



SMIC Q2 2013 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

Aug 2013

Safe Harbor Statements

Under the Private Securities Litigation Reform Act of 1995

This

forward-looking statements, including statements under 2013

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

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

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 Exchange Listing. Other

performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this press release 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 press release. 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.



2Q13 Financial Highlights

Fifth consecutive record-high quarter **revenue of \$541.3 million**
increased 28.3% year over year
increased 7.9% quarter over quarter

Revenue from **China**-based customers increased to a record **40.9%** of overall revenue
compared to **32.7%** in 2Q12
compared to 38.6% in 1Q13

Gross Profit of \$135.2 million was a record high
compared to **\$101.7 million** in 2Q12
compared to \$98.3 million in 1Q13

Gross margin was **25.0%**
compared to **24.1%** in 2Q12
compared to 19.6% in 1Q13

Profit attributable to SMIC was **\$75.4 million**
compared to **profit of \$7.1 million** in 2Q12

Income Statement Highlights

| (US\$ thousands) | 2Q13 | 1Q13 | QoQ | 2Q12 | YoY |
|---|-----------------|-----------------|---------------|-----------------|---------------|
| Total Revenue | 541,302 | 501,609 | 7.9% | 421,825 | 28.3% |
| Gross Profit | 135,227 | 98,288 | 37.6% | 101,715 | 32.9% |
| Gross Margin | 25.0% | 19.6% | - | 24.1% | - |
| Operating Expenses | (56,095) | (46,967) | 19.4% | (87,973) | -36.2% |
| <i>Research & Development</i> | <i>(36,736)</i> | <i>(24,758)</i> | <i>48.4%</i> | <i>(51,021)</i> | <i>-28.0%</i> |
| <i>General & Administrative</i> | <i>(42,636)</i> | <i>(34,203)</i> | <i>24.7%</i> | <i>(29,093)</i> | <i>46.6%</i> |
| <i>Selling & Marketing</i> | <i>(9,775)</i> | <i>(8,254)</i> | <i>18.4%</i> | <i>(7,786)</i> | <i>25.5%</i> |
| <i>Other operating income (expense)</i> | <i>33,052</i> | <i>20,248</i> | <i>63.2%</i> | <i>(73)</i> | <i>-</i> |
| Profit from operation | 79,132 | 51,321 | 54.2% | 13,742 | 475.8% |
| Other income (expense), net | (3,292) | (8,273) | -60.2% | (8,188) | -59.8% |
| <i>Interest income</i> | <i>936</i> | <i>1,352</i> | <i>-30.8%</i> | | |
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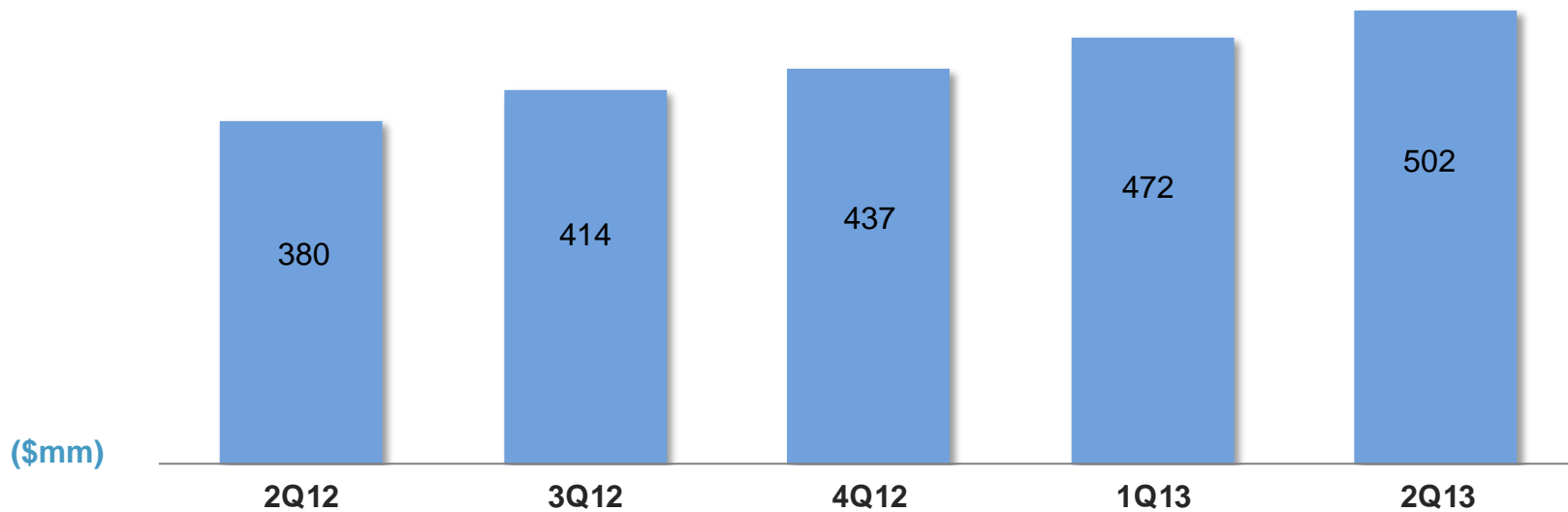
R&D expenses increased mainly due to a **\$7.5 million decrease in the funding of R&D** contracts from the government in 2Q13 and an **increase of employee bonus accrual** in 2Q13.

G&A expenses increased mainly due to higher **employee bonus accrual in 2Q13**.

Other operating income in 2Q13 included 1) gain from **disposal of part of living quarters** in Shanghai and 2) gain arising from the **disposal of total ownership interest in SMIC (Wuhan) Development Corp** which mainly engaged in construction, operation and management of living quarters and schools.

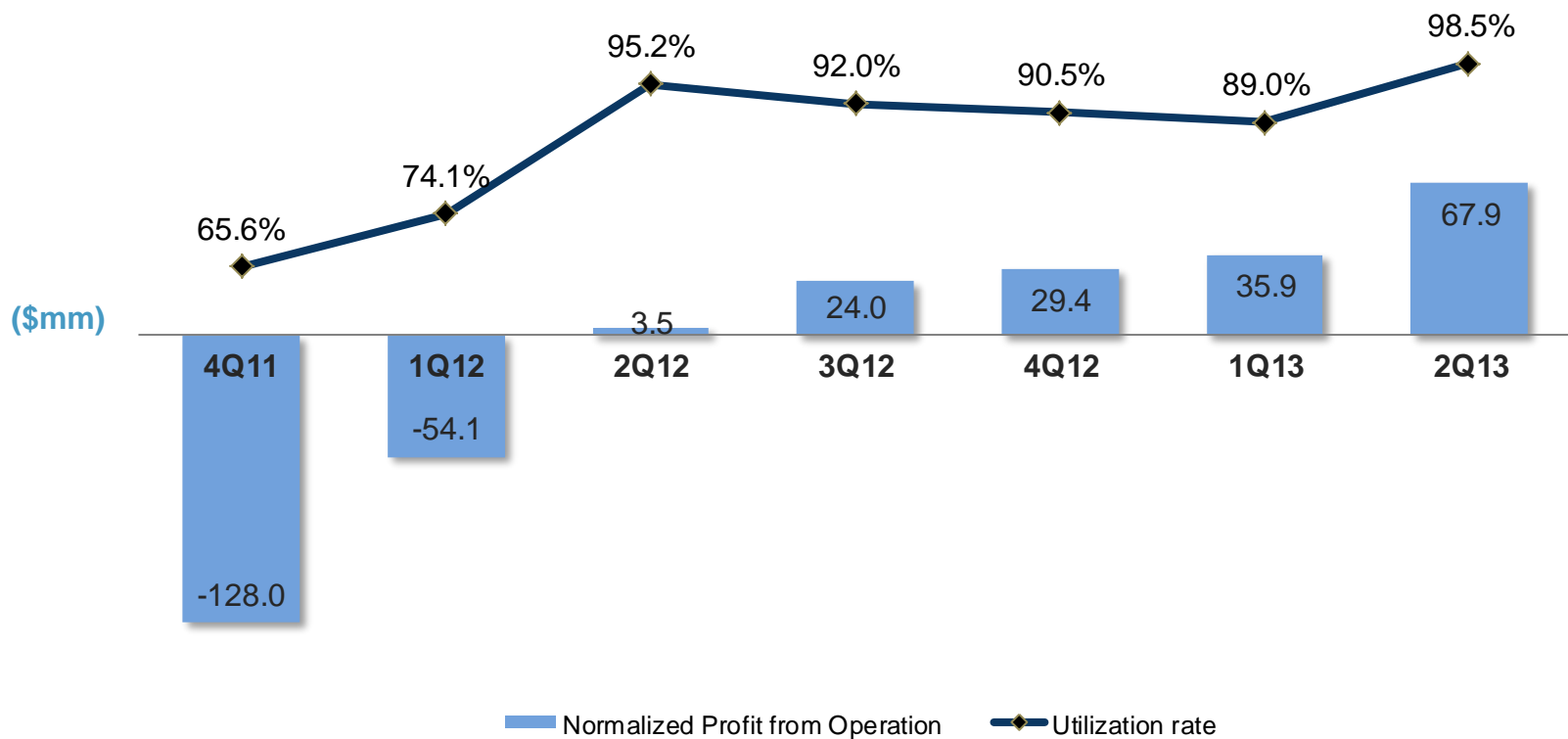


Revenue without Wuhan



Wafer revenue from **Wuhan Xinxin** was **\$39.5 million** in 2Q13. This portion of revenue will **gradually be phased out** starting in 3Q13.

Normalized Profit from Operation Trend



Normalized Profit from Operations =

Profit from Operation Funding of R&D contracts from the Government LQ Disposal Gain + Employee Bonus

Balance Sheet Highlights

| (US\$ thousands) | For the three months ended | |
|-------------------------------|----------------------------|----------------|
| | June 30, 2013 | Mar 31, 2013 |
| Cash and bank balances | 262,955 | 292,932 |
| Restricted Cash | 214,430 | 185,031 |
| Trade and other receivables | 472,426 | 355,293 |
| Inventories | 308,328 | 284,653 |
| Other Assets | 3,043,560 | 2,904,037 |
| Total Assets | | |
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Cash Flow Highlights



(US\$ thousands)

For the three months ended

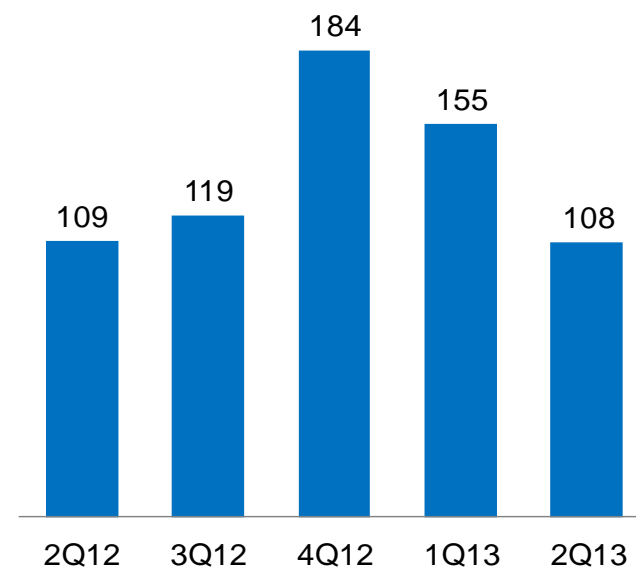
June 30, 2013

Mar 31, 2013

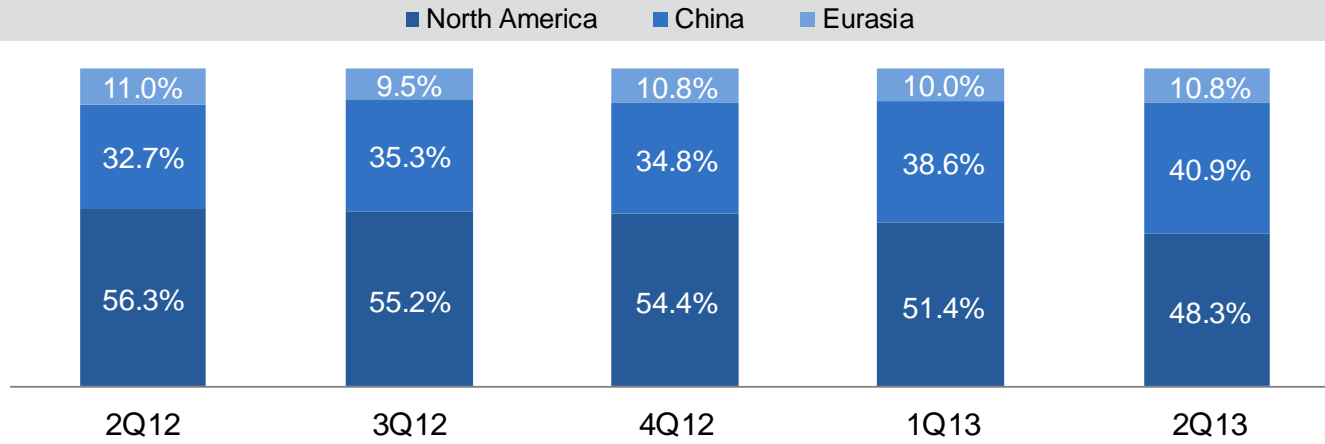
| | | |
|--|-----------|-----------|
| Cash and bank balances, beginning of period | 292,932 | 358,490 |
| Net cash generated from operating activities | 108,360 | 154,638 |
| Net cash used in investing activities | (242,559) | (82,628) |
| Net cash (used in) generated from financing activities | 104,167 | (137,503) |
| Net increase (decrease) in cash and cash equivalents | (29,977) | (65,558) |
| Cash and bank balances, end of period | 262,955 | 292,932 |

Cash Flow from Operations

US\$ Million

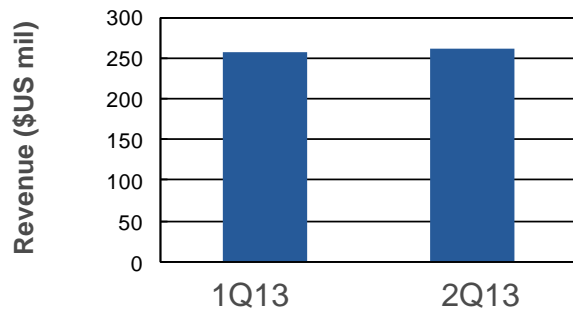


Total Revenue Breakdown by Geography

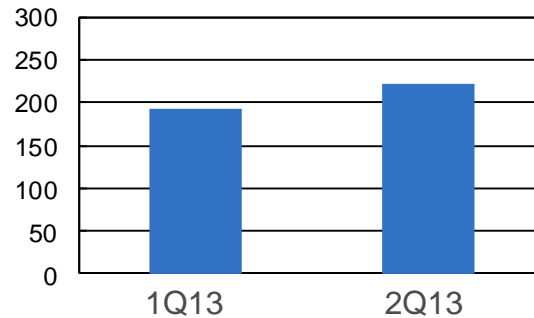


2Q 13 vs. 1Q 13

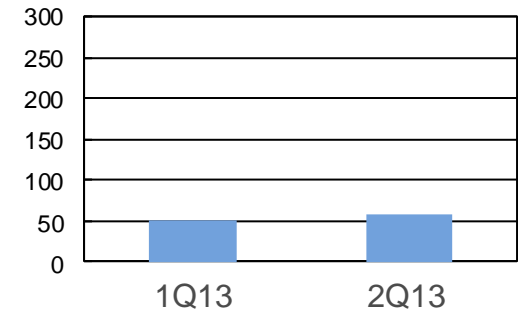
North America



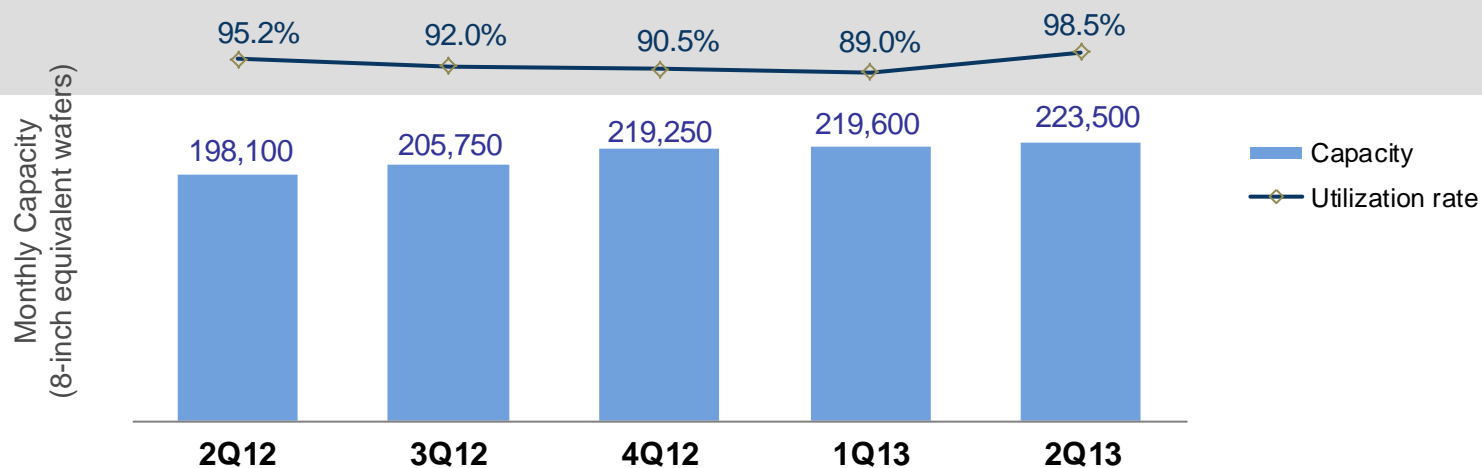
China



Eurasia



Capacity, Utilization and Shipment



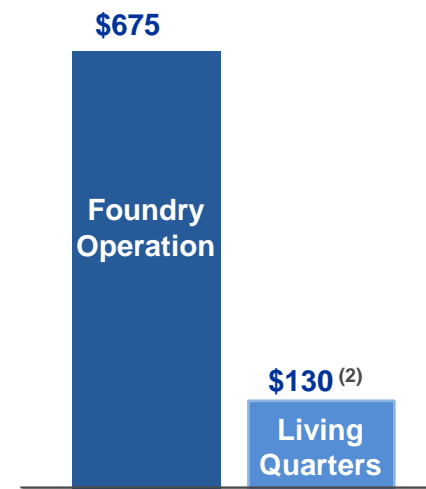
| | 2Q12 | 3Q12 | 4Q12 | 1Q13 | 2Q13 |
|--|----------------|----------------|----------------|----------------|----------------|
| | 84,600 | 90,000 | 90,000 | 90,000 | 90,000 |
| Shanghai 12- | - | - | 6,000 | 6,290 | 8,000 |
| | 34,000 | 35,000 | 35,000 | 36,000 | 36,000 |
| | 37,000 | 37,000 | 37,000 | 34,450 | 34,500 |
| Monthly Capacity (8-inch equivalent wafers) | 198,100 | 205,750 | 219,250 | 219,600 | 223,500 |
| Wafer Shipment | 557,683 | 605,543 | 608,372 | 631,776 | 687,651 |
| Utilization Rate ⁽¹⁾ | 95.2% | 92.0% | 90.5% | 89.0% | 98.5% |

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

3Q 2013 Guidance and 2013 Capex Guidance

| | 3Q 2013 Guidance |
|--|-----------------------------|
| Revenue excluding Wuhan Xinxin | -1% to +2% |
| Revenue including Wuhan Xinxin | -3% to flat |
| Gross Margin excluding Wuhan Xinxin | 18.5% to 21.5% |
| Gross Margin including Wuhan Xinxin | 17.5% to 20.5% |
| Operating expense ⁽¹⁾ | \$81 to \$85 million |

2013 Capex Guidance (US\$mm)



- (1) Exclude the effect of foreign exchange , funding from R&D contracts with government, and gain from the disposal of living quarters
- (2) The Company has budgeted capital expenditures of another \$130 million in 2013 for the construction of living quarters for employees as part of the employee retention program. The Company plans to either rent out or sell these living units to employees in the future.



Appendix



2Q13 Results Vs Guidance

| | 2Q 13 Guidance | 2Q 13 Results |
|---------|----------------|---|
| Revenue | +3% to 5% | +7.9% \$ 530.32 million (vs. \$ 480.0 million) |
| | | |
| | | |
| | | |



Capital Expenditures & Depreciation

| <i>(US\$ millions)</i> | 2Q12 | 3Q12 | 4Q12 | 1Q13 | 2Q13 |
|--|------|------|------|------|------|
| Capex | 84 | 130 | 102 | 185 | 302 |
| Depreciation & Amortization | 140 | 143 | 140 | 136 | 136 |



Thank you

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