



# 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 Exchange Listing. 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

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- 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

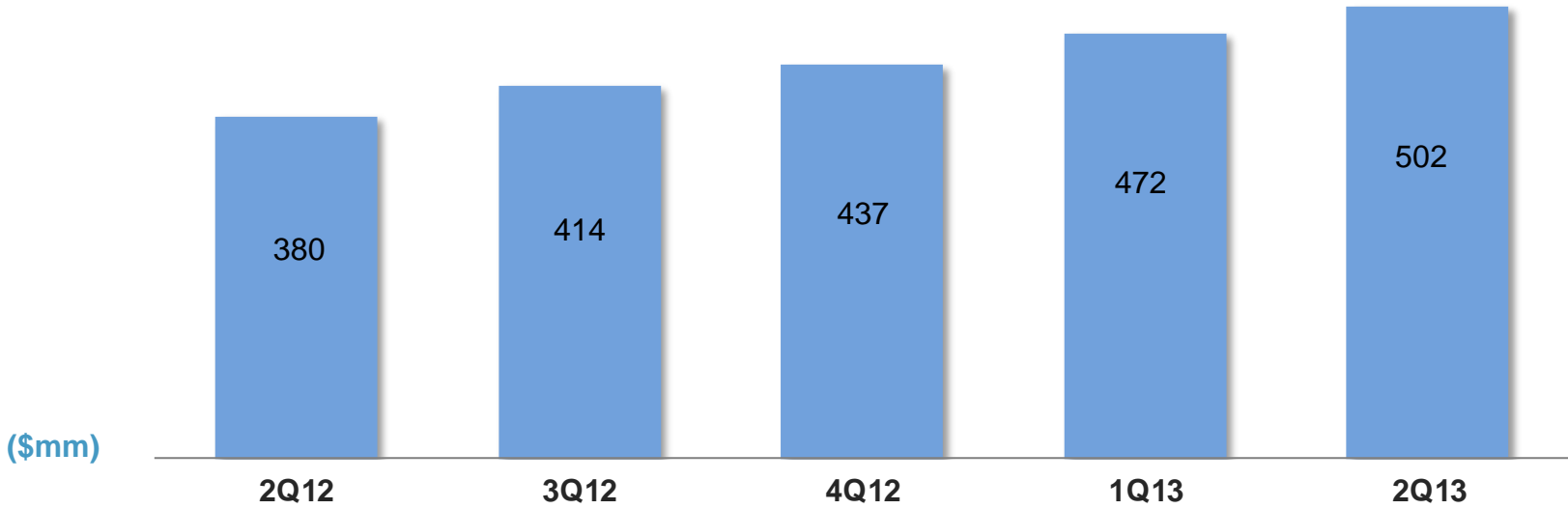
(US\$ thousands)	2Q13	1Q13	QoQ	2Q12	YoY
<b>Total Revenue</b>	<b>541,302</b>	<b>501,609</b>	<b>7.9%</b>	<b>421,825</b>	<b>28.3%</b>
Gross Profit	135,227	98,288	37.6%	101,715	32.9%
<b>Gross Margin</b>	<b>25.0%</b>	<b>19.6%</b>	<b>-</b>	<b>24.1%</b>	<b>-</b>
<b>Operating Expenses</b>	<b>(56,095)</b>	<b>(46,967)</b>	<b>19.4%</b>	<b>(87,973)</b>	<b>-36.2%</b>
<i>Research &amp; Development</i>	<i>(36,736)</i>	<i>(24,758)</i>	<i>48.4%</i>	<i>(51,021)</i>	<i>-28.0%</i>
<i>General &amp; Administrative</i>	<i>(42,636)</i>	<i>(34,203)</i>	<i>24.7%</i>	<i>(29,093)</i>	<i>46.6%</i>
<i>Selling &amp; 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>
<b>Profit from operation</b>	<b>79,132</b>	<b>51,321</b>	<b>54.2%</b>	<b>13,742</b>	<b>475.8%</b>
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**.

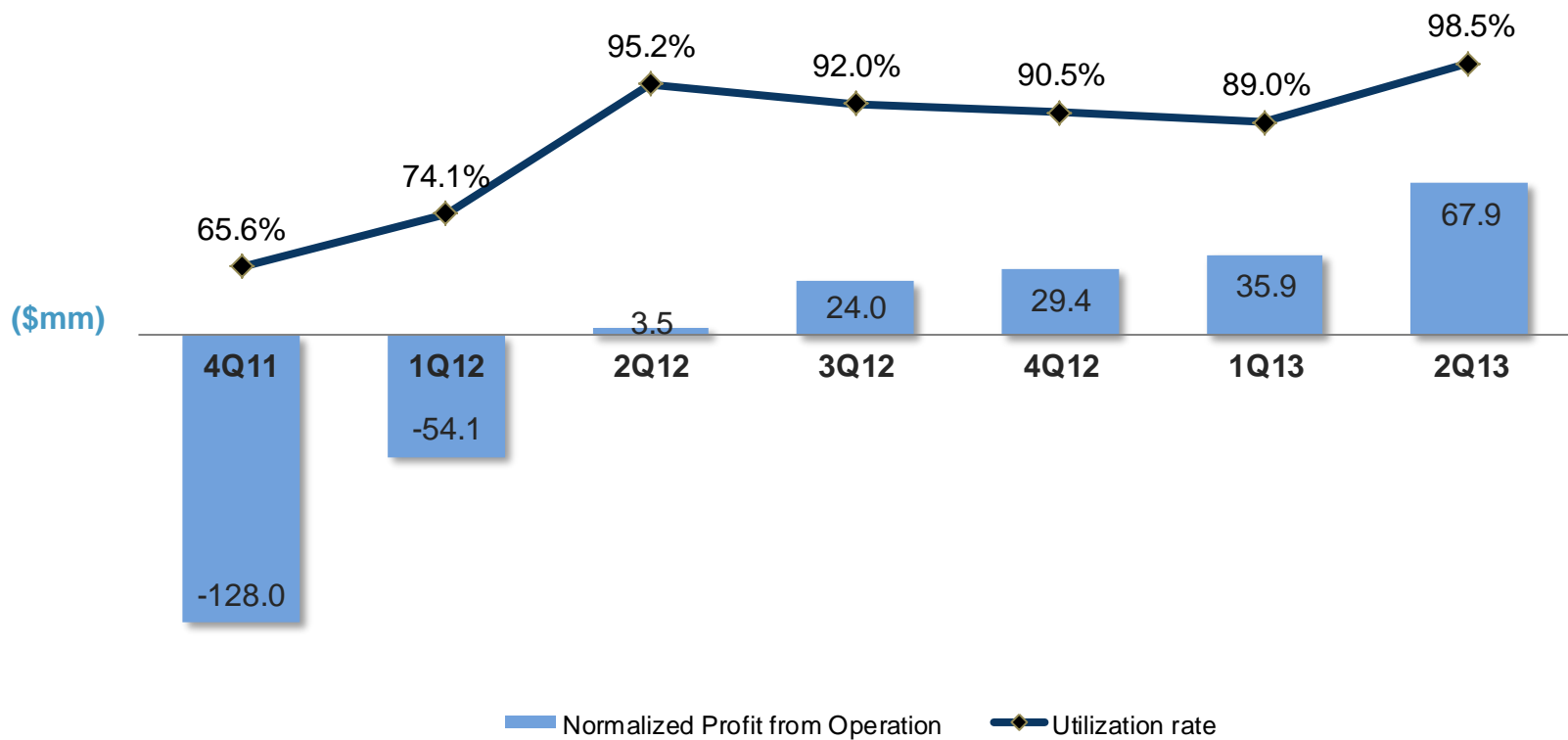
**Other operating income** in 2Q13 included 1) gain from **disposal of part of living quarters** in Shanghai and 2) gain arising from the **disposal of total ownership interest in SMIC (Wuhan) Development Corp** which mainly engaged in construction, operation and management of living quarters and schools.

# 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
<b>Cash and bank balances</b>	<b>262,955</b>	<b>292,932</b>
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
<b>Total Assets</b>	<b>4,301,699</b>	<b>4,021,946</b>
Short-term borrowings	586,425	529,440
Long-term debt	474,692	429,000
<b>Total Debt</b>	<b>1,061,117</b>	<b>958,440</b>
<b>Total Liabilities</b>	<b>1,897,961</b>	<b>1,702,910</b>
<b>Total Equity</b>	<b>2,403,738</b>	<b>2,319,036</b>
Debt/Equity Ratio*	44.1%	41.3%

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

# Cash Flow Highlights

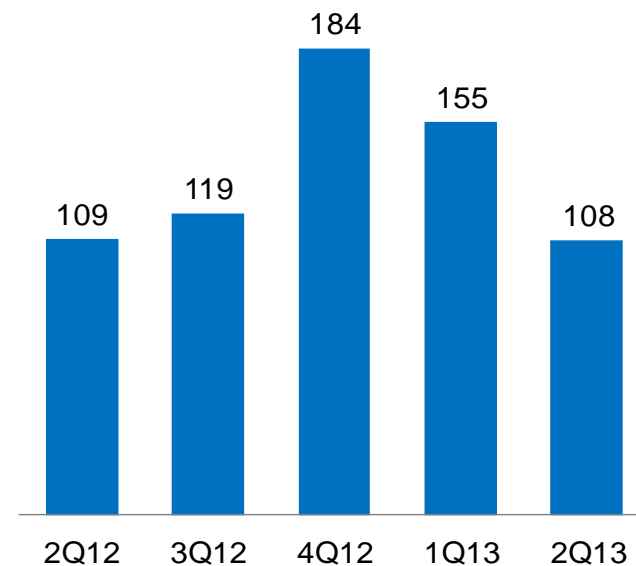
(US\$ thousands)

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

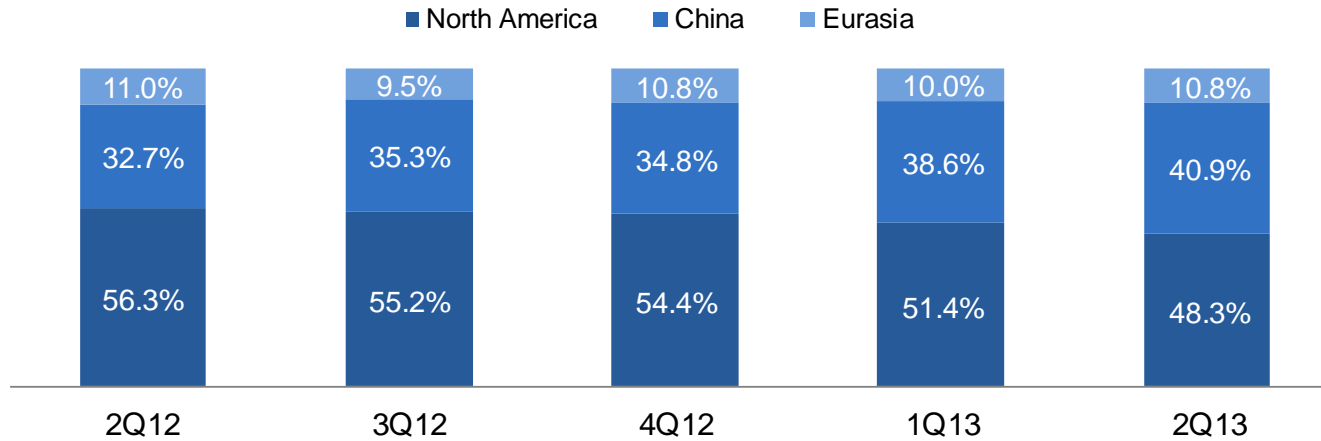
US\$ Million





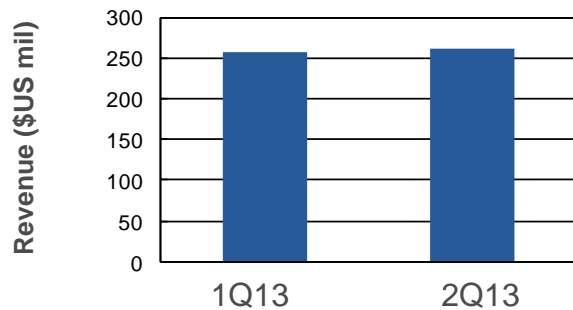


# Total Revenue Breakdown by Geography

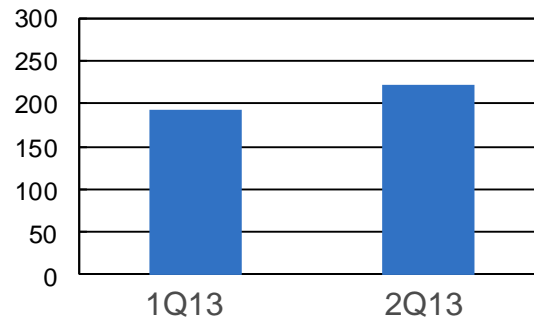


## 2Q 13 vs. 1Q 13

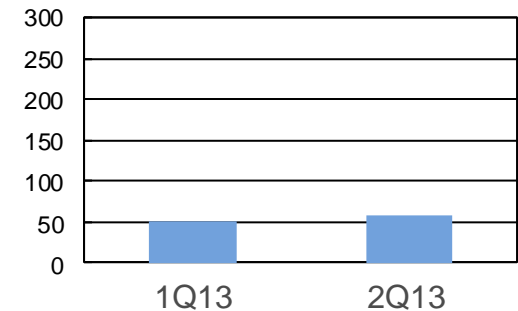
### North America



### China

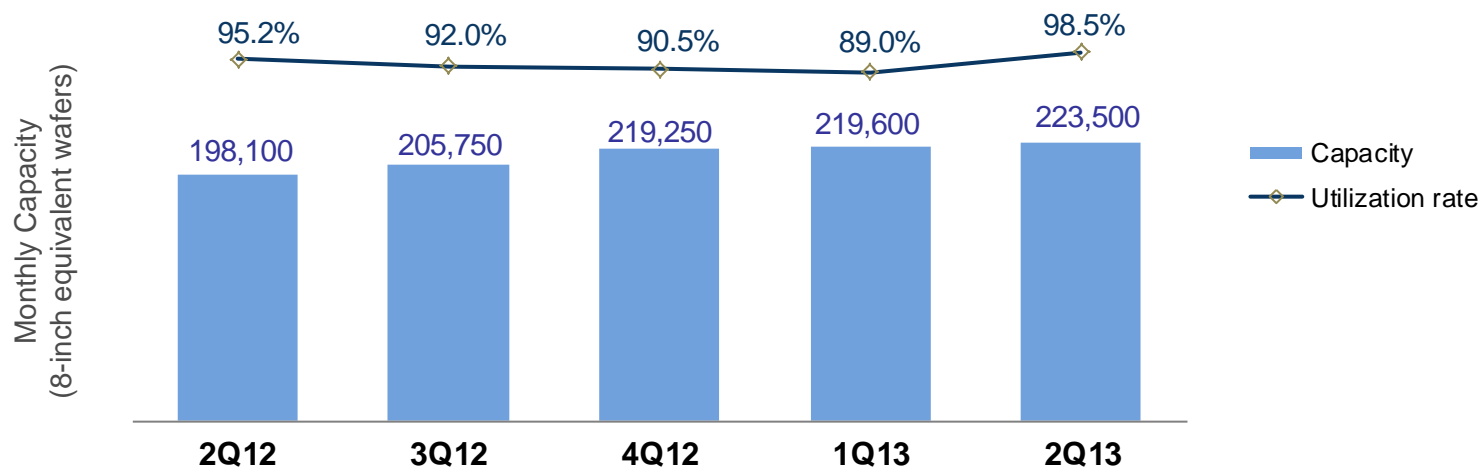


### Eurasia





# Capacity, Utilization and Shipment



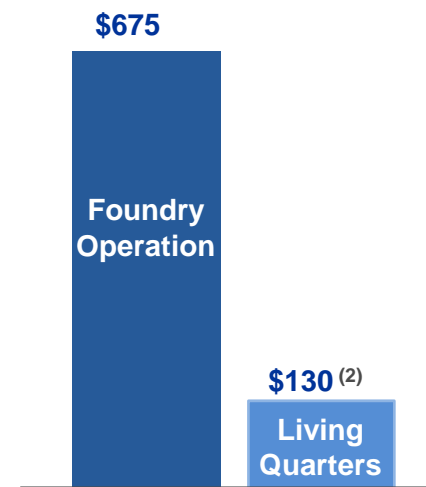
	2Q12	3Q12	4Q12	1Q13	2Q13
	84,600	90,000	90,000	90,000	90,000
Shanghai 12-	-	-	6,000	6,290	8,000
	34,000	35,000	35,000	36,000	36,000
	37,000	37,000	37,000	34,450	34,500
<b>Monthly Capacity (8-inch equivalent wafers)</b>	<b>198,100</b>	<b>205,750</b>	<b>219,250</b>	<b>219,600</b>	<b>223,500</b>
Wafer Shipment	557,683	605,543	608,372	631,776	687,651
Utilization Rate <sup>(1)</sup>	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
<b>Revenue</b> excluding Wuhan Xinxin	-1% to +2%
Revenue including Wuhan Xinxin	-3% to flat
<b>Gross Margin</b> excluding Wuhan Xinxin	<b>18.5% to 21.5%</b>
Gross Margin including Wuhan Xinxin	17.5% to 20.5%
<b>Operating expense</b> <sup>(1)</sup>	<b>\$81 to \$85 million</b>

## 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
<b>Revenue</b>	+3% to 5%	+7.9% \$541.3M
<b>Gross Margin</b>	20% to 22%	25.0%
<b>Normalized Operating Expenses<sup>(1)</sup></b>	\$85 to \$88 million	\$92.9 million
<b>Operating expense <sup>(2)</sup></b>	---	\$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
<b>Capex</b>	84	130	102	185	302
<b>Depreciation &amp; Amortization</b>	140	143	140	136	136





# Thank you

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