



SMIC Q3 2014 Financial Presentation

NYSE: SMI **HKSE: 981**

SMIC Investor Relations

Nov 2014

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 “4Q 2014 Guidance”, as well as the statements regarding “2014 Capex Guidance” are based on SMIC’s current assumptions, expectations and projections about future events. SMIC uses words like “believe,” “plan,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “target” 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, intensive intellectual property lawsuits in semiconductor industry 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 14, 2014, 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-

- Financial Measures

To supplement SMIC’s consolidated financial results presented in accordance with IFRS, SMIC uses in this presentation non-GAAP 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. There were no wafer shipments from Wuhan Xinxin from 1Q14 onwards. This presentation includes non-GAAP revenue, and non-GAAP operating expenses, which consists of total operating expenses as adjusted to exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters. It also includes fourth quarter 2014 guidance for non-GAAP operating expenses. The presentation of non-GAAP financial measures 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.

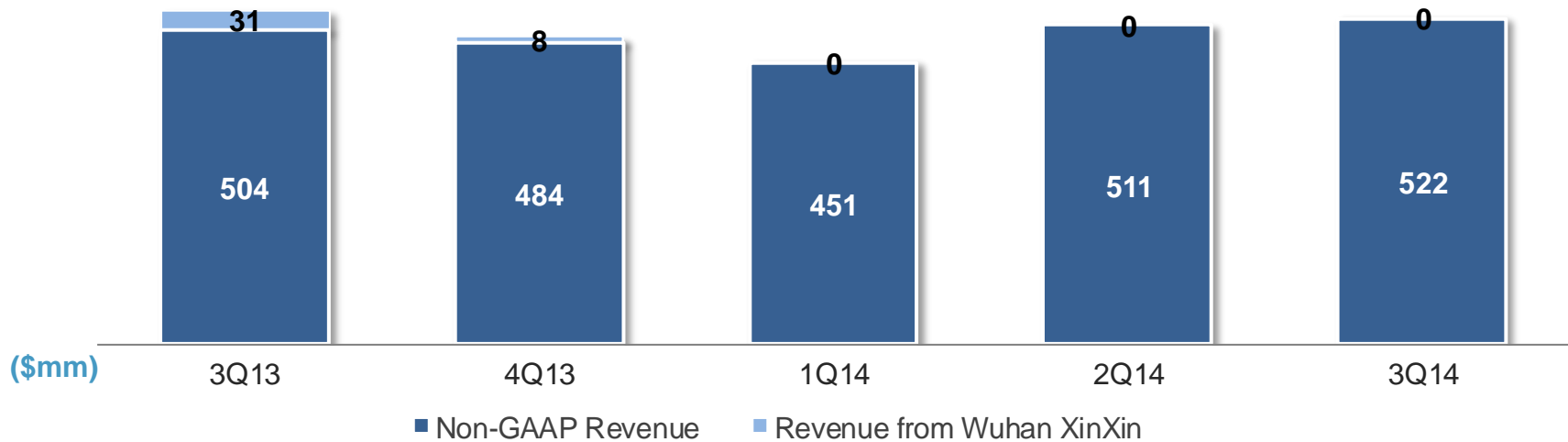




3Q14 Financial Highlights

- Revenue was \$521.6M
 - increased 2.0% QoQ

Non-GAAP Revenue and Revenue from Wuhan Xinxin



- There were no wafer shipments from Wuhan Xinxin from 1Q14 onwards.

Balance Sheet Highlights

(US\$ thousands)	For the three months ended	
	Sept 30, 2014	June 30, 2014
Cash and cash equivalent	362,239	573,332
Restricted Cash	159,118	181,573
Other financial assets	336,793	358,417
Trade and other receivables	490,910	458,765
Inventories	315,364	319,089
Other Assets	3,123,509	2,976,693
Total Assets	4,787,933	4,867,869
Short-term borrowings	376,978	365,269
Long-term borrowings	217,000	430,520
Convertible bonds	355,362	352,317
Total Debt	949,340	1,148,106
Total Liabilities	1,843,163	1,978,824
Total Equity	2,944,770	2,889,045
Debt/Equity Ratio*	32.2%	39.7%

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

Cash Flow Highlights

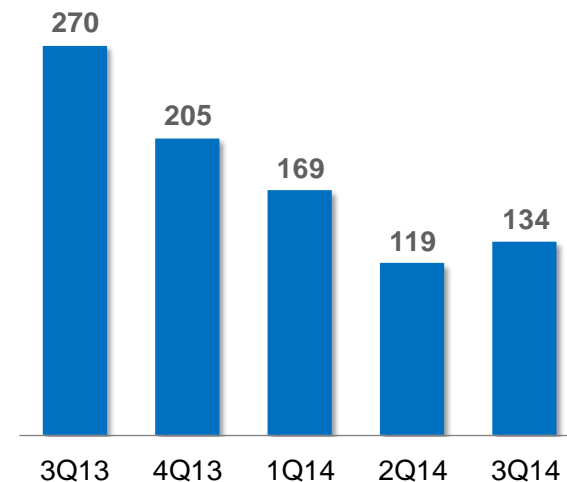
(US\$ thousands)

For the three months ended

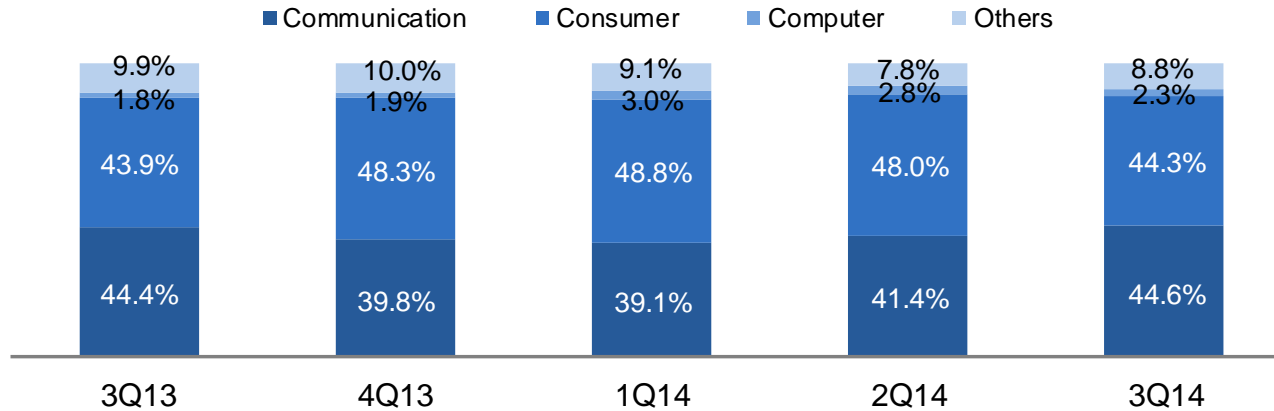
	Sept 30, 2014	June 30, 2014
Cash and cash equivalent, beginning of period	573,332	437,575
Net cash from operating activities	134,210	118,635
Net cash used in investing activities	(144,006)	(339,761)
Net cash (used in) from financing activities	(202,312)	357,214
Net increase (decrease) in cash and cash equivalent	(211,093)	135,757
Cash and cash equivalent, end of period	362,239	573,332

Cash Flow from Operations

US\$ Million

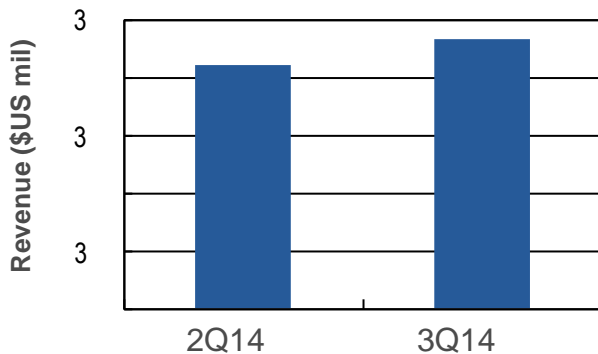


Total Revenue Breakdown by Applications

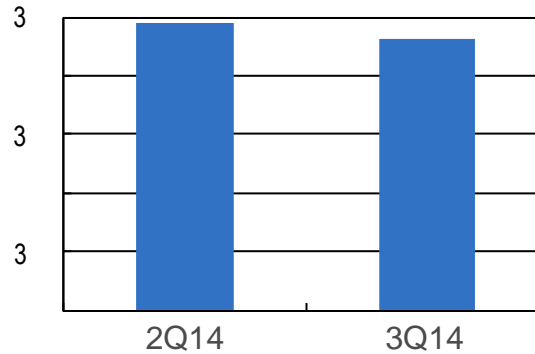


3Q 14 vs. 2Q 14

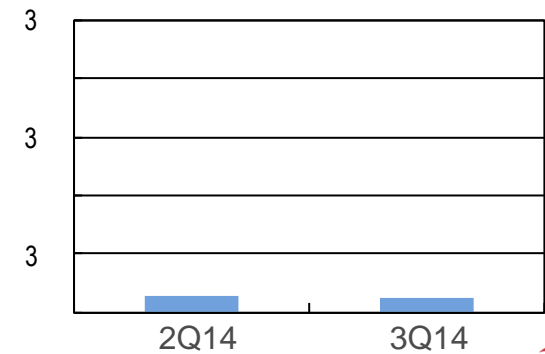
Communications



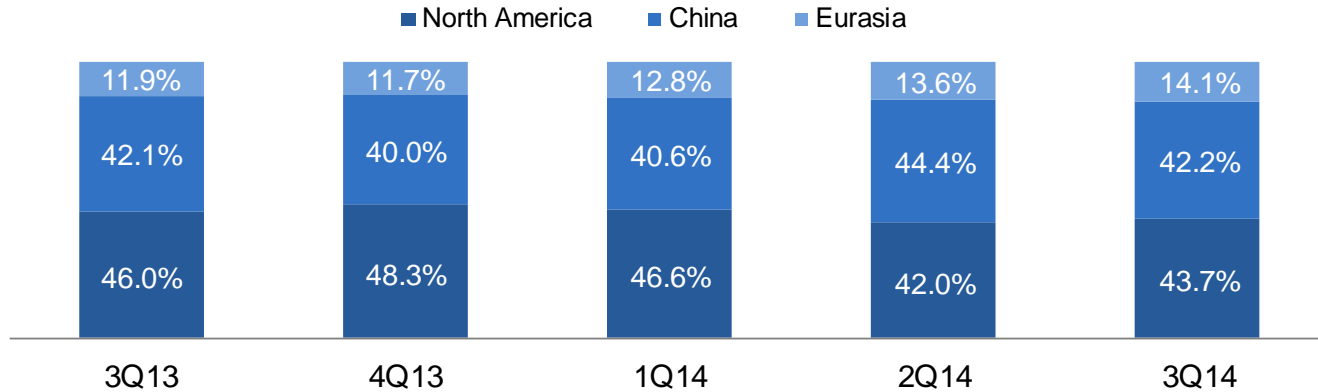
Consumer



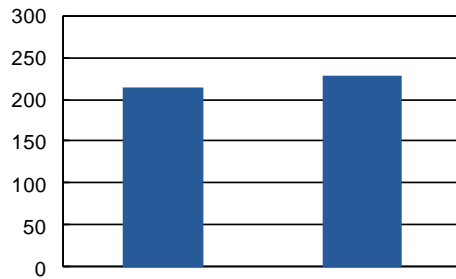
Computer



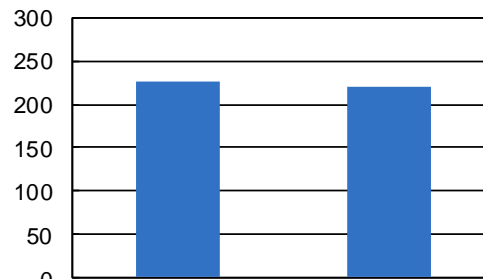
Total Revenue Breakdown by Geography



North America

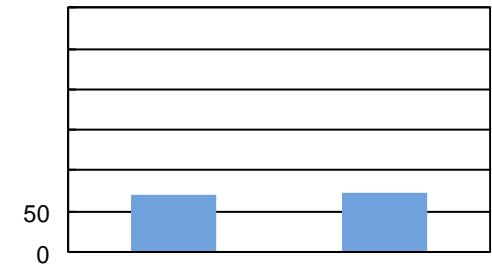


China

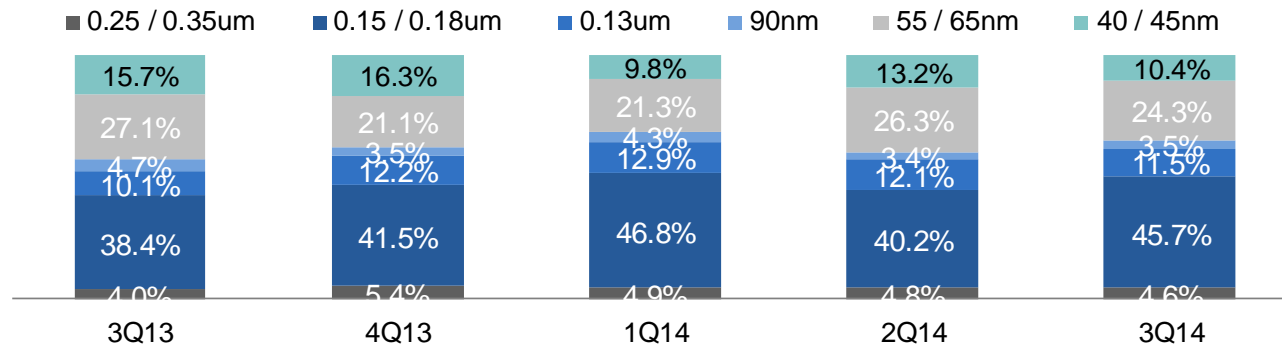


Q2 Vs Q3

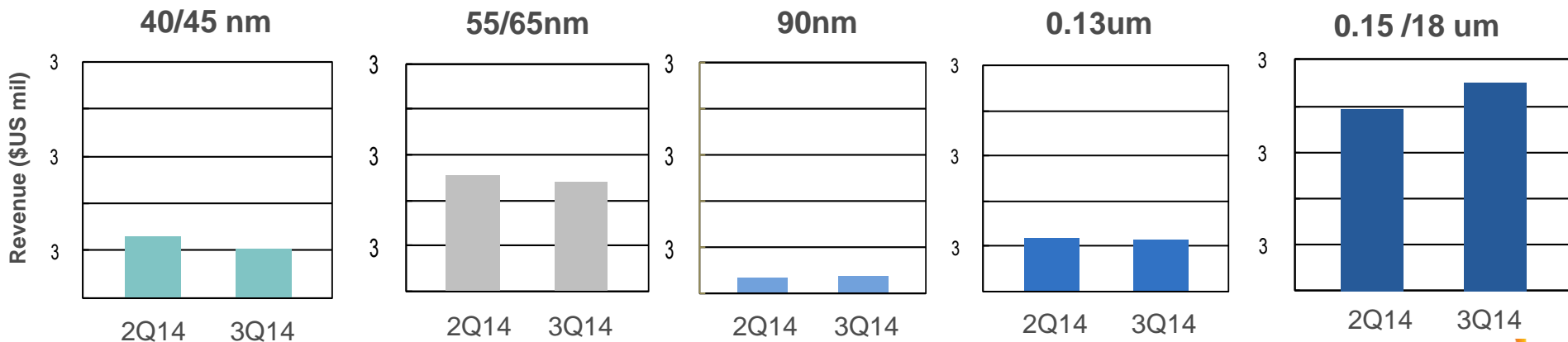
Eurasia



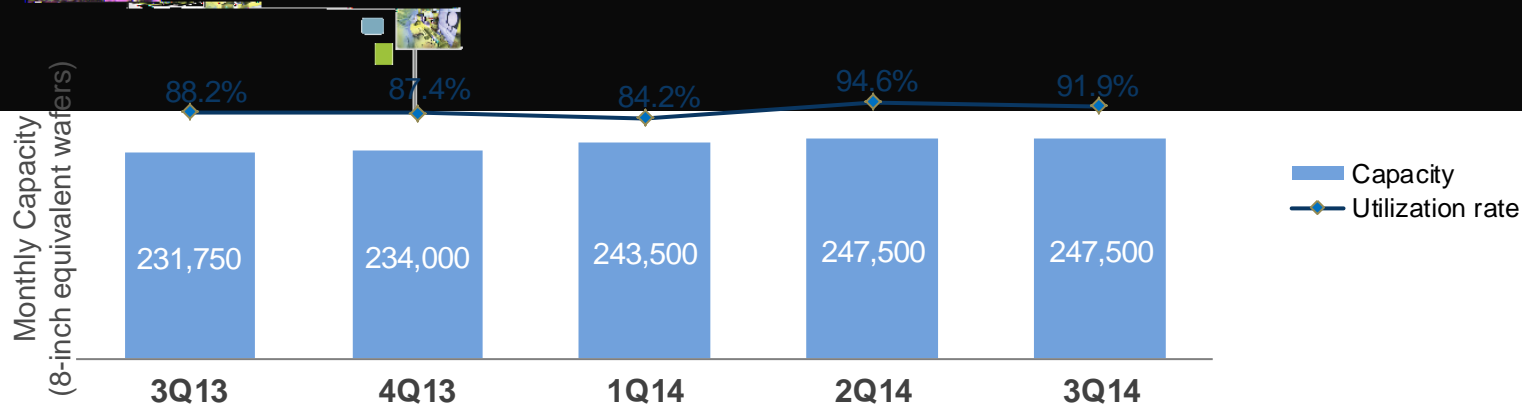
Wafer Revenue Breakdown by Technology



3Q 14 vs. 2Q 14



Capacity, Utilization and Shipment

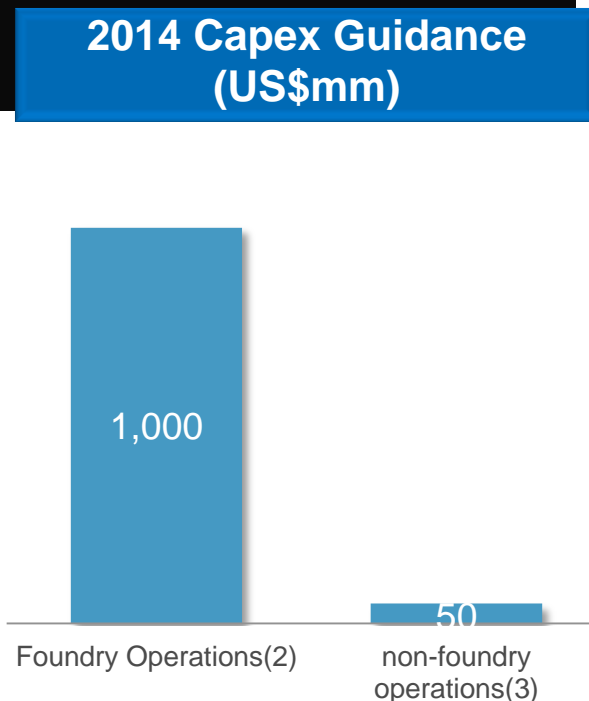


	3Q13	4Q13	1Q14	2Q14	3Q14
Shanghai Mega Fab (8")	90,000	90,000	94,000	96,000	96,000
Shanghai 12-inch Fab (12")	11,000	12,000	14,000	14,000	14,000
Beijing Mega Fab (12")	36,000	36,000	36,000	36,000	36,000
Tianjin Fab (8")	36,000	36,000	37,000	39,000	39,000
Monthly Capacity (8-inch equivalent wafers)	231,750	234,000	243,500	247,500	247,500
Wafer Shipment	653,090	601,602	581,621	648,764	668,811
Utilization Rate ⁽¹⁾	88.2%	87.4%	84.2%	94.6%	91.9%

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

4Q 2014 Guidance and 2014 Capex Guidance

	4Q 2014 Guidance
Revenue	-5% to -9% QoQ \$475 to \$496 million
Gross Margin	19.5% to 22.5%
Non-GAAP Operating Expenses (1)	\$99 to \$103 million



- (1) Exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters
- (2) As of the end of 3Q14, the planned 2014 capital expenditures for foundry operations are down from approximately \$1.1 billion to approximately \$1.0 billion, of which about \$430 million instead of the previously estimated \$570 million is for Semiconductor Manufacturing North China (Beijing) Corporation ("SMNC"), the Company's majority owned subsidiary in Beijing, which is 55% funded by the Company and 45% funded by other shareholders of the entity. The decrease in capital expenditures is mainly because of some delay in the equipment move-in schedule for SMNC. The planned 2014 capital expenditures for foundry operations are mainly for 1) SMNC, 2) the acquisition of used equipment for the Company's Shenzhen 8-inch fab, 3) the product-mix change including conversion from 40/45nm to 28nm in the Company's Shanghai 12-inch fab, 4) the expansion of capacity in the Company's Tianjin 8-inch fab and Shanghai 8-inch mega fab, and 5) research and development equipment, mask shops and intellectual property acquisition.
- (3) The planned 2014 capital expenditures for non-foundry operations, mainly for the construction of living quarters, are down from approximately \$110 million to approximately \$50 million. The Company plans to rent out or sell these living quarter units to employees in the future.



Appendix

3Q14 Results Vs Original Guidance

	3Q 2014 Guidance	3Q 2014 Results
Revenue	+1% to +5% QoQ	+2.0% QoQ
Gross Margin	24% to 26%	25.9%
Non-GAAP Operating Expenses (1)	\$96 to \$101 million	\$ 98.3 million

Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	3Q13	4Q13	1Q14	2Q14	3Q14
Capex	169	114	108	142	282
Depreciation & Amortization	137	139	137	138	139



Thank you

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