

SMIC Q1 2014 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

April 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 Second Quarter 2014 Guidance”, statements regarding future 2014 capital expenditures are based on SMIC’s current assumptions, expectations and projections about future events. SMIC uses words like “believe”, “anticipate”, “intend”, “estimate”, “expect”, “project”, “target”, “plan” 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 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.

To supplement SMIC’s consolidated financial results presented in accordance with IFRS, SMIC uses in this presentation 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



1Q14 Financial Highlights

- **Revenue was \$451.1M**
 - decreased 8.3% QoQ
 - decreased 6.7% QoQ compared to non-GAAP* revenue
- **Gross margin was 21.3%**
 - compared to 18.9% in 4Q13
 - compared to 19.2% non-GAAP* gross margin in 4Q13
- **Profit from operations was \$29.6 M**
 - compared to \$8.1 M in 4Q13
- **Profit attributable to SMIC was \$20.3 M**
 - compared to \$14.7 M in 4Q13
 - eighth consecutive quarter of positive net profit
- **Total debt to equity ratio was 38.5%**
 - compared to 45.2% in 4Q13

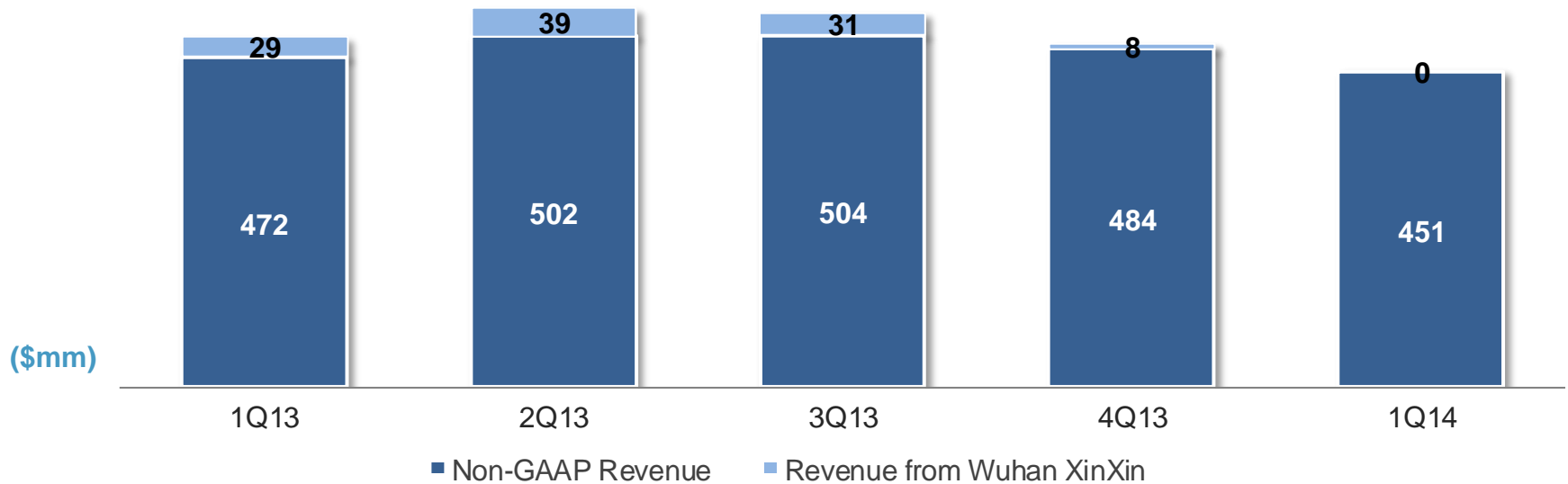
Note: Non-GAAP revenue and gross margin refers to revenue and gross margin excluding wafer shipments from Wuhan Xinxin.

Income Statement Highlights

(US\$ thousands)	1Q14	4Q13	QoQ	1Q13	YoY
Total Revenue	451,083	491,797	-8.3%	501,609	-10.1%
Gross Profit	96,118	92,939	3.4%	98,288	-2.2%
Gross Margin	21.3%	18.9%	-	19.6%	-
Operating Expenses	(66,533)	(84,840)	-21.6%	(46,967)	41.7%
<i>Research & Development</i>	<i>(36,653)</i>	<i>(46,256)</i>	<i>-20.8%</i>	<i>(24,758)</i>	<i>48.0%</i>
<i>General & Administrative</i>	<i>(23,193)</i>	<i>(36,610)</i>	<i>-36.6%</i>	<i>(34,203)</i>	<i>-32.2%</i>
<i>Selling & Marketing</i>	<i>(9,708)</i>	<i>(8,385)</i>	<i>15.8%</i>	<i>(8,254)</i>	<i>17.6%</i>
<i>Other operating income (expense)</i>	<i>3,021</i>	<i>6,411</i>	<i>-52.9%</i>	<i>20,248</i>	<i>-85.1%</i>
Profit from operations	29,585	8,099	265.3%	51,321	-42.4%
Other income (expense), net	(9,189)	7,756	-	(8,273)	11.1%
Income tax (expenses) benefit	(1,454)	(170)	755.3%	(2,536)	-42.7%
Profit attributable to SMIC	20,261	14,681	38.0%	40,604	-50.1%
Non-controlling Interests	(1,319)	1,004	-	(92)	1,333.7%
Earnings per ADS	0.03	0.02	-	0.06	-

- **R&D expenses** decreased mainly due to an increase in funding of R&D contracts from the government, which was \$11.7 million in 1Q14, compared to \$4.7 million in 4Q13.
- **General and administrative expenses** decreased mainly due to 1) a decrease of bad debt expense recognized and 2) a decrease in accrued employee bonus, and 3) a decrease of government tax surcharges in 1Q14.
- **Other operating income** decreased mainly due to the gain arising from the deconsolidation of Brite due to loss of control recorded in 4Q13.

Non-GAAP Revenue and Revenue from Wuhan Xinxin



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

Balance Sheet Highlights

(US\$ thousands)	For the three months ended	
	Mar 31, 2014	Dec 31, 2013
Cash and bank balances	437,575	462,483
Restricted Cash	120,338	147,625
Other financial assets	178,383	240,311
Trade and other receivables	361,536	379,361
Inventories	294,375	286,251
Other Assets	2,974,095	3,007,361
Total Assets	4,366,302	4,523,392
Short-term borrowings	313,191	390,547
Long-term borrowings	512,075	600,975
Convertible bonds	182,149	180,563
Total Debt	1,007,415	1,172,085
Total Liabilities	1,748,604	1,930,210
Total Equity	2,617,698	2,593,182
Debt/Equity Ratio*	38.5%	45.2%

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

Cash Flow Highlights

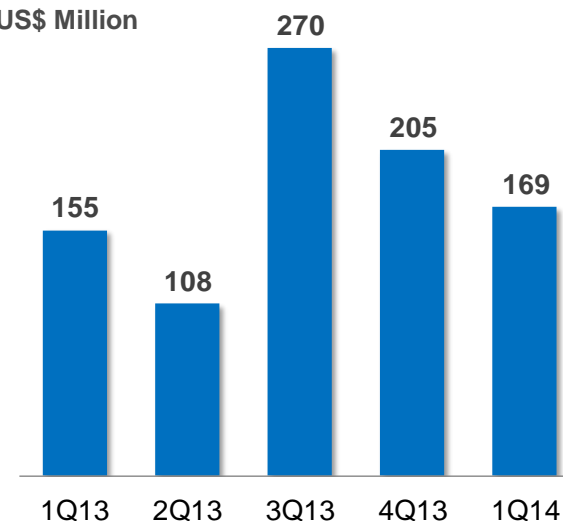
(US\$ thousands)

For the three months ended

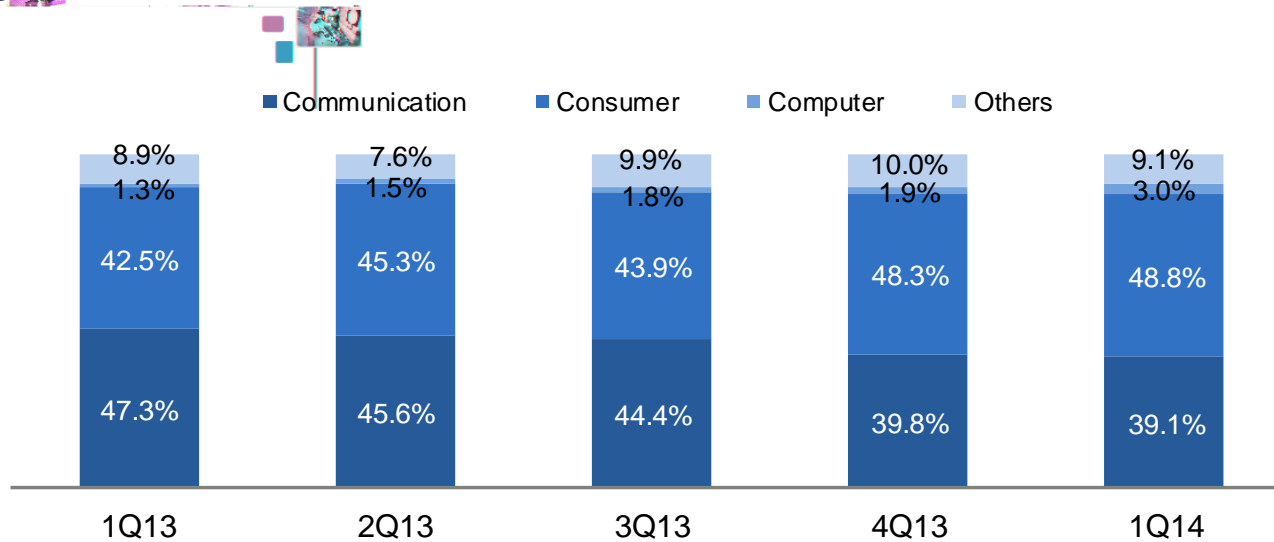
	Mar 31, 2014	Dec 31, 2013
Cash and bank balances, beginning of period	462,483	473,507
Net cash from operating activities	169,378	205,437
Net cash used in investing activities	(24,912)	(269,147)
Net cash (used in) from financing activities	(168,382)	52,749
Net increase (decrease) in cash and bank balances	(24,908)	(11,024)
Cash and bank balances, end of period	437,575	462,483

Cash Flow from Operations

US\$ Million

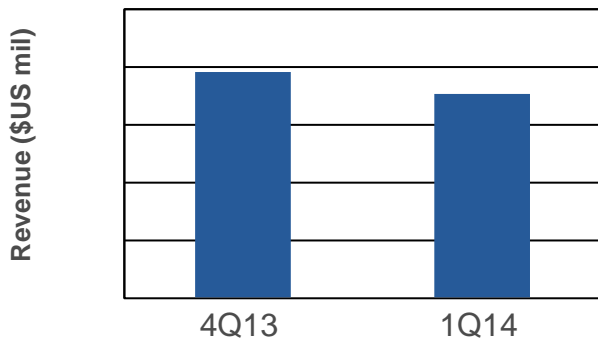


Total Revenue Breakdown by Applications

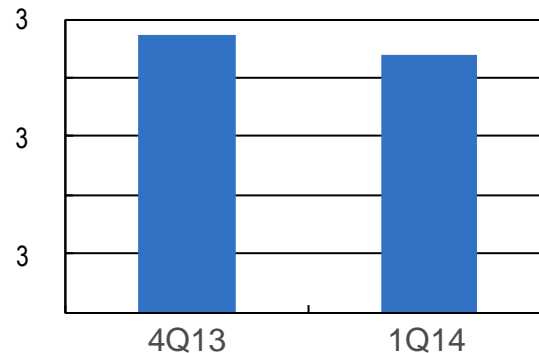


1Q 14 vs. 4Q 13

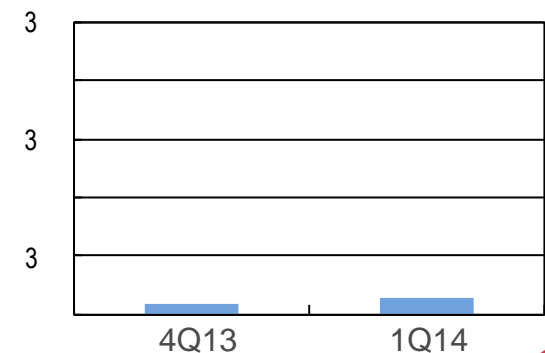
Communications



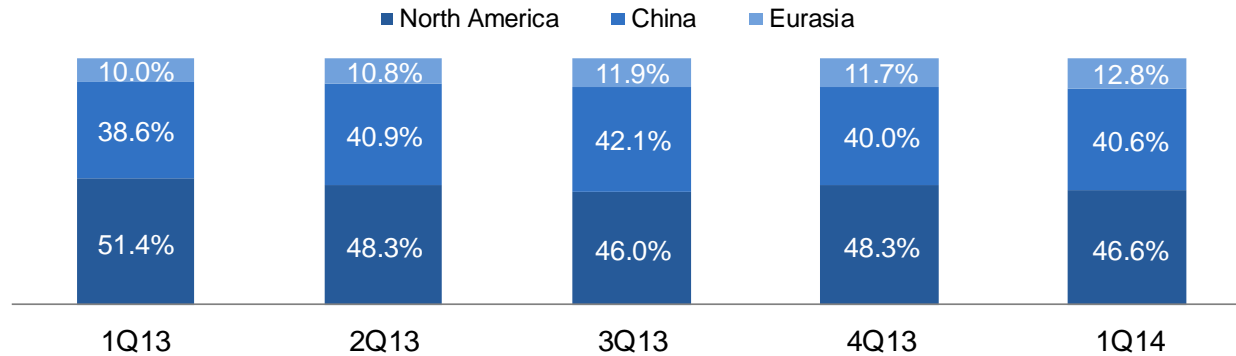
Consumer



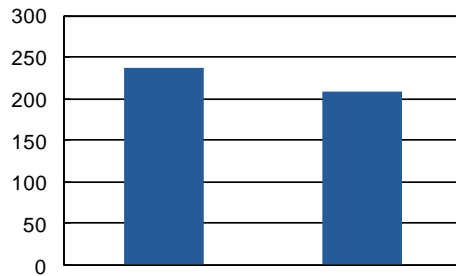
Computer



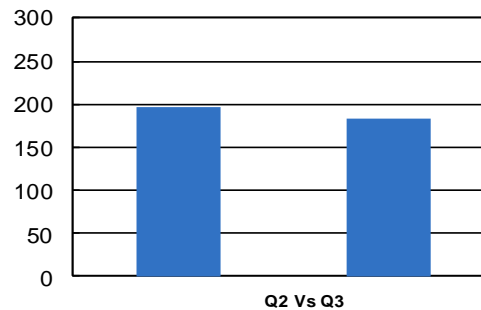
Total Revenue Breakdown by Geography



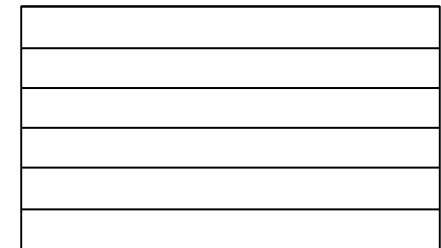
North America



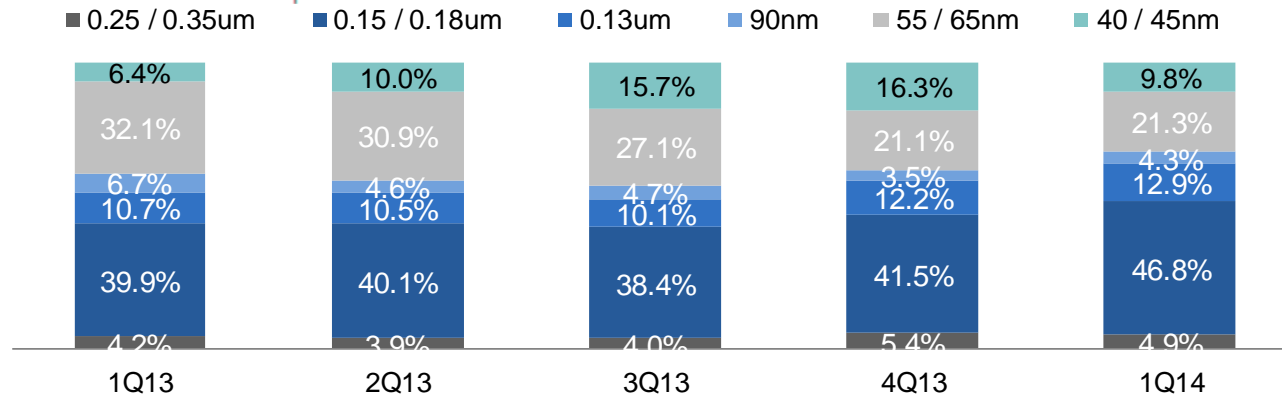
China



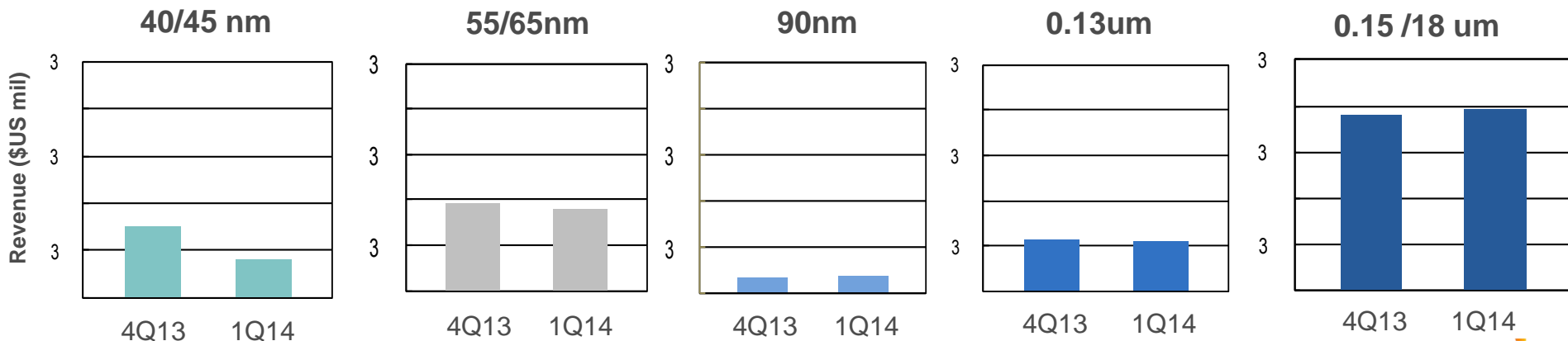
Eurasia



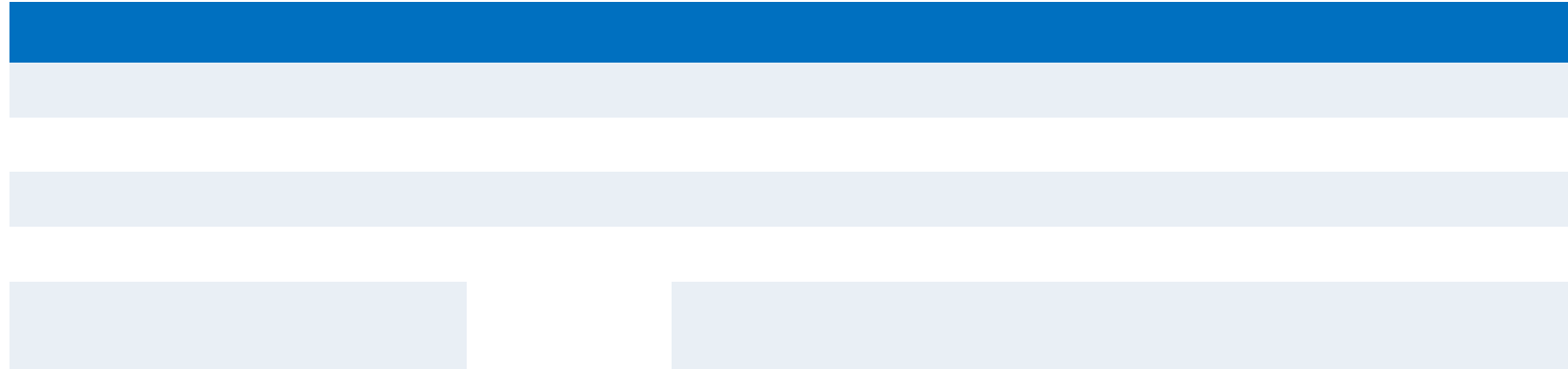
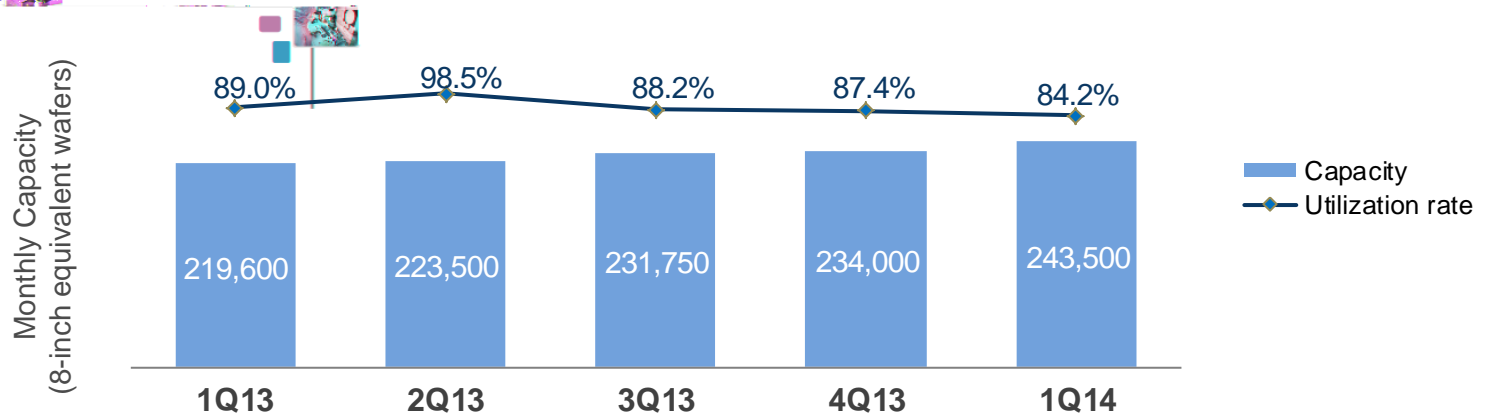
Wafer Revenue Breakdown by Technology



1Q 14 vs. 4Q 13



Capacity, Utilization and Shipment

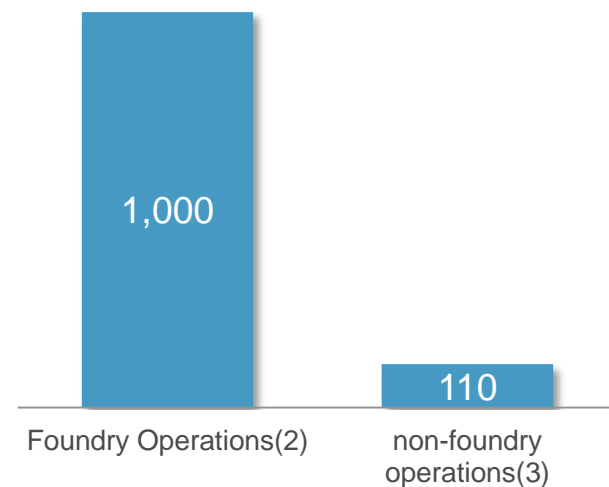


(1) Capacity utilization rate is reported based on total equivalent wafers out divided by estimated total quarterly capacity





2Q 2014 Guidance	
Revenue	+12% to +15 % \$505 to \$518 million
Gross Margin	22% to 24%
Non-GAAP Operating Expenses (1)	\$89 to \$93 million



- (1) Exclude the effect of employee bonus accrual, funding of R&D contracts from the government and gain from the disposal of living quarters.
- (2) The planned 2014 capital expenditures for our foundry operations are raised to approximately \$1 billion from the previous \$880 million, of which the increase will be for the acquisition of equipment for our Shenzhen 8-inch fab. Around \$570 million will be for



Appendix

1Q14 Results Vs Guidance

	1Q 2014 Guidance	1Q 2014 Results
Revenue (1)	-9% to -5%	-6.7%
Gross Margin	16% to 19%	21.3%
Non-GAAP Operating Expenses (2)	\$88 to \$92 million	\$ 79.4 million

(1) This revenue guidance was given in relation to the revenue without wafer shipments from Wuhan Xinxin in 4Q13.

(2) 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

Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	1Q13	2Q13	3Q13	4Q13	1Q14
Capex	185	302	169	114	108
Depreciation & Amortization	136	136	137	139	137



Thank you

Contact us: ir@smics.com