

# Digital Angel Corporation

Second Quarter 2010



August 12, 2010

NASDAQ: DIGA

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.*

# Digital Angel Corporation

## Q2 Operating Analysis

### Q2 2010 vs. Q2 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	Q2 2010	%	Q2 2009	%
Revenue	\$ 8.7	100%	\$ 10.3	100%
Cost of Sales	5.5	63%	6.4	62%
Gross Profit	3.2	37%	3.9	38%
SG&A Expenses	4.7	54%	5.5	53%
R&D Expenses	0.2	2%	0.3	3%
Operating Loss	\$ (1.7)	-19%	\$ (1.9)	-18%
D&A	0.8	9%	0.9	9%
EBITDA	\$ (0.9)	-10%	\$ (1.0)	-9%

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

# Digital Angel Corporation

## Six-Month Operating Analysis

### 2010 vs. 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	2010	%	2009	%
Revenue	\$ 19.6	100%	\$ 22.7	100%
Cost of Sales	11.8	60%	14.1	62%
Gross Profit	7.8	40%	8.6	38%
SG&A Expenses	9.8	50%	11.6	51%
R&D Expenses	0.5	3%	0.6	3%
Operating Loss	\$ (2.5)	-13%	\$ (3.6)	-16%
D&A	1.6	8%	1.9	8%
EBITDA	\$ (0.9)	-5%	\$ (1.7)	-8%

\*Pro forma 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 Q2 Operating Analysis Q2 2010 vs. Q2 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	Q2 2010	%	Q2 2009	%
Revenue	\$ 7.4	100%	\$ 7.5	100%
Cost of Sales	4.8	65%	4.9	65%
Gross Profit	2.6	35%	2.6	35%
SG&A Expenses	➡ 2.5	34%	3.1	41%
R&D Expenses	0.2	3%	0.3	4%
Operating Loss	\$ (0.1)	-2%	\$ (0.8)	-10%
D&A	0.7	9%	0.7	9%
EBITDA	➡ \$ 0.6	7%	\$ (0.1)	-1%

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

Animal ID SG&A includes the following allocation of Corporate expenses: \$0.5m in 2010 & \$0.6m in 2009.

# Animal ID Segment Six Month Operating Analysis 2010 vs. 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	2010	%	2009	%
Revenue	\$ 16.4	100%	\$ 16.3	100%
Cost of Sales	10.2	62%	10.9	67%
Gross Profit	6.2	38%	5.4	33%
SG&A Expenses	5.4	33%	6.5	40%
R&D Expenses	0.5	3%	0.6	4%
Operating Income (Loss)	\$ 0.3	2%	\$ (1.7)	-11%
D&A	1.4	9%	1.5	9%
EBITDA	\$ 1.7	11%	\$ (0.2)	-2%

\*Pro forma results do not include restructuring, severance, and separation related charges  
Animal ID SG&A includes the following allocation of Corporate Expenses: \$1.1m in 2010 & \$1.4m in 2009.

# Animal ID – Recent Developments



Destron Fearing™

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

Dairy Farmers of America – New Agreement for Destron Fearing. Exclusive provider of animal ID tags to 17,000 members. Distributed and sold through Eagle Supply Company

American Angus Association – Three year agreement for exclusivity in place since Fall 2009. Sales continue to grow – 80% of orders delivered in 3 days or less

DHIA Michigan – commitment of an estimated 1500 HDX tags per week announced in Q1 has been granted with the recent USDA approval of Destron Fearing HDX tags.

Canada – New regulations as of July, 2010, require all cattle be tagged w/ EID prior to be transported

- 6 month sales have increased by 30% – additional market share and sales growth expected in 2010

## Europe – New Regulation, Product Qualification, & Increased Sales

UK / Ireland - New regulations requiring sheep born after 12/31/09 to be tagged w/ EID.

- 6 month sales have more than doubled year-over-year - continued growth expected

Finland – New market with massive potential. Partnership with ID-Import and NeuroCattle

- **DF Readers** were qualified for sale in Q4 '09 – steady quarterly sales growth continues
- **DF Electronic id tags** qualified in Q2 for cattle and sheep – Sales to begin for Q3

Lithuania - Registered as an official supplier to provide equine transponders – 1st order received

Netherlands - New regulations requiring sheep to be tagged w/ EID as of 1/1/2010

- 6 month sales have doubled year-over-year - continued growth expected

Iceland - Sales of Lifechip increased - New law passed that all horses need to be tagged

# Animal ID

## Current Environment & Outlook



### Destron Fearing products experiencing improving market conditions:

- Positive Electronic Identification adaption seen – EID Sales have increased 15% year-over-year
- Destron Fearing's investment in electronics technology continues to be a competitive advantage
- Increase in herd sizes from '09 lows – USDA May export data: beef/pork up 25% year-over-year
- Increasing worldwide regulation
- New product development

### Companion Pets Update/Outlook

- Schering Plough contract extended in June for our Companion Pet business in the USA
- Market for HomeAgain® products continues to grow steadily
- LIFECHIP ® in the Mexican Market seeing continued growth

### Wildlife Segment Update/Outlook

- Strong demand from government agencies continues – orders received in Q2 for Q3
- Preparing for several new large projects that are up for tender in second half of 2010
- Strong track record of market leadership – this trend is expected to continue

# Emergency ID Segment



Signature Industries

# SARBE<sup>®</sup>

Digital Angel<sup>®</sup>

# Emergency ID Segment Q2 Operating Analysis Q2 2010 vs. Q2 2009

(US \$ in millions) (unaudited)

	Q2 2010	%	Q2 2009	%
Revenue	\$ 1.3	100%	\$ 2.8	100%
Cost of Sales	0.7	54%	1.5	54%
Gross Profit	0.6	46%	1.3	46%
SG&A Expenses	2.2	169%	2.4	86%
R&D Expenses	-	0%	-	0%
Operating Loss	\$ (1.6)	-123%	\$ (1.1)	-40%
D&A	0.1	8%	0.2	7%
EBITDA	\$ (1.5)	-115%	\$ (0.9)	-33%

Emergency ID SG&A includes the following allocation of Corporate Expenses: \$0.4m in 2010 & \$0.4m in 2009.

# Emergency ID Segment Six Month Operating Analysis 2010 vs. 2009

(US \$ in millions) (unaudited)

	2010	%	2009	%
Revenue	\$ 3.2	100%	\$ 6.4	100%
Cost of Sales	1.6	50%	3.2	50%
Gross Profit	1.6	50%	3.2	50%
SG&A Expenses	4.4	138%	5.1	80%
R&D Expenses	-	0%	-	0%
Operating Loss	\$ (2.8)	-88%	\$ (1.9)	-30%
D&A	0.2	6%	0.4	6%
EBITDA	\$ (2.6)	-82%	\$ (1.5)	-24%

Emergency ID SG&A includes the following allocation of Corporate Expenses: \$0.8m in 2010 & \$1.0m in 2009.

# Emergency ID – Recent Developments



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

ELTs - Emergency Locator Beacons signal aircraft distress

PLBs - Personal Locator Beacons signal personal distress

- Progress on key milestones for UK Ministry of Defense (MOD) Contract continues
- Interest & additional sales expected for next generation of SARBE Beacon (AAPLB)

## **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



- Reduced corporate spending now tending to favor higher-margin rental contracts
- Recent drilling shutdowns post Deepwater Horizon spill seen creating pent-up demand in second half of 2010



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**
- **Animal ID industry environment improving following historic lows in herd sizes**
- **Continuing to pursue ways to unlock stockholder value**



Signature Industries

**SARBE®**

Digital Angel®

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

	Three Months Ended June 30, 2010			Six Months Ended June 30, 2010		
	Animal Identification	Emergency Identification	Consolidated Digital Angel	Animal Identification	Emergency Identification	Consolidated Digital Angel
Revenue	\$ 7.4	\$ 1.3	\$ 8.7	\$ 16.4	\$ 3.2	\$ 19.6
EBITDA* (Before Restructuring, Severance, & Separation Expense)	\$ 1.1	\$ (1.1)	\$ -	\$ 2.8	\$ (1.8)	\$ 1.0
Corporate Allocation	0.5	0.4	0.9	1.1	0.8	1.9
Pro Forma EBITDA	\$ 0.6	\$ (1.5)	\$ (0.9)	\$ 1.7	\$ (2.6)	\$ (0.9)
Depreciation & Amortization	0.7	0.1	0.8	1.4	0.2	1.6
Pro Forma Operating Income (Loss)	\$ (0.1)	\$ (1.6)	\$ (1.7)	\$ 0.3	\$ (2.8)	\$ (2.5)
Restructuring Charges/Impairments			(1.1)			(1.2)
Reported Operating Loss			\$ (2.8)			\$ (3.7)

	Three Months Ended June 30, 2009			Six Months Ended June 30, 2009		
	Animal Identification	Emergency Identification	Consolidated Digital Angel	Animal Identification	Emergency Identification	Consolidated Digital Angel
Revenue	\$ 7.5	\$ 2.8	\$ 10.3	\$ 16.3	\$ 6.4	\$ 22.7
EBITDA* (Before Restructuring, Severance, & Separation Expense)	\$ 0.5	\$ (0.5)	\$ -	\$ 1.2	\$ (0.5)	\$ 0.7
Corporate Allocation	0.6	0.4	1.0	1.4	1.0	2.4
Pro Forma EBITDA	\$ (0.1)	\$ (0.9)	\$ (1.0)	\$ (0.2)	\$ (1.5)	\$ (1.7)
Depreciation & Amortization	0.7	0.2	0.9	1.5	0.4	1.9
Pro Forma Operating Loss	\$ (0.8)	\$ (1.1)	\$ (1.9)	\$ (1.7)	\$ (1.9)	\$ (3.6)
Restructuring Charges/Impairments			(0.3)			(0.3)
Reported Operating Loss			\$ (2.2)			\$ (3.9)

\* 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.

# The Star

Friday, June 18, 2010

## ...Bovine Tuberculosis: Disease

PUEBLO, Colo. — The federal approach to monitoring and containing bovine tuberculosis is changing just in time for the state of Colorado.

Cattlemen packed into the animal health and welfare committee meeting during the Colorado Cattlemen's Association annual convention earlier this week to hear the latest on a case of four cows at a Colorado dairy confirmed

cause for concern because it threatens the state's TB-free status and leads to onerous disease testing requirements and trade restrictions. Once a state loses its TB free status, the process of upgrading its health status can take years.

New Mexico, along with Michigan, Minnesota and California, all had their TB status threatened in recent months when cases

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April 5, 2010

# The American

## Optimism, concern mixed for

to state and tribal nation officials to decide how to meet USDA's minimum requirements.

# The Washington

August 3, 2010

## Animal Disease Prevention C

posing new challenges to animal disease prevention and control, the UN agency warns.

Food safety officials said Wednesday they are investigating how a bull from the embryo of a cloned U.S. cow came to be slaughtered and eaten in Britain, where farmers must apply to sell such meat. They're also investigating whether milk from a cow bred from a clone made its way into the food chain.

Britain's Food Standards Agency and leading scientists say there are no safety con

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# The Ledger

Tuesday, June 16, 2010

## Officials see rise of bovine T

FRANKFORT -- Testing will soon be under way to determine the extent of bovine tuberculosis after two beef cattle in a Fleming County herd tested positive for the disease.

The Office of the State Veterinarian and the U.S. Department of Agriculture are working together on the situation and were formulating a plan of how to proceed with the testing process as of late last week, according to Ted Sloan, a spokesperson for the Kentucky Department of Agriculture.

The disease was discovered last month

when a cow was slaughtered in a Pennsylvania plant and tested positive, according to State Veterinarian Robert C. Stout. The rest of the herd was tested, and two other cattle were suspected of having the disease. The USDA purchased the two animals and had them slaughtered and necropsies performed. One had a suspicious lesion and tested positive for bovine tuberculosis.

Authorities are waiting on the results of tests on a third animal, which could take up to 10 weeks, officials said. The three animals did not en

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# The Daily T

Tuesday, August 3, 2010

## Cloned Beef Flap Spreads A

News that meat and milk from the offspring of cloned cattle — illegal to sell here without proper authorization — may have made their way into the U.K. food chain has set hands wringing in Britain, a country still sensitive from its experience with mad cow disease.

And while scientists made the rounds of breakfast TV shows to that assure consumers that the products were safe, the flap illustrates what industry-watchers say are the pressures and regulatory loopholes pushing meat taken from the progeny of clones and genetically engineered

foods into the European market, whether citizens like it or not — or even know about it.

Food safety officials said Wednesday they are investigating how a bull from the embryo of a cloned U.S. cow came to be slaughtered and eaten in Britain, where farmers must apply to sell such meat. They're also investigating whether milk from a cow bred from a clone made its way into the food chain.

Britain's Food Standards Agency and leading scientists say there are no safety con

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Land use, climate change, and expanding trade are all