



# Investor Presentation September 2008

EXECUTIVE  
COMMUNICATIONS

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This material contains forward-looking statements, but actual results could differ materially from our current expectations. To understand the risks that would cause results to differ, please refer to the risk factors identified in our latest Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, which are filed with the Securities and Exchange Commission.

This presentation includes financial guidance disclosed during 2008 conference calls, our June 10, 2008 Analyst Day and other communications. Such guidance reflects the company's expectations as of those dates and this presentation is not intended to confirm or update those expectations.

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- Near term objective
  - Return to growth, profitability and positive cash flow
- Recent strategic achievements
  - Divested two non-core businesses
  - Focused on infrastructure products and rapidly growing regions
  - Closed strategic deals and established channel partners
- Recent financial achievements
  - Increased liquidity (repaid \$290M in convertible notes, raised \$240M via divestitures)
  - Decreased quarterly OPEX by 24% in the past two years
  - Resolved most historical issues (financial restatements, SEC investigations)
  - Improved operational discipline & internal coordination
- Management changes
  - Peter Blackmore transitioned to CEO & President
  - Hong Lu transitioned to Executive Chairman of the Board
  - Strengthened China management team



# Our Foundations for Success



- IP based infrastructure technology
  - IPTV, NGN and Broadband make up the primary product portfolio
- Presence in the world's fastest growing economies
  - Market leader in China and India
  - Growing in APAC, Europe and Latin America
- Strong telecom carrier relationships
  - Advanced technological capabilities
  - Customer-centric business model
- Financial model to target growth and profitability
  - High revenue growth targets in 2009
  - Higher gross margins and reduced OPEX levels 2009
  - Improved liquidity and monetization of non-core assets
- Management team
  - Global Fortune 500 experience
- Blend of Eastern & Western capabilities
  - Asian based R&D and operations, local sales team
  - U.S. capital markets and governance standards



## We are building a world of interactive communication

- **RollingStream™ – End-to-end IPTV Solution**
  - 956,000 live subscribers as of June 2008
  - Over three million subscribers under contract globally
  - Deploying more real IPTV than any other company
- **mBOSS™ – Billing & Operations Support Solution**
  - Complete End-to-end Billing Support and OSS Solutions
  - Common BSS/OSS for all UTStarcom Products and Solutions
- **NetMan™ – Network Management System**
  - Comprehensive End-to-end NMS Solution
  - Common NMS for all UTStarcom Products and Solutions





# Growth in Infrastructure Markets



	Projected Cumulative CAPEX 2008-2012	Projected Growth
<b>IPTV</b>	\$16B	19%
<b>NGN</b>	\$17B	24%
<b>Broadband*</b>	\$43B	17%

- *Broadband consists of MSAN, PON and Carrier Ethernet*
- *Source McKinsey & Company*



# Presence in Rapidly Growing Economies



- **China**
  - Leading IPTV with 62% market share, building Broadband
  - Key relationships with China Netcom, China Telecom
- **India**
  - Broadband leadership with 34% market share
  - Awarded five out of six recent IPTV contracts,
  - Key customer relationships (MTNL, Reliance, Bharti, BSNL and Tata)
- **Japan**
  - Meaningful customer relationships (Softbank, Willcom)
- **Rest of Asia**
  - Sri Lanka (SLT), Taiwan (Markwell), Philippines (PLDT), Korea (Korea Telecom),
- **Europe**
  - Italy (Tiscali), Channel Islands (Jersey Telecom)
- **Latin America**
  - Brazil (Brazil Telecom), Argentina (Nextel)





# Strong Carrier Relationships



Carriers trust UTStarcom to solve complex problems and provide enhanced economic models

- Technology and scale
  - NGN Softswitch delivers > 20% of the world's VoIP traffic
  - MSAN services > 27 million subscribers
  - NGN and Broadband modernize service provider networks
  - Leading IPTV end-to-end solution
- Customized network design
  - Flexibility to support unpredictable traffic growth
  - Optional features (video calling, digital signage, telemedia)
- Enhanced economic model
  - One network, lower integration and management costs
  - Lower bandwidth requirements, lower transport costs
  - Protecting access investments





# Strong Carrier Relationships

Our complementary product portfolio creates a deeper customer relationship leading to economic benefits

- Increased revenue opportunities with cross selling
- Improved gross margins in key accounts > 35%

	<b>IPTV</b>	<b>BB</b>	<b>NGN</b>
<b>Tiscali</b>		XX	XX
<b>Jersey Telecom</b>		XX	XX
<b>Bharti Airtel</b>	XX	XX	
<b>SLT</b>	XX		XX
<b>UTL</b>	XX	XX	XX
<b>MTNL/AKSH</b>	XX	XX	
<b>PLDT</b>		XX	XX
<b>Markwell</b>	XX		XX
<b>Brazil Telecom</b>	XX	XX	XX

# Strong Carrier Relationship: Tiscali



- Competitive carrier founded in 1998, >3.5 million subscribers
- Operations in Italy & UK offering voice, data and media services
- “Challenging European market leaders” through constant innovation and cost competitiveness
- UTStarcom is transforming Tiscali’s network
  - NGN IP based softswitch
  - Multiservice Access Node
  - Unified Network Management system





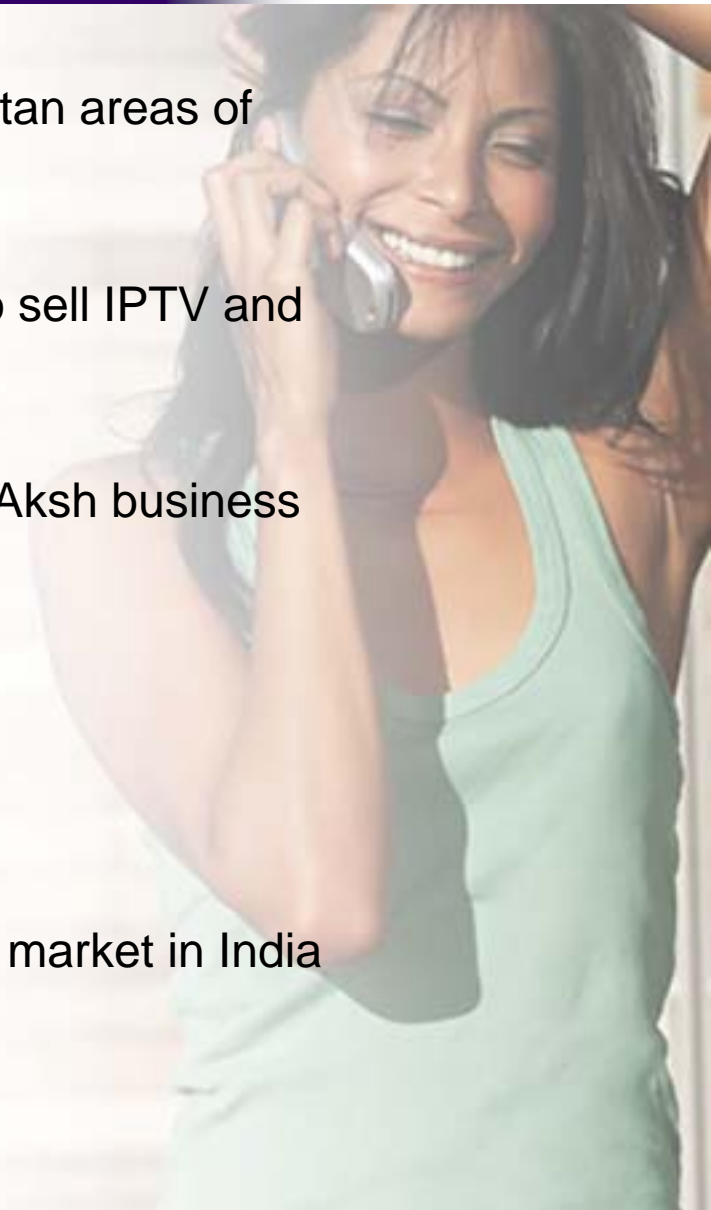
# UTStarcom's Proposition: Tiscali



- Reduction in interconnect costs
  - Enabled by UT's compact trunking gateway
- Reduction in operations & maintenance costs
  - One network and one network management system
  - Less planning and engineering time
  - Lower power consumption
  - Lower floor space requirement
  - Easy integration
- Lower transport costs & lower bandwidth requirements
- Flexibility to support unpredictable traffic growth and to better enable a pay as you grow model



- MTNL provides telecom services in the metropolitan areas of Delhi & Mumbai
- Aksh has established a partnership with MTNL to sell IPTV and plans to gain 1m subscribers over three years
- Basic IPTV service is offered free of charge, the Aksh business model is based on three interactive offerings:
  - Advertising
  - Video call
  - Home shopping
- UTStarcom is enabling Aksh to pioneer the IPTV market in India through the deployment of Rolling Stream





- High capacity, highly scalable unicast solution
  - Interactive & personalized
- Lower storage costs
  - Telecom grade architecture provides an abundance of storage capacity
- Lower integration costs for introduction of new applications
  - Single vendor solution
- Flexible Set-Top Box pricing



# Financial Overview

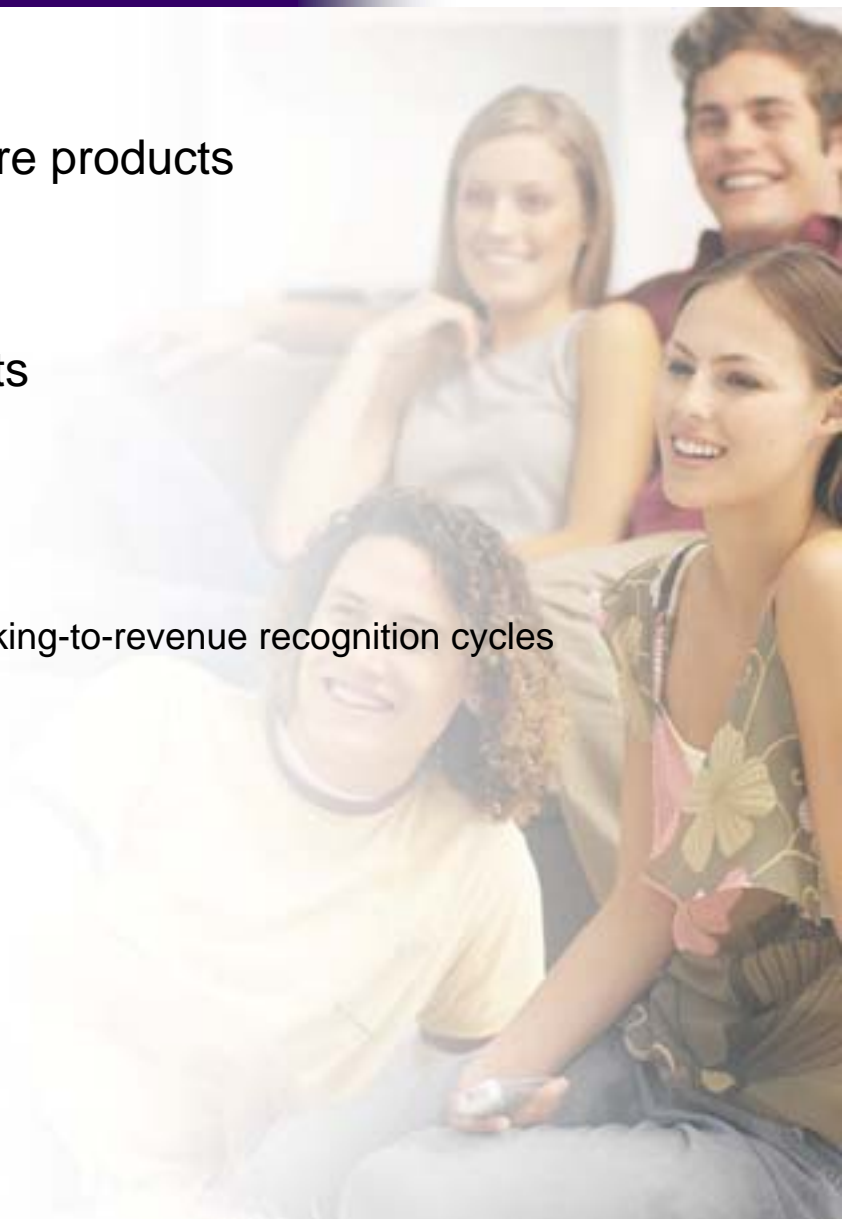
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## Top line drivers

- Revenue and bookings growth in infrastructure products
  - Driven by IPTV, NGN and Broadband
  - Driven by China and India
- Offset by transition away from legacy products
  - Decline in legacy PAS business
  - Exiting non-core products
- Business model with high visibility
  - Multimedia and Broadband segments have long booking-to-revenue recognition cycles

## Gross margin drivers

- Infrastructure segments range 30 – 40%
  - Multimedia 35 – 40%
  - Broadband > 20% (excluding one large customer)
- Handsets and Services range 15 – 25%



	FYE 2005 Actual	FYE 2006 Actual	FYE 2007 Actual	FYE 2008 Act/Fcst
<b>Headcount<sup>1</sup></b>	6,200	6,100	5,100	4,700
<b>Total OPEX/quarter</b>	\$223M	\$131M	\$133M	\$100M <sup>2</sup>

## UTStarcom has been driving down OPEX year – over – year and reducing head count

- Headcount and OPEX are expected to decline by 18% and 24% respectively in the two years ending December 2008
- In 2009 headcount could remain steady but OPEX will likely decrease further through ERP, legal and SOX expense reductions
- R&D expense has not changed during 2007 and 2008 but is focused on fewer products

1. Headcount in early 2005 was over 8,000, 2008 headcount reflects PCD & MSBU divestitures  
 2. Reflects OPEX reduction of \$15M per quarter from PCD and MSBU divestitures

# Liquidity and Cash Position

- March 2008, UTStarcom paid off \$290M in convertible notes and interest with cash repatriated from China
- The liquidity position includes:
  - Net Cash of \$226M as of June 2008
  - Plus divestiture cash receipts of \$216M received July 2008
  - Divestiture proceeds of \$24M held in escrow subject to certain post closing adjustments
- 2008 cash flow from operations usage of \$100M<sup>1</sup>
  - Divestiture of PCD lowers the 2H:08 operating income ~ \$50M
  - 2H:08 working capital buildup for a specific large customer ~ \$60M

1. Guidance given on the August 6<sup>th</sup>, 2008 earnings call

- UTStarcom is making steady improvements in its financial performance
- UTStarcom's infrastructure business, excluding PAS, is expected to grow revenue by 10% in 2008
- UTStarcom infrastructure business, excluding PAS, could grow bookings by 40 - 50% in 2008
- UTStarcom continues to improve gross margins in its infrastructure business
- UTStarcom has reduced quarterly OPEX by 24% (\$31M) since 2006
- The December 2008 anticipated net cash position of ~\$300M is higher than the December 2007 net cash position of \$180M.
  - Plus \$24M in divestiture proceeds held in escrow subject to certain post closing conditions



# Management Team & Summary

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Our strategy will be executed by a broad management team with Fortune 500 experience

Executive	Recent Experience
Hong Liang Lu, Executive Chairman	Co-Founder Unitech Telecom, Kyocera Unison
Peter Blackmore, President and CEO	Unisys, Hewlett-Packard, Compaq
Viraj Patel, Interim CFO	UTStarcom's Controller & Chief Accounting Officer, Celera, Nektar, Avanti
Gene Wu, CTO	Telcordia Technologies, AT&T
Ari Bose, CIO and BTO	3Com, Nortel Networks, Claris
Robert Wu, China CEO	China Press, Time Advertising, Zhuhai Special Economic Zone
Craig Samuel, SVP Strategy & Innovation	Unisys, Hewlett-Packard, Compaq
Baijun Zhao, SVP Multimedia	Motorola, Lucent, Tellabs
Yanya Sheng, SVP Broadband	Nortel Networks, Hitachi Telecom
Dr. Moon Song, President Handsets	Samsung, Pantech Curitel
Brian Caskey, VP Marketing	GTE SpaceNet, AscomTimeplex, 3Com/CommWorks
Mark Green, SVP, Human Resources	VeriSign, Nortel Networks



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A World of Better Communication



# Appendix Infrastructure Solutions

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## We are modernizing connectivity

- **NGN Wireless SoftSwitch Solution**
  - Over 60 million wireless subscribers globally
  - Evolution to FMC and NGN
- **mSwitch® – NGN SoftSwitch Solution**
  - Leading the industry in Class 5 Local Transport
  - 200 billion IP telephony minutes-of-usage per year

## We are building a world of better communication

- **MSAN Solution**
  - 1<sup>st</sup> All-IP DSLAM in the world
  - Third Generation architecture designed for IPTV, Voice and High Speed Data supporting over 27 million ports globally
- **NetRing™ – MSTP – Optical Solution**
  - We are connecting entire countries with Multi-service Optical Transport
  - Integrates ADM, Cross Connect, ATM, Ethernet and RPR functionality within a single scalable platform
- **GEPON Solution**
  - Worlds first GEPON Solution

