



2011 Q2 Investor Conference Call

July 28, 2011

www.pinnacle.com

NYSE Amex: PNS

John D. Bair

President, Chief Executive
Officer, and Chief Technology &
Innovation Officer

Timothy J. Harper

Chief Operating Officer

Nick Tomashot

Chief Financial Officer

Today's discussion may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including, but not limited to, statements regarding the Company achieving its financial growth and profitability goals, or its sales, earnings and profitability expectations for the fiscal year ending December 31, 2011. The words "believe," "expect," "anticipate," "estimate," "intend," "seek," "may" and similar expressions identify forward-looking statements that speak only as of the date thereof. Investors are cautioned that such statements involve risks and uncertainties that could cause actual results to differ materially from historical or anticipated results due to many factors. For more details please refer to the Company's Securities and Exchange Commission filings, including its most recent Annual Report on Form 10-K and quarterly reports on Form 10-Q.

Progress in developing all three targeted market segments

- Electronic Repair Services
 - Record quarterly Service revenue in Q2
 - 49% growth versus Q2 2010
 - Ramped multiple programs, including a new Telecom OEM
 - Expanded numerous Repair and Test Capabilities
- Integrated / ODM Computing Solutions and Embedded Computing Products
 - Solid pipeline impacting the 2nd half of 2011 led by Defense & Aerospace
 - IBM OEM agreement
- PDSi better positioned than ever to develop and take advantage of new business opportunities
 - Have continued to generate profits
 - No use of debt and building cash position
 - Have made select capital investments

2011 Second Quarter Financial Results

- Q2 2011 net income of \$0.2 million, or \$0.02 per diluted share
 - Q2 2011 includes \$0.1 million, or 1¢ per share, tax expense from the finalization of the amended tax returns for years impacted by R&D tax credit study
- Revenue is up 6% versus Q1 2011
 - Service revenue a record at \$4.7 million, up almost 50% versus prior year and +27% versus Q1 2011
 - Third sequential quarter of total revenue growth
- Operating income is up 34% versus Q1 2011 to \$349 thousand
- Continue to generate cash
 - \$1.0 million operating cash flow
 - \$0.4 million EBITDA
 - Zero use of line of credit, \$1.3 million cash on hand

Q2 Key Financial Results

\$ million	2011	2010	B/(W)
Pre-tax Income	\$0.3	\$0.4	(\$0.0)
Net Income	\$0.2	\$0.3	(\$0.1)
EBITDA	\$0.4	\$0.5	(\$0.1)
<u>Revenue</u>			
Product	\$2.2	\$4.8	(\$2.7)
Service	\$4.7	\$3.1	\$1.5
Total	\$6.8	\$8.0	(\$1.1)
<u>Gross Profit</u>			
Product	\$0.3	\$1.0	(\$0.7)
Service	\$2.0	\$1.2	\$0.7
Total	\$2.2	\$2.2	\$0.0
<u>Gross Margin</u>			
Product	13%	20%	-7%
Service	42%	40%	2%
Total	33%	28%	5%
Op Exp	\$1.9	\$1.8	(\$0.1)
<i>(as of 6/30)</i>			
Line of Credit	\$0.0	\$0.2	\$0.2
Cash	\$1.3	\$0.1	\$1.2

- Continue to Drive Sales Opportunities in all Segments
 - Repair Services
 - Record quarterly revenue
 - New customers and new programs
 - Continue to invest in and expand capability
 - Establishing Service capability in Singapore
 - Integration and Embedded Design
 - Seeing activity in Defense and Aerospace
 - IBM OEM agreement is a key milestone in Product's Strategy
 - Continuing to work other OEM and Technology agreements

- Provides PDSi with the ability to design and sell products based upon IBM's technologies
 - This type of partnership has been key to PDSi's past Products success
 - Broadens the technology platforms we offer
 - Design and build custom solutions markets with specialized requirements such as Telecom, Medical, and Defense/Aerospace
- Opens up new routes to market leveraging IBM's extensive business development resources
 - Matching PDSi's engineering and design capabilities with specialized needs that may arise in IBM's global customer base
- Already developing a pipeline of opportunities with potential initial impact in late 2011 / early 2012

2011 focus is on profitable growth in all three segments of our business.

- Service business growth has been excellent
- Positive milestones impacting the Integration and Embedded Computing business
- Continue to generate earnings and cash, providing capacity for funding growth

“PDSi puts computer technologies to work for our customers”

- If you would like to ask a question, please press the * key followed by the 1 key on your push-button phone.
- You will hear a three tone prompt following your selection. If you are using speaker equipment, you will have to lift the hand set before pressing the numbers.
- A replay of this conference call will be available on the Company's website in approximately one hour.