

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 2016 Guidance”, “CapEx Summary” and the statements contained in the quotes of our CEO are based on SMIC’s current assumptions, expectations and projections about future events. SMIC uses words like “believe,” “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 cyclical nature of the semiconductor industry, changes in demand for our products, competition in our markets, our reliance on a small number of customers, orders or judgments from pending litigation, intensive intellectual property lawsuits in semiconductor industry and financial stability in end markets, general economic conditions and fluctuations in currency exchange rates.

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 25, 2016, 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

During this presentation, references to financial measures of SMIC will include references to non-GAAP financial measures, including non-GAAP operating expenses and adjusted EBITDA margin. For an explanation to the most directly comparable GAAP financial measures, see today’s earnings release.





3Q16 Financial Highlights

Revenue was \$774.8 million, a record high

- Compared to \$690.2 million in 2Q16
- Compared to \$569.9 million in 3Q15
- 7th continuous growth quarter

Gross profit was \$232.1 million, a record high

- Compared to \$217.8 million in 2Q16
- Compared to \$182.4 million in 3Q15

Gross margin was 30.0%

- Compared to 31.6% in 2Q16
- Compared to 32.0% in 3Q15

Profit attributable to SMIC was \$113.6 million, a record high

- Compared to \$97.6 million in 2Q16
- Compared to \$82.6 million in 3Q15
- 18th consecutive profitable quarter
- 1st quarter to exceed \$100 million

ROE was 11.4%, on a quarterly basis

- Compared to 10.2% in 2Q16
- Compared to 9.3% in 3Q15

Income Statement Highlights

(US\$ thousands)	3Q16	2Q16	QoQ	3Q15	YoY
Total Revenue	774,845	690,221	12.3%	569,854	36.0%
Gross Profit	232,103	217,814	6.6%	182,351	27.3%
Gross Margin	30.0%	31.6%	-	32.0%	-
Operating Expenses	(123,471)	(102,394)	20.6%	(108,125)	14.2%
<i>Research & Development, net</i>	<i>(81,898)</i>	<i>(64,526)</i>	<i>26.9%</i>	<i>(62,381)</i>	<i>31.3%</i>
<i>General & Administrative</i>	<i>(35,449)</i>	<i>(33,496)</i>	<i>5.8%</i>	<i>(51,387)</i>	<i>-31.0%</i>
<i>Selling & Marketing</i>	<i>(8,009)</i>	<i>(8,228)</i>	<i>-2.7%</i>	<i>(11,154)</i>	<i>-28.2%</i>
<i>Other operating income (expense)</i>	<i>1,885</i>	<i>3,856</i>	<i>-51.1%</i>	<i>16,797</i>	<i>-88.8%</i>
Profit from operations	108,632	115,420	-5.9%	74,226	46.4%
Other income (expense), net	4,471	(20,632)	-	(3,459)	-
Income tax benefit (expense)	(960)	(297)	223.2%	(1,793)	-46.5%
Profit attributable to SMIC	113,561	97,643	16.3%	82,626	37.4%
Non-controlling Interests	(1,418)	(3,152)	-55.0%	(13,652)	-89.6%
Earnings per ADS (Basic)	0.13	0.12	-	0.10	-

Revenue increased by 12.3% QoQ from \$690.2 million in 2Q16 to \$774.8 million in 3Q16 mainly due to 1) an increase in wafer shipments in 3Q16 and 2) the revenue contributed from the acquisition of Lfoundry.

Gross margin was 30.0% in 3Q16, as compared to 31.6% in 2Q16. The change was mainly due to 1) the receipt of insurance compensation in 2Q16 and 2) the acquisition of LFoundry in 3Q16.

R&D expenses increased by \$17.4 million QoQ to \$81.9 million in 3Q16, compared to \$64.5 million in 2Q16. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$15.0 million QoQ to \$91.5 million in 3Q16. The change was mainly due to higher level of R&D activities in 3Q16. Funding of R&D contracts from the government was \$9.6 million in 3Q16, compared to \$12.0 million in 2Q16.



Balance Sheet Highlights

(US\$ thousands)	As of	
	Sept 30, 2016	June 30, 2016
Cash and cash equivalent	1,634,752	1,586,671
Restricted Cash	493,031	228,381
Other financial assets (1)	141,082	303,721
Trade and other receivables	754,140	657,406
Inventories	459,299	404,265
Assets classified as held-for-sales	53,379	57,333
Other Assets	6,472,698	5,830,504
Total Assets	10,008,381	9,068,281
Short-term borrowings	66,655	91,375
Long-term borrowings	1,240,343	1,232,457
Shor-term notes	89,955	90,465
Medium-term notes	222,911	223,996
Convertible bonds	794,395	399,416
Corporate bonds	494,474	494,048
Total Debt	2,908,733	2,531,757
Net Debt (2)	1,132,899	641,365
Total Liabilities	4,692,825	4,094,840
Total Equity	5,315,556	4,973,441
Total Debt/Equity Ratio(3)	54.7%	50.9%
Net debt/Equity Ratio(4)	21.3%	12.9%

(1) Other financial assets mainly contain financial products sold by bank and bank deposits over 3 months

(2) Net debt is total debt minus cash and cash equivalent, and other financial assets

(3) Total debt divided by equity

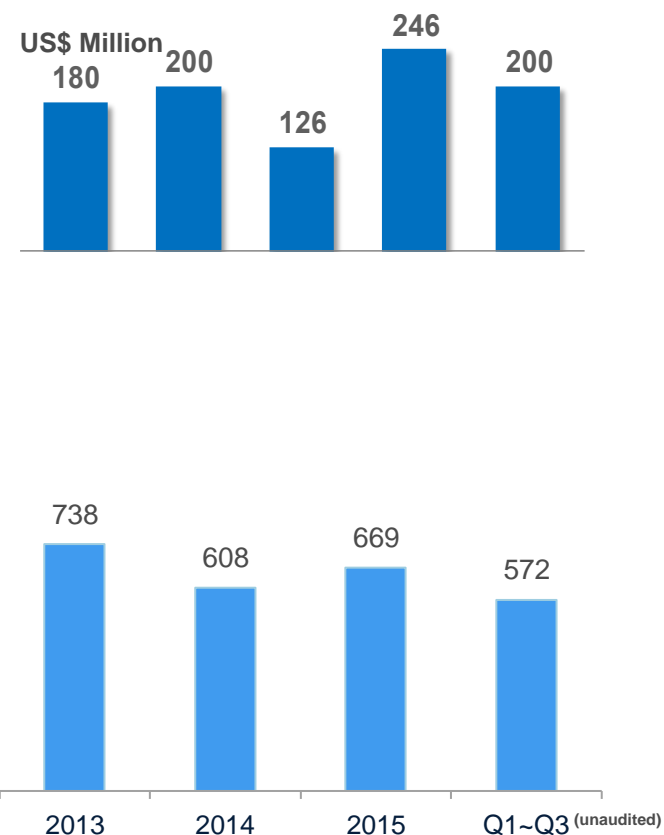
(4) Net debt divided by equity.

Cash Flow Highlights

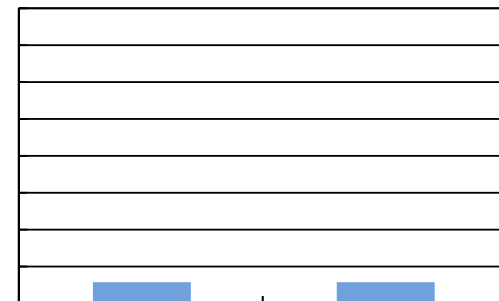
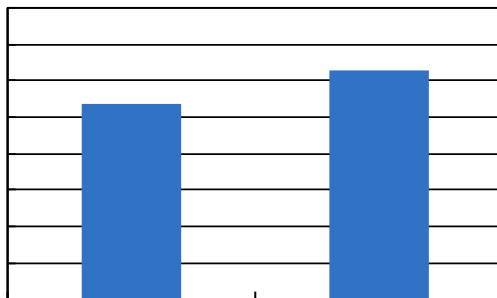
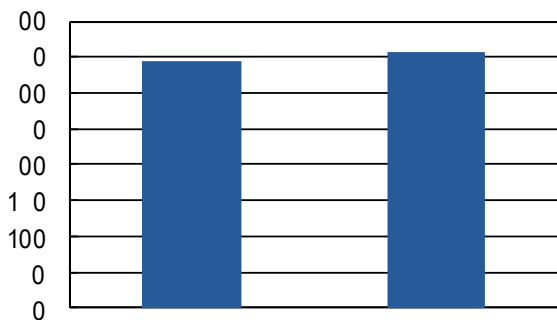
(US\$) For the three months ended

	Sept 30, 2016	June 30, 2016
Cash and cash equivalent, beginning of period	1,586,671	1,034,955
Net cash from operating activities	199,532	245,764
Net cash used in investing activities	(687,808)	(1,211,425)
Net cash from (used in) financing activities	539,193	1,521,195
Net increase (decrease) in cash and cash equivalent	48,081	551,716
Cash and cash equivalent, end of period	1,634,752	1,586,671

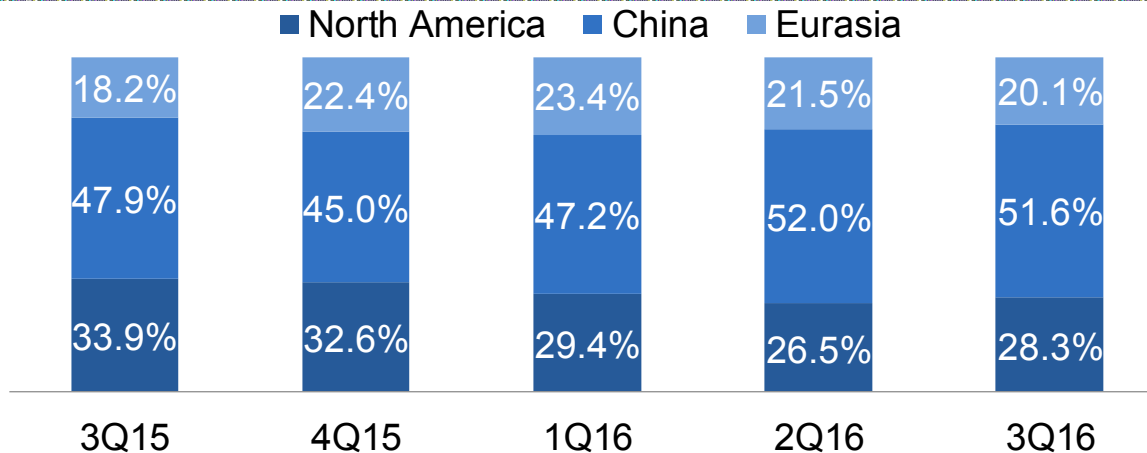
Cash Flow from Operations



Total Revenue Breakdown by Applications

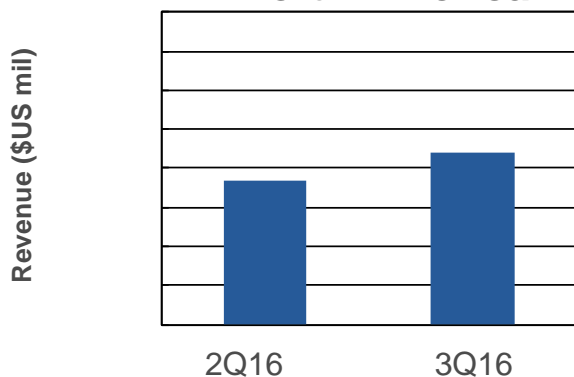


Total Revenue Breakdown by Geography

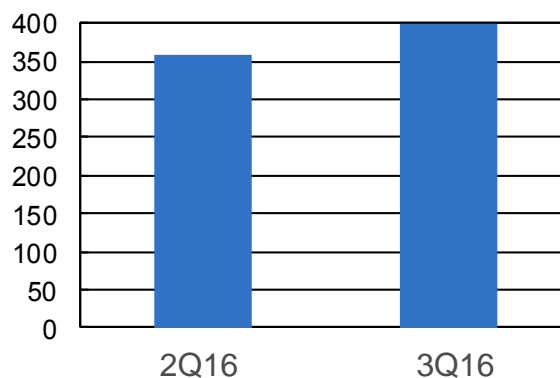


3Q 16 vs. 2Q 16

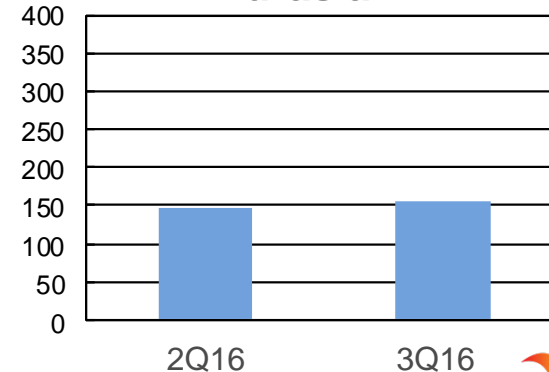
North America



China

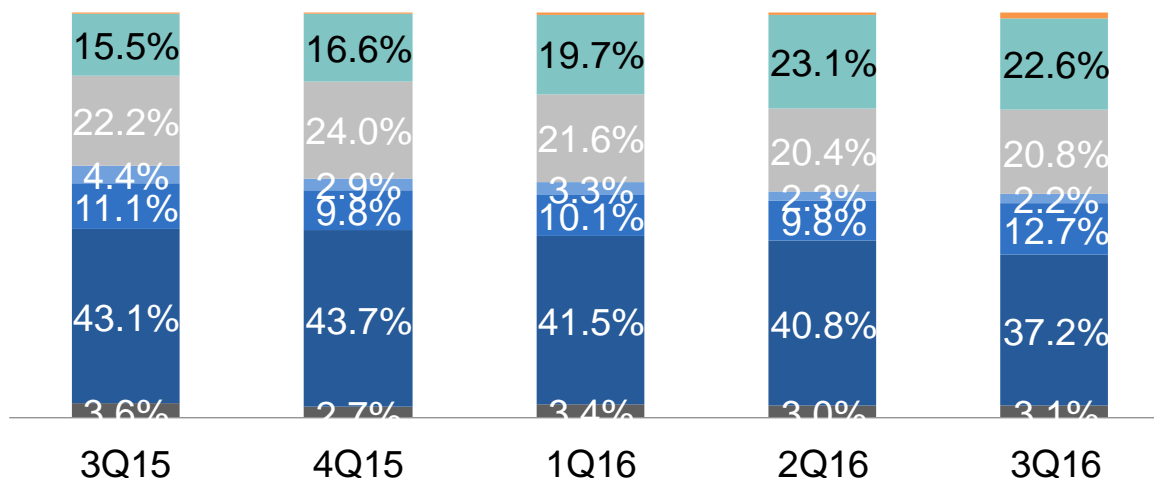


Eurasia



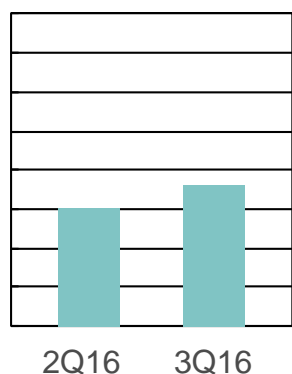
Wafer Revenue Breakdown by Technology

■ 0.25 / 0.35um
 ■ 0.15 / 0.18um
 ■ 0.11 / 0.13um
 ■ 90nm
 ■ 55 / 65nm
 ■ 40 / 45nm
 ■ 28nm

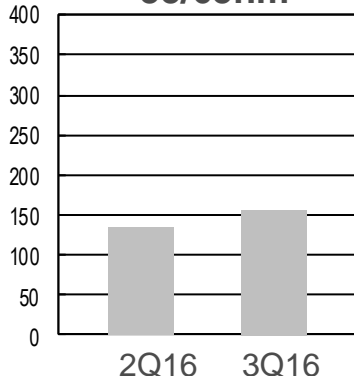


3Q 16 vs. 2Q 16

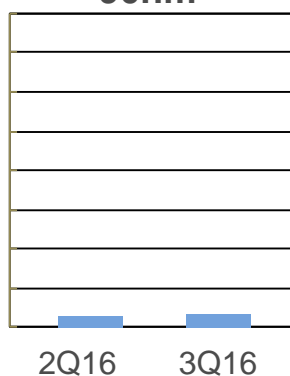
45nm and below



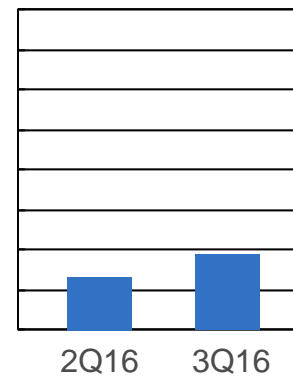
55/65nm



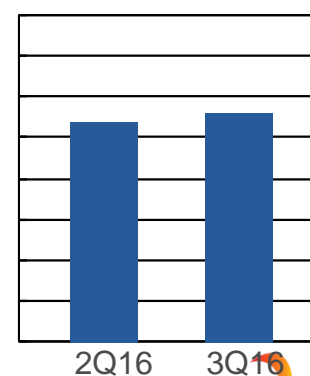
90nm

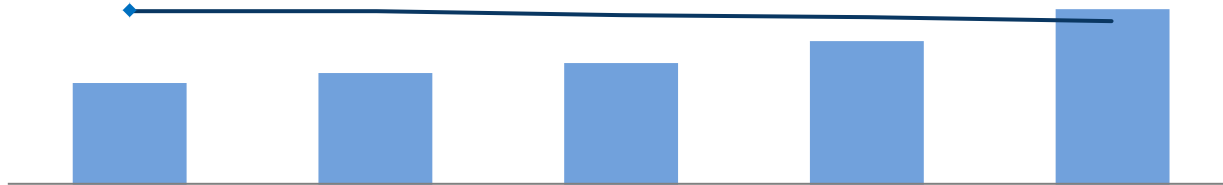
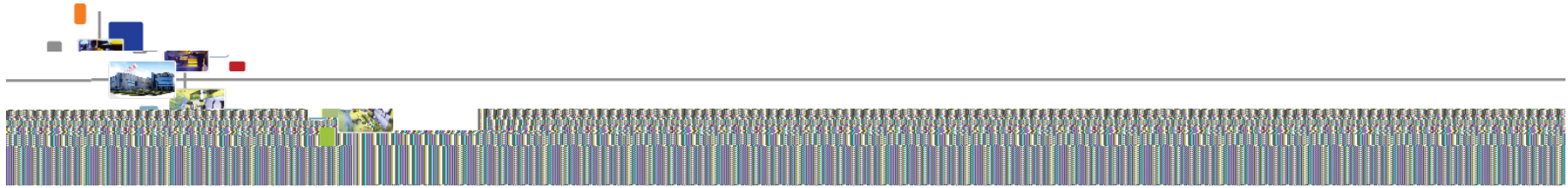


0.11/0.13um



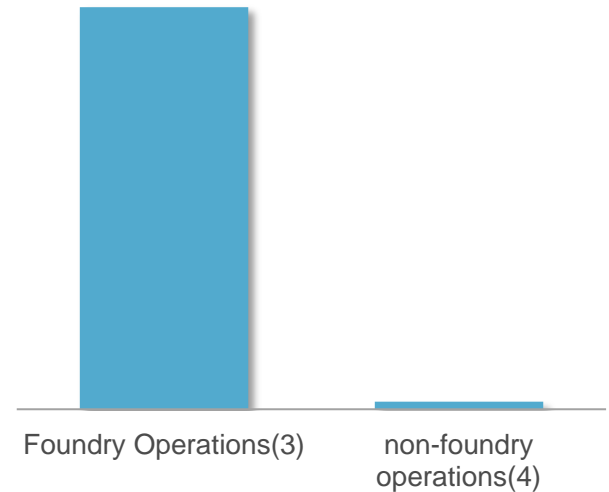
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4Q 2016 Guidance

Revenue	+5% to +7% QoQ \$814 to \$829 million
Gross Margin	28% to 30%
Non-GAAP Operating Expenses ⁽¹⁾	\$179 to \$184 million
Non-controlling interests ⁽²⁾	\$37 to \$39 million

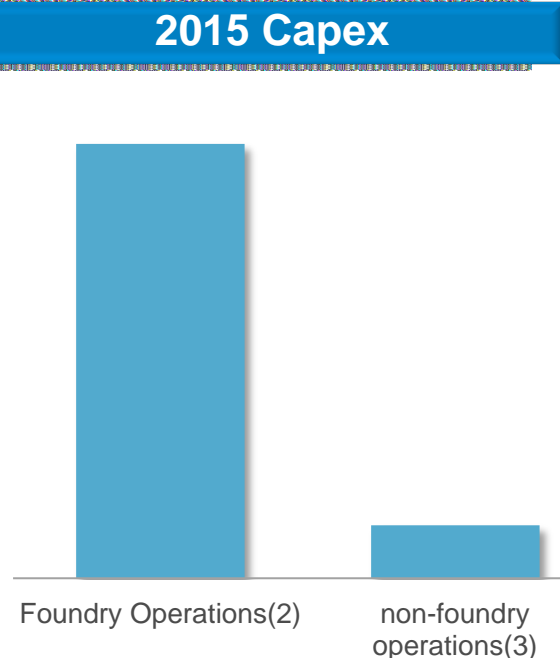




Appendix

Results Vs Original Guidance

	3Q 2016 Guidance	3Q 2016 Results
Revenue	+8% to +11% QoQ	+12.3% QoQ
Gross Margin	28% to 30%	30.0%
Non-GAAP Operating Expenses (1)	\$140 to \$145 million	\$121 million
Non-controlling interests	\$4 to \$6 million	\$1.4 million



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

(2) The 2015 capital expenditures for foundry operations were \$1,400.5 million, which mainly included 1) the capital expansion in the 12-inch fab of Semiconductor Manufacturing North China (Beijing) Corporation (“SMNC”, the Company’s majority-owned subsidiary in Beijing), the 12-inch fab in Shanghai and the new 8-inch fab in Shenzhen, and 2) research and development equipment, mask shops and intellectual property acquisition.

(3) The 2015 capital expenditures for non-foundry operations were \$172.2 million, which mainly included 1) the construction of living quarters and 2) the acquisition of head quarter building in Shanghai

Capital Expenditures & Depreciation

(\$)	3Q15	4Q15	1Q16	2Q16	3Q16
Capex	315	745	751	792	671
Depreciation & Amortization	130	143	160	169	186



Thank you

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