

# Digital Angel Corporation

Third Quarter 2010



November 11, 2010

OTC Bulletin Board: DIGA

# 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; 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.*

# Digital Angel Corporation

## Q3 Operating Analysis

### Q3 2010 vs. Q3 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	Q3 2010	%	Q3 2009	%
Revenue	\$ 9.1	100%	\$ 9.9	100%
Cost of Sales	6.5	71%	6.1	62%
Gross Profit	2.6	29%	3.8	38%
SG&A Expenses	4.3	47%	5.3	54%
R&D Expenses	0.3	3%	0.3	3%
Operating Loss	\$ (2.0)	(21%)	\$ (1.8)	(19%)
D&A	0.8	9%	1.0	10%
EBITDA	\$ (1.2)	(12%)	\$ (0.8)	(9%)

*\*Pro forma as results do not include restructuring, severance, and separation related charges*



# Digital Angel Corporation

## Nine-Month Operating Analysis

### 2010 vs. 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	2010	%	2009	%
Revenue	\$ 28.7	100%	\$ 32.6	100%
Cost of Sales	18.3	64%	20.1	62%
Gross Profit	10.4	36%	12.5	38%
SG&A Expenses	14.0	49%	17.0	52%
R&D Expenses	0.8	3%	0.9	3%
Operating Loss	\$ (4.4)	(16%)	\$ (5.4)	(17%)
D&A	2.4	8%	3.0	9%
EBITDA	\$ (2.0)	(8%)	\$ (2.4)	(8%)

*\*Pro forma as results do not include restructuring, severance, and separation related charges*



# Destron Fearing Corporation

A leading worldwide manufacturer of electronic & visual identification solutions for animals



Destron Fearing™



# Animal ID Segment

## Q3 Operating Analysis

### Q3 2010 vs. Q3 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	Q3 2010	%	Q3 2009	%
Revenue	\$ 7.2	100%	\$ 6.8	100%
Cost of Sales	5.0	69%	4.5	66%
Gross Profit	2.2	31%	2.3	34%
SG&A Expenses	2.5	35%	2.6	38%
R&D Expenses	0.3	4%	0.3	4%
Operating Loss	\$ (0.6)	(8%)	\$ (0.6)	(8%)
D&A	0.7	10%	0.7	10%
EBITDA	\$ 0.1	2%	\$ 0.1	2%

*\*Pro forma as results not including restructuring, severance, and separation related charges.*

*Animal ID SG&A includes the following allocation of Corporate expenses:*

*\$0.5m in 2010 & \$0.5m in 2009.*



# Animal ID Segment

## Nine-Month Operating Analysis

### 2010 vs. 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	2010	%	2009	%
Revenue	\$ 23.6	100%	\$ 23.1	100%
Cost of Sales	15.2	64%	15.4	67%
Gross Profit	8.4	36%	7.7	33%
SG&A Expenses	7.8	33%	9.2	40%
R&D Expenses	0.8	3%	0.9	4%
Operating Loss	\$ (0.2)	(1%)	\$ (2.4)	(10%)
D&A	2.1	9%	2.2	10%
EBITDA	\$ 1.9	8%	\$ (0.2)	(1%)

*\*Pro forma as results not including restructuring, severance, and separation related charges*  
*Animal ID SG&A includes the following allocation of Corporate expenses:*  
*\$1.6m in 2010 & \$1.9m in 2009.*



# Animal ID – Recent Developments



Destron Fearing™

## North America – New Customers, New Products and Increased Sales

### USA

- Continued success using industry partnerships to drive sales and new accounts
- Expansion of RFID products through age & source verification programs - **EID sales up 25%** in N.A
- Increased marketing efforts through tradeshows, sponsored programs & industry events
- New penetration in **Producer Dairy Segment** driven with **introduction of HDX product line**
- **Regained market share** w/ key retail account in Midwest & Southeast Cow/Calf segment

### Canada

- New incentive programs supporting regulated cattle programs
- 2010 YTD sales in Canada increased **28%** year-over-year

## South America – New Customers & Product Qualification

- Peru - Won bid to be official provider of electronic & visual ID products for state run cattle ID program
- Brazil - Destron Fearing named official supplier of electronic ID products for Brazilian Stud Book
- Colombia - Tag approval granted in Q3 via SINIGAN – 25% of 12 month expected sales received

## • Europe – Increased Sale & New Customers

- Finland - Partnership announced in Q2 going strong -- sales up 20%
- Strong sales growth and new customers in Belarus, Russia, Australia, and India



# Animal ID

## Current Environment & Outlook



### Destron Fearing products experiencing improving market conditions:

- Tag volumes and sales up across the board in livestock sector
- Electronic Identification adaption continues – EID Sales have increased 25% year-over-year
- Visual identification sales increased – higher margin product
- Delivery times and customer service key competitive advantage

### Companion Pets Update/Outlook

- LIFECHIP ® in the Mexican and South American markets seeing continued growth
- Additional HomeAgain orders expected in Q4

### Wildlife Segment Update/Outlook

- Strong demand from government agencies continues
- Orders for fish chips increased
- Strong track record of market leadership – this trend is expected to continue
- Several projects are up for tender in Q4 2010

# Emergency ID Segment



Signature Industries

**SARBE<sup>®</sup>**



# Emergency ID Segment Q3 Operating Analysis Q3 2010 vs. Q3 2009

(US \$ in millions) (unaudited)

	Q3 2010	%	Q3 2009	%
Revenue	\$ 1.9	100%	\$ 3.1	100%
Cost of Sales	1.5	79%	1.6	52%
Gross Profit	0.4	21%	1.5	48%
SG&A Expenses	1.8	95%	2.7	87%
R&D Expenses	-	0%	-	0%
Operating Loss	\$ (1.4)	(74%)	\$ (1.2)	(39%)
D&A	0.1	5%	0.3	10%
EBITDA	\$ (1.3)	(69%)	\$ (0.9)	(29%)

*Emergency ID SG&A includes the following allocation of Corporate expenses:  
\$0.3m in 2010 & \$0.3m in 2009.*



# Emergency ID Segment Nine-Month Operating Analysis 2010 vs. 2009

(US \$ in millions) (unaudited)

	2010		2009	
		%		%
Revenue	\$ 5.1	100%	\$ 9.5	100%
Cost of Sales	3.1	61%	4.7	49%
Gross Profit	2.0	39%	4.8	51%
SG&A Expenses	6.2	122%	7.8	82%
R&D Expenses	-	0%	-	0%
Operating Loss	\$ (4.2)	(83%)	\$ (3.0)	(31%)
D&A	0.3	6%	0.8	8%
EBITDA	\$ (3.9)	(77%)	\$ (2.2)	(23%)

*Emergency ID SG&A includes the following allocation of Corporate expenses:  
\$1.1m in 2010 & \$1.3m in 2009.*



# Emergency ID – Recent Developments

**Clifford & Snell:** Second closing completed on November 1, 2010  
Signature Industries received approx. GBP 400K in cash in connection w/ transferring production assets to and completing six-month supply agreement with R. Stahl

**McMurdo:** sale escrow cash to be released later this month

**SARBE:** Sales to military organizations in more than 40 countries

ELTs - Emergency Locator Beacons signal aircraft distress

PLBs - Personal Locator Beacons signal personal distress

- Over \$1 million USD in September / October – strongest in over two years
- Developments on MoD PELS contract continue
- Interest & additional sales for next generation of SARBE Beacon (AAPLB) expected

**Signature Communications:** Scotland-based business engaged in the sale, rental and maintenance of ruggedized, intrinsically-safe handheld two-way radio systems serving offshore oil & gas drilling, construction & shipbuilding customers in the UK

- Business right-sized and generating positive operating cash flow





Destron Fearing™

## Summary

- **Continuing focus on our strong brands, cost saving measures**
- **Reduced debt & improved margins keeping us on track towards profitability**
- **Resources primarily focused on growth of Destron Fearing**
- **Continued Geographic expansion**
- **Continuing to pursue ways to unlock stockholder value**



Signature Industries

**SARBE®**





# USA Today

Monday, October 8, 2010

## Digital Angel Wins Government

SO. ST. PAUL, MN (October 8, 2010) – Digital Angel Corporation (OTCBB: DIGA), an advanced technology company in the field of animal identification and emergency identification solutions, announced today that its subsidiary Destron Fearing has won a bid to supply the Service

cattle ID program. SENASA has selected and approved Destron Fearing to be the official supplier and has awarded the company an initial order for more than 140,000 electronic identification tags. Over the next twelve months, SENASA has

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# Washington

Thursday, October 22, 2010

## Destron Fearing & American

SO. ST. PAUL, MN (October 22, 2010) – Digital Angel Corporation (OTCBB: DIGA), an advanced technology company in the field of animal identification and emergency

# Brazil Da

Thursday, November 1, 2010

## Brazilian Stud Book Se

SO. ST. PAUL, MN (October 12, 2010) Digital Angel Corporation (OTCBB: DIGA), an advanced technology company in the field of animal identification and emergency identification solutions, announced today that its Board of Directors has retained the investment banking firm of AgriCapital Corporation to provide advice on alternative strategies for

the Company. Digital's Board previously announced its intention to engage a financial advisor to provide an independent valuation of the Company to evaluate our expressions of interest in the Company, and to advise the Board on available strategic alternatives for the Company.

# The Daily B

Thursday, October 12, 2010

## DIGITAL ANGEL BOARD

SO. ST. PAUL, MN (October 12, 2010) – Digital Angel Corporation (OTCBB: DIGA), an advanced technology company in the field of animal identification and emergency identification solutions, announced today that its Board of Directors has retained the investment banking firm of AgriCapital Corporation to provide advice on alternative strategies for

the Company. Digital Angel's Board previously announced its intention to engage a financial advisor to provide an independent valuation of the Company, to evaluate outside expressions of interest in the Company, and to advise the Board on all available strategic alternatives for the Company.

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