



# 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

provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements, including statements are based on

-looking statements, although not all forward-looking statements contain these words. These forward-looking statements involve significant risks, both known and unknown,

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including its annual report on 20-F filed with the SEC on April 15, 2013, especially the consolidated financial statements, and such

current reports on Form 6-

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

To operating results that are adjusted to exclude wafer shipments from Wuhan Xinxin

presentation measures of

Xinxin 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 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

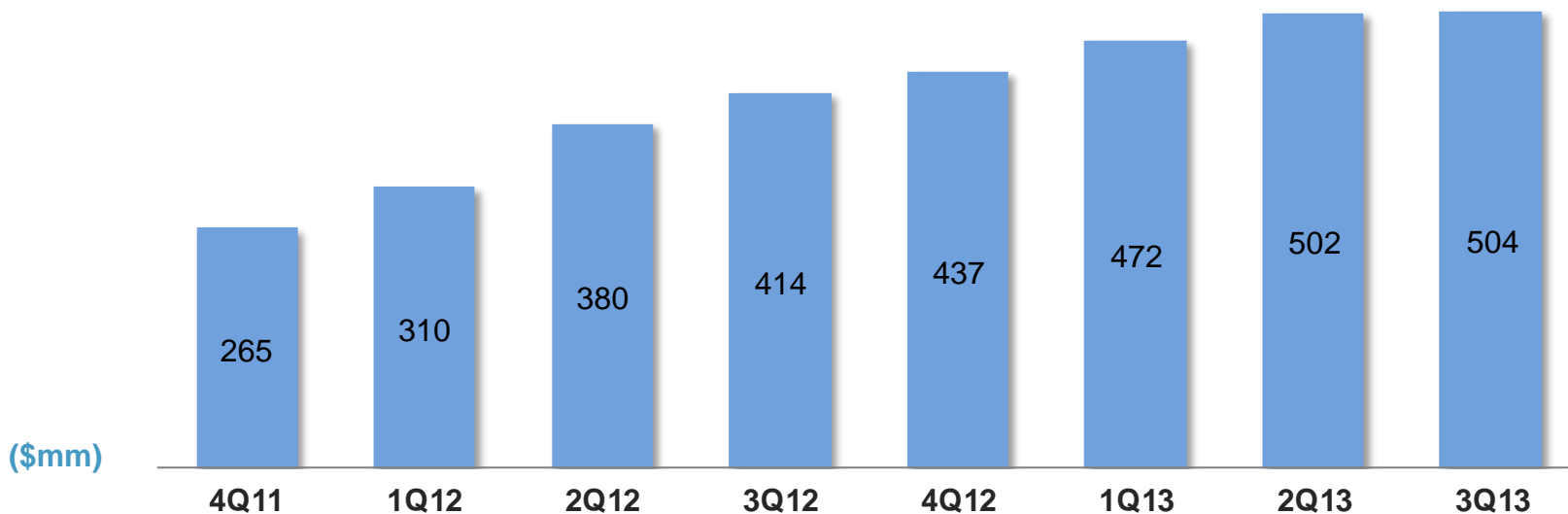
compared to 40.9% in 2Q13



**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
<b>Cash and bank balances</b>	<b>473,507</b>	<b>262,955</b>
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
<b>Total Assets</b>		

# Cash Flow Highlights

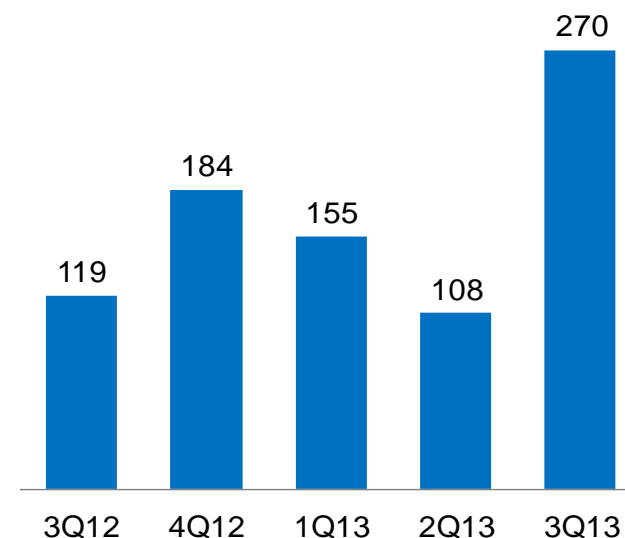
(US\$ thousands)

For the three months ended

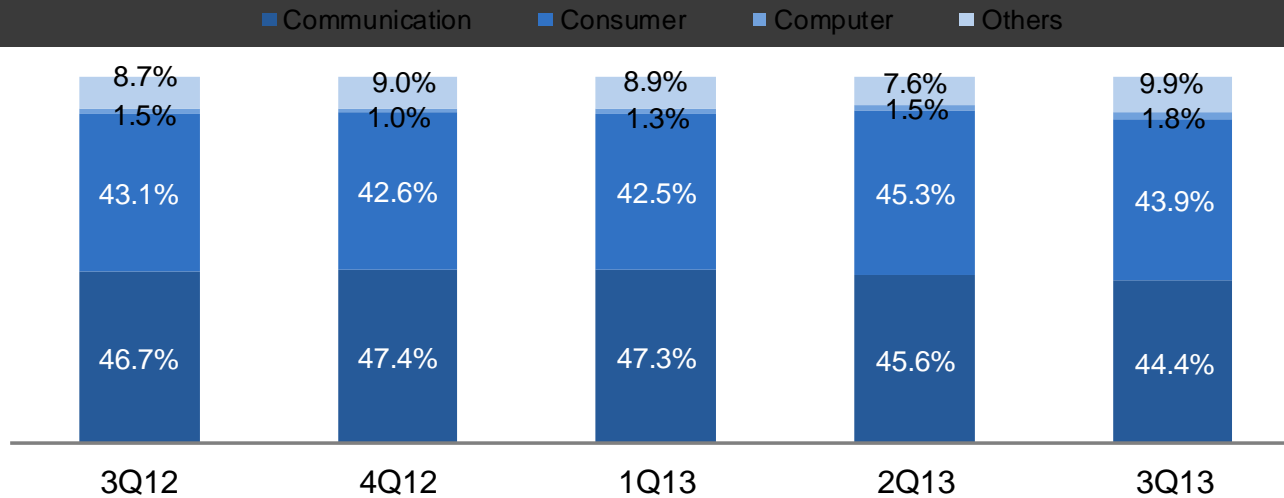
	Sept 30, 2013	June 30, 2013
Cash and bank balances, beginning of period	262,955	292,932
<b>Net cash generated from operating activities</b>	<b>269,581</b>	<b>108,360</b>
Net cash used in investing activities	(213,133)	(242,559)
Net cash (used in) generated from financing activities	154,045	104,167
Net 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

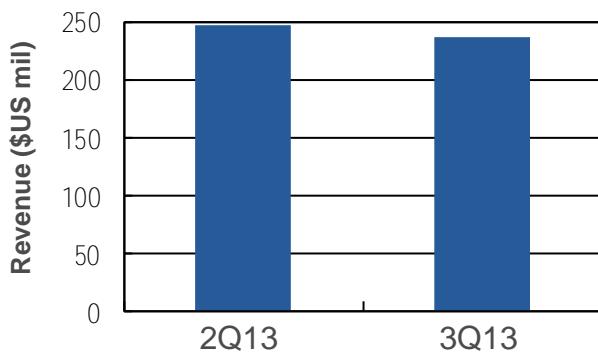


# Total Revenue Breakdown by Applications

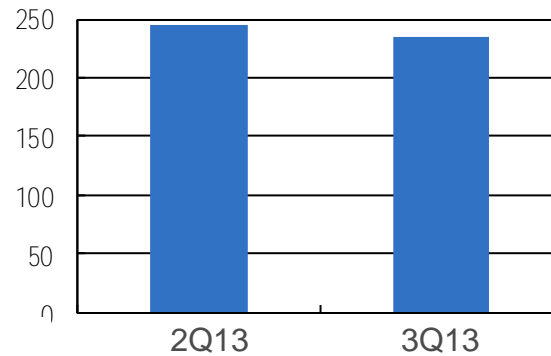


## 3Q 13 vs. 2Q 13

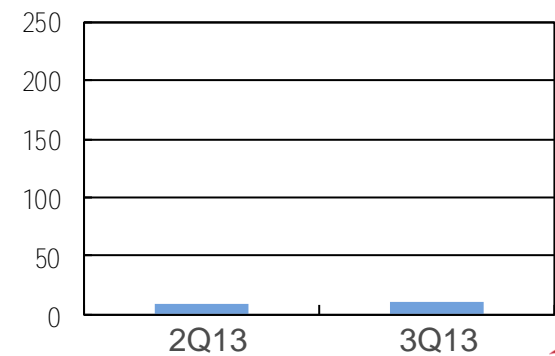
### Communications



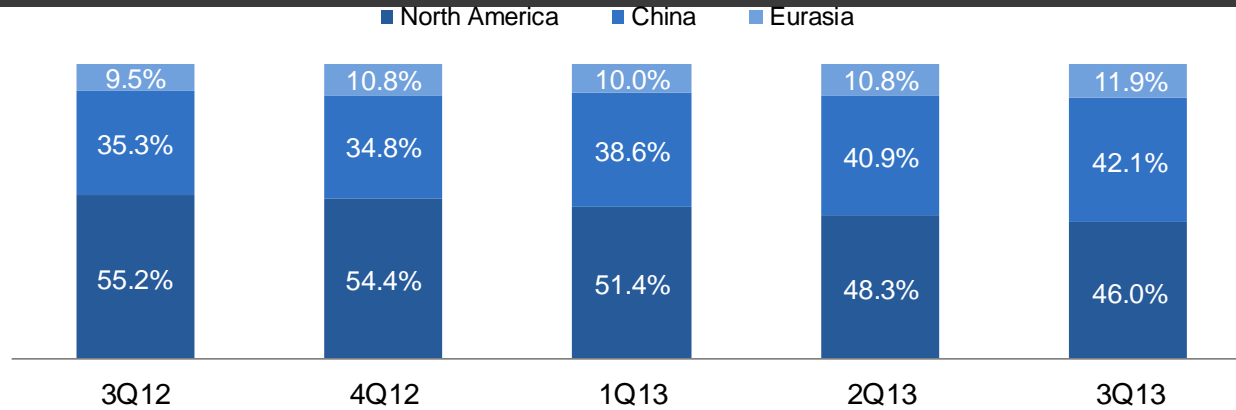
### Consumer



### Computer

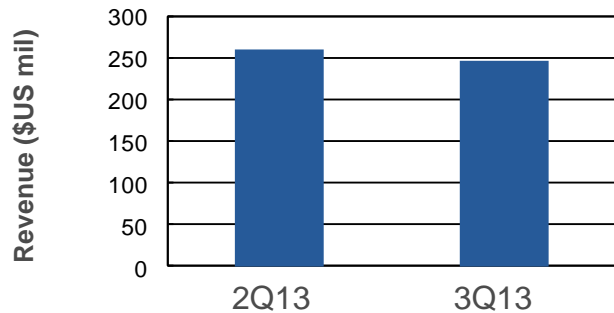


# Total Revenue Breakdown by Geography

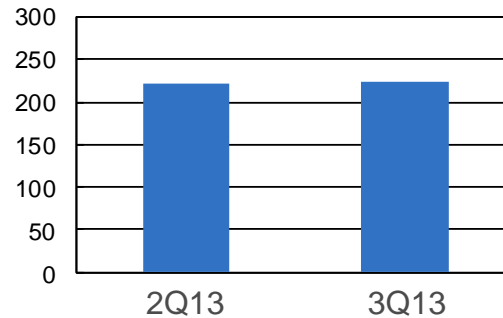


## 3Q 13 vs. 2Q 13

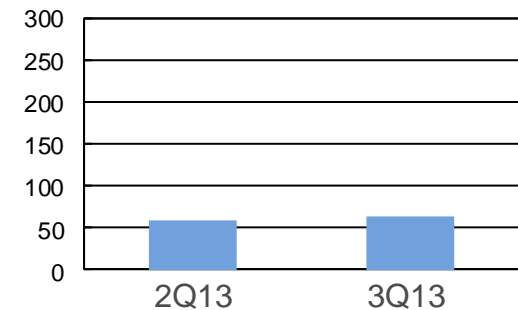
### North America



### China

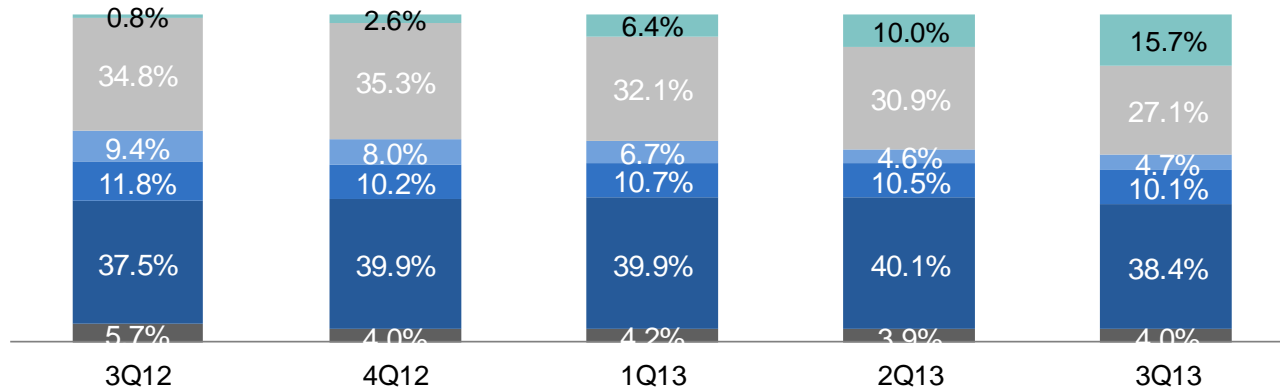


### Eurasia

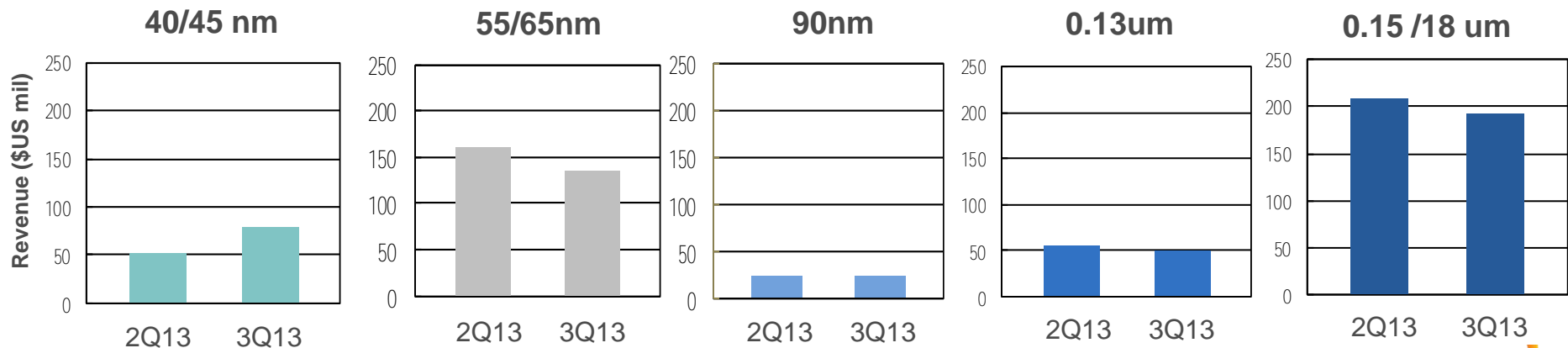


# Wafer Revenue Breakdown by Technology

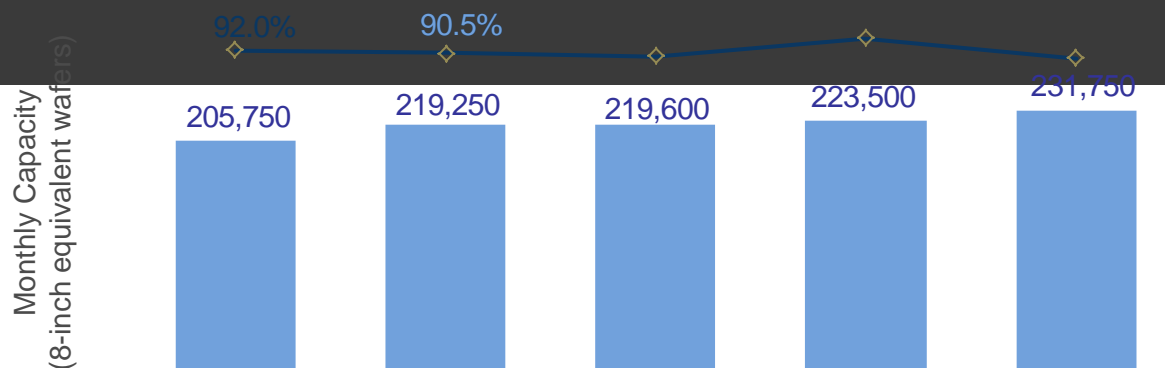
0.25 / 0.35um   0.15 / 0.18um   0.13um   90nm   55 / 65nm   40 / 45nm



## 3Q 13 vs. 2Q 13



# Capacity, Utilization and Shipment



2015/10

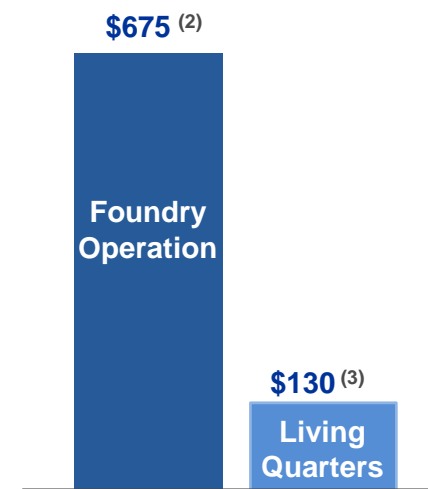
	3Q12	4Q12	1Q13	2Q13	3Q13
	90,000	90,000	90,000	90,000	90,000
Shanghai 12-	-	6,000	6,290	8,000	11,000
	35,000	35,000	36,000	36,000	36,000
	37,000	37,000	34,450	34,500	36,000
<b>Monthly Capacity (8-inch equivalent wafers)</b>	<b>205,750</b>	<b>219,250</b>	<b>219,600</b>	<b>223,500</b>	<b>231,750</b>
Wafer Shipment	605,543	608,372	631,776	687,651	653,090
Utilization Rate <sup>(1)</sup>	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
<b>Non-GAAP Revenue</b> excluding wafer shipments from Wuhan Xinxin	<b>Flat to -4.5%</b>
Revenue including wafer shipments from Wuhan Xinxin	-4.5% to -9%
<b>Non-GAAP Gross Margin</b> excluding wafer shipments from Wuhan Xinxin	<b>19.0% to 22.0%</b>
Gross Margin including wafer shipments from Wuhan Xinxin	18.5% to 21.5%
<b>Non-GAAP Operating Expense</b> <sup>(1)</sup>	<b>\$80.0 to \$84.0 million</b>

## 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 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%
<b>Non-GAAP Revenue</b> excluding wafer shipments from Wuhan Xinxin	<b>-1% to +2%</b>	<b>+0.4%</b>
Gross Margin including wafer shipments from Wuhan Xinxin	17.5% to 20.5%	21.0%
<b>Non-GAAP Gross Margin</b> excluding wafer shipments from Wuhan Xinxin	<b>18.5% to 21.5%</b>	<b>22.1%</b>
<b>Operating expenses</b> <sup>(1)</sup>	---	<b>\$63.4 million</b>
<b>Normalized operating expenses</b> <sup>(2)</sup>	<b>\$81 to \$85 million</b>	<b>\$81.5 million</b>

(1) Operating expense as reported on Earning Release.

(2) Exclude the effect of foreign exchange, funding of R&D contracts from the

# Capital Expenditures & Depreciation

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



# Thank you

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