2011 ANNUAL REPORT

Message from the CEO

Dear Shareholders,

Wireless Telecom Group, Inc.'s 2011 fiscal year was completed with steady progress and financial achievements. In 2011, we grew consolidated revenue at a rate of 9.2% and more than doubled the income from operations over the prior year. Since last year's Annual Shareholder Meeting, we have improved our market cap by 50% to approximately $30 million. These results reaffirm my statement from last year that our main priority is to improve shareholder value and this continues to be the cornerstone of our business plan.

The Company continues to focus on new business and new product opportunities. We believe that with the advent of 4G and LTE technologies, broadband capacity and coverage is expected to grow significantly over the next few years. We have targeted this market as a significant growth segment on which to focus the Company's resources. To provide a clear picture to our shareholders, we have revised our financial reporting to include two reportable segments, network solutions and test and measurement.

We continue to support several segments of the broader RF equipment market providing test and measurement instrumentation and related high performance components. Our success is maintained by providing excellent customer service, by being responsive to changing customer needs, and providing built-for-purpose solutions ideally fit to our customers' requirements. Customers also enjoy the best-in-class performance of our RF components and solutions for the high growth in-building wireless distribution and mobile network infrastructure markets.

Our high performance products position us well to provide value to our customers' demanding needs. Utilizing our core competencies, we continue to seek out new growth opportunities in technical markets and applications such as, Distributed Antenna Systems, Noise and Interference Immunity for Semi-Conductor development and Peak Power measurements using USB based architecture.

Our intent to help you, our shareholders, remains an objective that our entire Company shares in. All members of the Wireless Telecom Group team continuously strive to meet and exceed your expectations. We value your trust and investment in us. Our commitment to shareholder value was supported in 2011 in several ways, including, increasing our revenues and earnings, increasing our market cap and through the Company's active stock repurchasing program. We repurchased approximately 1,293,000 common shares of WTT at an average price of $.88 providing additional value to our current shareholders. Through new product development, enhanced operating efficiencies and carrying out our corporate strategy, we will continue to demonstrate to our shareholders our ability to effectively manage our business and in return deliver shareholder value.

My focus in the next year will be to expand our improvements and achievements in the financial results of the Company while leveraging our resources to further excel within our markets and deliver outstanding customer service. We have dedicated and professional employees that are highly committed and aligned in every respect to deliver quality products and services while improving shareholder value. I encourage you to read this year's annual report and attend the upcoming Annual Shareholder Meeting on June 13, 2012. Thank you for your confidence and support.

Best Regards,

Paul Genova
Chief Executive Officer

Management's Discussion and Analysis of Financial Condition and Results of Operations

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.

On May 7, 2010, the Company sold substantially all the operating assets and certain liabilities of its foreign subsidiary, Willtek. Accordingly, the operating activities of Willtek for the year ended December 31, 2010 are included in the Company's financial statements as discontinued operations.

In December 2011, the Company's management reevaluated how it manages and discusses, both internally and with its board of directors, its operations and the operations of its subsidiaries Boonton and Microlab. Therefore, the Company has revised its segment reporting to reflect two reportable segments, test and measurement and network solutions. The test and measurement segment is comprised primarily of the operations of Boonton and Noisecom. The network solutions segment is comprised primarily of the operations of Microlab. Relative prior period information has been revised accordingly. The Company believes the revised segment reporting better reflects how its operating segments are managed and each segment's performance is evaluated. Additional financial information on the Company's reportable segments for each of the last two years is included in Note 8 to the Company's consolidated financial statements included in Item 8 herein.

The financial information presented herein includes: (i) Consolidated Balance Sheets as of December 31, 2011 and 2010 (ii) Consolidated Statements of Operations for the years ended December 31, 2011 and 2010 (iii) Consolidated Statement of Changes in Shareholders' Equity for the years ended December 31, 2011 and 2010 (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2011 and 2010.

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, the Company took into consideration guidance under ASC 718 and SEC Staff Accounting Bulletin No. 107 (SAB 107) when reviewing and updating assumptions. No performance-based options were granted in 2011. 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.

Management estimates are necessary in determining compensation expense for stock options with performance-based vesting criteria. Compensation expense for this type of stock-based award is recognized over the period from the date the performance conditions are determined to be probable of occurring through the date the applicable conditions are expected to be met. If the performance conditions are not considered probable of being achieved, no expense is recognized until such time as the performance conditions are considered probable of being met, if ever. Management evaluates whether performance conditions are probable of occurring on a quarterly basis.

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, 2011 and 2010, 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 the 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, 2011 and 2010, 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, 2011 Compared to 2010

Net consolidated sales for the year ended December 31, 2011 were $26,823,440 as compared to $24,564,226 for the year ended December 31, 2010, an increase of $2,259,214 or 9.2%. This increase was primarily the result of strong demand throughout 2011 for the Company’s network solutions products for distributed antenna systems (“DAS”). The Company has experienced an increase in order activity due to commercial infrastructure development in support of the ongoing expansion and upgrade to DAS.

Net sales of the Company’s network solutions products for the year ended December 31, 2011 were $12,968,388 as compared to $8,646,625 for the year ended December 31, 2010, an increase of $4,321,763 or 50.0%. Net sales of network solutions products accounted for 48.3% and 35.2% of net consolidated sales for the years ended December 31, 2011 and 2010, respectively. The sales increase during 2011 was primarily due to the Company’s growing participation in the DAS market through supply of its passive microwave components.

Net sales of the Company's test and measurement products for the year ended December 31, 2011 were $13,855,052 as compared to $15,917,601 for the year ended December 31, 2010, a decrease of $2,062,549 or 13.0%. Net sales of test and measurement products accounted for 51.7% and 64.8% of net consolidated sales for the years ended December 31, 2011 and 2010, respectively. The sales decrease for 2011 was primarily due to lower order volume experienced during the first half of the year from government agencies and prime defense contractors and an overall softness in foreign markets throughout 2011, particularly Asia Pacific ("APAC").

The Company's gross profit on consolidated net sales for the year ended December 31, 2011 was $12,466,704 or 46.5% as compared to $11,555,479 or 47.0% as reported in the previous year. Although gross profit dollars are higher in 2011 compared to 2010, gross profit margins are slightly lower primarily due to product mix, as the Company's network solutions products typically provide lower margins than its test and measurement instruments. Additionally, during 2011, the Company carried excess inventory in the amount of approximately $270,000 relating to a recently discontinued product line. This inventory was sold in its entirety at cost which negatively impacted gross profit. Also contributing to lower margins for 2011 were severance costs incurred in the amount of approximately $73,000 relating to the implementation of a cost reduction plan which included several manufacturing employees.

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, 2011 were $10,616,857 or 39.6% of net sales as compared to $10,749,956 or 43.8% of net sales for the year ended December 31, 2010. For the year ended December 31, 2011 as compared to the prior year, operating expenses decreased by $133,099 or 1.2%. Operating expenses are lower in 2011 due to a decrease in general and administrative expenses of $358,051, offset by increased spending in both research and development of $86,151 and sales and marketing expenses of $138,801. The decrease in general and administrative expense is attributable to the reversal of a specific warranty accrual in the amount of $240,000 relating to product shipped in 2008, a decrease in non-cash stock based compensation charges of $43,025 and an overall reduction in certain administrative overhead expenses including rent, insurance and office supplies. The Company determined that there is a remote likelihood that any of these specific units will be returned and subsequently reversed the warranty accrual. Sales and marketing expenses were higher in 2011 primarily due to severance paid to certain sales employees in connection with the cost reduction plan mentioned above, and higher, order-specific commission paid to the Company's external, non-employee sales representatives.

Interest income decreased by $19,214 for the year ended December 31, 2011. This decrease was primarily due to a lower average balance in the Company's interest bearing investment account in 2011. Substantially all of the Company's cash and cash equivalents are invested in money market funds.

Other income, net of other non-operating expense, increased by $37,889 for the year ended December 31, 2011. This increase was primarily due to a realized gain from the sale of an investment security in 2011, partially offset by higher expenses incurred during 2011, as compared to the prior year, for services relating to the ground water testing being performed at the former site of the Company's subsidiary, Boonton. The Company has been testing the ground water in this site since 1982 in accordance with state regulations. 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. Overall data from testing in the Spring of 2011 indicates the continuation of a decreasing concentration trend at the site. The overall decrease supports the absence of a continuing source impacting ground water. The Company believes that its current practice and plan of groundwater testing will continue until an official notification from NJDEP is obtained and the Company is released from further obligations. 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, 2011, the Company realized a tax benefit of $438,515. The tax benefit was primarily due to an increase in the Company's deferred tax asset, net of a valuation allowance, partially offset by a provision for state income taxes. 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 a provision for state income taxes.

Income from continuing operations was $2,429,648 or $0.10 per share on a diluted basis for the year ended December 31, 2011 as compared to net income from continuing operations of $1,015,043 or $0.04 per share on a diluted basis for the year ended December 31, 2010, an increase of $1,414,605. The increase was primarily due to the analysis mentioned above.

Loss from discontinued operations was $1,742,853 or $0.07 per share on a diluted basis for the year ended December 31, 2010. 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.

Net income was $2,429,648 or $0.10 per share on a diluted basis for the year ended December 31, 2011 as compared to net loss of $727,810 or $0.03 per share on a diluted basis for the year ended December 31, 2010, an increase of $3,157,458. The increase was primarily due to the analysis mentioned above.

Liquidity and Capital Resources

The Company's working capital has increased by $1,388,496 to $24,558,819 at December 31, 2011, from $23,170,323 at December 31, 2010. At December 31, 2011, the Company had a current ratio of 14.2 to 1, and a ratio of debt to tangible net worth of .14 to 1. At December 31, 2010, the Company had a current ratio of 8.3 to 1, and a ratio of debt to tangible net worth of .19 to 1.

The Company had cash and cash equivalents of $12,089,782 at December 31, 2011, compared to a balance of $13,643,220 at December 31, 2010. In January 2011, the Company paid approximately $874,000 in disposition fees relating to the sale of Willtek which were recorded as accrued expenses in the Company's consolidated balance sheet at December 31, 2010. Additionally, in 2011, the Company repurchased approximately 1,293,000 shares of its outstanding common stock at a cost of approximately $1,135,000.The Company believes its current level of cash is sufficient 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 provided $138,735 in cash for the year ending December 31, 2011. For the year ended December 31, 2010, operating activities, including discontinued operations, used $1,064,807 in cash flows. For 2011, cash provided by operations was primarily due to income from operations, a decrease in prepaid expenses and other assets, and an increase in income taxes payable, partially offset by a decrease in accounts payable, accrued expenses and other current liabilities, an increase in inventories and an increase in accounts receivable. For 2010, cash used for operations was primarily due to a decrease in accounts payable, accrued expenses and other current liabilities, a decrease in income taxes payable, and increases in inventory and accounts receivable, partially offset by a decrease in prepaid expenses and other assets.

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 used for investing activities for 2011 amounted to $488,920 compared to net cash provided by investing activities of $2,320,040 for the year ending December 31, 2010. For 2011, the use of cash was for capital expenditures. For 2010, the source of cash was proceeds relating to the disposition of Willtek, offset by capital expenditures.

Financing activities used $1,203,253 in cash for the year ended December 31, 2011. The use of these funds was for the repurchase of treasury stock and periodic payments of a mortgage note. 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.

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.

Table of Contractual Obligations

			Payments by Period	
	Total	Less than 1 Year	1-3 Years	4-5 Years
Mortgage	$2,702,912	$73,697	$2,629,215	$ -
Facility Leases	942,563	342,750	599,813	-
Operating and Equipment leases	278,501	74,267	204,234	-
	$3,923,976	$490,714	$3,433,262	$ -

The Company maintains 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 and, under the terms and conditions of the loan agreement, is fully secured by said money fund account and any 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, 2011, the Company had no borrowings outstanding under the facility and approximately $5,500,000 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.

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 deteriorate, additional working capital funding may be required which may be difficult to obtain due to restrictive credit markets.

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 September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-08, "Guidance on Testing Goodwill for Impairment." ASU 2011-08 gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in Step 1 of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. ASU 2011-08 will be effective for fiscal and interim reporting periods within those years beginning after December 15, 2011. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income." This update eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and requires all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income. This ASU is effective for the Company beginning January 1, 2012. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” This standard amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This ASU is effective for financial periods beginning after December 15, 2011 and is to be applied prospectively. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

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’s adoption of this ASU did not 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

Wireless Telecom Group, Inc.

-ASSETS-

	December 31,	
	2011	2010
CURRENT ASSETS:		
Cash and cash equivalents	**$12,089,782**	$13,643,220
Accounts receivable - net of allowance for doubtful accounts of $122,535 and $73,819 for 2011 and 2010, respectively	**4,670,630**	4,303,720
Inventories	**7,577,051**	6,935,172
Deferred income taxes - current	**1,761,429**	994,215
Prepaid expenses and other current assets	**319,690**	465,798
TOTAL CURRENT ASSETS	**26,418,582**	26,342,125
PROPERTY, PLANT AND EQUIPMENT - NET	**4,349,150**	4,333,690
OTHER ASSETS:		
Goodwill	**1,351,392**	1,351,392
Deferred income taxes – non-current	**4,684,571**	4,699,175
Other assets	**898,265**	892,433
TOTAL OTHER ASSETS	**6,934,228**	6,943,000
TOTAL ASSETS	**$37,701,960**	$37,618,815

- LIABILITIES AND SHAREHOLDERS' EQUITY -

	2011	2010
CURRENT LIABILITIES:		
Accounts payable	**$841,582**	$743,398
Accrued expenses and other current liabilities	**944,484**	2,360,057
Current portion of mortgage payable	**73,697**	68,347
TOTAL CURRENT LIABILITIES	**1,859,763**	3,171,802
LONG TERM LIABILITIES:		
Mortgage payable	**2.629,215**	2,702,912
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, 28,883,861 and 28,753,861 shares issued, 24,494,906 and 25,658,203 shares outstanding, respectively	**288,839**	287,539
Additional paid-in capital	**37,918,844**	37,746,005
Retained earnings	**3,687,019**	1,257,371
Treasury stock, at cost – 4,388,955 and 3,095,658 shares, respectively	**(8,681,720)**	(7,546,814)
	33,212,982	31,744,101
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$37,701,960**	$37,618,815

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

CONSOLIDATED STATEMENTS OF OPERATIONS
Wireless Telecom Group, Inc.

	For the Year Ended December 31,	
	2011	2010
NET SALES	**$26,823,440**	$24,564,226
COST OF SALES	**14,356,736**	13,008,747
GROSS PROFIT	**12,466,704**	11,555,479
OPERATING EXPENSES		
Research and development	**2,260,949**	2,174,798
Sales and marketing	**4,496,825**	4,358,024
General and administrative	**3,859,083**	4,217,134
TOTAL OPERATING EXPENSES	**10,616,857**	10,749,956
OPERATING INCOME	**1,849,847**	805,523
OTHER (INCOME) EXPENSE		
Interest (income)	**(3,441)**	(22,655)
Interest expense - net	**207,188**	212,149
Other (income) – net	**(345,033)**	(307,144)
TOTAL OTHER (INCOME) EXPENSE	**(141,286)**	(117,650)
INCOME FROM CONTINUING OPERATIONS BEFORE (BENEFIT) FROM INCOME TAXES	**1,991,133**	923,173
(BENEFIT) FROM INCOME TAXES	**(438,515)**	(91,870)
INCOME FROM CONTINUING OPERATIONS	**2,429,648**	1,015,043
(LOSS) FROM DISCONTINUED OPERATIONS – NET OF TAXES	**-**	(1,742,853)
NET INCOME (LOSS)	**$ 2,429,648**	$(727,810)
INCOME (LOSS) PER COMMON SHARE - BASIC		
Continuing operations	**$ 0.10**	$ 0.04
Discontinued operations	**-**	(0.07)
	$ 0.10	$(0.03)
NET INCOME (LOSS) PER COMMON SHARE - DILUTED		
Continuing operations	**$ 0.10**	$ 0.04
Discontinued operations	**-**	(0.07)
	$ 0.10	$(0.03)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:		
Basic	**24,963,271**	25,658,203
Diluted	**25,138,035**	25,685,291

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Wireless Telecom Group, Inc.

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock at Cost	Total
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 compensation expense	-	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 STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Wireless Telecom Group, Inc.

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock at Cost	Total
Net income	-	-	2,429,648	-	-	2,429,648
Shares issued under restricted stock plan	1,300	(1,300)	-	-	-	-
Stock compensation expense	-	174,139	-	-	-	174,139
Repurchase of treasury stock	-	-	-	-	(1,134,906)	(1,134,906)
BALANCE AT DECEMBER 31, 2011	$288,839	$37,918,844	$3,687,019	$0	$(8,681,720)	$33,212,982

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
Wireless Telecom Group, Inc.

	For the Year Ended December 31,	
	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income (loss)	**$ 2,429,648**	$ (727,810)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:		
Depreciation	**473,460**	621,706
Amortization	**-**	13,906
Loss on sale of discontinued operations	**-**	430,565
Stock compensation expense	**174,139**	217,164
Deferred rent	**-**	(53,025)
Deferred income taxes	**(752,610)**	(668,886)
Provision for (recovery of) doubtful accounts	**48,716**	(106,247)
Changes in assets and liabilities:		
Accounts receivable	**(415,626)**	(269,247)
Inventory	**(641,879)**	(314,836)
Income taxes payable	**43,364**	(253,543)
Prepaid expenses and other assets	**96,912**	2,048,748
Accounts payable, accrued expenses and other current liabilities	**(1,317,389)**	(2,003,302)
Net cash provided by (used for) operating activities	**138,735**	(1,064,807)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	**(488,920)**	(429,935)
Proceeds from dispositions of Willtek	**-**	2,749,975
Net cash provided by (used for) investing activities	**(488,920)**	2,320,040
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments of mortgage note	**(68,347)**	(63,384)
Payment on bank note payable	**-**	(1,475,149)
Repurchase of treasury stock	**(1,134,906)**	-
Net cash (used for) financing activities	**(1,203,253)**	(1,538,533)
Effect of foreign currency on cash and cash equivalents	-	(149,862)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,553,438)**	(433,162)
Cash and cash equivalents, at beginning of year	**13,643,220**	14,076,382
CASH AND CASH EQUIVALENTS, AT END OF YEAR	**$ 12,089,782**	$ 13,643,220
SUPPLEMENTAL INFORMATION:		
Cash paid during the year for:		
Taxes	**$ 267,151**	$ 537,332
Interest	**$ 206,965**	$ 238,707

The accompanying notes are an integral part of these 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 ("Boonton"), Microlab/FXR ("Microlab"), Willtek Communications GmbH ("Willtek") through May 7, 2010, WTG Foreign Sales Corporation and NC Mahwah, Inc. All intercompany transactions are eliminated in consolidation.

On May 7, 2010, the Company sold substantially all the operating assets and certain liabilities of its foreign subsidiary, Willtek. Accordingly, the operating activities of Willtek for the year ended December 31, 2010 are included in the Company's financial statements as discontinued operations.

In December 2011, management reviewed and determined that the Company's operating businesses should be disclosed as separate reportable segments based on how management currently evaluates, manages and discusses, both internally and with its board of directors, its operations and the operations of its wholly-owned subsidiaries Boonton and Microlab. Therefore, the Company has revised its segment reporting to reflect two reportable segments, test and measurement and network solutions. The test and measurement segment is comprised primarily of the operations of Boonton and Noisecom. The network solutions segment is comprised primarily of the operations of Microlab. Relative prior period information has been revised accordingly. The Company believes the revised segment reporting better reflects how its operating segments are managed and each segment's performance is evaluated.

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, 2011, primarily all of the Company's receivables do pertain to the telecommunications industry.

The carrying amounts of cash and cash equivalents, trade receivables, prepaid expenses and other current assets, accounts payable and accrued expenses and other current liabilities approximate fair value due to the short-term nature of these instruments. At December 31, 2011, the fair value (estimated based upon expected cash outflows discounted at current market rates) and carrying value of fixed rate mortgage amounted to $2,800,811 and $2,702,912, respectively. At December 31, 2010, the fair value and carrying value of fixed rate mortgage amounted to $2,860,698 and $2,771,259, respectively.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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, 2011, 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 $608,540 and $452,310 as of December 31, 2011 and 2010, respectively. In 2010, during a review of its inventory reserves, the Company identified and scrapped $243,713 of obsolete inventory.

Inventories consist of:

	December 31,	
	2011	2010
Raw materials	**$5,094,403**	$4,632,195
Work-in-process	**831,129**	830,684
Finished goods	**1,651,519**	1,472,293
	$7,577,051	$6,935,172

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.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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 2011 and 2010, 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 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, 2011 and 2010 were $2,260,949 and $2,174,798, respectively.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Advertising Costs:

Advertising expenses are charged to operations during the year in which they are incurred and aggregated $266,667 and $358,248 for the years ended December 31, 2011 and 2010, respectively.

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, 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.

Management estimates are necessary in determining compensation expense for stock options with performance-based vesting criteria. Compensation expense for this type of stock-based award is recognized over the period from the date the performance conditions are determined to be probable of occurring through the implicit service period, which is the date the applicable conditions are expected to be met. If the performance conditions are not considered probable of being achieved, no expense is recognized until such time as the performance conditions are considered probable of being met, if ever. If the award is forfeited because the performance condition is not satisfied, previously recognized compensation cost is reversed. Management evaluates performance conditions on a quarterly basis.

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 and disclose 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 and disclosed 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, 2011 and 2010, 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.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

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, 2011 and 2010, 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,	
	2011	2010
Weighted average number of common shares outstanding — Basic	**24,963,271**	25,658,203
Potentially dilutive stock options	**174,764**	27,088
Weighted average number of common and equivalent shares outstanding-Diluted	**25,138,035**	25,685,291

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 options not included in diluted income (loss) per share, because the effects are anti-dilutive, was 2,286,438 and 2,753,472 for 2011 and 2010, respectively.

Subsequent events:

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

Recent Accounting Pronouncements Affecting the Company:

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-08, "Guidance on Testing Goodwill for Impairment." ASU 2011-08 gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of a reporting unit in Step 1 of the goodwill impairment test. If entities determine, on the basis of qualitative factors, that the fair value of a reporting unit is more likely than not less than the carrying amount, the two-step impairment test would be required. Otherwise, further testing would not be needed. ASU 2011-08 will be effective for fiscal and interim reporting periods within those years beginning after December 15, 2011. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

NOTE 1 - DESCRIPTION OF COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In June 2011, the FASB issued ASU 2011-05, "Presentation of Comprehensive Income." This update eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity and requires all non-owner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. Additionally, ASU 2011-05 requires an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income. This ASU is effective for the Company beginning January 1, 2012. The Company does not expect the adoption of this ASU to have a material impact on its consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, “Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.” This standard amends current fair value measurement and disclosure guidance to include increased transparency around valuation inputs and investment categorization. This ASU is effective for financial periods beginning after December 15, 2011 and is to be applied prospectively. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

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’s adoption of this ASU did not have a material impact on its consolidated financial statements.

Reclassifications:

Certain information from the prior year’s presentation has been reclassified to conform to the current year’s reporting presentation, including the effect of reporting Willtek as discontinued operations.

NOTE 2 – DISCONTINUED OPERATIONS:

The operating activities of Willtek for the year ended December 31, 2010 are included in the Company’s consolidated statement of operations and consolidated statement of cash flows as discontinued operations (see Note 1). The following table summarizes the components of discontinued operations for the year ended December 31, 2010:

	For the Year Ended December 31, 2010
Net sales	$ 6,642,152
Gross profit	2,609,331
(Loss) from discontinued operations before taxes	(1,313,032)
(Benefit) for income taxes	(744)
(Loss) from discontinued operations	(1,312,288)
(Loss) on sale of discontinued operations	(430,565)
Net (loss) from discontinued operations	$ (1,742,853)

NOTE 2 – DISCONTINUED OPERATIONS (Continued):

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

	For the Year Ended December 31, 2010
Cash flows from operating activities	$ (321,147)
Cash flows from investing activities	$ (3,136)
Cash flows from financing activities	$ -

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment, consists of the following:

	December 31,	
	2011	2010
Building and improvements	**$3,557,186**	$3,557,186
Machinery and equipment	**3,647,170**	3,163,445
Furniture and fixtures	**99,282**	99,282
Transportation equipment	**104,271**	145,867
Leasehold improvements	**1,078,004**	1,072,810
	8,485,913	8,038,590
Less: accumulated depreciation	**4,836,763**	4,404,900
	3,649,150	3,633,690
Add: land	**700,000**	700,000
	$4,349,150	$4,333,690

Depreciation expense from continuing operations of $473,460 and $529,448 was recorded for the years ended December 31, 2011 and 2010, respectively.

NOTE 4 - OTHER ASSETS:

Other assets consist of the following:

	December 31,	
	2011	2010
Product demo assets	**$610,933**	$618,674
Building escrow reserve	**232,666**	222,720
Security deposit	**50,000**	50,000
Miscellaneous	**4,666**	1,039
Total	**$898,265**	$892,433

NOTE 5 - ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES:

Accrued expenses and other current liabilities consist of the following:

	December 31,	
	2011	2010
Payroll and related benefits	**$ 452,216**	$ 590,735
Commissions	**150,006**	44,394
Professional fees	**78,746**	25,739
Goods received not invoiced	**76,955**	91,214
Warranty reserve	**75,000**	315,000
Accrued disposition costs	**71,012**	1,052,074
Other	**40,549**	240,901
Total	**$ 944,484**	$2,360,057

NOTE 6 - MORTGAGE PAYABLE – LONG TERM:

The Company has a mortgage payable secured by a certain property in the amount of $2,702,912. 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.

Mortgage principal payments for the next two years are $73,697 and $2,629,215, respectively, with a balloon payment due in August 2013 of $2,593,356.

NOTE 7 - SHAREHOLDERS' EQUITY:

During 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. Under the original 2000 Plan, 1,500,000 shares of common stock were reserved for issuance upon the exercise of options. 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 ten 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 ten 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.

NOTE 7 - SHAREHOLDERS' EQUITY (Continued):

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 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.

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.

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

	Options	Weighted Average Exercise Price
Outstanding, December 31, 2009	1,588,967	$2.54
Granted	-	-
Exercised	-	-
Forfeited	-	-
Canceled/Expired	(445,300)	$2.36
Outstanding, December 31, 2010	1,143,667	$2.60
Granted	**-**	**-**
Exercised	**-**	**-**
Forfeited	**-**	**-**
Canceled/Expired	**(135,000)**	**$2.57**
Outstanding, December 31, 2011	**1,008,667**	**$2.61**
Options exercisable:		
December 31, 2010	1,082,917	$2.58
December 31, 2011	**1,008,667**	**$2.61**

The aggregate intrinsic value of options outstanding as of December 31, 2011 and 2010 were $388,150 and $93,050, respectively. The aggregate intrinsic value of options exercisable as of December 31, 2011 and 2010 were $0.

NOTE 7 - SHAREHOLDERS' EQUITY (Continued):

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

	Options	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding, December 31, 2009	720,000	$0.97	
Granted	650,000	$0.86	
Exercised	-	-	
Forfeited	-	-	
Canceled/Expired	-	-	
Outstanding, December 31, 2010	1,370,000	$0.92	-
Granted	**-**	**-**	
Exercised	**-**	**-**	
Forfeited	**-**	**-**	
Canceled/Expired	**(30,000)**	**$0.78**	
Outstanding, December 31, 2011	**1,340,000**	**$0.92**	**-**
Options exercisable:			
December 31, 2010	-	-	-
December 31, 2011	**-**	**-**	**-**

The options outstanding and exercisable as of December 31, 2011 are summarized as follows:

Range of exercise prices	Weighted average exercise price	Options Outstanding	Options Exercisable	Weighted average remaining life
$0.75 - $1.42	$0.76	1,340,000	-	8.1 years
$1.69 - $2.25	$1.92	50,000	50,000	0.9 years
$2.28 - $3.13	$2.64	958,667	958,667	3.0 years
		2,348,667	1,008,667	

As of December 31, 2011, the Company's service-based stock options have been fully amortized. The aggregate grant date fair value of performance-based options as of December 31, 2011 is $836,959. During the quarter ended December 31, 2011, management determined the performance conditions related to these options were deemed probable to occur. Consequently, the Company recorded compensation expense in the amount of $49,233 for the year ended December 31, 2011. The remaining balance, or unamortized amount of $787,726, will continue to be expensed on a straight line basis through December 31, 2015, the implicit service period. If management determines in future periods the achievement of performance conditions are probable to occur sooner than expected, the Company will accelerate the expensing of any unamortized balance as of that determination date.

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%.

The per share weighted average fair value of performance-based options granted in the year 2010 were $0.60.

NOTE 7 - SHAREHOLDERS' EQUITY (Continued):

On June 14, 2011, 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 14th closing market price of $0.78 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 $31,200 of which $15,600 has been recognized in 2011.

On March 22, 2011, the Company granted 50,000 shares of restricted common stock to its Chief Executive Officer. The shares were granted at the March 22nd closing market price of $1.08 per share and will vest on the one year anniversary from the date of grant. The total compensation expense to be recognized over the vesting period will be $54,000 of which $40,500 has been recognized in 2011.

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 recognized in 2011 and $16,800 has been recognized in 2010.

A summary of the status of the Company's non-vested restricted common stock as of December 31, 2011, and changes during the years ended December 31, 2011 and 2010 are presented below:

Non-vested Shares	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at December 31, 2009	-	-
Granted	40,000	$0.84
Vested	-	-
Non-vested at December 31, 2010	40,000	$0.84
Granted	**90,000**	**$0.95**
Vested	**(40,000)**	**$0.84**
Non-vested at December 31, 2011	**90,000**	**$0.95**

As of December 31, 2011, the unearned compensation related to the Company's granted restricted stock is $29,100 which will continue to be amortized through June 2012.

NOTE 8 - SEGMENT AND RELATED INFORMATION:

Financial information by segment:

The Company and its subsidiaries develop and manufacture various types of electronic test equipment. Historically, the operating businesses of the Company were aggregated into a single operating segment based on similar economic characteristics, products, services, customers, U.S. Government regulatory requirements, manufacturing processes and distribution channels. Based on how the Company currently manages and discusses its operations and the operations of its subsidiaries, the Company has revised its segment reporting to reflect two reportable segments, test and measurement and network solutions.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. The Company allocates resources and evaluates the performance of segments based on income or loss from operations, excluding interest, corporate expenses and other income (expenses).

NOTE 8 - SEGMENT AND RELATED INFORMATION (Continued):

Financial information by reportable segment or the years ended December 31, 2011 and 2010 is presented below:

	2011	2010
Net sales by segment:		
Test and measurement	**$13,855,052**	$15,917,601
Network solutions	**12,968,388**	8,646,625
Total consolidated net sales and net sales of reportable segments	**$26,823,440**	$24,564,226
Segment income:		
Test and measurement	**$1,451,624**	$2,103,926
Network solutions	**3,097,164**	1,320,774
Income from reportable segments	**4,548,788**	3,424,700
Other unallocated amounts:		
Corporate expenses	**(2,698,941)**	(2,619,177)
Interest and other income - net	**141,286**	117,650
Consolidated income from continuing operations before income tax (benefit)	**$1,991,133**	$923,173
Depreciation and amortization by segment:		
Test and measurement	**$417,713**	$477,187
Network solutions	**55,747**	52,261
Total depreciation and amortization for reportable segments	**$473,460**	$529,448
Capital expenditures by segment:		
Test and measurement	**$432,933**	$281,207
Network solutions	**55,987**	145,592
Total consolidated capital expenditures by reportable segment	**$488,920**	$426,799
Total assets by segment:		
Test and measurement	**$12,969,693**	$12,797,151
Network solutions	**6,126,776**	5,332,282
Total assets for reportable segments	**19,096,469**	18,129,433
Corporate assets, principally cash and cash equivalents and deferred and current taxes	**18,605,491**	19,489,382
Total consolidated assets	**$37,701,960**	$37,618,815

For the years ended December 31, 2011 and 2010, no customer accounted for more than 6% and 5% of total consolidated 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, 2011 and 2010, no representative accounted for more than 10% of total consolidated sales.

NOTE 8 - SEGMENT AND RELATED INFORMATION (Continued):

Regional Sales:

Net consolidated sales from continuing operations by region were as follows:

	For the Twelve Months Ended December 31,	
	2011	2010
Americas	**$19,810,973**	$17,027,598
Europe, Middle East, Africa (EMEA)	**4,982,978**	4,932,729
Asia Pacific (APAC)	**2,029,489**	2,603,899
	$26,823,440	$24,564,226

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, 2011 and 2010, sales in the United States amounted to $17,741,752 and $15,999,539, respectively. Shipments to the remaining regions presented above were largely concentrated in Germany (EMEA) and China (APAC). For the years ended December 31, 2011 and 2010, sales to Germany amounted to $1,116,848, or 22% of all shipments to the EMEA region, and $1,006,454, or 20% of all shipments to the EMEA region, respectively. Sales to China, for the years ended December 31, 2011 and 2010, amounted to $912,614, or 45% of all shipments to the APAC region, and $1,508,282, or 58% of all shipments to the APAC region, respectively. There were no other shipments significantly concentrated in one country.

Purchases:

For the years ended 2011 and 2010, no third-party supplier accounted for more than 10% and 8% of the Company's total consolidated 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, 2011 and 2010 amounted to $294,651 and $297,308, respectively.

The Company also maintained a non-contributory, defined benefit pension plan covering 15 active and 30 former employees of its German subsidiary, Willtek. As a result of the May 7, 2010 sale 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,	
	2011	2010
Current:		
Federal	**$ 27,395**	$ 461,845
State	**286,700**	115,170
Deferred:		
Federal	**(639,718)**	(568,552)
State	**(112,892)**	(100,333)
	$ (438,515)	$ (91,870)

NOTE 10 - INCOME TAXES (Continued):

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,	
	2011	2010
	% of Pre Tax Earnings	% of Pre Tax Earnings
Statutory federal income tax rate	**34.0%**	34.0%
Change in valuation allowance on deferred taxes	**(70.8)**	(30.0)
Investment in foreign subsidiary	**-**	(64.2)
State income tax net of federal tax benefit	**15.6**	12.5
Income tax recoverable adjustment	**-**	33.2
Permanent differences	**(0.2)**	(8.0)
Over/under accruals	**.2**	3.2
Other	**(0.8)**	9.3
	(22.0)%	(10.0)%

In 2011, the difference between the statutory and the effective tax rate is primarily due to a change in valuation allowance on deferred taxes based upon management's updated assumptions related to expected future taxable income. In 2010, 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,	
	2011	2010
Deferred tax assets:		
Uniform capitalization of inventory costs for tax purposes	**$ 199,782**	$ 185,024
Reserves on inventories	**480,632**	421,236
Allowances for doubtful accounts	**49,014**	29,528
Accruals	**108,000**	242,663
Tax effect of goodwill	**(218,932)**	(116,228)
Book depreciation over tax	**27,643**	23,494
Net operating loss carryforward	**17,618,136**	18,287,923
	18,264,275	19,073,640
Valuation allowance for deferred tax assets	**(11,818,275)**	(13,380,250)
	$6,446,000	$5,693,390

The Company has a domestic net operating loss carryforward at December 31, 2011 of approximately $25,400,000 which expires in 2029. The Company also has a foreign net operating loss carryforward at December 31, 2011 of approximately $23,400,000 which has no expiration.

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, 2011. 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, 2011.

NOTE 10 - INCOME TAXES (Continued):

The Company files income tax returns in the U.S. (federal and state of New Jersey) and German 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 2008.

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, 2011 and 2010.

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. In 2011, the Company reversed the one-time warranty accrual as this product is no longer being produced at original specifications and management believes there is a remote likelihood that any units will be returned.

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. On May 5, 2011, the Company entered into a building lease agreement with its current landlord to remain at its principal corporate headquarters. The term of the lease agreement is for three years beginning October 1, 2011 and ending September 30, 2014 and can be renewed at the tenant's option for one five-year period at fair market value to be determined at term expiration. The minimum monthly rent payment will be approximately $29,000. The Company will benefit from a reduction in the base rent rate, realizing savings of approximately $480,000 over the three year term, or approximately $160,000 when annualized.

The Company is also responsible for its proportionate share of the cost of utilities, repairs, taxes, and insurance. The future minimum lease payments relative to continuing operations are shown below:

2012	$ 342,750
2013	342,750
2014	257,063
	$ 942,563

Rent expense included in continuing operations for the years ended December 31, 2011 and 2010 was $527,238 and $535,194, 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.

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued):

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, 2011:

2012	$ 74,267
2013	74,267
2014	74,267
2015	55,700
	$278,501

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 $68,000 and $50,000 for the years ended December 31, 2011 and 2010, respectively. The Company estimates that expenditures in this regard, including the costs of operating the wells and analyzing soil and water samples, will continue until the NJDEP determines that testing is complete. In 2010, the Company 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. Overall data from recent testing in the Spring of 2011 indicates the continuation of a decreasing concentration trend at the site. The overall decrease supports the absence of a continuing source impacting ground water. The Company believes that its current practice and plan of groundwater testing will continue until an official notification from NJDEP is obtained and the Company is released from further obligations. 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.

Line of Credit:

The Company maintains 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 and, under the terms and conditions of the loan agreement, is fully secured by said money fund account and any 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, 2011, the Company had no borrowings outstanding under the facility and approximately $5,500,000 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.

NOTE 11 - COMMITMENTS AND CONTINGENCIES (Continued):

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).

2011	**Quarter**			
	1st	**2nd**	**3rd**	**4th**
Net sales	**$6,077**	**$6,473**	**$7,064**	**$7,209**
Gross profit	**2,650**	**2,918**	**3,433**	**3,466**
Operating income	**298**	**212**	**699**	**641**
Income from continuing operations	**386**	**501**	**827**	**716**
Diluted net income per share from continuing operations	**$.02**	**$.02**	**$.03**	**$.03**

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
Income from continuing operations	320	298	39	358
Diluted net income per share from continuing operations	$.01	$.01	$.00	$.02

NOTE 13 - SUBSEQUENT EVENT:

On March 20, 2012, the Company's Board of Directors approved the granting of 25,620 and 20,661 shares of restricted stock to the Company's Chief Executive Officer and V.P. of Sales and Marketing, respectively. 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, 2011 and 2010, and the related consolidated statements of operations, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements 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 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 financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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, 2011 and 2010 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.

/s/PKF O'Connor Davies
A Division of O'Connor Davies, LLP

March 29, 2012
New York, NY

Corporate Profile

Directors
Henry Bachman
Joseph Garrity
Paul Genova
Glenn Luk
Rick Mace
Adrian Nemcek - Chairman of the Board
Anand Radhakrishnan

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 O'Connor Davies,
a division of O'Connor Davies, LLP

Legal Counsel
Greenberg Traurig, LLP

Exchange Listing
NYSE-Amex Symbol: WTT

Annual Meeting
The Annual Meeting of Shareholders will be held at
10:00 a.m. on June 13, 2012 at:
Hilton Parsippany
One 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:

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