



Digital Angel

March 17, 2008

Conference Call Supporting Materials



Safe Harbor

Information contained in this document may contain forward-looking statements, including, for example, earnings guidance, statements about management expectations, including becoming a worldwide leader in providing safety related products to the asset tracking and identification industries, strategic objectives, growth opportunities, business prospects, transaction synergies and other benefits of the recent merger, and other similar matters. These forward-looking statements are not statements of historical facts and represent only Digital Angel's beliefs regarding future performance, which is inherently uncertain. There are a variety of factors, many of which are beyond Digital Angel's control, which affect operations, performance, business strategy and results, and could cause actual results and experience to differ materially from the expectations and objectives expressed in any forward-looking statements. These factors include, but are not limited to, the risk that expected synergies and benefits of the recent merger will not be realized within the expected time frame or at all, our ability to successfully implement our business strategy; uncertainty as to our working capital requirements over the next 12 to 24 months; our ability to successfully integrate the businesses of acquired companies; our ability to maintain compliance with the covenants of our credit facilities; our expectation regarding future profitability and liquidity; competitive and economic influences; the degree of success we have in leveraging our brand reputation; our ability to become a major business 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 ability to successfully transition manufacturing and implement strategic outsourcing plans; and our ability to maintain proper and effective internal accounting and financial controls.

Additional information about these and other risk factors that could affect Digital Angel's businesses is set forth in Applied Digital Solutions, Inc.'s (d/b/a Digital Angel) Form 10-K for the year ended December 31, 2006, which was filed with the SEC on April 6, 2007, Forms 10-Q and other filings with the SEC. Many of the factors that will determine the outcome of the subject matter of this communication are beyond Digital Angel's ability to control or predict. Digital Angel undertakes no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future results or otherwise.

Recent Changes

2008



- Digital Angel (NASDAQ: DIGA)
- Business segments (2): Animal Applications, GPS & Radio Communications
- Minority ownership position in VeriChip
- CEO: Joe Grillo

2007

- 2007 Consolidated Results include:
 - Applied Digital Solutions (NASDAQ: ADSX)
 - Digital Angel Corporation (AMEX: DOC)
 - VeriChip Corporation (NASDAQ: CHIP)
- Business segments (5): Healthcare, Security & Industrial, Animal Applications, GPS & Radio Communications, Advanced Technology
- CEOs:
 - Michael Krawitz (ADSX), Barry Edelstein & Kevin McGrath (DOC), Scott Silverman (CHIP)



Initial 2008 Activities

- **New management team** – Proven track record of restructuring and growing businesses
- **New leadership** – recruited to run Digital Angel as of January 1, 2008

President & CEO: Joe Grillo (former CEO/founder of HID & Assa Abloy exec)

Animal Applications President: Randy Geissler (former CEO/owner of Destron Fearing)

Chief Marketing Officer: David Sullivan (Assa Abloy & HID exec)

Other key management soon to be announced (successful restructuring experience)

- **Continuing leadership** –

Signature Managerial Director: David Cairnie

CFO: Lorraine Breece

- **Complete merger & implement formation of DIGA** –

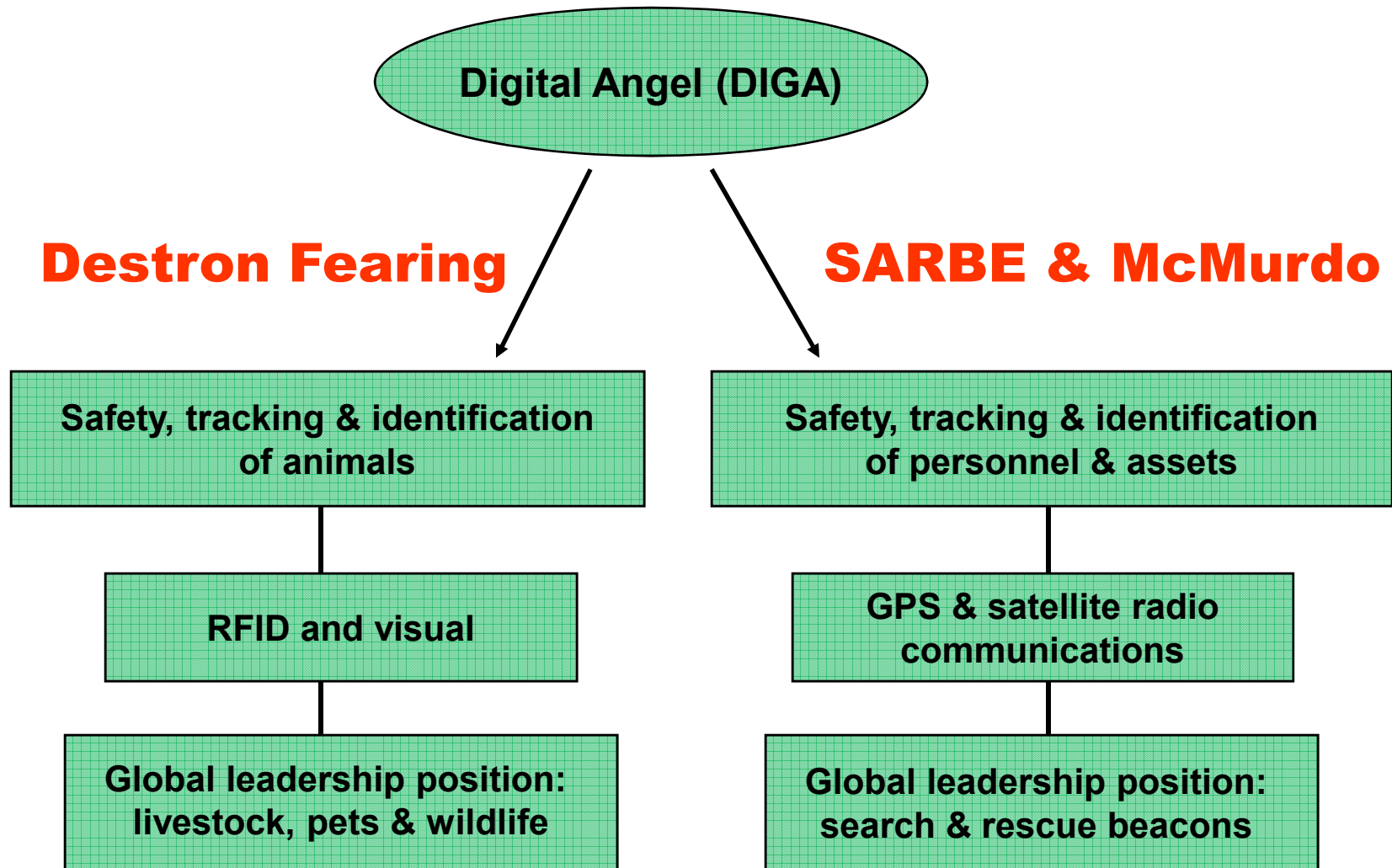
Merge Applied Digital Solutions, Inc. and Digital Angel Corporation

Remove majority stockholder (ADSX) overhang

Streamline corporate structure

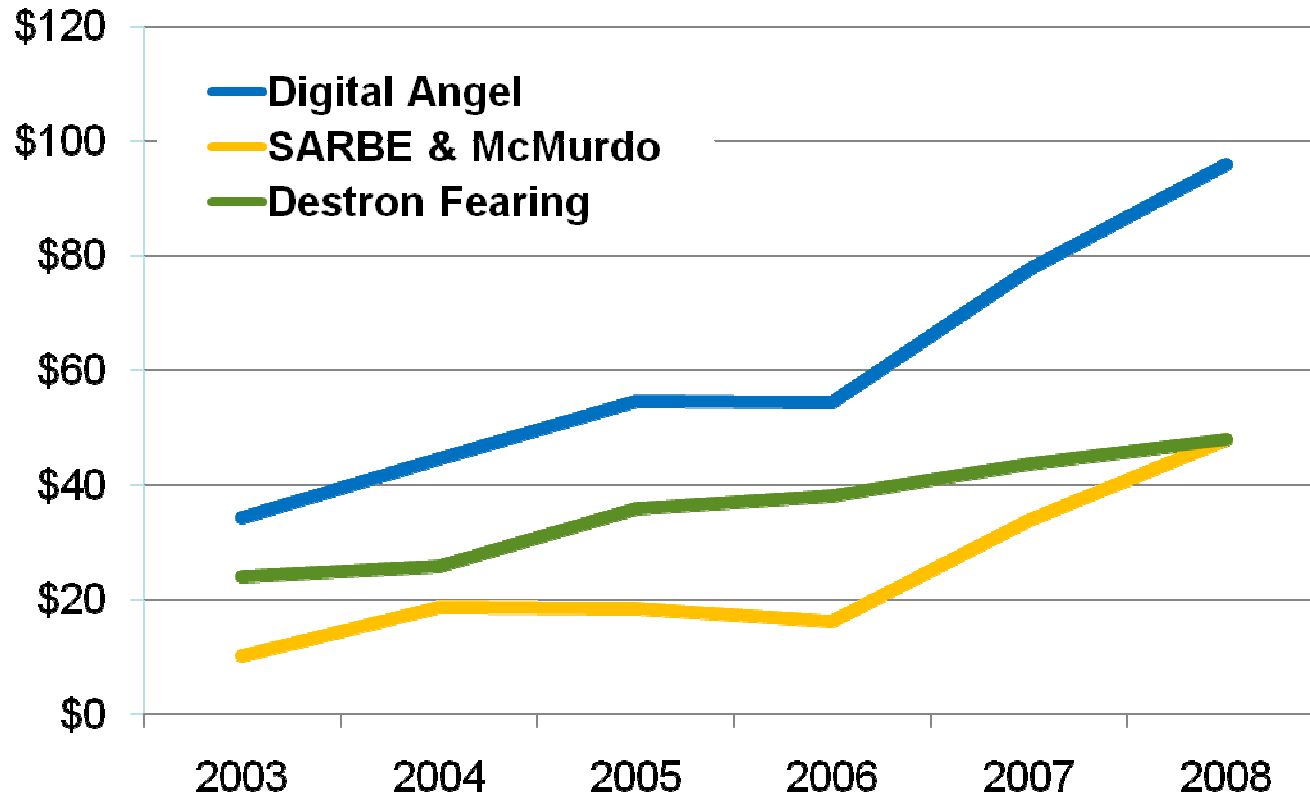
Facilitate restructuring and divestiture of non-core assets

Focus on 2 core business segments: Animal Applications, GPS & Radio Communications



Digital Angel Sales Growth

(\$ US in millions)



Positive Foundations for Growth

- **Solid, diversified revenue base –**
 - Market segments demonstrating healthy growth rates
 - Markets growing domestically and internationally
- **Proven technologies**
- **Fragmented competition –** Opportunities to consolidate or partner with competitors / industry players
- **New management with proven track record**
- **Well positioned for technology evolution in target markets**

Animal Applications Segment

- **Destron Fearing** - Leading U.S. manufacturer since 1945
Pioneered microchip technology for animals in 1980s
Recent expansion: Daploma (Denmark), South America
Geissler Technologies acquisition



- **Markets** - Livestock, pets, equine, fish & wildlife
Growth drivers: food safety, herd management, animal health, government mandates
Currently, only 2% of livestock tags are electronic
only 5% of dogs & cats in U.S. are chipped
adoption of electronic systems for equine & wildlife are just beginning
- **New Products** - Bio-Thermo temperature sensing microchip, and associated readers
- **2007 Sales:** \$44m
2008 Sales Outlook: \$48m
(60% Livestock, 25% pets, 15% fish & equine)



GPS & Radio Communications Segment

- **Signature Industries Ltd.** – UK based company and global leader since WWII, supplying electronic safety products to 40+ nations (primary supplier to RAF)

- **Well-established brands – SARBE**

mcmurdo



- **SARBE** – widely regarded as global standard in encrypted GPS emergency beacons for military forces

McMurdo – leading supplier of maritime emergency location beacons and navigation devices in Europe

Clifford & Snell – leading UK supplier for hazardous area, fire & security signaling equipment



- **Market drivers** – Worldwide beacon population undergoing upgrades (new satellites)



Major USAF beacon contract competition for 2008 – 2011

Worldwide expansion of recreational safety products

- **2007 Sales:** \$34m

2008 Sales Outlook: \$45m - \$50m

Restructuring

- **Divestiture of non-core assets –**

InfoTech USA, Inc.; Thermo-Life Energy, Corp.; GTI, Inc; PDSC; Perimeter Technology



- **Past attention to diverse legal, structural, and promotional activities**

- **New focus on operations –**

Grow “feet on the street” sales force; remove Washington DC lobbyists

Develop worldwide sales strategy; expand internationally

Direct engineering to DFM and market opportunities

Consolidate corporate overhead functions

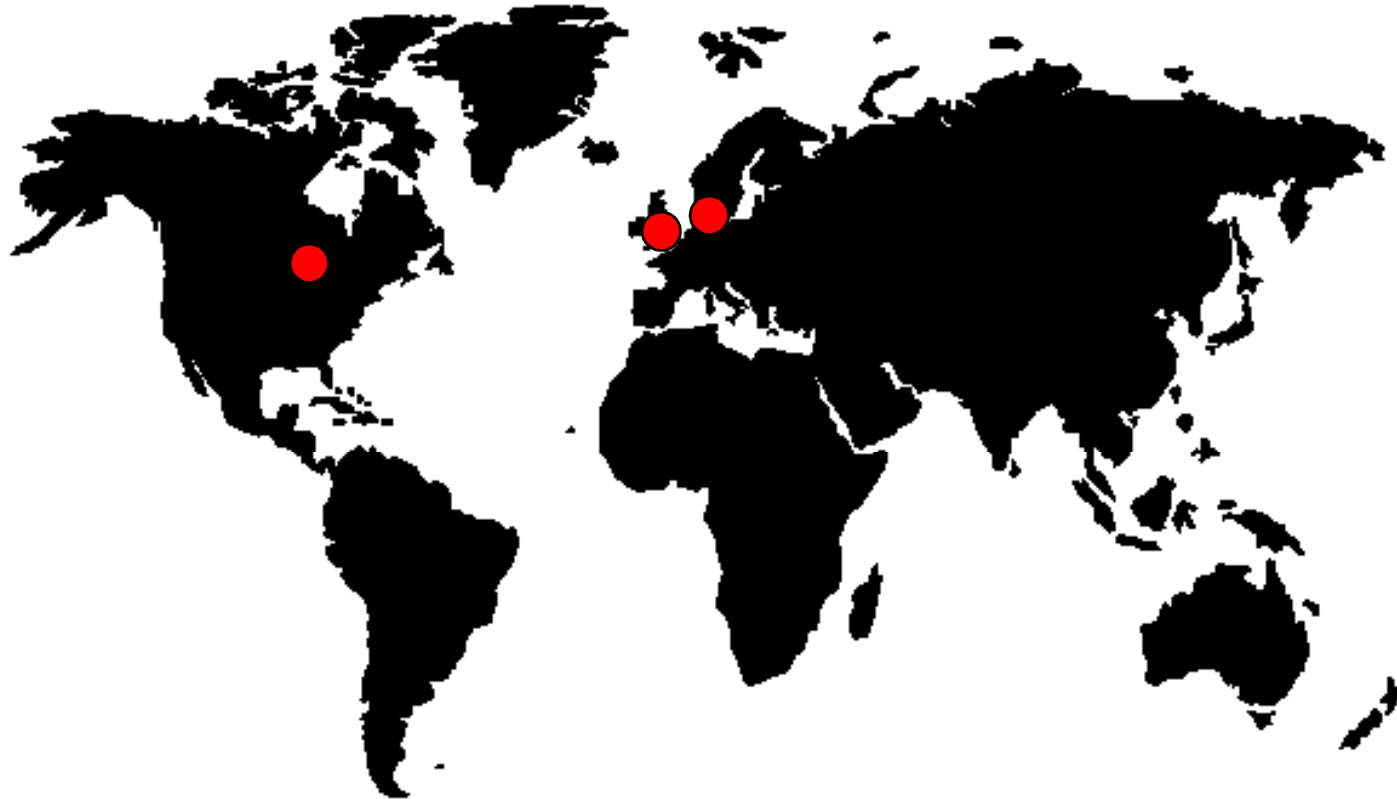
Upgrade operating information systems

Enforce bottoms-up budget that says “no” to unaffordable expenses

MBOs: reward “blocking & tackling,” “hands-on leadership”

Freeze salaries, implement stock-for-pay programs

Current Manufacturing Facilities



Restructuring –

- Transition manufacturing to low-cost countries
- Implement strategic worldwide outsourcing plans

Operating Results & Outlook

(Unaudited)

<i>(\$US millions)</i>	2007 Reported	2007 * Pro- Forma	2008 Outlook
Revenue	\$ 117.4	\$ 77.8	\$93 - \$98
Operating income (loss)	\$ (31.2)	\$ (24.1)	(\$3) - \$0
Depreciation & amortization	\$ 5.1	\$ 2.6	\$ 5.0
EBITDA	\$ (26.1)	\$ (21.5)	\$2 - \$5

* 2007 Pro-forma results & 2008 Outlook include the following business segments:
Animal Applications, GPS & Radio Communications, and Corporate
For more detailed reconciliation of 2007 Pro-forma results, see slide 16

Financial Transition

- **2008 – “Transition year to operating profitability”**

2007 Pro-forma operating income (loss)	(\$24.1m)
2007 merger expenses	\$4.8m
2007 goodwill impairment charge	\$4.6m
2007 CEO severance payments	\$2.5m
2007 litigation expenses	\$1.0m –\$ 2.0m
2008 profits on revenue growth in GPS & Radio	\$2.0m –\$4.0m
2008 cost cuts in Animal Applications	\$4.0m
2008 consolidation savings - corporate overhead	<u>\$2.2m</u>
2008 Operating income (loss) outlook	(\$3.0m) - \$0m

- **2009 & 2010 targets:** The company is implementing a strategic planning process seeking to achieve positive operating income and improved margins beyond 2008 outlook levels
- **Upside potential:** growth from acquisitions; additional restructuring

Core Business – Enterprise Value

- Valuation of DIGA equity -
 - Current number of DIGA shares outstanding: 116m
 - Average closing share price (last 5 trading days): \$0.74
 - Market value of DIGA equity: **\$86m**
- Valuation of minority shares in VeriChip –
 - Current number of CHIP shares outstanding: 10m
 - Average closing share price (last 5 trading days): \$2.69
 - Market value of CHIP equity: \$27m
 - DIGA ownership: 49%
 - Value of minority shares in CHIP: **\$13m**
- Pro-forma equity valuation of Digital Angel (Animal Applications, GPS & Radio): **\$73m**
- Approximate value of Digital Angel's debt (less cash): **\$27m**
- Resulting Enterprise Value of Digital Angel (Animal Applications, GPS & Radio): **\$100m**

Vision & Plans

- **Vision** – become a clear worldwide leader in providing safety related products to the asset tracking and identification industries



- **Plans** –
 - Focus on achieving high returns in market segments that are demonstrating significant growth
 - Restructure and streamline company operations; implementing top-to-bottom cultural changes in 2008
 - Develop a global strategic plan to guide the company's organic and acquisitive growth in 2009 – 2010

Supplementary Information

Reconciliation for slide 12: 2007 Pro-forma operating results

<i>(\$US millions)</i>	Animal Applications Segment	GPS & Radio Segment	Corporate	2007 Unaudited Pro-forma Results
Revenue	\$ 43.8	\$ 34.1	\$ (0.1)	\$ 77.8
Operating income (loss)	\$ (15.7)	\$ 0.3	\$ (8.7)	\$ (24.1)
Depreciation & amortization	\$ 1.6	\$ 0.9	\$ 0.1	\$ 2.6
EBITDA *	\$ (14.1)	\$ 1.2	\$ (8.6)	\$ (21.5)

<i>(\$US millions)</i>	2007 Unaudited Pro-forma Results	Healthcare Segment	Security & Industrial Segment	Advanced Technology Segment	2007 Unaudited Total Results from Continuing Operations
Revenue	\$ 77.8	\$ 23.3	\$ 8.8	\$ 7.5	\$ 117.4
Operating income (loss)	\$ (24.1)	\$ (8.0)	\$ (3.1)	\$ 4.0	\$ (31.2)
Depreciation & amortization	\$ 2.6	\$ 1.9	\$ 0.5	\$ 0.1	\$ 5.1
EBITDA *	\$ (21.5)	\$ (6.1)	\$ (2.6)	\$ 4.1	\$ (26.1)

* EBITDA equals operating income (loss) plus depreciation & 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.