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Nortech Systems Reports Fourth Quarter, Fiscal 2009 Year-End Results;
Sequential Quarterly Improvement and Return to Operating Profitability

MINNEAPOLIS – Nortech Systems Incorporated (Nasdaq: NSYS) today reported net sales of \$19.8 million for the fourth quarter ended December 31, 2009, compared with net sales of \$27.0 million for the fourth quarter of 2008. Operating income was \$8,456 for the fourth quarter, compared with \$173,325 for the fourth quarter of 2008. The company reported a quarterly net loss of \$145,347, or \$0.05 per diluted common share, in the fourth quarter of 2009, compared with net income of \$76,970, or \$0.03 per diluted common share, for the fourth quarter of 2008.

For the fiscal year ended December 31, 2009, the company reported net sales of \$79.9 million, compared with \$121.9 million for the 2008 fiscal year. Nortech Systems reported an operating loss of \$5.5 million, including one-time restructuring charges of approximately \$1.0 million, for the 2009 fiscal year, compared with operating income of \$3.5 million reported for fiscal 2008. The net loss for the 2009 fiscal year was \$3.8 million, or \$1.40 per diluted common share, and \$1.18 per diluted common share before one-time restructuring charges and related tax effect. This compares with 2008 fiscal net income of \$1.8 million, or \$0.64 per diluted common share.

“The revenue and profit declines we experienced throughout 2009 were typical for many in our industry,” said Mike Degen, Nortech Systems’ president and CEO. “Analysts agree that the weakening in electronics manufacturing services (EMS) – both in speed and breadth – was unprecedented in our industry’s history.”

In response to these challenges, Nortech Systems undertook significant cost-reduction and cash-management initiatives during the first quarter of 2009. These were followed by plant consolidations and capacity restructuring in the second and third quarters. In September 2009, the company began realizing benefits and savings from these activities. Nortech Systems returned to operating profitability in the fourth quarter after posting a \$1.1 million operating loss in the third quarter of 2009.

“We’re encouraged by recent trends in our financial performance and customer demand,” added Degen. “Net sales rose 6.4 percent sequentially in the fourth quarter and our backlog is also growing,” added Degen. Nortech’s 90-day backlog began rising in the latter stages of 2009, increasing 25 percent from September 30, 2009, to December 31, 2009.

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Industry trends are also favorable; analyst firms have forecast revenue growth rates of three to seven percent for the EMS industry in 2010.

“While many macro indicators are turning positive, the slow pace of our nation’s economic recovery still dictates caution on our part,” commented Degen. “We entered 2010 in a better position than a year ago and we will remain focused on improving our customer service and conserving our cash.” Degen concluded, “We’re also continuing to lower Nortech’s cost structure by aggressively leveraging our lean-manufacturing initiative, which is realizing dynamic, ongoing contributions to our operations.”

Conference Call

Nortech Systems announces a conference call to be held at 10:00 a.m. (CDT) on Tuesday, March 16, 2010, to discuss the company’s fourth 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 March 30, 2010, by dialing 877-660-6853 (from U.S.) or 201-612-7415 (International). To access the replay, the account number 286 and conference ID 346503 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, aerospace/defense and medical. 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 Dec. 31, Unaudited		Twelve months ended Dec. 31, Audited	
	2009	2008	2009	2008
Net Sales	\$19,847,409	\$26,971,430	\$79,939,839	\$121,852,088
Income (Loss) from Operations	8,456	173,325	(5,483,985)	3,469,536
Income (Loss) before Income Taxes	(223,347)	86,970	(6,222,041)	2,854,849
Income Tax Expense (Benefit)	(78,000)	10,000	(2,387,000)	1,101,000
Net Income (Loss)	(145,347)	76,970	(3,835,041)	1,753,849
Net Income (Loss) Per Basic Common Share	\$(0.05)	\$0.03	\$(1.40)	\$0.64
Weighted Average Number of Common Shares – Basic	2,738,992	2,729,558	2,738,982	2,719,250
Net Income (Loss) Per Diluted Common Share	\$(0.05)	\$0.03	\$(1.40)	\$0.64
Weighted Average Number of Common Shares – Diluted	2,738,992	2,736,810	2,738,982	2,746,157

Condensed Balance Sheets – Audited

	Dec. 31, 2009	Dec. 31, 2008
Current Assets	\$31,884,977	\$37,191,982
Property and Other Long-Term Assets	<u>9,244,228</u>	<u>11,249,110</u>
Total Assets	<u>\$41,129,205</u>	<u>\$48,441,092</u>
Current Liabilities	\$18,669,177	\$21,414,198
Long-Term Liabilities	3,733,176	4,608,869
Shareholders' Equity	<u>18,726,852</u>	<u>22,418,025</u>
Total Liabilities and Shareholders' Equity	<u>\$41,129,205</u>	<u>\$48,441,092</u>