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PDSi Awarded New Repair Contract

Company to Service Storage Devices in EMEA for Major Computer OEM

COLUMBUS, Ohio (July 31, 2007) Pinnacle Data Systems, Inc. (PDSi) (AMEX: PNS) today announced that it has been awarded a new contract to be the sole repair depot within Europe, the Middle East and Africa (EMEA) for a line of storage devices of a major computer Original Equipment Manufacturer (OEM). These contracted services include screening, out-of-warranty repair, and management of original vendors for in-warranty repair, and will begin to ramp up in the third quarter of 2007 and is expected to continue through 2009.

PDSi will provide these services in Tiel, Netherlands with partner Aspan Computer Repair Laboratories B.V. ("Aspan"). In November 2006, PDSi and Aspan signed a non-binding letter of intent whereby PDSi agreed to acquire the stock of privately held Aspan. Today, PDSi and Aspan repair storage devices and other components for the European operations of a number of large computer OEMs and contract manufacturers out of the Tiel facility.

Michael R. Sayre, PDSi's President and Chief Executive Officer, said, "We have significant experience in providing storage device services and have served as this customer's North American repair center for selected storage devices for approximately ten months. We are very pleased, based on the success of our North American repair center and our implementation of similar programs with Aspan, that our customer has decided to expand our relationship as an EMEA storage device repair depot as well."

About PDSi

PDSi provides computer design, production, and repair services to original equipment manufacturers who build computers into their products in industries including medical equipment, telecommunications, defense and imaging. PDSi also helps major computer platform manufacturers respond to customer requirements for customized solutions and extended service life. PDSi specializes in areas where these OEMs often get little help from larger outsource firms, solving the challenges associated with complex technologies, low to medium volume production, and long-term service of third party products.

Not simply a repair depot or a contract manufacturer, PDSi represents a more collaborative and flexible outsourcing partner who helps its clients manage costs, meet unplanned demand changes, improve customer satisfaction, and respond aggressively to new trends in the technology market place. With its innovative and proactive staff of engineering, manufacturing, program management and supply chain specialists, PDSi tailors solutions that meet the particular business and operational needs of each OEM. For more information, visit the PDSi website at www.pinnacle.com.

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