



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 Securities and Futures Commission (SFC). 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
compared to profit of \$40.6 million in 1Q13



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>		

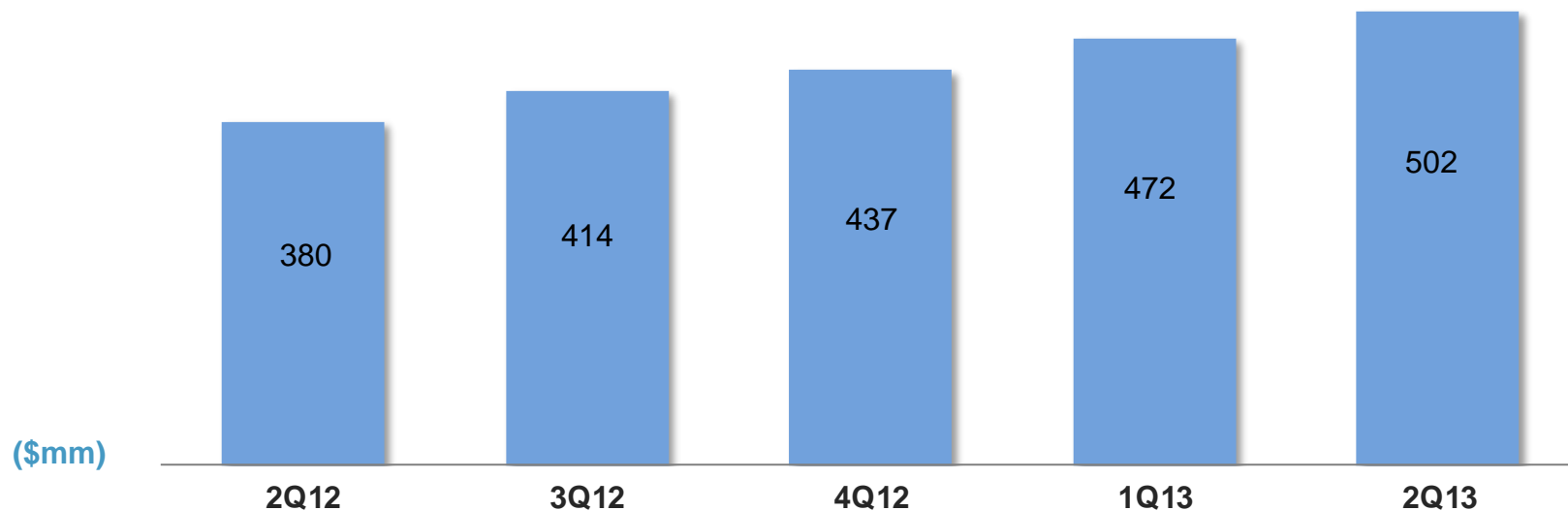
R&D expenses increased mainly due to a **\$7.5 million decrease in the funding of R&D** contracts from the government in 2Q13 and an **increase of employee bonus accrual** in 2Q13.

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.

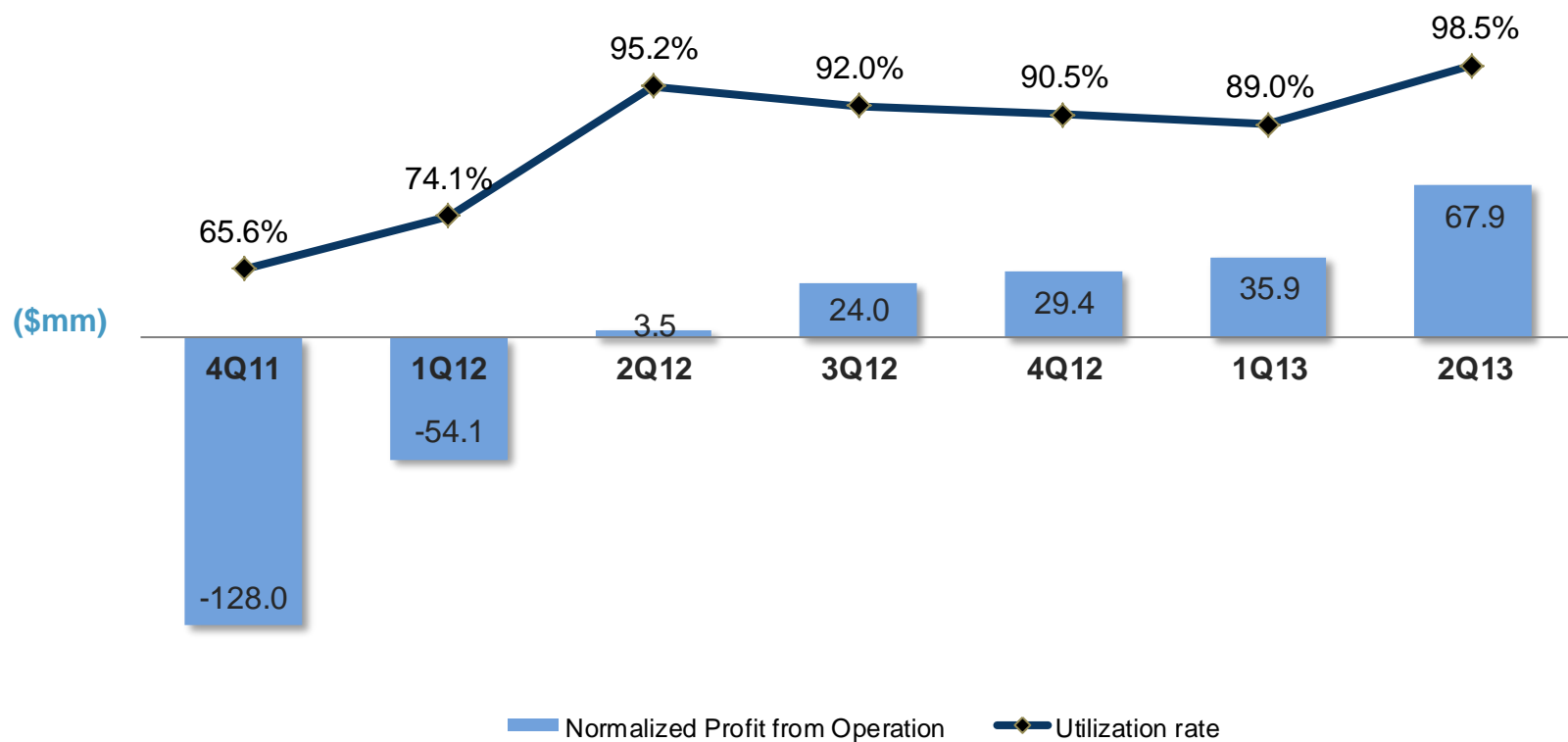


Revenue without Wuhan



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	4,301,699	4,021,946
Short-term borrowings	586,425	529,440
Long-term debt	474,692	429,000
Total Debt	1,061,117	958,440
Total Liabilities	1,897,961	1,702,910
Total Equity	2,403,738	2,319,036
Debt/Equity Ratio*	44.1%	41.3%

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



Cash Flow Highlights

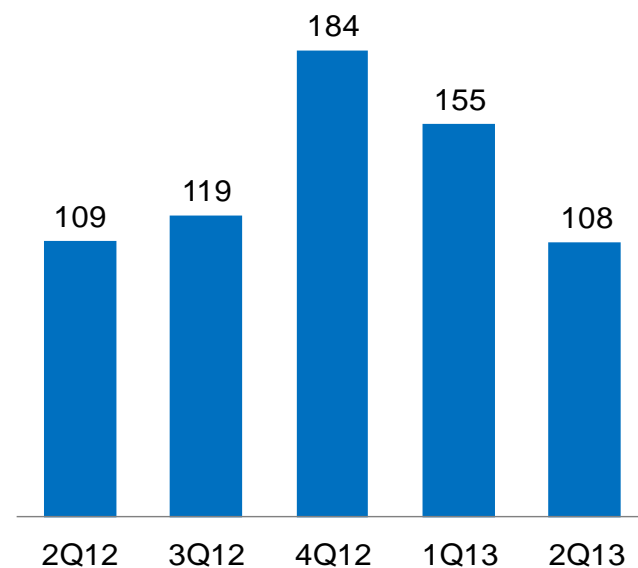
(US\$ thousands)

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

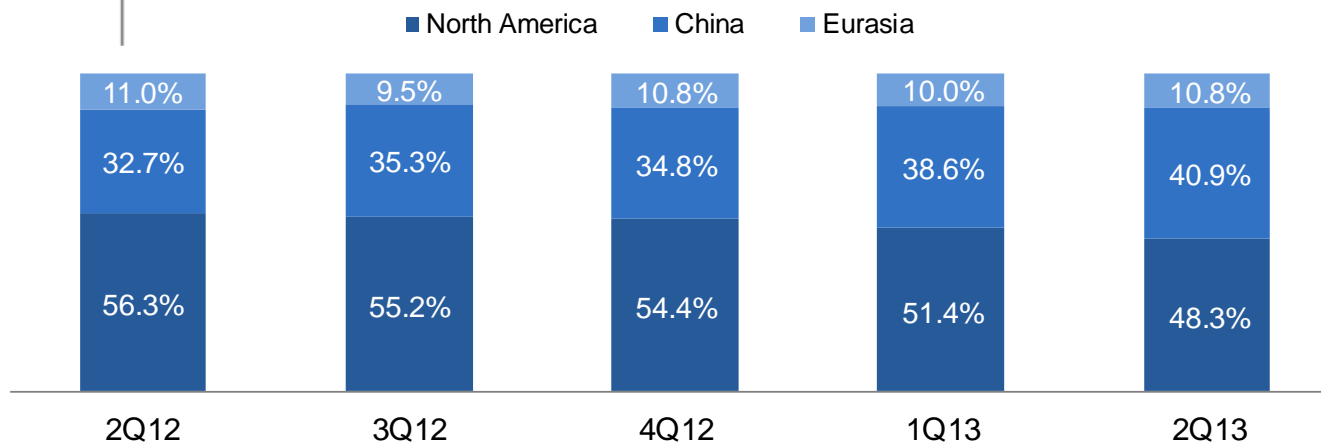
Cash Flow from Operations

US\$ Million



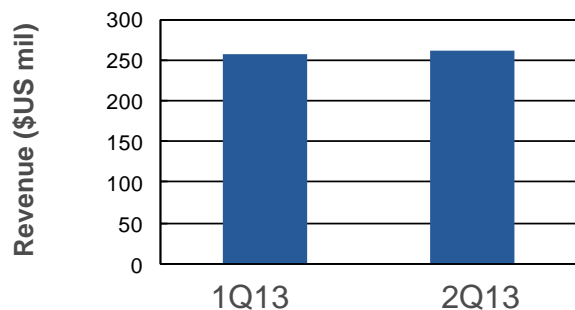


Total Revenue Breakdown by Geography

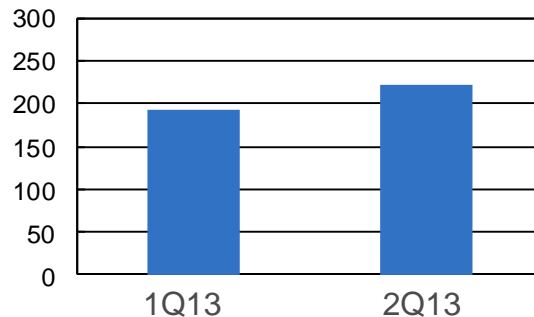


2Q 13 vs. 1Q 13

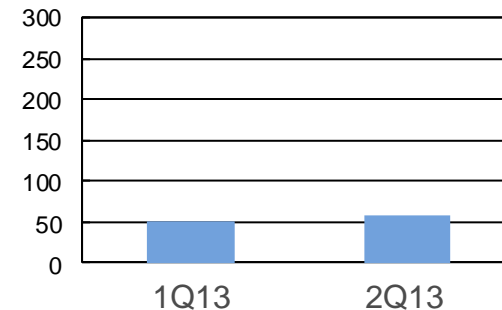
North America



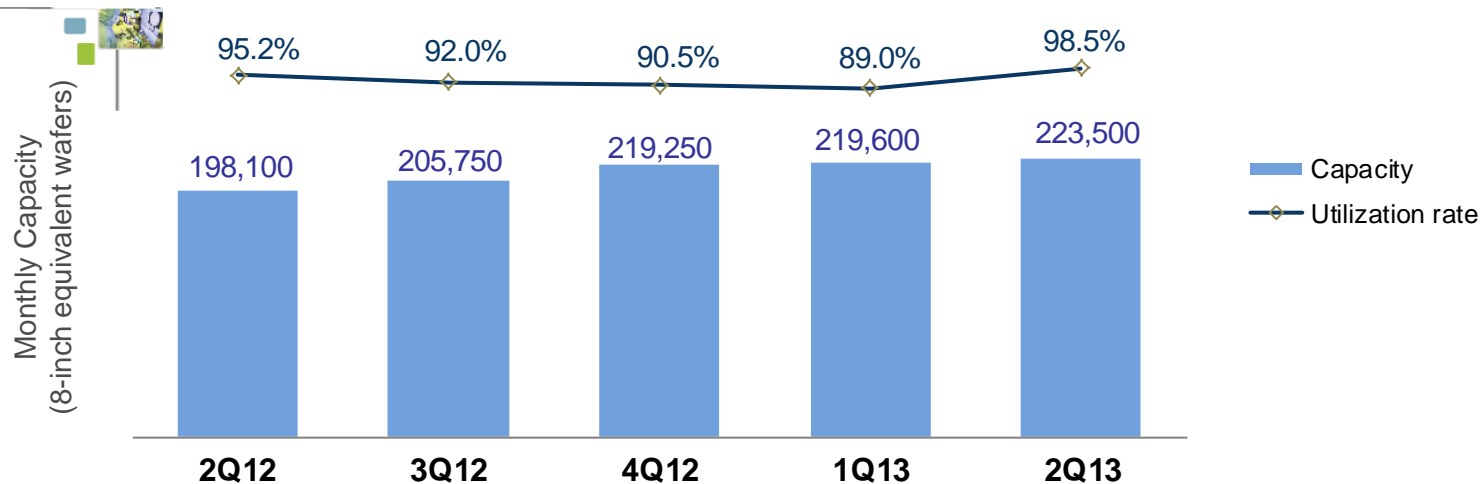
China



Eurasia



Capacity, Utilization and Shipment



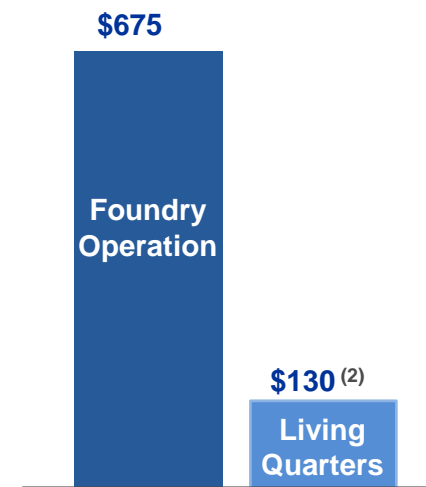
	2Q12	3Q12	4Q12	1Q13	2Q13
	84,600	90,000	90,000	90,000	90,000
Shanghai 12-	-	-	6,000	6,290	8,000
	34,000	35,000	35,000	36,000	36,000
	37,000	37,000	37,000	34,450	34,500
Monthly Capacity (8-inch equivalent wafers)	198,100	205,750	219,250	219,600	223,500
Wafer Shipment	557,683	605,543	608,372	631,776	687,651
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% \$541.3M
Gross Margin	20% to 22%	25.0%
Normalized Operating Expenses⁽¹⁾	\$85 to \$88 million	\$92.9 million
Operating expense ⁽²⁾	---	\$56.1 million

(1) Excludes funding from R&D contract with government, the gain arising from the disposal of part of the living quarters in

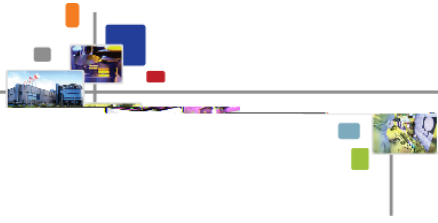
Development Corporation which was mainly engaged in construction, operation and management of living quarters and schools.

(2) Operating expense as reported on Earning Release.



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

Contact us: ir@smics.com