



**SMIC**



# Safe Harbor Statements

## Under the Private Securities Litigation Reform Act of 1995

This presentation provides information regarding the provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements, including statements under the Act, as well as the statements regarding future 2014 capital expenditures are 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 affect our financial performance, including, among others, risks associated with the global economic slowdown, orders or judgments from pending litigation and financial stability in end markets.

For more information, please refer to our annual report on 20-F filed with the SEC on April 14, 2014, especially the consolidated financial statements, and such other documents filed with the SEC, including our Form 6-K reports, press releases, analyst briefings and other public communications. 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

operating results that are adjusted to exclude wafer shipments from Wuhan Xinxin. 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 third 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.





# 2Q14 Financial Highlights

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- **Revenue was \$511.3M**
  - increased 13.4% QoQ
  - Non-GAAP revenue without Wuhan was a record high, increased 1.9% YoY
  
- **Gross margin was 28.0%**
  - compared to 21.3% in



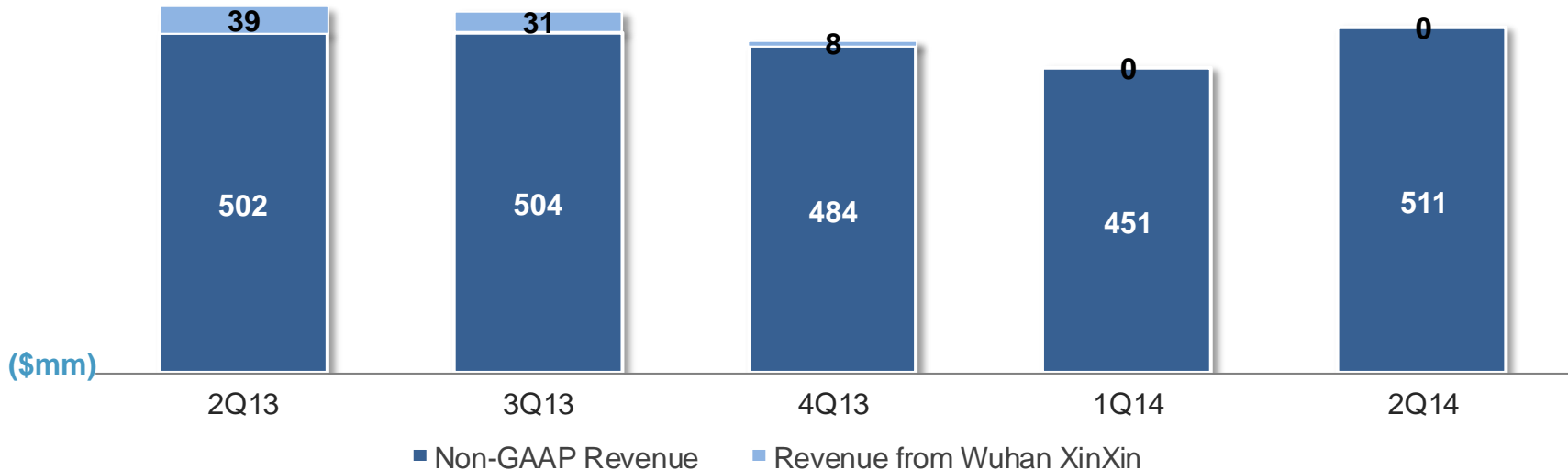
# Income Statement Highlights

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- **Gross margin** in 2Q14 was up from 1Q14, mainly due to an increase in fab utilization.
- **R&D expenses** increase was primarily due to 1) a decrease in the funding of R&D contracts from the government, which was \$7.6 million in 2Q14, compared to \$11.7 million in 1Q14 and 2) an increase of R&D activities in 2Q14.
- **General and administrative expenses** increased in 2Q14 compared to 1Q14, mainly because 1) accrued employee bonus increased by \$7.1 million and 2) government tax surcharges increased by \$2.4 million in 2Q14.
- **Other operating income** in 2Q14 increased QoQ, mainly because of the gain arising from the disposal of part of the living quarters in Beijing.

# 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	
	June 30, 2014	Mar 31, 2014
Cash and cash equivalent	573,332	437,575
Restricted Cash	181,573	120,338
Other financial assets	358,417	178,383
Trade and other receivables	458,765	361,536
Inventories	319,089	294,375
Other Assets	2,976,693	2,974,095
<b>Total Assets</b>	<b>4,867,869</b>	<b>4,366,302</b>
Short-term borrowings	365,269	313,191
Long-term borrowings	430,520	512,075
Convertible bonds	352,317	182,149
<b>Total Debt</b>	<b>1,148,106</b>	<b>1,007,415</b>
<b>Total Liabilities</b>	<b>1,978,824</b>	<b>1,748,604</b>
<b>Total Equity</b>	<b>2,889,045</b>	<b>2,617,698</b>
Debt/Equity Ratio*	39.7%	38.5%

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



# Cash Flow Highlights

(US\$ thousands)

For the three months ended

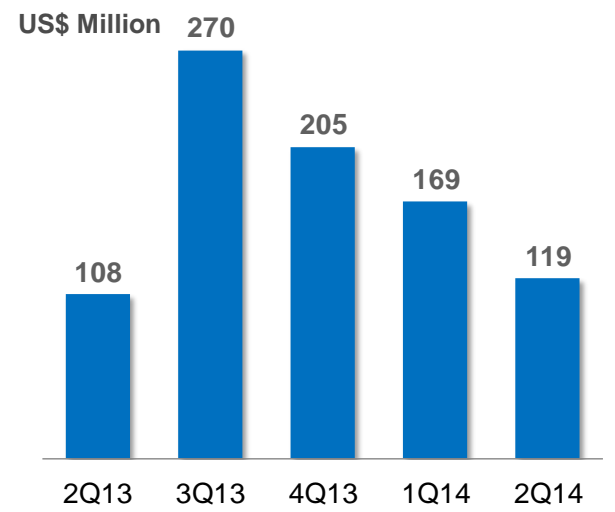
June 30, 2014

Mar 31, 2014

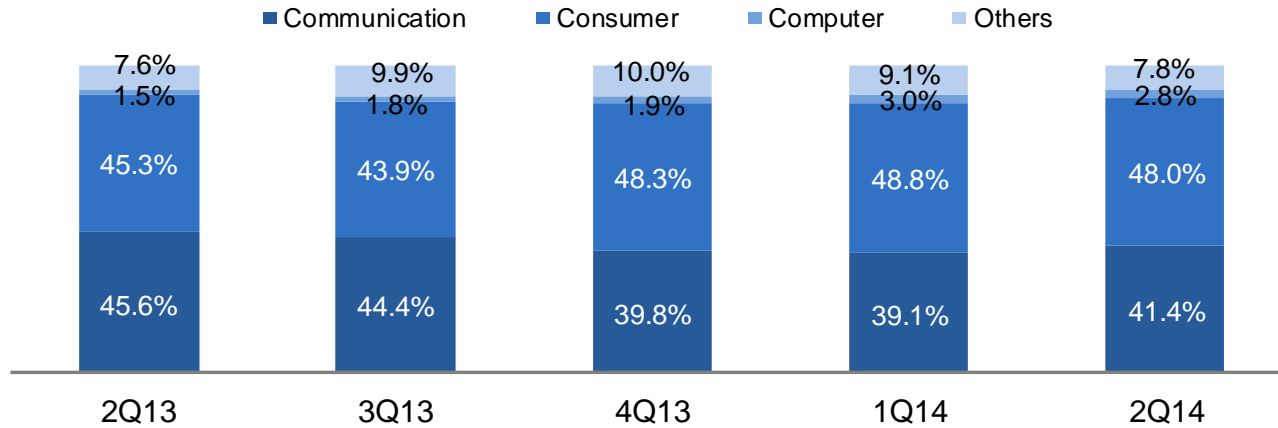
	June 30, 2014	Mar 31, 2014



## Cash Flow from Operations

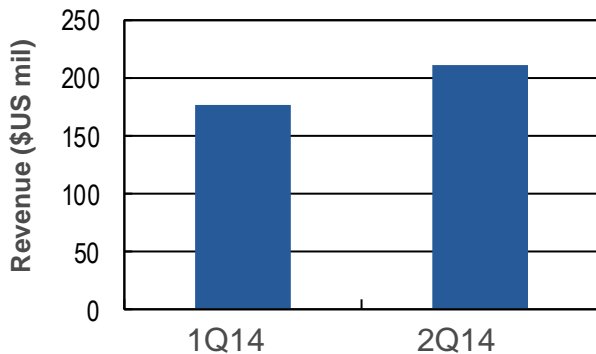


# Total Revenue Breakdown by Applications

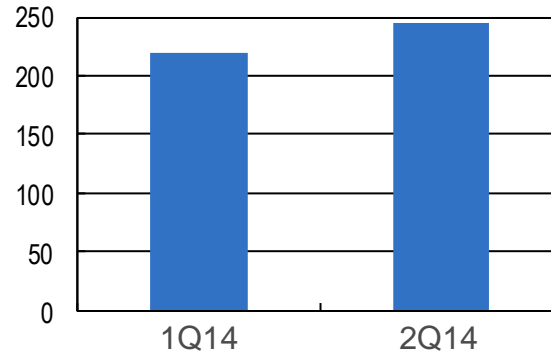


## 2Q 14 vs. 1Q 14

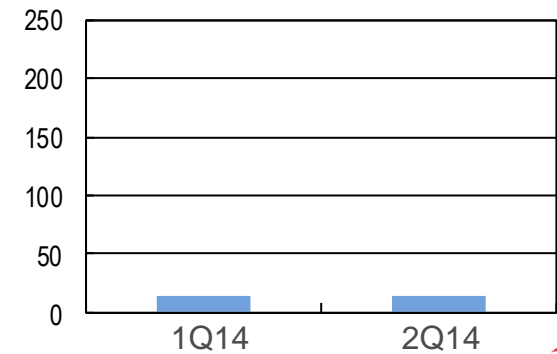
### Communications



### Consumer

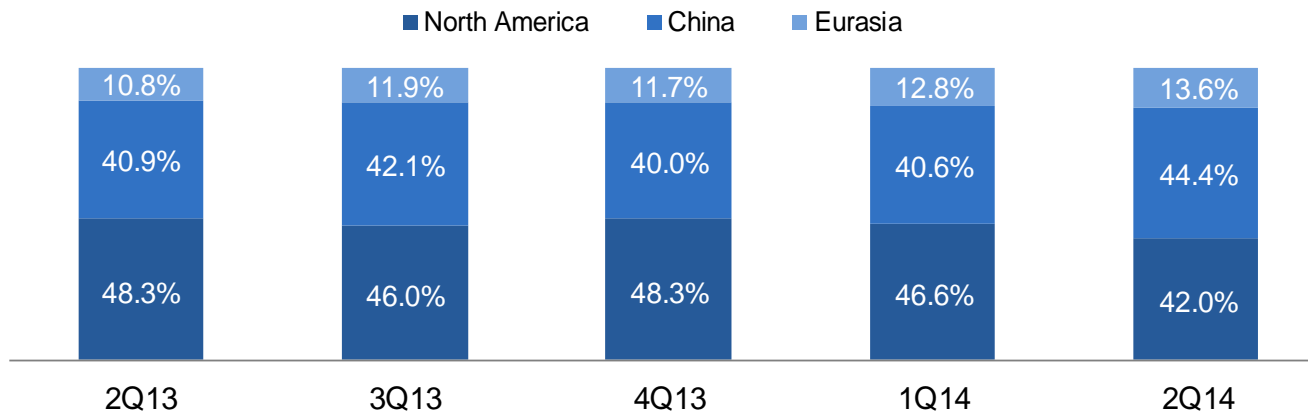


### Computer



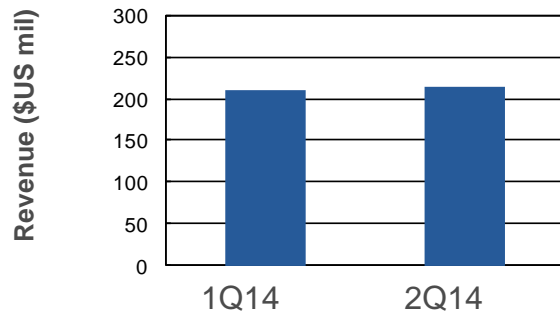


# Total Revenue Breakdown by Geography

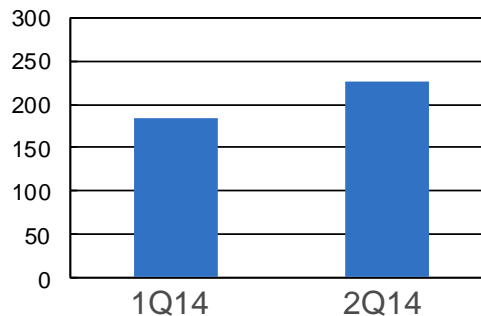


## 2Q 14 vs. 1Q 14

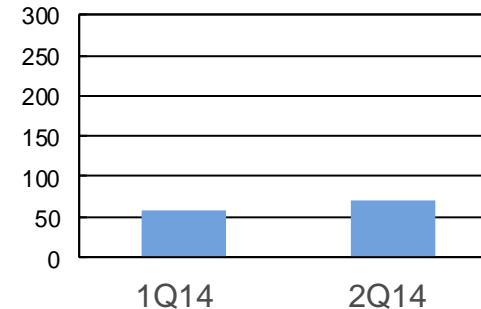
### North America



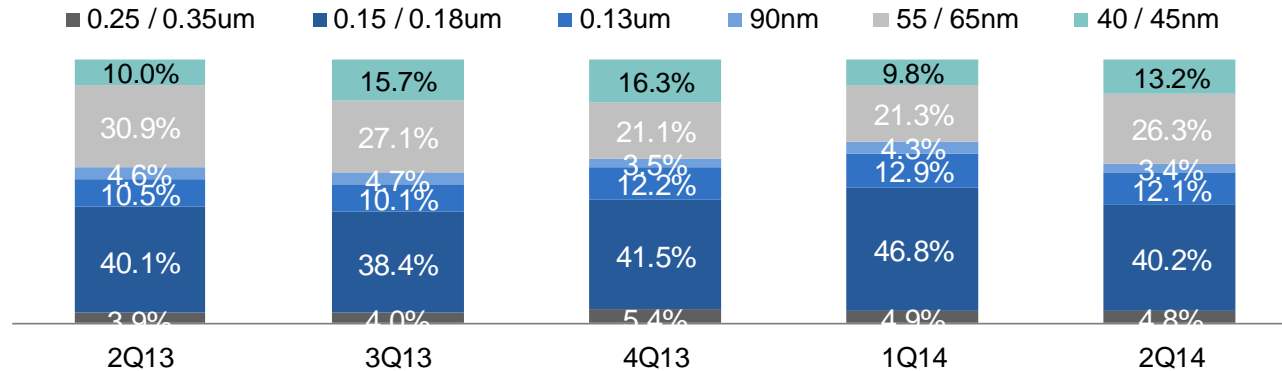
### China



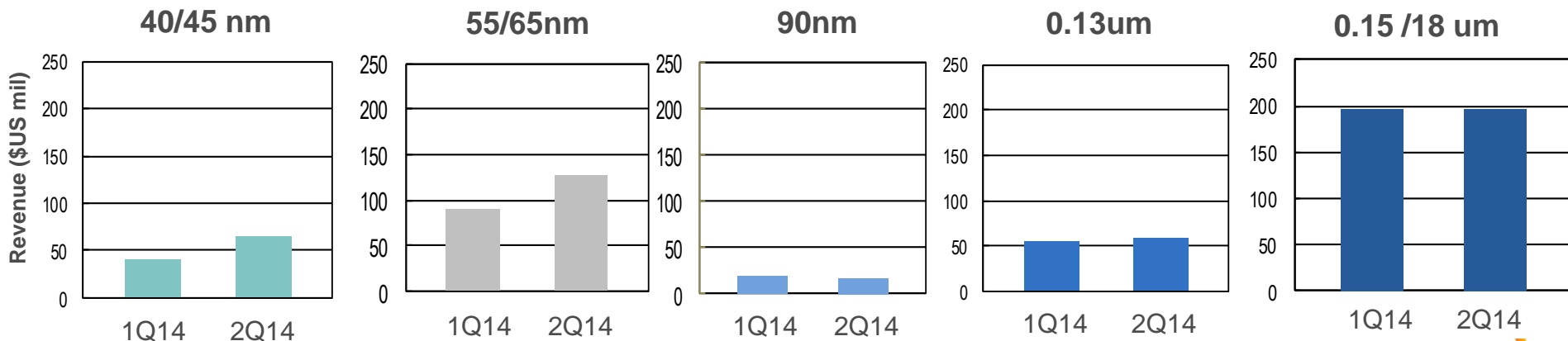
### Eurasia



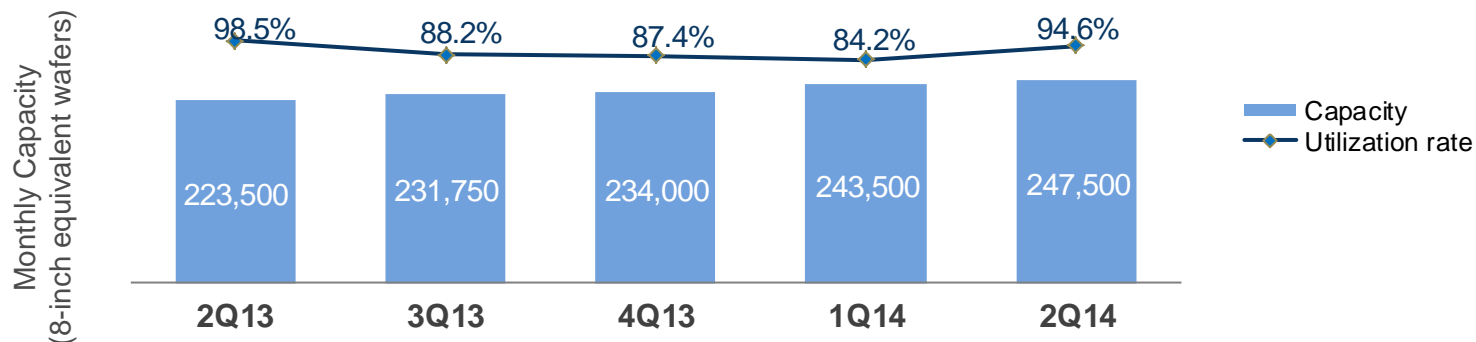
# Wafer Revenue Breakdown by Technology



## 2Q 14 vs. 1Q 14



# Capacity, Utilization and Shipment

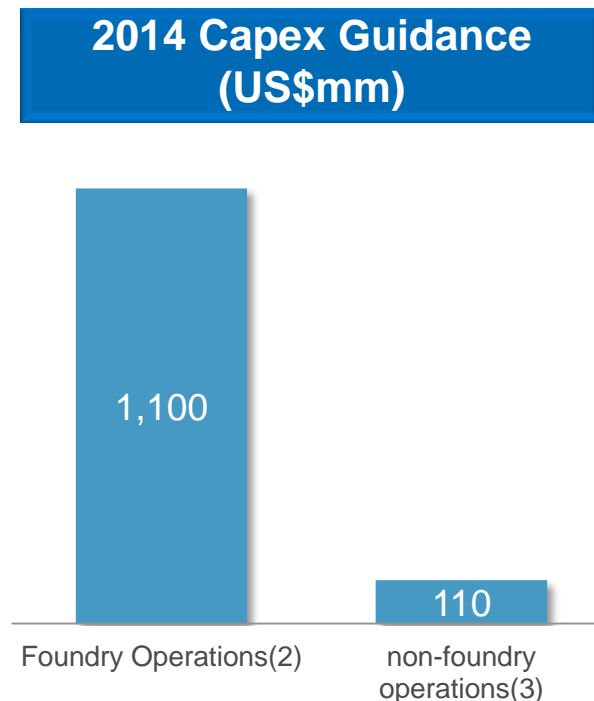


	2Q13	3Q13	4Q13	1Q14	2Q14
	90,000	90,000	90,000	94,000	96,000
Shanghai 12-	8,000	11,000	12,000	14,000	14,000
	36,000	36,000	36,000	36,000	36,000
	34,500	36,000	36,000	37,000	39,000
<b>Monthly Capacity (8-inch equivalent wafers)</b>	<b>223,500</b>	<b>231,750</b>	<b>234,000</b>	<b>243,500</b>	<b>247,500</b>
Wafer Shipment	687,651	653,090	601,602	581,621	648,764
Utilization Rate <sup>(1)</sup>	98.5%	88.2%	87.4%	84.2%	94.6%

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

# 3Q 2014 Guidance and 2014 Capex Guidance

	3Q 2014 Guidance
Revenue	+1% to +5 % QoQ \$516 to \$537 million
Gross Margin	24% to 26%
Non-GAAP Operating Expenses (1)	\$96 to \$101 million



- (1) Exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters
- (2) The Company raises planned 2014 capital expenditures for foundry operations from approximately \$1.0 billion to approximately \$1.1 billion. The increase is mainly for product-mix change, including conversion from 40/45nm to 28nm in our Shanghai 12-inch fab, and the expansion of capacity in our Tianjin 8-inch fab from 39K to 42K. Around \$570 million of the total estimated 2014 capital expenditures is expected to be used for our new Beijing majority owned subsidiary, which is 55% funded by SMIC and 45% funded by the other shareholders of the subsidiary.
- (3) As previously announced, 2014 capital expenditures for non-foundry operations is approximately \$110 million, mainly for the construction of living quarters. The Company plans to rent out or sell these living quarter units to employees in the future.



# Appendix

# 2Q14 Results Vs Original Guidance

	2Q 2014 Guidance	2Q 2014 Results
Revenue	+12% to +15% QoQ	+13.4% QoQ
Gross Margin	22% to 24%	28.0%
Non-GAAP Operating Expenses (1)	\$89 to \$93 million	\$ 86.6 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>	2Q13	3Q13	4Q13	1Q14	2Q14
<b>Capex</b>	302	169	114	108	142
<b>Depreciation &amp; Amortization</b>	136	137	139	137	138



# Thank you

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