



2007 was the dawn of a new day for Telular Corporation. We had record sales of our security products which surpassed our expectations and we began expanding our Telguard® Digital line into the international arena.

A new dawn has made Telular the premier provider of cellular communications devices and our track record has proven we can deliver sound solutions. We know cellular technology and with it have been able to deliver not just product, but peace of mind 24 hours a day. Telular helps keep you connected to what is most important to you at home and at work.

Dear Shareholder

This year we executed on plan and were successful in realigning our energy and resources on the higher margin, more profitable Telguard® and Terminals units. We concluded fiscal year 2007 with growing revenues, strong cash flow from operations, and an improved balance sheet and most importantly- a clear strategic vision. We are surpassing expectations and continue to target sales growth and long term profitability.

For fiscal year 2007, we are very pleased with our strong financial results. Revenues from continuing operations increased 63% to \$74.5 million, compared to \$45.7 million for the same period last year and were driven by the rapid expansion of our higher value Telguard product line. The Company reported income from continuing operations of \$5.6 million, or \$0.31 per share, for fiscal year 2007, compared to a loss of \$0.6 million, or \$0.04 per share, for the same period last year. We have successfully transformed the company in a number of ways and grew from significant cash used in operations in 2006 to delivering over \$7.0 million in cash flow from operations in 2007.

During the year, we made the decision to exit and sell the fixed cellular phone business, which assets are up for sale and we are now reporting it as discontinued operation. In addition to a strengthened P&L statement,

this shift in focus helped to generate strong cash flow from operations over the past several quarters. We also implemented the strategic relocation of the Telular Technology Center from Long Island in New York to our office in Atlanta. This brings engineering closer to the individuals in charge of new product development and allows us to bring products to market faster. In addition, we have strengthened our team with a few key experienced professionals in the industry.

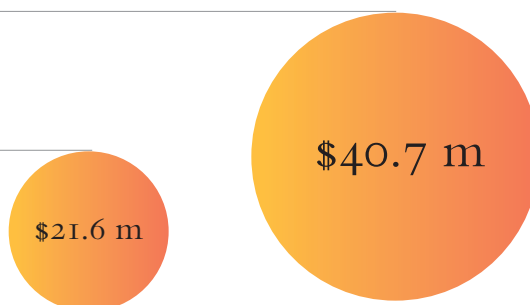
SECURITY PRODUCTS GROWTH

We continued to drive sales in our Telguard wireless alarm business, increasing Telguard products sales 88% over the prior year period to \$40.7 million. As most of you know, we serve a small but fast growing segment called the cellular communicator market with wireless solutions and services that transmit data from virtually all security and fire systems to central stations using the nationwide GSM digital cellular network. More importantly, we are building a recurring revenue stream with Telguard service revenues and increasing the number of subscribers. For the year, Telguard service revenue increased 56% from the prior year period to \$17.4 million and added a record number of 175,000 new subscribers. In the fourth quarter alone, we activated

TELGUARD PRODUCT SALES

2007

2006



71,000 new subscribers on our digital service network. With the approach of the Sunset date in February 2008, when wireless carriers will no longer be required to support the analog network, security companies continue to fuel the large demand for our digital wireless alarm products. Currently we are estimating that by the end of FY2008, we will grow from our current base of over 328,000 subscribers to over 500,000 total subscribers.

We remain the dominant player in this market and are uniquely positioned in that we are the only company that works on all the major technology platforms used by security companies. We currently believe we continue to control more than 50% market share in digital subscribers and are working hard to expand our opportunities with new products and growth into international markets. More specifically, we have seen an interest for our security products in Latin America where our Telguard products are being tested in one of the largest wireless carrier labs for validation. In 2008, we are focused on launching our international push for our Telguard products into new market opportunities.

The revenue growth in our Telguard business is being complemented by the double digit, year-over-year increase in sales from our wireless terminal segment.

During the year, we developed advanced new products and continued to strengthen our partnerships with leading security companies and to expand our sales channels. We have identified new opportunities in the enterprise, SOHO, government and residential customer segments worldwide. We expect to see continued, solid performance in this market, with growth being driven by the demand for data connectivity over cellular networks in developing countries.

CONCLUSION

In conclusion, I am very pleased to report Telular's strong financial and operating performance. We have a leading position and the proven digital technology to supply the demand for Telguard in the security industry. We continue to explore new opportunities in the wireless terminal market and plan to expand our addressable market both domestically and internationally. During our fourth quarter earnings call we announced Mike Boyle's retirement as CEO. On behalf of the company, I want to thank him for the fantastic job he did to improve Telular's financial results and market position. I look forward to continuing Mike's successful track record as I assume the role of president and CEO.

In 2008, we are focused on launching our international expansion of our Telguard products and services.

On the pages that follow, we will review the new products we have introduced and communicate the compelling market opportunity at hand in both of our units. We are extremely pleased with our 2007 revenue growth and feel we have made great strides in improving operations and growing our business. On behalf of the Telular team, I would like to express our utmost gratitude to all of our investors, employees, partners, and customers for your steadfast commitment and support. We look forward to updating you on our progress toward achieving our goals throughout 2008.



Joseph A. Beatty

A handwritten signature in black ink that reads "Joseph A. Beatty". The signature is written in a cursive, slightly slanted style.

Joseph A. Beatty
President and Chief Executive Officer



24 hour, around the clock security

With the Sunset date of February 18th 2008 fast approaching, Telular has seen a tremendous amount of growth in its security product sales. In addition, Telular has begun to deliver its Telguard[®] Digital solutions to the international market while developing other vertical markets that require reliable event monitoring.

Security Solutions

Our entire line of Telguard® Digital products provide UL listed primary and back-up alarm communication solutions for residential/VoIP, small business, financial, commercial and fire system markets. With proven digital cellular technology and our extensive application portfolio, our customers can count on Telular to provide solid solutions and support to meet their needs in any industry.



TG-4

Like all our Cellular Alarm Communicators the TG-4 is UL listed and used primarily for both residential and small businesses. It can perform as a back-up or primary alarm communication solution and has a built-in telephone line monitor. It supports multiple alarm formats.



TG-8

The Telguard TG-8 in addition to transmitting fire signals over the digital cellular network, the TG-8 features E911* emergency phone service 24/7. Cellular voice communication is provided using a standard telephone device connected directly to the appropriate Public Safety Answering Point (PSAP).



TG-9

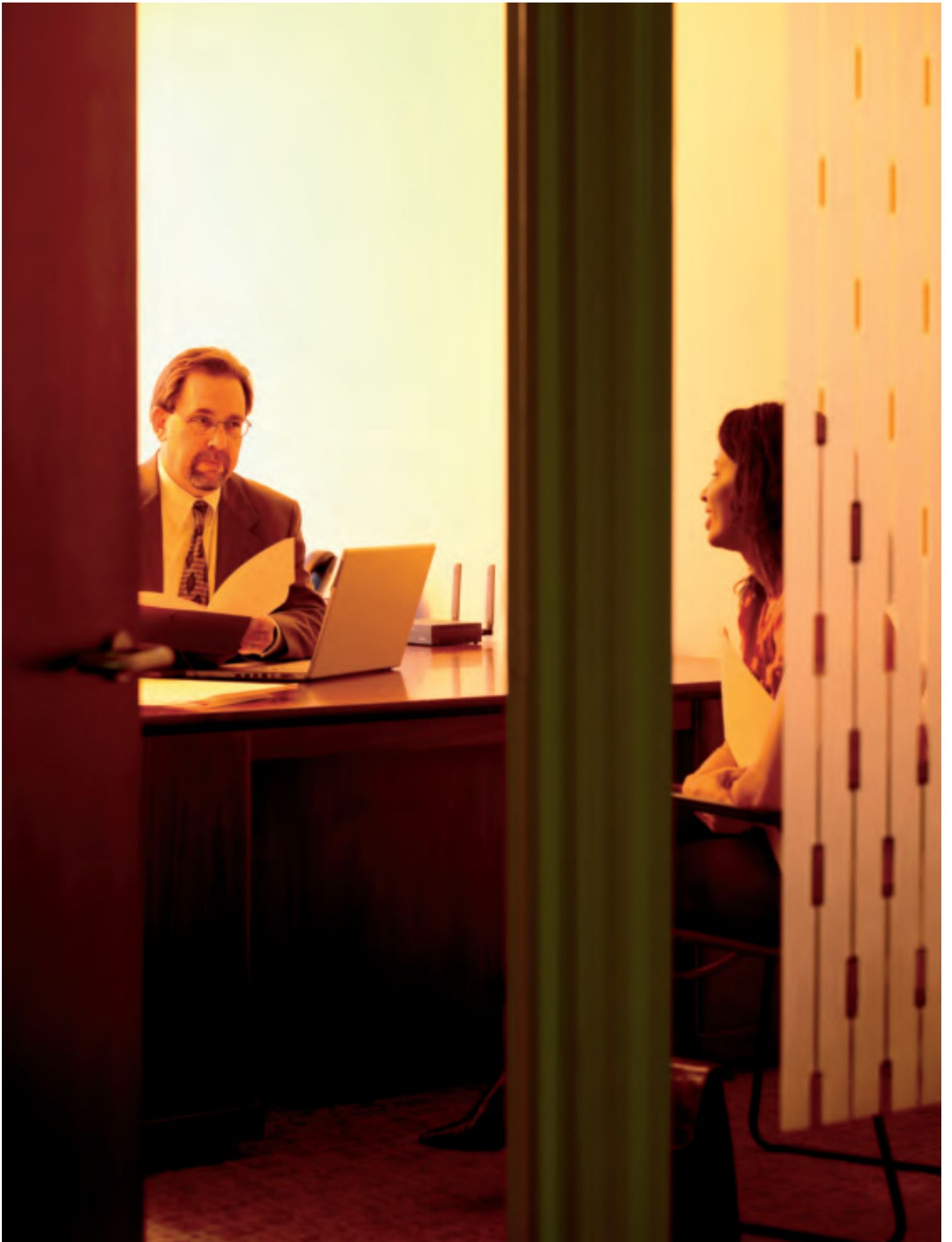
This economical product features both cellular alarm communication and event monitoring in one convenient, easy to use device. The TG-9 transmits summary data from the alarm panel, controller or device to the monitoring center using the nationwide GSM digital cellular network.

24 hours a day seven days a week our Telguard® Digital cellular alarm communicators help to protect families and businesses through transmission of critical data via the national GSM cellular network. Our security products in the field are UL listed and capable of providing full data and event monitoring to help mitigate any damage from things like fires, floods and burglary. In 2007 we laid the groundwork to expand our Telguard products internationally. Today we are working with one of the largest cellular providers in Latin America to test our Telguard products and monitoring services on their networks in an effort to expand our market reach throughout the world.

The latest addition to the lineup of Telguard solutions currently under development is a cellular alarm communicator specifically designed to be deployed in an array that can provide failsafe monitoring of environmental conditions in new markets areas such as agricultural. These cellular communicators are capable of being deployed into multiple vertical markets where system monitoring is critical to the success of the companies overall operations success.

Telular solutions are on the job 24 hours a day giving our customers peace of mind knowing Telguard is there to help protect them and mitigate the loss of property.





24 hours, up and running

Telular's terminal unit continues to grow in product breadth to meet the ever growing needs of our customers. In today's fast paced world our turnkey solutions speed up deployment of cellular services to businesses opening new offices. The flexibility of our products also gives our customers the ability to turn up services in multiple markets.

Voice and Data Solutions

In 2007 Telular introduced the Wi-PATH® (wireless premise access transport hub) product line to help our customers meet the demand for fast delivery of turnkey solutions. This new product delivers high-speed Internet access, quality voice and fax capabilities for which Telular is known.



Wi-PATH® SX7 Terminal and Modem

This is our latest solution for fast deployment of retail and professional services where high-speed Internet, voice and faxing are required. The Wi-PATH comes with multiple connection types and in CDMA and GSM models.



GSM fixed cellular terminal

This fixed cellular communicator provides voice, GPRS data and faxing capability. This is the perfect solution for the wireless home or small business that needs a fully functional communications device in a remote or urban scenario.



CDMA2000 1X fixed cellular terminal

This solution provides voice, CDMA2000 1X data and faxing for the wireless home office or small business. Much like its GSM counterpart this unit is also compatible with your digital video recorder or cable box to communicate to your content service provider.

24 hours until the start of the tax company's busy season. Their headquarters is buzzing with activity as they prepare to deploy multiple temporary offices around the country. When it comes to deploying these offices quickly and efficiently, they have it down to a science. The product that will keep them on schedule is the latest addition to the Telular terminal lineup, the Wi-PATH® SX7T. This incredibly powerful unit is the preferred choice for temporary or remote offices. It can be deployed quickly in the field and work anywhere a cellular signal is available. Unlike ordering a phone line from a telephone company, the SX7T can go to work as soon as you leave the store. No signing up for an installation schedule; no endless waiting to let them in. Fast, hassle-free deployments are the SX7T's strong suit.

24 hours later and the Wi-PATH products are running and ready to provide high-speed Internet access, faxing capabilities and crystal clear voice calls from their satellite offices. The SX7T and all of Telular's terminals are just as easy to remove as they are to deploy. As the offices are closed one by one at the end of tax season, the installed units are returned to headquarters until the next time they are needed—within 24 hours.



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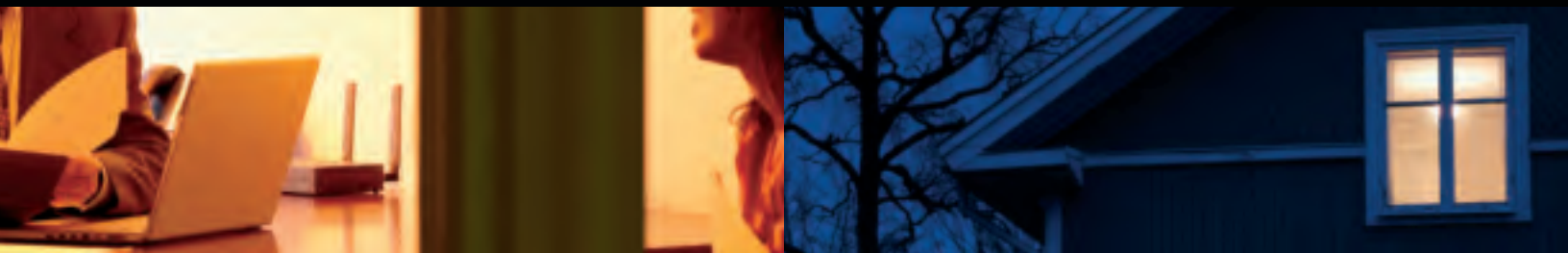
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