

2010 ANNUAL REPORT

Message from the CEO

Dear Shareholders,

In 2010, Wireless Telecom Group significantly transformed the structure of the Company allowing for a renewed focus on our core competencies and profitable brands. The transformation occurred through the sale of our former Willtek brand and paved the way for improvements to Shareholder value, a cornerstone of our business plan. We believe we are now in a better position to leverage our core competencies and further develop our Company within markets where both synergies and opportunities are available.

The Company remains focused on delivering high quality products and services to its customers while continuing to achieve improvements in our balance sheet, cash flow and operations and further demonstrating our outstanding financial health. We maintain an excellent cash position, we have no operating debt and we have a favorable current asset to liabilities ratio in excess of 8:1 which, significantly exceeds the industry average. Our book value of approximately \$32 million is supported by the strength and high quality of our underlying assets. As the economy works its way out of the recession, we are poised to take advantage of the increasing demand for our products and continued improvements in our financial strength through profitable operations of all of our brands. We have also secured a significant tax benefit, through the asset sale of Willtek, of \$29 million through the preservation of a net operating carryforward loss which will be offset against future earnings of the Company, thereby, improving future cash flows for many years.

In 2010, we have set the stage for the future by making fundamental advancements in our business processes and improved relationships with our customers and channel partners. We have enhanced our web site, engaged in more active direct marketing campaigns, thereby, reaching our market more efficiently and expanding our global reach particularly in Europe, Asia and the Middle East.

We remain focused on providing value to our customers by offering solutions oriented products in both our test instruments and components product lines and partnering with our customers to solve their specific needs. This requires an even closer collaboration with our customers which fosters long term relationships due to our differentiation as a solutions provider. This can be evidenced by the US Navy deal we won in December 2010, whereby the Naval Sea Systems Command placed a \$1.5 million order for our flagship 4500B peak power meter. We were able to meet the strict adherence to the government specifications and work closely with government personnel responsible for selecting the best product solution the market has to offer.

My focus in the next year will be the continuous improvement of the Company's financial results coupled with our solution oriented sales efforts. These key objectives will drive our ability to maintain the highest levels of customer satisfaction in order to deliver strong financial results and improved value to our Shareholders. Our dedicated and professional employees are highly committed and aligned in every respect in order to market, sell, produce and deliver quality products and services. The entire Wireless Telecom Group Team embraces new opportunities and works together to achieve new successes. I encourage you to read this year's annual report and attend the upcoming annual Shareholder meeting on June 14, 2011. We thank you, our Shareholders, for your continued support and look forward to a successful and prosperous 2011.

Best Regards,



Paul Genova
Chief Executive Officer

INTRODUCTION

Wireless Telecom Group, Inc., and its operating subsidiaries, (collectively, the "Company"), develop, manufacture and market a wide variety of electronic noise sources, electronic testing and measuring instruments including power meters, voltmeters and modulation meters and high-power passive microwave components for wireless products. The Company's products have historically been primarily used to test the performance and capability of cellular/PCS and satellite communication systems and to measure the power of RF and microwave systems. Other applications include radio, radar, wireless local area network (WLAN) and digital television.

As was disclosed earlier in this report, as a result of the sale of Willtek, the Company has reflected its foreign activities as assets and liabilities held for sale and discontinued operations in its 2010 and 2009 consolidated financial statements.

The financial information presented herein includes: (i) Consolidated Balance Sheets as of December 31, 2010 and 2009 (ii) Consolidated Statements of Operations for the years ended December 31, 2010 and 2009 (iii) Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2010 and 2009 (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2010 and 2009.

FORWARD-LOOKING STATEMENTS

The statements contained in this Annual Report on Form 10-K that are not historical facts, including, without limitation, the statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations," are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may be identified by, among other things, the use of forward-looking terminology such as "believes," "expects," "intends," "plans," "may," "will," "should," "anticipates" or "continues" or the negative thereof of other variations thereon or comparable terminology, or by discussions of strategy that involve risks and uncertainties. These statements are based on the Company's current expectations of future events and are subject to a number of risks and uncertainties that may cause the Company's actual results to differ materially from those described in the forward-looking statements. These risks and uncertainties include, continued ability to maintain positive cash flow from results of operations, continued evaluation of goodwill for impairment and the Company's development and production of competitive technologies in our market sector; among others. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. These risks and uncertainties are disclosed from time to time in the Company's filings with the Securities and Exchange Commission, the Company's press releases and in oral statements made by or with the approval of authorized personnel. The Company assumes no obligation to update any forward-looking statements as a result of new information or future events or developments.

CRITICAL ACCOUNTING POLICIES

Estimates and assumptions

Management's discussion and analysis of the financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses for each period. The following represents a summary of the Company's critical accounting policies, defined as those policies that the Company believes are: (a) the most important to the portrayal of our financial condition and results of operations, and (b) that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain. Estimates and assumptions are made by management to assess the overall likelihood that an accounting estimate or assumption may require adjustment. Management assumptions have been reasonably accurate in the past, and future estimates or assumptions are likely to be calculated on the same basis.

Stock-based compensation

The Company follows the provisions of Accounting Standards Codification (ASC) 718, "Share-Based Payment". The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. For the performance-based options granted in 2010 and 2009, the Company took into consideration guidance under ASC 718 and SEC Staff Accounting Bulletin No. 107 (SAB 107) when reviewing and updating assumptions. The expected option life is derived from assumed exercise rates based upon historical exercise patterns and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon historical volatility of our shares using weekly price observations over an observation period that approximates the expected life of the options. The risk-free rate is based on the U.S. Treasury yield curve rate in effect at the time of grant for periods similar to the expected option life. The estimated forfeiture rate included in the option valuation was zero.

Revenue recognition

Revenue from product shipments, including shipping and handling fees, is recognized once delivery has occurred provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, and collectability is reasonably assured. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Sales to international distributors are recognized in the same manner. If title does not pass until the product reaches the customer's delivery site, then revenue recognition is deferred until that time. There are no formal sales incentives offered to any of the Company's customers. Volume discounts may be offered from time to time to customers purchasing large quantities on a per transaction basis. There are no special post

shipment obligations or acceptance provisions that exist with any sales arrangements.

Inventories

Raw material inventories are stated at the lower of cost (first-in, first-out method) or market. Finished goods and work-in-process are valued at average cost of production, which includes material, labor and manufacturing expenses.

Allowances for doubtful accounts

The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. A key consideration in estimating the allowance for doubtful accounts has been, and will continue to be, our customer's payment history and aging of its accounts receivable balance.

Income taxes

The Company records deferred taxes in accordance with ASC 740, "Accounting for Income Taxes". This ASC requires recognition of deferred tax assets and liabilities for temporary differences between tax basis of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted rates in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. The Company periodically assesses the value of its deferred tax asset, a majority of which has been generated by the disposition of Willtek, and determines the necessity for a valuation allowance. The Company evaluates which portion, if any, will more likely than not be realized by offsetting future taxable income, taking into consideration any limitations that may exist on its use of its net operating loss carryforwards.

Uncertain Tax Position

Under ASC 740, the Company must recognize the tax benefit from an uncertain position only if it is more-likely-than-not the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. The tax benefits recognized in the financial statements attributable to such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon the ultimate resolution of the position.

The Company has analyzed its filing positions in all of the federal, state and foreign jurisdictions where it is required to file income tax returns. As of December 31, 2010 and 2009, the Company has identified its federal tax return, its state tax return in New Jersey and its foreign return in Germany as "major" tax jurisdictions, as defined, in which it is required to file income tax returns. Based on the evaluations noted above, the Company has concluded that there are no significant uncertain tax positions requiring recognition or disclosure in its consolidated financial statements.

Based on a review of tax positions for all open years and contingencies as set out in Company's notes to the consolidated financial statements, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740 during the years ended December 31, 2010 and 2009, and the Company does not anticipate that it is reasonably possible that any material increase or decrease in its unrecognized tax benefits will occur within twelve months.

Valuation of goodwill

The Company reviews the goodwill of its subsidiary, Microlab, for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable, and also reviews Microlab's goodwill annually in accordance with ASC 350, "Accounting for Business Combinations, Goodwill, and Other Intangible Assets." The process of evaluating the potential impairment of goodwill is ongoing, subjective and requires significant judgment and estimates regarding future cash flows and forecasts. Goodwill represents the excess of the cost of an acquisition over fair value of net assets acquired. Testing for the impairment of goodwill involves a two step process. The first step of the impairment test requires the comparing of a reporting unit's fair value to its carrying value. If the carrying value is less than the fair value, no impairment exists and the second step is not performed. If the carrying value is higher than the fair value, there is an indication that impairment may exist and the second step must be performed to compute the amount of the impairment. In the second step, the impairment is computed by estimating the fair values of all recognized and unrecognized assets and liabilities of the reporting unit and comparing the implied fair value of reporting unit goodwill with the carrying amount of that unit's goodwill. As noted above, goodwill is attributable to one of the Company's reporting units, Microlab.

Impairment of long-lived assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted cash flows resulting from the use of the assets and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold for sale is based on the fair value of the assets. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2010 COMPARED TO 2009

Net sales for the year ended December 31, 2010 were \$24,564,226 as compared to \$22,828,328 for the year ended December 31, 2009, an increase of \$1,735,898 or 7.6%. This increase was primarily the result of strengthening demand for the Company's products and services throughout 2010. The Company believes key indicators, such as government spending on naval and air programs and commercial

infrastructure development, point to a general improvement in economic conditions, positively impacting sales during the period.

The Company's gross profit on net sales for the year ended December 31, 2010 was \$11,555,479 or 47.0% as compared to \$10,628,932 or 46.6% as reported in the previous year. Gross profit dollars are slightly higher in 2010 compared to 2009 primarily due to relatively fixed costs being allocated to higher revenues and the continuing effort to closely manage labor and overhead costs. The Company's products consist of several models with varying degrees of capabilities which can be customized to meet particular customer requirements. They may be incorporated directly into the electronic equipment concerned or may be stand alone components or devices that are connected to, or used in conjunction with, such equipment from an external site, in the factory or in the field.

Prices of products range from approximately \$100 to \$100,000 per unit, with most sales occurring between approximately \$2,000 and \$35,000 per unit. The Company can experience variations in gross profit based upon the mix of these products sold as well as variations due to revenue volume and economies of scale. The Company will continue to rigidly monitor costs associated with material acquisition, manufacturing and production.

Operating expenses for the year ended December 31, 2010 were \$10,749,956 or 43.8% of net sales as compared to \$11,552,881 or 50.6% of net sales for the year ended December 31, 2009. For the year ended December 31, 2010 as compared to the prior year, operating expenses decreased by \$802,925. Operating expenses are lower in 2010 due to a decrease in general and administrative expenses, offset by increased spending in both research and development and sales and marketing expenses. The decrease in general and administrative expense is attributable to lower administrative salaries, a decrease in non-cash stock option charges and lower professional fees in 2010, coupled with a specific onetime warranty accrual in the amount of \$240,000 recorded in 2009.

Interest income decreased by \$23,214 for the year ended December 31, 2010. This decrease was primarily due to the decline in interest rates in the Company's interest bearing investment account in 2010. Substantially all of the Company's cash is invested in money market funds.

Other income increased by \$58,556 for the year ended December 31, 2010. This increase was primarily due to the reduction of an accrual in 2010 of approximately \$100,000 relating to the potential exposure on environmental contamination at a site formerly leased by Boonton, partially offset by, foreign currency losses realized during the period. The Company has been testing the ground water at this site since 1982 in accordance with state regulations. Recently, the Company has hired a new environmental consultant to evaluate the results of the current remediation plan that has been in effect since 1982. The Company is diligently pursuing efforts to satisfy the requirements of the original plan and receive a new determination from the NJDEP. Management continues to be encouraged by recent test results which support

improvements in ground water conditions over time. While management anticipates that the expenditures in connection with this site will not be substantial in future years, the Company could be subject to significant future liabilities and may incur significant future expenditures if any additional contamination is identified and the NJDEP requires additional remediation.

For the year ended December 31, 2010, the Company realized a tax benefit of \$91,870. The tax benefit was primarily due to an increase in the Company's deferred tax asset, net of a valuation allowance, partially offset by an adjustment to the estimated 2009 carryback claim, due to the Company's finalizing of its 2009 federal tax return, and the provision for state income taxes. For the year ended December 31, 2009, the Company realized a tax benefit, net of a valuation allowance, of \$6,366,851, of which approximately \$1,900,000 was estimated to be realized in a carryback claim from taxes paid in prior years. The remaining tax benefit of approximately \$4,500,000 was estimated to be utilized to offset taxable income in future years. The effect of this tax benefit on earnings per share in 2009 was an increase of \$0.25 per share.

Net income from continuing operations was \$1,015,043 or \$0.04 per share on a diluted basis for the year ended December 31, 2010 as compared to net income from continuing operations of \$5,460,322 or \$0.21 per share on a diluted basis for the year ended December 31, 2009, a decrease of \$4,445,279. The decrease was primarily due to the analysis mentioned above.

Net loss from discontinued operations was \$1,742,853 or \$0.07 per share on a diluted basis for the year ended December 31, 2010 as compared to a net loss from discontinued operations of \$3,428,069 or \$0.13 per share on a diluted basis for the year ended December 31, 2009, a loss decrease of \$1,685,216. The 2010 loss was primarily due to an adjustment to the loss recognized on the sale of Willtek of \$430,565 and \$1,312,288 in operating losses in Willtek through the May 7, 2010 sale date. The 2009 loss was primarily due to the \$3,348,122 loss recognized in 2009 on the anticipated sale of Willtek.

Net loss was \$727,810 or \$0.03 per share on a diluted basis for the year ended December 31, 2010 as compared to net income of \$2,032,253 or \$0.08 per share on a diluted basis for the year ended December 31, 2009, a decrease of \$2,760,063. The decrease was primarily due to the analysis mentioned above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's working capital has decreased by \$3,482,729 to \$22,671,245 at December 31, 2010, from \$26,153,974 at December 31, 2009. The decrease in working capital is primarily due to the sale of Willtek's net assets in 2010. At December 31, 2010, the Company had a current ratio of 8.2 to 1, and a ratio of debt to tangible net worth of .2 to 1. At December 31, 2009, the Company had a current ratio of 4.4 to 1, and a ratio of debt to tangible net worth of .4 to 1.

The Company had cash and cash equivalents of \$13,643,220 at December 31, 2010, compared to a balance of \$14,076,382 at December 31, 2009. The Company believes its current level of cash is sufficient enough to fund the current operating, investing and financing activities.

The Company expects to realize tax benefits in future periods due to the available net operating loss carryforwards resulting from the disposition of Willtek in 2010. Accordingly, future taxable income is expected to be offset by the utilization of operating loss carryforwards and as a result will increase the Company's liquidity as cash needed to pay Federal income taxes will be substantially reduced.

Operating activities, including discontinued operations, used \$1,160,482 in cash for the year ending December 31, 2010. For the year ended December 31, 2009, operating activities, including discontinued operations, provided \$3,108,709 in cash flows. For 2010, cash used for operations was primarily due to a decrease in accounts payable and accrued expenses, a decrease in income taxes payable, and increases in inventory and accounts receivable, partially offset by a decrease in prepaid expenses, income taxes recoverable and other current assets. For 2009, cash provided by operations was primarily due to decreases in accounts receivable and inventory, partially off-set by an increase in prepaid expenses, recoverability of taxes and other assets, and a decrease in accounts payable and accrued expenses.

Table of Contractual Obligations

| | Payments by Period | | | |
|--------------------------------|--------------------|---------------------|-------------|-----------|
| | Total | Less than 1 Year | 1-3 Years | 4-5 Years |
| Mortgage | \$2,771,259 | \$ 68,347 | \$2,702,912 | \$ — |
| Facility Leases | 335,133 | 335,133 | — | — |
| Operating and Equipment Leases | 354,015 | 75,514 | 222,801 | 55,700 |
| | \$3,460,407 | \$478,994 | \$2,925,713 | \$55,700 |

In September 2009, the Company secured a line of credit with one of its financial institutions. The credit facility provides borrowing availability of up to 100% of the Company's money market account balance and 99% of the Company's short-term investment securities (U.S. Treasury bills) and, under the terms and conditions of the loan agreement, is fully secured by said money fund account and short-term investment holdings. Advances under the facility will bear interest at a variable rate equal to the London InterBank Offered Rate ("LIBOR") in effect at time of borrowing. Additionally, under the terms and conditions of the loan agreement, there is no annual fee and any amount outstanding under the loan facility may be paid at any time in whole or in part without penalty. As of December 31, 2010, the Company had no borrowings outstanding under the facility and approximately \$6,000,000 of borrowing availability.

The Company has historically been able to turn over its accounts receivable approximately every two months. This average collection period has been sufficient to provide the working capital and liquidity necessary to operate the Company.

Net cash provided by investing activities for 2010 amounted to \$2,415,715 compared to net cash provided by investing activities of \$4,731,285 for the year ending December 31, 2009. For 2010, the primary source of cash was proceeds relating to the disposition of Willtek, offset by capital expenditures. For 2009, the primary source of cash was proceeds from the sale of investment securities, off-set by capital expenditures.

Financing activities used \$1,538,533 in cash for the year ended December 31, 2010. The use of these funds was for the final payoff on the Company's bank loan and periodic payments made on its mortgage note payable. Financing activities used \$423,898 in cash for the year ended December 31, 2009. The use of these funds was for periodic payments made on the Company's bank and mortgage note payable.

In 2010, the Company satisfied the entire outstanding principal and interest due on its bank note payable through payment of \$1,475,149. Since this bank note was in principle a Euro denominated loan, the outstanding loan balance was subject to foreign currency fluctuations. The Company benefited from the weakening Euro at time of payment.

The Company believes that its financial resources from working capital provided by operations are adequate to meet its current needs. However, should current global economic conditions continue to deteriorate, additional working capital funding may be required which may be difficult to obtain due to restrictive credit markets.

Throughout its ownership of Willtek, the Company had been required to fund its foreign operations through cash loans and advances. Due to the dissolution of Willtek, this funding will no longer be required.

Off-Balance Sheet Arrangements

Other than contractual obligations incurred in the normal course of business, the Company does not have any off-balance sheet arrangements.

Inflation and Seasonality

The Company does not anticipate that inflation will significantly impact its business nor does it believe that its business is seasonal.

Recent Accounting Pronouncements Affecting the Company

In December 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts" (amendments to FASB ASC Topic 350, Intangibles, Goodwill and Other). The objective of this ASU is to address diversity in practice in the application of goodwill impairment testing by entities with reporting units with zero or negative carrying amounts, eliminating an entity's ability to assert that a reporting unit is not required to perform Step 2 because the carrying amount of the reporting unit is zero or negative despite the existence of qualitative factors that indicate the goodwill is more likely than not impaired. This ASU is effective for interim periods after January 1, 2011. The Company is in the process of evaluating the impact of adopting this ASU on its consolidated financial statements.

In April 2010, the FASB issued ASU 2010-17, "Revenue Recognition — Milestone Method" (Topic 605). ASU 2010-17 provides guidance in applying the milestone method of revenue recognition to research and development arrangements. Under this guidance management may recognize revenue contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all the criteria within the guidance to be considered substantive. This ASU is effective on a prospective basis for research and development milestones achieved in fiscal years, beginning on or after June 15, 2010. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements as the Company has no material research and development arrangements which will be accounted for under the milestone method.

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements." This update provides amendments to Subtopic 820-10 that requires new disclosure about recurring or nonrecurring fair-value measurements including significant transfers into or out of Level 1 and Level 2 fair-value classifications. It also requires information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair-value assets and liabilities. These disclosures are required for fiscal years beginning on or after December 15, 2009. The ASU also clarifies existing fair-value measurement disclosure guidance about the level of disaggregation, inputs and valuation techniques, which are required to be implemented in fiscal years and interim periods beginning on or after December 15, 2010. Since the requirements of this ASU only relate to disclosure, the adoption of the portion of this guidance that became effective January 1, 2010 did not have a material impact on the Company's consolidated financial statements. Furthermore, we do not expect the portion of the

guidance to become effective January 1, 2011 to have a material impact in the Company's consolidated financial statements.

In October 2009, the FASB issued ASU 2009-14, "Certain Revenue Arrangements that Include Software Elements." This update amends Accounting Standards Codification Subtopic 985-605, "Software Revenue Recognition," to exclude from its scope tangible products that contain both software and non-software components that function together to deliver a product's essential functionality. The ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In October 2009, the FASB issued ASU 2009-13, "Revenue Recognition (Topic 605): Multiple Deliverable Revenue Arrangements — A Consensus of the FASB Emerging Issues Task Force." This update provides application guidance on whether multiple deliverables exist, how the deliverables should be separated and how the consideration should be allocated to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific evidence is not available, or estimated selling price if neither vendor-specific nor third-party evidence is available. The Company will be required to apply this guidance prospectively for revenue arrangements entered into or materially modified after January 1, 2011; however, earlier application is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Industry Risk

The electronic test and measurement industry is cyclical which can cause significant fluctuations in sales, gross profit margins and profits, from year to year. It is difficult to predict the timing of the changing cycles in the electronic test and measurement industry.

CONSOLIDATED BALANCE SHEETS

| | December 31, | |
|--|---------------------|--------------|
| | 2010 | 2009 |
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$13,643,220 | \$14,076,382 |
| Accounts receivable — net of allowance for doubtful accounts of \$73,819 and \$155,173 for 2010 and 2009, respectively | 4,303,720 | 3,023,318 |
| Income taxes recoverable | — | 1,910,846 |
| Inventories | 6,935,172 | 6,944,231 |
| Deferred income taxes — current | 457,215 | 464,192 |
| Prepaid expenses and other current assets | 465,798 | 523,642 |
| Assets held for sale | — | 6,978,163 |
| Total Current Assets | 25,805,125 | 33,920,774 |
| Property, Plant and Equipment — Net | 4,238,015 | 4,436,339 |
| Other Assets: | | |
| Goodwill | 1,351,392 | 1,351,392 |
| Deferred income taxes — non-current | 5,236,175 | 4,560,312 |
| Other assets | 988,108 | 863,023 |
| Total Other Assets | 7,575,675 | 6,774,727 |
| Total Assets | \$37,618,815 | \$45,131,840 |
| Liabilities and Shareholders' Equity | | |
| Current Liabilities: | | |
| Accounts payable | \$ 743,398 | \$ 904,542 |
| Accrued expenses and other current liabilities | 2,322,135 | 1,930,225 |
| Current portion of note payable — bank | — | 375,238 |
| Current portion of mortgage payable | 68,347 | 63,386 |
| Liabilities held for sale | — | 4,493,409 |
| Total Current Liabilities | 3,133,880 | 7,766,800 |
| Long Term Liabilities: | | |
| Note payable — bank | — | 1,313,333 |
| Mortgage payable | 2,702,912 | 2,771,259 |
| Deferred rent payable | 37,922 | 90,946 |
| Total Long Term Liabilities | 2,740,834 | 4,175,538 |
| Commitments and Contingencies | | |
| Shareholders' Equity: | | |
| Preferred stock, \$.01 par value, 2,000,000 shares authorized, none issued | — | — |
| Common stock, \$.01 par value, 75,000,000 shares authorized, 28,753,861 shares issued, 25,658,203 shares outstanding | 287,539 | 287,539 |
| Additional paid-in capital | 37,746,005 | 37,528,841 |
| Retained earnings | 1,257,371 | 1,985,181 |
| Accumulated other comprehensive income | — | 934,755 |
| Treasury stock, at cost — 3,095,658 shares | (7,546,814) | (7,546,814) |
| | 31,744,101 | 33,189,502 |
| Total Liabilities and Shareholders' Equity | \$37,618,815 | \$45,131,840 |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the Year Ended December 31, | |
|---|---------------------------------|--------------|
| | 2010 | 2009 |
| Net Sales | \$24,564,226 | \$22,828,328 |
| Cost of Sales | 13,008,747 | 12,199,396 |
| Gross Profit | 11,555,479 | 10,628,932 |
| Operating Expenses | | |
| Research and development | 2,174,798 | 2,066,018 |
| Sales and marketing | 4,358,024 | 4,158,836 |
| General and administrative | 4,217,134 | 5,328,027 |
| Total Operating Expenses | 10,749,956 | 11,552,881 |
| Operating Income (Loss) | 805,523 | (923,949) |
| Other (Income) Expense | | |
| Interest (income) | (22,655) | (45,869) |
| Interest expense — net | 212,149 | 277,037 |
| Other (income) — net | (307,144) | (248,588) |
| Total Other (Income) Expense | (117,650) | (17,420) |
| Income (Loss) from Continuing Operations before (Benefit) from Income Taxes | 923,173 | (906,529) |
| (Benefit) from Income Taxes | (91,870) | (6,366,851) |
| Income from Continuing Operations | 1,015,043 | 5,460,322 |
| (Loss) from Discontinued Operations — Net of Taxes | (1,742,853) | (3,428,069) |
| Net Income (Loss) | \$ (727,810) | \$ 2,032,253 |
| Income (Loss) per Common Share: | | |
| Basic and diluted | | |
| Continuing operations | \$ 0.04 | \$ 0.21 |
| Discontinued operations | \$ (0.07) | \$ (0.13) |
| Net Income (Loss) per Common Share | \$ (0.03) | \$ 0.08 |
| Weighted Average Common Shares Outstanding: | | |
| Basic | 25,658,203 | 25,658,203 |
| Diluted | 25,685,291 | 25,658,203 |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| | Common Stock | Additional Paid-in Capital | Retained Earnings (Deficit) | Accumulated Other Comprehensive Income | Treasury Stock at Cost | Total |
|--|------------------|----------------------------------|-----------------------------------|---|------------------------------|---------------------|
| Balance at December 31, 2008 | \$ 287,539 | \$ 37,259,386 | \$ (47,072) | \$ 724,408 | \$ (7,546,814) | \$ 30,677,447 |
| Net income | — | — | 2,032,253 | — | — | 2,032,253 |
| Foreign currency translation | — | — | — | 293,448 | — | 293,448 |
| Amount recognized for employee pension obligation | — | — | — | (83,101) | — | (83,101) |
| Comprehensive income | — | — | — | — | — | 2,242,600 |
| Stock options expensed | — | 269,455 | — | — | — | 269,455 |
| Balance at December 31, 2009 | \$ 287,539 | \$ 37,528,841 | \$ 1,985,181 | \$ 934,755 | \$ (7,546,814) | \$ 33,189,502 |
| Net (loss) | — | — | (727,810) | — | — | (727,810) |
| Foreign currency translation | — | — | — | (31,320) | — | (31,320) |
| Amount recognized for employee pension obligation | — | — | — | (903,435) | — | (903,435) |
| Comprehensive income (loss) | — | — | — | — | — | (1,662,565) |
| Stock options expensed | — | 217,164 | — | — | — | 217,164 |
| Balance at December 31, 2010 | \$287,539 | \$37,746,005 | \$1,257,371 | \$ 0 | \$(7,546,814) | \$31,744,101 |

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Year Ended December 31,

| | 2010 | 2009 |
|---|----------------------|---------------|
| Cash Flow from Operating Activities: | | |
| Net income (loss) | \$ (727,810) | \$ 2,032,253 |
| Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities: | | |
| Depreciation | 621,706 | 868,790 |
| Amortization | 13,906 | 42,409 |
| Loss on sale of discontinued operations | 430,565 | 3,348,122 |
| Stock compensation expense | 217,164 | 269,455 |
| Interest on investment securities | — | (27,184) |
| Deferred rent | (53,025) | (10,720) |
| Deferred income taxes | (668,886) | (4,298,689) |
| Provision for (recovery of) doubtful accounts | (106,247) | 75,284 |
| Changes in assets and liabilities: | | |
| Accounts receivable | (269,247) | 1,041,512 |
| Inventory | (314,836) | 985,587 |
| Income taxes payable | (253,543) | 9,272 |
| Prepaid expenses, income taxes recoverable and other current assets | 1,953,073 | (592,478) |
| Other long-term liabilities | — | 42,881 |
| Accounts payable and accrued expenses | (2,003,302) | (677,785) |
| Net cash provided by (used for) operating activities | (1,160,482) | 3,108,709 |
| Cash Flows from Investing Activities: | | |
| Capital expenditures | (334,260) | (276,631) |
| Proceeds from dispositions of property, plant and equipment | — | 4,340 |
| Proceeds from dispositions of Willtek assets | 2,749,975 | — |
| Proceeds from sale of investment securities | — | 5,003,576 |
| Net cash provided by investing activities | 2,415,715 | 4,731,285 |
| Cash Flows from Financing Activities: | | |
| Payments of mortgage note | (63,384) | (58,784) |
| Payment on bank note payable | (1,475,149) | (365,114) |
| Net cash (used for) financing activities | (1,538,533) | (423,898) |
| Effect of foreign currency on cash and cash equivalents | (149,862) | 32,889 |
| Net Increase (Decrease) in Cash and Cash Equivalents | (433,162) | 7,448,985 |
| Cash and cash equivalents, at beginning of year | 14,076,382 | 6,627,397 |
| Cash and Cash Equivalents, at End of Year | \$ 13,643,220 | \$ 14,076,382 |
| Supplemental Information: | | |
| Cash paid during the year for: | | |
| Taxes | \$ 537,332 | \$ 304,850 |
| Interest | \$ 238,707 | \$ 294,994 |

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Basis of Presentation:

Wireless Telecom Group, Inc. and Subsidiaries (the "Company"), develops and manufactures a wide variety of electronic noise sources, testing and measurement instruments and high-power, passive microwave components, which it sells to customers throughout the United States and worldwide through its foreign sales corporation and foreign distributors to commercial and government customers in the electronics industry. The consolidated financial statements include the accounts of Wireless Telecom Group, Inc. and its wholly-owned subsidiaries, Boonton Electronics Corporation, Microlab/FXR, Willtek Communications GmbH (through May 7, 2010), WTG Foreign Sales Corporation and NC Mahwah, Inc. All intercompany transactions are eliminated in consolidation.

Throughout 2009, Willtek Communications GmbH ("Willtek") experienced a decline in revenues and, consequently, a decline in gross margins primarily due to an overall industry slowdown in worldwide cellular handset demand. In light of these, and other, current market challenges facing Willtek, including significant research and development expenses required to remain competitive, management evaluated several strategic alternatives and opportunities, such as, restructuring the existing business, finding a strategic partner, making additional investments in technology research and development or a sale of some or all of the Willtek assets.

In November 2009, the Company's board of directors made a decision to conclude efforts to seek strategic alternatives regarding the operations, assets and intellectual property relating to the Company's foreign subsidiary, Willtek, so that the Company could focus on growing its domestic based business divisions. The board of directors authorized management to begin negotiations with interested parties to sell substantially all of the assets of Willtek or cease incurring costs related to its development. On April 9, 2010, the Company entered into an asset purchase agreement to sell substantially all the operating assets and certain liabilities of Willtek and on May 7, 2010 successfully completed this sale.

As a result of the aforementioned sale of Willtek, the Company's consolidated balance sheet at December 31, 2009 presents the accounts of Willtek as assets and liabilities held for sale. Willtek's operating activities through the May 7, 2010 sale date, and for all of fiscal year 2009, are included in the Company's consolidated statement of operations as discontinued operations (see Note 2). As a result, the succeeding information presented in these notes to the financial statements pertains primarily to the Company's continuing operations.

Use of Estimates:

In preparing financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), management makes certain estimates and assumptions, where applicable, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk and Fair Value:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and accounts receivable.

The Company maintains significant cash investments primarily with two financial institutions, which at times may exceed federally insured limits. The Company performs periodic evaluations of the relative credit rating of these institutions as part of its investment strategy.

Concentrations of credit risk with respect to accounts receivable are limited due to the Company's large customer base. However, at December 31, 2010, primarily all of the Company's receivables do pertain to the telecommunications industry.

The carrying amounts of cash and cash equivalents, trade receivables, other current assets and accounts payable approximate fair value due to the short-term nature of these instruments. At December 31, 2010, the fair value (estimated based upon expected cash outflows discounted at current market rates) and carrying value of fixed rate mortgage amounted to \$2,860,698 and \$2,771,259, respectively. At December 31, 2009, the fair value and carrying value of fixed rate mortgage amounted to \$2,930,764 and \$2,834,645, respectively.

The Company records its financial assets and liabilities at fair value. The accounting standard for fair value (i) defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the measurement date, (ii) establishes a framework for measuring fair value, (iii) establishes a hierarchy of fair value measurements based upon the observability of inputs used to value assets and liabilities, (iv) requires consideration of nonperformance risk, and (v) expands disclosures about the methods used to measure fair value.

The accounting standard establishes a three-level hierarchy of measurements based upon the reliability of observable and unobservable inputs used to arrive at fair value. Observable inputs are independent market data, while unobservable inputs reflect our assumptions about valuation. The three levels of the hierarchy are defined as follows:

Level 1: Observable inputs such as quoted prices in active markets for identical assets and liabilities;

Level 2: Inputs other than quoted prices but are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

At December 31, 2010, the Company did not have any financial assets or liabilities which are required to be measured at fair value on a recurring basis. At December 31, 2009, the net assets of Wiltek (see note 2) were recorded at their net realizable values based upon Level 2 hierarchy.

Cash and Cash Equivalents:

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of operating and money market accounts.

The Company classifies investments as short-term investments if their original or remaining maturities are greater than three months and their remaining maturities are one year or less. As of December 31, 2010, substantially all of the Company's investments consisted of cash and cash equivalents.

Accounts Receivable:

The Company accounts for uncollectible accounts under the allowance method. Potentially uncollectible accounts are provided for throughout the year and actual bad debts are written off to the allowance on a timely basis.

Inventories:

Raw material inventories are stated at the lower of cost (first-in, first-out method) or market. Finished goods and work-in-process are valued at average cost of production, which includes material, labor and manufacturing expenses. Inventory carrying value is net of inventory reserves of \$452,310 and \$810,904 for the years ended December 31, 2010 and 2009, respectively. In 2010, during the review of its inventory reserves, the Company identified and scrapped \$243,713 of obsolete inventory.

Inventories consist of:

| | December 31, | |
|-----------------|--------------------|-------------|
| | 2010 | 2009 |
| Raw materials | \$4,632,195 | \$4,393,992 |
| Work-in-process | 830,684 | 1,252,251 |
| Finished goods | 1,472,293 | 1,297,988 |
| | \$6,935,172 | \$6,944,231 |

Property, Plant and Equipment:

Property, plant and equipment are reflected at cost, less accumulated depreciation. Depreciation and amortization are provided on a straight-line basis over the following useful lives:

| | |
|---------------------------|------------|
| Building and improvements | 39 years |
| Machinery and equipment | 5-10 years |
| Furniture and fixtures | 5-10 years |
| Transportation equipment | 3-5 years |

Leasehold improvements are amortized over the remaining term of the lease and reflect the estimated life of the improvements. Repairs and maintenance are charged to operations as incurred; renewals and betterments are capitalized.

Goodwill:

The Company reviews the goodwill of its subsidiary, Microlab, for impairment whenever events or changes in circumstances indicate that the carrying amount of this asset may not be recoverable, and also reviews Microlab's goodwill annually in accordance with Accounting Standards Codification (ASC) 350, "Accounting for Business Combinations, Goodwill, and Other Intangible Assets." The process of evaluating the potential impairment of goodwill is ongoing, subjective and requires significant judgment and estimates regarding future cash flows and forecasts. Goodwill represents the excess of the cost of an acquisition over fair value of net assets acquired. Testing for the impairment of goodwill involves a two step process. The first step of the impairment test requires the comparing of a reporting unit's fair value to its carrying value. If the carrying value is less than the fair value, no impairment exists and the second step is not performed. If the carrying value is higher than the fair value, there is an indication that impairment may exist and the second step must be performed to compute the amount of the impairment.

In the second step, the impairment is computed by estimating the fair value of all recognized and unrecognized assets and liabilities of the reporting unit and comparing the implied fair value of reporting unit goodwill with the carrying amount of that unit's goodwill. As noted above, goodwill is attributable to one of the Company's reporting units, Microlab.

In the fourth quarters of 2010 and 2009, management performed their annual impairment test of goodwill which indicated that Microlab's fair value was significantly in excess of its carrying value, therefore, there was no impairment for either of the periods presented.

Impairment of long-lived assets:

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted cash flows resulting from the use of the assets and its eventual disposition. Measurement of an impairment loss for long-lived assets that management expects to hold for sale is based

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

on the fair value of the assets. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Revenue Recognition:

Revenue from product shipments, including shipping and handling fees, is recognized once delivery has occurred provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, and collectability is reasonably assured. Delivery is considered to have occurred when title and risk of loss have transferred to the customer. Sales to international distributors are recognized in the same manner. If title does not pass until the product reaches the customer's delivery site, then recognition of revenue is deferred until that time. There are no formal sales incentives offered to any of the Company's customers. Volume discounts may be offered from time to time to customers purchasing large quantities on a per transaction basis. There are no special post shipment obligations or acceptance provisions that exist with any sales arrangements.

Research and Development Costs:

Research and development costs are charged to operations when incurred. The amounts charged to continuing operations for the years ended December 31, 2010 and 2009 were \$2,174,798 and \$2,066,018, respectively.

Advertising Costs:

Advertising expenses are charged to operations during the year in which they are incurred and aggregated \$358,248 and \$357,063 for the years ended December 31, 2010 and 2009, respectively.

Comprehensive Income (Loss):

Prior to the disposition of Willtek (see Note 2), assets and liabilities of the Company's foreign subsidiaries were translated at period-end exchange rates, while income and expenses were translated at average rates for the period. Translation gains and losses were reported as a component of accumulated other comprehensive income (loss) on the statement of changes in shareholders' equity in accordance with ASC 220, "Comprehensive Income".

During the fiscal year ended December 31, 2009, included in other comprehensive income (loss) was an adjustment for Willtek's employee benefit obligations due to the provisions of ASC 715, "Compensation — Retirement Benefits", as well as, foreign currency translation gains and losses. At December 31, 2009, in connection with the Company's intent and eventual sale of substantially all of the assets of its foreign subsidiary (see Note 2), amounts recorded in other comprehensive income (loss) were included in the determination of the loss of discontinued operations.

Components of other comprehensive income (loss) consist of the following:

| | Foreign Currency Translation | Pension Liability Adjustments | Total Accumulated Other Comprehensive Income (loss) |
|------------------------------|------------------------------------|-------------------------------------|---|
| Balance at | | | |
| December 31, 2008 | \$(262,128) | \$ 986,536 | \$ 724,408 |
| Amounts recognized for | | | |
| employee pension costs | — | (83,101) | (83,101) |
| Foreign currency translation | 293,448 | — | 293,448 |
| Balance at | | | |
| December 31, 2009 | \$ 31,320 | \$ 903,435 | \$ 934,755 |
| Amounts recognized for | | | |
| employee pension costs | — | (903,435) | (903,435) |
| Foreign currency translation | (31,320) | — | (31,320) |
| Balance at | | | |
| December 31, 2010 | \$ — | \$ — | \$ — |

Stock-Based Compensation:

The Company follows the provisions of ASC 718, "Share-Based Payment". The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. For the performance-based options granted in 2010 and 2009, the Company took into consideration guidance under ASC 718 and SEC Staff Accounting Bulletin No. 107 (SAB 107) when reviewing and updating assumptions. The expected option life is derived from assumed exercise rates based upon historical exercise patterns and represents the period of time that options granted are expected to be outstanding. The expected volatility is based upon historical volatility of our shares using weekly price observations over an observation period that approximates the expected life of the options. The risk-free rate is based on the U.S. Treasury yield curve rate in effect at the time of grant for periods similar to the expected option life. The estimated forfeiture rate included in the option valuation was zero.

Income Taxes:

The Company records deferred taxes in accordance with ASC 740, "Accounting for Income Taxes". This ASC requires recognition of deferred tax assets and liabilities for temporary differences between tax basis of assets and liabilities and the amounts at which they are carried in the financial statements, based upon the enacted rates in effect for the year in which the differences are expected to reverse. The Company establishes a valuation allowance when necessary to reduce deferred tax assets to the amount expected to be realized. The Company periodically assesses the value of its deferred tax asset, a majority of which has been generated by the disposition of Willtek, and determines the necessity for a valuation allowance.

The Company evaluates which portion, if any, will more likely than not be realized by offsetting future taxable income, taking into consideration any limitations that may exist on its use of its net operating loss carryforwards.

Under ASC 740, the Company must recognize the tax benefit from an uncertain position only if it is more-likely-than-not the tax position will be sustained on examination by the taxing authority, based on the technical merits of the position. The tax benefits recognized in the financial statements attributable to such position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon the ultimate resolution of the position.

The Company has analyzed its filing positions in all of the federal, state and foreign jurisdictions where it is required to file income tax returns. As of December 31, 2010 and 2009, the Company has identified its federal tax return, its state tax return in New Jersey and its foreign return in Germany as "major" tax jurisdictions, as defined, in which it is required to file income tax returns. Based on the evaluations noted above, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its consolidated financial statements.

Based on a review of tax positions for all open years and contingencies as set out in Company's notes to the consolidated financial statements, no reserves for uncertain income tax positions have been recorded pursuant to ASC 740 during the years ended December 31, 2010 and 2009, and the Company does not anticipate that it is reasonably possible that any material increase or decrease in its unrecognized tax benefits will occur within twelve months.

Income (Loss) Per Common Share:

Basic income (loss) per share is calculated by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. Diluted income (loss) per share is calculated by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period and, when dilutive, potential shares from stock options and warrants to purchase common stock, using the treasury stock method. In accordance with ASC 260, "Earnings Per Share", the following table reconciles basic shares outstanding to fully diluted shares outstanding.

| | Years Ended December 31, | |
|---|--------------------------|------------|
| | 2010 | 2009 |
| Weighted average number of common shares outstanding — Basic | 25,658,203 | 25,658,203 |
| Potentially dilutive stock options | 27,088 | — |
| Weighted average number of common and equivalent shares outstanding — Diluted | 25,685,291 | 25,658,203 |

Common stock options are included in the diluted income (loss) per share calculation only when option exercise prices are lower than the average market price of the common shares for the period presented. The weighted average number of common stock equivalents not included in diluted income (loss) per share, because the effects are anti-dilutive, was 2,753,472 and 3,317,778 for 2010 and 2009, respectively.

Subsequent events:

The Company has evaluated subsequent events and, except for the events described with respect to the stock repurchase, the appointment of a corporate officer and the granting of restricted stock (see Note 13), the Company has determined that there were no other subsequent events or transactions requiring recognition or disclosure in the consolidated financial statements.

Recent Accounting Pronouncements Affecting the Company:

In December 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2010-28, "When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts" (amendments to FASB ASC Topic 350, Intangibles, Goodwill and Other). The objective of this ASU is to address diversity in practice in the application of goodwill impairment testing by entities with reporting units with zero or negative carrying amounts, eliminating an entity's ability to assert that a reporting unit is not required to perform Step 2 because the carrying amount of the reporting unit is zero or negative despite the existence of qualitative factors that indicate the goodwill is more likely than not impaired. This ASU is effective for interim periods after January 1, 2011. The Company is in the process of evaluating the impact of adopting this ASU on its consolidated financial statements.

In April 2010, the FASB issued ASU 2010-17, "Revenue Recognition — Milestone Method" (Topic 605). ASU 2010-17 provides guidance in applying the milestone method of revenue recognition to research and development arrangements. Under this guidance management may recognize revenue contingent upon the achievement of a milestone in its entirety, in the period in which the milestone is achieved, only if the milestone meets all the criteria within the guidance to be considered substantive. This ASU is effective on a prospective basis for research and development milestones achieved in fiscal years, beginning on or after June 15, 2010. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements as the Company has no material research and development arrangements which will be accounted for under the milestone method.

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements." This update provides amendments to Subtopic 820-10 that requires new disclosure about recurring or nonrecurring fair-value measurements including significant transfers into or out of Level 1 and Level 2 fair-value classifications. It also requires information on purchases, sales, issuances and settlements on a gross basis in the reconciliation of Level 3 fair-value assets and liabilities. These disclosures are required for fiscal years beginning on or after December 15, 2009. The ASU also clarifies existing fair-value measurement disclosure guidance about the level of disaggregation, inputs and valuation techniques, which are required to be implemented in fiscal years and interim periods beginning on or after December 15, 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Since the requirements of this ASU only relate to disclosure, the adoption of the portion of this guidance that became effective January 1, 2010 did not have a material impact on the Company's consolidated financial statements. Furthermore, we do not expect the portion of the guidance to become effective January 1, 2011 to have a material impact in the Company's consolidated financial statements.

In October 2009, the FASB issued ASU 2009-14, "Certain Revenue Arrangements that Include Software Elements." This update amends Accounting Standards Codification Subtopic 985-605, "Software Revenue Recognition," to exclude from its scope tangible products that contain both software and non-software components that function together to deliver a product's essential functionality. The ASU is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

In October 2009, the FASB issued ASU 2009-13, "Revenue Recognition (Topic 605): Multiple Deliverable Revenue Arrangements — A Consensus of the FASB Emerging Issues Task Force." This update provides application guidance on whether multiple deliverables exist, how the deliverables should be separated and how the consideration should be allocated to one or more units of accounting. This update establishes a selling price hierarchy for determining the selling price of a deliverable. The selling price used for each deliverable will be based on vendor-specific objective evidence, if available, third-party evidence if vendor-specific evidence is not available, or estimated selling price if neither vendor-specific nor third-party evidence is available. The Company will be required to apply this guidance prospectively for revenue arrangements entered into or materially modified after January 1, 2011; however, earlier application is permitted. The Company does not expect the adoption of this standard to have a material impact on its consolidated financial statements.

NOTE 2 — DISCONTINUED OPERATIONS:

In November 2009, in light of the market challenges facing Willtek and the continuing deterioration of the Willtek operations, the Company's board of directors made a decision to conclude efforts to seek strategic alternatives regarding the operations, assets and intellectual property relating to the Company's foreign subsidiary, so that the Company could focus on growing its domestic based divisions. The board of directors authorized management to begin negotiations with interested parties to sell substantially all of the assets of Willtek or cease incurring costs related to its development.

On April 9, 2010, the Company entered into an asset purchase agreement to sell substantially all of the operating assets and certain liabilities of Willtek and, on May 7, 2010, successfully completed this sale. Although no longer included in its consolidated balance sheets as of December 31, 2010, the table below presents the Willtek assets and

liabilities held for sale as of the May 7, 2010 sale date and as of December 31, 2009.

Additionally, Willtek's operating activities through the May 7, 2010 sale date are included in the Company's consolidated statement of operations as discontinued operations. Included in accrued expenses and other current liabilities at December 31, 2010 are remaining estimated unpaid costs and fees of \$1,052,074 associated with the disposition of Willtek.

Assets and liabilities held for sale as of the May 7, 2010 sale date and as of December 31, 2009 consist of the following:

| | May 7, December 31, | |
|---|----------------------------|-------------|
| | 2010 | 2009 |
| Assets held for sale | | |
| Accounts receivable — net | \$1,028,443 | \$2,037,731 |
| Inventory — net | 968,019 | 1,284,005 |
| Prepaid expenses and other current assets — net | 314,722 | 235,457 |
| Property, plant and equipment — net | — | — |
| Pension insurance and other long-term assets | 2,670,873 | 3,420,970 |
| | \$4,982,057 | \$6,978,163 |
| Liabilities held for sale | | |
| Accounts payable | \$1,562,083 | \$1,546,794 |
| Accrued expenses | 1,180,434 | 1,332,607 |
| Pension liability | 1,420,673 | 1,268,582 |
| Other long-term liabilities | — | 345,426 |
| | \$4,163,190 | \$4,493,409 |

As a result of the sale of Willtek, the Company recorded a loss on sale of discontinued operations of \$3,778,687, which represents the excess of net assets, and the related realization of other comprehensive income, over the net sales price. Of this amount, \$430,565 was recognized during 2010 to reflect a change in the estimate of the carrying value less the cost to dispose Willtek. The loss on sale of discontinued operations has been reflected as a reduction of assets held for sale in the May 7, 2010 and December 31, 2009 columns in the table above.

The following table summarizes the components of discontinued operations:

| | For the Year Ended December 31, | |
|--|------------------------------------|----------------|
| | 2010 | 2009 |
| Net sales | \$ 6,642,152 | \$25,860,848 |
| Gross profit | 2,609,331 | 12,982,522 |
| (Loss) from discontinued operations before taxes | (1,313,032) | (73,961) |
| Provision (benefit) for income taxes | (744) | 5,986 |
| (Loss) from discontinued operations | (1,312,288) | (79,947) |
| (Loss) from sale of discontinued operations | (430,565) | (3,348,122) |
| Net (loss) from discontinued operations | \$ (1,742,853) | \$ (3,428,069) |

Cash flows from discontinued operations for the years ended December 31, 2010 and 2009 are combined with the cash flows from operations within each of the three categories presented. Cash flows from discontinued operations are as follows:

| | For the Year Ended December 31, | |
|--------------------------------------|------------------------------------|-------------|
| | 2010 | 2009 |
| Cash flows from operating activities | \$ 94,064 | \$ 612,305 |
| Cash flows from investing activities | (3,136) | (153,317) |
| Cash flows from financing activities | \$(415,211) | \$(365,114) |

NOTE 3 — PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment, consists of the following:

| | December 31, | |
|--------------------------------|--------------|-------------|
| | 2010 | 2009 |
| Building and improvements | \$3,557,185 | \$3,557,186 |
| Machinery and equipment | 3,067,771 | 2,789,085 |
| Furniture and fixtures | 99,282 | 145,218 |
| Transportation equipment | 145,867 | 103,541 |
| Leasehold improvements | 1,072,810 | 1,061,605 |
| | 7,942,915 | 7,656,635 |
| Less: accumulated depreciation | 4,404,900 | 3,920,296 |
| | 3,538,015 | 3,736,339 |
| Add: land | 700,000 | 700,000 |
| | \$4,238,015 | \$4,436,339 |

Depreciation expense from continuing operations of \$529,448 and \$540,694 was recorded for the years ended December 31, 2010 and 2009 respectively.

NOTE 4 — OTHER ASSETS:

Other assets consist of the following:

| | December 31, | |
|-------------------------|--------------|-----------|
| | 2010 | 2009 |
| Product demo assets | \$618,674 | \$592,094 |
| Building escrow reserve | 222,720 | 208,448 |
| Software license | 95,675 | — |
| Security deposit | 50,000 | 50,000 |
| Miscellaneous | 1,039 | 12,481 |
| Total | \$988,108 | \$863,023 |

NOTE 5 — ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES:

Accrued expenses and other current liabilities consist of the following:

| | December 31, | |
|------------------------------|--------------|-------------|
| | 2010 | 2009 |
| Accrued disposition costs | \$1,052,074 | \$ — |
| Payroll and related benefits | 590,735 | 460,689 |
| Accrued taxes | — | 264,731 |
| Accrued severance | — | 81,994 |
| Warranty reserve | 315,000 | 315,000 |
| Goods received not invoiced | 91,214 | 183,824 |
| Professional fees | 25,739 | 104,623 |
| Interest | — | 75,000 |
| Commissions | 44,394 | 42,565 |
| Other | 202,979 | 401,799 |
| Total | \$2,322,135 | \$1,930,225 |

NOTE 6 — MORTGAGE AND NOTE PAYABLE — LONG TERM:

The Company has a mortgage payable secured by certain properties in the amount of \$2,771,259. This note bears interest at an annual rate of 7.45%, requires monthly payments of principal and interest of \$23,750 and matures in August 2013.

Maturities of mortgage principal payments for the next two years are \$68,347 and \$73,697, respectively, with a balloon payment due in the third and final year of \$2,629,215.

At December 31, 2009, Willtek carried a bank loan in the amount of Euro 1,178,100 (U.S. \$1,688,571), which had been bearing interest at the annual rate of 4% and required semi-annual payments to be made. This bank loan was not part of the sale of Willtek and accordingly the Company continued to assume responsibility for repayment. In 2010, the Company satisfied the entire outstanding principal and interest due through payment of \$1,475,149 to the bank. Since this bank note was in principle a Euro denominated loan, the outstanding loan balance was subject to foreign currency fluctuations. The Company benefited from the weakening Euro at time of payment.

NOTE 7 — SHAREHOLDERS' EQUITY:

During fiscal year 2000, shareholders approved the Company's 2000 Stock Option Plan (the "2000 Plan"). The 2000 Plan provides for the grant of Incentive Stock Options ("ISOs") and Non-Qualified Stock Options ("NQSOs") in compliance with the Code to employees, officers, directors, consultants and advisors of the Company who are expected to contribute to the Company's future growth and success. 1,500,000 shares of common stock were reserved for issuance upon the exercise of options under the original 2000 Plan. On July 6, 2006, the Company's shareholders approved by vote to amend and restate the 2000 Plan (the "Amended and Restated 2000 Plan"), authorizing the grant of an additional 2,000,000 shares of common stock options. On September 17, 2008, shareholders further approved an amendment to the Company's Amended and Restated 2000 Plan providing for an additional 1,000,000 shares of the Company's common stock that may be available for future grants under the plan.

All service-based options granted have 10-year terms and, from the date of grant, vest annually and become fully exercisable after a maximum of five years. Performance-based options granted have 10-year terms and vest and become fully exercisable when determinable performance targets are achieved. Performance targets are agreed to, and approved by, the Company's board of directors.

Under the Company's stock option plans, options may be granted to purchase shares of the Company's common stock exercisable at prices generally equal to or above the fair market value on the date of the grant.

On December 21, 2010, upon the unanimous recommendation of the Compensation Committee, the Board of Directors approved the grant of performance-based stock options to certain employees of the Company. Accordingly, the Company entered into stock option agreements dated as of December 21, 2010, pursuant to which certain employees of the Company were awarded options to purchase collectively up to 300,000 shares of the Company's common stock at an exercise price of \$0.78 per share, representing a 5% premium over the closing price of the Company's common stock reported on the NYSE Amex on December 21, 2010, the date of grant.

On November 8, 2010, upon the unanimous recommendation of the Compensation Committee, the Board of Directors approved the grant of performance-based stock options to the Company's Acting Chief Financial Officer (Acting CFO). Accordingly, the Company entered into stock option agreements dated as of November 8, 2010, pursuant to which the Company's Acting CFO was awarded options to purchase up to 50,000 shares of the Company's common stock at an exercise price of \$0.75 per share, representing a 5% premium over the closing price of the Company's common stock reported on the NYSE Amex (formerly the American Stock Exchange) on November 8, 2010, the date of grant.

On April 15, 2010, upon the unanimous recommendation of the Compensation Committee, the Board of Directors approved the grant of performance-based stock options to the Company's Vice President of

Global Sales and Marketing. Accordingly, the Company entered into stock option agreements dated as of April 15, 2010, pursuant to which the Company's executive was awarded options to purchase up to 300,000 shares of the Company's common stock at an exercise price of \$0.96 per share, representing a 5% premium over the average closing bid and asked prices of the Company's common stock for the five trading days previous to the date of grant, as reported on the NYSE Amex.

On November 24, 2009, upon the unanimous recommendation of the Compensation Committee, the Board of Directors approved the grant of performance-based stock options to the Company's Chief Executive Officer (CEO). Accordingly, the Company entered into stock option agreements dated as of November 24, 2009, pursuant to which the Company's CEO was awarded options to purchase up to 500,000 shares of the Company's common stock at an exercise price of \$0.78 per share, representing a 5% premium over the closing price of the Company's common stock reported on the NYSE Amex on November 24, 2009, the date of grant.

Under the terms of the performance-based stock option agreements, provided the employee remains in the continuous service of the Company at such times, the options will fully vest and become exercisable upon the earlier to occur of (a) the date on which the Board shall have determined that specific revenue and operating income targets have been met or (b) the date on which a "Change-of-Control" (as defined in the option agreements) of the Company is consummated, provided that all consideration in exchange therefore to which the employee may become entitled as a result of such Change-of-Control of the Company shall not be delivered to the employee until the earlier of (i) the date on which the employee's employment with the Company is "Involuntarily Terminated" (as defined in the option agreements) following the consummation of such Change-of-Control or (ii) the date that is six months next following the date on which such Change-of-Control is consummated. The Company has not incurred expense relating to these performance-based options as, at December 31, 2010, it is more likely that not that the performance targets will not be achieved.

A summary of combined service and performance-based stock option activity, and related information for the years ended December 31, follows:

| | Options | Weighted Average Exercise Price |
|---------------------------------------|------------------|--|
| Outstanding, December 31, 2008 | 3,336,967 | 2.25 |
| Granted | 500,000 | 0.78 |
| Exercised | — | — |
| Forfeited/Expired | (1,528,000) | 2.07 |
| Canceled | — | — |
| Outstanding, December 31, 2009 | 2,308,967 | 2.05 |
| Granted | 650,000 | 0.86 |
| Exercised | — | — |
| Forfeited/Expired | (445,300) | 2.36 |
| Canceled | — | — |
| Outstanding, December 31, 2010 | 2,513,667 | 1.68 |
| Options exercisable: | | |
| December 31, 2009 | 1,337,467 | 2.52 |
| December 31, 2010 | 1,082,917 | 2.58 |

The options outstanding and exercisable as of December 31, 2010 are summarized as follows:

| Range of exercise prices | Weighted average exercise price | Options Outstanding | Options Exercisable | Weighted average remaining life |
|--------------------------------|--|------------------------|------------------------|--|
| \$0.75 – \$1.42 | \$0.74 | 1,370,000 | — | 9.1 years |
| \$1.69 – \$2.25 | \$1.92 | 50,000 | 50,000 | 1.9 years |
| \$2.28 – \$3.13 | \$2.63 | 1,093,667 | 1,032,917 | 4.0 years |
| | | <u>2,513,667</u> | <u>1,082,917</u> | |

As of December 31, 2010, the unearned compensation related to Company granted service-based incentive stock options is \$52,004 which will continue to be amortized over the next year. The fair value, and unamortized amount, of performance-based options granted by the Company as of December 31, 2010 is \$836,959. This unearned compensation will not be recognized until the performance conditions described above are considered by management to be achievable.

The fair value of performance-based options awarded during 2010 was estimated on the date of grant using the Black-Scholes option-pricing model and included the following range of assumptions; dividend yield of 0%, risk-free interest rates of 1.13% to 2.57%, and expected option lives of 4 years. Volatility assumption was 118%. The forfeiture rate was assumed to be 0%. For 2009, the fair value of options awarded was also estimated on the date of grant using the Black-Scholes option-pricing model and included the following range of assumptions; dividend yield of 0%, risk-free interest rate of 2.15%, and expected option lives of 4

years. Volatility assumption was 113%. The forfeiture rate was assumed to be 0%.

The per share weighted average fair value of performance-based options granted in the years 2010 and 2009 were \$0.60 and \$0.58, respectively.

On June 8, 2010, the Company granted 40,000 shares of restricted common stock to select members of its board of directors. The shares were granted at the June 8th closing market price of \$0.84 per share and will vest on the date of the Company's next annual shareholders meeting, a vesting period of approximately one year. The total compensation expense to be recognized over the vesting period will be \$33,600 of which \$16,800 has been realized in 2010.

NOTE 8 — OPERATIONAL INFORMATION AND EXPORT SALES:

Sales:

The Company and its subsidiaries develop and manufacture various types of electronic test equipment and are aggregated into a single operating segment based on similar economic characteristics, products, services, customers, U.S. Government regulatory requirements, manufacturing processes and distribution channels.

For the years ended December 31, 2010 and 2009, no customer accounted for more than 5% and 7% of total sales, respectively.

In addition to its in-house sales staff, the Company uses various manufacturers' representatives to sell its products. For the years ended December 31, 2010 and 2009, no representative accounted for more than 10% of total sales.

Regional Sales:

The Company, in accordance with ASC 280, "Disclosures about Segments of an Enterprise and Related Information", has disclosed the following segment information:

| | For the Twelve Months Ended December 31, | |
|--|---|--------------|
| | 2010 | 2009 |
| Revenues from continuing operations by Region | | |
| Americas | \$17,027,598 | \$15,633,581 |
| Europe, Middle East, Africa (EMEA) | 4,932,729 | 5,072,513 |
| Asia Pacific (APAC) | 2,603,899 | 2,122,234 |
| | \$24,564,226 | \$22,828,328 |

Net sales are attributable to a geographic area based on the destination of the product shipment. The majority of shipments in the Americas are to customers located within the United States. For the years ended December 31, 2010 and 2009, sales in the United States amounted to \$15,999,539 and \$14,686,491, respectively. Shipments to the remaining

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

regions presented above were largely concentrated in Germany (EMEA) and China (APAC). For the years ended December 31, 2010 and 2009, sales to Germany amounted to \$1,006,454, or 20% of all shipments to the EMEA region, and \$1,077,772, or 21% of all shipments to the EMEA region, respectively. Sales to China, for the years ended December 31, 2010 and 2009, amounted to \$1,508,282, or 58% of all shipments to the APAC region, and \$1,154,850, or 54% of all shipments to the APAC region, respectively. There were no other shipments significantly concentrated in one country.

Purchases

In 2010 and 2009, no third-party supplier accounted for more than 8% and 6% of the Company's total inventory purchases, respectively.

NOTE 9 — RETIREMENT PLANS:

The Company has a 401(k) profit sharing plan covering all eligible U.S. employees. Company contributions to the plan for the years ended December 31, 2010 and 2009 aggregated \$297,308 and \$313,298, respectively.

The Company also maintained a non-contributory, defined benefit pension plan covering 15 active and 30 former employees of its German subsidiary. As a result of the May 7, 2010 sale of certain assets and liabilities of Willtek, the Company is no longer obligated to maintain such defined benefit plan as the on-going responsibility was assumed by the buyer.

NOTE 10 — INCOME TAXES:

The components of income tax expense (benefit) related to income from continuing operations are as follows:

| | Year Ended December 31, | |
|-----------|-------------------------|----------------------|
| | 2010 | 2009 |
| Current: | | |
| Federal | \$ 461,845 | \$(2,351,789) |
| State | 115,170 | 283,627 |
| Deferred: | | |
| Federal | (568,552) | (3,395,964) |
| State | (100,333) | (902,725) |
| | \$ (91,870) | \$(6,366,851) |

The following is a reconciliation of the maximum statutory federal tax rate to the Company's effective tax relative to continuing operations:

| | Year Ended December 31, | |
|---|-------------------------|-----------------|
| | 2010 | 2009 |
| | % of | % of |
| | Pre Tax | Pre Tax |
| | Earnings | Earnings |
| Statutory federal income tax rate | 34.0% | (34.0)% |
| Change in valuation allowance on deferred taxes | (30.0) | — |
| Investment in foreign subsidiary | (64.2) | (736.8) |
| State income tax net of federal tax benefit | 12.5 | 39.6 |
| Income tax recoverable adjustment | 33.2 | — |
| Permanent differences | (8.0) | 11.9 |
| Over/under accruals | 3.2 | — |
| Other | 9.3 | 17.0 |
| | (10.0)% | (702.3)% |

In 2010 and 2009, the difference between the statutory and the effective tax rate is due mainly to the disposition of Willtek.

The components of deferred income taxes are as follows:

| | December 31, | |
|--|---------------------|---------------------|
| | 2010 | 2009 |
| Deferred tax assets: | | |
| Uniform capitalization of inventory costs for tax purposes | \$ 185,024 | \$ 185,322 |
| Allowances for doubtful accounts | 29,528 | 62,069 |
| Accruals | 242,663 | 216,800 |
| Tax effect of goodwill | (116,228) | (13,524) |
| Book depreciation over tax | 23,494 | (7,644) |
| Net operating loss carryforward | 18,709,159 | 18,572,869 |
| | 19,073,640 | 19,015,892 |
| Valuation allowance for deferred tax assets | (13,380,250) | (13,991,388) |
| | \$ 5,693,390 | \$ 5,024,504 |

The Company has a domestic net operating loss carryforward at December 31, 2010 of approximately \$29,200,000 which expires in 2029. The Company also has a foreign net operating loss carryforward at December 31, 2010 of approximately \$23,400,000 which has no expiration.

As a result of the disposition of the assets of Willtek (see Note 2), the Company benefited from a tax deduction on its 2009 tax return equal to its outside basis in its investment in, and advances to, Willtek. Accordingly, the Company realized a tax benefit, net of valuation allowance, of approximately \$6,400,000 in 2009. Earnings per share of

\$0.21 from continuing operations in 2009, includes \$0.25 per share relating to this tax benefit.

Realization of the Company's deferred tax assets is dependent upon the Company generating sufficient taxable income in the appropriate tax jurisdictions in future years to obtain benefit from the reversal of net deductible temporary differences and from utilization of net operating losses and tax credit carryforwards. The Company has recorded a valuation allowance due to the uncertainty related to the realization of certain deferred tax assets existing at December 31, 2010. The amount of deferred tax assets considered realizable is subject to adjustment in future periods if estimates of future taxable income are changed. Management believes that is more likely than not that the Company will realize the benefits of its deferred tax assets, net of valuation allowances as of December 31, 2010.

The Company files income tax returns in the U.S. (federal and various states), German and French taxing jurisdictions. With few exceptions, the Company is no longer subject to U.S. federal and state tax examinations in its major tax jurisdictions for periods before 2006.

The Company does not have any significant unrecognized tax benefits and does not anticipate significant increase or decrease in unrecognized tax benefits within the next twelve months. Amounts recognized for income tax related interest and penalties as a component of the provision for income taxes are immaterial for the years ended December 31, 2010 and 2009.

NOTE 11 — COMMITMENTS AND CONTINGENCIES:

Warranties:

The Company typically provides one-year warranties on all of its products covering both parts and labor. The Company, at its option, repairs or replaces products that are defective during the warranty period if the proper preventive maintenance procedures have been followed by its customers. Historically, warranty expense within the Company has been minimal. In 2009, there was a onetime increase of \$240,000 in warranty costs due to the potential rework of specific product shipped in 2008. This product is no longer being produced at original specifications and this amount represents the maximum potential warranty related to these shipments.

Leases:

The Company leases a 45,700 square foot facility located in Hanover Township, Parsippany, New Jersey, which is currently being used as its principal corporate headquarters and manufacturing plant. The term of the lease agreement is for ten years beginning on October 1, 2001 and ending September 30, 2011 and can be renewed at the tenants option for one five-year period at fair market value to be determined at term expiration.

The Company is also responsible for its proportionate share of the cost of utilities, repairs, taxes, and insurance. The future minimum lease payments are aligned with the lease expiration date of September 30, 2011. The future minimum lease payments through this period are \$335,133.

Additionally, the Company leased a 36,000 square foot facility located in Ismaning, Germany, which was being used as Willtek's headquarters and manufacturing plant. Due to the May 7, 2010 sale of Willtek, the lease was assumed by the buyer and is no longer an obligation of the Company.

Rent expense included in continuing operations for the years ended December 31, 2010 and 2009 was \$535,194 and \$533,905, respectively.

The Company owns a 44,000 square foot facility located in Mahwah, New Jersey which is leased to an unrelated third party. This lease, which terminates in 2013, provides for annual rental income of \$385,991 throughout the lease term. The current tenant has an exclusive option to purchase the property, at a predetermined purchase price of approximately \$3,500,000, up through August 1, 2012.

The Company leases certain equipment under operating lease arrangements. These operating leases expire in various years through 2015. All leases may be renewed at the end of their respective leasing periods. Future payments relative to continuing operations consist of the following at December 31, 2010:

| | |
|------|-----------|
| 2011 | \$ 75,514 |
| 2012 | 74,267 |
| 2013 | 74,267 |
| 2014 | 74,267 |
| 2015 | 55,700 |
| | <hr/> |
| | \$354,015 |

Environmental Contingencies:

Following an investigation by the New Jersey Department of Environmental Protection (NJDEP) in 1982, of the waste disposal practices at a certain site formerly leased by Boonton, the Company put a ground water management plan into effect as approved by the NJDEP. Costs associated with this site are charged directly to income as incurred. The owner of this site has previously notified the Company that if the NJDEP investigation proves to have interfered with a sale of the property, the owner may seek to hold the Company liable for any resulting damages. Since May 1983, the owner has been on notice of this problem and has failed to institute any legal proceedings with respect thereto. While this does not bar the owner from instituting a suit, it is the opinion of the Company's legal counsel that it is unlikely that the owner would prevail on any claim.

Costs charged to operations in connection with the water management plan amounted to approximately \$50,000 and \$70,000 for the years ended December 31, 2010 and 2009, respectively. The Company estimates that expenditures in this regard, including the costs of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

operating the wells and analyzing soil and water samples, will continue until the NJDEP determines that testing is complete. Recently, the Company has hired a new environmental consultant to evaluate the results of the current remediation plan that has been in effect since 1982. The Company is diligently pursuing efforts to satisfy the requirements of the original plan and receive a new determination from the NJDEP. While management anticipates that the expenditures in connection with this site will not be substantial in future years, the Company could be subject to significant future liabilities and may incur significant future expenditures if further contaminants from Boonton's testing are identified and the NJDEP requires additional remediation activities. Management is unable to estimate future remediation costs, if any, at this time. The Company will continue to be liable under the plan, in all future years, until such time as the NJDEP releases it from all obligations applicable thereto.

Software license:

In September 2010, the Company entered into a software license and support agreement with an accounting and business software supplier as part of an investment to upgrade the Company's business and systems infrastructure. The costs associated with the systems migration are expected not to exceed \$350,000.

Line of Credit:

In September 2009, the Company secured a line of credit with its investment bank. The credit facility provides borrowing availability of up to 100% of the Company's money market account balance and 99% of the Company's short-term investment securities (U.S. Treasury bills) and, under the terms and conditions of the loan agreement, is fully secured by said money fund account and short-term investment holdings. Advances under the facility will bear interest at a variable rate equal to the London InterBank Offered Rate ("LIBOR") in effect at time of borrowing. Additionally, under the terms and conditions of the loan agreement, there is no annual fee and any amount outstanding under the loan facility may be paid at any time in whole or in part without penalty.

As of December 31, 2010, the Company had no borrowings outstanding under the facility and approximately \$6,000,000 of borrowing availability. The Company has no current plans to borrow from this credit facility as it believes cash generated from operations will adequately meet near-term working capital requirements.

Risks and Uncertainties:

Proprietary information and know-how are important to the Company's commercial success. There can be no assurance that others will not either develop independently the same or similar information or obtain and use proprietary information of the Company. Certain key employees have signed confidentiality and non-compete agreements regarding the Company's proprietary information.

The Company believes that its products do not infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not assert infringement claims in the future.

**NOTE 12 — SELECTED QUARTERLY FINANCIAL DATA
(UNAUDITED):**

The following is a summary of selected quarterly financial data from continuing operations (in thousands, except per share amounts).

| 2010 | Quarter | | | |
|--|----------------|----------------|----------------|----------------|
| | 1st | 2nd | 3rd | 4th |
| Net sales | \$6,137 | \$6,081 | \$5,710 | \$6,636 |
| Gross profit | 2,803 | 2,956 | 2,696 | 3,100 |
| Operating income (loss) | 312 | 321 | (40) | 213 |
| Net income from continuing operations | 320 | 298 | 39 | 358 |
| Diluted net income per share from continuing operations | \$.01 | \$.01 | \$.00 | \$.02 |

| 2009 | Quarter | | | |
|--|---------|---------|---------|---------|
| | 1st | 2nd | 3rd | 4th |
| Net sales | \$5,528 | \$5,156 | \$6,240 | \$5,905 |
| Gross profit | 2,626 | 2,223 | 2,929 | 2,851 |
| Operating (loss) | (196) | (619) | (62) | (35) |
| Net income (loss) from continuing operations | (223) | (198) | (18) | 5,912 |
| Diluted net income (loss) per share from continuing operations | \$(.01) | \$(.01) | \$(.00) | \$.23 |

NOTE 13 — SUBSEQUENT EVENTS:

On January 2, 2011, the Company closed on an agreement, entered into during the fourth quarter of 2010, to repurchase 692,917 shares of its common stock for a price of \$0.66 per share, or an aggregate price of \$457,325. The number of shares repurchased represents 2.7% of the Company's outstanding common stock. In 2008, the Company's Board of Directors authorized the repurchase of up to 5% of the Company's outstanding common stock. Although the Company does not expect to repurchase additional shares in the near-future, the authorized repurchase program does not have an expiration date.

On March 22, 2011, the Company's Board of Directors appointed its current Senior Vice President of Global Sales and Marketing to serve as an officer of the Company.

Additionally, on March 22, 2011, the Company's Board of Directors approved the granting of 50,000 shares of restricted stock to the Company's Chief Executive Officer. The shares will vest over a one-year period.



REPORT OF *Independent Registered Public Accounting Firm*

To the Board of Directors and Shareholders
Wireless Telecom Group, Inc.
Parsippany, NJ

We have audited the accompanying consolidated balance sheets of Wireless Telecom Group, Inc. and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in shareholders' equity, cash flows and the schedule listed in the accompanying index for the years then ended. These consolidated financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the schedule are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes

examining, on a test basis, evidence supporting amounts and disclosures in the consolidated financial statements and the schedule, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the schedule. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Wireless Telecom Group, Inc. and Subsidiaries at December 31, 2010 and 2009 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the schedule presents fairly, in all material respects, the information set forth therein.

/s/ PKF LLP

March 29, 2011
New York, NY

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Corporate Profile

Directors

Henry Bachman
Hazem Ben-Gacem
Joseph Garrity
Paul Genova
Glenn Luk
Rick Mace
Adrian Nemcek – Chairman of the Board

Officers

Paul Genova
Chief Executive Officer

Joseph Debold
Senior Vice President, Global Sales and Marketing

Robert Censullo
Acting CFO and Corporate Secretary

Transfer Agent and Registrar

American Stock Transfer & Trust Company

Independent Accountants

PKF LLP

Legal Counsel

Greenberg Traurig, LLP

Exchange Listing

NYSE-Amex Symbol: WTT

Annual Meeting

The Annual Meeting of the Stockholders will be held at 10:00 a.m. on Tuesday June 14th, 2011 at:
Hilton Parsippany
1 Hilton Court
Parsippany, NJ 07054

A copy of the Form 10-K Report as filed with the Securities and Exchange Commission may be obtained by written request addressed to:

Robert Censullo, Acting CFO and Corporate Secretary
Wireless Telecom Group, Inc.
25 Eastmans Road
Parsippany, NJ 07054
USA
Phone: (973) 386-9696
Fax: (973) 386-9191
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2010 ANNUAL REPORT

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