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ANNUAL REPORT / 2007



COMPANY PROFILE

Nortech Systems Inc. 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 medical, automotive, defense, computer, commercial, recreational, government, consumer, agriculture and oil and gas. The company has manufacturing capabilities and operating partners in the U.S., Asia and Latin America. Nortech Systems is traded on the NASDAQ Stock Market under the symbol NSYS and appears in most stock listings as "NorSys."

VISION

"To be the best"

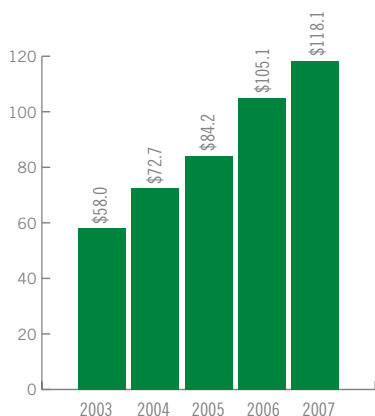
OUR PURPOSE

To be the preferred electronics manufacturing services provider that builds long-term relationships and creates value-added solutions for our customers.

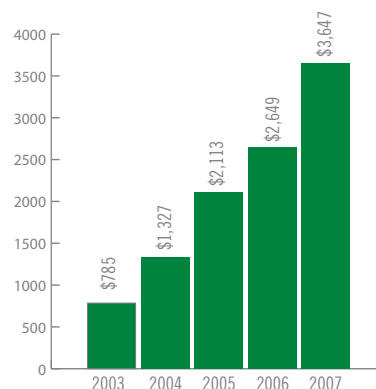
OUR VALUES

Respect
Customer-Focused
Committed to Success
Sense of Urgency
Great Communication
No One Does It Alone

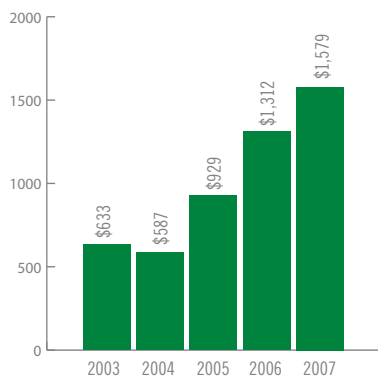
FINANCIAL HIGHLIGHTS



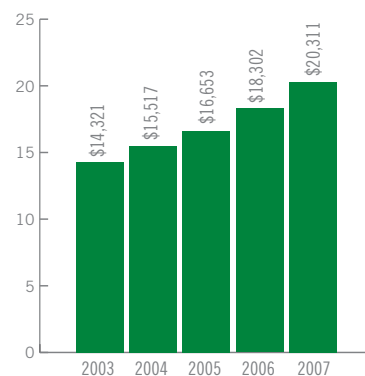
**REVENUE
(MILLIONS)**



**OPERATING INCOME
(THOUSANDS)**



**NET INCOME
(THOUSANDS)**



**EQUITY
(THOUSANDS)**



To Our Shareholders

We're pleased with our accomplishments during 2007, which was a successful year both financially and operationally. Along with solid financial results, our two most notable achievements were integrating our new Garner, Iowa, operations into the Nortech family and the continued successful deployment of our lean manufacturing initiative, called FOCUS.

Both of these achievements demonstrate – and reinforce – our long-term vision and commitment to profitable growth and continuous improvement. As we chart our course for 2008, these cornerstones remain essential to fulfilling our purpose of being the preferred electronics manufacturing services (EMS) provider for our customers.

In 2008 we will continue to guide Nortech Systems using the same three key initiatives as last year. They are still relevant today:

- Strengthening customer relationships
- Accomplishing profitable sales growth
- Advancing lean manufacturing

To fully capitalize on the opportunities before us, we've built a strong company of managers, leaders and team members.

Partnering With Customers

Through collaboration with our customers, we help meet their objectives and strengthen both of our businesses.

As a trusted partner in their success, we continually search for ways to add value to their operations through our full-service electronics manufacturing capabilities. We strive to get involved early in their programs by demonstrating the benefits we can provide during the prototyping and new product introduction phases. Our solutions and support include assistance with design engineering, testing and supply-chain management to help them better manage their business. We're committed to developing customer care and service capabilities that are unequaled in our industry.

Sustaining Financial Growth

We reported record revenue of \$118.1 million in fiscal 2007, an increase of 12 percent over 2006. Our annual revenue growth rate again outpaced the EMS industry, which is estimated by industry analysts to be between 10 to 11 percent. Since 2003 our compound annual revenue growth rate has topped 19 percent.

We're committed to growing Nortech Systems both organically and through acquisitions. We continue to evaluate opportunities that will achieve success for the company, such as our Iowa acquisition in early 2007. This acquisition opened up opportunities in attractive new markets including agriculture, oil and gas.

While only part of the Nortech family for one year, the Iowa operation has already produced positive results in these new markets. This success, coupled with the another solid year for our Aerospace Systems operations, delivered our strong financial performance in fiscal 2007. Revenue gains from Aerospace and Iowa more than offset some softness in our commercial cable and wire operations and other printed circuit board assembly business.

Operating income climbed 38 percent in fiscal 2007, to \$3.6 million, while net income increased 20 percent to \$1.6 million or \$0.58 per diluted common share. We're pleased to have leveraged our sales growth so successfully.

Working capital increased \$2.1 million, or 16 percent, for the fiscal year, while cash flow from operating activities rose 53 percent to \$4.3 million. We increased shareholder equity by 11 percent, to \$20.3 million.

The continuous improvement culture exists everywhere in our company – from the manufacturing floor to the board room. These benchmark improvements to our key financial fundamentals during 2007 clearly demonstrate our success.

Outpacing the Industry

Along with our value-added sales proposition, our ability to outpace the EMS industry can be attributed to our broad customer base. We are fortunate to work with many companies that are leaders in their industry, including numerous Fortune 500 members. We serve three primary market segments – defense, industrial and medical – and this diversity helps us weather cyclical demand patterns or macroeconomic trends better than some of our competitors.

Our typical customers are manufacturers of large capital equipment, like railroad locomotives and medical imaging equipment, and our value proposition extends beyond simply the lowest price. We have earned a strong reputation for superior quality with low to medium production volumes and product mix.

Improving Operations

Our strong fiscal 2007 results and improved operational leveraging can be attributed, in part, to our FOCUS initiative for lean manufacturing that is aimed at eliminating waste and maximizing the productivity of all our resources.

FOCUS was well-established at Aerospace Systems last year and numerous continuous improvement projects are currently underway. As the name indicates, “continuous improvement” is a never-ending program and culture change that must be woven into the fiber of a company. As we improve our processes and make our company a better place to work for our employees, the financial benefits of FOCUS will follow.

At our December 2007 FOCUS symposium, 40 people from across the company presented accomplishments from just nine months of activity. The results were impressive, especially considering that less than one-fifth of our workforce had been trained and involved in FOCUS to date. Our personnel are enthusiastic and further training will help translate this enthusiasm into additional measurable results across our company.

A Winning Team

At the end of the day, it's not our machinery, tools or technology that achieves our goals – it's our people. Our dedicated team of employees is the driving force behind our ability to deliver shareholder value. We appreciate their diligent efforts delivering quality services to the marketplace.

On behalf of everyone at Nortech Systems, thank you for your continued interest and support.

Sincerely,

A handwritten signature in black ink, appearing to read "mjk Degen". The signature is fluid and cursive, with the first name "mjk" in lowercase and "Degen" in a mix of lowercase and uppercase letters.

Michael J. Degen
President & Chief Executive Officer

CORPORATE INFORMATION

Registrar and Transfer Agent

Wells Fargo Shareowner Services

Mail: P.O. Box 64854
St. Paul, MN 55164-0854

Delivery: 161 North Concord Exchange
South St. Paul, MN 55075

Phone: (800) 468-9716 or (651) 450-4064

Fax: (651) 450-4033

E-mail: stocktransfer@wellsfargo.com

www.wellsfargo.com/shareownerservices

Legal Counsel

Bert M. Gross
7201 Metro Boulevard
Edina, MN 55439

Auditors

McGladrey & Pullen, LLP
801 Nicollet Ave., 11th Floor, West Tower
Minneapolis, MN 55402

Directors and Officers

MICHAEL J. DEGEN

President, Chief Executive Officer & Director

MYRON KUNIN

Chairman & Director

Vice Chairman, Regis Corporation, Edina, MN

KENNETH LARSON

Independent Director

President & Chief Operating Officer (retired)

Polaris Industries Inc., Medina, MN

RICHARD W. PERKINS

Independent Director

President & Chief Executive Officer

Perkins Capital Management, Inc., Wayzata, MN

C. TRENT RILEY

Independent Director

President, Riley, Dettmann & Kelsey, L.L.C.

Minnetonka, MN

RICHARD G. WASIELEWSKI

Vice President & Chief Financial Officer

GARRY M. ANDERLY

Senior Vice President, Corporate Finance &

Treasurer

KEITH A. PIEPER

Vice President, Operations

PETER L. KUCERA

Vice President, Corporate Quality

DONALD E. HORNE

Vice President, Global Supply Chain

Management

CURTIS J. STEICHEN

Vice President, Sales & Marketing

For additional information about Nortech Systems, please contact:

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President & Chief Executive Officer

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(952) 345-2244

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Nortech Systems' Headquarters

Nortech Systems Incorporated

1120 Wayzata Boulevard East, Suite 201

Wayzata, MN 55391

Nortech Systems' Manufacturing and Service Locations

COMMERCIAL WIRE PRODUCTS

4050 Norris Court N.W.

Bemidji, MN 56601

750 Industrial Drive

Augusta, WI 54722

Avenida E 541, Parque Industrial Martel

Apodaca, Nuevo León 66634 Mexico

Intercon 1

7746 Goedderz Road, Suite 110

Baxter, MN 56425

DEFENSE/AEROSPACE SYSTEMS

1930 West 1st Street

Blue Earth, MN 56013

1007 East 10th Street

Fairmont, MN 56031

ELECTRONIC ASSEMBLY

12136 Crystal Lake Road

Merrifield, MN 56465

7746 Goedderz Road, Suite 100

Baxter, MN 56425

325 North State Street

Garner, IA 50438

Operating Partner

Shenzhen, China

Annual Meeting

The annual meeting of shareholders will be held at 3:00 p.m. on May 14, 2008, at the Minneapolis Club, 729 Second Avenue South, Minneapolis, Minnesota.



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