)

2 business segments:

- Animal ID
- Emergency ID



Destron Fearing™



Signature Industries

2010 & Beyond

Digital Angel Corporation
(NASDAQ: DIGA)

Destron Fearing
- Single Core business

Focus on Animal ID:

- Worldwide footprint
- Technology leader
- Streamlined operations
- Reduce overhead
- improve margins



Destron Fearing™

Company Highlights

- **New management January 2008**
 - Successful track record in RFID growth & expansion
 - Restructuring effort has steadily improved margins and cash flow
- **Decreased debt from \$33M in Jan 2008 to \$10M in Mar 2010**
 - Sale of non-core businesses to further reduce debt
 - Goal of net income profitability realistic and reachable
- **New single market strategy – Animal Identification**
 - Destron Fearing business is technological market leader
 - Focusing resources on market expansion
 - Growing need for identification and traceability from “farm to fork”
 - Greater adoption of electronic tagging to complement visual ID



Destron Fearing

- **Destron Fearing is the global technological leader in innovative animal identification**
 - Most advanced RFID engineering team in the industry
 - Integrated tag & reader solutions
 - Investment in technology a key competitive advantage



Livestock



Companion Pet



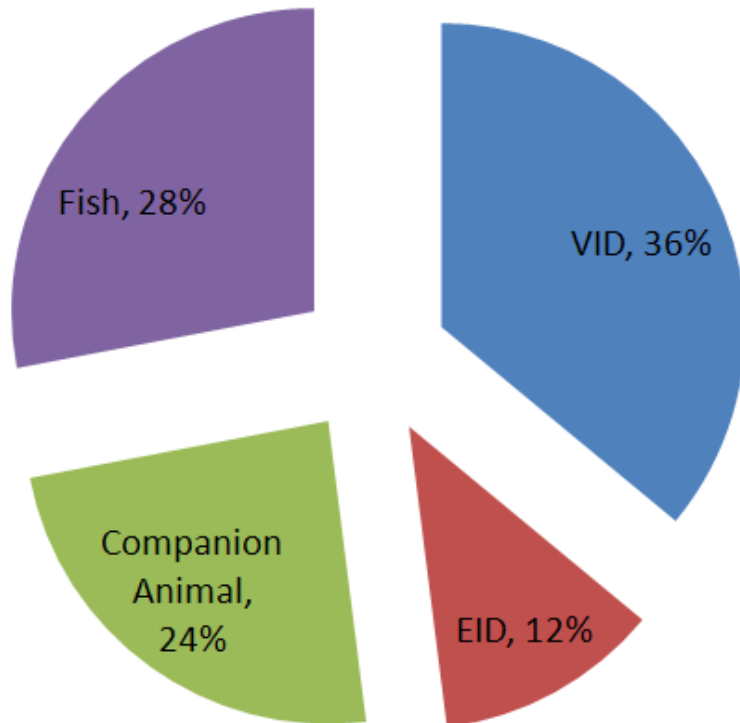
Wildlife



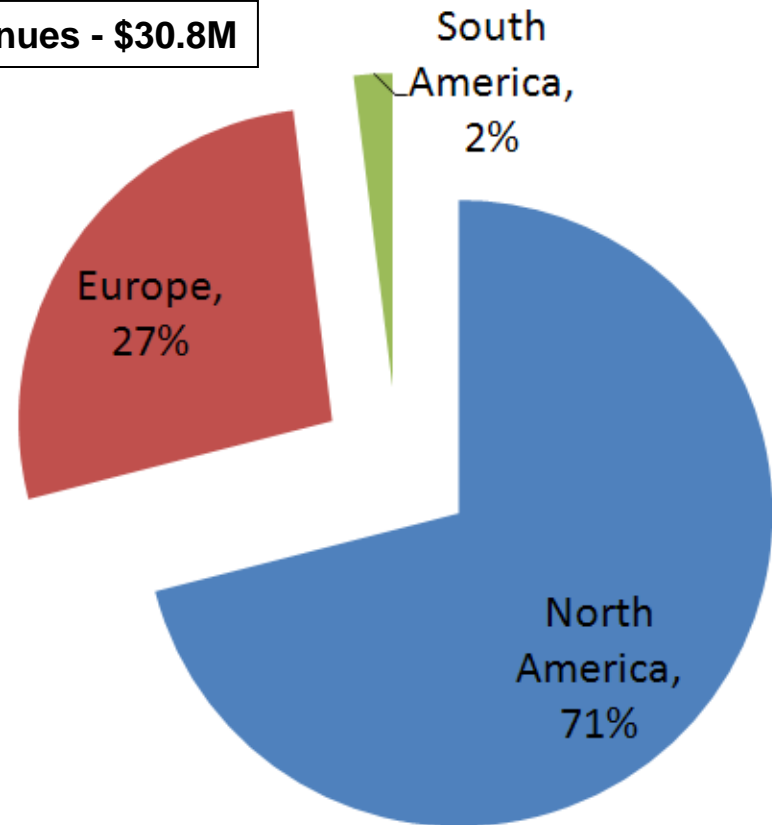
Equine

2009 Destron Fearing Sales Composition

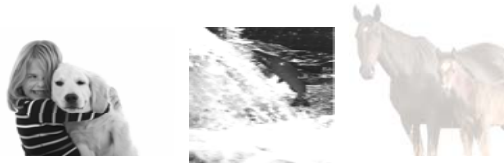
2009 animal ID revenues - \$30.8M



By Market Segment



By Region



Livestock Market

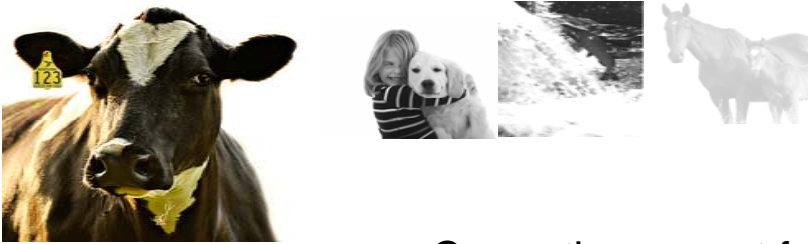
Well positioned to meet the demands of a changing market

- **Largest addressable market and most opportunity for growth**
 - Global Livestock Visual & Electronic ID sales est. at **\$450M** in '09, expected CAGR of **12-18%**
 - Global Livestock Electronic ID sales est. at **\$140M** in '09, has an expected CAGR of **20-25%**
- **Drivers**
 - Greater adoption of electronic tagging
 - Industry regulations & mandates
 - Disease control: *animal tracking*
 - Food safety: *“farm to fork” traceability*
 - Herd management & productivity:
 - Asset control – livestock as collateral
 - Larger corporate farms
 - New technology:
 - Long range tags
 - DNA sampling
 - Temperature sensing

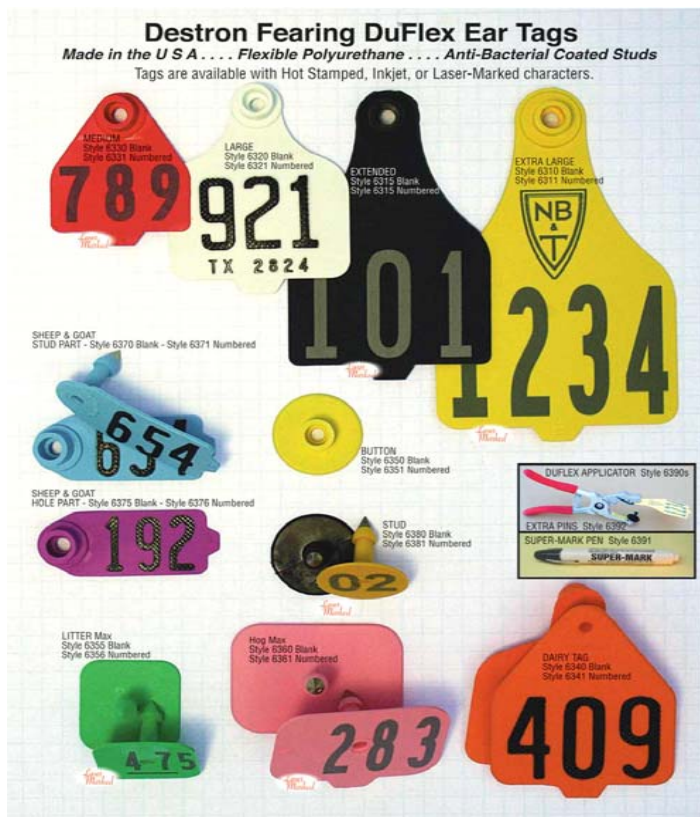


Livestock Products

Visual Identification Tags



- Currently account for ~90% of the tagging market
- Plastic numbered tags read and logged manually



Target cattle market worldwide for ID: 550m

US: 110m → est. 70% are tagged
 EU: 90m → est. 80% are tagged
 Brazil: 200m → est. 20% are tagged



Livestock Products

Electronic Identification Tags

- Currently account for ~10% of the tagging market
- RFID chips & tags are scanned and logged with a hand held reader

Tags



Reading Systems



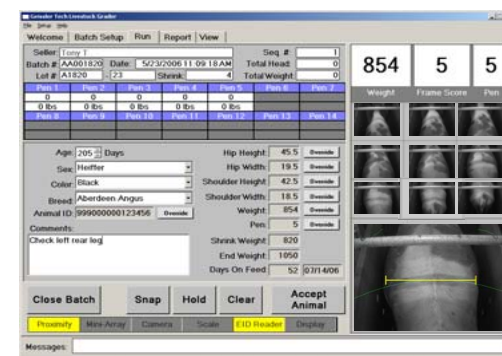
- Electronic RFID complementary to Visual ID
- Regulatory Drivers of RFID adoption:
 - Sheep & goats in EU in 2010
 - Cattle in Brazil 2010
- Automation of data collection allows for greater accuracy and value-added services to customers



Livestock Products

Destron Fearing New Technology

- **rTag® Animal identification, monitoring, and information management system**
 - Tags with 100-foot read range and 4+year battery life
 - Solar powered, fixed and mobile readers, no cabling required
 - Monitors and provides information on animal behavior
 - Each tag retains birth, transfer, medication, tag changes, animal import/export data
- **C-Scan® - automatically assesses stats: animal size, weight, hip & shoulder frame**

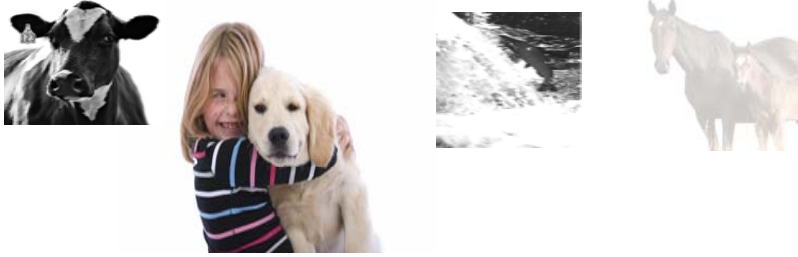




Companion Pet

- **Leading manufacturer of implantable RFID microchips**
 - Microchip is a passive device about the size of a grain of rice
 - Pet's ID number & owner information enrolled in a database
- **Microchips helped reunite +/- 1 million lost pets worldwide since the mid-1990s**
 - Over **600,000** have been through our partner Schering-Plough (HomeAgain®)
- **Of the 5 to 7 million pets entering shelters each year, 3 to 4 million are euthanized**
 - Only about 2% of lost cats and about 15-20% of lost dogs are returned to their owners.
- **Partnerships: Schering-Plough (U.S.), AnimalCare (U.K.), and Dainippon (Japan)**





Companion Pet

- **Growth Drivers**

- Legislation / Mandates

- EU: mandatory pet passports
- Local legislation, e.g., Los Angeles county, Canada, Shanghai

- New products and services

- Advanced re-unification notification
- Insurance and healthcare plans
- Temperature and other bio-sensing
- Online communities for pet owners

- Emerging & Growth Markets

- North America –only ~3-4% of pets arriving at shelters now have microchips
- Latin America
- Asia: Japan, Korea, India





Wildlife

Wildlife Market (Fish)

- Primary supplier to the US government
- RFID readers & annual supply of ~3M electronic chips implanted in salmon
- Profitable business that funds advanced RFID technology development
- Growth potential in international and commercial markets being investigated





Equine Market

- Emerging International Market
 - International Movement of Horses
 - Monitoring of Body Temperature
 - Tracking for Competition
 - Natural Disaster Recovery
- Key Partners
 - AQHA – Quarter Horse Association
 - Jockey Club – Thoroughbred Association



Emergency ID Segment



Signature Industries

SARBE[®]

Digital Angel[®]



Emergency ID

Divestitures to improve balance sheet

- McMurdo business: Sold in November of 2009 to Orolia Group for \$10M
- Clifford & Snell business: Sold in April 2010 to R. Stahl Ltd. for \$3.5M
- Signature and Digital Angel corporate structure wind-down in parallel

Emergency ID business

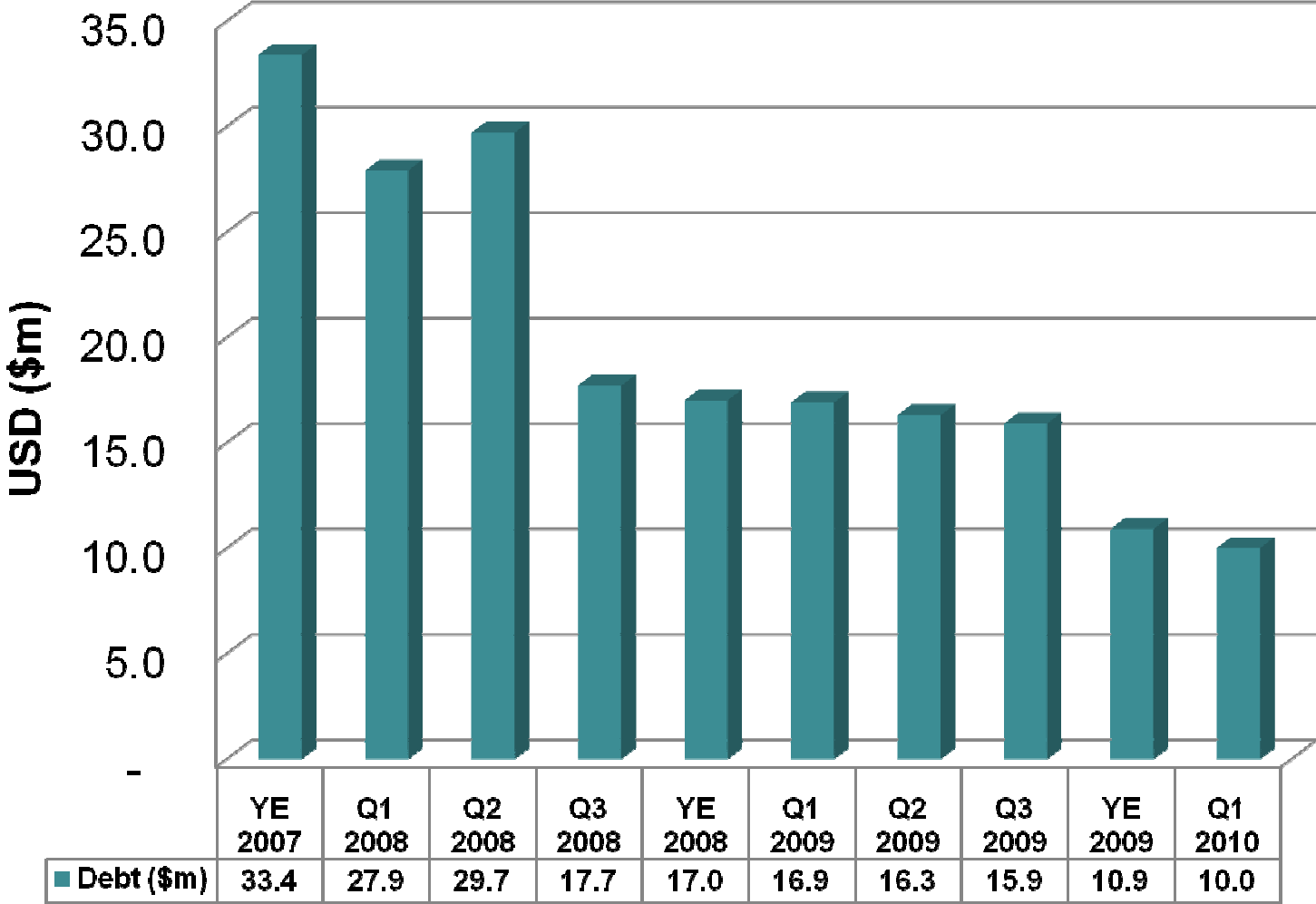
- SARBE business: Sales to military organizations in over 40 countries
 - ELTs - Emergency Locator Beacons signal aircraft distress
 - PLBs - Personal Locator Beacons signal personal distress
- Signature Communications business:
 - Handheld radio leasing services for offshore oil & gas operations, construction, and shipbuilding industries in the UK and Scotland



Financial Highlights

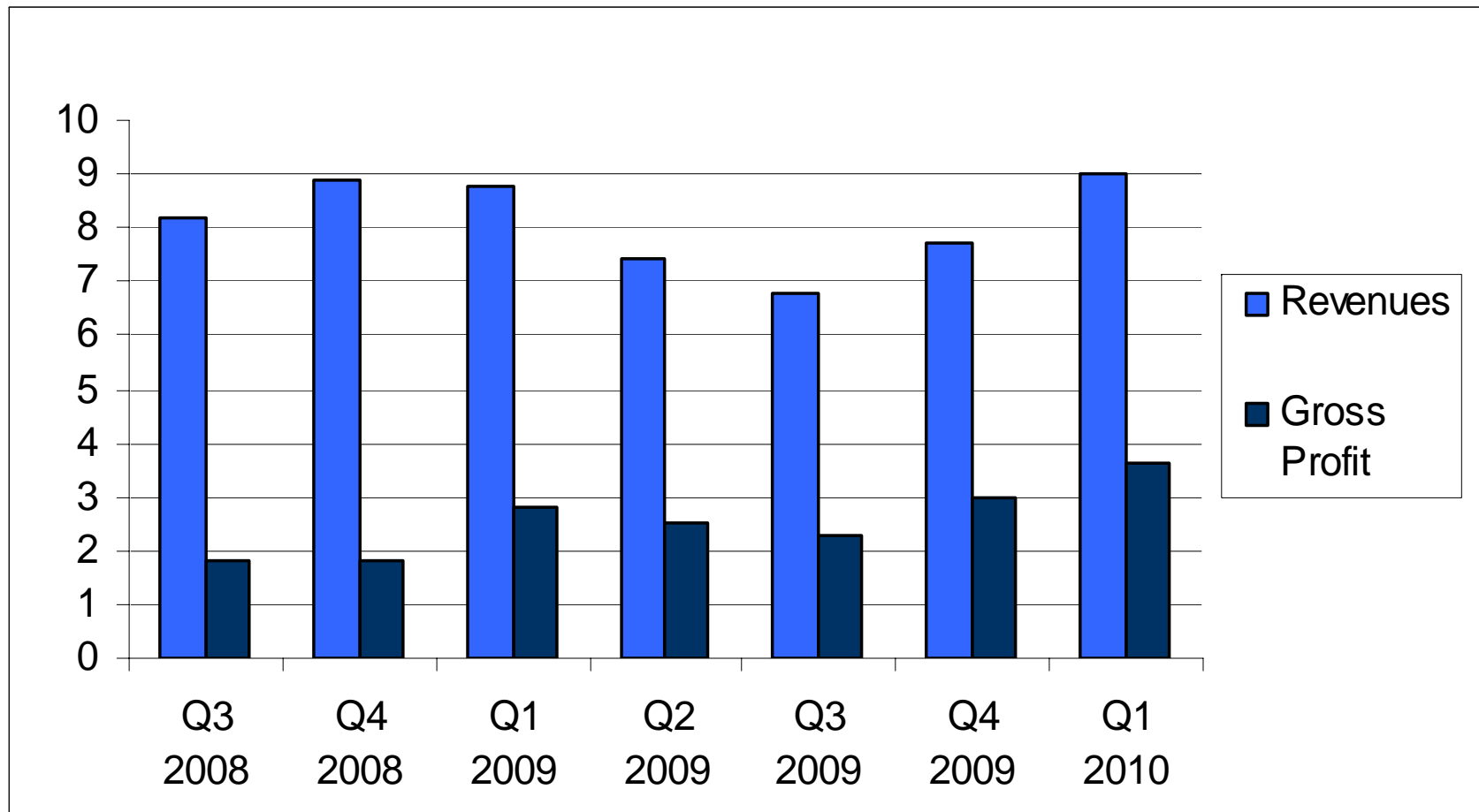
- Improving gross and operating margins and continued debt reduction
- Gross Profit margins of 40% in Q1 2010 in Animal ID
- Operating income in Animal ID for 2 consecutive quarters
- Positive EBITDA growth with \$1.2 million in adjusted EBITDA for Q1 10
- Sale of other non-core businesses to further reduce debt
- Overall goal of net income profitability realistic and reachable

Digital Angel Debt Trend



Animal Identification Revenues & Gross Profit

US\$ (millions)





Digital Angel Corporation

Fiscal Year Operating Analysis

2009 vs 2008

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	<u>2009</u>	<u>%</u>	<u>2008</u>	<u>%</u>
Revenue	\$ 49.5	100%	\$ 62.3	100%
Cost of sales	29.2	59%	41.0	66%
Gross profit	 \$ 20.3	41%	\$ 21.3	34%
SG&A expenses	24.6	50%	30.4	49%
R&D expenses	1.2	2%	2.0	3%
Operating loss	\$ (5.5)	(11%)	\$ (11.1)	(18%)
D&A	4.0	8%	4.0	6%
EBITDA	 \$ (1.5)	(3%)	\$ (7.1)	(12)%

*Pro forma as results do not include asset impairment and restructuring related charges.

Summary

- **Animal ID market improving following historic lows in herd sizes**
- **Continuing focus on strong international brand**
- **Reduced debt and improved margins drive toward profitability**
- **Resources now primarily focused on growth of Destron Fearing**
- **Continuing to pursue ways to unlock stockholder value**



Management Bios

Joe Grillo – Chief Executive Officer

Joined Digital Angel as President and CEO in January 2008. Prior to that, he was President and CEO of ASSA ABLOY's Global Technologies Division, responsible for \$800m in annual revenues, EBITDA of \$120m and 3,000 employees around the globe. ASSA ABLOY is a publicly held global manufacturer in the security industry, based in Stockholm, Sweden.

An RFID-industry veteran, Joe is most known for his long time leadership of HID Corp., the largest and most successful RFID company in the world. Mr. Grillo was part of the management buyout team that acquired HID from Hughes Aircraft for **\$11M** in 1995, before participating in a sale of the company to ASSA ABLOY in 2001 for **\$255M**.

Mr. Grillo is past president and Board member of the Security Industry Association. He graduated magna cum laude from the University of Connecticut with a BS degree in Finance.

Dave Sullivan – President, Destron Fearing

Mr. Sullivan joined Digital Angel as Chief Marketing Officer in March 2008 and became President of Destron Fearing in July of 2009.

Before coming to Digital Angel, Mr. Sullivan was President of Fargo Electronics and concurrently Senior Vice President, Sales and Marketing of HID Global, a division of ASSA ABLOY. Prior to that, he spent two years in the United Kingdom as Managing Director of HID Corporation Limited and was also part of the MBO of HID from Hughes.

Mr. Sullivan graduated with a Bachelor's in Business Administration from the University of Kansas.

Digital Angel Corporation
Supplementary Financial Information
(in millions) (preliminary & unaudited)

	Three Months Ended December 31, 2009			Year Ended December 31, 2009		
	Animal Identification	Emergency Identification	Consolidated Digital Angel	Animal Identification	Emergency Identification	Consolidated Digital Angel
Revenue	\$ 7.7	\$ 3.9	\$ 11.6	\$ 30.8	\$ 18.7	\$ 49.5
EBITDA* (Before Restructuring/Impairment Charge)	\$ 1.1	\$ (1.0)	\$ 0.1	\$ 3.0	\$ (0.9)	\$ 2.1
Corporate Allocation	0.2	0.2	0.4	2.2	1.4	3.6
Pro Forma EBITDA	\$ 0.9	\$ (1.2)	\$ (0.3)	\$ 0.8	\$ (2.3)	\$ (1.5)
Depreciation & Amortization	0.8	0.3	1.1	3.0	1.0	4.0
Pro Forma Operating (Loss) Income	\$ 0.1	\$ (1.5)	\$ (1.4)	\$ (2.2)	\$ (3.3)	\$ (5.5)
Restructuring Charges/Impairments			(7.5)			(8.1)
Reported Operating Loss			\$ (8.9)			\$ (13.6)

	Three Months Ended December 31, 2008			Year Ended December 31, 2008		
	Animal Identification	Emergency Identification	Consolidated Digital Angel	Animal Identification	Emergency Identification	Consolidated Digital Angel
Revenue	\$ 8.9	\$ 4.8	\$ 13.7	\$ 38.5	\$ 23.8	\$ 62.3
EBITDA* (Before Restructuring/Impairment Charge)	\$ (1.6)	\$ (0.7)	\$ (2.3)	\$ (0.8)	\$ 0.3	\$ (0.5)
Corporate Allocation	0.5	0.4	0.9	4.0	2.6	6.6
Pro Forma EBITDA	\$ (2.1)	\$ (1.1)	\$ (3.2)	\$ (4.8)	\$ (2.3)	\$ (7.1)
Depreciation & Amortization	0.3	0.3	0.6	3.1	0.9	4.0
Pro Forma Operating Loss	\$ (2.4)	\$ (1.4)	\$ (3.8)	\$ (7.9)	\$ (3.2)	\$ (11.1)
Restructuring Charges/Impairments			(6.4)			(40.5)
Reported Operating Loss			\$ (10.2)			\$ (51.6)

* EBITDA equals operating income (loss) plus depreciation and amortization. To supplement the Company's unaudited condensed consolidated financial statements presented in accordance with GAAP, the Company provides EBITDA, which is a non-GAAP financial measure. EBITDA should not be considered as an alternative to operating income or to net income (as determined in accordance with GAAP) as a measure of the Company's operating performance, or to net cash provided by operating, investing, and financing activities (as determined in accordance with GAAP), as a measure of the Company's ability to meet cash needs. The Company believes that EBITDA is a measure commonly reported and widely used by investors and other interested parties as a measure of a company's operating performance and debt servicing ability because it assists in comparing performance on a consistent basis without regard to capital structure, depreciation and amortization, or non-operating factors (such as historical cost). This information has been disclosed here to permit a more complete comparative analysis of the Company's operating performance relative to other companies. EBITDA may not, however, be comparable in all instances to other similar types of measures.