



Second Quarter 2018 Results

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www.utstar.com

Disclosure and Forwarding Looking Statements



This investor presentation contains forward-looking statements, including statements regarding the Company's expectation regarding its strategic initiatives and business outlook. Forward-looking statements are based on current expectations, estimates, forecasts and projections about the Company, the Company's future performance and the industries in which the Company operates as well as on the Company management's assumptions and beliefs.

These forward-looking statements are only predictions and are subject to risks and uncertainties that may cause actual results to differ materially and adversely from the Company's current expectations. These include risks and uncertainties related to, among other things, changes in the financial condition and cash position of the Company, changes in the composition of the Company's management and their effect on the Company, the Company's ability to realize anticipated results of operational improvements and benefits of the divestiture transaction, successfully operate and grow its services business, execute its business plan and manage regulatory matters, as well as the risk factors identified in the Company's latest Annual Report on Form 20-F, and Current Reports on Form 6-K, as filed with the Securities and Exchange Commission. We undertake no obligation to update these forward-looking statements to reflect events or circumstances occurring after the date of this investor presentation. The Company is in a period of significant transition and the conduct of its business is exposed to additional risks as a result.

Q2 2018 Financial Highlights



	Q2 2018	Y/Y Change	Q/Q Change
Revenues	\$28.5	-9.4%	+26.3%
Gross Margin	26.2%	-2.1%	-14.3%
Operating Expenses	\$7.0	-2.7%	+2.1%
Operating Income	\$0.5	-\$1.3	-\$1.8
Net Income (Loss)	-\$0.1	-\$2.5	-\$4.1
Basic EPS	-\$0.00	-\$0.07	-\$0.11
Cash Balance (Including Restricted Cash)	\$80.5	-27.7%	-18.6%

Note: All dollar figures in millions (except basic EPS)

Key Business Highlights



SRv6 Router Product Line

- New routers are based on segment routing (SR) over IPv6 data plane (SRv6) integrated with SDN platform SDO network
- SRv6 is a breakthrough networking technology, offering greater scalability and flexibility, at the same time simplifying networks
- The trend towards this architecture is well underway
- Value proposition:
 - Enables high agility and automation
 - Reduces network complexity
 - Optimizes operation and maintenance



Softbank World 2018

- One of the largest corporate events. 2018 event focused on the latest trends in IT technology, including IoT, AI, Robots, and 5G
- UT showcased a number of newest products (Page 5)
- UT's executive management team delivered keynote addresses
 - Getting ready for 5G / 5G is coming. Networks must get ready first
 - Time Synchronization for 5G & IoT Applications



Network Evolution 2018 – Live Demonstration

- UTStarcom-hosted event dedicated to demonstration of the latest technologies enabling network evolution towards support of 5G, IoT, M2M, etc. (Page 6):
 - SRv6
 - SDN
 - Synchronization over packet
- The event was attended by UTStarcom's key customers, as well as potential new customers and partners



Key Business Highlights – Softbank World 2018



- UTStarcom is the Diamond sponsor of the event
- Key Message: Enabling network evolution
- Our major focus during the event was on several key areas enabling network evolution towards support of 5G, IoT, M2M, etc.:
 - Next generation-packet optical technologies with SR-based routing
 - 5G-ready synchronization over packet networks
 - SDN-based control, automation, intelligence
 - Smart retail solutions
 - Intelligent gateway platforms and IoT
- Product Exhibits included our newest products:
 - Next generation SRv6-based routing platform with support of 100GE: SkyFlux UAR400, UAR500
 - 5G-ready timing solution: SyncRing XGM30, smartphone with management APP
 - SDN Controller: SOO Station
 - Intelligent customer edge platform: VBG-M7105
 - Smart commercial display refrigerator: goBox
- UT's executive management team delivered keynote addresses
 - Getting ready for 5G / 5G is coming. Networks must get ready first
 - Time Synchronization for 5G & IoT Applications



Key Business Highlights – Network Evolution 2018



- Network Evolution 2018 - Live Demonstration
- UTStarcom-hosted event in our office in Tokyo
- Demonstration of the latest technologies enabling network evolution towards support of 5G, IoT, M2M, etc.:
 - SRv6
 - SDN
 - Synchronization over packet
- Strong customer interests
- 2 days' timeslots fully booked and additional timeslots requested
- Very positive feedback from key customers



1. Network Evolution with SRv6

- 1-1. L3VPN over SRv6 network
- 1-2. SRv6 data plane: SRH, network programming / TE
- 1-3. TI-LFA protection
- 1-4. SRv6 from a host

2. SDN and NETCONF/YANG

- 2-1. NETCONF/YANG for service setup
- 2-2. Path Computation Engine (PCE) demo

3. 5G-ready synchronization

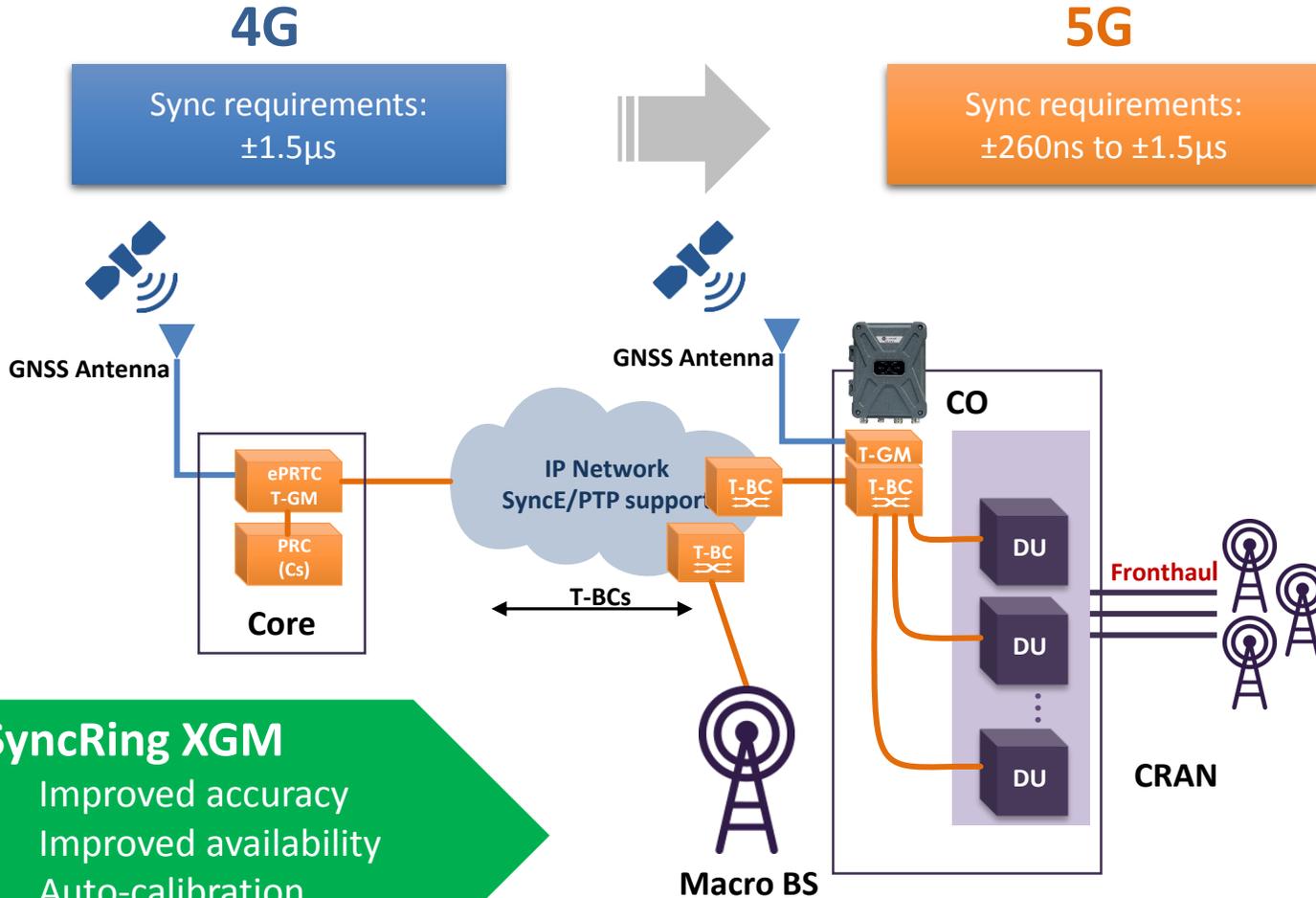
- 3-1. GNSS-based GM: PTP-based accuracy measurement
- 3-2. Holdover operation demonstration
- 3-3. Protection based on BMCA
- 3-4. Management features



SyncRing



4G/5G-ready Synchronization



SyncRing XGM

- Improved accuracy
- Improved availability
- Auto-calibration
- Extended monitoring

SyncRing XGM

Grand Master



SyncRing XBC510

Boundary Clock



Netman 6000 OMC-O

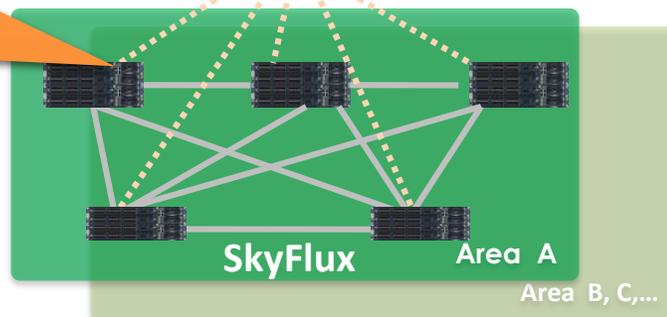
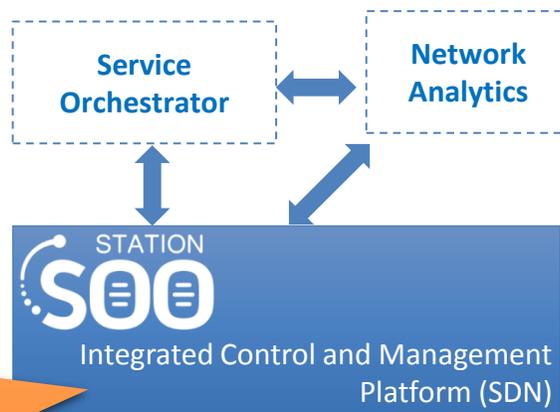
Centralized network management



SkyFlux UAR: SRv6 Routers Family



April 19, 2018
Announced
POC-ready release



Intelligent Networking:
Source Routing + SDN + 10/100GE

Enable
network programmability,
SDN-based automation,
and high network scalability...
...while reducing complexity

- UAR500**
- SRv6-enabled high-performance aggregation router
 - 800Gbps capacity
 - Interfaces up to 100GE
 - Modular full-redundant chassis, 5RU
 - Tight SDN integration



Programmable agile network
Seamless SDN integration
L2VPN/L3VPN services
Carrier-class feature set
(sub-50ms protection, OAM, TE, QoS)
100GE support
Reliable modular hardware platform

Key Technologies for 5G Network

Segment Routing(SR):



- ① A new forwarding paradigm
- ② Source routing technology
- ③ Simplify MPLS networks
- ④ Great match SDN automation
- ⑤ SR MPLS or SRv6

01

Clock Synchronization:

- ① Sync over packet NW
- ② Distributed GM clock
- ③ High accuracy for 5G



02

01

Segment Routing

New tunneling technology in packet NW base on sourcing routing

02

Synchronization

"Sync over packet NW" with PTP (Precision Time Protocol) and SyncE

03

FlexE

Flex Ethernet through a variety of Ethernet MAC rates

04

SDN Controller

SDN for service orchestration with APP driven



SDN Controller

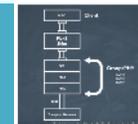
- ① Service orchestration
- ② Network on demand
- ③ Automation
- ④ APP driven

04

03

FlexE:

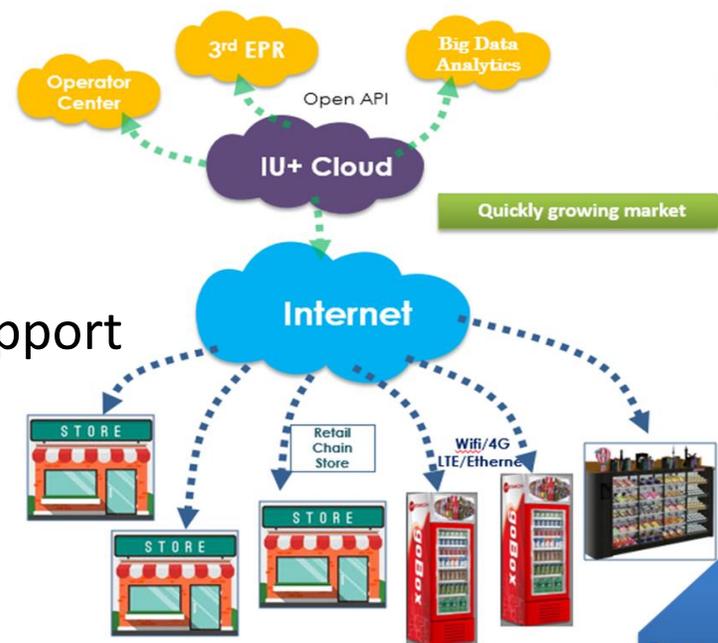
- ① Various Ethernet MAC rates;
 - ① Bonding of multiple links
 - ② Sub-rating of links
 - ③ Channelization of links
- ② TDM Tunnel and XC



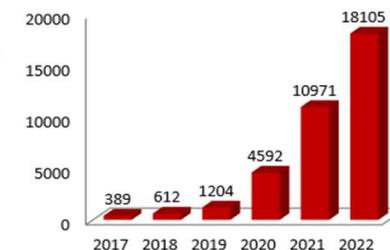
Key Business Highlights

Retail Store Automation

- Formed a JV with a leading Chinese refrigerator manufacturer
- goBox Platform to integrate leading-edge technologies:
 - AI features including:
 - Facial recognition
 - Image analysis
 - Behavior identification
 - Integrated load and image sensing
 - Cloud-based system management and support
 - E-payment
 - Real-time interactive capabilities



China cashier-free retail market analysis – transactions per year



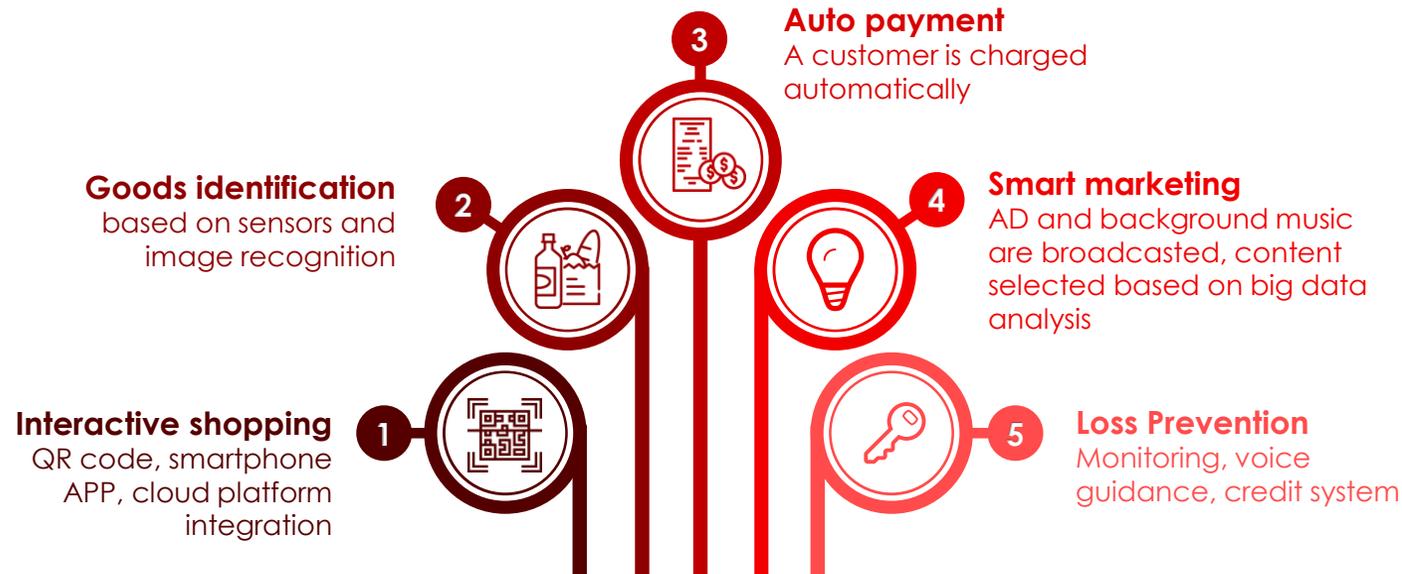
Total transactions, 100M RMB
Source: China Industrial information website

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goBox



- A smart commercial refrigerator
- Smoothly integrates with UT's cloud platform
- Uses load and image recognition, sensors and big data for streamlined automated shopping experience
- goBox is getting market traction
 - Initial commercial deployment in Q2
 - A significant ramp in shipments is expected in the second half of the year
 - In commercial use by several customers, including both domestic and globally recognized beverage companies



Key Business Highlights



India Business

- India continues to be a key market
- Business remains robust
- Several major projects are underway
- UT expects to expand its market share for broadband internet network equipment in the region



INDIA



CHINA

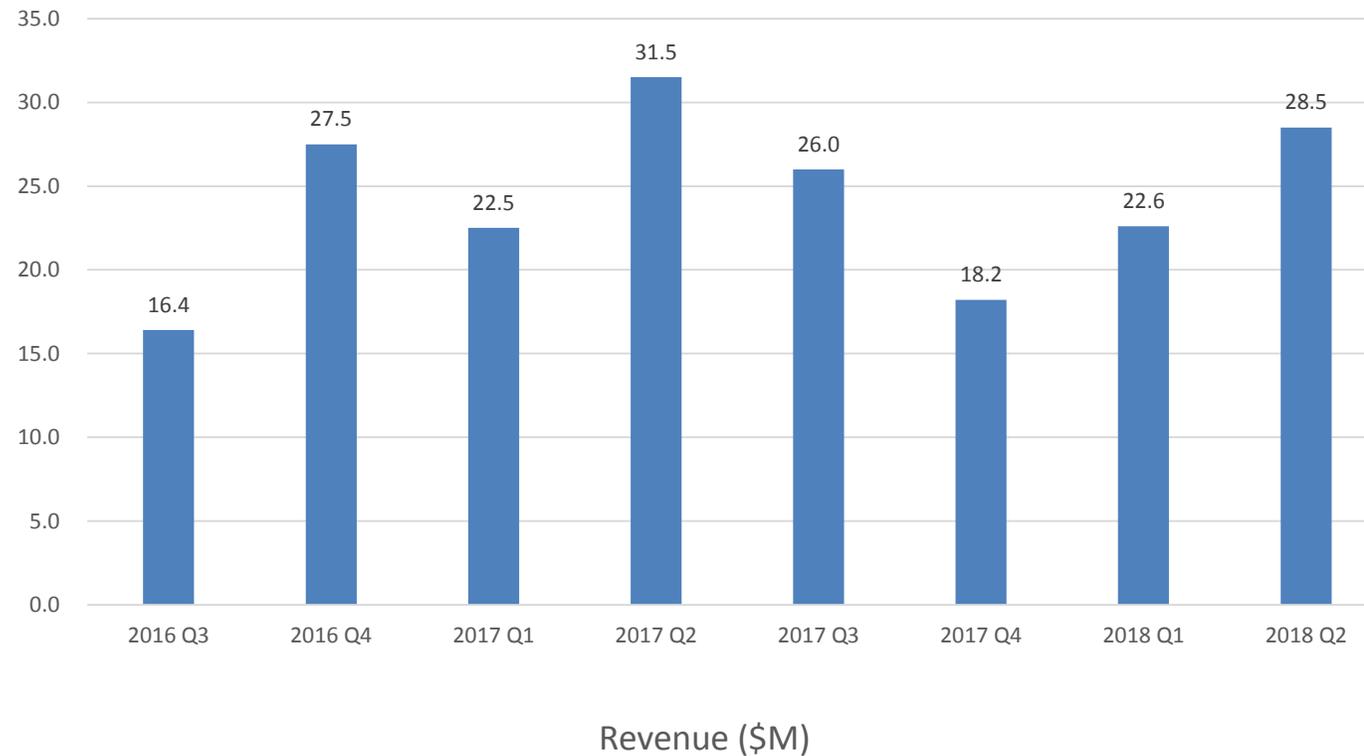
China Business

- Evaluating opportunities in the China market
- Initial discussions with potential partners underway to collaborate on next-generation mobile network projects

Revenues



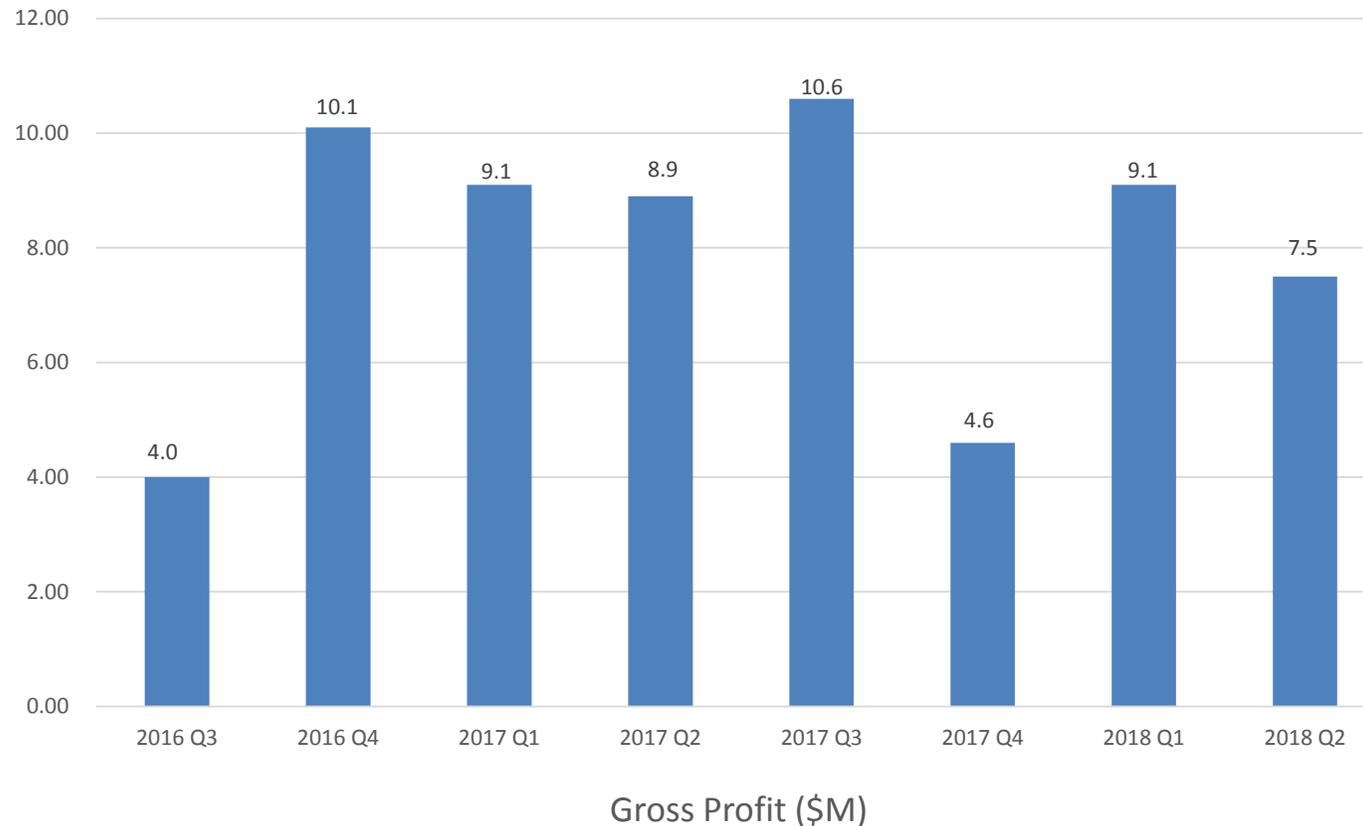
- Revenues in Q2 2018 were \$28.5 million, compared to \$31.5 million in Q2 2017 and \$22.6 million in Q1 2018
- Equipment sales in Q2 2018 were \$24.1 million, compared to \$26.2 million in Q2 2017



Gross Profit



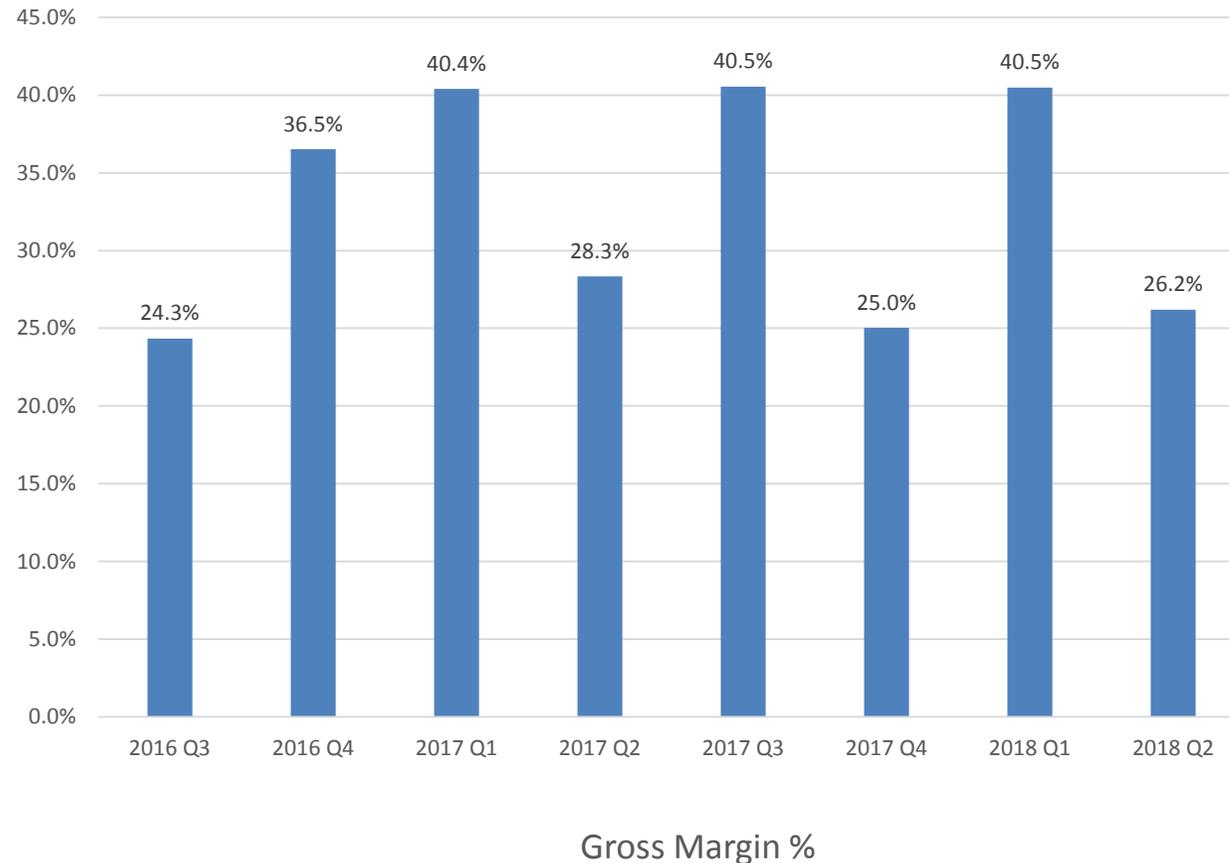
- Gross profit in Q2 2018 was \$7.5 million, compared to \$8.9 million in Q2 2017 and \$9.1 million in Q1 2018
- Equipment gross profit in Q2 2018 was \$6.2 million, compared to \$7.5 million in Q2 2017



Gross Margin



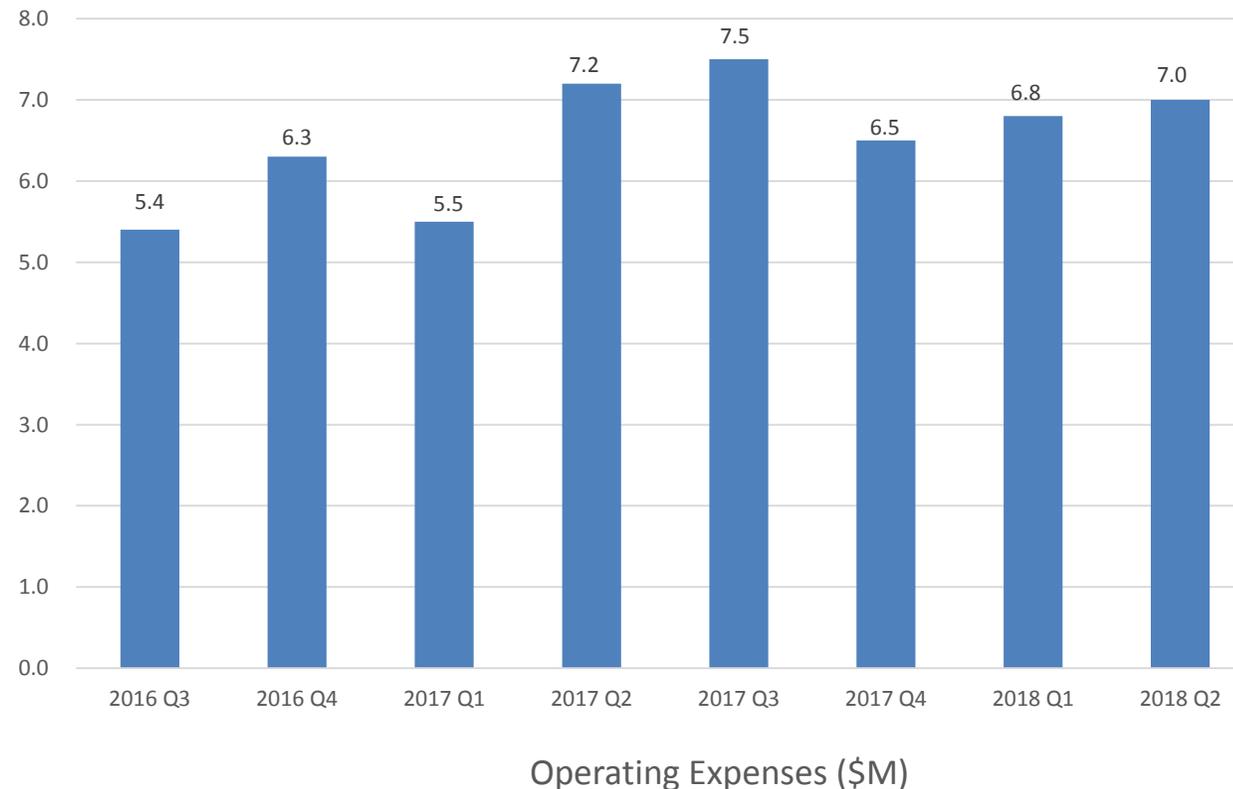
- Gross margin in Q2 2018 was 26.2%, compared to 28.3% in Q2 2017 and 40.5% in Q1 2018
- Equipment gross margin in Q2 2018 was 25.6%, compared to 28.6% in Q2 2017



Operating Expenses



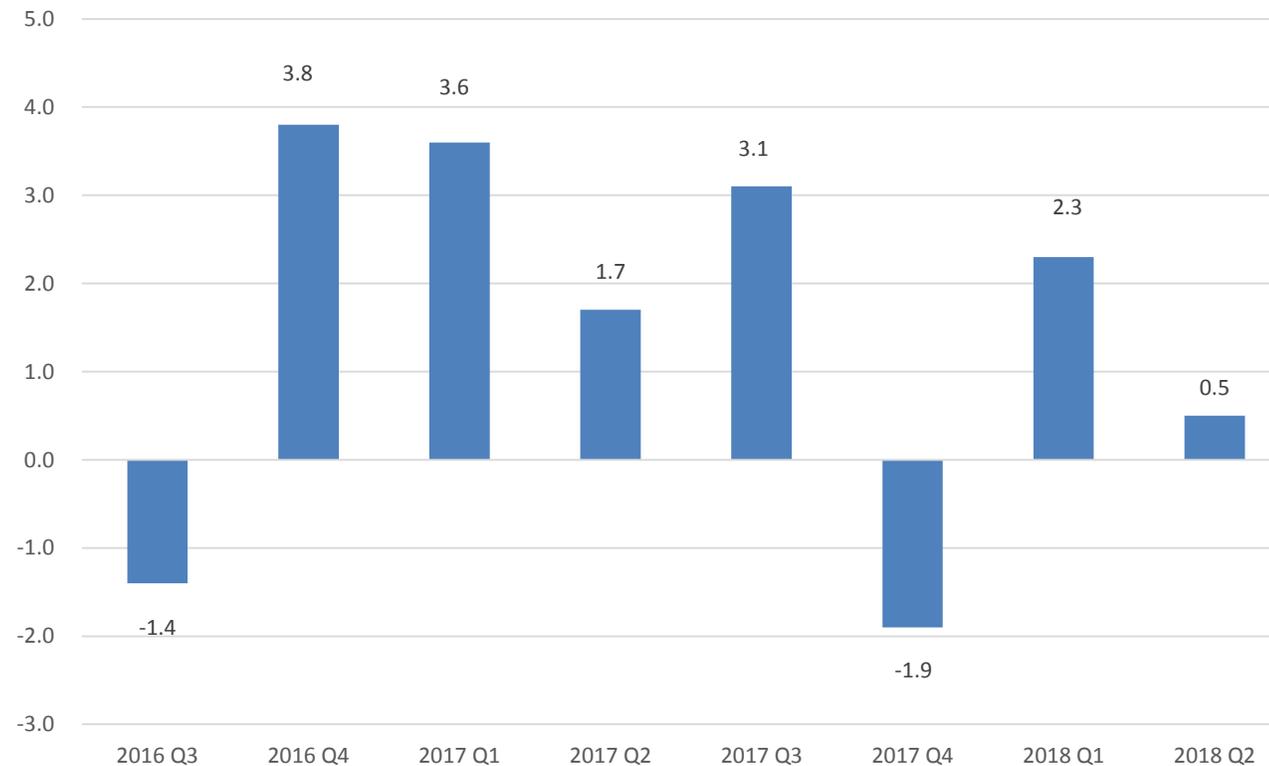
- Operating expenses in Q2 2018 were \$7.0 million, compared to \$7.2 million in Q2 2017 and \$6.8 million in Q1 2018
- R&D expenses in Q2 2018 were \$2.8 million, up from \$2.3 million in Q2 2017. The increase was largely due to continuing investment in R&D



Operating Income (Loss)



- Operating income in Q2 2018 was \$0.5 million, compared to \$1.7 million in Q2 2017 and \$2.3 million in Q1 2018
- Operating margin in Q2 2018 was 1.7%, compared to 5.5% in Q2 2017

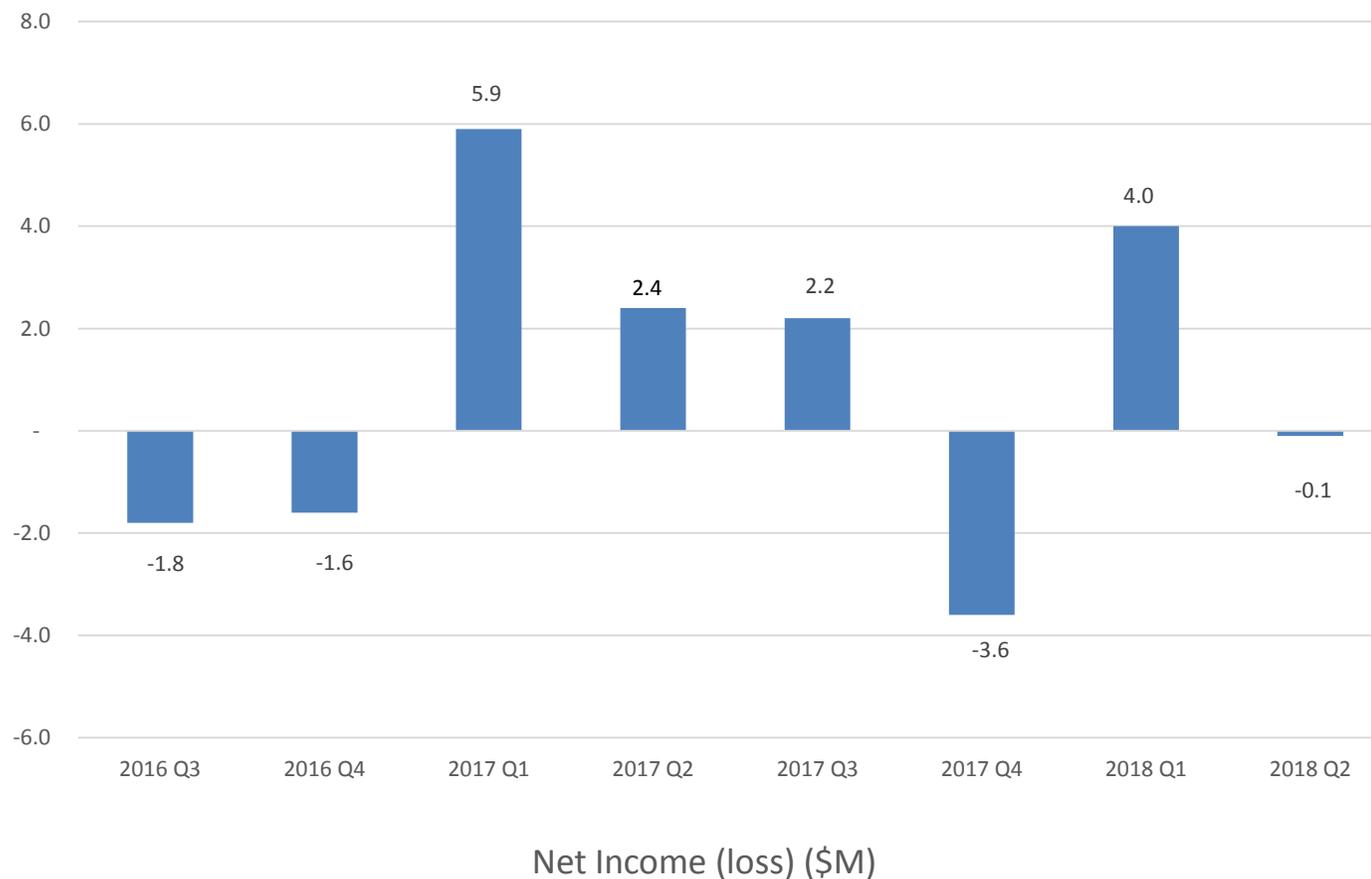


Operation Income (Loss) (\$M)

Net Income (Loss)



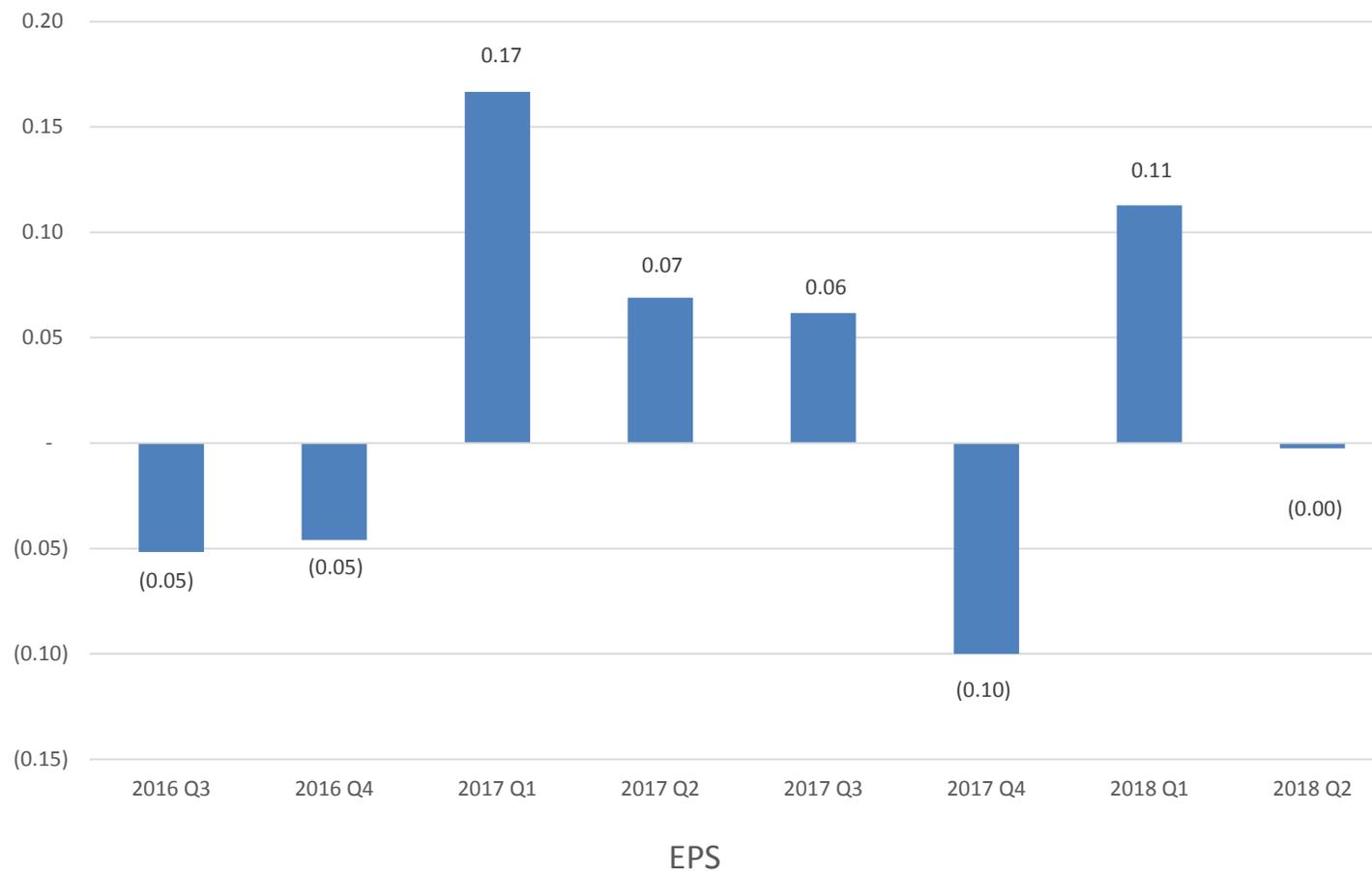
- Net loss in Q2 2018 was \$0.1 million, compared to a net income of \$2.4 million in Q2 2017 and a net income of \$4.0 million in Q1 2018



Earnings Per Share



- Basic net loss per share in Q2 2018 was \$0.00, compared to basic net income per share of \$0.07 in Q2 2017 and basic net income per share of \$0.11 in Q1 2018



Cash Flow



- The Company held \$80.5 million in cash, cash equivalents and restricted cash as of June 30, 2018, compared to \$98.9 million as of March 31, 2018
- Cash used in operating activities was \$13.7 million in Q2 2018
- Cash used in investing activities was \$1.8 million in Q2 2018
- Cash used in financing activities (stock repurchases) was \$1.1 million in Q2 2018



Q3 2018 Outlook



- Earnings results in the third quarter will be driven by the ongoing fulfillment of large projects in India. These projects should result in strong revenue growth, but at reduced gross margin relative to the second quarter of 2018
- For the third quarter, the Company expects to generate revenue in the range of \$38 million to \$43 million

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Thank you !