



2008 Q2 Results Conference Call

August 6, 2008

www.pinnacle.com

Conference Call Participants

Mike Sayre

President and Chief Executive Officer

Nick Tomashot

Chief Financial Officer

Michael Darnell

Vice President of Global Sales
and Marketing

Safe Harbor Statement

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. The words "believe," "may," "expect," "anticipate," "estimate," "project," "should," "seek," "plan" or "planning" 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, which are contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

- Results reflect the general economic environment and its impact on PDSi's customers and in key markets, and, to a lesser extent, non-cash items.
- Significant progress during the past year developing and refining PDSi's growth strategies to achieve more scalability as well as more sustainable and profitable growth.
- Reshaping the sales organization and refining marketing and sales strategies.
- PDSi's direction, strategies, growth and profitability goals have not changed.

2008 Second Quarter Results

	<u>Second Quarter</u>	
	<u>2008</u>	<u>2007</u>
Total sales (\$ millions)	\$14.3	\$19.2
Gross profit	\$1.6	\$3.7
<i>Gross profit margin</i>	11.5%	19.5%
Operating expenses (\$ millions)	\$3.1	\$3.2
Interest expense (\$000)	\$100	\$261
Net (loss) income (\$000)	\$(972)	\$185
(Loss) earnings per share	\$(0.12)	\$0.03

- Changed rapidly during second quarter
- Demand for some current programs has slowed and decision-making by new customers is taking longer thus lengthening sales cycles.
- Delays in generating expected level of revenue from new programs and new customers.
- Maintaining close contact with customers to respond to their concerns and adapt our tactical sales priorities accordingly.

- **Telrad Networks Ltd. Agreement**

- PDSi to supply customized versions of ComputeNode™ chassis manufactured to Telrad's standards.
- ComputeNode™ product line is based on PCI Industrial Computer Manufacturers Group's Compact PCI standard.
- Telrad will integrate chassis into Carrier Grade VoIP Trunk/Media gateway systems to be sold globally over the next several years by their customer.

- **COMX-S1 COM Express Module Released**

- Powerful embedded computer-on-module features.
- Delivers high performance with low wattage and built-in dual-channel graphics capability.
- Expected to remain in production for a minimum of five years with extended life-cycle options available.

- **New PDSi ATCA Products Designed for Defense Program**

- Successfully delivered first articles of two new PDSi ATCA products designed into a multi-year defense program. New products are generating strong interest with a number of additional new customers.

- Continue to secure key design-wins for embedded computing products and service and integration solutions.
- Pursuing opportunities in defense/aerospace sector with strong interest in PDSi's product and service offerings.
- Successfully securing new repair business at PDSi's facilities in North America, EMEA and Asia Pacific regions .
- Seeking to grow PDSi's global service platform with higher value solutions and value-added contracts with complex intellectual property.
- Focusing on new product design wins and service wins, reducing time-to-market for products and programs, and expansion of channel partners globally.
- Developing and implementing a product roadmap for PDSi's multi-market sales strategy.

- Strengthening sales organization
- Focusing on more profitable business
- Diversifying PDSi's customer base
- Growing pipeline of higher value-added, higher margin opportunities
- Improving on-time delivery, supply chain and inventory management, overall productivity and space utilization
- Adjusting cost structure to match current sales levels

- 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.



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