Investor Newsletter – October 2013

CEO's Note to Investors

To the Investment Community,

As we have announced financial results for the second quarter and first half of the year, I want to take a moment to give you an update on the progress we have made so far in 2013 and the exciting developments to come.

Our year-to-date results show the improvements in our business and are a testament to the strategic plan and quality of the new management team that is charged with its execution. Indeed, we are already seeing early benefits of the changes we have taken to transform UTStarcom.

As we have said, we expect 2013 to be a year of ongoing transition and investment. I believe that over time we will continue to see the business strengthen and evolve. We remain optimistic about the long-term opportunities before us and we are confident that our clearly defined new strategy positions us very well in the quickly changing and diverse media environment.

Thank you for reading.

Regards,

William Wong, Chief Executive Officer

FIRST HALF 2013 BUSINESS & RESULTS

During the first half of 2013, UTStarcom took several steps to continue the transition of the business model and made progress both operationally and financially:

- ✓ Disposed non strategic business.
- ✓ Improved overall efficiency and continued to reduce operating expenses.
- ✓ Generated positive operating cash flow.
- ✓ Launched several innovative products in our core broadband business.
- ✓ Strengthened our partnerships with iTV Media and aioTV.
- ✓ Completed the multi-year share repurchase program that returned a total of $15 million to shareholders.

On August 16, 2013, UTStarcom reported earnings for the second quarter and the first half of the year. Below are financial highlights from both periods:

- Second quarter and first half 2013 non-GAAP revenues of $47.4 million and $84.1 million, a 19% and 6.2% increase year-over-year, respectively.
- Second quarter and first half 2013 non-GAAP gross margin of 20.1% and 25.2%.
- Second quarter non-GAAP net loss attributable to UTStarcom shareholders was $2.1 million, or non-GAAP basic loss per share of $0.05, compared to non-GAAP net loss of $7.3 million and non-GAAP basic loss per share of $0.15 for the second quarter of 2012.
- First Half 2013 non-GAAP net loss attributable to UTStarcom shareholders was $7.1 million, or non-GAAP basic loss per share of $0.18, compared to non-GAAP net loss of $9.4 million and non-GAAP basic loss per share of $0.19 for the same period of 2012.

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 of Directors formed a special committee of independent directors (the "Special Committee"). In addition, the Special Committee has appointed legal counsel and retained a financial advisor to assist it in its work. No decisions have been made to date by the Special Committee with respect to the Company's response to the proposal.

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

SHAREHOLDER VALUE CREATION

Share Repurchases

UTStarcom initiated a share repurchase program in 2011 and the share repurchase program was completed in August 2013. The Company repurchased $15.0 million of the total authorized repurchase amount of $20.0 million under the program.

KEY EVENTS

**UTStarcom Exhibits at
Softbank World 2013 Event**
July 2013

UTStarcom recently participated in a high-profile industry event hosted by one of our longest-standing customers, Softbank Corp. ("Softbank"), a world leading telecommunications service provider in Japan.

As a "diamond supplier" to Softbank, we were invited to showcase our technology alongside industry elites, such as Google and IBM. UTStarcom's exhibition was titled "Infrastructure, Cloud & SDN" and attracted nearly 800 visitors. UTStarcom also held seminars and gave presentations to educate potential new customers about our Software Defined Networking (SDN) technology, which is an important growth initiative of our broadband business. These presentations set the stage for follow-on conversations with prospective customers.

CORPORATE UPDATE

BROADBAND BUSINESS UPDATES

Our first half results showcase the strength of our core broadband business. This is an important development as broadband will continue to drive our near and intermediate term revenue while we also focus on building our TV over IP service platform. In particular, in recent months we have continued to improve our broadband business, which is generating relatively good profit margins and streamlining into a niche and targeted business. To this end, we disposed non-core product lines – our next generation network ("NGN") and DOCSIS-EOC related assets – to support our overall strategy of focusing on high margin media services and broadband products, while maintaining vigorous cost control.

In addition, we continued to build out our niche product offerings by launching a selection of new products that deliver on our vision of "simple network, simple operation." We launched extensions to our market-leading PTN and NMS product lines in August, and we will expect to bring more product innovations to market in the next several months to sharpen our competitive edge and reaffirm our position as a leading provider of broadband equipment products and services in Asia Pacific.

> **NEW PRODUCTS LAUNCH**
> *Spotlight on NetRing™ TN701 and new NMS*
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> In August 2013, UTStarcom launched NetRing™ TN701, the new addition to the Company's NetRing™ Packet Transport Network ("NetRing™ PTN"), which aims to help operators enhance profitability by extending the availability and reliability of MPLS-TP network from metro core and aggregation to the network edge.
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> Additionally, the Company launched a new architecture for its PTN Network Management System (NMS), which augments UTStarcom's market-leading suite of next generation broadband transport solutions and allows customers to expand the capacity of their existing PTN networks and aggregate the management of large-scale networks.

Growing Global Sales

An important development that we have seen this year has been the growth in sales of our PTN products, which are the backbone of our broadband business, outside our traditional sales markets. Sales have been especially strong in fast-growing emerging markets, namely Indonesia and Brazil where we see great potential. We will soon introduce new PTN models to meet those countries' growing needs.

Furthermore, we recently won a globally competitive bid to supply Chunghwa Telecom of Taiwan with PTN equipment and network construction services. UTStarcom beat a group of the world's largest broadband infrastructure providers, underscoring our global competitiveness and strengthening our position in Taiwan.

Working on 'Next Gen' PTN Technology

We have begun working on Software Defined Networking (SDN) technology, which we see as a transformative platform for our next generation of PTN offerings. As we discuss in our Market Trends &

Industry News section below, we believe SDN to be the future of telecom infrastructure technology. Given our broadband heritage, our large scale network management software capabilities, and our good relationships with leading customers, we expect SDN to be a long-term business driver for UTStarcom.

NEW STRATEGY UPDATE

We have taken several decisive steps to put our new strategy into practice over the past several quarters, continuing our transition into a provider of advanced media services with a growing subscriber base.

The strategy we launched last year is intended to accelerate UTStarcom's transition into a higher growth, more profitable business. After divesting the IPTV business, our plan centers on establishing a TV over IP services platform through internal development as well as investment in strategic partnerships to acquire advanced media services technology.

Expanding Strategic Partnerships

Currently, UTStarcom's key partners are iTV Media and aioTV, which give us access to technology that will bolster our rollout of subscription-based value added media services that consumers increasingly demand. The Company can also deploy those in-market technologies in Asia through our existing relationship with regional cable service providers and broadband service providers. Specifically, UTStarcom further expanded its strategic partnership with iTV Media, in which the Company already owns a significant minority stake, by investing an additional $20 million in convertible bonds of iTV Media in the first half of 2013.

It is important to point out that our partners continue to make significant progress in the worldwide deployment of their services and new product lines, and are also gaining important industry recognition, highlighting the strength of their offering.

- iTV Media continued to make gains with its successful commercial launch in Thailand through a strategic partnership with national telecommunications provider, TOT. The number of subscribers of iTV Media's offering in Thailand doubled to near 60,000 by the second quarter 2013.

- aioTV signed a licensing agreement with a major broadcaster in Panama to use aioTV platform to deliver a video service offering to over three million customers.

- aioTV received recognition from Gartner Group which selected aioTV as one of the four vendors essential for all digital media businesses in the 2013 Cool Vendors Report, which identifies key solutions providers that Gartner predicts are essential to the success and monetization of a digital media business.

MARKET TRENDS & INDUSTRY NEWS

THE GROWING MARKET FOR SDN PRODUCTS

We want to take a moment to discuss Software Defined Networking technology as we believe it has the potential to revolutionize the way that our broadband service provider customers operate and meet the evolving needs of their end-user customers. SDN is particularly useful in telecom networks for the timely provisioning of new services to customers. This capability will enable a speedier entry of value added services and business models into the telecom sector.

In addition, we expect that SDN technology will play a central role in the deployment of cloud-based computing, storage, and other services, which is already a gathering trend. Demand for SDN products is expected to grow dramatically over the next few years. According to a report published by Transparency

Market Research, the global SDN market is expected to reach $3.52 billion by 2018, a CAGR of 61.5% from 2012 to 2018.

The global demand for SDN technology stems from its ability to reduce service providers operating expenses and capital expenditures while enhancing overall network performance and efficiency and improving the customer experience. This is especially true for some the most sought after customer services such as mobile and video entertainment.

As we have discussed, UTStarcom is already investing in SDN technology and incorporating it into our suite of broadband products. We expect SDN to be a long-term business driver and believe that we are well positioned in this market thanks to our existing relationships with broadband service providers.

CONTACTS

UTStarcom
Ms. Jane Zuo
+86-10-8520-5153
Jane.zuo@utstar.com

FTI Consulting
Ms. May Shen (Beijing)
+86-10-8591-1951
May.Shen@fticonsulting.com

Mr. Daniel Del Re (Hong Kong)
+852-3768-4547
Daniel.DelRe@fticonsulting.com

Mr. Robert Dougherty (San Francisco)
+1.415.293.4427
Robert.Dougherty@fticonsulting.com