



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 - harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements, including statements under 2014 Guidance well as the statements regarding 2014 Capex Guidance are

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 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.

including its annual report on 20-F filed with the SEC on April 14, 2014, especially the consolidated financial statements, and such other documents on Form 6- 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

SMIC uses in this presentation non-GAAP measures of operating results that are adjusted to exclude wafer shipments from Wuhan Xinxin Semiconductor Manufacturing 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 to understand, manage and evaluate the Company's business and make financial and operational decisions.





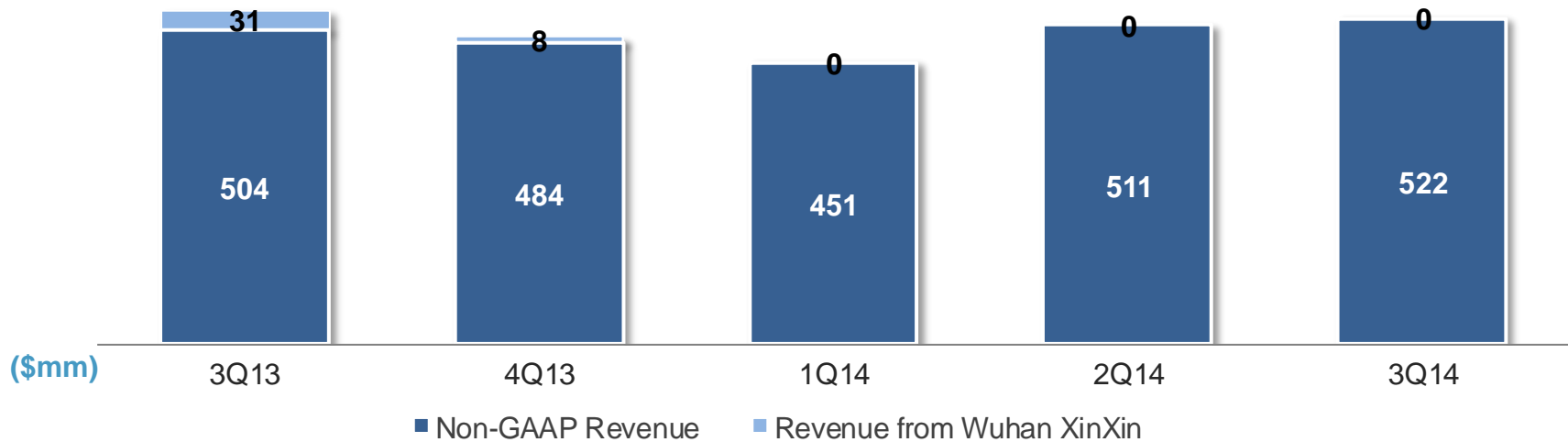
3Q14 Financial Highlights

- Revenue was \$521.6M

increased 2.0% QoQ

Non-GAAP revenue without Wuhan Xinxin was a record high, an

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

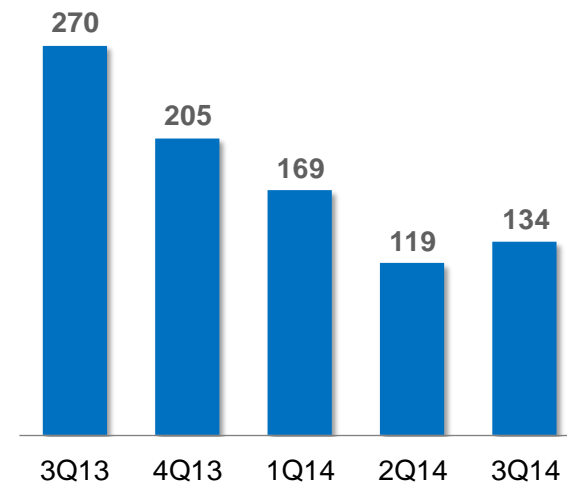
(US\$ thousands)

For the three months ended

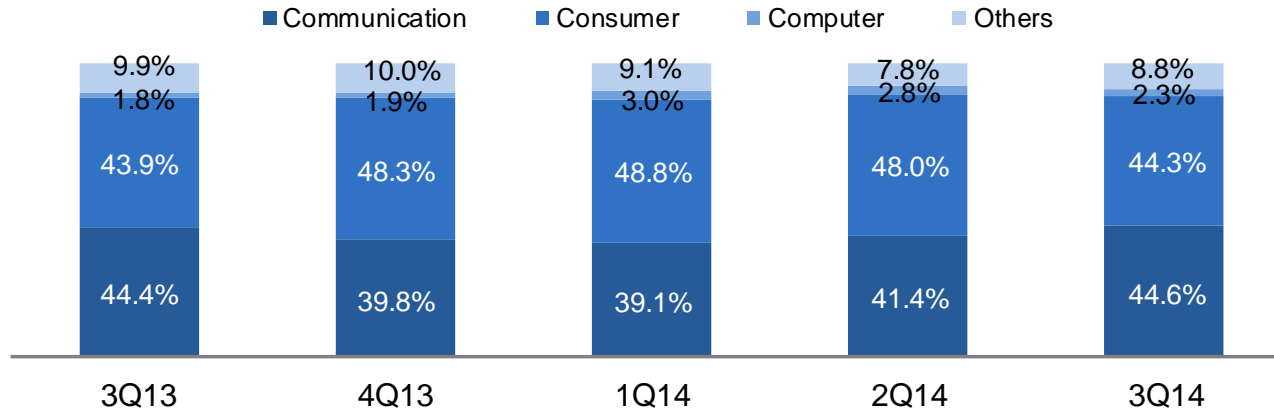
| | Sept 30, 2014 | June 30, 2014 |
|---|----------------|----------------|
| Cash and cash equivalent, beginning of period | 573,332 | 437,575 |
| Net cash from operating activities | 134,210 | 118,635 |
| Net cash used in investing activities | (144,006) | (339,761) |
| Net cash (used in) from financing 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

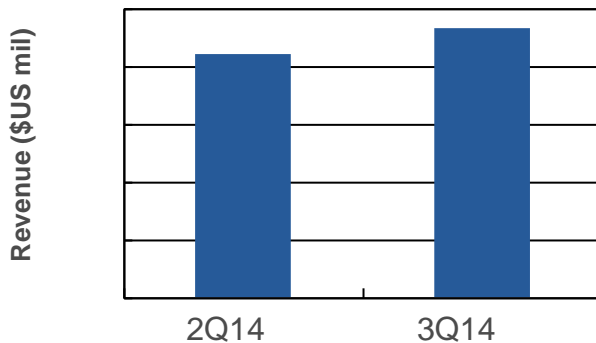


Total Revenue Breakdown by Applications

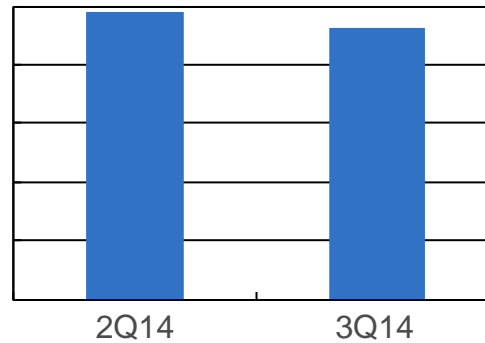


3Q 14 vs. 2Q 14

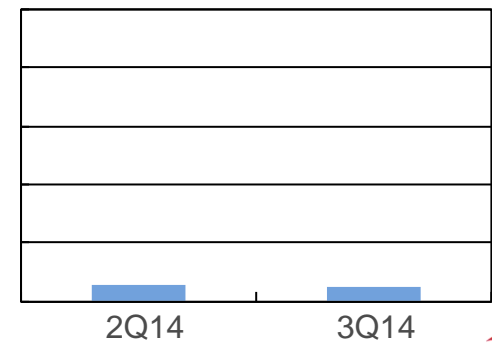
Communications



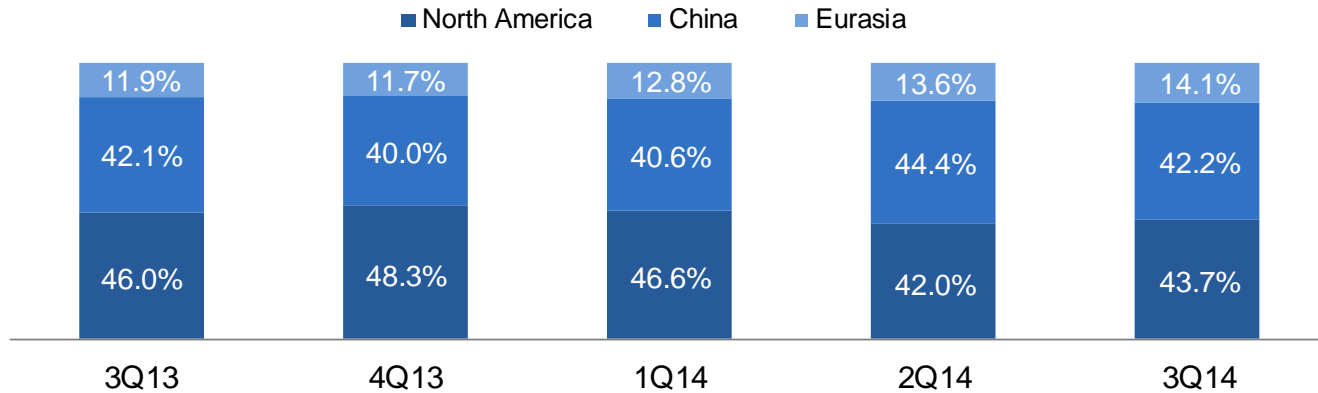
Consumer



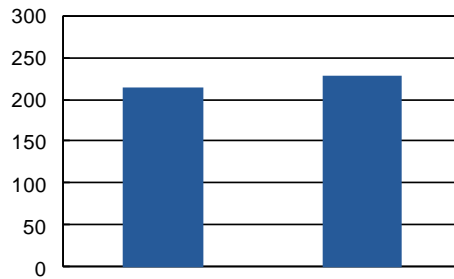
Computer



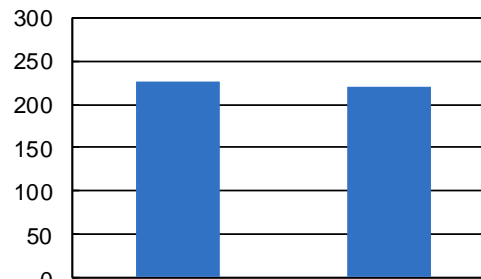
Total Revenue Breakdown by Geography



North America

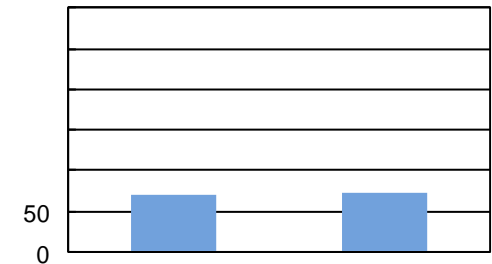


China

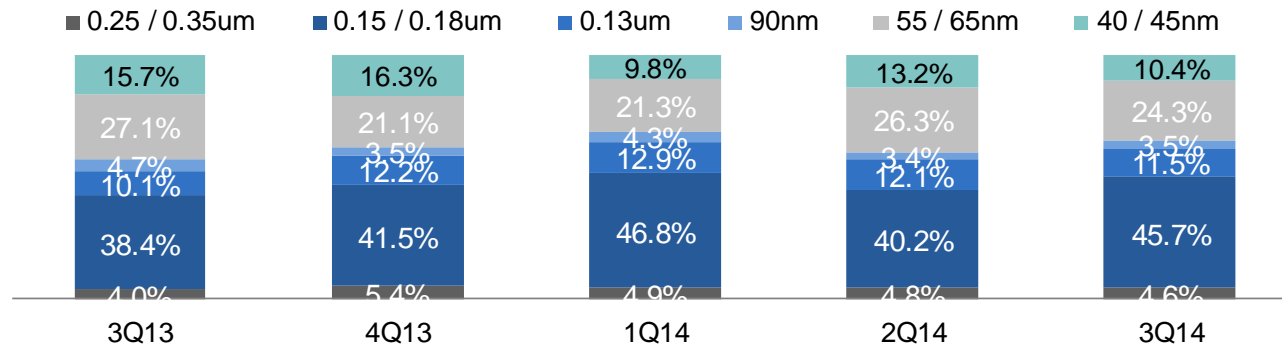


Q2 Vs Q3

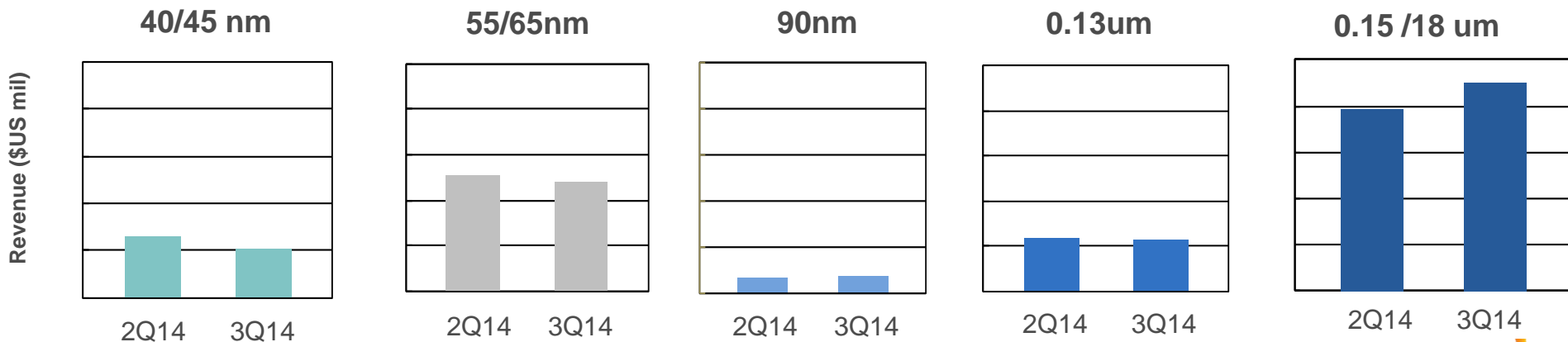
Eurasia



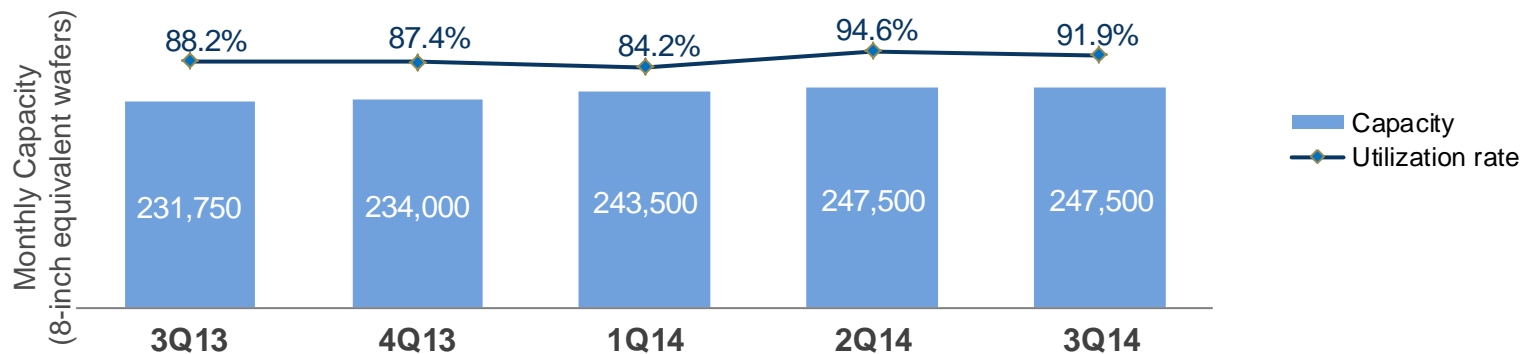
Wafer Revenue Breakdown by Technology



3Q 14 vs. 2Q 14



Capacity, Utilization and Shipment

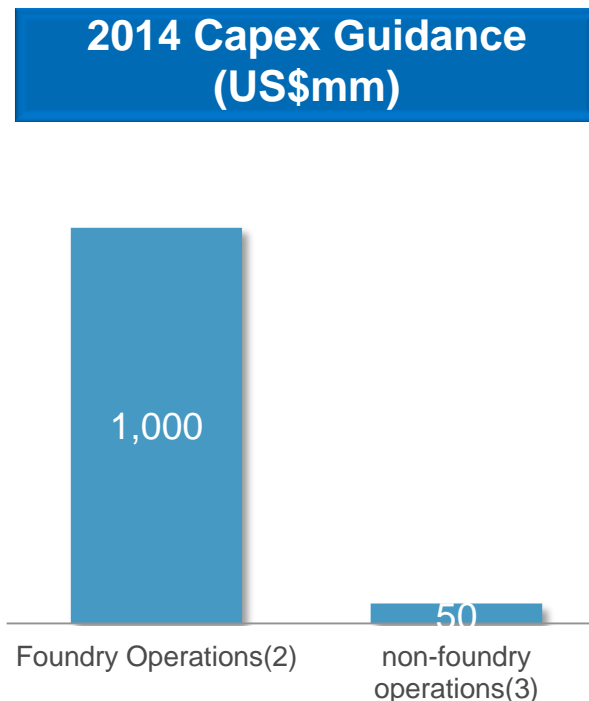


| | 3Q13 | 4Q13 | 1Q14 | 2Q14 | 3Q14 |
|--|----------------|----------------|----------------|----------------|----------------|
| | 90,000 | 90,000 | 94,000 | 96,000 | 96,000 |
| Shanghai 12- | 11,000 | 12,000 | 14,000 | 14,000 | 14,000 |
| | 36,000 | 36,000 | 36,000 | 36,000 | 36,000 |
| | 36,000 | 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 % 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 Co Shenzhen 8-inch fab, 3) the product-expansion -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 |

(1) Exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters

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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