

# Third Quarter 2009

# Digital Angel Corporation



Destron Fearing™



Signature Industries

**SARBE®**

November 9,  
2009

# 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 press release 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 March 31, 2009, 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.*

## Emergency Identification



- **Global leadership position: maritime, aviation, & personnel**
- **Tracking for search & rescue operations**
- **GPS & satellite radio communications**

## Animal Identification



Destron Fearing™

- **Global leadership position: livestock, pets, & wildlife**
- **Food safety, pet recovery, & environmental protection**
- **RFID & visual identification**

# Digital Angel

## Q3 / Q3 Operating Analysis

### Q3 2009 vs. Q3 2008



(\$US in millions) (unaudited)	Pro forma		Pro forma	
	<u>Q3 2009</u>	<u>%</u>	<u>Q3 2008</u>	<u>%</u>
Revenue	\$ 15.7	100%	\$ 18.8	100%
Cost of sales	9.2	59%	11.7	62%
Gross profit	\$ 6.5	41%	\$ 7.1	38%
SG&A expenses	6.9	44%	8.1	43%
R&D expenses	0.5	3%	0.7	4%
Operating loss	\$ (0.9)	(6%)	\$ (1.7)	(9%)
D&A	1.1	7%	1.3	7%
EBITDA	\$ 0.2	1%	\$ (0.4)	(2%)

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

# Digital Angel

## YTD to Sept. 30 Operating Analysis

### YTD Q3 2009 vs. YTD Q3 2008

(\$US in millions) (unaudited)	Pro forma		Pro forma	
	<u>YTD 2009</u>	<u>%</u>	<u>YTD 2008</u>	<u>%</u>
Revenue	\$ 50.7	100%	\$ 62.0	100%
Cost of sales	29.9	59%	38.6	62%
Gross profit	 \$ 20.8	41%	\$ 23.4	38%
SG&A expenses	21.6	43%	26.3	42%
R&D expenses	1.4	3%	2.3	4%
Operating loss	\$ (2.2)	(5%)	\$ (5.2)	(8%)
D&A	3.3	7%	3.7	6%
EBITDA	 \$ 1.1	2%	\$ (1.5)	(2)%

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

# Animal ID Segment



# Destron Fearing

## Animal ID - Recent Developments



- Increased concern about food safety in U.S. and abroad; movement towards more government mandates, e.g. sheep in EU, cattle in Brazil
- Industry broadly expecting to see continuing transition from visual ID tags to electronic
- Destron Fearing participated in AGRI-Trace 2009 in Winnipeg; Animal ID Expo in Kansas City; ASTM (American Society for Testing and Materials) meeting in Kansas City during Expo on RFID performance standards
- Gross margins jump from 22% in Q3 2008 to 34% in Q3 2009 – continuing impact of 2008 restructuring
- Result: Despite lower sales, narrowed our losses significantly on the operating line, and realized \$0.1 million on the EBITDA line for Q3

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# Animal ID

## Q3 / Q3 Operating Analysis

### Q3 2009 vs. Q3 2008

(\$US in millions) (unaudited)	Pro-forma		Pro-forma	
	Q3 2009	%	Q3 2008	%
Revenue	\$ 6.8	100%	\$ 8.2	100%
Cost of sales	4.5	66%	6.4	78%
Gross profit 	\$ 2.3	34%	\$ 1.8	22%
SG&A expenses	2.6	38%	3.4	41%
R&D expenses	0.3	4%	0.5	6%
Operating loss	\$ (0.6)	(8%)	\$ (2.1)	(26%)
D&A	0.7	10%	0.9	11%
EBITDA 	\$ 0.1	2%	\$ (1.2)	(15%)

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



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

*\$0.5m in Q3 2009 & \$1.0m in Q3 2008.*

# Animal ID

## YTD to Sept. 30 Operating Analysis

### YTD Q3 2009 vs. YTD Q3 2008

(\$US in millions) (unaudited)	Pro-forma		Pro-forma	
	YTD 2009	%	YTD 2008	%
Revenue	\$ 23.1	100%	\$ 29.6	100%
Cost of sales	15.4	67%	21.5	73%
Gross profit 	\$ 7.7	33%	\$ 8.1	27%
SG&A expenses	9.2	40%	11.9	40%
R&D expenses	0.9	4%	1.4	5%
Operating loss	\$ (2.4)	(11%)	\$ (5.2)	(18%)
D&A	2.2	10%	2.8	9%
EBITDA 	\$ (0.2)	(1%)	\$ (2.4)	(9%)

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

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

*\$1.9m in YTD Q3 2009 & \$3.5m in YTD Q3 2008.*

# Animal ID

## Livestock Global Market Growth Opportunity

- Total ID tag sales, both visual and electronic, estimated to grow from about \$457 million in 2009 to \$1.4 billion in 2013
- Electronic ID tag sales estimated to grow from \$155 million in 2009 to \$886 million in 2013
- Total global livestock tags sold currently estimated at 400-500 million annually – cattle, pigs, sheep, goats
  - US – 97 million cattle; roughly 50% tagged
  - EU – 87 million cattle; roughly 80% tagged
  - Brazil – 187 million cattle; roughly 20% tagged
  - Today 90-95% of tags sold are visual. Huge room for growth of electronic ID tags and readers

*Sources: Altair Management Consultants, industry participant estimates*



# Animal ID Market Drivers

## Livestock

- **Legislation / Mandates**
  - Sheep & goats in EU 2010
  - Growing momentum in US for traceability
  - Brazil mandates full cattle traceability program within 2 years
- **Disease control – tracing outbreaks**
- **Food Safety – “farm to fork” traceability**
- **Herd Management & Productivity**
  - Trend to larger corporate operations, especially in pork
  - New database service offerings
  - Asset management – livestock as debt collateral
- **New Technology**
  - Longer read-range tags
  - DNA sampling
  - Temperature and other bio-sensing



# Animal ID Market Drivers

## Companion Animals

**Global Companion Animal ID Market Estimated Annual Growth Rate 15%**

- **Legislation / Mandates**
  - EU: mandatory pet passports
  - New mandates being considered for horses in Canada, EU, Mexico
  - Local legislation, e.g., Los Angeles county, 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 – further penetration: only about 10% of pets now have microchips
  - Latin America
  - Asia: Japan, Korea, India



# Animal ID

## Destron Fearing Market Share and Growth Opportunities

**Destron Fearing Estimated Livestock Market Share in North America:**

**US – No government mandate. Estimated market size for tags \$64 million. DF market share 10-15%**

**Canada – Government mandate; Destron Fearing approved to participate. Estimated market size for tags \$6-7 million. DF market share 25-30%**

**Growth opportunities:**

- **New Product Development and Rollout – rTag , UK sheep tag – longer read ranges**
  - Quicker time to market for new products; More emphasis on R&D
- **Enhanced marketing & sales**
  - Develop Latin America business
  - Further geographic expansion into Pacific markets, e.g. Australia, NZ, SE Asia, via new distribution agreements
- **Acquisition Strategy**
  - Potential targets identified across all segment niches
    - - Livestock
    - - Companion Pets
    - - Fish & Wildlife
    - - Biometrics & testing companies

» Sources: US and Canadian government data; CattleFax, industry participant estimates



# Emergency ID Segment



Signature Industries

# SARBE<sup>®</sup>



# Emergency ID / SARBE Recent Developments



- **Sale of McMurdo expected to close November 20**
- **SARBE PELS Contract with UK Ministry of Defense**
  - Expect to complete contract Q4 2009 – Q1 2010
- **Total Segment revenues £18,060k YTD 2009 vs. £16,712k YTD 2008 or 8.1% growth**
- **SARBE beacon sales £4,524k YTD 2009 vs. £3,323k YTD 2008, or 36.1% growth**
- **Achieved positive EBITDA of \$0.1m in Q3 2009; \$1.3 million YTD 2009**

# Emergency ID

## Q3 / Q3 Operating Analysis

### Q3 2009 vs. Q3 2008

*(\$US in millions)*

*(unaudited)*

	<u>Q3 2009</u>	<u>%</u>	<u>Q3 2008</u>	<u>%</u>
Revenue	\$ 8.9	100%	\$ 10.6	100%
Cost of sales	4.7	53%	5.3	50%
Gross profit	\$ 4.2	47%	\$ 5.3	50%
SG&A expenses	4.3	48%	4.7	44%
R&D expenses	0.2	2%	0.2	2%
Operating income / (loss)	\$ (0.3)	(3)%	\$ 0.4	4%
D&A	0.4	4%	0.4	4%
EBITDA	\$ 0.1	1%	\$ 0.8	8%

*Emergency ID SG&A includes allocation of Corporate segment expenses:*

*\$0.3m in Q3 2009 & \$0.6m in Q3 2008.*

# Emergency ID

## YTD to Sept. 30 Operating Analysis

### YTD Q3 2009 vs. YTD Q3 2008

(\$US in millions)  
(unaudited)

	<u>YTD 2009</u>	<u>%</u>	<u>YTD 2008</u>	<u>%</u>
Revenue	\$ 27.6	100%	\$ 32.4	100%
Cost of sales	14.5	53%	17.1	53%
Gross profit	\$ 13.1	47%	\$ 15.3	47%
SG&A expenses	12.4	45%	14.4	44%
R&D expenses	0.5	2%	0.9	3%
Operating income	\$ 0.2	0%	\$ ---	(0%)
D&A	1.1	4%	0.9	3%
EBITDA	\$ 1.3	4%	\$ 0.9	3%



*Emergency ID SG&A includes allocation of Corporate segment expenses:  
\$1.3m in YTD Q3 2009 & \$2.3m in YTD Q3 2008.*

# Emergency ID Outlook

- **SARBE**
  - Expect to complete PELS contract in Q1 2010
  - Continued interest in new generation AAPLBs
- **Other Signature Industries Limited Businesses**
  - Look to position Clifford & Snell and Signature Communications for maximization of value
- **Margins set to improve with new outsourcing arrangements**
- **Beginning in Q4 2009 we will be showing McMurdo as a discontinued operation**





Destron Fearing™

## Summary

- **Responding to continued challenges in the world economy by focusing on our strong brands, cost saving measures**
- **Sale of McMurdo enables balance sheet improvement**
- **Continuing to pursue ways to “unlock” stockholder value**



Signature Industries

**SARBE®**

**Digital Angel Corporation**  
**Supplementary Financial Information**

(in millions) (preliminary & unaudited)

	Three Months Ended September 30, 2009			Nine Months Ended September 30, 2009		
	Animal Identification	Emergency Identification	Consolidated Digital Angel	Animal Identification	Emergency Identification	Consolidated Digital Angel
Revenue	\$ 6.8	\$ 8.9	\$ 15.7	\$ 23.1	\$ 27.6	\$ 50.7
EBITDA* (Before Restructuring/Impairment Charge)	\$ 0.6	\$ 0.4	\$ 1.0	\$ 1.7	\$ 2.6	\$ 4.3
Corporate Segment Allocation	0.5	0.3	0.8	1.9	1.3	3.2
Pro Forma EBITDA	\$ 0.1	\$ 0.1	\$ 0.2	\$ (0.2)	\$ 1.3	\$ 1.1
Depreciation & Amortization	0.7	0.4	1.1	2.2	1.1	3.3
Pro Forma Operating (Loss) Income	\$ (0.6)	\$ (0.3)	\$ (0.9)	\$ (2.4)	\$ 0.2	\$ (2.2)
Restructuring Charges/Impairments			(0.2)			(0.4)
Reported Operating Loss			\$ (1.1)			\$ (2.6)

	Three Months Ended September 30, 2008			Nine Months Ended September 30, 2008		
	Animal Identification	Emergency Identification	Consolidated Digital Angel	Animal Identification	Emergency Identification	Consolidated Digital Angel
Revenue	\$ 8.2	\$ 10.6	\$ 18.8	\$ 29.6	\$ 32.4	\$ 62.0
EBITDA* (Before Restructuring/Impairment Charge)	\$ (0.2)	\$ 1.4	\$ 1.2	\$ 1.1	\$ 3.2	\$ 4.3
Corporate Segment Allocation	1.0	0.6	1.6	3.5	2.3	5.8
Pro Forma EBITDA	\$ (1.2)	\$ 0.8	\$ (0.4)	\$ (2.4)	\$ 0.9	\$ (1.5)
Depreciation & Amortization	0.9	0.4	1.3	2.8	0.9	3.7
Pro Forma Operating (Loss) Income	\$ (2.1)	\$ 0.4	\$ (1.7)	\$ (5.2)	\$ -	\$ (5.2)
Restructuring Charges/Impairments			(25.5)			(33.1)
Reported Operating Loss			\$ (27.2)			\$ (38.3)

\* 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.

# Lancaster J

November 6, 2009

## Ohio favors livestock standa

A referendum that would create a livestock standards board in Ohio passed by a decisive vote on Tuesday.

Voters in the Buckeye State voted 64 percent to

to the Humane Society of the United States (HSUS) which had targeted the state for more sweeping reforms of its animal welfare standards.

Of the 88 counties

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# Stock and B

October 30, 2009

## Brazil to trace all cattle

THE BRAZILIAN upper house has approved a bill of law which will enforce a simpler and more affordable, compulsory, traceability system

bureaucratic and not profitable, given its high costs and low price mark-ups over non-traced

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# CNN

November 3, 2009

## 2 dead, 28 sick fi

New York (CNN) -- Two people have died and 28 people have fallen ill with matching strains of E. coli after an outbreak in ground beef, the Centers for Disease Control and Prevention said.

Sixteen of those people are in hospitals and three have developed kidney failure as a result of the contamination, the CDC

said la The U Agric last v Fams York, than b of fr produ contain of E. deadl

# LA Times

October 22, 2009

## FDA Chief backs food safety

Reporting from Washington - Food and Drug Administration Commissioner Margaret Hamburg on Thursday strongly endorsed legislation that would give her agency new tools to improve food safety, but she warned that Congress

But the changes would require significant additional manpower and costly new computer

quality standards, Ren follo imp The that rela the beh of a

# Reuters

November 5, 2009

## FDA, USDA holds traceabili

The U.S. Food and Drug Administration (FDA) and the U.S. Department of Agriculture's (USDA's) Food Safety and Inspection Service announced yesterday that the agencies will hold a joint public meeting on improving the federal system for tracing unsafe food products back to their source.

"Recognizing the need to

increase the speed and accuracy of traceback investigations and traceforward operations, both agencies are building on existing efforts by seeking public input," said the agencies in a news release. The agencies hope that public input will help identify gaps and provide meaningful suggestions for improvement.

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