

# Investor Newsletter – April 2013

## CEO's Note to Investors

To the Investment Community,

In light of the many changes taking place at UTStarcom, we are launching this newsletter to help our investors stay abreast of important ongoing developments in our business.

The milestones we have achieved during the last several months give us confidence that we are heading along a path that will translate into significant overall improvement in the company's business performance and will enable us to deliver enhanced shareholder value over the long-term.

As we have said, we expect 2013 to be a year of continued transition. Many of the building blocks for success are in place and we have a clear vision. This is therefore a very exciting time for UTStarcom. Speaking on behalf of management, we are delighted to be part of the company's present and future.

Thank you for reading.

Regards,



William Wong, Chief Executive Officer

## 2012 BUSINESS AND EARNINGS RECAP

2012 was a year of significant and positive change.

- ✓ Successful divestiture of IPTV equipment business.
- ✓ Launch of new strategy, which is already showing signs of traction.
- ✓ Appointment of new executive management and Board members.
- ✓ Successful efforts to manage operating expenses.
- ✓ Expanded partnerships like those with iTV Media and aioTV.
- ✓ Continued shareholder value creation initiatives.

### RECEIPT OF "GOING PRIVATE" PROPOSAL

On March 27, 2013, UTStarcom received a proposal from Shah Capital and one of its Directors, Mr. Hong Liang Lu, to acquire all outstanding shares of UTStarcom in a go private transaction for \$3.20 per share in cash.

The Board has formed a Special Committee of independent directors to consider this proposal. The Special Committee has selected Kirkland & Ellis LLP as its legal advisor and is in the process of retaining financial advisors to assist it in its work.

Please see the company's formal statement in the Press Release section of our website.

### SHAREHOLDER VALUE CREATION EFFORTS

#### Share Repurchases

Throughout 2012 UTStarcom continued its robust share repurchase program. By year's end, the company had repurchased approximately 12.5 million shares, totalling \$15 million under the current \$20 million program.

#### Tender Offer

In 2012 UTStarcom launched a US\$30 million tender offer for 25,000,000 shares. The tender was completed in January 2013.

#### Reverse Share Split

On March 21, 2013 UTStarcom's shareholders approved a 3-to-1 reverse share split. Trading on the split-adjusted basis began March 22, 2013.

On March 18, 2013 UTStarcom reported earnings for the 2012 fiscal fourth quarter and full year.

Below are financial highlights from both periods:

- Fourth quarter and full year 2012 non-GAAP revenues of \$41.0 million and \$157.3 million.
- Fourth quarter and full year 2012 non-GAAP gross margin of 32.4% and 34.3%.
- Fourth quarter non-GAAP net loss attributable to UTStarcom shareholders was \$6.7 million, or non-GAAP basic loss per share of \$0.05.
- Full year 2012 non-GAAP net loss attributable to UTStarcom shareholders was \$16.4 million, or non-GAAP basic loss per share of \$0.11.

## NEW STRATEGY UPDATE

As we have discussed publicly over the last several months, UTStarcom is implementing a very specific new strategy designed to transform the company into a higher growth, more profitable business.

Our strategy is based on deep analysis of ongoing trends that are changing the way people consume entertainment. We believe this strategy will position UTStarcom to become a partner of choice to cable and broadcast service providers as they seek to retain and grow their subscriber base by providing an interactive and customized viewing experience across a range of “screens” (TVs, mobile phones, tablets, and PCs).

### Expanding Strategic Partnerships

More specifically, we made significant progress in implementing our strategy during the second half of 2012 by investing in and expanding strategic partnerships. These partnerships are a key plank of our strategy. They provide technology that we can integrate into our services and deploy commercially in Asia through our network of relationships with broadcasters and cable TV companies. In addition, they bring relationships with broadcasters and cable companies in other markets.

Currently, UTStarcom’s key partners are iTV Media and aioTV. Both companies reached significant milestones last year in the worldwide deployment of their services and new product launches.



- iTV Media deployed its Internet TV managed services nationwide in Thailand through the national telecommunications provider TOT. This was the first commercial launch of iTV’s TV over IP service. It reaches an area covering over five million households. The services currently provide over 150 channels, of which 30 are high-definition channels.
- iTV Media struck an agreement to license its IPTV and video-on-demand services to a Spanish OTT/IPTV service provider that will bring iTV’s services to approximately 200,000 subscribers by 2014.
- aioTV has just launched an over-the-top (OTT) product, Pass Box, that we anticipate will reach up to one million subscribers by 2014.

### Developing Recurring Revenue Streams

Our investments in companies like iTV and aioTV show how UTStarcom will use partnerships to roll out new products and services and develop a recurring subscriber-based revenue model. We will work with our partners to aggregate local and premium studio content and package it into subscriptions that we can deliver via a comprehensive suite of technologies. We will also aggregate freely available content from the Internet to create “linear channels” based on subscribers’ viewing habits. As with other content, these channels become part of the overall viewing experience alongside premium studio content and “free to air” content.

1. Build Out Media Operational Support Services Offering by Creating and Building a TV over IP Services Platform
2. Build Out New Services through a Combination of Internal Development and Strategic Acquisitions
3. Design an Optimal Operating Structure to Maximize the Potential of Business Units, Maximize Efficiency in Operations, and Minimize Costs to Keep Underlying Business Strong

## NEW PARTNER UPDATE

### Spotlight on aioTV

A signature event in Q4 2012 was the acquisition of a majority stake in aioTV to become its single largest investor. aioTV has exciting video aggregation and distribution technology that allows telecommunications companies, cable and satellite providers to give their customers a range of content on demand. The deal gives UTStarcom access to technologies that augment the media services platform we are developing internally and that we can deploy across Asia through our relationships with cable and broadcast TV service providers.

aioTV is a US- and Canada-based company that has developed the first “middleware” platform that allows network operators to aggregate multiple sources of content and deliver them to viewers in a consistent TV-like experience across connected devices. The technology runs on iPad, Android tablets, PC, MAC, Google TV, iPhone, Android phones, Android set top boxes, and Amino set top boxes.

In addition, aioTV works with consumer electronics makers, telecommunications and cable service providers and broadcast partners in North America, South America, Europe, and the Middle East to provide its middleware platform to millions of customers.

## MARKET TRENDS & INDUSTRY NEWS

### A "Pull" Approach to Media

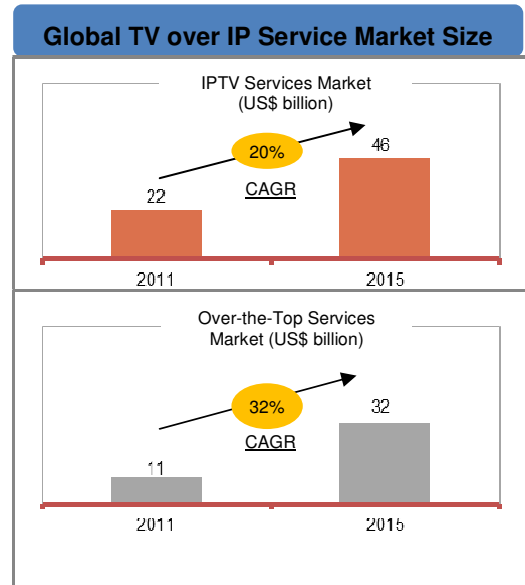
The past few years have seen a proliferation of media industry "disruptors" like Netflix and Hulu. They are capitalizing on two major trends: 1) consumers' greater desire to view content on demand and 2) improvements in technology that allow consumers to watch high quality video content on laptops, tablets, and mobile phones and devices.

In short, viewers today are increasingly seeking a "pull" approach to entertainment, paying for selected content when and where they want it rather than being subject to the schedule set by broadcast and cable companies.

For their part, the cable service providers and broadcasters need new technology to exchange and distribute content in an environment of "on demand media" while also managing digital rights, developing attractive subscription packages, gathering and analysing usage information and pairing content with advertising.

### Building on UTStarcom's Strengths in Asia

UTStarcom enjoys a privileged position in the market given its existing relationships with cable and broadband service providers in Asia. These companies are eager to adopt new technologies and business models that will help them retain customers and avoid the "cord cutting" seen in developed markets where consumers have given up cable subscriptions en masse in favor of Internet-based content, Apple TV, and other alternatives to their traditional TV service. UTStarcom will deploy a TV over IP services platform through internal product development and strategic acquisitions to position the company to evolve and meet these market demands.



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