WIRELESS TELECOM GROUP INC
Form 10-K/A
May 04, 2005

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
(Amendment No. 2)

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2004

OR

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-11916

WIRELESS TELECOM GROUP, INC.
(Exact name of registrant as specified in its charter)

New Jersey	**22-2582295**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
25 Eastmans Road, Parsippany, New Jersey	**07054**
(Address of principal executive offices)	(Zip Code)

(201) 261-8797
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

none
(Title of Class)

Indicate by check whether the registrant: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was

required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

The aggregate market value of Wireless Telecom Group, Inc. Common Stock, $.01 par value, held by non-affiliates computed by reference to the closing price as reported by AMEX on March 24, 2005: $44,281,874

Number of shares of Wireless Telecom Group, Inc. Common Stock, $.01 par value, outstanding as of March 24, 2005: 17,461,301

DOCUMENTS INCORPORATED BY REFERENCE

Part IV - Certain exhibits listed in response to Item 15(a)(3)	Prior filings made by the Company under the Securities Act of 1933 and the Securities Exchange Act of 1934.

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EXPLANATORY NOTE

The purpose of this Amendment No. 2 on Form 10-K/A to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2004 (as amended by Amendment No. 1 filed with the SEC on April 22, 2005) is to correct certain minor typographical errors in the sections titled Selected Financial Data and Management's Discussion and Analysis of Financial Condition and Results of Operations, and in the Company's financial statements. The Company's financial statements and the results of operations for the periods set forth herein have not been amended, modified, restated or otherwise affected in any manner. The specific Items that have been amended are as follows:

PART II

Item 6.	Selected Financial Data
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	PART IV
Item 15.	Exhibits and Financial Statement Schedules.

No other Items included in the Company's original Form 10-K (as amended) have been affected by this amendment. The Company has included all of the Items in this amendment for the convenience of the reader.

PART I

Item 1. Business

Wireless Telecom Group, Inc., a New Jersey corporation (the "Company"), develops, manufactures and markets a wide variety of electronic noise sources, passive microwave components and electronic testing and measuring instruments including power meters, voltmeters and modulation meters. The Company's products have historically been primarily used to test the performance and capability of cellular/PCS and satellite communications systems, and to measure the power of RF and microwave systems. Other applications include radio, radar, wireless local area network (WLAN), digital television and high-speed digital design. The Company's current operations are conducted through the Company d/b/a Noise Com, Inc. ("Noise Com") and its wholly owned subsidiaries Boonton Electronics Corporation ("Boonton") and Microlab/FXR ("Microlab"). The corporate website address is www.wtt.bz.

On December 21, 2001, the Company acquired Microlab/FXR, a private entity, for the net purchase price of $3,800,000 in cash. The acquisition of Microlab/FXR was recorded under the purchase method of accounting for financial statement purposes. Microlab/FXR's Balance Sheets are included in the Consolidated Balance Sheets at December 31, 2004 and 2003. Microlab/FXR's results of operations and cash flows for 2004, 2003 and 2002 are included in the Consolidated Statements of Operations and Cash Flows, and Management's Discussion and Analysis of Operations.

Microlab/FXR designs and manufactures high-power, passive microwave components for the wireless infrastructure market and for other commercial, aerospace and military markets. The Company's products are used in microwave systems, Universal Mobile Telecommunications Systems (UMTS), Personal Communications Service (PCS) and cellular communications base stations, television transmitters, avionic systems and medical electronics. Microlab/FXR is one of the leaders in serving the needs of the in-building distributed antenna system market, which facilitates seamless wireless coverage throughout the insides of buildings and building complexes.

On July 7, 2000, a newly formed, wholly-owned subsidiary of the Company, WTT Acquisition Corp., merged with and into Boonton, a public entity. Each share of Boonton common stock was converted into .79 shares of the Company's common stock with aggregated consideration totaling 1,885,713 shares of Wireless common stock. The merger was accounted for as a pooling of interests and accordingly, all periods prior to the merger were restated to include the results of operations, financial position and cash flows of Boonton.

Market

Since the Company's incorporation in the State of New Jersey in 1985, it has been primarily engaged in supplying noise source products and electronic testing and measurement instruments to various customers. Approximately 75% of the Company's sales in fiscal 2004 were derived from commercial applications. The remaining sales (approximately 25%) were comprised of sales made to the United States Government (particularly the armed forces) and prime defense contractors.

Products

Noise source products are primarily used as a method of testing to determine if sophisticated communications systems are capable of receiving the information being transmitted. The widest application for the Company's noise source products are as a reference standard in test instruments which measure unwanted noise and interference in devices and components utilized in a variety of communications equipment.

This is accomplished by comparing a noise source with known characteristics to the unwanted noise found in the communications system being tested. By generating a random noise signal, in combination with a live transmission signal, a noise generator simulates real world signals and allows the manufacturer to determine if its product is performing to specifications. Noise source testing is often more cost-efficient, faster and more accurate than alternative conventional methods using signal generators.

Coupled with other electronic devices, noise generators are also an effective means of jamming, blocking and disturbing enemy radar and other communications, as well as insulating and protecting friendly communications. In the jamming mode, the Company's noise source products block out or disrupt unwanted radar and radio transmissions generally without being detected.

The Company's noise source products are used in radar systems as part of built-in test equipment to continuously monitor the radar receiver and in satellite communications where the use of back-up receivers are becoming more common as the demand for communication availability and reliability is increasing. Testing by the Company's noise source products assures that the back-up receiver is always functional and ready should the communication using the first receiver fail. The Company's noise source products can test satellite communication receivers for video, telephone and data communications.

The Company also offers a line of broadband test equipment serving the Cable Television and Cable Modem industries. Test instruments from the broadband product line are measurement solutions for CATV equipment, Data-Over-Cable ("DOCSIS") and Digital TV.

The Company's noise source products range from relatively simple items with no control mechanisms or auxiliary components to complex, automated components containing computerized or microprocessor based controls.

The Company, through its Boonton Electronics subsidiary, designs and produces electronic testing and measuring instruments including power meters, voltmeters, capacitance meters, audio and modulation meters and VXI products. These products measure the power of RF and microwave systems used by the military and commercial sectors. Further, the Company's products are also used to test terrestrial and satellite communications, radar, telemetry and personal communication products. Recent models are microprocessor controlled and are often used in computerized automatic testing systems. Certain power meter products are designed for measuring signals based on wideband modulation formats, allowing a variety of measurements to be made, including maximum power, peak power, average power and minimum power.

The Company, through its Microlab/FXR subsidiary, designs and manufactures high-power, passive microwave components for the wireless infrastructure market and for other commercial, aerospace and military markets. The Company's products are used in microwave systems, UMTS, PCS and cellular communications base stations, television transmitters, avionic systems and medical electronics. These types of products serve the needs of the in-building distributed antenna systems market, which facilitates seamless wireless coverage throughout the insides of buildings and building complexes.

The Company's products come in various sizes, styles and models with varying degrees of capabilities and 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 operating from an external site, in the factory or in the field. Prices of products range from approximately $100 to $75,000 per unit, with most sales occurring between $2,000 and $10,000 per unit.

The Company's products have extended useful lives and the Company provides for its noise and power products, recalibration services to ensure their accuracy, for a fee, to its domestic and international customers, and also calibrates test equipment manufactured by others. Such services accounted for approximately 4% of fiscal 2004 sales.

Marketing and Sales

As of March 25, 2005, the Company's in-house marketing and sales force consisted of fourteen individuals. The Company promotes the sale of its products to customers and manufacturers' representatives through its product literature, publication of articles, presentations at technical conferences, direct mailings, trade advertisements and trade show exhibitions. The Company believes that extensive advertising is a major factor in generating in-house sales.

The Company's products are sold globally through its in-house sales people and by over eighty non-exclusive manufacturers' representatives. Generally, manufacturers' representatives do not stock

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inventories of the Company's products. Manufacturers' representatives accounted for an aggregate of 72% and 62% of the Company's sales for the years ended December 31, 2004 and 2003, respectively. For the year ended December 31, 2004, one representative accounted for more that 10% of total sales. In 2003, no representative accounted for more than 10% of total sales. The Company does not believe that, although there can be no assurance, the loss of any or all of its representatives would have a material adverse affect on its business.

The Company's relationship with its representatives is usually governed by written contracts that either run for one-year renewable periods terminable by either party on 60 days prior notice or have indefinite lives terminable by either party on 60 days prior notice. The contracts generally provide for exclusive territorial and product representation and prohibit the handling of competing products. The Company continually reviews and assesses the performance of its representatives and makes changes from time to time based on such assessments.

The Company believes that educating its existing and potential customers as to the advantages and applications of its products is a vital factor in its continued success as is its commitment to rapid product introductions and timely revisions to existing products. Management believes that its products offer state-of-the-art performance combined with outstanding customer and technical support. The Company has always placed great emphasis on designing its products to be user-friendly.

Customers

Since its inception in 1985, the Company has sold its products to more than 3,000 customers. The Company currently sells the majority of its products to various commercial users in the communications industry. Other sales are made to large defense contractors, which incorporate the Company's products into their products for sale to the U.S. and foreign governments, multi-national concerns and Fortune 500 companies. In fiscal 2004, approximately 75% of sales were derived from commercial applications. The remaining sales were comprised of government and military applications.

For fiscal 2004, the Company's largest customer accounted for approximately 7% of total sales. The Company's largest customers vary from year to year. Accordingly, while the complete loss of any large customer or substantial reduction of sales to such customers could have a material adverse effect on the Company, the Company has experienced shifts in sales patterns with such large companies in the past without any material adverse effect. There can be no assurance, however, that the Company will not experience future shifts in sales patterns not having a material adverse effect on its business.

Export sales for fiscal 2004 were $7,151,000, or approximately 32% of total sales. These sales were made predominantly to customers in Europe ($3,714,000 or 17% of total sales) and Asia ($2,742,000 or 12% of total sales).

In February 1996, the Company established a Foreign Sales Corporation (FSC). The Company receives a federal tax deduction for a portion of its export profits. As a result of foreign trade agreements entered into by the U.S. government, the use of a FSC has been curtailed as of December 31, 2002, and as such, the tax benefits generated by such an entity have been eliminated. The Company, nevertheless, will continue to service its overseas customers.

Research and Development

The Company currently maintains an engineering staff (nineteen individuals as of March 25, 2005) whose duties include the improvement of existing products, modification of products to meet customer needs and the engineering, research and development of new products and applications. Expenses for research and development involve engineering for improvements and development of new products for commercial markets. Such expenditures include the cost of engineering services and engineering support personnel and were approximately $1,946,000 and $2,046,000 for the years ended December 31, 2004 and 2003, respectively.

Competition

The Company competes against many companies, which utilize similar technology to that of the Company, some of which are larger and have substantially greater resources and expertise in financial,

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technical and marketing areas than the Company. Some of these companies are Agilent Technologies (formerly Hewlett-Packard), IFR, Rhode and Schwarz, Micronetics, Anritsu, Aerial Facilities, M/A Com and Kathrein. The Company competes by having a niche in several product areas where it capitalizes on its expertise in manufacturing products with unique specifications.

The Company designs its products with special attention to making them user-friendly, and constantly re-evaluates its products for the purpose of enhancing and improving them. The Company believes that these efforts, along with its willingness to adapt its products to the particular needs of its customers and its intensive efforts in customer and technical support, are factors that add to the competitiveness of its products.

Backlog

The Company's backlog of firm orders was approximately $5,000,000 at December 31, 2004, compared to approximately $3,900,000 at December 31, 2003. It is anticipated that the majority of the backlog orders will be filled during the current year. The stated backlog is not necessarily indicative of Company sales for any future period nor is a backlog any assurance that the Company will realize a profit from the orders.

Inventory, Supplies and Manufacturing

The Company purchases components, devices and subassemblies from a wide variety of sources. For example, its noise source diodes, a key component in all of its noise source products, are made by third parties in accordance with the Company's designs and specifications. The Company's inventory policy stresses maintaining substantial raw materials in order to lessen its dependency on third party suppliers and to improve its capacity to facilitate production. However, shortages or delays of supplies may, in the future, have a material adverse impact on the Company's operations. No third party supplier accounted for more than 10% of the Company's total inventory purchases for fiscal 2004.

The Company is not party to any formal written contract regarding the deliveries of its supplies and components. It generally purchases such items pursuant to written purchase orders of both the individual and blanket variety. Blanket purchase orders usually cover the purchase of a larger amount of items at fixed prices for delivery and payment on specific dates.

The Company primarily produces its products by final and some intermediate assembly, calibration and testing. Testing of products is generally accomplished at the end of the manufacturing process and is performed in-house as are all quality control processes. The Company utilizes modern equipment for the design, engineering, manufacture, assembly and testing of its products.

Warranty and Service

The Company 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. Repairs that are necessitated by misuse of such products or are required outside the warranty period are not covered by the Company's warranty.

In cases of defective products, the customer typically returns them to the Company's facility. The Company's service personnel replace or repair the defective items and ship them back to the customer. Generally, all servicing is done at the Company's plants, and the Company charges its customers a fee for those service items that are not covered by warranty. Noise Com and Microlab/FXR usually do not offer their customers any formal written service contracts. Boonton Electronics offers its customers formal written service contracts for a fee.

Product Liability Coverage

The testing of electronic communications equipment and the accurate transmission of information entail a risk of product liability by customers and others. Claims may be asserted against the Company by end-users of any of the Company's products. The Company has maintained product liability

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insurance coverage since August 1991. To date, the Company has not received or encountered any formal claims for liability due to a defective or malfunctioning device made by it. However, it is possible that the Company may be subject to such claims in the future and corresponding litigation should one or more of its products fail to perform or meet certain minimum specifications.

Intellectual Property

Proprietary information and know-how are important to the Company's commercial success. The trademark "Boonton" was registered in the United States Patent and Trademark Office. 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-competition 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.

Environmental Protection

The New Jersey Department of Environmental Protection (the "NJDEP") had conducted an investigation in 1982 concerning disposal at a facility in New Jersey previously leased by the Company's Boonton operations. Involved were certain materials formerly used by Boonton's manufacturing operations at that site and the possible effect of such disposal on the aquifer underlying the property. The disposal practices and the use of the materials in question were discontinued in 1978. The Company has cooperated with the NJDEP investigation and has been diligently pursuing the matter in an attempt to resolve it as rapidly as NJDEP operating procedures permit. The above referenced activities were conducted by Boonton prior to the acquisition of that entity in 2000.

The Company and the NJDEP have agreed upon a plan to correct ground water contamination at the site, located in the township of Parsippany-Troy Hills, pursuant to which wells have been installed by the Company. The plan contemplates that the wells will be operated and that soil and water samples will be taken and analyzed until such time, which the Company is unable to predict, that contamination levels are satisfactory to the NJDEP. Expenditures incurred by the Company during the year ended December 31, 2004 in connection with the site amounted to approximately $13,000. The Company estimates that expenditures in this regard, including the costs of operating the wells and taking and analyzing soil and water samples, will amount to approximately $12,000 per annum until the NJDEP determines that testing is complete.

Employees

As of March 25, 2005, the Company had 106 full-time employees, including its officers, 62 of whom are engaged in manufacturing and repair services, 11 in administration and financial control, 19 in engineering and research and development, and 14 in marketing and sales.

None of its employees are covered by a collective bargaining agreement or are represented by a labor union. The Company considers its relationship with its employees to be satisfactory.

The design and manufacture of the Company's products require substantial technical capabilities in many disparate disciplines, from mechanics and computer science to electronics and mathematics. While the Company believes that the capability and experience of its technical employees compares favorably with other similar manufacturers, there can be no assurance that it can retain existing employees or attract and hire the highly capable technical employees it may need in the future on terms deemed favorable to the Company.

Item 2. Properties

In September 2002, the Company relocated its corporate headquarters and noise generation operations to the 45,700 square foot facility occupied by its Boonton Electronics subsidiary in Hanover Township, Parsippany, New Jersey. The term of this lease agreement is for ten years

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beginning on October 1, 2001 and ending September 30, 2011. The lease also contains an option to terminate effective September 30, 2006. The lease of the Company's previous headquarters in Paramus, New Jersey was terminated on favorable terms.

The Company leased a 23,100 square foot facility located in Livingston, New Jersey, which was occupied by Microlab/FXR. The original term of the lease was for ten years commencing on March 4, 1996. During the year 2003, the Company exercised an option to cancel the lease as of the last day of February 2004. Additionally, the Company agreed to a separate three-month lease extension through May 31, 2004 and another two-month lease extension through July 31, 2004. As of July 2004, Microlab/FXR relocated its operations to the Hanover Township, Parsippany facility.

The Company also owns a 44,000 square foot facility located in Mahwah, New Jersey. In November 2000, the Company entered into a lease agreement with an unrelated third party for the entire facility. The triple net lease runs through August 1, 2013 and the tenant has an option to purchase the property up through August 1, 2012 during the lease term.

Item 3. Legal Proceedings

Reference is made to the discussion in Item 1 above regarding an investigation by the NJDEP concerning certain discontinued practices of the Company and their effect on the soil and ground water at a certain facility formerly occupied by the Company. No administrative or judicial proceedings have been commenced in connection with such investigation. The owner of the Parsippany-Troy Hills facility has notified the Company, that if the investigation proves to interfere with the sale of the property, it 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 doubtful that the owner would prevail on any claim due to the fact that such a claim would be barred by the statute of limitations. There are no material legal proceedings known to the Company.

Item 4. Submission of Matters to a Vote of Security Holders

Not applicable.

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PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The Common Stock of the Company has traded on the American Stock Exchange under the name Wireless Telecom Group, Inc. (Symbol: WTT) since September 12, 1994. The following table sets forth the high and low sales prices of the Company's Common Stock for the periods indicated as reported on the American Stock Exchange.

2004 Fiscal Year	High	Low
1st Quarter	$ 3.85	$ 2.70
2nd Quarter	3.33	2.75
3rd Quarter	2.92	2.30
4th Quarter	3.15	2.32

2003 Fiscal Year		
1st Quarter	$ 2.07	$ 1.63
2nd Quarter	2.51	1.93
3rd Quarter	2.83	2.12
4th Quarter	3.25	2.23

On March 24, 2005, the closing price of the Common stock of the Company as reported was $2.57. On March 24, 2005, the Company had 654 stockholders of record.

In May 2001, the Company reinstated a dividend policy. The table below details quarterly dividends declared for the past two years.

	Quarterly Dividends Per Share			
	1st	2nd	3rd	4th
2004	$ .03	$ .03	$ .03	$ .03
2003	$ .02	$ .02	$ .02	$ .03

On March 18, 2005, the Company declared a cash dividend of $.03 per share. It is the Company's present intention to maintain a quarterly dividend policy.

Item 6. Selected Financial Data

The selected financial data presented below as of December 31, 2004, 2003, 2002, 2001 and 2000 was derived from the Company's financial statements after restatement for the merger with Boonton Electronics Corporation. The Selected Statement of Operations Data and the Selected Per Share Data for 2004, 2003 and 2002 includes the results of Microlab/FXR. The Selected Balance Sheet Data for 2004, 2003, 2002 and 2001 also includes the balances of Microlab/FXR. The information set forth below is qualified in its entirety by reference to, and should be read in conjunction with the financial statements and related notes contained elsewhere in this Form 10-K.

	2004	2003	2002	2001	2000
Selected Statement of Operations Data:					
Net sales	$22,105,207	$19,724,240	$20,747,707	$19,041,838	$18,450,518
Income from continuing operations before income taxes	2,620,877	2,575,577	2,590,768	3,279,271	3,362,702
Provision for income taxes	289,400	812,582	823,150	2,062,000	1,231,462
Net income from continuing operations	$ 2,331,477	$ 1,762,995	$ 1,767,618	$ 1,217,271	$ 2,131,240
Selected Per Share Data:					
Net income from continuing operations per common share — diluted	$ .13	$ .10	$ .10	$ .07	$ .11
Shares used in computation of earnings per share — diluted	17,578,185	17,113,472	17,340,264	18,046,498	19,724,188

Cash dividends per common share	$ .12	$ .09	$ .08	$ .04	$ .00
Selected Balance Sheet Data:					
Working capital	$23,559,525	$23,971,858	$23,510,803	$23,318,264	$27,553,331
Total assets	35,406,868	33,624,211	32,215,596	32,905,258	37,656,273
Total liabilities	5,928,036	5,404,159	4,328,638	4,798,158	5,273,235
Shareholders' equity	$29,478,832	$28,220,052	$27,886,958	$28,107,100	$32,383,038

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
Introduction

Wireless Telecom Group, Inc., and its operating subsidiaries, Boonton Electronics Corporation and Microlab/FXR (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. 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), digital television and high-speed digital design.

The financial information presented herein includes: (i) Condensed Consolidated Balance Sheets as of December 31, 2004 and as of December 31, 2003, (ii) Condensed Consolidated Statements of Operations for the three years ended December 31, 2004, 2003 and 2002, (iii) Condensed Consolidated Statement of Changes in Shareholders' Equity for the three years ended December 31, 2004, 2003 and 2002, and (iv) Condensed Consolidated Statements of Cash Flows for the three years ended December 31, 2004, 2003 and 2002.

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.

The following discussion and analysis provides information to which the Company's management believes is relevant to an assessment and understanding of the Company's results of operations and financial condition. This information is presented after restatement for the merger with Boonton and the acquisition of Microlab/FXR on December 21, 2001.

Microlab/FXR's Balance Sheets are included in the Condensed Consolidated Balance Sheets at December 31, 2004 and 2003. Microlab/FXR's results of operations and cash flows for the years ended December 31, 2004, 2003 and 2002 are included in the Condensed Consolidated Statements of Operations and Cash Flows, and Management's Discussion and Analysis of Operations. This discussion should be read in conjunction with the financial statements and notes thereto included elsewhere herein.

Critical Accounting Policies

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

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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.

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 customers' payment history and aging of their accounts receivable balance. For example, based upon our receivable balances, for every additional 1% increase needed in our reserve, we will have to increase our allowance by approximately $32,000 and record a similar charge to operations.

Income Taxes

As part of the process of preparing the consolidated financial statements, the Company is required to estimate its income taxes in each of the jurisdictions in which it operates. The process incorporates an assessment of the current tax exposure together with temporary differences resulting from different treatment of transactions for tax and financial statement purposes. Such differences result in deferred tax assets and liabilities, which are included within the consolidated balance sheets. The recovery of deferred tax assets from future taxable income must be assessed and, to the extent that recovery is not likely, the Company establishes a valuation allowance. Increases in valuation allowances result in the recording of additional tax expense. Further, if the ultimate tax liability differs from the periodic tax provision reflected in the consolidated statements of operations, additional tax expense may be recorded. Our deferred tax asset at December 31, 2004, aggregates approximately $1,085,000. We must continue to be profitable in order to be able to utilize this asset in future periods.

Valuation of Long-Lived Assets

The Company assesses the potential impairment of long-lived tangible and intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Long-lived assets, other than goodwill, are reviewed for impairment not less than annually and whenever events or changes in circumstances indicate that the carrying value of any such asset may be impaired. The Company's management evaluates the recoverability of such assets by estimating future cash flows. If the sum of the undiscounted cash flows, expected to result from the use of the assets and their eventual disposition, is less than the carrying amount of the assets, management will recognize an impairment loss to the extent of the excess of the carrying amount of the assets over the discounted cash flow.

Statement of Financial Accounting Standards (SFAS) No. 142 requires that the Company perform an assessment of whether there is an indication that goodwill is impaired on an annual basis unless events or circumstances warrant a more frequent assessment. The impairment assessment involves, among other things, an estimation of the fair value of the reporting unit based on the discounted cash flow methodology. Significant assumptions used in our analysis include annual revenue growth rate from 8% to 13% and a discount rate of approximately 18%. If the assessment indicates that the fair value is less than the carrying value, then the goodwill would be subject to an impairment loss adjustment.

If the impairment review of goodwill, intangible assets, and other long-lived assets differ significantly from actual results, it could have a material adverse effect on the Company's results of operations and financial condition.

Results of Operations Year Ended December 31, 2004 Compared to 2003

Net sales for the year ended December 31, 2004 were $22,105,207 as compared to $19,724,240 for the year ended 2003, an increase of $2,380,967 or 12.1%. This increase was primarily the result of increased sales activity in 2004 of the Company's peak power meter instruments - mainly due to upgrades to on-hand inventory, which primarily consisted of improved screen displays utilizing liquid crystal displays "LCD" in place of the cathode ray tube "CRT" screen displays. Additionally, increased sales for certain existing and potential customers, in part, were due to the company's continuous efforts to publicize the advantages and many applications of our products on a commercial basis. We anticipate that these product upgrades will continue to result in increased sales in future years, although there can be no assurance that this will be the case. These product upgrades had no effect on our valuation of existing inventory or the calculation of our reserve for obsolescence.

The Company's gross profit on net sales for the year ended December 31, 2004 was $11,783,291 or 53.3% as compared to $10,259,362 or 52.0% as reported in the previous year. Gross profit margins are higher in 2004 than in 2003 primarily due to higher sales volume, the result of increased demand for the Company's products, and lower manufacturing labor and direct overhead costs. Additionally, the Company completed its consolidation in the third quarter of 2004, thus lowering duplicate overhead costs. Prices have remained relatively stable along with modest increases in manufacturing labor costs. The Company can experience variations in gross profit based upon the mix of product sales as well as variations due to revenue volume and economies of scale. The Company continues to rigidly monitor costs associated with material acquisition, manufacturing and production.

Operating expenses for the year ended December 31, 2004 were $9,461,819 or 42.8% of net sales as compared to $8,125,284 or 41.2% of net sales for the year ended December 31, 2003. For the year ended December 31, 2004 as compared to the prior year, operating expenses increased in dollars by $1,336,535. The increases in amount and percentage are primarily due to a one-time payout to the Company's former CEO, increased efforts in sales and

marketing in 2004 including the addition of sales personnel, and an increased marketing campaign.

Interest income increased by $39,119 for the year ended December 31, 2004. This increase was primarily due to increased returns on short-term investments in 2004. Other income decreased by $184,140 for the year ended December 31, 2004. This decrease was primarily due to realized losses in a working capital management account, classified as cash equivalents due to the fact that they were highly liquid and readily convertible to cash, and intended to be liquidated by the Company on a short-term basis.

Net income was $2,331,477 or $.13 per share on a diluted basis for the year ended December 31, 2004 as compared to $1,762,995 or $.10 per share on a diluted basis for the year ended December 31, 2003, an increase of $568,482 or 32.2%.

Results of Operations Year Ended December 31, 2003 Compared to 2002

Net sales for the year ended December 31, 2003 were $19,724,240 as compared to $20,747,707 for 2002, a decrease of $1,023,467 or 4.9%. This decrease was primarily due to a slight reduction in demand for the Company's passive microwave components by two foreign customers, one of which temporarily reduced its technology spending and the other no longer purchases microwave components from the company.

The Company's gross profit on net sales for the year ended December 31, 2003 was $10,259,362 or 52.0% as compared to $10,466,842 or 50.4% as reported in the previous year. Gross profit margins are higher in 2003 than in 2002 primarily due to higher gross margins at Noise Com and Boonton. Historically, Noise Com and Boonton have reported higher gross margins due to the nature of their products, active RF and microwave instrumentation, compared to passive devices, which are more competitive in pricing. Management expects these margins to continue in current operations. The Company can experience variations in gross profit based upon the mix of product sales as well as variations due to revenue volume and economies of scale. The Company continues to rigidly monitor costs associated with material acquisition, manufacturing and production.

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Operating expenses for the year ended December 31, 2003 were $8,125,284 or 41.2% of net sales as compared to $7,678,996 or 37.0% of net sales for the year ended December 31, 2002. For the year ended December 31, 2003 as compared to the prior year, operating expenses increased in dollars by $446,288. The increases in amount and percentage are primarily due to increased efforts in sales and marketing in 2003 including the addition of sales personnel and an increased marketing campaign. The increase was also due to focused spending on the research and development of new products.

Interest income increased by $170,250 for the year ended December 31, 2003. The increase was primarily due to increased returns on short-term investments in 2003. Other income increased by $465,611 for the year ended December 31, 2003. This increase was primarily due to declining interest rates on short-term investments in 2002 and a one-time write down in 2002 of an investment in a non-affiliated company.

Net income was $1,762,995 or $.10 per share on a diluted basis, for the year ended December 31, 2003 as compared to $1,767,618 or $.10 per share on a diluted basis, for the year ended December 31, 2002.

Liquidity and Capital Resources

The Company's working capital has decreased by $412,333 to $23,559,525 at December 31, 2004, from $23,971,858 at December 31, 2003. At December 31, 2004, the Company had a current ratio of 9.6 to 1, and a ratio of debt to net worth of .20 to 1. At December 31, 2003, the Company had a current ratio of 11.9 to 1, and a ratio of debt to net worth of .19 to 1.

Net cash provided from operations has allowed the Company to meet its liquidity requirements, research and development activities and capital expenditures. Operating activities provided $2,281,169 in cash for the year ending December 31, 2004 compared to $2,661,582 and $3,093,762 in cash flows for the years ending December 31, 2003 and 2002, respectively. For 2004, cash provided by operations was primarily due to net income, a decrease in prepaid expenses and other current assets, an increase in accounts payable and accrued expenses, and a non-cash adjustment for depreciation and amortization, partially offset by an increase in inventories and a non-cash adjustment for deferred income tax benefit. For 2003, cash provided by operations was primarily due to net income, an increase in accounts payable and accrued expenses, and a non-cash adjustment for depreciation and amortization, partially offset by an increase in inventories. For 2002, cash provided by operations was primarily due to net income, a decrease in inventories, a non-cash adjustment for depreciation and amortization and a non-cash adjustment for the write-down on an investment, partially offset by a decrease in accounts payable and accrued expenses and an increase in accounts receivable.

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.

The Company is aware of a potential event that might impact its liquidity in 2005, relating to the lease of the space it occupies in Hanover Township, Parsippany, New Jersey. The ten-year lease, which expires in 2011, provides for the Company, at its option, to terminate the lease on September 30, 2006. The exercise of this option requires a one-year advance notice and the payment of $205,500. At this time, the Company does not expect to exercise this option or have to pay this amount.

Net cash used for investing activities for 2004 amounted to $1,650,092 compared to $451,695 and $686,775 for the years ending December 31, 2003 and 2002, respectively. For the year ended December 31, 2004, the primary use of cash was for capital expenditures and for costs associated with a potential acquisition. In 2003 and 2002, the primary use of cash was for capital expenditures.

Net cash used for financing activities was $1,113,026, $1,467,302 and $2,022,447 for the years ending December 31, 2004, 2003 and 2002, respectively. In 2004, the primary use of this cash was for the payment of dividends. In 2003 and 2002, the primary uses of this cash were for the payment of dividends and for the acquisition of treasury stock. Cash outlays were partially offset by proceeds from the exercise of stock options in 2004, 2003 and 2002.

For details of dividends paid in the years ended December 31, 2004 and 2003, refer to Item 5. It is the Company's present intention to maintain a quarterly dividend policy.

Table of Contractual Obligations

	Payments Due by Period				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-Term Debt	$ 3,088,880	$ 43,485	$ 97,448	$ 113,301	$ 2,834,646
Operating Lease	3,061,900	418,917	875,917	929,233	837,833
Equipment Lease	212,908	53,113	104,496	55,299	—
	$ 6,363,688	$ 515,515	$ 1,077,861	$ 1,097,833	$ 3,672,479

The Company believes that its financial resources from working capital provided by operations are adequate to meet its current needs.

Inflation and Seasonality

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk
Not Applicable.

Item 8. Financial Statements and Supplementary Data
The response to this item is submitted in a separate section of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure
Not Applicable.

Item 9A. Controls and Procedures
Based on their evaluation as of the end of the period covered by this Annual Report on Form 10-K, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Exchange Act) are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Item 9B.Other Information

Not Applicable.

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PART III

Item 10. Directors and Executive Officers of the Registrant

Directors and Executive Officers

Set forth below are the names, ages and descriptions of the backgrounds, as of April 27, 2005, of each of the directors and executive officers of the Company.

Name	Age	Position
Karabet "Gary" Simonyan(1)(2)(3)	69	Chairman of the Board and Interim Chief Executive Officer
Paul Genova(1)	49	President and Chief Financial Officer
Henry L. Bachman(1)(4)	75	Director
John Wilchek(1)(3)(4)	64	Director
Michael Manza(1)(2)(4)	69	Director
Andrew Scelba(1)(2)(3)	73	Director

(1)Director Nominee
(2)Member of Nominating and Governance Committee
(3)Member of Compensation Committee
(4)Member of Audit Committee

Karabet "Gary" Simonyan became a director of the Company in March 2002, the non-executive Chairman of the Board of the Company in March 2004 and interim Chief Executive Officer of the Company in July 2004. Mr. Simonyan founded the Company in 1985. From 1985 until his official retirement from the Company in 1997, Mr. Simonyan served the Company in several capacities, including as Chairman of the Board, Chief Executive Officer and President and as a director. From 1978 until he joined the Company, he worked for Micronetics, Inc., a manufacturer of electronic products, in several capacities, including President. From 1977 through 1978, he served as President of Laser Management Associates, an electronics consulting firm, which he founded. Mr. Simonyan has a Bachelor of Science degree in Applied Physics and has undertaken graduate studies in electrical engineering and in business administration.

Paul Genova has served as the Company's Chief Financial Officer since September 2003 and since March 2004 has served as the Company's President and as a director of the Company. From 1994 to February 2002, Mr. Genova served as Chief Financial Officer of Wilson Logistics, Inc., a supply chain management and industrial services provider, which is a wholly owned subsidiary of Wilson Logistics Holdings, AB Sweden. From 1985 to 1994, Mr. Genova worked with Deloitte & Touche as a Senior Audit Manager, working with various global manufacturing companies. Mr. Genova earned his New York CPA certificate in 1983 and has a Bachelor of Science degree in Accounting from Manhattan College.

Henry L. Bachman became a director of the Company in January 1999 and has a career of over 50 years in the electronics industry. From 1951 to 1996, Mr. Bachman served as Vice President of Hazeltine, a subsidiary of Marconi Aerospace Systems Inc., Advanced Systems Division, on a full-time basis and currently provides consulting services to them on a part-time basis. Mr. Bachman was President of The Institute of Electrical and Electronics Engineers (IEEE). Mr. Bachman has a Bachelor's degree and MS degree from Polytechnic University and completed the Advanced Management Program at Harvard Sloan School of Management.

John Wilchek became a director of the Company in May 1993. He was the founder, President, CEO and Chairman of Zenith Knitting Mills until his retirement in 1991.

Michael Manza became a director of the Company in June 2002. From 1988 until his retirement in 1999, Mr. Manza was a Partner at M.J. Meehan & Co. and served on its Management Committee. From 1979 to 1988, Mr. Manza worked for L.F. Rothschild Unterberg Towbin as a Partner and

Managing Director. From 1952 until 1979, Mr. Manza worked for Josephthal & Co. in several capacities, and served as Partner and Manager from 1966 until 1979. Mr. Manza received his Bachelors degree in Business from New York University and his Masters degree in Finance from The New York Institute of Finance.

Andrew Scelba became a director of the Company in January 2003. In 1980, Mr. Scelba established ANR advertising, a technical agency specializing in electronic and telecommunication accounts, servicing both national and international accounts. In 1990, the name was changed to SSD&W and subsequently SGW. Mr. Scelba served as President and later Chairman of the Board. In 2000, Mr. Scelba retired, but continued to consult for the agency. Mr. Scelba has a Bachelor of Science degree in Advertising and a MBA in Marketing from Fairleigh Dickenson University.

Code of Ethics

The Company's board of directors has adopted a Code of Business Conduct and Ethics (the "Code") that outlines the principles of legal and ethical business conduct under which the Company does business. The Code, which is applicable to all directors, employees and officers of the Company, is available at the Company's website at www.wtt.bz. Any substantive amendment or waiver of the Code may be made only by the Company's board of directors or a committee of the board, and will be promptly disclosed to the Company's shareholders on our website. In addition, disclosure of any waiver of the Code will also be made by the filing of a Current Report on Form 8-K with the Securities and Exchange Commission (the "SEC").

Audit Committee Financial Expert

The members of the Audit Committee during the year ended December 31, 2004 were Messrs. Henry L. Bachman, Michael Manza and John Wilchek. The Company's board of directors has determined that each member of the Audit Committee currently meets the independence criteria set forth in the applicable rules of the American Stock Exchange and the SEC for audit committee membership. The board has also determined that all members of the Audit Committee possess the level of financial literacy required by applicable American Stock Exchange and SEC rules. The Company's board of directors has determined that Henry L. Bachman is qualified as an "audit committee financial expert" as defined by the SEC.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company's executive officers, directors and persons who beneficially own more than 10% of a registered class of the Company's equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of the Company's common stock and other equity securities of the Company. Such executive officers, directors and greater than 10% beneficial owners are required by regulation to furnish the Company with copies of all Section 16(a) forms filed by such reporting persons with the SEC.

Based solely upon the Company's review of such forms furnished to the Company and written representations from certain reporting persons, the Company believes that its executive officers, directors and greater than 10% shareholders have complied with all applicable filing requirements during the year ended December 31, 2004.

Item 11. Executive Compensation

The following table sets forth, for the years ended December 31, 2004, 2003 and 2002, the annual and long-term compensation for the Company's Chief Executive Officer and its most highly compensated executive officers whose annual compensation exceeded $100,000 for the fiscal year ended December 31, 2004 (the "Named Executive Officers").

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Summary Compensation Table

Name and Principal Position	Year	Annual Compensation Salary	Bonus	Other	Long Term Compensation Awards Securities Underlying Options	All other Compensation
Karabet Simonyan[1]						
Interim CEO, Non-	2004	—	—	$ 10,250[2]	—	$ 7,348[3]
Executive Chairman	2003	—	—	—	—	—
	2002	—	—	—	—	—
Terence McCoy[4]						
Former CEO	2004	$ 48,461	—	—	50,000	$ 47,193[5]
	2003	—	—	—	—	—
	2002	—	—	—	—	—
Edward J. Garcia[6]						
Former Chairman of the						
Board, CEO and President	2004	$ 43,490	—	—	—	$ 686,777[7]
	2003	$ 199,116	—	—	—	$ 9,276[7]
	2002	$ 202,208	$ 50,000	—	—	$ 8,953[7]
Bent Hessen-Schmidt[8]						
Former Executive Vice						
President of Marketing	2004	$ 176,460	—	—	—	$ 3,250[9]
	2003	$ 150,463	$ 1,000	—	—	$ 3,000[9]
	2002	$ 78,365	—	—	75,000	$ 2,750[9]
Paul Genova[10]						
President and CFO	2004	$ 170,100	—	—	80,000	$ 7,595[11]
	2003	$ 39,083	$ 1,000	—	50,000	$ 153[11]
	2002	—	—	—	—	—

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(1)

Mr. Simonyan became non-executive Chairman of the Board in March 2004 (upon the resignation of Edward J. Garcia as an executive officer and director of the Company and the termination of his employment with the Company in March 2004) and interim Chief Executive Officer of the Company in July 2004 (upon the mutual termination of Terence McCoy's employment as Chief Executive Officer of the Company and his departure from the Company's board of directors in July 2004).

(2)Represents the amount of compensation received by Mr. Simonyan in 2004 for his service as interim Chief Executive Officer. Mr. Simonyan does not receive a salary for his service as interim Chief Executive Officer, but rather receives nominal compensation for such services at the discretion of the Company's board of directors.

(3)Represents the amount of premiums paid for Mr. Simonyan's health insurance in 2004.

(4)Terence McCoy served as the Company's Chief Executive Officer from April 2004 to July 2004.

(5)Includes: (a) cash payments of approximately $46,154 in the aggregate to Mr. McCoy upon the mutual termination of Mr. McCoy's employment with the Company in July 2004; (b) the total estimated value of the use of an automobile of $904; and (c) the premium paid on group term life insurance and accidental death and dismemberment insurance for Mr. McCoy.

(6)Edward J. Garcia served as the Company's Chairman of the Board, Chief Executive Officer and President from January 1999 to March 2004. From time to time following the termination of Mr. Garcia's employment with the Company, Mr. Garcia has acted as a consultant to the Company on a project basis for fees ranging from $80 to $120 per hour.

(7)Includes: (a) a lump-sum cash payment of $685,000 to Mr. Garcia upon Mr. Garcia's resignation as an executive officer and director of the Company and the termination of his employment with the Company in March 2004; (b) the total

estimated value of the use of an automobile of $1,056, $1,783 and $1,710 for fiscal years ended December 31, 2004, 2003 and 2002, respectively; (c) the total premiums paid on group term life insurance and accidental death and dismemberment insurance and the matching contribution of the Wireless Telecom Group, Inc. 401(k) Profit Sharing Plan in 2004, 2003 and 2002; and (d) premiums paid on split dollar life insurance for Mr. Garcia in 2003 and 2002.

(8)Mr. Hessen-Schmidt served as the Company's Executive Vice President of Marketing from June 2002 to November 2004.

(9)Includes the matching contribution of the Wireless Telecom Group, Inc. 401(k) Profit Sharing Plan in 2004, 2003 and 2002 for Mr. Hessen-Schmidt.

(10)Mr. Genova has served as Chief Financial Officer of the Company since September 2003 and has served as the Company's President since March 2004.

(11)Includes the total estimated value of the use of an automobile of $3,535 in 2004, the premium paid on group term life insurance and accidental death and dismemberment insurance in 2004 and 2003, and the matching contribution of the Wireless Telecom Group, Inc. 401(k) Profit Sharing Plan in 2004 for Mr. Genova.

Option Grants In Fiscal Year 2004

Name	Number of Securities Underlying Option/SARs	Percent of Total Options Granted to	Exercise of Base Price ($/Sh)	Expiration Date	Potential Realizable Value At Assumed Annual Rates of Stock Price

	Granted (#)	in Fiscal Employees Year 2004[1]				Appreciation for Option Term 5%($)	10%($)
Terence McCoy Former CEO	50,000	38.5%	$	2.99	5/21/2014	$ 94,020	$ 238,265
Paul Genova President and CFO	30,000	23.0%	$	2.99	5/21/2014	$ 56,412	$ 142,959
	50,000	38.5%	$	2.75	10/22/2014	$ 86,473	$ 219,140

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(1)Based upon a total of 130,000 options granted to all employees and consultants during fiscal year 2004.

Aggregated Option Exercises In Fiscal Year 2004
And Option Values At December 31, 2004

Name	Shares Acquired on Exercise	Value Realized[1]	Number of Securities Underlying Unexercised Options At Fiscal Year End: Exercisable	Unexercisable	Value of Securities Underlying Unexercised In-the-Money Options At Fiscal Year End [2]: Exercisable	Unexercisable
Edward J. Garcia Former Chairman of the Board, CEO and President	100,000	$ 143,490	360,000	60,000	$ 81,225	$ 8,600
Karabet Simonyan Interim CEO, Non-Executive Chairman	40,000	$ 29,360	—	40,000	—	$ 27,760
Paul Genova President and CFO	—	—	12,500	117,500	$ 5,875	$ 22,125
Bent Hessen-Schmidt Former Executive Vice President of Marketing	37,500	$ 32,250	—	—	—	—

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(1)Based on the aggregate value realized upon the date of exercise.

(2)Based upon the closing market price of the Company's common stock ($2.84 per share) on December 31, 2004 as reported on the American Stock Exchange minus the exercise price of the in-the-money option, multiplied by the number of shares to which the in-the-money option relates.

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Employment Contracts, Termination of Employment and Change-in-Control Arrangements

Garcia Employment Agreement

Edward J. Garcia served as the Company's Chairman of the Board, Chief Executive Officer and President from January 1999 to March 2004. The Company and Mr. Garcia were parties to an employment agreement, dated August 1, 1999, as amended in January 2002 (the "Garcia Employment Agreement"). Under the terms of the Garcia Employment Agreement, Mr. Garcia was entitled to receive an annual base salary of $200,000 per year, and an annual bonus, the amount of which was determined by the Company's board of directors in their discretion. The Garcia Employment Agreement provided that, in the event of termination of Mr. Garcia for good reason, without cause, or in the case of Mr. Garcia's non-renewal, as such terms are defined therein, Mr. Garcia would be entitled to receive, among other things:

- a lump-sum cash payment in an amount equal to three times his annual base salary;
- benefits coverage for him and his dependents, at the same level and at the same cost as immediately prior to his termination, for a period of three years following termination of his employment with the Company;
- an award or grant under each incentive plan of the Company (other than stock options or other equity plans) in which Mr. Garcia participated at the time of termination equal to the amount of award or grant that Mr. Garcia would have received had he continued to be employed by the Company for three additional years; and
- the vesting of all stock options or restricted stock previously granted to Mr. Garcia that would vest or become non-forfeitable in the five-year period following termination of Mr. Garcia's employment with the Company.

The Garcia Employment Agreement also provided that if Mr. Garcia's employment was terminated by reason of disability, he would be entitled to receive, for three years after such termination, his annual base salary less any amounts received under a long term disability plan. If he was terminated by reason of his death, his legal representatives would receive the balance of any remuneration due him. The Garcia Employment Agreement had a term of three years from the date of execution with a renewal period of two years, such renewal to occur automatically unless either the Company or Mr. Garcia terminates the employment agreement upon six months written notice.

Upon Mr. Garcia's resignation as an executive officer and director of the Company and the termination of his employment with the Company in March 2004, Mr. Garcia received a lump-sum cash payment equal to $685,000 under the terms of the Garcia Employment Agreement, and the Garcia Employment Agreement was then terminated. From time to time following the termination of Mr. Garcia's employment with the Company, Mr. Garcia has acted as a consultant to the Company on a project basis for fees ranging from $80 to $120 per hour. There is no written consulting agreement or arrangement between Mr. Garcia and the Company.

McCoy Separation Agreement

Terence McCoy served as the Company's Chief Executive Officer and as a director of the Company from April 2004 to July 2004. In July 2004, Mr. McCoy's employment as an executive officer of the Company was mutually terminated and he departed from the Company's board of directors. In August 2004, the Company and Mr. McCoy entered into a separation agreement and release (the "McCoy Separation Agreement"), pursuant to which the parties agreed that Mr. McCoy would receive the following payments and benefits:

- an amount equal to three months of his annual base salary (approximately $46,154), paid out over three months beginning August 2004 pursuant to the Company's normal payroll practices, less statutory and other usual or customary payroll deductions; and

- benefits coverage for him and his dependents, at the same level and at the same charges as immediately prior to his termination, at his own expense for a period of up to 18 months following his termination from the Company, or until he becomes eligible for coverage in another group health insurance plan, whichever is sooner, in accordance with applicable federal law.

Under the terms of the McCoy Separation Agreement, Mr. McCoy agreed to keep confidential certain proprietary information relating to the Company and to release and discharge the Company and its affiliates, officers, directors and employees from and against any liabilities, including, without limitation, those arising in any way out of his employment with the Company or the termination of his employment with the Company.

Genova Severance Agreement

The Company and Paul Genova, the President and Chief Financial Officer have executed a severance agreement dated March 29, 2005 (the "Genova Severance Agreement"). The Genova Severance Agreement provides that if Mr. Genova's employment is terminated by the Company "without cause" or if Mr. Genova terminates his employment for "good reason," then Mr. Genova will be entitled to receive (1) at the sole discretion of the Company, either a lump-sum cash payment equal to 75% of his annual base compensation then in effect (which based on Mr. Genova's current annual base compensation, would be approximately $135,000), payable within 30 days after termination, and (2) the continuation of all benefits, to the extent permissible under the applicable benefits programs, in which he currently participates for a period of nine months following his termination. If Mr. Genova obtains subsequent employment during such nine-month period and if he receives benefits through such subsequent employment, the Company may terminate his continuing benefits.

Under the terms of the Genova Severance Agreement,

- "cause" means the occurrence of any one or more of the following: (i) fraud, embezzlement and/or misappropriation of the Company's (or any successor's) funds; (ii) gross or willful misconduct by Mr. Genova in the performance of his duties; (iii) a material violation of the Company's (or any successor's) Code of Conduct; or (iv) a conviction by, or entry or a plea of guilty or nolo contendre in, a court of competent jurisdiction for any crime which constitutes a felony or act or moral turpitude in the jurisdiction involved; and
- "good reason" means (i) the assignment to Mr. Genova of duties materially and adversely inconsistent with his position, title, duties, responsibilities or status with the Company as an officer of the Company, (ii) any removal of Mr. Genova from, or any failure to re-elect Mr. Genova as an officer of the Company, (iii) a reduction in Mr. Genova's salary, or (iv) relocation of Mr. Genova's principal place of employment to a place more than 30 miles from its current location, in each case without Mr. Genova's written consent.

Compensation of Directors

Directors who are not employees of the Company are compensated for their services according to a standard arrangement authorized by a resolution of the Company's board of directors. Such directors are paid a retainer of $2,000 for each meeting of the Company's board of directors attended by such director.

Director and Officer Liability

New Jersey's Business Corporation Act permits New Jersey corporations to include in their certificates of incorporation a provision eliminating or limiting the personal liability of directors and officers of the corporation for damages arising from certain breaches of fiduciary duty. The Company's certificate of incorporation, as amended, includes a provision eliminating the personal liability of directors and officers to the Company and its shareholders for damages to the maximum extent permitted by New Jersey law, including exculpation for acts of omissions in violation of directors' and

officers' fiduciary duties of care. Under current New Jersey law, liability is not eliminated in the case of a breach of a director's or officer's duty of loyalty (i.e., the duty to refrain from transactions involving improper conflicts of interest) to the Company or its shareholders, the failure to act in good faith, the knowing violation of law or the obtainment of an improper personal benefit. The Company's certificate of incorporation, as amended, does not have an effect on the availability of equitable remedies (such as an injunction or rescissions) for breach of fiduciary duty. However, as a practical matter, equitable remedies may not be available in particular circumstances. The Company also has in effect under a policy effective April 1, 2005 and expiring on April 1, 2006 insurance covering all of its directors and officers against certain liabilities and reimbursing the Company for obligations for which it incurs as a result of its indemnification of such directors, officers and employees.

Compensation Committee Interlocks and Insider Participation in Compensation Decisions

The members of the Compensation Committee are Messrs. Karabet Simonyan, Andrew Scelba and John Wilchek. Since July 2004, Mr. Simonyan has served as interim Chief Executive Officer of the Company. During 2004, none of our executive officers served as a director or member of a compensation committee (or other committee serving an equivalent function) of any other entity, whose executive officers served as a director or member of our Compensation Committee.

REPORT OF THE COMPENSATION COMMITTEE
ON EXECUTIVE COMPENSATION

Compensation Philosophy

The Company strives to apply a uniform philosophy regarding compensation for all of its employees, including the members of its senior management. This philosophy is based upon the premise that the achievements of the Company result from the combined and coordinated efforts of all employees working toward common goals and objectives in a competitive, evolving market place.

The goals of the Company's compensation program are to align remuneration with business objectives and performance, and to enable the Company to retain and competitively reward executive officers who contribute to the long-term success of the Company. The Company attempts to pay its executive officers competitively in order that it will be able to retain the most capable people in the industry. Information with respect to levels of compensation being paid by comparable companies is obtained from various publications and surveys. In making executive compensation decisions, the Compensation Committee considered achievement of certain quantitative and qualitative criteria, some of which relate to the Company's performance and others of which relate to the performance of the individual employee. The Company's performance criteria are selected by the Compensation Committee. Awards to executive officers are based on achievement of company and individual performance criteria.

The Compensation Committee will evaluate the Company's compensation policies on an ongoing basis to determine whether they enable the Company to attract, retain and motivate key personnel. To meet these objectives, the Compensation Committee may from time to time increase salaries, award additional stock options or provide other short and long-term incentive compensation to executive officers.

Forms of Compensation

We provide our executive officers with a compensation package consisting of base salary and participation in benefit plans generally available to other employees. In setting total compensation, the Compensation Committee considers individual and company performance, as well as market information regarding compensation paid by other companies in our industry.

Base Salary.   Salaries for our executive officers are initially set based on negotiation with individual executive officers at the time of recruitment and with reference to salaries for comparable positions in the networking industry for individuals of similar education and background to the

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executive officers being recruited. We also consider the individual's experience, reputation in his or her industry and expected contributions to the Company. Salaries are generally reviewed annually by the Compensation Committee and are subject to increases based on (i) the Compensation Committee's determination that the individual's level of contribution to the Company has increased since his or her salary had last been reviewed and (ii) increases in competitive pay levels.

Long-Term Incentives.   Longer-term incentives are provided through stock options, which reward executives and other employees through the growth in value of our stock. The Compensation Committee believes that employee equity ownership provides a major incentive for employees to build shareholder value and serves to align the interests of employees with those of the Company's shareholders. Grants of stock options to executive officers are based upon each officer's relative position, responsibilities and contributions to the Company, with primary weight given to the executive officers' relative rank and responsibilities. Initial stock option grants designed to recruit an executive officer to join the Company may be based on negotiations with the officer and with reference to historical option grants to existing officers. Stock options are granted at an exercise price equal to the market price of our common stock on the date of grant and will provide value to the executive officers only when the price of our common stock increases over the exercise price.

Employment and Severance Agreements.   As a matter of business philosophy, in general, the Company does not enter into employment agreements with its senior executive officers. They serve at the will of the Company's board of directors. This enables the Company to remove a senior executive officer prior to retirement whenever it is in the best interests of the Company, with full discretion on any severance package (excluding vested benefits). Similarly, the Company does not enter into severance agreements with senior executive officers when they are hired or promoted. If a senior executive officer is removed, the Compensation Committee will exercise its business judgment in approving an appropriate separation arrangement in light of all relevant circumstances including the individual's term of employment, past accomplishments and reasons for separation from the Company.

The only exceptions to this policy we have made recently are for Edward J. Garcia, who served as Chairman of the Board, Chief Executive Officer and President of the Company from January 1999 to March 2004, and most recently for Terence McCoy, who served as Chief Executive Officer of the Company from April 2004 to July 2004, and for Paul Genova, the Company's President and Chief Executive Officer. The Company and Mr. Garcia were parties to the Garcia Employment Agreement, a copy of which was filed with the SEC as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2001. The Company and Mr. McCoy are parties to the McCoy Separation Agreement. The Company and Mr. Genova are parties to the Genova Severance Agreement, a copy of which was filed with the SEC as an exhibit to the Company's Current Report on Form 8-K dated March 29, 2005.

Compliance with Internal Revenue Code Section 162(m). Section 162(m) of the Internal Revenue Code of 1986, as amended, restricts deductibility of executive compensation paid to our Chief Executive Officer and each of the four other most highly compensated executive officers holding office at the end of any year to the extent such compensation exceeds $1,000,000 for any of such officers in any year and does not qualify for an exception under Section 162(m) or related regulations. The Compensation Committee's policy is to qualify its executive compensation for deductibility under applicable tax laws to the extent practicable. Income related to stock options granted under the Company's 1995 and 2000 Stock Option Plans generally qualifies for an exemption from these restrictions imposed by Section 162(m). In the future, the Compensation Committee will continue to evaluate the advisability of qualifying its executive compensation for full deductibility.

2004 Compensation

Compensation for the individuals who served as Chief Executive Officer of the Company and other executive officers for fiscal 2004 was set according to the established compensation policy described above.

Edward J. Garcia

Mr. Garcia served as the Company's Chairman of the Board, Chief Executive Officer and President from January 1999 to March 2004. In the fiscal year ended December 31, 2004, Mr. Garcia received $43,490 in salary, $0 in bonuses and $1,777 in other compensation for his service as an executive officer of the Company. Upon Mr. Garcia's resignation as an executive officer and director of the Company and the termination of his employment with the Company in March 2004, Mr. Garcia received a lump-sum cash payment equal to $685,000 under the terms of the Garcia Employment Agreement, and the Garcia Employment Agreement was then terminated. We did not grant Mr. Garcia any stock options or any other type of equity-based compensation in 2004. Mr. Garcia's compensation for the 2004 fiscal year was based on qualitative managerial efforts and business ingenuity. From time to time following the termination of Mr. Garcia's employment with the Company, Mr. Garcia has acted as a consultant to the Company on a project basis for fees ranging from $80 to $120 per hour. There is no written consulting agreement or arrangement between Mr. Garcia and the Company.

Terence McCoy

Mr. McCoy served as the Company's Chief Executive Officer from April 2004 to July 2004. In the fiscal year ended December 31, 2004, Mr. McCoy received $48,461 in salary, $0 in bonuses and $1,039 in other compensation for his service as an executive officer of the Company. Based on our evaluation of his leadership performance and his potential to enhance long-term shareholder value and on our discussions about the appropriate size and terms of the incentive, we granted Mr. McCoy options to purchase 50,000 shares of the Company's common stock, at an exercise price of $2.99 per share. This was the only equity-based compensation granted to Mr. McCoy in 2004. In July 2004, the Company and Mr. McCoy mutually agreed to terminate Mr. McCoy's employment with the Company, and Mr. McCoy departed from the Company's board of directors. Pursuant to the McCoy Separation Agreement, Mr. McCoy received an amount equal to approximately $46,154, paid in three equal monthly installments beginning in August 2004. Mr. McCoy's compensation for the 2004 fiscal year was based on qualitative managerial efforts and business ingenuity.

Karabet Simonyan

Mr. Simonyan has been serving as the Company's interim Chief Executive Officer since the mutual termination of Mr. McCoy's employment with the Company in July 2004. In the fiscal year ended December 31, 2004, Mr. Simonyan received $10,250 in compensation for his services as interim Chief Executive Officer. Mr. Simonyan does not receive a salary for his service as interim Chief Executive Officer, but rather, the Compensation Committee (with Mr. Simonyan abstaining) determines at its discretion the amount of compensation Mr. Simonyan should receive from time to time for his service in that capacity based upon the nature, scope and level of Mr. Simonyan's responsibilities, his contributions to the Company's financial results, his effectiveness in leading the Company's efforts to increase customer value, productivity, cash flow and revenue growth, and the committee's judgment about whether each particular payment or award would provide an appropriate incentive and reward for performance that sustains and enhances long-term shareholder value. Our decision with respect to Mr. Simonyan's compensation for fiscal year 2004 for his service as interim Chief Executive Officer was made within this framework.

On March 22, 2005, with Mr. Simonyan abstaining, we recommended to the Company's board of directors that the board grant Mr. Simonyan incentive stock options to purchase 100,000 shares of the Company's common stock, at an exercise price of $2.57 per share, representing the closing price of the Company's common stock on that date as reported on the American Stock Exchange. Upon our recommendation, and after deliberation and consideration of factors deemed to be relevant under the circumstances, the Company's board of directors, with Mr. Simonyan abstaining, approved such grant on March 22, 2005. The options will vest over a period of three years from the date of grant, with one third vesting on the first, second and third anniversaries of the date of grant. We believed that this grant of incentive options to Mr. Simonyan was an appropriate incentive for his future contributions

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to the Company and his commitment to remain on the Company's board of directors following the completion of the Company's proposed acquisition of Willtek Communications GmbH and to serve as non-executive Vice Chairman of the Board.

COMPENSATION COMMITTEE:
Karabet Simonyan
Andrew Scelba
John Wilchek

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth, as of April 20, 2005, the beneficial ownership of the Company's common stock by:

- each person who is known to the Company to beneficially own 5% or more of the Company's outstanding common stock;
- each of the Company's directors and executive officers; and
- all of the Company's executive officers and directors as a group.

Except as otherwise set forth below, the address of each such person is c/o Wireless Telecom Group, Inc., 25 Eastmans Road, Parsippany, New Jersey, 07054. Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options or warrants held by that person that are currently exercisable or will become exercisable within 60 days after April 20, 2005 are deemed to be outstanding; however, such shares are not deemed outstanding for purposes of computing the ownership percentage of any other person.

NAME (AND ADDRESS OF BENEFICIAL OWNER OF MORE THAN 5%) (1)	SHARES BENEFICIALLY OWNED (2)	PERCENT OF CLASS (3)
Beneficial Owners of 5% or More		
FMR Corp. (4) 82 Devonshire Street Boston, MA 02109	1,019,900	5.8%
Directors and Executive Officers		
John Wilchek (5)	112,000	*
Henry Bachman (6)	81,000	*
Karabet "Gary" Simonyan (7)	72,000	*
Michael Manza (8)	40,000	*
Andrew Scelba (9)	40,000	*
Paul Genova (10)	18,500	*
All executive officers and directors as a group (6 persons)	363,500	2.1%

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*Less than 1%.

(1) Except as otherwise set forth in the footnotes below, each named holder has, to the best of our knowledge, sole voting and investment power with respect to the shares indicated.

(2) Includes shares that may be acquired from us within 60 days from April 20, 2005 by any of the named persons upon exercise of any right.

(3) Based upon 17,473,551 shares of common stock outstanding as of April 20, 2005.

(4) Based on information set forth in Schedule 13-G/A, dated December 31, 2004, filed with the SEC on February 14, 2005.

(5) Ownership consists of 92,000 shares of common stock and 20,000 shares of common stock issuable upon the exercise of options exercisable within 60 days of April 20, 2005.

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(6) Ownership includes 7,000 shares of common stock and 74,000 shares of common stock subject to options currently exercisable or exercisable within 60 days of April 20, 2005.

(7) Ownership includes 72,000 shares of common stock. Excludes 140,000 shares of common stock issuable upon the exercise of options not exercisable within 60 days of April 20, 2005.

(8) Ownership includes 40,000 shares of common stock. Excludes 40,000 shares of common stock issuable upon the exercise of options not exercisable within 60 days of April 20, 2005.

(9) Ownership includes 20,000 shares of common stock and 20,000 shares of common stock subject to options currently exercisable or exercisable within 60 days of April 20, 2005. Excludes 40,000 shares of common stock issuable upon the exercise of options not exercisable within 60 days of April 20, 2005.

(10) Ownership includes 18,500 shares of common stock subject to options currently exercisable or exercisable within 60 days of April 20, 2005. Excludes 111,500 shares of common stock issuable upon the exercise of options not exercisable within 60 days of April 20, 2005.

EQUITY COMPENSATION PLAN INFORMATION

The following table summarizes information, as of December 31, 2004, relating to equity compensation plans of the Company pursuant to which grants of options or other rights to acquire shares may be granted from time to time:

Plan Category (1)	(a) Number of securities to be issued upon exercise of outstanding options	(b) Weighted average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,744,097	$ 2.52	939,993
Equity compensation plans not approved by security holders	0	0	0
Total	1,744,097	$ 2.52	939,993

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(1)These plans include the Company's 1995 and 2000 Stock Option Plans.

Item 13. Certain Relationships and Related Transactions

In 2004 and 2003, the Company utilized the advertising service of SGW Integrated Marketing Communications. Mr. Andrew Scelba, a director of the Company, served as President and Chairman of the Board of SGW. He retired from this position in 2000 and currently performs consulting services on a limited basis. Total fees paid to SGW in 2004 and 2003 were approximately $49,000 and $59,000, respectively.

As a condition to the completion of the Company's proposed acquisition of Willtek Communications GmbH, Willtek's shareholders and the Company will enter into a shareholders' agreement at the closing of the acquisition. The shareholders' agreement will provide, among other things, that upon the closing of the acquisition, the Company's board of directors will appoint two designees of Investcorp Technology Ventures, L.P., the 80.9% shareholder of Willtek, to serve as members of the Company's board of directors until the next annual meeting of shareholders or until their respective successors are duly elected and qualified. Investcorp has designated Savio W. Tung and Hazem Ben-Gacem, each of whom is a partner of Investcorp, to be appointed to serve as directors on the Company's board commencing at the closing of the acquisition. The shareholders' agreement will provide that Mr. Tung will be designated as Chairman of the Board at the closing of the acquisition. The shareholders' agreement will also provide that for so long as Investcorp's level of beneficial ownership of the Company's common stock continuously equals or exceeds certain percentage thresholds, at each annual or special meeting of the Company's shareholders at which directors are to be elected, Investcorp will be entitled to designate to our nominating committee up to two candidates for nomination for election to our board of directors. These rights will expire at such time as Investcorp owns less than 5% of the issued and outstanding shares of the Company's common stock, subject to a 20-day grace period.

Under the terms of an amended loan agreement, dated March 29, 2005 (the "Amended Loan Agreement"), between Investcorp and Willtek, effective at the closing of the acquisition, the Company agreed to guaranty payment of certain outstanding indebtedness of Willtek to Investcorp equal to €3.5 million (approximately $4.6 million), plus accrued but unpaid interest at the rate of 8% per year through the closing date of the acquisition. As a result of the Company's agreement to guaranty payment under the Amended Loan Agreement, after the acquisition is completed, the Company will have a significant business relationship with Investcorp, which will also be the largest single shareholder of the Company immediately following the acquisition (owning approximately 31.4% of the outstanding shares of the Company's common stock on a primary basis).

Item 14. Principal Accountant Fees and Services

Audit Fees

The aggregate fees billed for professional services and paid for the annual audit and for the review of the Company's financial statements included in the Company's Annual Report on Form 10-K for the years ended December 31, 2004 and 2003 and the Company's Forms 10-Q for the years ended December 31, 2004 and 2003 were approximately $98,896 and $91,604, respectively.

Audit-Related Fees

The aggregate audit-related fees billed for all respective services for the years ended December 31, 2004 and 2003, were approximately $0 and $0, respectively.

Tax Fees

The aggregate tax fees billed for all respective services for the years ended December 31, 2004 and 2003, were approximately $22,000 and $32,904, respectively.

All Other Fees

The aggregate fees billed for all other non-audit services, including fees for acquisition analysis, rendered by the principal accountant for the years ended December 31, 2004 and 2003, were approximately $11,000 and $1,175, respectively.

The Audit Committee has reviewed the non-audit services provided by the principal accountants and determined that the provision of these services during fiscal years 2004 and 2003 are compatible with maintaining the principal accountants independence.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) (1) Report of Independent Registered Public Accounting Firm
Consolidated Balance Sheets as of December 31, 2004 and 2003
Consolidated Statements of Operations for the Three Years in the Period ended

December 31, 2004
Consolidated Statements of Changes in Shareholders' Equity for the Three Years in the Period ended December 31, 2004
Consolidated Statements of Cash Flows for the Three Years in the Period ended December 31, 2004
Notes to Consolidated Financial Statements

(2) Financial Statement Schedules
Schedule II – Valuation and Qualifying Accounts

All other schedules have been omitted because the required information is included in the financial statements or notes thereto or because they are not required.

(3) Exhibits

3.1	Certificate of Incorporation, as amended
3.2	Amended and Restated By-laws
3.3	Amendment to the Certificate of Incorporation (2)
3.4	Amendment to the Certificate of Incorporation (3)
4.2	Form of Stock Certificate (1)
10.1	Summary Plan Description of Profit Sharing Plan of the Registrant (1)
10.2	Incentive Stock Option Plan of the Registrant and related agreement (1)
10.3	Amendment to Registrant's Incentive Stock Option Plan and related agreement (3)
10.4	Form of Manufacturers Representative Agreement (1)
10.5	Lease between the Company and Paramus Parkway Building Associates (4)
10.6	Asset Purchase Agreement, dated as of January 7, 1999, between the Company and Telecom Analysis Systems, Inc.(5)
10.7	Non-Competition Agreement, dated March 11, 1999, between the Company and Telecom Analysis Systems, Inc. relating to the Test Equipment Assets (5)
10.8	Non-Competition Agreement, dated March 11, 1999, between the Company and Telecom Analysis Systems, Inc. relating to the Noise Assets (5)
10.9	Agreement and Plan of Reorganization dated March 2, 2000 among the Company, WTT Acquisition Corp. and Boonton Electronics Corp.(6)
10.10	Amendment No. 1 to the Agreement and Plan of Reorganization dated April 28, 2000 among the Company, WTT Acquisition Corp. and Boonton Electronics Corp.(7)
10.11	Wireless Telecom Group, Inc. 2000 Stock Option Plan (8)
10.12	Stock Purchase Agreement dated December 21, 2001, by and among the Company, Microlab/FXR and Harry A. Augenblick (9)

10.13	Stock Purchase Agreement made as of December 21, 2001, by and among the Company and Microlab/FXR Employees Stock Ownership Plan (9)
10.14	Amended Employment Agreement dated as of January 25, 2002, by and among Edward Garcia and the Company (10)
10.15	Amended and Restated Stock Purchase Agreement, dated as of March 29, 2005, among the Company, Willtek Communications GmbH, Investcorp Technology Ventures, L.P., and Damany Holding GmbH (11)
10.16	

	Amended and Restated Loan Agreement, dated March 29, 2005, by and among Investcorp Technology Ventures, L.P., Willtek Communications GmbH and Wireless Telecom Group, Inc. (11)
10.17*	Severance Agreement, dated March 29, 2005, between Wireless Telecom Group, Inc. and Paul Genova
10.18*	Stock option Grant Certificate, granting options to purchase 100,000 shares of common stock, to Karabet "Gary" Simonyan
11.1*	Computation of Per Share Earnings
14	Code of Ethics (12)
23.1	Consent of Independent Registered Public Accounting Firm (Lazar Levine & Felix LLP)
31.1	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification pursuant to 18 U.S.C. section 1350
32.2	Certification pursuant to 18 U.S.C. section 1350

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*Previously Filed.

(1)Filed as an exhibit to the Company's Registration Statement on Form S-18 (File No. 33-42468-NY) and incorporated by reference herein.

(2)Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 1994 and incorporated by reference herein.

(3)Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 1995 and incorporated by reference herein.

(4)Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 1996 and incorporated by reference herein.

(5)Filed as an exhibit to the Company's Current Report on Form 8-K, dated March 11, 1999, filed with the Commission on March 26, 1999 and incorporated by reference herein.

(6)Filed as an exhibit to the Current Report on Form 8-K, dated March 2, 2000, filed with the Securities and Exchange Commission on March 8, 2000.

(7)Filed as Annex B to the Company's Registration Statement on Form S-4/A, filed on June 13, 2000 and incorporated by reference herein.

(8)Filed as Annex B to the Definitive Proxy Statement of the Company filed on July 17, 2000 and incorporated by reference herein.

(9)Filed as an exhibit to the Company's Current Report on Form 8-K, dated December 21, 2001, filed with the Commission on January 4, 2002 and incorporated by reference herein.

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(10)Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 2001 and incorporated by reference herein.

(11)Filed as an exhibit to the Company's Current Report on Form 8-K, dated March 29, 2005, filed with the Commission on March 29, 2005 and incorporated by reference herein.

(12)Filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2003 and incorporated by reference herein.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 4, 2005

Wireless Telecom Group, Inc.
By: /s/ Karabet Simonyan
Karabet Simonyan
Chief Executive Officer

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WIRELESS TELECOM GROUP, INC.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated financial statements of Wireless Telecom Group, Inc. as listed in the index under item 15 in this Form 10-K as well as the financial statement schedule listed in Part IV, Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to

express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its 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 the 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. as of December 31, 2004 and 2003 and the results of its operations and its cash flows for the three years in the period ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America.

/s/ LAZAR LEVINE & FELIX LLP
LAZAR LEVINE & FELIX LLP

New York, New York
March 11, 2005, except
for Note 11, which is dated
March 29, 2005

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CONSOLIDATED BALANCE SHEETS

WIRELESS TELECOM GROUP, INC.

ASSETS

	December 31, 2004	December 31, 2003
CURRENT ASSETS:		
Cash and cash equivalents	$ 15,783,816	$ 16,265,765
Accounts receivable — net of allowance for doubtful accounts of $190,155 and $175,399 for 2004 and 2003, respectively	3,196,750	3,076,080
Inventories	6,780,445	5,903,191
Current portion of deferred tax benefit	198,266	264,880
Prepaid expenses and other current assets	338,144	665,366

TOTAL CURRENT ASSETS	26,297,421	26,175,282
PROPERTY, PLANT AND EQUIPMENT — NET	5,937,788	5,528,931
OTHER ASSETS:		
Goodwill	1,351,392	1,351,392
Deferred tax benefit	886,741	383,861
Other assets	933,526	184,745
TOTAL OTHER ASSETS	3,171,659	1,919,998
TOTAL ASSETS	$ 35,406,868	$ 33,624,211
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 1,915,707	$ 1,795,658
Accrued expenses and other current liabilities	778,704	367,437
Current portion of mortgage payable	43,485	40,329
TOTAL CURRENT LIABILITIES	2,737,896	2,203,424
LONG-TERM LIABILITIES:		
Mortgage payable	3,045,395	3,088,880
Deferred rent payable	144,745	111,855
TOTAL LONG-TERM LIABILITIES	3,190,140	3,200,735
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, 20,511,001 and 19,992,378 shares issued for 2004 and 2003, respectively, 17,461,301 and 16,942,678 shares outstanding for 2004 and 2003, respectively	205,110	199,924
Additional paid-in capital	14,086,756	13,100,857
Retained earnings	22,888,395	22,620,700
Treasury stock, at cost — 3,049,700 shares	(7,701,429)	(7,701,429)
	29,478,832	28,220,052
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 35,406,868	$ 33,624,211

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

CONSOLIDATED STATEMENTS OF OPERATIONS

WIRELESS TELECOM GROUP, INC.

	For the Year Ended December 31,		
	2004	2003	2002
NET SALES	$ 22,105,207	$ 19,724,240	$ 20,747,707
COSTS AND EXPENSES:			
Cost of sales	10,321,916	9,464,878	10,280,865
Selling, general and administrative expenses	9,461,819	8,125,284	7,678,996
Interest (income)	(418,017)	(378,898)	(208,648)

Interest expense	235,206	238,133	240,849
Other (income) expense	(116,594)	(300,734)	164,877
TOTAL COSTS AND EXPENSES	19,484,330	17,148,663	18,156,939
INCOME BEFORE PROVISION FOR INCOME TAXES	2,620,877	2,575,577	2,590,768
Provision for income taxes	289,400	812,582	823,150
NET INCOME	$ 2,331,477	$ 1,762,995	$ 1,767,618
NET INCOME PER COMMON SHARE:			
Basic	$ 0.14	$ 0.10	$ 0.10
Diluted	$ 0.13	$ 0.10	$ 0.10
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic	17,192,728	16,904,036	17,080,648
Diluted	17,578,185	17,113,472	17,340,264

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

WIRELESS TELECOM GROUP, INC.

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock at Cost	Total
Balance at December 31, 2001	$ 198,077	$ 12,792,657	$ 21,979,416	$ (6,863,050)	$ 28,107,100
Dividends — $.08 per share	—	—	(1,367,701)	—	(1,367,701)
Stock options exercised	677	111,932	—	—	112,609
Purchase of treasury stock	—	—	—	(732,668)	(732,668)
Net income	—	—	1,767,618	—	1,767,618
Balance at December 31, 2002	198,754	12,904,589	22,379,333	(7,595,718)	27,886,958
Dividends — $.09 per share	—	—	(1,521,628)	—	(1,521,628)
Stock options exercised	1,170	196,268	—	—	197,438
Purchase of treasury stock	—	—	—	(105,711)	(105,711)
Net income	—	—	1,762,995	—	1,762,995
Balance at December 31, 2003	199,924	13,100,857	22,620,700	(7,701,429)	28,220,052
DIVIDENDS — $.12 PER SHARE	—	—	(2,063,782)	—	(2,063,782)
STOCK OPTIONS EXERCISED	5,186	985,899	—	—	991,085
NET INCOME	—	—	2,331,477	—	2,331,477
BALANCE AT DECEMBER 31, 2004	$ 205,110	$ 14,086,756	$ 22,888,395	$ (7,701,429)	$ 29,478,832

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

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CONSOLIDATED STATEMENTS OF CASH FLOWS

WIRELESS TELECOM GROUP, INC.

	For the Year Ended December 31,		
	2004	2003	2002
CASH FLOW FROM OPERATING ACTIVITIES:			
Net income	$ 2,331,477	$ 1,762,995	$ 1,767,618
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	491,257	497,599	592,611
Deferred rent	32,890	68,478	—
Deferred income (benefit) taxes	(436,266)	(155,785)	11,971
Provision for losses on accounts receivable	14,756	(439)	11,889
Write down of investment — other assets	—	—	499,000
Other income	—	—	(11,096)
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(135,426)	12,343	(232,334)
(Increase) decrease in inventory	(877,255)	(418,568)	831,463
Decrease (increase) in prepaid expenses and other current assets	328,420	(149,485)	46,378
Increase (decrease) in accounts payable and accrued expenses	531,316	1,044,444	(423,738)
NET CASH PROVIDED BY OPERATING ACTIVITIES	2,281,169	2,661,582	3,093,762
CASH FLOWS FROM INVESTING ACTIVITIES:			
Costs associated with potential acquisition	(787,119)	—	—
Purchase of investment — other assets	—	—	(16,000)
Capital expenditures	(896,913)	(450,816)	(666,072)
Officers' life insurance	33,940	(879)	(4,703)
NET CASH (USED FOR) INVESTING ACTIVITIES	(1,650,092)	(451,695)	(686,775)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments of mortgage note	(40,329)	(37,401)	(34,687)
Dividends paid	(2,063,782)	(1,521,627)	(1,367,701)
Proceeds from exercise of stock options	991,085	197,437	112,609
Acquisition of treasury stock	—	(105,711)	(732,668)
NET CASH (USED FOR) FINANCING ACTIVITIES	(1,113,026)	(1,467,302)	(2,022,447)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(481,949)	742,585	384,540
Cash and cash equivalents, at beginning of year	16,265,765	15,523,180	15,138,640
CASH AND CASH EQUIVALENTS, AT END OF YEAR	$15,783,816	$16,265,765	$15,523,180
SUPPLEMENTAL INFORMATION:			
Cash paid during the year for:			
Taxes	$ 772,336	$ 195,039	$ 869,580

Interest	$ 235,206	$ 238,133	$ 240,849

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WIRELESS TELECOM GROUP, INC.

Note 1 - Description of Company and Summary of Significiant Accounting Policies:

Organization and Basis of Presentation:

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

Use of Estimates:

In preparing financial statements in accordance with accounting principles generally accepted in the United States of America, 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. While actual results could differ from those estimates, management does not expect such variances, if any, to have a material effect on the financial statements.

Concentrations of Credit Risk and Fair Value:

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

The Company maintains significant cash investments primarily with two financial institutions. 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, 2004, primarily all of the Company's receivables do pertain to the telecommunications industry.

The carrying amounts of cash and cash equivalents, trade receivables, other current assets, accounts payable and long-term debt approximate fair value.

Cash and Cash Equivalents:

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of bank and money market accounts and commercial paper, all stated at cost, which approximates market value. As of December 31, 2004 and 2003, the Company had approximately $13,600,000 and $14,200,000 invested in commercial paper and government backed securities, respectively.

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 in a timely fashion.

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.

Note 1 - Description of Company and Summary of Significiant Accounting Policies: (continued)

Inventories consist of:

	December 31,	
	2004	2003
Raw materials	$ 4,621,649	$ 4,084,932
Work-in-process	1,203,986	757,436
Finished goods	954,810	1,060,823
	$ 6,780,445	$ 5,903,191

Fixed Assets and Depreciation:

Fixed assets 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 term of the lease. Repairs and maintenance are charged to operations as incurred; renewals and betterments are capitalized.

Intangible Assets:

On December 21, 2001, the Company acquired Microlab/FXR, which was recorded under the purchase method of accounting for financial statement purposes. The purchase price was allocated to assets acquired and liabilities assumed based on estimated fair market value at the date of acquisition while the balance of $1,351,392 was recorded as goodwill. In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, this goodwill will not be amortized, but will be tested for impairment periodically. It is the responsibility of management to test this goodwill for impairment. Management considered a number of factors, including valuations of the future cash flows of the business. The conclusion of this valuation was that this goodwill was not impaired under the (SFAS) No. 142 requirements for goodwill impairment testing and consequently no adjustment to goodwill was necessary.

Revenue Recognition:

Revenue from product sales, net of trade discounts and allowances, is recognized once delivery has occurred provided that persuasive evidence of an arrangement exists, the price is fixed or determinable, and collectibility 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. There are no post-shipment obligations that exist in any sales arrangement.

Research and Development Costs:

Research and development costs are charged to operations when incurred and are included in operating expenses. The amounts charged for the years ended December 31, 2004, 2003 and 2002 were $1,946,250, $2,045,747 and $1,918,593, respectively.

Advertising Costs:

Advertising expenses are charged to operations during the year in which they are incurred and aggregated $602,216, $488,038 and $492,070 for the years ended December 31, 2004, 2003 and 2002, respectively.

Note 1 - Description of Company and Summary of Significiant Accounting Policies: (continued)

Stock Based Compensation:

The Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) and related interpretations in accounting for its employee stock options because the alternative fair value accounting provided for under Financial Accounting Standards Board (FASB) Statement No. 123, "Accounting for Stock-Based Compensation" requires use of option valuation models that were not developed for use

in valuing employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility.

Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Pro forma information regarding net income and earnings per share is required by FASB Statement No. 123, and has been determined as if the Company had accounted for its employee stock options under the fair value method of that statement. The fair values for these options were estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions for 2004, 2003 and 2002, respectively; risk-free interest rates of 3.5%, 2.4% and 3.5%, dividend yields of 10%, 8% and 2%; volatility factors of the expected market price of the Company's common stock of 86%, 86% and 76%; and a weighted average expected life of the options of seven years.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, to stock-based employee compensation:

	2004	2003	2002
Net income:			
As reported	$ 2,331,477	$ 1,762,995	$ 1,767,618
Less: stock based compensation expense net of tax	(117,015)	(126,739)	(204,632)
Pro forma	$ 2,214,462	$ 1,636,256	$ 1,562,986
Basic earnings per share:			
As reported	$ .14	$ .10	$ .10
Pro forma	.13	.10	.09
Diluted earnings per share:			
As reported	$ .13	$ .10	$ .10
Pro forma	.13	.10	.09

Income Taxes:

The Company utilizes SFAS No. 109, "Accounting for Income Taxes" which requires use of the asset and liability approach of providing for income taxes. This statement requires

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WIRELESS TELECOM GROUP, INC.

Note 1 - Description of Company and Summary of Significiant Accounting Policies: (continued)

recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognized the benefit of Boonton's net operating loss carryforward applying a valuation allowance, which requires that the tax benefit be limited based on the weight of available evidence and the probability that some portion of the deferred tax asset will not be realized.

Income Per Common Share:

The Company utilizes SFAS No. 128 "Earnings Per Share" ("SFAS 128"), which changed the method for calculating earnings per share. SFAS No. 128 requires the presentation of "basic" and "diluted" earnings per share on the face of the income statement. Income per common share is computed by dividing net income by the weighted average number of common shares and common equivalent shares outstanding during each period. Shares re-acquired by the Company and denoted as treasury stock are not included in this calculation.

Recent Accounting Pronouncements:

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs". This statement amends the guidance in ARB 43 (Chapter 4 - Inventory Pricing) to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). SFAS No. 151 requires that such items be recognized as current period charges. SFAS No. 151 is effective for fiscal years beginning after June 15, 2005 and is not expected to have a material impact on the Company's financial statements and results of operations.

In December 2004, the FASB issued Statement No. 152, "Accounting for Real Estate Time-Sharing Transactions". This statement amends SFAS No. 66 (Accounting for Sales of Real Estate) and SFAS No. 67 (Accounting for Costs and Initial Rental Operations of Real Estate Projects). This standard, which is effective for financial statements for fiscal years beginning after June 15, 2005, is not applicable to the Company's current operations.

In December 2004, the FASB issued SFAS No. 153 "Exchange of Non-monetary Assets - an amendment of APB Opinion No. 29". Statement No. 153 eliminates the exception to fair value for exchanges of similar productive assets and replaces it with a general exception for exchange transactions that do not have commercial substance, defined as transactions that are not expected to result in significant changes in the cash flows of the reporting entity. This statement is effective for exchanges of non-monetary assets occurring after June 15, 2005. The application of this statement is not expected to have an impact on the Company's financial statements considering the Company's intermittent participation in exchanges of non-monetary assets.

In December 2004, the FASB issued a revision of SFAS No. 123 "Share-Based Payment" (SFAS No. 123R). The statement establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods and services. It also addresses transactions in which an entity incurs liabilities in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. The statement does not change the accounting guidance

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WIRELESS TELECOM GROUP, INC.

Note 1 - Description of Company and Summary of Significiant Accounting Policies: (continued)

for share-based payments with parties other than employees. The statement requires a public entity to measure the cost of employee service received in exchange for an award of equity instruments based on the grant-date fair value of the award (with limited exception). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award (usually the vesting period). A public entity will initially measure the cost of employee services received in exchange for an award of a liability instrument based on its current fair value; the fair value of that award will be re-measured subsequently at each reporting date through the settlement date. Changes in fair value during the requisite service period will be recognized as compensation over that period. The grant-date fair value of employee share options and similar instruments will be estimated using option-pricing models adjusted for the unique characteristics of these instruments. The Company believes this pronouncement, which is effective for periods beginning after December 15, 2005, will not have a material effect on their financial position.

Reclassifications:

Certain prior years' information has been reclassified to conform to the current year's reporting presentation.

Note 2 - Property, Plant and Equipment:

Property, plant and equipment, consists of the following:

	December 31,	
	2004	2003
Building and improvements	$ 3,557,186	$ 3,557,186
Machinery and equipment	3,488,681	3,018,939
Furniture and fixtures	613,563	600,926
Transportation equipment	148,429	91,841
Leasehold improvements	1,155,230	797,282
	8,963,089	8,066,174
Less: accumulated depreciation and amortization	3,725,301	3,237,243
	5,237,788	4,828,931
Add: land	700,000	700,000
	$ 5,937,788	$ 5,528,931

Note 3 - Other Assets:

Other assets include the costs associated with a potential acquisition of $787,119 in 2004, an investment in equity securities of a non-affiliated company and security deposits relating to the Company's leased properties. In early 2000, the Company invested $500,000 in an investment bank focused on technology start-ups. In December 2002 the investment was determined to be substantially overvalued and a write down of $499,000 was recorded as other expense. The Company does not have any other investments in equity securities.

Note 4 - Mortgage Payable:

In December 1999, the Company exercised its option to purchase a facility, which was previously being leased, for a purchase price of $4,225,000 (including land). At the time of closing, the Company assumed the mortgage note, on this property, in the amount of

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WIRELESS TELECOM GROUP, INC.

Note 4 - Mortgage Payable: (continued)

$3,263,510. This note bears interest at an annual rate of 7.45%, requires monthly payments of principal and interest of $23,750 and matures in August 2013.

Maturities of mortgage principal payments for the next five years are $43,485, $46,889, $50,559, $54,517, and $58,784, respectively and $2,834,646 thereafter.

Note 5 - Shareholders' Equity:

The Company paid quarterly cash dividends aggregating $2,063,782, $1,521,627 and $1,367,701 for the years ending December 31, 2004, 2003 and 2002, respectively.

The Company's 1995 Incentive Stock Option Plan ("the Plan") has authorized the grant of options, to purchase up to a maximum of 1,750,000 shares of common stock, to officers and other key employees. Prior to 1995, the Company had established an Incentive Stock Option Plan under which options to purchase up to 1,500,000 shares of common stock were available to be granted to officers and other key employees. All options granted have 10-year terms and vest and become fully exercisable after a maximum of five years from the date of grant.

During 2000, the stockholders approved the Company's 2000 Stock Option Plan. The 2000 Plan provides for the grant of ISOs and NQSOs in compliance with the Code to employees, officers, directors, consultants and advisors of the Company who are expected to contribute to the Company's future growth and success. 1,500,000 shares of Common Stock are reserved for issuance upon the exercise of options under the 2000 Plan. All options granted have 10-year terms and vest and become fully exercisable after a maximum of five years from the date of grant. 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 the fair market value on the date of the grant.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WIRELESS TELECOM GROUP, INC.

Note 5 - Shareholders' Equity: (continued)

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

	Options	Weighted Average Exercise Price
Outstanding, December 31, 2001	2,297,580	$2.51
Weighted average fair value of options granted during the year		2.51
Granted	465,000	2.31
Exercised	(59,867)	1.88
Canceled	(56,000)	2.50
Outstanding, December 31, 2002	2,646,713	2.49
Weighted average fair value of options granted during the year		0.86
Granted	265,000	2.14
Exercised	(117,000)	1.69
Canceled	(321,633)	2.70
Outstanding, December 31, 2003	2,473,080	2.47
Weighted Average Fair Value of Options		1.06
Granted During the Year	130,000	2.90
Exercised	(518,623)	1.91
Cancelled	(340,360)	2.54
Outstanding, December 31, 2004	1,744,097	$2.52
Options Exercisable:		
December 31, 2002	1,234,955	$2.63
December 31, 2003	1,524,699	2.52
December 31, 2004	1,290,165	$2.69

Exercise prices for options outstanding as of December 31, 2004 ranged from $1.69 to $6.75. The weighted average remaining contractual life of these options is seven years.

The options outstanding as of December 31, 2004 are summarized as follows:

Options outstanding:

Range of exercise prices	Weighted average exercise price	Options Outstanding	Weighted average remaining life
$1.69 - $2.25	$ 2.01	550,810	6.3 years
$2.37 - $3.13	$ 2.73	1,089,887	6.0 years
$4.17 - $6.75	$ 5.25	103,400	0.6 years
		1,744,097	

Note 5 - Shareholders' Equity: (continued)

Options exercisable:

Range of exercise prices		Weighted average exercise price	Options exercisable
$1.69 - $2.25	$	1.99	417,310
$2.37 - $3.13	$	2.73	769,455
$4.17 - $6.75	$	5.25	103,400
			1,290,165

Equity Compensation Plans:

The following table summarizes information, as of December 31, 2004, relating to equity compensation plans of the Company pursuant to which grants of options or other rights to acquire shares may be granted from time to time:

	Equity Compensation Plan Information			
	(a)	(b)		(c)
Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights		Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (1)	1,744,097	$	2.52	939,993
Equity compensation plans not approved by security holders	0		0	0
Total	1,744,097	$	2.52	939,993

(1) These plans include the Company's 1995 and 2000 Stock Option Plans.

Note 6 - Operational Information and Export Sales:

Sales:

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

For the year ended December 31, 2004, no customer accounted for more than 10% of total sales. For the year ended 2003, one customer accounted for 11% of total sales. For the year ended 2002, no customer accounted for more than 10% of total sales.

In addition to its in-house sales staff, the Company uses various manufacturers' representatives to sell its products. For the year ended December 31, 2004, one representative accounted for more than 10% of total sales. In 2003 and 2002, no representative accounted for more than 10% of total sales.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WIRELESS TELECOM GROUP, INC.

Note 6 - Operational Information and Export Sales: (continued)

Export sales which are all transacted in U.S. dollars, were approximately 32%, 33% and 34% of total sales for the years ended December 31, 2004, 2003 and 2002, respectively. Export sales by geographic location are as follows:

	2004	2003	2002
Asia	$ 2,742,000	$ 2,959,000	$ 3,391,000
Europe	3,714,000	2,921,000	3,047,000
Other	695,000	655,000	655,000
	$ 7,151,000	$ 6,535,000	$ 7,093,000

Purchases:

No third-party supplier accounted for more than 10% of the Company's total inventory purchases for 2004, 2003 or 2002.

Note 7 - 401(k) Profit Sharing Plan:

During the year ended December 31, 1990, the Company adopted a resolution to institute a 401(k) profit sharing plan effective January 1, 1991, to cover all eligible employees. Company contributions to the plan for the years ended December 31, 2004, 2003 and 2002 aggregated $108,045, $106,214 and $99,947, respectively.

Note 8 - Income Taxes:

The components of income tax expense related to income are as follows:

	December 31,		
	2004	2003	2002
Current:			
Federal	$ 443,392	$ 619,226	$ 553,887
State	153,850	355,434	193,263
Deferred:			
Federal	(248,000)	(155,785)	57,000
State	(59,842)	(6,293)	19,000
	$ 289,400	$ 812,582	$ 823,150

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

	December 31,		
	2004	2003	2002
	% of Pre tax Earnings	% of Pre Tax Earnings	% of Pre Tax Earnings
Statutory federal income tax rate	34.0%	34.0%	34.0%
State income tax net of federal tax benefit	5.9	8.3	5.4
Benefits from foreign sales	(23.8)	(6.1)	(6.5)
Other, including research and development credit, net	(5.1)	(4.7)	(1.1)
operating loss	11.0%	31.5%	31.8%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WIRELESS TELECOM GROUP, INC.

Note 8 - Income Taxes: (continued)

The components of deferred income taxes are as follows:

	December 31,	
	2004	2003
Deferred tax assets:		
Uniform capitalization of inventory costs for tax purposes	$ 189,852	$ 185,950
Allowances for doubtful accounts	76,062	78,930
Deferred costs	140,000	—
Tax effect of goodwill impairment	500,759	845,914
Net operating loss carryforward	1,082,400	1,087,602
	1,989,073	2,198,396
Valuation allowance for deferred tax assets	(791,198)	(1,160,109)
	1,197,875	1,038,287
Deferred tax liabilities:		
Tax over book depreciation	(112,868)	(389,546)
Net deferred tax asset	$ 1,085,007	$ 648,741

Note 9 - Commitments and Contingencies:

Warranties:

The Company provides one-year warranties on of all 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. The costs related to these warranties are not certain and cannot be reasonably estimated. In addition, based upon past experience, these costs have been minimal and therefore, no provision for these costs has been made.

Leases:

The Company leases a 45,700 square foot facility located in Hanover Township, Parsippany, New Jersey, which is currently being used as its principal corporate headquarters and manufacturing plant. The term of the lease agreement is for ten years beginning on October 1, 2001 and ending September 30, 2011. The lease also contains an option to terminate the lease effective September 30, 2006.

The Company leased a 23,100 square foot facility located in Livingston, New Jersey, which was occupied by Microlab/FXR. The original term of the lease was for ten years commencing on March 4, 1996. During the year 2003, the Company exercised an option to cancel the original lease as of the last day of February 2004. Additionally, the Company agreed to a separate three-month lease extension through May 31, 2004 and another two-month lease extension through July 31, 2004. As of July 2004, Microlab/FXR relocated its operations to the Hanover Township, Parsippany facility.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WIRELESS TELECOM GROUP, INC.

Note 9 - Commitments and Contingencies: (continued)

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

2005	$	418,917
2006		434,150
2007		441,767
2008		457,000
2009		472,233
Thereafter		837,833
	$	3,061,900

Rent expense for the years ended December 31, 2004, 2003 and 2002 was $591,291, $663,658 and $561,361, respectively.

On July 14, 1998 the Company entered into a 15-year lease for a 44,000 square foot facility located in Mahwah, New Jersey. This new facility was leased to serve as the headquarters and manufacturing plant for one of the Company's divisions, which was sold in 1999. In December 1999, the Company exercised its option to purchase this building. In November 2000, the Company entered into an agreement to lease this property to an unrelated third party. Rental income for 2004 was $379,219. This lease, which terminates in 2013, provides for annual rental income of $379,219 throughout the lease term.

The Company leases certain equipment under operating lease arrangements. These operating leases expire in various years through 2009. All leases may be renewed at the end of their respective leasing periods. Future payments consist of the following at December 31, 2004:

2005	$	53,113
2006		52,248
2007		52,248
2008		51,271
2009		4,028
	$	212,908

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 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 loss it suffers as a result. However, corporate counsel has informed management that, in their opinion, the lessor would not prevail in any lawsuit filed due to the imposition by law of the statute of limitations.

Costs charged to operations in connection with the water management plan amounted to approximately $13,000 and $10,000 for the years ended December 31, 2004 and 2003, respectively. The Company estimates the expenditures in this regard for the fiscal year ending December 31, 2005 will amount to approximately $12,000. 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WIRELESS TELECOM GROUP, INC.

Note 10 - Related Party Transactions:

In 2004 and 2003, the Company utilized the advertising service of SGW Integrated Marketing Communications. One of the Directors of the Company, Mr. Andrew Scelba, served as President and Chairman of the Board of SGW. He retired from this position in 2000 and currently performs consulting services on a limited basis. Total fees paid to SGW in 2004 and 2003 were approximately $49,000 and $59,000, respectively.

In January 2002, the Company paid $140,000 to GALEG, LLC for its services in connection with the identification and acquisition of Microlab/FXR. Mr. Karabet "Gary" Simonyan and members of his immediate family are among the members of GALEG, LLC. Mr. Simonyan is the Company's founder, Non-Executive Chairman of the Board, Chief Executive Officer and past President. These services and compensation all occurred before Mr. Simonyan rejoined the Board as a Director in March 2002.

Note 11 - Proposed Acquisition/Subsequent Events:

On October 5, 2004, the Company entered into a stock purchase agreement (the "Original Purchase Agreement") with Willtek Communications GmbH, a German private limited liability company ("Willtek"), Damany Holding GmbH, a German private limited liability company and the owner of approximately 20% of Willtek's outstanding capital stock ("Damany Holding"), and Investcorp Technology Ventures, L.P., a Cayman Islands limited partnership and the owner of approximately 80% of Willtek's outstanding capital stock ("Investcorp" and, together with Damany Holding, the "Willtek Shareholders"), pursuant to which the Company agreed to acquire all of the outstanding share capital of Willtek from the Willtek Shareholders. Willtek, based in Ismaning, Germany, is a leading provider of solutions that enable manufacturers and operators of wireless communications devices to test mobile phones, air interface, and base stations of cellular networks. Willtek's products include high-speed, state-of-the-art test and measurement solutions for handsets and wireless devices, as well as for radio frequencies and network testing tasks. Under the terms of the Original Purchase Agreement, the Company agreed to purchase all of the outstanding share capital of Willtek in exchange for an aggregate purchase price of $7,000,000 in cash and 8,000,000 shares of the Company's common stock (the "Original Purchase Price"). As a result of the proposed acquisition, Willtek will become a wholly-owned subsidiary of the Company.

On March 29, 2005, the Company, Willtek and the Willtek Shareholders entered into an amended and restated stock purchase agreement (the "Amended Purchase Agreement"), which modifies the terms of the Original Purchase Agreement. The terms were modified, in part, due to the operating results of Willtek during the past six months and the parties' desire to conserve the Company's existing cash resources. Under the terms of the Amended Purchase Agreement, the Original Purchase Price was reduced by eliminating the $7.0 million cash component. The purchase price now consists solely of 8,000,000 shares of the Company's common stock (the "Purchase Price"). Based on the $2.54 closing price of a share of the Company's common stock as reported on the American Stock Exchange on March 28, 2005, the dollar value of the Purchase Price is approximately $20.3 million. Based on the number of shares of the Company's common stock outstanding on March 28, 2005, giving effect to the proposed acquisition, the Willtek Shareholders would own in the aggregate approximately 31.4% of the outstanding shares of the Company's common stock. As was the case with the Original Purchase Agreement, the Amended Purchase Agreement does not provide for an adjustment in the number of shares of the Company's common stock to be issued to the Willtek Shareholders in the acquisition in the event of a fluctuation in the market price of the Company's common stock.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WIRELESS TELECOM GROUP, INC.

Note 11 - Proposed Acquisition/Subsequent Events: (continued)

In connection with the acquisition, substantial changes will be made to the composition of the Company's Board of Directors and to its senior management team, including the appointment of Cyrille Damany, Willtek's current Chief Executive Officer, as the Company's new Chief Executive Officer, and the appointment of two designees of Investcorp to the Company's seven-member Board of Directors at the closing of the acquisition, one of whom will be appointed Chairman of the Board. It is currently anticipated that, at the closing of the acquisition, Karabet "Gary" Simonyan will continue to serve on the Board as Non-Executive Vice Chairman of the Board. Paul Genova, the Company's President and Chief Financial Officer, will continue as such and report directly to Mr. Damany following completion of the acquisition. Investcorp will continue to be entitled to designate up to two individuals for nomination for election to the Company's Board of Directors, provided Investcorp's level of beneficial ownership of the Company's common stock continuously equals or exceeds certain percentage thresholds.

As a result of the substantial changes that will be made to the composition of the Company's Board of Directors and to its senior management upon completion of the acquisition, the Company's compensation committee took the opportunity to evaluate senior executive employment, severance and compensation arrangements and determined to approve a severance agreement with Mr. Genova, which provides that if Mr. Genova's employment is terminated by the Company without "cause," or if Mr. Genova terminates his employment for "good reason," whether before or after the acquisition, then Mr. Genova will be entitled to receive (1) at the sole discretion of the Company, either a lump-sum cash payment equal to 75% of his annual base compensation then in effect (which, based on Mr. Genova's current annual base compensation would be approximately $135,000), payable within 30 days after termination, or continuation of his base compensation then in effect for a period of nine months after termination, and (2) the continuation of all benefits in which he currently participates for a period of nine months following his termination. Also, the compensation committee approved the grant to Mr. Simonyan of incentive stock options to purchase 100,000 shares of the Company's common stock, at an exercise price of $2.57 per share, representing the closing price of the Company's common stock as reported on the American Stock Exchange on March 22, 2005, the date of grant. The options will vest over a period of three years from the date of grant, with one third vesting on each anniversary of the date of grant.

In connection with the Amended Purchase Agreement, Willtek entered into an amended and restated loan agreement, dated March 29, 2005, with Investcorp, pursuant to which Investcorp will waive its right to terminate an existing loan agreement, dated March 12, 2003, between Willtek and Investcorp upon completion of the acquisition and collect the 3.5 million outstanding principal amount thereunder (approximately $4.6 million), together with all interest accrued and then unpaid under the existing loan agreement at the rate of 8% per year through the closing date of the acquisition (as of February 28, 2005, approximately 478,000, or approximately $634,000). The Company signed the amended loan agreement to guarantee payment of any amounts payable by Willtek to Investcorp under the amended loan agreement. The amended loan agreement will not become effective until the closing date of the acquisition, at which time the existing loan agreement will be terminated. Under the terms of the amended loan agreement, following the acquisition, the loan will bear interest at the rate of 4% per year accruing at the end of each calendar quarter and will be due and payable in one lump sum on December 31, 2006. The amended loan agreement will not be secured by any assets of the Company or Willtek. Investcorp may terminate the amended loan agreement under certain circumstances set forth therein. The Company believes that the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

WIRELESS TELECOM GROUP, INC.

Note 11 - Proposed Acquisition/Subsequent Events: (continued)

terms of the amended loan agreement with Investcorp are no less favorable than loan terms available from an independent third party.

Completion of the acquisition is subject to approval by the Company's shareholders, as well as other customary closing conditions. The parties have already received the required antitrust clearances in Germany. The Company's Board of Directors intends to present a proposal to approve the acquisition of Willtek by the Company and the issuance of the Company's common stock to the Willtek Shareholders in the acquisition at the Company's upcoming 2005 annual meeting of shareholders. Pending the approval of the Company's shareholders and satisfaction or, where permissible, waiver of all of the other closing conditions, the transaction is expected to close in the second or third

calendar quarter of 2005.

Note 12 - Selected Quarterly Financial Data (unaudited):

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

2004	Quarter			
	1st	2nd	3rd	4th
Net sales	$ 5,486	$ 5,584	$ 5,944	$ 5,090
Gross profit	3,091	3,028	3,175	2,488
Operating income	120	953	929	320
Net income	188	647	785	712
Diluted net income per share	$ .01	$ .04	$ .05	$ .04

2003	Quarter			
	1st	2nd	3rd	4th
Net sales	$ 4,153	$ 4,836	$ 5,187	$ 5,549
Gross profit	2,084	2,383	2,815	2,977
Operating income	83	447	912	692
Net income	118	367	647	631
Diluted net income per share	$ .01	$ .02	$ .04	$ .04

WIRELESS TELECOM GROUP, INC.
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
FOR EACH OF THE THREE YEARS ENDED DECEMBER 31,

Allowance for doubtful accounts:

	Balance at Beginning of Year	Provisions	Deductions	Balance at end of year
2004	$ 175,399	$ 14,756	$ —	$ 190,155
2003	175,838	—	(439)	175,399
2002	113,950	61,888	—	175,838

Allowance for deferred tax valuation:

Provisions	Reductions

	Balance at beginning of Year			Balance at end of year
2004	$ 1,160,109	$ —	$ (368,911)	$ 791,198
2003	466,413	693,696	—	1,160,109
2002	1,362,891	—	(896,478)	466,413