

Semiconductor Manufacturing International Corporation

SMIC Q4 2013 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

February 2014



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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 “First 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.

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About Non-Generally Accepted Accounting Principles (“Non-GAAP”) Financial Measures

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. This presentation includes non-GAAP revenue and non-GAAP gross margin. It also includes first quarter 2014 guidance for non-GAAP operating expenses, which is adjusted to exclude the effect of foreign exchange, employee bonus accrual, funding of R&D contracts from the government and gain from the disposal of living quarters. 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 facilitates investors’ and management’s comparisons to SMIC’s historical performance. The Company’s management regularly uses these non-GAAP financial measures to understand, manage and evaluate the Company’s business and make financial and operational decisions.





2013 Financial Highlights (unaudited)

- Revenue including wafer shipments from Wuhan Xinxin reached a record high of \$2.07 billion
 - increased 21.6% year over year
- Net profit attributable to SMIC reached a historical high of \$173.2 million
 - compared to \$22.8 million in 2012
- Revenue from 40/45 nm applications increased to 12.1% of wafer revenue
 - compared to 1.1% in 2012
- Net cash from operating activities was \$738 million
 - Increased 69.6% year over year



2013 Financial Highlights (unaudited)

- **Cash and bank balances was \$462.5 million**
 - Increased \$104.0 million year over year
- **Capital expenditure was \$770 million**
 - Compared to \$499 million in 2012
- **Revenue from China-based customers increased to 40.4% of overall revenue, an all-time high**
 - Compared to 33.9% in 2012
- **Gross debt to equity ended at 45.2%**
 - Compared to 48.3% in 2012



4Q13 Financial Highlights

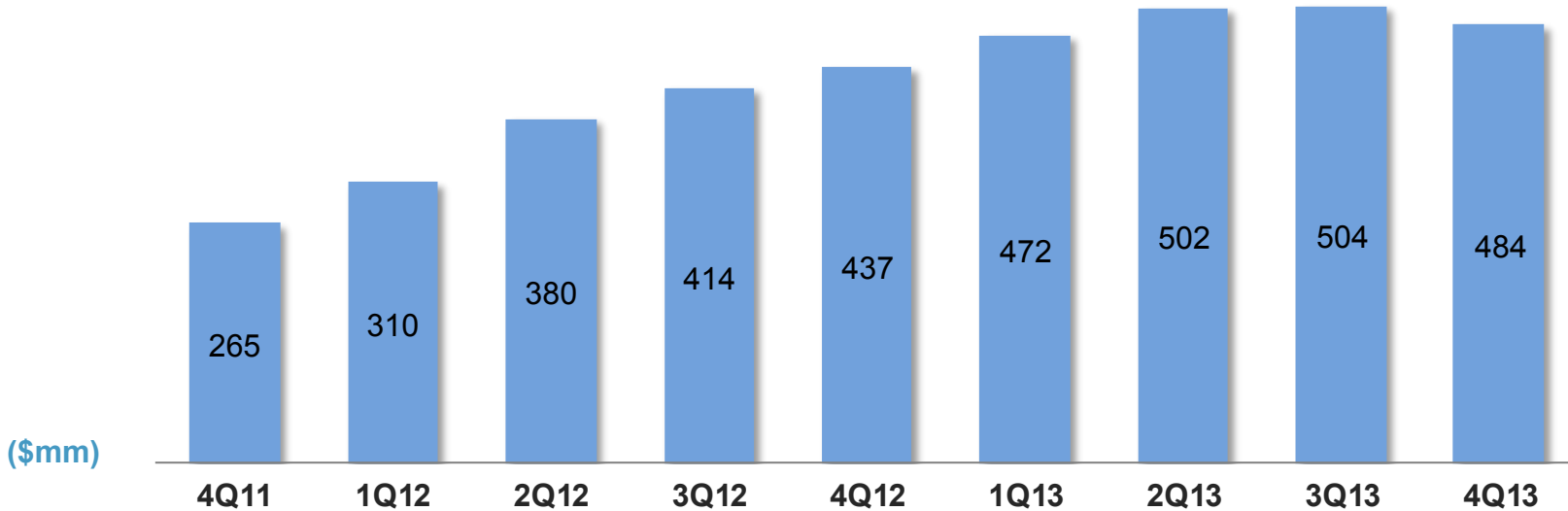
- **Revenue including wafer shipments from Wuhan Xinxin was \$491.8 million**
 - increased **1.2%** year over year
 - decreased **7.9%** quarter over quarter
- **Non-GAAP revenue excluding wafer shipments from Wuhan Xinxin of \$483.6 million**
 - increased **10.6%** year over year
 - decreased **4.0%** quarter over quarter
- **Gross margin including wafer shipments from Wuhan Xinxin was 18.9%**
 - compared to **19.9%** in 4Q12
 - compared to **21.0%** in 3Q13
- **Non-GAAP gross margin excluding wafer shipments from Wuhan Xinxin was 19.2%**
 - compared to **21.9%** in 4Q12
 - compared to **22.1%** in 3Q13

Income Statement Highlights

(US\$ thousands)	4Q13	3Q13	QoQ	4Q12	YoY
Total Revenue	491,797	534,256	-7.9%	485,894	1.2%
Gross Profit	92,939	111,982	-17.0%	96,767	-4.0%
Gross Margin	18.9%	21.0%	-	19.9%	-
Operating Expenses	(84,840)	(63,447)	33.7%	(45,079)	88.2%
<i>Research & Development</i>	<i>(46,256)</i>	<i>(37,564)</i>	<i>23.1%</i>	<i>(26,676)</i>	<i>73.4%</i>
<i>General & Administrative</i>	<i>(36,610)</i>	<i>(24,718)</i>	<i>48.1%</i>	<i>(29,437)</i>	<i>24.4%</i>
<i>Selling & Marketing</i>	<i>(8,385)</i>	<i>(9,324)</i>	<i>-10.1%</i>	<i>(8,629)</i>	<i>-2.8%</i>
<i>Other operating income (expense)</i>	<i>6,411</i>	<i>8,159</i>	<i>-21.4%</i>	<i>19,663</i>	<i>-67.4%</i>
Profit from operation	8,099	48,535	-83.3%	51,688	-84.3%
Other income (expense), net	7,756	(4,681)	-	(2,591)	-
Income tax (expenses) benefit	(170)	(914)	-81.4%	(2,665)	-93.6%
Profit attributable to SMIC	14,681	42,491	-65.4%	46,570	-68.5%
Non-controlling Interests	1,004	449	123.6%	(138)	-
Earnings per ADS	0.02	0.07	-	0.07	-

- R&D expenses** increased to \$46.3 million in 4Q13, compared to \$37.6 million in 3Q13. The increase was primarily due to increase in R&D expenses associated with higher R&D activities from quarter to quarter and a decrease in funding of R&D contracts from the government in 4Q13 of \$4.3 million compared to 3Q13.
- General and administrative expenses** increased to \$36.6 million in 4Q13, up 48.1 % QoQ from \$24.7 million in 3Q13, mainly due to 1) increased bad debt expense recognized in 4Q13 and 2) a bonus accrual relating to an increase in employee productivity in 4Q13.
- Other operating income** was \$6.4 million in 4Q13, compared to \$8.2 million in 3Q13. The change was mainly due to 1) a decrease of gain arising from the disposal of part of the Company-owned living quarters in Shanghai, and 2) gain arising from the deconsolidation of Brite Semiconductor Corporation and its subsidiaries due to loss of control.

Non-GAAP revenue excluding wafer shipments from Wuhan Xinxin



- Revenue from wafer shipments from **Wuhan Xinxin** was **\$8.2 million** in 4Q13. There will not be any wafer shipments from Wuhan Xinxin from 1Q14 onwards.

Balance Sheet Highlights

(US\$ thousands)

For the three months ended

	Dec 31, 2013	Sept 30, 2013
Cash and bank balances	462,483	473,507
Restricted Cash	147,625	195,813
Other financial assets	240,311	2,574
Trade and other receivables	379,361	396,108
Inventories	286,251	289,954
Other Assets	3,007,361	3,063,126
Total Assets	4,523,392	4,421,082
Short-term borrowings	390,547	548,385
Long-term borrowings	600,975	553,435
Convertible bonds	180,563	-
Total Debt	1,172,085	1,101,820
Total Liabilities	1,930,210	1,861,701
Total Equity	2,593,182	2,559,381
Debt/Equity Ratio*	45.2%	43.1%

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



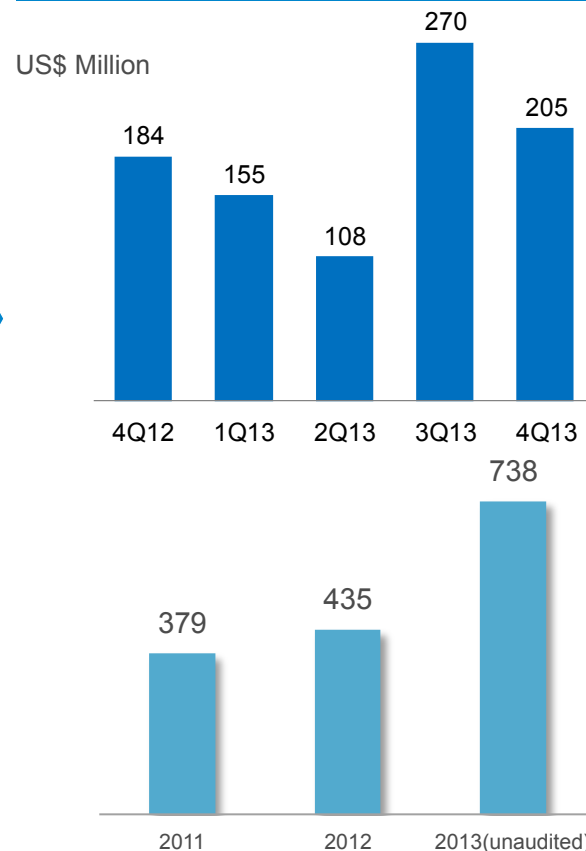
Cash Flow Highlights

(US\$ thousands)

For the three months ended

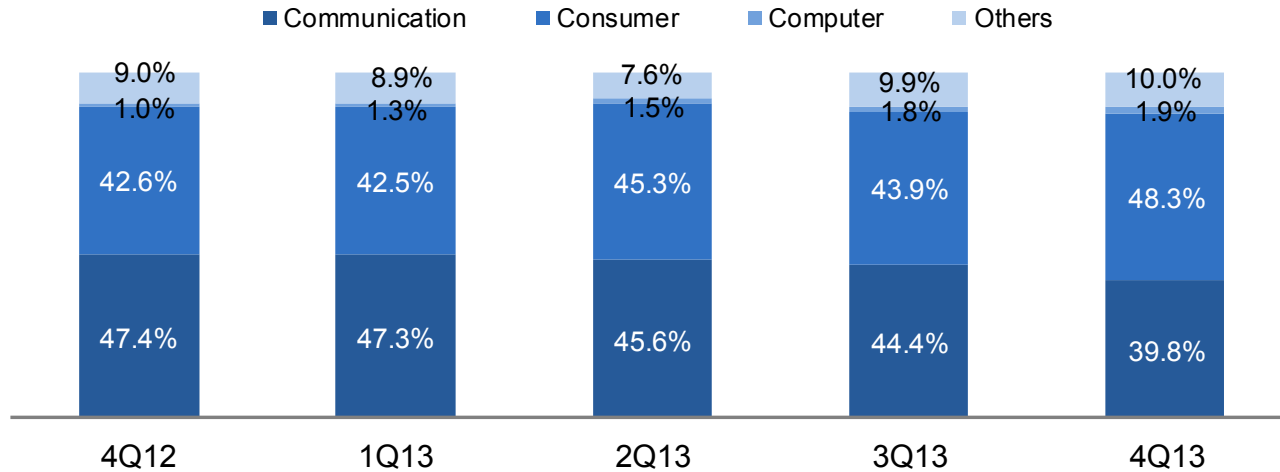
	Dec 31, 2013	Sept 30, 2013
Cash and bank balances, beginning of period	473,507	262,955
Net cash from operating activities	205,437	269,581
Net cash used in investing activities	(269,147)	(213,133)
Net cash (used in) from financing activities	52,749	154,045
Net increase (decrease) in cash and bank balances	(11,024)	210,552
Cash and bank balances, end of period	462,483	473,507

Cash Flow from Operations



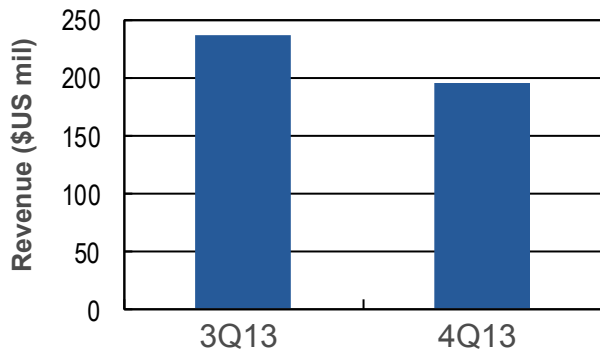


Total Revenue Breakdown by Applications

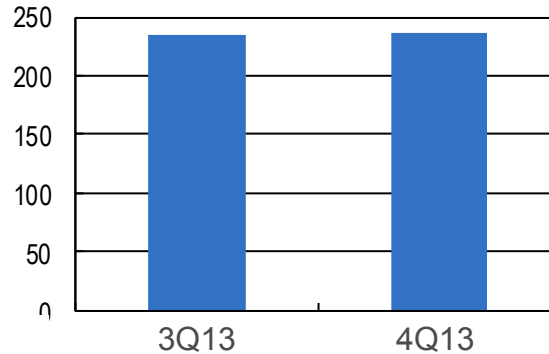


4Q 13 vs. 3Q 13

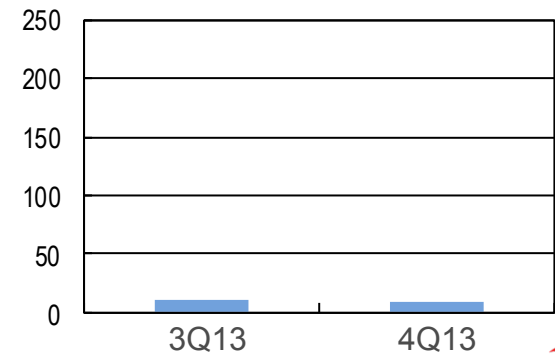
Communications



Consumer

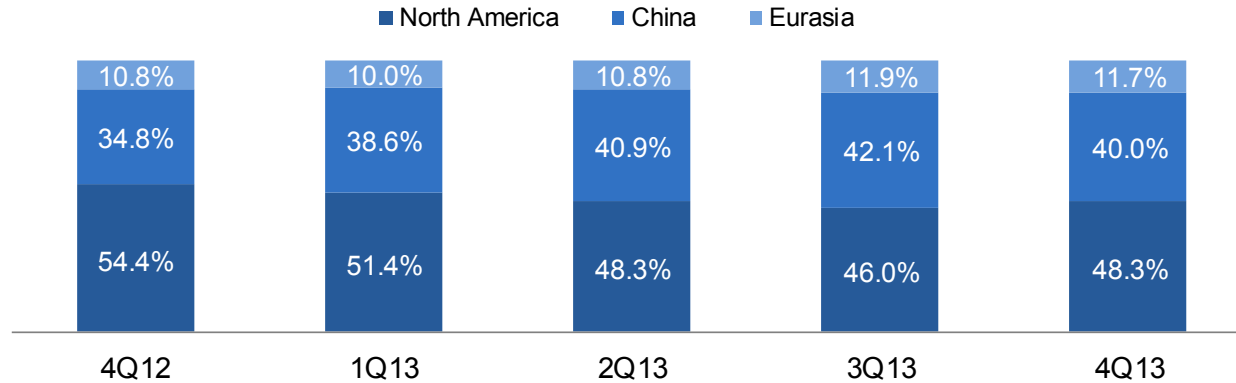


Computer



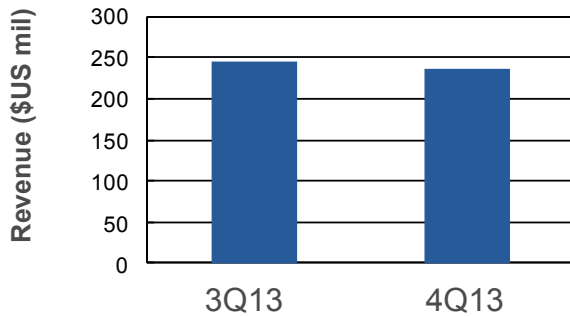


Total Revenue Breakdown by Geography

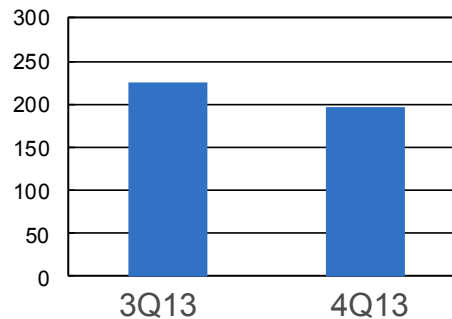


4Q 13 vs. 3Q 13

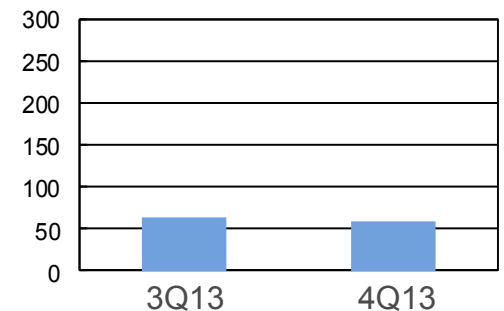
North America



China

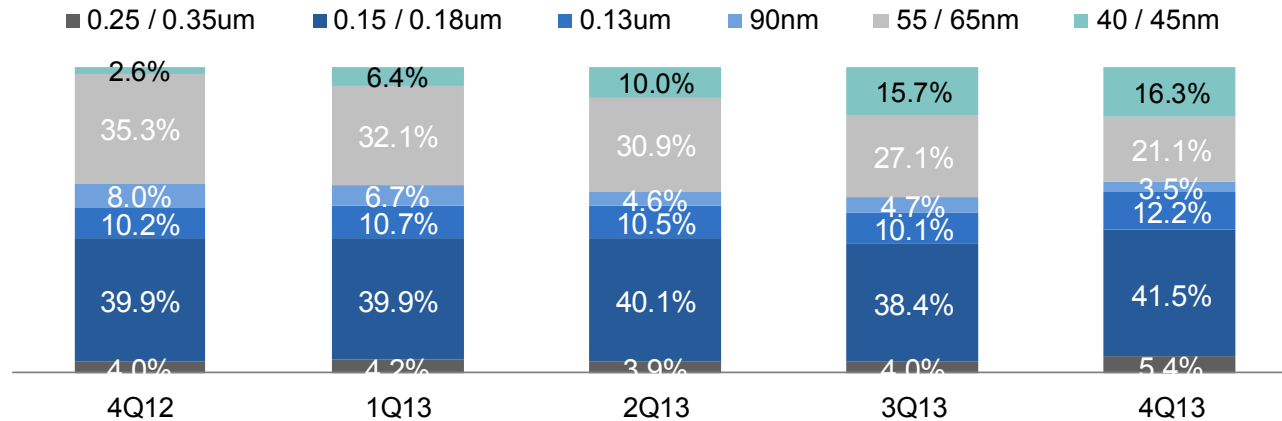


Eurasia

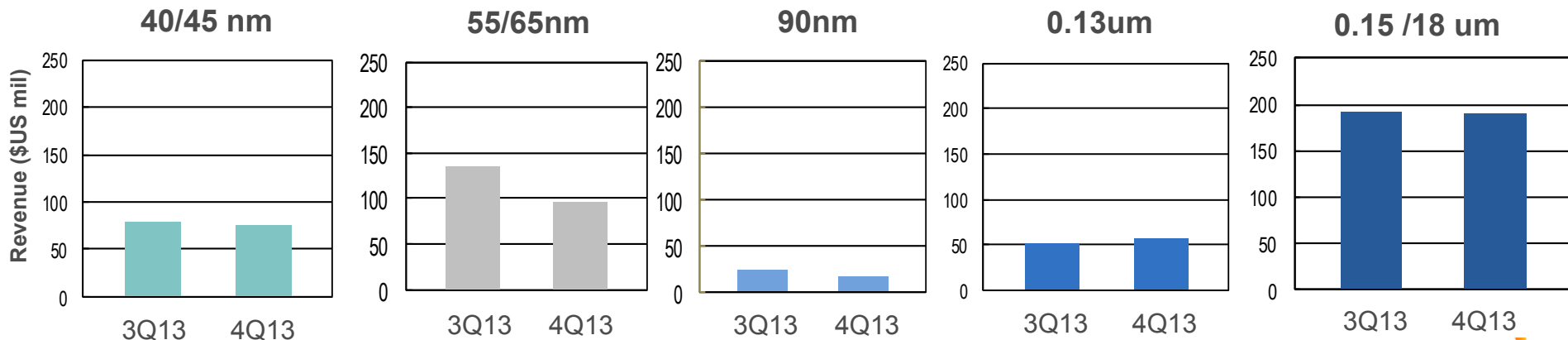




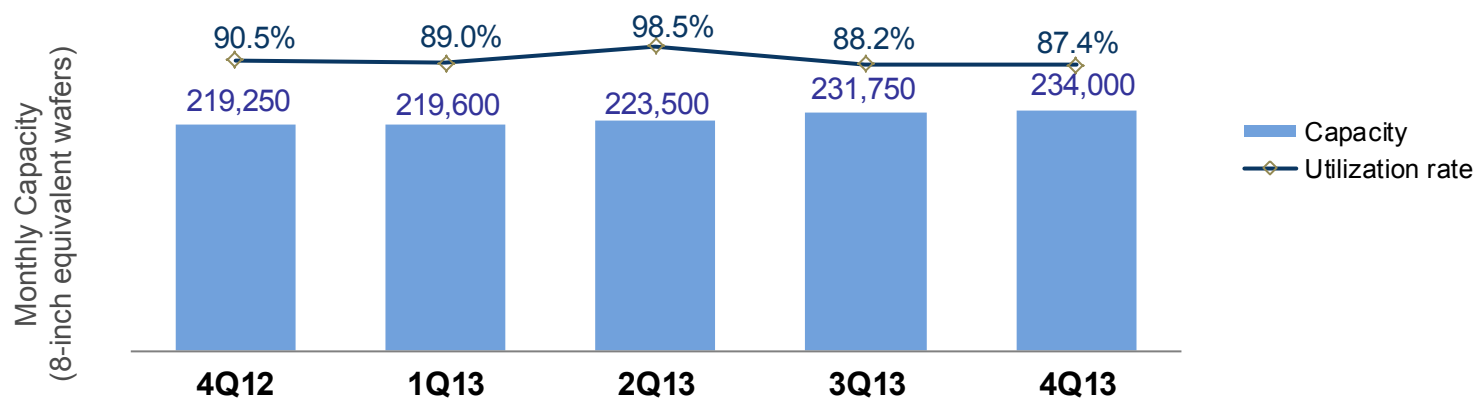
Wafer Revenue Breakdown by Technology



4Q 13 vs. 3Q 13



Capacity, Utilization and Shipment

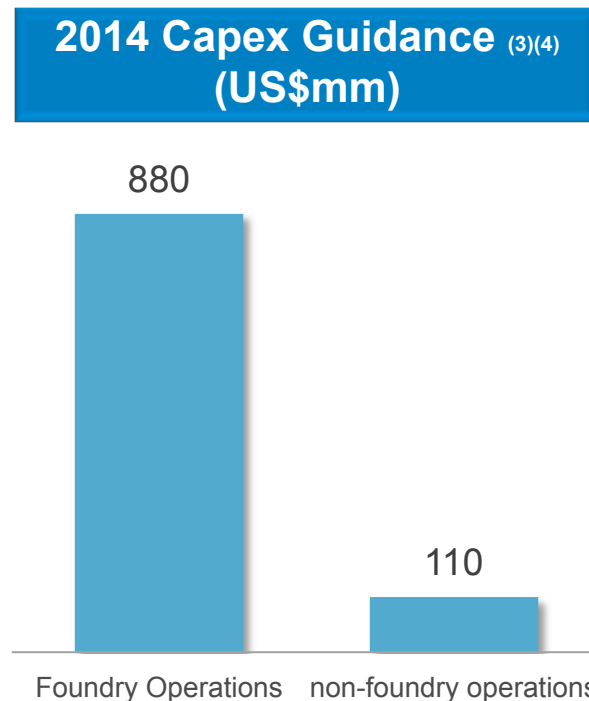


	4Q12	1Q13	2Q13	3Q13	4Q13
Shanghai Mega Fab (8")	90,000	90,000	90,000	90,000	90,000
Shanghai 12-inch Fab (12")	6,000	6,290	8,000	11,000	12,000
Beijing Mega Fab (12")	35,000	36,000	36,000	36,000	36,000
Tianjin Fab (8")	37,000	34,450	34,500	36,000	36,000
Monthly Capacity (8-inch equivalent wafers)	219,250	219,600	223,500	231,750	234,000
Wafer Shipment	608,372	631,776	687,651	653,090	601,602
Utilization Rate ⁽¹⁾	90.5%	89.0%	98.5%	88.2%	87.4%

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

1Q 2014 Guidance and 2014 Capex Guidance (unaudited)

	1Q 2014 Guidance
Revenue ⁽¹⁾	-9 to -5% \$440 to \$460 million
Gross Margin	16% to 19%
Non-GAAP Operating Expenses ⁽²⁾	\$88 to \$92 million



- (1) This revenue guidance is given in relation to the revenue without wafer shipments from Wuhan Xinxin in 4Q13.
- (2) Exclude the effect of foreign exchange, employee bonus accrual, funding of R&D contracts from the government and gain from the disposal of living quarters.
- (3) The planned 2014 capital expenditure for our foundry operation is approximately \$880 million of which around \$570 million is for our new Beijing project, which is 55% funded by SMIC and 45% funded by the other shareholders of the project.
- (4) In addition, we have budgeted 2014 capital expenditures for non-foundry operations of approximately \$110 million mainly for the construction of living quarters.



Appendix

4Q13 Results Vs Guidance

	4Q 2013 Guidance	4Q 2013 Results
Revenue including wafer shipments from Wuhan Xinxin	-9% to -4.5%	-7.9%
Non-GAAP Revenue excluding wafer shipments from Wuhan Xinxin	-4.5% to flat	-4.0%
Gross Margin including wafer shipments from Wuhan Xinxin	18.5% to 21.5%	18.9%
Non-GAAP Gross Margin excluding wafer shipments from Wuhan Xinxin	19% to 22%	19.2%
Non-GAAP Operating Expenses(1)	\$80.0 to \$84.0 million	\$ 84.8 million

(1) 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.

2013 Capital Expenditures & Depreciation

(unaudited)

<i>(US\$ millions)</i>	1Q13	2Q13	3Q13	4Q13	2013
Capex	185	302	169	114	770
Depreciation & Amortization	136	136	137	139	547



Thank you

Contact us: ir@smics.com