



# Building Value

Telular Corporation 2011 Annual Report

**Telguard:**  
**Building Value**  
**by being First**

By providing RMR-boosting cellular solutions to help dealers meet their customer's needs and grow their business, 2011 was a year of firsts for Telguard. We remain committed to innovation by delivering – not just promising – technology advancements.

### TG-1 EXPRESS

First Two-Way Voice Support Over Cellular: Our flagship TG-1 Express enables panel independent two-way voice over cellular, providing dealers the ability to cost-effectively support voice verification without needing a landline.



### PERS DEDICATED UNIT

First Cellular PERS Communicator: The Telguard TG-P is the only self-install cellular communicator that is compatible with virtually all Personal Emergency Response System (PERS) products.



### 3G SOLUTIONS

First 3G Cellular Alarm Communicator: To help dealers stay ahead of technology changes, Telguard launched the industry's first 3G cellular alarm communicators.



# Telguard

The landline sunset and the rise of cellular adoption continue to drive technology advancements in the security industry. Telguard remains at the forefront of this technology evolution by being the first to develop solutions that help grow and protect RMR.

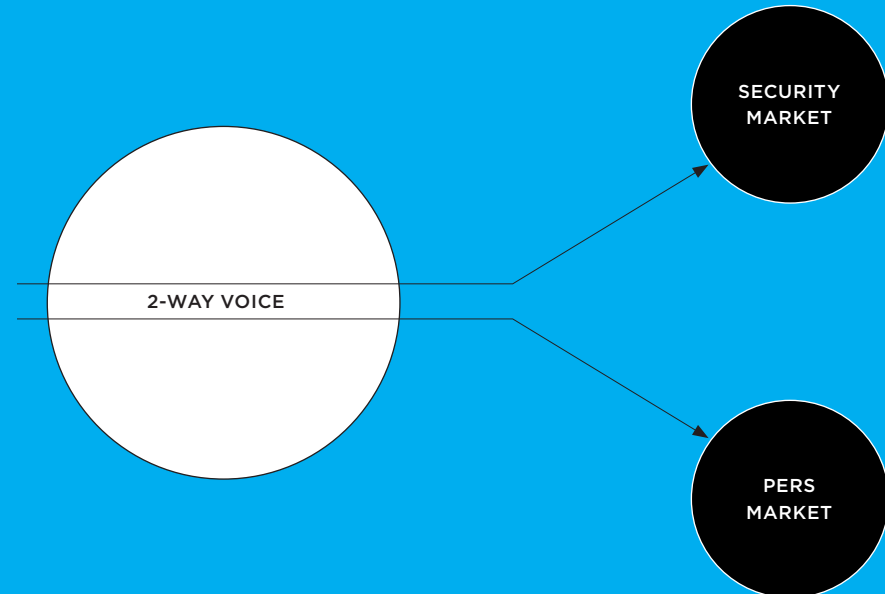
Support for two-way voice is one of those recurring revenue solutions that once required the landline. Now, with the TG-1 Express, dealers can offer listen-in and voice verification over the cellular network to new and existing customers.

With a patented approach to two-way voice over cellular, we soon recognized that the Personal Emergency Response System (PERS) market was also facing the same business threat from the demise of the landline as the security industry. This realization gave rise to the TG-P communicator, the first self-install cellular solution for PERS and the ability for Telular to enter a new untapped market.

Over the next five to ten years, cellular carriers will move their entire network away from supporting 2G to exclusively

supporting 3G products. In response to this advancement we offered a preview of the industry's first 3G cellular alarm communicators to our Telguard Advantage dealers. This was simply a taste of what we have in store for our dealers in 2012 in terms of technology longevity and RMR and investment protection.

For some security dealers, local ordinances are making alarm verification a necessary part of every installation. Telguard's patented listen-in and two-way voice verification over cellular feature provides a robust solution for passing voice and alarm data reliably to the central station without the need for a landline. The same technology provides PERS dealers with a self-install landline replacement to help retain customers.

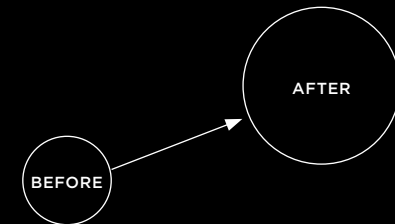


# TankLink: Building Value by being Smart

This year we built value in TankLink, through a smart acquisition and smart innovations. Telular acquired assets underlying the SMARTank line of business of SMARTLogix, Inc., the largest value added reseller of TankLink tank monitoring solutions. As a result, we now have contact with hundreds of end user customers allowing us to realize incremental revenue as a direct service provider.

Innovations for delivering even better, more usable data to our

customers and making them smarter is what we do. Mid-year enhancements to TankData Online gave customers more capability, with new features to track and locate tank resources and to generate efficient routes. The new TankLocator feature adds GPS mapping and location capability for any tank, anywhere that pinpoints precise tank location. It was also upgraded to show fill efficiency metrics so customers can calculate and predict actual cost savings.



The ARPU for SMARTank customers after the acquisition almost doubled.



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## SMARTANK

By acquiring the SmartLogix customer base, TankLink was able to get closer to its core customers and double its associated ARPU.

## MAPPING AND GPS

Now users can use any of five different ways, including GPS, to track assets, precisely locate their tanks and plan the most efficient delivery route.

## APP

Our new mobile app allows smartphone and tablet users full access to TankData Online – very helpful for users in the field.

## REGIONAL EXPANSION

Cellular carrier agreements and VAR partnerships are under development in Canada and various Latin American countries, encouraging growth beyond the U.S.

## TANKLINK BRANDING

The completely redesigned TankLink brand now matches the sophistication and expectations our larger corporate adopters expect from a publicly traded partner.

## **Building Value by being Telular**

Dear Shareholders: We had another good year at Telular – another significant step in a steady process of building value. As management, we pride ourselves on being shareholder oriented and we hope it shows. Of course, without satisfied customers and motivated employees, there is no chance to create value for shareholders.



Joseph A. Beatty

Regarding customers, our Telguard and TankLink services are sticky, such that once we earn a customer they tend to stay a customer for a very long time. This low and predictable churn in an environment of steady growth means that we have the potential to forecast our financial results more reliably than many companies. Positively, we managed to give guidance at the beginning of the year regarding our 2011 profitability that was within 1% of its actual outcome (we beat the high end of the range by 1%). That's pretty good considering our profitability, as measured by net income before non-cash items, grew 51% over 2010!

We believe in building value by growing profitability.

Regarding employees, we stick to the basics - rewarding them when they do well and helping them to improve by alerting them to areas in which they can improve. We try to be straightforward with our employees and always in an environment of mutual respect. We believe in building value by respecting and rewarding the employee team.

Previously, I referred to earning customers in an environment of steady growth. For many, the global economy has been anything but steady. At Telular, we help businesses

use wireless networks to remotely monitor or control equipment. This is a market space that has not only withstood the brutal downturn that many others have experienced, but has grown in the face of it. We believe in building value by picking the right markets.

On top of this strong, underlying market space, we took steps in our Telguard and TankLink lines of business to improve our competitive position. For Telguard, we buttressed its position in the security market by releasing a number of new features led by Telguard Interactive Services;

Telguard Voice; and Telguard Sole Path Fire. These features, along with refreshed hardware products early in the year led by our new TG-1 Express, created excitement in the Telguard wireless security brand. As well-received as these new developments were, the most significant advancement in Telguard was released at the very end of the year – a redesign of nearly every Telguard hardware product from 2G to 3G in one fell swoop! On top of that, we decided that our customers shouldn't have to pay more to make the right decision about using a 3G product. As a result, we figured out how to offer them 3G for the price of 2G – a real leap in value for our customers. We were the first among our competitors to ship a 3G cellular communicator for security – a fitting reprise to our being the first to ship a digital cellular communicator in 2005. We believe in building value at Telguard by being first (again)!

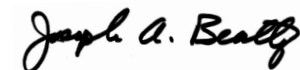
The most significant change at TankLink in 2011 was the acquisition of the SmartLogix customer base (our largest value-added reseller). The asset acquisition led to a doubling of our average revenue per unit and a leap in profitability. We believe in building value at TankLink by being smart about our position in the value chain.

Overall, 2011 was a fantastic year for Telular. Revenue grew to over \$50 million and profitability grew by more than 50%. Looking forward, we remain focused on profitable growth. In fact, at the writing of this letter, we have just announced the acquisition of SkyBitz, Inc. – the leading provider of over-the-road, trailer tracking products and services in the U.S. The SkyBitz business is a great match, with nearly 50% of revenue from recurring, M2M services. Trailer tracking and more generally, asset tracking, is a large and growing market that we have long considered appropriate for Telular. I am pleased

to incorporate a well-run leader like SkyBitz into the Telular fold. We will surely speak much more about our SkyBitz acquisition in next year's report. For now, I want to reassure you that we remain devoted to serving our shareholders and we appreciate the ongoing support that we receive from you in that never ending process.

After all, at Telular, we believe in building value.

Best Regards,



Joseph A. Beatty  
President and Chief Executive Officer

## BOARD OF DIRECTORS

**Betsy J. Bernard**  
Chairperson of the Board

**Lawrence S. Barker**  
Senior Vice President,  
CSGI

**Joseph A. Beatty**  
President and  
Chief Executive Officer  
Telular Corporation

**Brian J. Clucas**  
V.P. Audit Services  
Illinois Tool Works

**Larry J. Ford**  
Retired From ADC

**Jeffrey Jacobowitz**  
Managing Member,  
Simcoe Capital  
Management, LLC

**M. Brian M<sup>c</sup>Carthy**  
Chairman  
Trax Technologies Inc.

## MANAGEMENT TEAM

**Joseph A. Beatty**  
President and Chief  
Executive Officer

**Christopher L. Bear**  
Vice President,  
Product Development

**George S. Brody**  
Senior Vice President,  
Sales & Service,  
Telguard

**Jonathan M. Charak**  
Senior Vice President and  
Chief Financial Officer

**Jerry Deutsch**  
Senior Vice President,  
Manufacturing &  
Operations

**Patrick Kuchevar**  
Vice President,  
Sales & Service,  
TankLink

**Shawn P. Welsh**  
Vice President, Marketing &  
Business Development

**Robert L. Deering**  
Controller, Treasurer and  
Chief Accounting Officer

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