

SMIC Q3 2013 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

October 2013



Safe Harbor Statements

Under the Private Securities Litigation Reform Act of 1995

This presentation contains, in addition to historical information, “forward-looking statements” within the meaning of the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements, including statements under “Fourth Quarter 2013 Guidance”, and the statements and chart regarding our future 2013 capital expenditures, are based on SMIC’s current assumptions, expectations and projections about future events. SMIC uses words like “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project” and similar expressions to identify forward-looking statements, although not all forward-looking statements contain these words. These forward-looking statements involve significant risks, both known and unknown, uncertainties and other factors that may cause SMIC’s actual performance, financial condition or results of operations to be materially different from those suggested by the forward-looking statements including, among others, risks associated with the global economic slowdown, orders or judgments from pending litigation and financial stability in end markets.

Investors should consider the information contained in SMIC’s filings with the U.S. Securities and Exchange Commission (SEC), including its annual report on 20-F filed with the SEC on April 15, 2013, especially the consolidated financial statements, and such other documents that SMIC may file with the SEC or The Hong Kong Stock Exchange Limited (“SEHK”) from time to time, including current reports on Form 6-K. Other unknown or unpredictable factors also could have material adverse effects on SMIC’s future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this presentation may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this presentation. Except as may be required by law, SMIC undertakes no obligation and does not intend to update any forward-looking statement, whether as a result of new information, future events or otherwise.

About Non-Generally Accepted Accounting Principles (“Non-GAAP”) Financial Measures

To supplement SMIC’s consolidated financial results presented in accordance with IFRS, SMIC uses in this presentation measures of operating results that are adjusted to exclude wafer shipments from Wuhan Xinxin Semiconductor Manufacturing Corporation (“Wuhan Xinxin”), which SMIC began gradually phasing out in 3Q13. This presentation includes non-GAAP revenue, non-GAAP cost of sales and non-GAAP gross margin. It also includes fourth quarter 2013 guidance for non-GAAP revenues and non-GAAP gross margin, which exclude such shipments, and for non-GAAP operating expenses, which is adjusted to exclude the effect of foreign exchange, employee bonus accrual, funding of R&D contracts from the government and gain from the disposal of living quarters. The presentation of the non-GAAP financial measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS.

SMIC believes that use of these non-GAAP financial measures facilitates investors’ and management’s comparisons to SMIC’s historical performance. The Company’s management regularly uses these non-GAAP financial measures to understand, manage and evaluate the Company’s business and make financial and operational decisions.



3Q13 Financial Highlights

Revenue including wafer shipments from Wuhan Xinxin was **\$534.3 million**

- increased **15.8%** year over year
- decreased **1.3%** quarter over quarter

Record-high **Non-GAAP** revenue excluding wafer shipments from Wuhan Xinxin of **\$503.7 million**

- increased **21.7%** year over year
- increased **0.4%** quarter over quarter

Gross margin including wafer shipments from Wuhan Xinxin was **21.0%**

- compared to **27.5%** in 3Q12
- compared to **25.0%** in 2Q13

Non-GAAP gross margin excluding wafer shipments from Wuhan Xinxin was **22.1%**

- compared to **30.4%** in 3Q12
- compared to **26.7%** in 2Q13



3Q13 Financial Highlights

Sixth consecutive quarter of positive **profit attributable to SMIC** was **\$42.5 million**

- compared to **profit of \$12.0 million** in 3Q12
- compared to profit of \$75.4 million in 2Q13

Revenue from **40/45 nm applications** increased to a record **15.7%** of wafer revenue

- compared to **0.8%** in 3Q12
- compared to 10.0% in 2Q13

Cash and bank balances increased to **\$473.5 million**

- compared to **\$231.8 million** in 3Q12
- compared to \$263.0 million in 2Q13

Revenue from **China**-based customers increased to **42.1%** of overall revenue, an all-time high

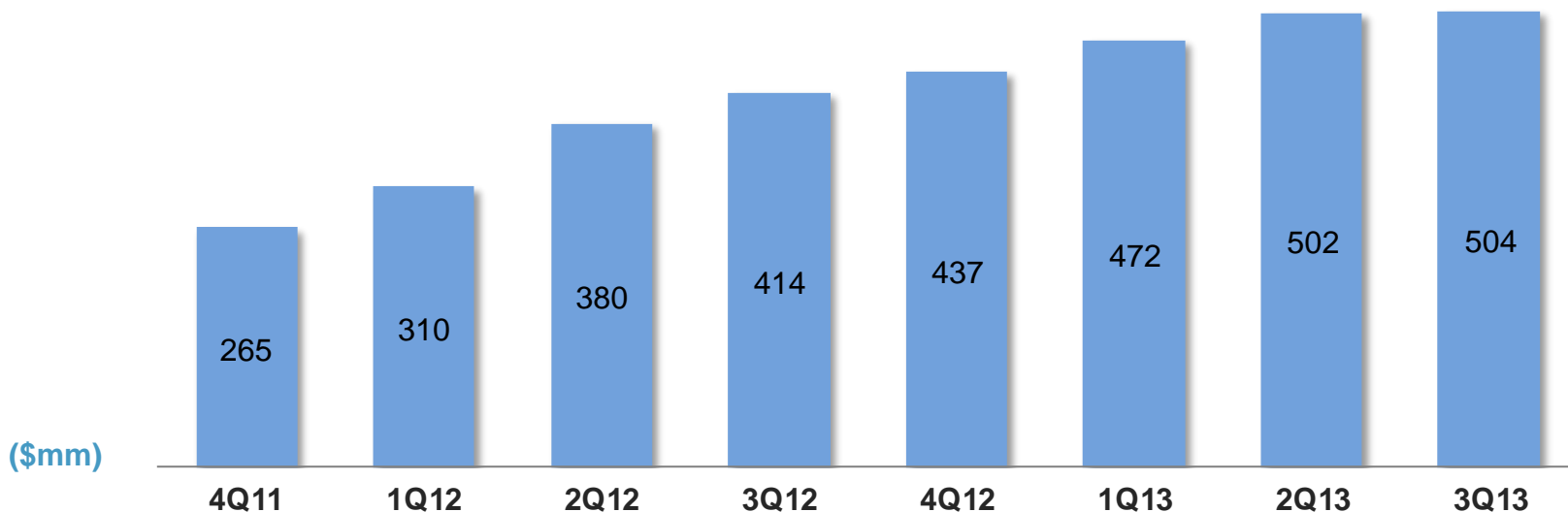
- compared to **35.3%** in 3Q12
- compared to 40.9% in 2Q13



Funding of R&D contracts from the government, which was included as a reduction against the R&D expenses, was \$9.0 million in 3Q13, compared to \$3.0 million in 2Q13. In effect, actual R&D expenses increased \$6.8 million in 3Q13 due to higher R&D activities from quarter to quarter.

General and administrative expenses decreased

Non-GAAP revenue excluding wafer shipments from Wuhan Xinxin



Revenue from wafer shipments from **Wuhan Xinxin** was **\$30.6 million** in 3Q13. The Company began phasing out wafer shipments from Wuhan Xinxin in 3Q13.

Balance Sheet Highlights

(US\$ thousands)	For the three months ended	
	Sept 30, 2013	June 30, 2013
Cash and bank balances	473,507	262,955
Restricted Cash	195,813	214,430
Trade and other receivables	396,108	472,426
Inventories	289,954	308,328
Other Assets	3,065,700	3,043,560
Total Assets	4,421,082	4,301,699
Short-term borrowings	548,385	586,425
Long-term borrowings	553,435	474,692
Total Debt	1,101,820	1,061,117
Total Liabilities	1,861,701	1,897,961
Total Equity	2,559,381	2,403,738
Debt/Equity Ratio*	43.1%	44.1%

* Calculated based on (Total Debt) / (Total Equity)

Cash Flow Highlights

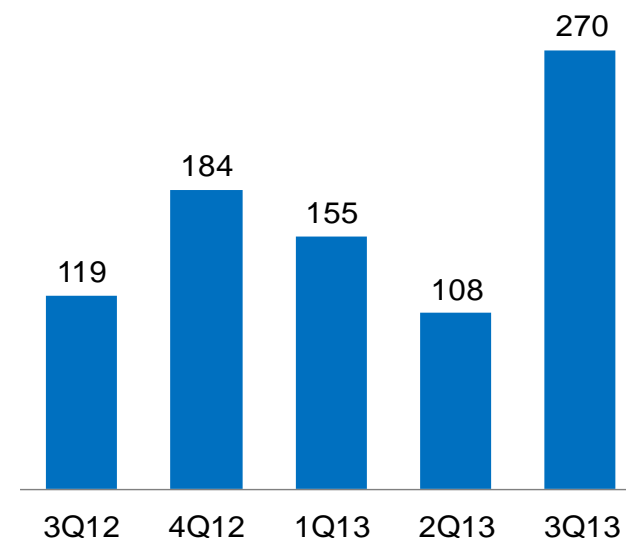
(US\$ thousands)

For the three months ended

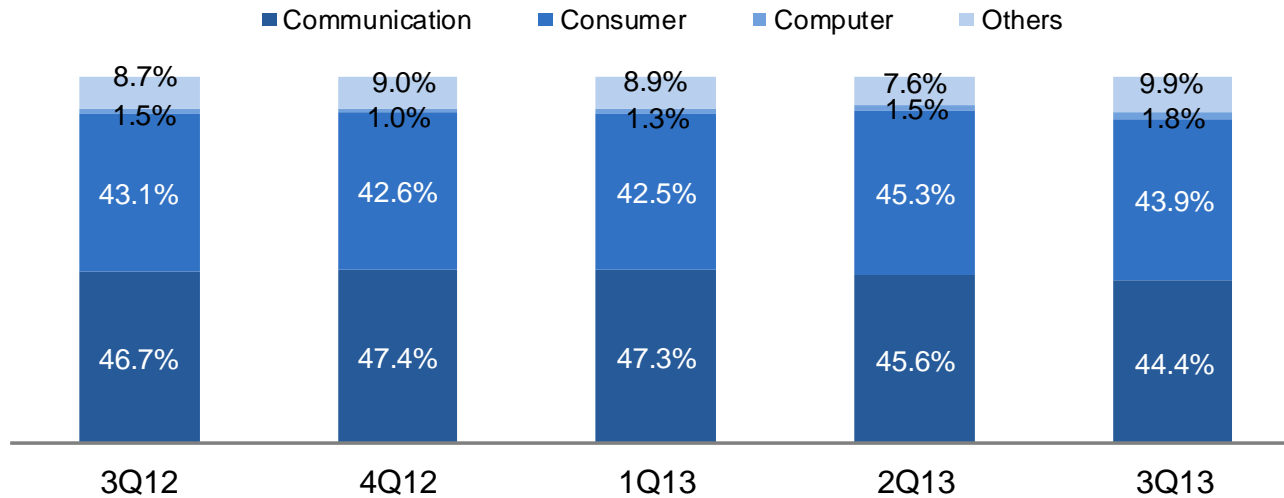
	Sept 30, 2013	June 30, 2013
Cash and bank balances, beginning of period	262,955	292,932
Net cash generated from operating activities	269,581	108,360
Net cash used in investing activities	(213,133)	(242,559)
Net cash (used in) generated from financing activities	154,045	104,167
Net increase (decrease) in cash and bank balances	210,552	(29,977)
Cash and bank balances, end of period	473,507	262,955

Cash Flow from Operations

US\$ Million

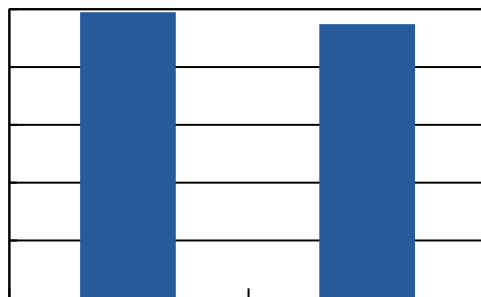


Total Revenue Breakdown by Applications



3Q 13 vs. 2Q 13

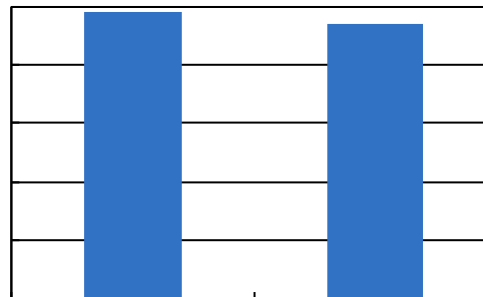
Communications



2Q13

3Q13

Consumer



2Q13

3Q13

Computer

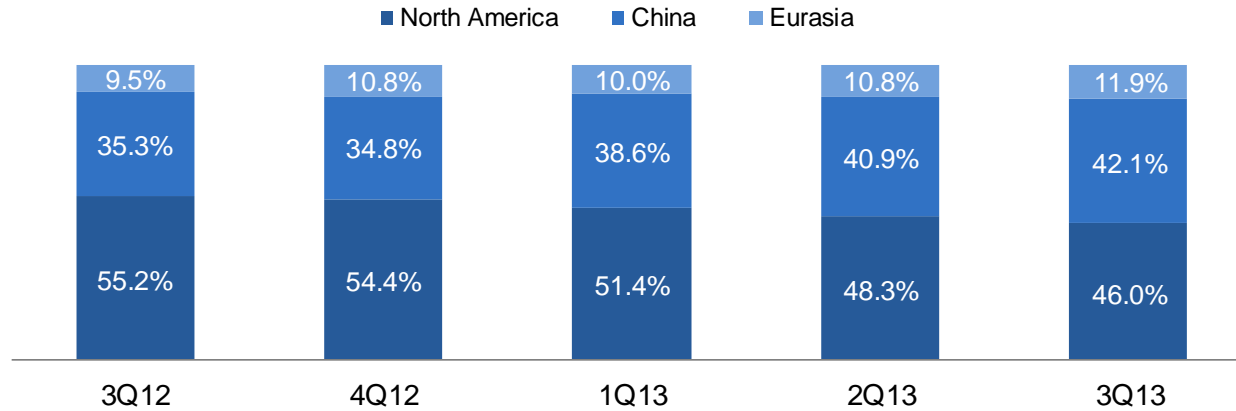


2Q13

3Q13

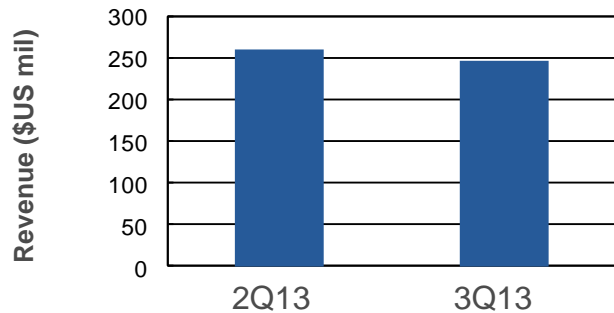
Revenue (\$US mil)

Total Revenue Breakdown by Geography

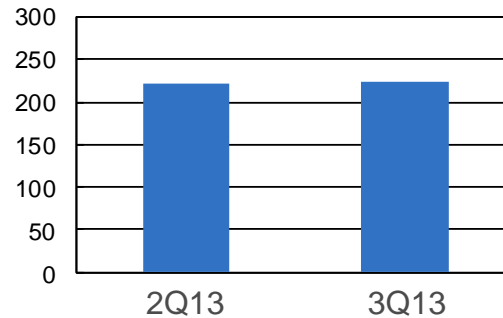


3Q 13 vs. 2Q 13

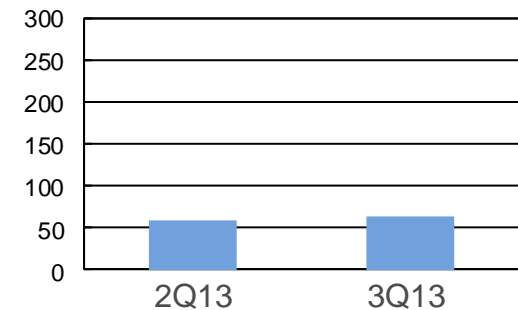
North America



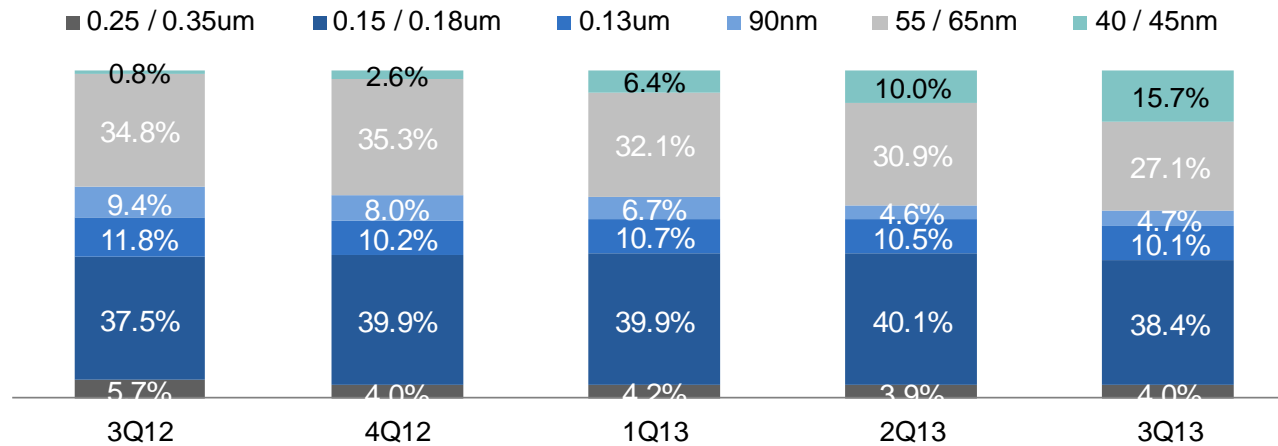
China



Eurasia

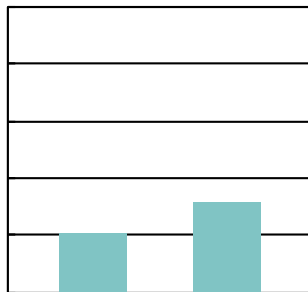


Wafer Revenue Breakdown by Technology



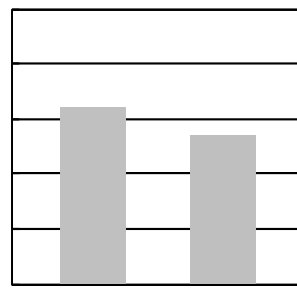
3Q 13 vs. 2Q 13

40/45 nm



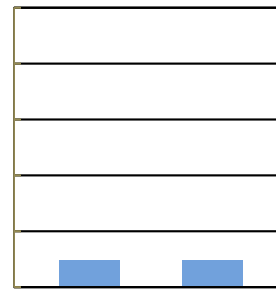
2Q13 3Q13

55/65nm



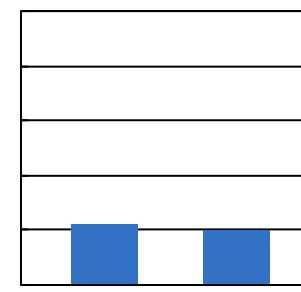
2Q13 3Q13

90nm



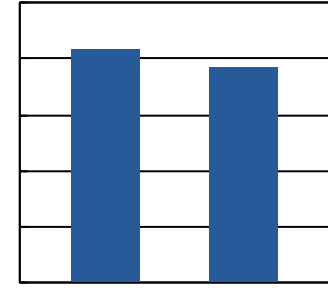
2Q13 3Q13

0.13um



2Q13 3Q13

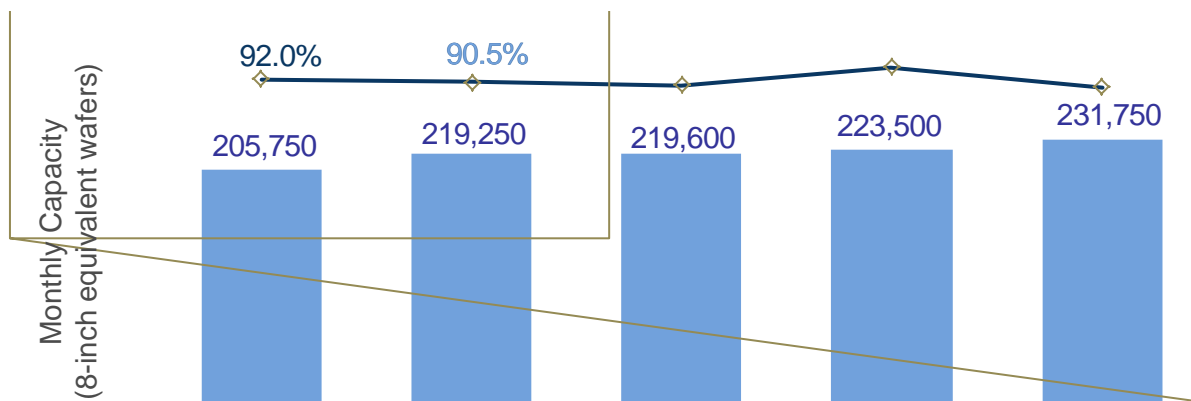
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2Q13 3Q13



Capacity, Utilization and Shipment



10.0750

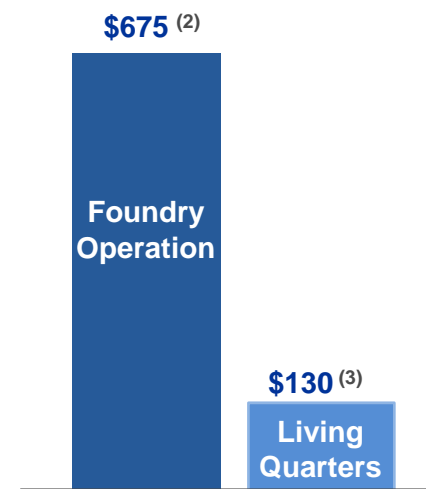
	3Q12	4Q12	1Q13	2Q13	3Q13
Shanghai Mega Fab (8")	90,000	90,000	90,000	90,000	90,000
Shanghai 12-inch Fab (12")	-	6,000	6,290	8,000	11,000
Beijing Mega Fab (12")	35,000	35,000	36,000	36,000	36,000
Tianjin Fab (8")	37,000	37,000	34,450	34,500	36,000
Monthly Capacity (8-inch equivalent wafers)	205,750	219,250	219,600	223,500	231,750
Wafer Shipment	605,543	608,372	631,776	687,651	653,090
Utilization Rate ⁽¹⁾	92.0%	90.5%	89.0%	98.5%	88.2%

(1) Capacity utilization rate is reported based on total equivalent wafers out divided by estimated total quarterly capacity

4Q 2013 Guidance and 2013 Capex Guidance

	4Q 2013 Guidance
Non-GAAP Revenue excluding wafer shipments from Wuhan Xinxin	Flat to -4.5%
Revenue including wafer shipments from Wuhan Xinxin	-4.5% to -9%
Non-GAAP Gross Margin excluding wafer shipments from Wuhan Xinxin	19.0% to 22.0%
Gross Margin including wafer shipments from Wuhan Xinxin	18.5% to 21.5%
Non-GAAP Operating Expense ⁽¹⁾	\$80.0 to \$84.0 million

2013 Capex Guidance (US\$mm)



- (1) Exclude the effect of foreign exchange, funding of R&D contracts from the government, gain arising from the disposal of living quarters and employee bonus accrual.
- (2) The 2013 planned capital expenditure does not account for additional expenditures for the joint venture company in Beijing, which was established in July 2013. The joint venture company will principally engage in, among other things, the testing, development, design, manufacturing, packaging and sale of integrated circuits.
- (3) In addition, we have budgeted capital expenditures of another \$130 million in 2013 for the construction of living quarters for employees as part of the Company's employee retention program. We plan to either rent out or sell these living quarter units to employees in the future.



Appendix

3Q13 Results Vs Guidance

	3Q 2013 Guidance	3Q 2013 Results
Revenue including wafer shipments from Wuhan Xinxin	-3% to flat	-1.3%
Non-GAAP Revenue excluding wafer shipments from Wuhan Xinxin	-1% to +2%	+0.4%
Gross Margin including wafer shipments from Wuhan Xinxin	17.5% to 20.5%	21.0%
Non-GAAP Gross Margin excluding wafer shipments from Wuhan Xinxin	18.5% to 21.5%	22.1%
Operating expenses ⁽¹⁾	---	\$63.4 million
Normalized operating expenses ⁽²⁾	\$81 to \$85 million	\$81.5 million

(1) Operating expense as reported on Earning Release.

(2) Exclude the effect of foreign exchange, funding of R&D contracts from the government and gain arising from the disposal of living quarters.

Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	3Q12	4Q12	1Q13	2Q13	3Q13
Capex	130	102	185	302	169
Depreciation & Amortization	143	140	136	136	137



Thank you

Contact us: ir@smics.com