

Pinnacle Data Systems, Inc.
(AMEX: PNS)



February 2004

Safe Harbor Statement



Safe Harbor: The following presentation may contain forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. Actual results could differ materially from any projections or conclusions drawn from the enclosed historical or forward-looking information. Information concerning factors that could cause actual results to differ materially from any projections or conclusions drawn from the enclosed historical or forward-looking information is contained in the Management's Discussion on page 5 of the annual report to shareholders.

Introduction



ISO 9001

CERTIFIED



ISO 14001

ENVIRONMENTALLY
CERTIFIED

Pinnacle Data Systems, Inc.

- Full lifecycle provider of out-sourced services for Fortune Global 500 Original Equipment Manufacturers (OEMs) and others who incorporate complex printed circuit boards in their products.
- Services include product design, development, manufacturing and after-the-sale repair and logistics services.
- Major customers are in the aerospace, computer, computer peripheral, medical, commercial imaging, semi-conductor manufacturing, and telecommunications equipment industries.
- Headquartered in a free trade zone near Rickenbacker Airport in Columbus, Ohio.
- Employs about 100 associates, predominantly engineers, electronic technicians and IT professionals.
- Publicly-traded since 1996 (traded on the American Stock Exchange under the symbol PNS since 2000).
- 5.5 million shares outstanding and a market capitalization of about \$13 million.

Introduction (continued)



A Sun OEM Technology Provider (OTP)



An Intel Premier Provider



A Microsoft Reseller



The Agilent North American Reseller for Remote Diagnostics Products, and Solutions

Companies Using Our Services



Agilent Technologies



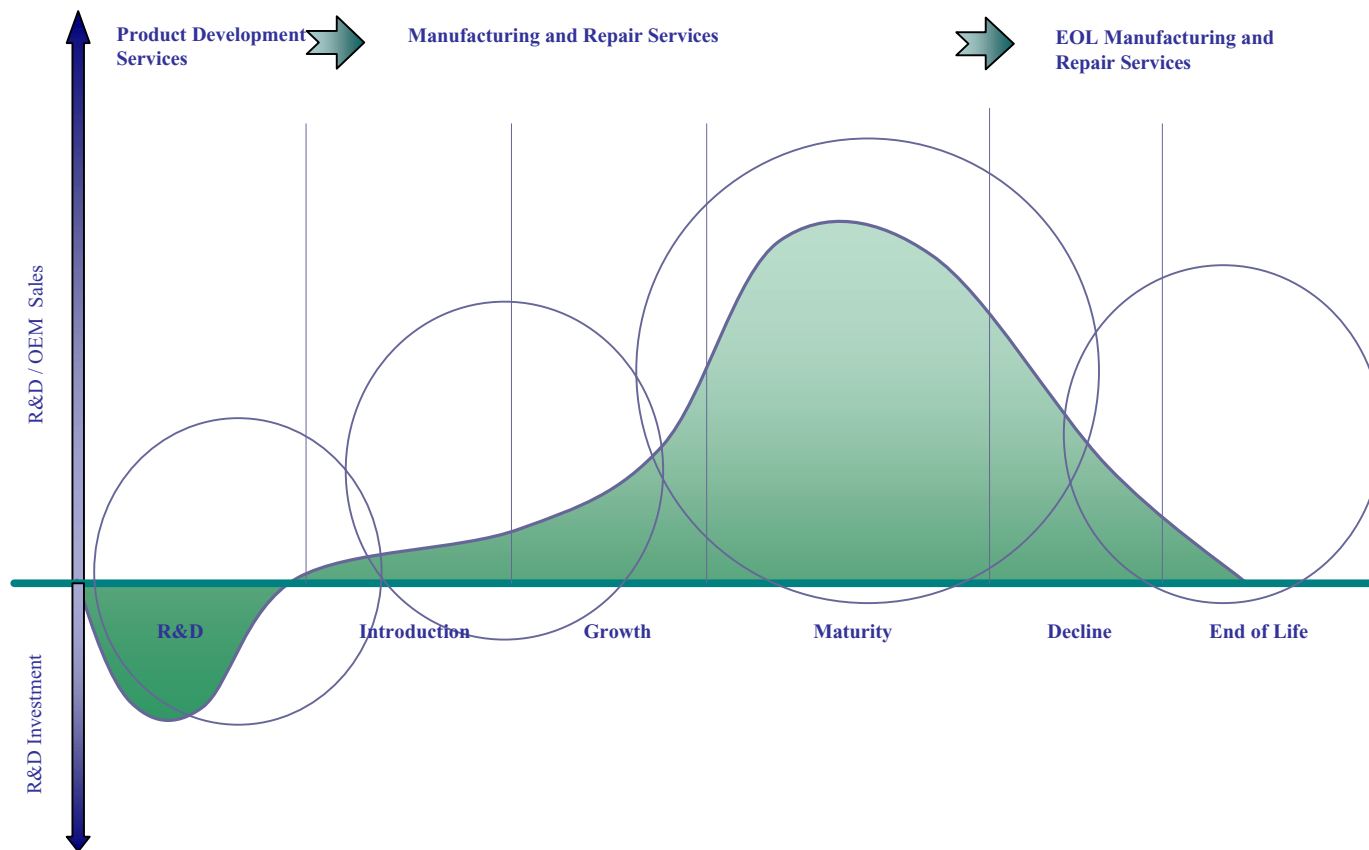
ALCATEL



PDSi Adds Value Throughout the Product Life Cycle



PDSi can add value and generate multiple types of revenue streams throughout the life of a product.



Our Business Strategy



- To maximize the growth of our repair and logistics services business, which provides a recurring revenue stream, is profitable, and can be fairly predictable,
- To leverage the resources shared or provided by the services business and strategically invest in the development and manufacture of new products for customer-specific and niche-industry applications, and
- To take advantage of the counter-cyclical nature of these two business units to maintain financial stability and continue to generate significant growth opportunities on an on-going basis in whatever the prevailing business climate happens to be.

Our Three Phase Growth Strategy



1. Take advantage of the counter-cyclical business model to return to profitability in 2002, and increase financial stability and start preparations for next growth phase in 2003 – COMPLETED.
2. Grow annual revenues profitably to \$50-\$100 million, as an Original Design Manufacturer (ODM), get the market to take notice of our achievements and direction and start getting the benefits of being a public company – IN PROGRESS (and the focus of this presentation).
3. Annual revenues and earnings growth beyond \$100 million that will continue to provide favorable returns to our shareholders well into the future.

Market Size Analysis*



| Service Offering/ Customer Type | Estimated Market Size | Estimated Market Share |
|---|-----------------------------|------------------------------|
| Repair & Logistics Services to OEMs | \$150 million | 5% |
| Product Design & Manufacturing Services to OEMs | \$200 million | 7% |
| Repair & Logistics Services to TPMs | \$100 million | <1% |

* Estimates based on customer discussions and anecdotal research

Target Industries/Customers



| Service Offering/ Customer Type | Current or Potential Customers |
|---|--|
| Repair & Logistics Services to OEMs | Electronics OEMs like Hewlett-Packard, Sun Microsystems, IBM, SGI, Cisco or Motorola |
| Product Design & Manufacturing Services to OEMs | <ul style="list-style-type: none"> • Medical OEMs like Bayer, GE Medical and Hologic • Commercial Imaging OEMs like Kodak and Xerox • Semiconductor Manufacturers like ASML, LTX and Texas Instruments • Defense/Aerospace OEMs like British Aerospace and Lockheed • Telecommunications OEMs like Alcatel, Lucent and Nortel |
| Repair & Logistics Services to TPMs | Third party maintainers (TPMs) and other computer service providers like Northrup Grumman, Unisys or Honeywell. |

Additional Growth Opportunities



In addition to our plans for organic growth, we are evaluating affordable acquisitions in repair and logistics services that

- Are, or can be made, accretive in a short period of time (months),
- Bring large OEM customer relationships with potential additional business for the combined company, and
- Bring resources, in terms of people, skill sets, processes and /or systems, that would increase the scalability of our combined businesses.

Acquisitions would most likely be funded by some combination of debt and equity. However, we do not plan to greatly leverage the company for acquisitions.

Marketing our differentiators, like our

- Full life-cycle service offering, product inception through end-of-life, limiting the number of true competitors for what we offer,
- In-house engineering staff,
 - Rapid development and deployment of new products with a flexible resource,
 - Ability to fix what our competitors make our customers buy new,
- Customer recognition of our value (2003 Sun Meritorious Performance Award, 2003 Intel Premier Provider status), and
- International experience and capabilities.

Implementing our marketing, sales and operations plans to

- Use very targeted lead generation and advertising services,
- Increase the size of our direct sales force,
- Increase the size of our internal account management infrastructure (key to getting additional sales in existing large accounts),
- Evaluate the use of indirect sales organizations with existing relationships in large OEM accounts,
- Improve scalability of our internal processes for current and future growth,
- Increase our international capabilities,
- Increase engineering and technical depth and capabilities, and
- Invest prudently and spend responsibly to maintain profitability.

Meeting Growth Challenges Head On



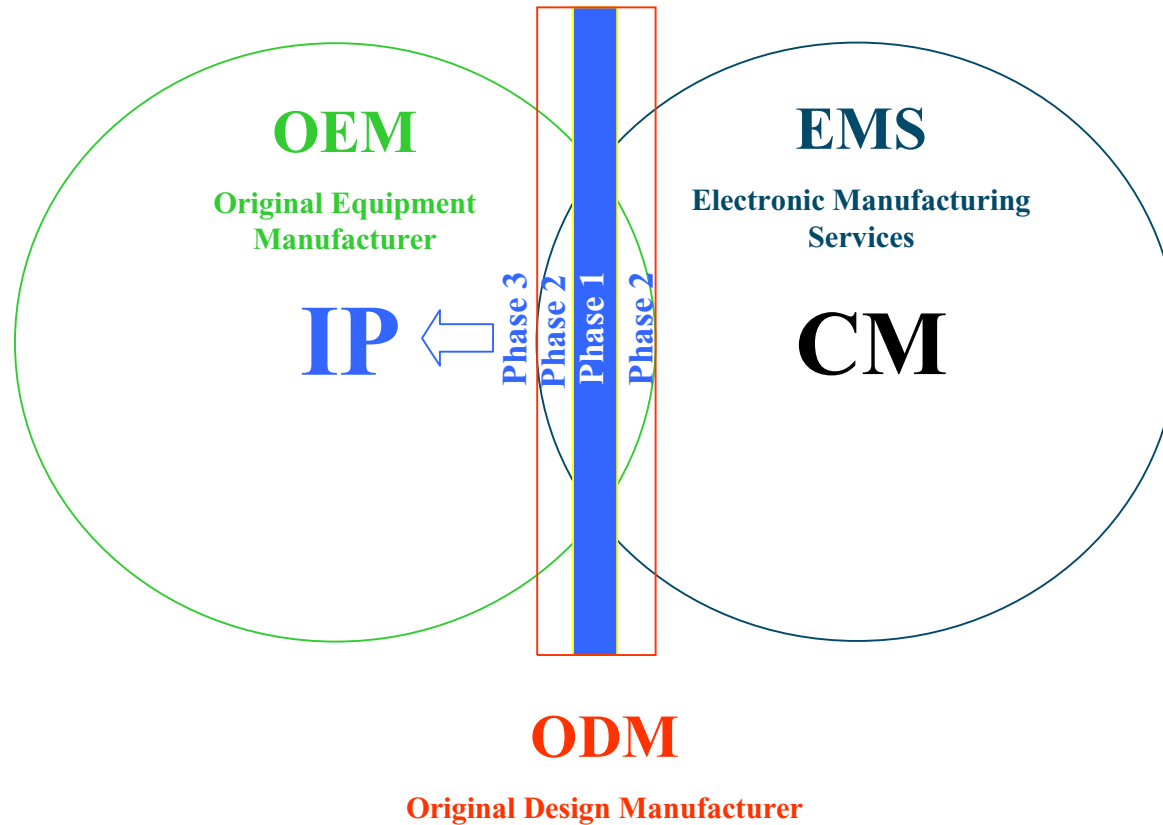
Today's challenges:

- The economy – see 1998-2003 Annual Revenue and Net Income charts; we implemented a one year turnaround strategy made possible because of our service/product business model
- Exposure in the market place – we are increasing our presence in the market place by creating partnerships with companies like Intel and Agilent and increasing the size of our sales and sales support team
- Operational scalability – we pass the most rigorous of customer audits (H-P, Sun, Xerox, Lucent, and many more) when it comes to our operations and quality; we are currently setting up international distribution capabilities and implementing more scalable processes through automation

Future opportunities:

- Financing – our shareholders have authorized common and blank check preferred stock and we are building a network of financing sources including banks, mezzanine lenders, venture capital firms and investment bankers

Intellectual Property vs. Contract Manufacturing?



Management Team



John D. Bair – Chairman, President & CEO (since 1996)

- Founding member of PDSi and CEO.

Michael R. Sayre – Executive Vice President & CFO (since 2001)

- Over 15 years starting up, growing, acquiring and divesting businesses with Fortune 1000 companies including Worthington Industries, Inc. and Harsco Corp.

Christopher L. Winslow – Vice President - Sales & Supply Chain Management (since 2000)

- Over 15 years managing sales, marketing and operations in growing technology companies including CompuServe and Metatec International.

C. Robert Hahn – Vice President - Operations (since 1994)

- Over 20 years managing manufacturing and service operations in technology companies.

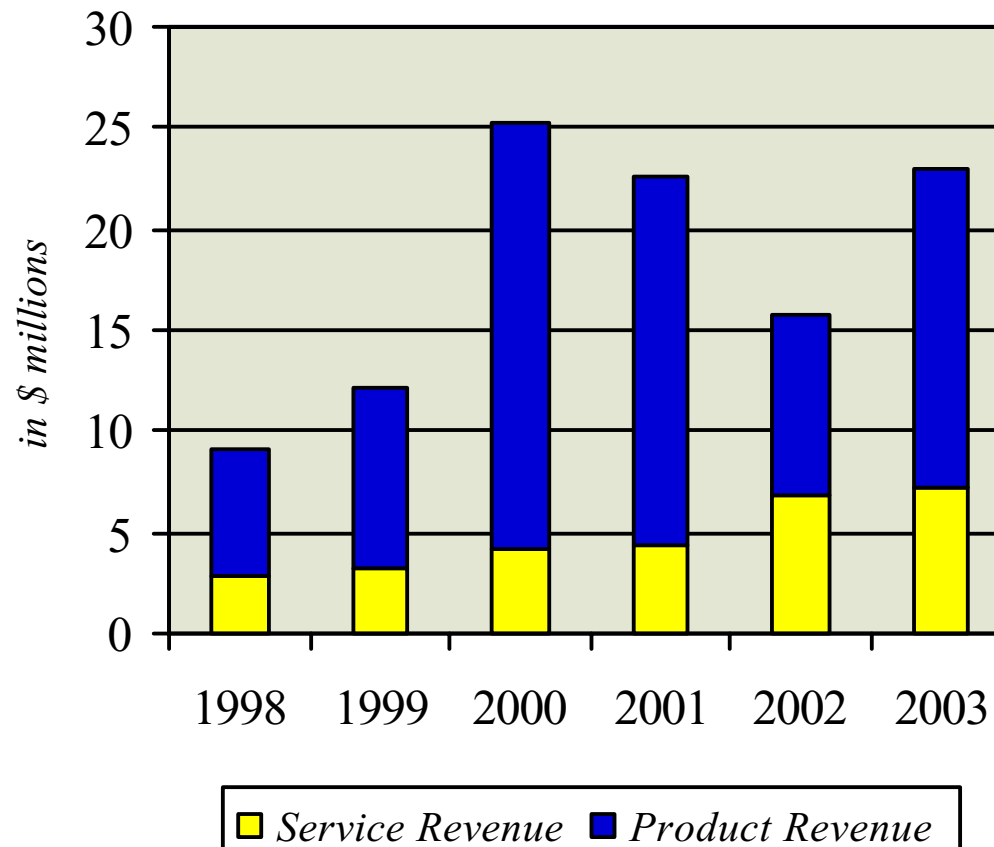
Laura Palko – Director – Human Resources and Quality Systems (since 2000)

- Over 15 years managing quality systems, including both large (Lucent Technologies) and small technology firms. Over nine years in dual roles also managing HR.

The Business Model Results (1998-2003)



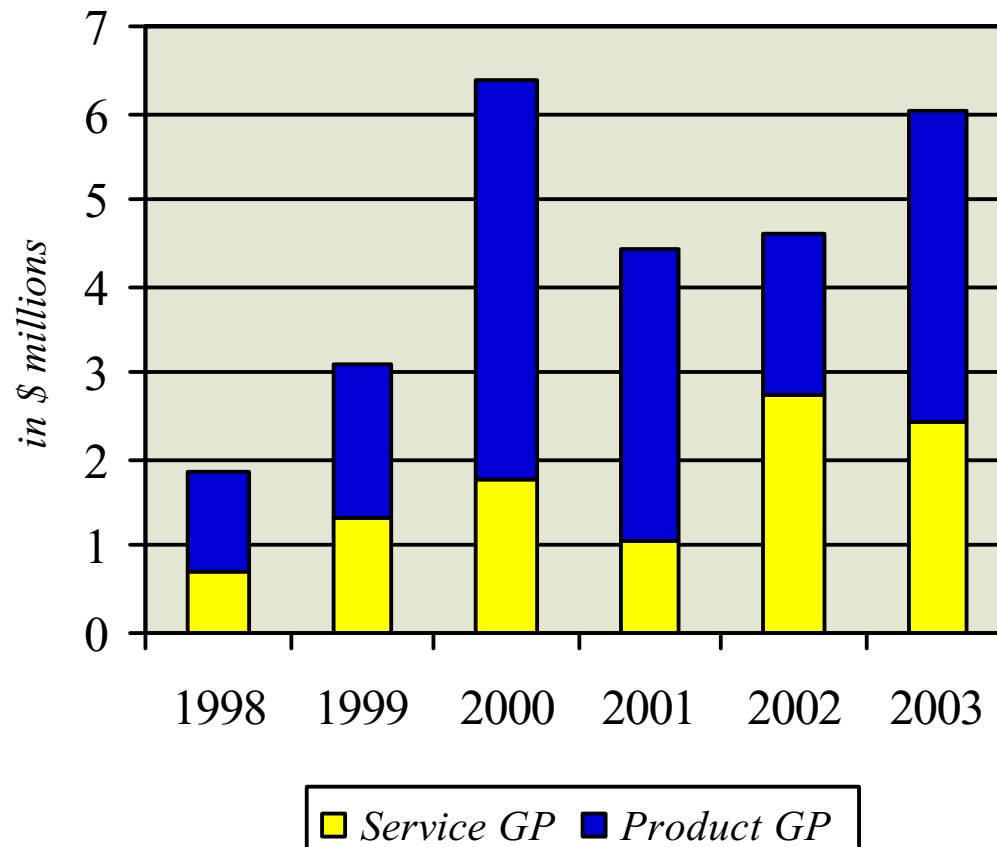
Annual Revenues



The Business Model Results (1998-2003 cont'd)



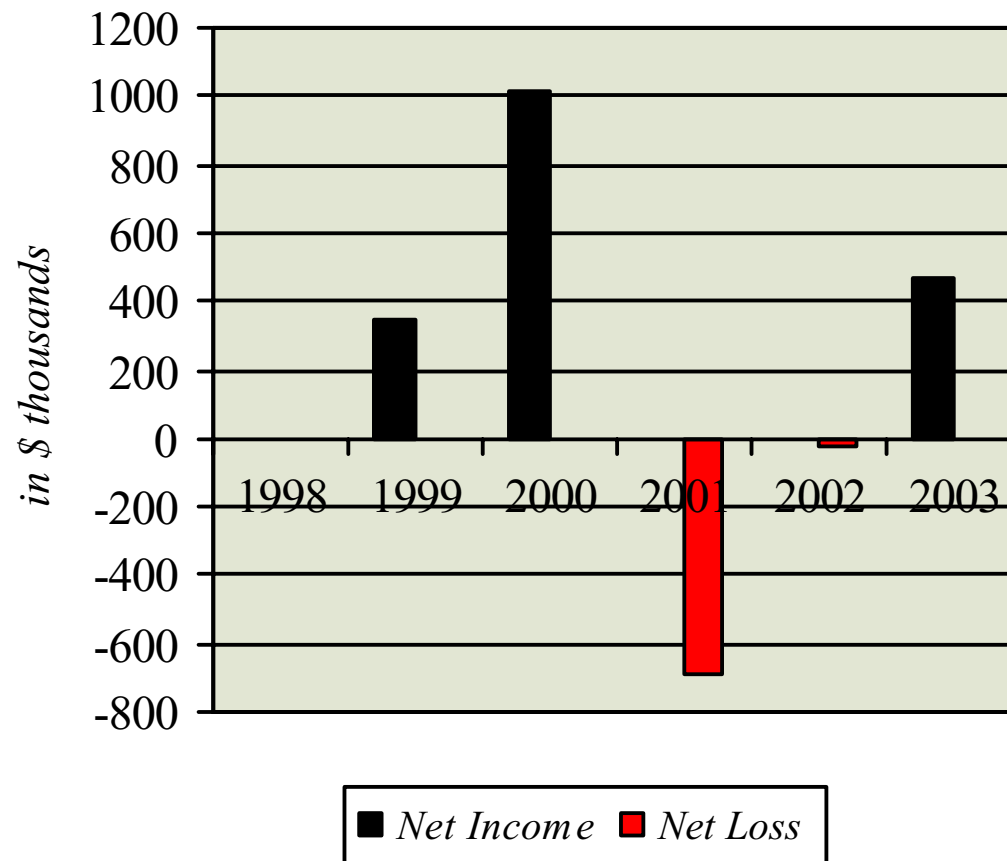
Gross Profit



The Business Model Results (1998-2003 cont'd)



Net Income



2003 Achievements



- Engaged by Agilent Technologies as its North American reseller of Remote Management Diagnostics products because of our broad engineering capabilities,
- Awarded 2003 Intel Premier Provider status for our distinct level of expertise in Intel technologies and began receiving Intel referrals for product opportunities,
- Awarded a 2003 Sun Microsystems Supplier Award for Meritorious Performance based on the repair service levels we provide Sun, raising our status as a preferred supplier for additional Sun programs,

2003 Achievements (cont'd)



- Developed Intel Platforms Running Sun Solaris OS for Sun and its Customers,
- Grew product sales 86%,
- Increased our string of profitable quarters to six, and
- Received the largest single order in the Company's history for \$3 million of controller boards for medical diagnostic equipment (most of which is expected to ship in Q1 2004).

Why Invest in Pinnacle Data Systems?



AMEX: PNS

- Customer and partner relationships with large original equipment manufacturers like Hewlett-Packard, Sun Microsystems, Intel, Agilent, AMD and more, that we can leverage,
- A business model with both stability and significant growth opportunities,
- An experienced management team committed to growing the company, and
- PDSi is a low-priced investment in a company that is early in its growth curve.

Why Invest in Pinnacle Data Systems? (cont'd)



AMEX: PNS

We enter 2004 with

- More large customers actively ordering products,
- More direct referrals from Fortune Global 500 stalwarts in the computer industry,
- More in-house experience selling and closing business through our partnerships, and
- More award-winning technical capabilities

than at any other time in our history.

Pinnacle Data Systems, Inc.
PRODUCTS & SERVICES



PDSi offers innovative application-specific embedded controllers and integration services for the medical diagnostic and imaging market spaces. PDSi is sensitive and adaptive to the demanding requirements of the medical OEM to ensure products are safe and ready to deploy in hospital environments.



Digital Imaging Controller



Blood Diagnostic Controller

Commercial Imaging Solutions



PDSi offers innovative application-specific board and system level embedded controllers and integration services for the commercial imaging market space.



XIP-650 Board

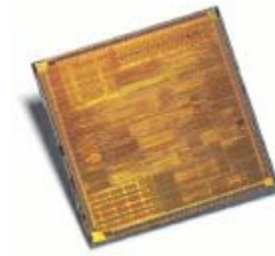


ES220 Server



TS410 Server

PDSi offers innovative application-specific board level and system level embedded controllers and integration services for the Process Control market space.



ES500 Server



ES320 Server



ES1800 Server

PDSi offers a range of innovative, NEBS® Server Platforms based on Intel® and Sun Microsystems® architectures designed to facilitate the convergence of IP and Public Service Telephone Network technologies. By combining the advances afforded by emerging technologies with the scalability and broad-based support of the Intel® and Sun® architectures, PDSi's NEBS® Server Platform line allows Network Equipment Providers (NEPs) to effectively address the challenges of economy of space, functionality, connectivity and universal compatibility.



Repair Services Overview



PDSi's depot repair facility is staffed with electronic technicians experienced in board and system level repair and possess in-depth knowledge of the latest ball grid array, through-hole and fine pitch surface mount technologies and are backed by a group of engineers experienced in mechanical, electrical, software and electronic board and system level design.



Repair Services Overview (cont...)



- Board Level Repair
- System Level Repair
- Peripheral Repair
- Functional Testing
- Failure Analysis
- ECOs and Upgrades
- Re-manufacturing
- Component Recovery
- Custom Configuration
- Serialized Tracking
- Warranty Administration
- Product Recycling
- EOL Management

