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Nortech Systems Reports Third Quarter Results

MINNEAPOLIS – Nov. 4, 2009 – Nortech Systems Incorporated (NASDAQ: NSYS) today reported net sales of \$18.7 million for the third quarter ended September 30, 2009, compared to net sales of \$31.7 million for the third quarter of 2008. After restructuring costs, the operating loss for the third quarter was \$1.1 million, compared to operating income of \$946,000 for the third quarter of 2008.

For the third quarter of 2009, Nortech Systems reported a net loss of \$854,000, or \$0.31 per diluted common share, compared with net income of \$499,000, or \$0.18 per diluted common share, for the third quarter of 2008. The net loss in the second quarter of 2009 was \$1.5 million, or \$0.56 per diluted common share.

During the third quarter of 2009, operating profits improved sequentially by 49 percent before restructuring costs. Nortech Systems reported restructuring and impairment charges in the third quarter of \$353,000, or \$0.08 per diluted common share. Excluding these costs, the quarterly net loss would have been \$0.23 per diluted common share, a sequential improvement over the loss of \$0.42 per diluted common share reported in the second quarter of 2009, on six percent lower quarterly revenue.

“Our third quarter net sales appear to represent the trough of the economic downturn for Nortech,” said Mike Degen, president and CEO of Nortech Systems. “We are beginning to see increased forecasts, greater quoting activity from both new and existing customers and some modest increases in our backlog.”

Nortech’s improvements in operating profits during the third quarter resulted from the company’s cost-reduction initiatives that began in the first quarter and the capacity restructuring completed in late August.

“We are encouraged by our recent quarterly performance, particularly because we only realized restructuring-related benefits and savings during September,” added Degen. “Our cash flow from operations has been positive since March and we are moving closer to our goal of returning to profitability.” He concluded, “For the remainder of 2009 and into 2010, our focus can now shift to servicing our customers’ needs and achieving profitable growth.”

Conference Call

Nortech Systems announces a conference call to be held at 10:00 a.m. (CST) on Thurs., Nov. 5, 2009, to discuss the company's third quarter results. Anyone interested in participating in the conference can access the call by dialing 877-407-8033 from within the United States, or 201-689-8033 if calling internationally. An audio webcast and replay of this conference call can be accessed at the investor relations portion of Nortech Systems' website at www.nortechsys.com or at www.investorcalendar.com. A podcast (MP3 download) will also be available. The telephone replay will be available through Nov. 19, 2009, by dialing 877-660-6853 (from U.S.) or 201-612-7415 (International). To access the replay, the account number 286 and conference ID 336120 are both required.

About Nortech Systems, Incorporated

Nortech Systems Incorporated (www.nortechsys.com), based in Wayzata, Minn., is a full-service electronics manufacturing services (EMS) provider of wire and cable assemblies, printed circuit board assemblies, and higher-level complete box build assemblies for a wide range of industries. Markets served include industrial equipment, military/defense, medical and transportation. The company has manufacturing capabilities and operating partners in the U.S., Asia and Latin America. Nortech Systems Incorporated is traded on the NASDAQ Stock Market under the symbol NSYS.

Forward-Looking Statements

This press release contains forward-looking statements made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. While this release is based on management's best judgment and current expectations, actual results may differ and involve a number of risks and uncertainties. Important factors that could cause actual results to differ materially from the forward-looking statements include, without limitation: volatility in market conditions which may affect market supply of and demand for the company's products; increased competition; changes in the reliability and efficiency of operating facilities or those of third parties; risks related to availability of labor; commodity and energy cost instability; general economic, financial and business conditions that could affect the company's financial condition and results of operations; as well as risk factors listed from time to time in the company's filings with the SEC.

Condensed Statements of Operations

	Three months ended Sept. 30, Unaudited		Nine months ended Sept. 30, Unaudited	
	2009	2008	2009	2008
Net Sales	\$18,650,684	\$31,657,112	\$60,092,430	\$94,880,658
Income (Loss) from Operations	(1,149,251)	946,127	(5,492,441)	3,296,211
Income (Loss) before Income Taxes	(1,376,694)	830,261	(5,998,694)	2,767,879
Income Tax Expense (Benefit)	(523,000)	331,000	(2,309,000)	1,091,000
Net Income (Loss)	(853,694)	499,261	(3,689,694)	1,676,879
Net Income (Loss) Per Basic Common Share	(\$0.31)	\$0.18	(\$1.35)	\$0.62
Weighted Average Number of Common Shares – Basic	2,738,989	2,729,455	2,738,972	2,715,789
Net Income (Loss) Per Diluted Common Share	(\$0.31)	\$0.18	(\$1.35)	\$0.61
Weighted Average Number of Common Shares – Diluted	2,738,989	2,774,275	2,738,972	2,749,247

Condensed Balance Sheets

	Sept. 30, 2009 (Unaudited)	Dec. 31, 2008
Current Assets	\$31,815,387	\$37,191,982
Property and Other Long-term Assets	<u>9,675,800</u>	<u>11,249,110</u>
Total Assets	<u>\$41,491,187</u>	<u>\$48,441,092</u>
Current Liabilities	\$18,422,964	\$21,414,198
Long-Term Debt	4,241,894	4,608,869
Shareholders' Equity	<u>18,826,329</u>	<u>22,418,025</u>
Total Liabilities and Shareholders' Equity	<u>\$41,491,187</u>	<u>\$48,441,092</u>