



Investor Newsletter May 2014

CEO'S NOTE TO INVESTORS

TO OUR INVESTORS,

There is rarely a single event that signals the end of deep and long-term restructuring. But the evidence from the last fiscal year – the continued cost savings, the new products we launched, and our gradual financial improvement – suggests that UTStarcom is now in a position to look beyond the restructuring that we began nearly two years ago and focus on growth. Today, we are a much leaner business with a more focused product development strategy and stronger ties with a growing base of customers, and we can anticipate a brighter future in both the near-term and the long-term.

In 2013, we established our role as one of the leading designers and manufacturers of optical networking equipment to support “next generation” telecommunications networks. We demonstrated the depth of our R&D by launching new and innovative products within our core suite of broadband networking gear. In addition, we are developing technology that positions UTStarcom to lead in a wider range of telecom market segments, including mobile backhaul services, cloud computing, and broadband access. These are fast growing segments of the telecommunications industry that have undeniable momentum behind them.

Here is a snapshot of what we achieved in 2013:

Stabilizing Financial Performance

Financially, there were several highlights that augur well for our future. Firstly, we resumed positive sales growth with non-GAAP total revenue growing roughly 4% to \$163.0 million. In addition, we reduced operating costs by another 20%, completing several successive quarters of double-digit cost reductions. We achieved an aggressive internal target of hitting positive operating cash flow, after adjusting for one-time, non-recurring items, and ended the year with \$107.8 million in cash on our balance sheet and no debt.

New Product Launches

From the perspective of product development, 2013 was a prolific year. We pushed the boundaries of our core TN series of packet optical networking products with two new additions, the TN765 and TN701. The TN765 has the capacity to support the 100 giga-bit Ethernet environments that carriers are migrating towards. These products put us at the forefront of the market for MPLS-TP and Carrier Ethernet technology. In addition, we successfully launched a major new product initiative based on Software Defined Network, which we believe will revolutionize broadband network operation. That product is going into a field trial on a customer's network, and has the potential to create a new product platform for our broadband business.

All of these new products are designed according to our “Simple Network, Simple Operation” mantra that has at its heart the need to help carriers reduce complexity and costs even as they upgrade their networks to offer more advanced services. This design philosophy is gaining traction with customers who appreciate our efforts to make equipment that is easy to deploy and minimizes capital and operating expenses.

New Customer Wins

Alongside our product developments, our sales team made an aggressive push into new markets that resulted in significant customer wins for our broadband business globally. These wins include Taiwan's Chunghwa Telecom as well as the largest cellular service provider in Indonesia and a large Brazilian mobile and wireline service provider. Our broadband sales footprint now spans several nations in Asia, including Japan and Korea, as well the Americas. In fact, we recently surpassed \$250 million in sales of packet optical transport products, and we continue to build our foothold in existing markets as well as in other product categories. Most recently, we announced a \$24 million contract to provide multi-service

access network equipment and related services to Bharat Sanchar Nigam Ltd. (BSNL), a major telecom incumbent in India.

Strategic Plan

In 2014 we will continue to build on the progress we have made as we exit our restructuring phase and look to accelerate our growth. We are fully committed to broadband as the driver of our business and primary revenue contributor. Given the momentum behind our latest broadband initiatives, we expected our new products such as our TN765 to become significant revenue contributors beginning in the later part of the year. We will also continue our aggressive focus on cost discipline as we look to put every dollar we spend to more productive and more profitable ends.

Our post-restructuring plan includes two specific initiatives:

- First, we will bolster our broadband business with global marketing and sales initiatives while leveraging our in-house R&D capabilities to stay on the forefront of developments in key technology areas: Packet Optical Transport, Software Defined Networking (SDN) and Wi-Fi data offloading solutions. We will also explore joint product development initiatives with partners that offer complementary technology with whom we can bring to market competitive broadband products.
- Second, we will monetize our investments in iTV Media and aioTV. UTStarcom is the single largest investor in both iTV Media and aioTV, and as such, we stand to benefit from their growth and the appreciation in the value of their business. In addition, as their subscriber bases grow, we will look for opportunities to market their products to our broadband customers and potentially share in the subscription-based revenue streams that they develop. These service-oriented revenue streams have by their nature the potential to generate high-margin and recurring revenue.

Our board of directors and management team are excited by the opportunities ahead as we look to become a top-tier telecommunications infrastructure provider and build a globally competitive product portfolio. We remain committed to you, our shareholders, and thank you for your continued confidence and support.

Regards,



William Wong, Chief Executive Officer

2013 BUSINESS RESULTS

On March 20, 2014, UTStarcom reported earnings for the fiscal 2013 fourth quarter and full year. Below are full year 2013 financial highlights:

- Full year 2013 non-GAAP revenues increased 3.7% year over year to \$163.0 million from \$157.3 million for the corresponding period in 2012.
- Full year 2013 non-GAAP operating expenses were \$53.4 million, a decrease of 20.2% from \$67.0 million for the corresponding period in 2012.
- Full year 2013 non-GAAP net loss attributable to UTStarcom's shareholders was \$22.7 million, or non-GAAP basic net loss per share of \$0.58, compared to full year 2012 non-GAAP net loss of \$17.6 million, or non-GAAP basic net loss per share of \$0.36.
- As of December 31, 2013, cash, cash equivalents and short-term investments were \$107.8 million.

WITHDRAWAL OF "GO-PRIVATE" PROPOSAL

In November, UTStarcom announced that the consortium that had proposed a 'take private' transaction had withdrawn its proposal. This outcome removes uncertainty over the Company's future, and allows us to continue focusing on our product pipeline and customer relationships. In addition, we believe that remaining a public company preserves the right capital structure for our current state of growth and development. Please see the Company's formal statement in the Press Release section of our website for additional details.

SHAREHOLDER VALUE CREATION

In 2013, UTStarcom concluded several important initiatives to enhance shareholder value as part of the Company's longstanding commitment to shareholders. We completed a \$30 million tender offer and a three-to-one reverse stock split intended to improve the marketability and liquidity of UTStarcom's ordinary shares. Through the stock buy-back plan initiated in 2011 we returned approximately \$45 million to shareholders by the end of 2013.

UTSTARCOM'S PARTICIPATION IN INDUSTRY EVENTS

UTStarcom has stepped up its participation at leading industry events in order to engage more closely with carriers around the world and showcase its products

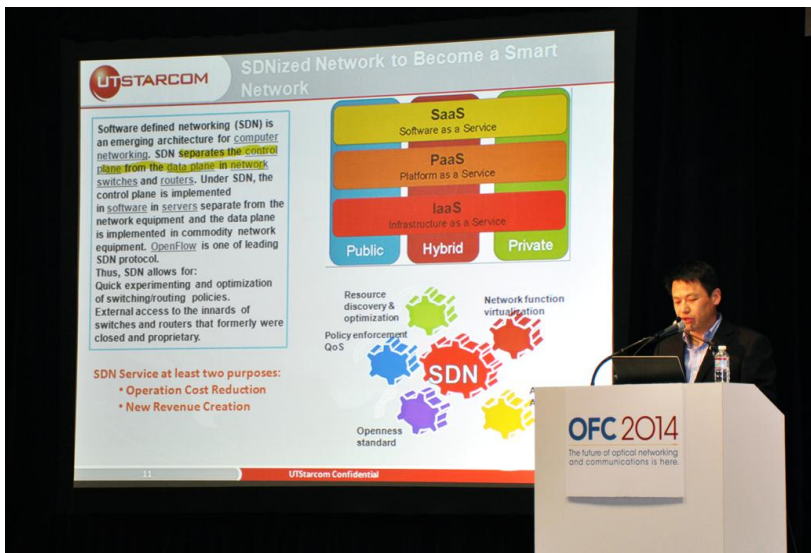
In January 2014, UTStarcom attracted nearly 15,000 visitors to its exhibition at Convergence India where it met with and delivered presentations to India's tier-one carriers as well as telecom executives from carriers in Nepal, Sri Lanka, Bhutan, Bangladesh, and the Maldives. The discussions that UTStarcom had at the conference helped in securing the contract to support BSNL's network upgrade

In March 2014, Chief Executive Officer William Wong led a delegation from UTStarcom that hosted a booth at the 2014 Optical Fiber Conference in San Francisco, one of the industry's premier events. This gave UTStarcom a chance to display its latest R&D developments with an elite gathering of industry insiders that included executives from Alcatel-Lucent, Cisco Systems, Google, IBM, and Verizon. This was an important first step in developing ties to carriers and partners in the United States where UTStarcom is planning a marketing and sales drive this year



Steven Chen, Vice president, Presenting at Convergence India

In addition, UTStarcom and DASAN Networks of Korea signed a memorandum of understanding at the



Optical Fiber Conference to explore a strategic partnership through which they could collaborate on the design, development, manufacturing and marketing of telecommunications infrastructure products. The two companies have already jointly launched a series of passive optical networking products, creating a foundation upon which to pursue future product innovation.

Tim Ti, Senior Vice President, Presenting at the Optical Fiber Conference

CORPORATE UPDATES

New Product Launches

UTStarcom launched several innovative products in the past 12 months. These include:

- TN 765 packet optical transport product that can support 100 gigabit Ethernet environments and is designed for telecommunications and broadband service providers who need to upgrade their networks to handle "4G" traffic.
- The TN 701 Ethernet Access Device (EAD), an innovative fanless and low power design, is already in commercial deployment in Korea.



- The MSG10K WiFi Access Controller that provides seamless crossover from cellular networks to Wi-Fi networks without end users' intervention. It has already been deployed in Japan.
- A gigabit-capable passive optical network product jointly developed with DASAN Networks of Korea. This product is already in large-scale commercial deployment worldwide, including in Japan.
- A new architecture for its PTN (Packet Transport Network) Network Management System that can support up to 50,000 nodes, which is five times the industry average.

In addition, we completed the first phase of our SDN development efforts and internally launched a platform of products built on this technology, which we have formally trademarked SOO™ or Software-defined Open Optical network. We are now preparing for a “proof of concept” field trial on the network of one of our major customers.

Growing Strategic Partnerships

iTV Media and aioTV, early-stage companies in which UTStarcom has made significant investments, continue to flourish in the worldwide deployment of their services and new product lines.

- iTV Media has dramatically increased its subscription base for the first commercial launch of its flagship TV over IP service in partnership with TOT, Thailand's largest telecom and broadband service provider. As of the end of 2013, iTV's service had garnered over 160,000 subscribers in the country within the short span of about 15 months since its formal launch.
- aioTV secured several new customers in South and Central America who are deploying OTT video services via aioTV's media aggregation platform. Also, the company was named to the 2014 CableFax Digital Hot List, which recognizes innovation and leadership in the development of digital media distribution services and technology.

MARKET OUTLOOK

We have carved out a few very competitive niches within the broadband market to focus on in terms of our growth and development. WiFi Data offloading is a strategy that is in strong pursuit by many major operators worldwide to complement their 4G LTE deployment. Software Defined Networking (SDN) will pave the way for the future evolution of the telecom equipment market. And operators, as they see new potential business opportunities in this new environment, will be pushing solution providers relentlessly to move towards SDN offerings. Aside from the new market and new customers with whom we are gaining momentum, UTStarcom is now well positioned to benefit from these up and coming industry-wide initiatives and demands.

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