

Digital Angel Corporation

First Quarter 2010



May 13, 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

Q1 Operating Analysis

Q1 2010 vs. Q1 2009

(US \$ in millions) (unaudited)

	Pro forma*			
	<u>Q1 2010</u>	<u>%</u>	<u>Q1 2009</u>	<u>%</u>
Revenue	\$ 12.3	100%	\$ 13.9	100%
Cost of sales	7.0	57%	8.4	60%
Gross profit	 \$ 5.3	43%	\$ 5.5	40%
SG&A expenses	5.4	44%	6.5	47%
R&D expenses	0.3	2%	0.3	2%
Operating loss	\$ (0.4)	(3%)	\$ (1.3)	(9%)
D&A	0.8	7%	1.0	7%
EBITDA	 \$ 0.4	4%	\$ (0.3)	(2)%



*Pro forma, as results do not include severance related charges in Q1 2010.

Digital Angel Corporation

Sequential Quarterly Operating Analysis

Q1 2010 vs. Q4 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	Q1 2010	%	Q4 2009	%
Revenue	\$ 12.3	100%	\$ 11.4	100%
Cost of sales	7.0	57%	6.5	57%
Gross profit	 \$ 5.3	43%	\$ 4.9	43%
SG&A expenses	5.4	44%	5.9	52%
R&D expenses	0.3	2%	0.4	4%
Operating loss	\$ (0.4)	(3%)	\$ (1.4)	(13%)
D&A	0.8	7%	1.1	10%
EBITDA	 \$ 0.4	4%	\$ (0.3)	(3)%

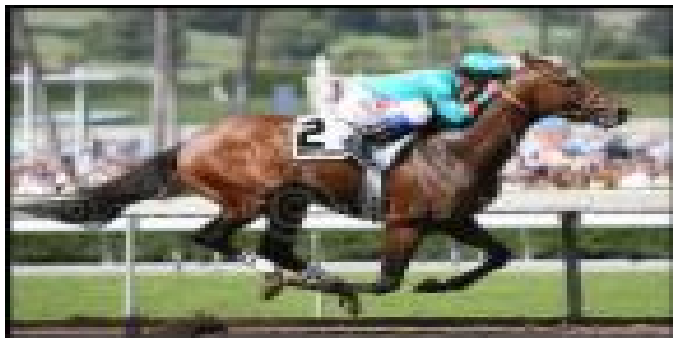
**Pro forma, as results do not include restructuring, severance, or asset impairment charges.*

Destron Fearing Corporation

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



Livestock



Equine



Destron Fearing™



Companion Pets



Wildlife



Digital Angel®

Animal ID Segment

Q1 Operating Analysis

Q1 2010 vs. Q1 2009

(US \$ in millions) (unaudited)

	Pro forma*			
	<u>Q1 2010</u>	<u>%</u>	<u>Q1 2009</u>	<u>%</u>
Revenue	\$ 9.0	100%	\$ 8.8	100%
Cost of sales	5.4	60%	6.0	68%
Gross profit 	\$ 3.6	40%	\$ 2.8	32%
SG&A expenses	2.8	31%	3.4	39%
R&D expenses	0.3	3%	0.3	3%
Operating income (loss)	\$ 0.5	6%	\$ (0.9)	(10%)
D&A	0.7	8%	0.8	9%
EBITDA 	<u>\$ 1.2</u>	<u>14%</u>	<u>\$ (0.1)</u>	<u>(1%)</u>

**Pro forma, as results do not include severance related charges in Q1 2010.*

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

\$0.6m in Q1 2010 & \$0.8m in Q1 2009.

Animal ID Segment

Sequential Quarterly Operating Analysis

Q1 2010 vs. Q4 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	Q1 2010	%	Q4 2009	%
Revenue	\$ 9.0	100%	\$ 7.7	100%
Cost of sales	5.4	60%	4.7	61%
Gross profit	\$ 3.6	40%	\$ 3.0	39%
SG&A expenses	2.8	31%	2.4	31%
R&D expenses	0.3	3%	0.4	5%
Operating income	\$ 0.5	6%	\$ 0.2	3%
D&A	0.7	8%	0.8	10%
EBITDA	\$ 1.2	14%	\$ 1.0	13%

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

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

\$0.6m in Q1 2010 & \$0.2m in Q4 2009.

Animal ID

Livestock Recent Developments



- USA – New Customers and Increased Sales
 - Adams Land and Cattle – Purchased 60k EID tags in April
 - 101 Livestock in California – New customer previous with Allflex. Annual projections 10k tags/yr
 - American Angus Association continue to grow – 90% of orders delivered in 3 days or less
 - Guess Cattle Calf Ranch – 10k tags ordered in March additional order expected in May
 - DHIA Michigan – commitment of 1500HDX tags per week once USDA approval is granted
 - K&K Dealer segment continue to provide gains in market share
 - Contract awarded by U.S. Army Corps of Engineers for PIT fish chips
- Europe – New Regulation, Product Qualification, & Increased Sales
 - Iceland has new law requiring the micro chipping of horses – estimated market of 30k to 40k horses
 - Destron Fearing eartags now qualified in Sweden – sales expected in Q3 2010
 - Won tender for cattle tags in Croatia – 1 of only 5 suppliers approved for 2 years
 - Won tender for electronic sheep ear tags in Hungary – 1 of only 5 suppliers approved
 - CSL UK – Confirmed 500k fold over tag order for \$275k over 6 – 9 months
 - Received order for an additional 80k Duflex® Littermax tags from an existing Australian customer



Animal ID

Current Environment & Outlook



Destron Fearing products experiencing improving market conditions:

- Improved margins in 2009 reflect savings from restructuring actions
- Destron Fearing's investment in electronics technology should become a competitive advantage as producers add RFID to their operations
- Herd sizes increasing from 70 year lows
- Market forces and increasing worldwide regulation

Companion Pets Update/Outlook

- Market for HomeAgain[®] products growing steadily.
- LIFECHIP[®] in Mexican Markets seeing continued growth.
- Companion Animal partner D4 in Brazil is ahead of annual plan by **20%**
- Schering Plough relationship continues as foundation for our Companion Pet business in the USA

Wildlife Segment Update/Outlook

- Strong demand from government agencies
- Contract from U.S. Army Corps of Engineers for PIT fish chips awarded in March

Emergency ID Segment



Signature Industries

SARBE®

Digital Angel®

Emergency ID Segment Q1 Operating Analysis Q1 2010 vs. Q1 2009

(US \$ in millions) (unaudited)

	Pro forma*			
	<u>Q1 2010</u>	<u>%</u>	<u>Q1 2009</u>	<u>%</u>
Revenue	\$ 3.3	100%	\$ 5.1	100%
Cost of sales	1.6	48%	2.4	47%
Gross profit	\$ 1.7	52%	\$ 2.7	53%
SG&A expenses	2.6	79%	3.1	61%
R&D expenses	—	0%	—	0%
Operating loss	\$ (0.9)	(27%)	\$ (0.4)	(8%)
D&A	0.1	3%	0.2	4%
EBITDA	\$ (0.8)	(24%)	\$ (0.2)	(4%)

**Pro forma, as results do not include severance related charges in Q1 2010.
Emergency ID SG&A includes the following allocation of Corporate expenses:
\$0.4m in Q1 2010 & \$0.6m in Q1 2009.*

Emergency ID Segment Sequential Quarterly Operating Analysis Q1 2010 vs. Q4 2009

(US \$ in millions) (unaudited)

	Pro forma*		Pro forma*	
	<u>Q1 2010</u>	<u>%</u>	<u>Q4 2009</u>	<u>%</u>
Revenue	\$ 3.3	100%	\$ 3.7	100%
Cost of sales	1.6	48%	1.8	49%
Gross profit	\$ 1.7	52%	\$ 1.9	51%
SG&A expenses	2.6	79%	3.5	95%
R&D expenses	—	0%	—	0%
Operating loss	\$ (0.9)	(27%)	\$ (1.6)	(44%)
D&A	0.1	3%	0.3	8%
EBITDA	\$ (0.8)	(24%)	\$ (1.3)	(36%)



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

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

\$0.4m in Q1 2010 & \$0.2m in Q4 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



- **Signature Communications**:
Handheld radio leasing services for offshore oil & gas operations, construction, and shipbuilding industries in the UK and Scotland



- **Clifford & Snell** – Sold on April 30 for £2.3 million in cash; received first payment of about \$1.7 million on closing after debt repayment, closing costs, a reserve for a second closing payment, and amounts held in escrow.



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 March 31, 2010			Three Months Ended December 31, 2009		
	Animal Identification	Emergency Identification	Consolidated Digital Angel	Animal Identification	Emergency Identification	Consolidated Digital Angel
Revenue	\$ 9.0	\$ 3.3	\$ 12.3	\$ 7.7	\$ 3.7	\$ 11.4
EBITDA* (Before Restructuring, Severance, & Impairment Charge)	\$ 1.8	\$ (0.4)	\$ 1.4	\$ 1.2	\$ (1.1)	\$ 0.1
Corporate Allocation	0.6	0.4	1.0	0.2	0.2	0.4
Pro Forma EBITDA	\$ 1.2	\$ (0.8)	\$ 0.4	\$ 1.0	\$ (1.3)	\$ (0.3)
Depreciation & Amortization	0.7	0.1	0.8	0.8	0.3	1.1
Pro Forma Operating Income (Loss)	<u>\$ 0.5</u>	<u>\$ (0.9)</u>	<u>\$ (0.4)</u>	<u>\$ 0.2</u>	<u>\$ (1.6)</u>	<u>\$ (1.4)</u>
Restructuring Charges/Impairments			(0.1)			(7.6)
Reported Operating Loss			<u>\$ (0.5)</u>			<u>\$ (9.0)</u>

	Three Months Ended March 31, 2009		
	Animal Identification	Emergency Identification	Consolidated Digital Angel
Revenue	\$ 8.8	\$ 5.1	\$ 13.9
EBITDA* (Before Restructuring, Severance, & Impairment Charge)	\$ 0.7	\$ 0.4	\$ 1.1
Corporate Allocation	0.8	0.6	1.4
Pro Forma EBITDA	\$ (0.1)	\$ (0.2)	\$ (0.3)
Depreciation & Amortization	0.8	0.2	1.0
Pro Forma Operating Loss	<u>\$ (0.9)</u>	<u>\$ (0.4)</u>	<u>\$ (1.3)</u>
Restructuring Charges/Impairments			-
Reported Operating Loss			<u>\$ (1.3)</u>

* 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.

San Francisco

April 20, 2010

Hogs Rally to 14-Year High

April 21 (Bloomberg) -- Hog futures surged to the highest price since 1996 and cattle futures rose as a

Lawrence Kane, a market adviser at Stewart-Peterson Group in Elmwood, Illinois. "We're

Business Week

May 5, 2010

Cattle Rise to 18 Month High

May 5 (Bloomberg) -- Chicago. Cattle weights have declined, reducing overall beef supplies. Cattle futures rose to a high as surging beef and market prices in the signaled that severe

Detroit Free

May 3, 2010

Cause of E. coli outbreak inv

Looking for the source of sickness: Federal health officials are expected to be in Columbus, Ohio, today. A four-member team from the Centers for Disease Control and Prevention in Atlanta was to arrive Sunday night. Ohio Department of Health

Seattle Times

April 26, 2010

Meat prices seen rising

CHICAGO — U.S. meat prices may rise to records this summer after farmers reduced hog and cattle herds to the smallest sizes in decades, the result of surging feed costs linked to demands for more ethanol.

Wholesale pork jumped as much as 25 percent this month to 90.68 cents a pound last week, the highest since August 2008, U.S. Department of Agriculture (USDA) data show. Beef climbed 22 percent this year to \$1.6896

most expensive since 2008. Chicken's gain March was the most in months. Demand for pork chops, steaks and chicken breasts is rising as the economy improves, backyard barbecues resume

USA Today

April 15, 2010

'Growing concern' over tainted

WASHINGTON — Beef containing harmful pesticides, veterinary antibiotics and heavy metals is being sold to the public because federal agencies have failed to set limits for the contaminants or adequately test for them, a federal audit finds. The testing program for cattle is run by the USDA's Food Safety and Inspection Service (FSIS), which also tests meat for such pathogens as salmonella and certain dangerous strains of E. coli. But the residue program relies on assistance from the Environmental Protection Agency, which sets tolerance levels for human exposure to pesticides and other pollutants, and the Food an

CNN

2010

Meat markets recall beef

Foods, a market chain with United States, has a recall on ground beef that purchased from its supplier 13 days in late and early April. The recall, announced in May, comes after two cases of ground beef tested for E. coli O157:H7, a strain in the E. coli family that can cause food poisoning. The recall applies to fresh

ABC News

April 13, 2010

Weak Regulation Means Taint

The government is doing too little to ensure that the beef Americans eat is uncontaminated by "residual veterinary drugs, pesticides and heavy metals," according to an audit by the U.S. Department of Agriculture's inspector general. The findings appear in a report issued March 25. Among the recommendations of the report is a call for better coordination among the USDA Food Safety and Inspection Service, the Environmental Protection Agency and the U.S. Food and Drug Administration

country's meat supply. "We found that the national residue program is not accomplishing its mission of monitoring the food supply for harmful residues," the report concluded. "Together, FSIS, FDA, and EPA have not established thresholds for many dangerous substances (e.g. copper or dioxin), which has resulted in meat with these substances being distributed in commerce." The report continued, "Additionally, FSIS does not attempt to recall meat, even when its tests have confirmed the presence