



SMIC Q1 2014 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

April 2014



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Under the Private Securities Litigation Reform Act of 1995

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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

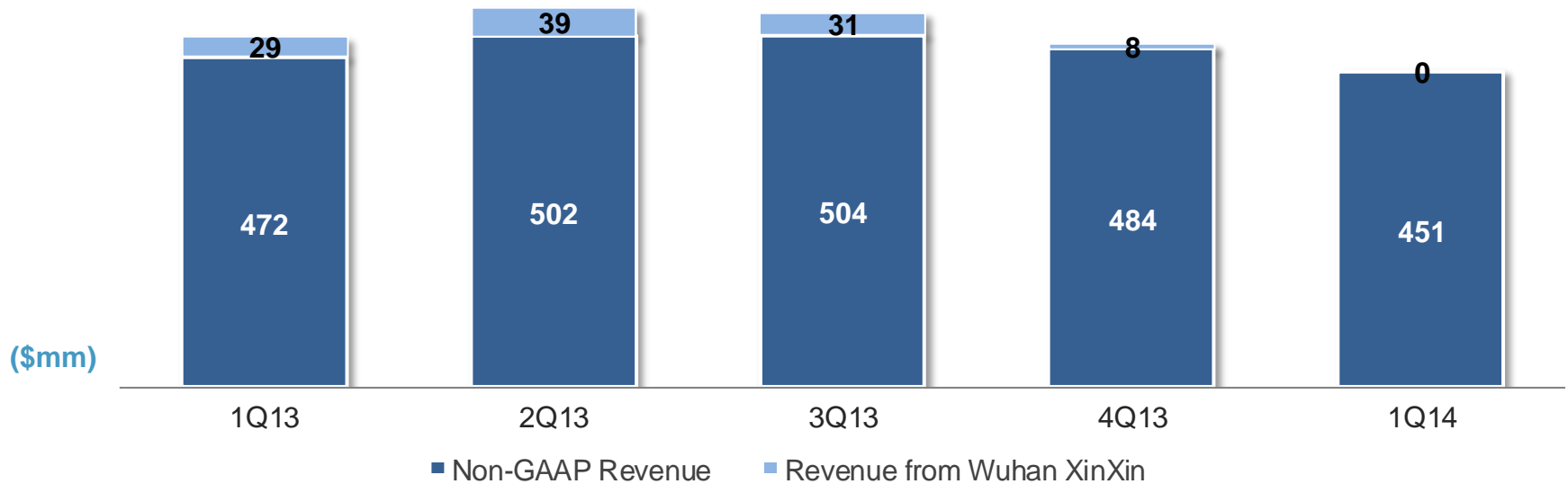
Note: Non-GAAP revenue and gross margin refers to revenue and gross margin excluding wafer shipments from Wuhan Xinxin.

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

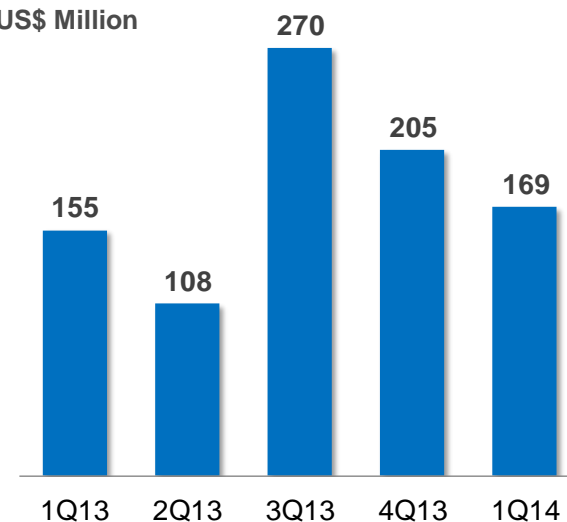
(US\$ thousands)

For the three months ended

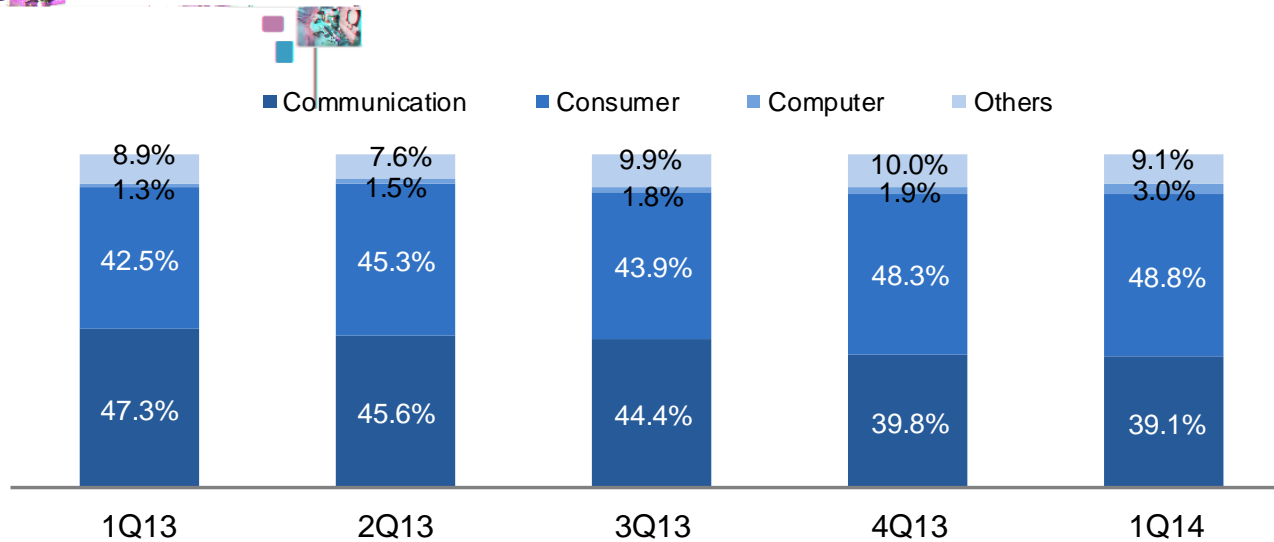
| | Mar 31, 2014 | Dec 31, 2013 |
|---|----------------|----------------|
| Cash and bank balances, beginning of period | 462,483 | 473,507 |
| Net cash from operating activities | 169,378 | 205,437 |
| Net cash used in investing activities | (24,912) | (269,147) |
| Net cash (used in) from financing 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

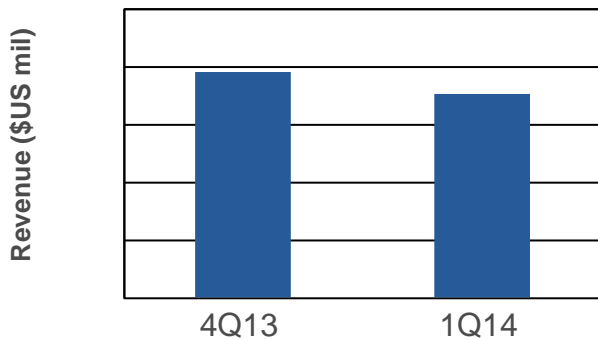


Total Revenue Breakdown by Applications

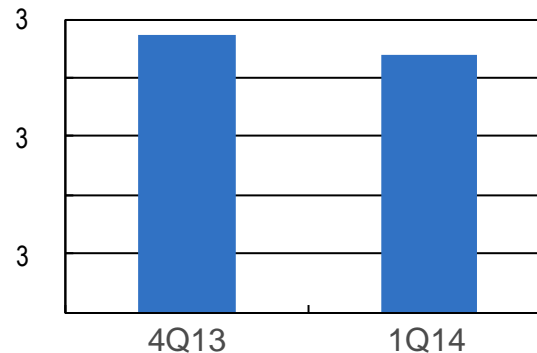


1Q 14 vs. 4Q 13

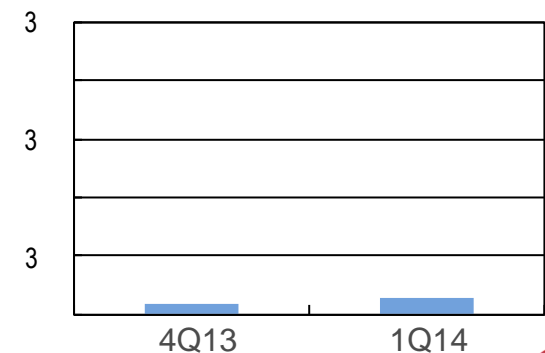
Communications



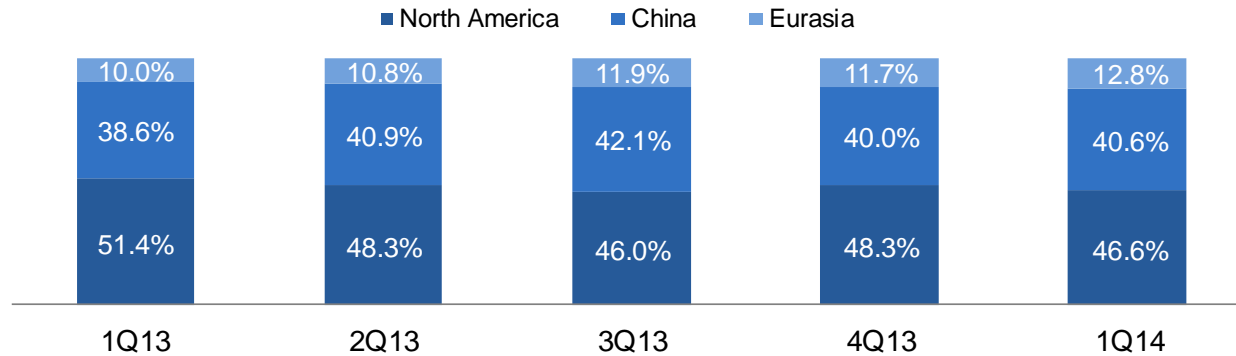
Consumer



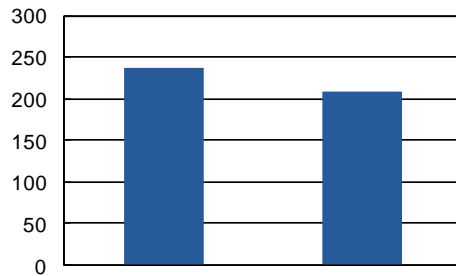
Computer



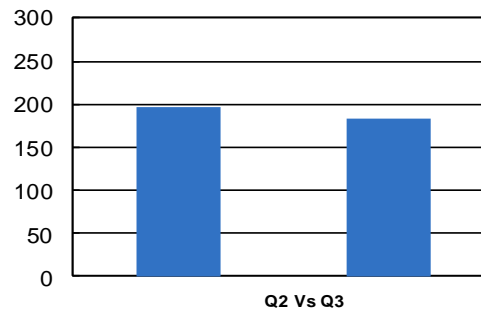
Total Revenue Breakdown by Geography



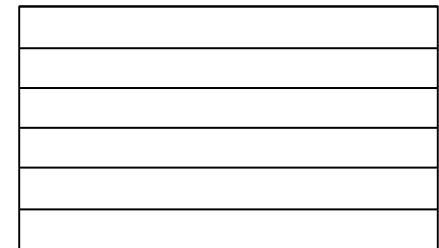
North America



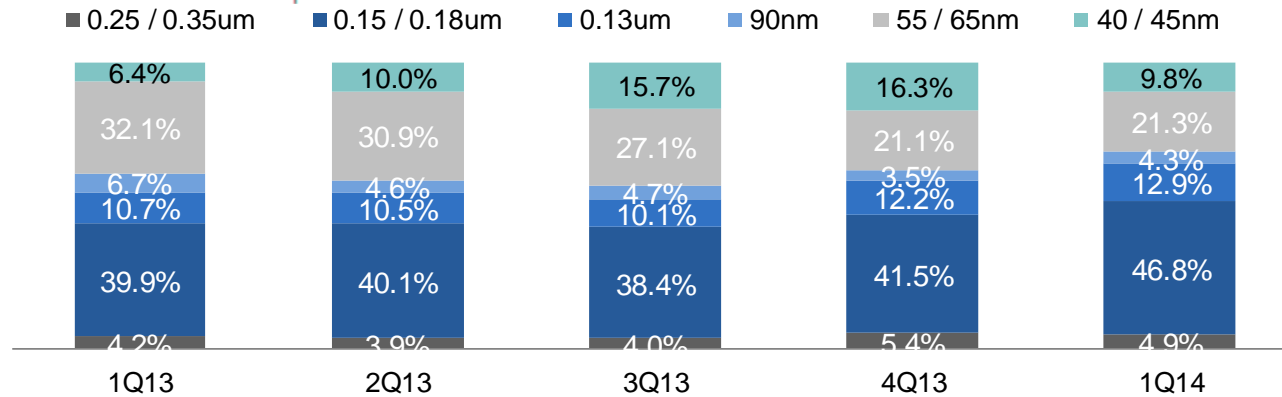
China



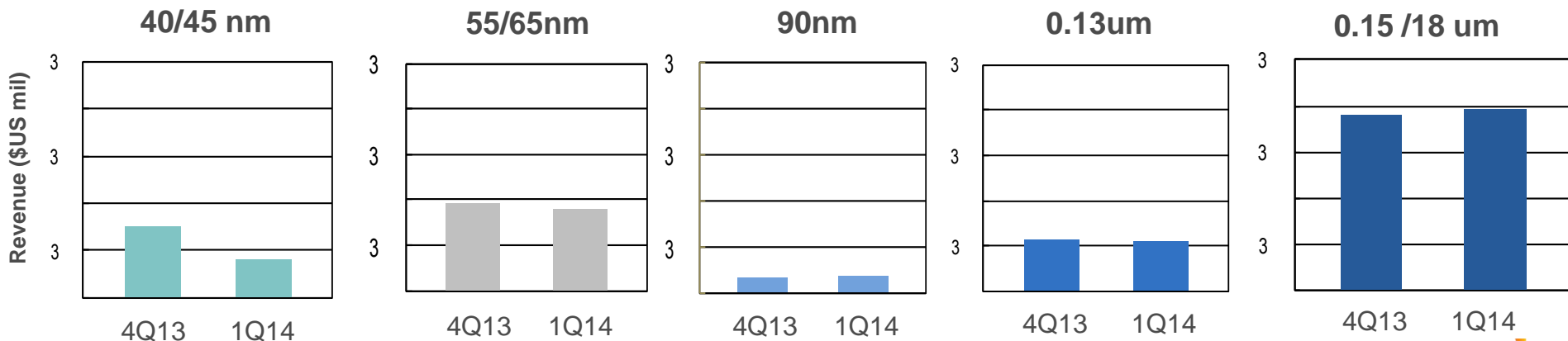
Eurasia



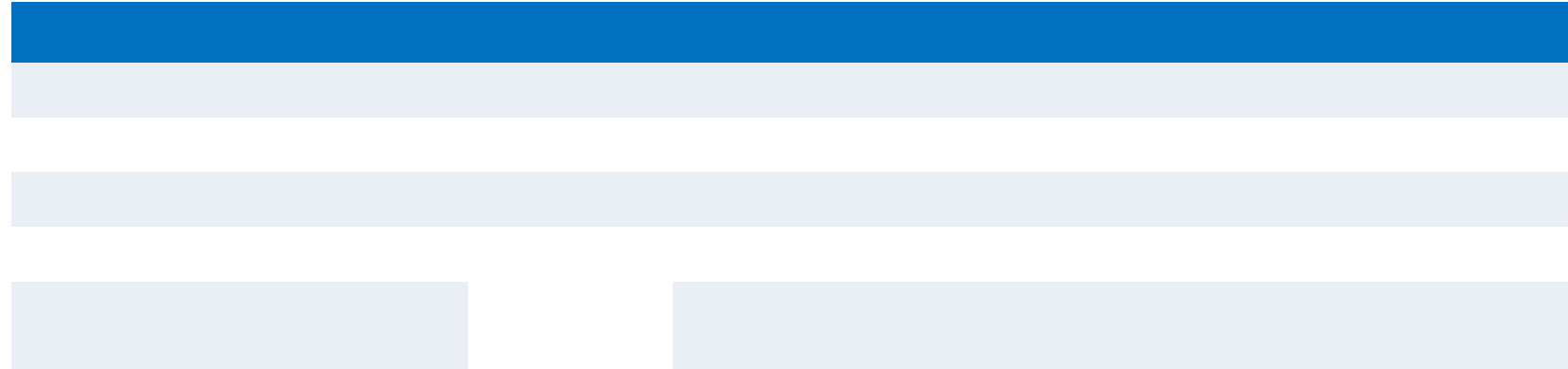
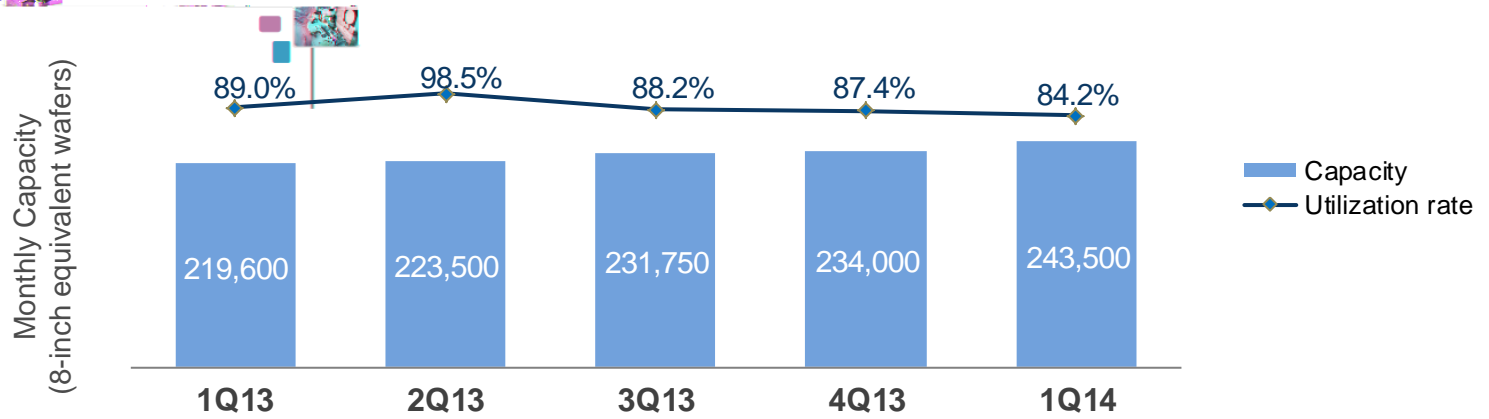
Wafer Revenue Breakdown by Technology



1Q 14 vs. 4Q 13



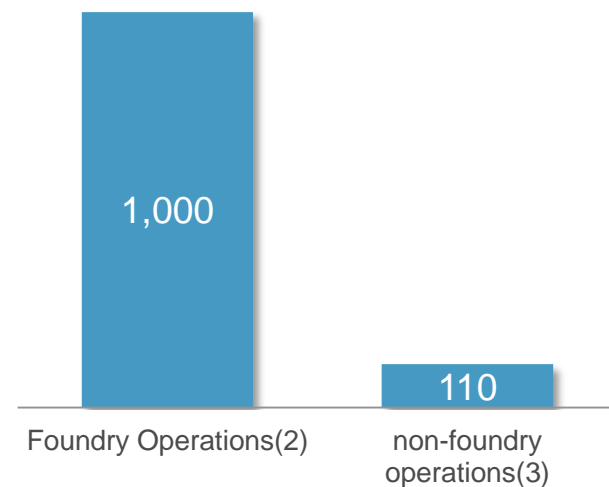
Capacity, Utilization and Shipment



(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

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