



Semiconductor Manufacturing International Corporation

# SMIC Investor Presentation

**NYSE: SMI**

**HKSE: 0981-HK**

March 2013



# Safe Harbor Statements

## Under the Private Securities Litigation Reform Act of 1995

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- 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 the expected growth of China’s IC market and statements under “Mid-term Differentiation Strategy”, “Enlarge Addressable Market with Differentiation”, “Long-term Strategy Execution”, “1Q 2013 Guidance”, “Substantial Financial Improvement”, “target continued improvement in 2013”, are based on SMIC’s current assumptions, expectations and projections about future events. SMIC uses words like “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project”, “target” 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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- **Introduction**
- Market Opportunity
- New Strategies
- Financial Performance
- Concluding Remarks

# SMIC: World's Largest China Based Semiconductor Foundry

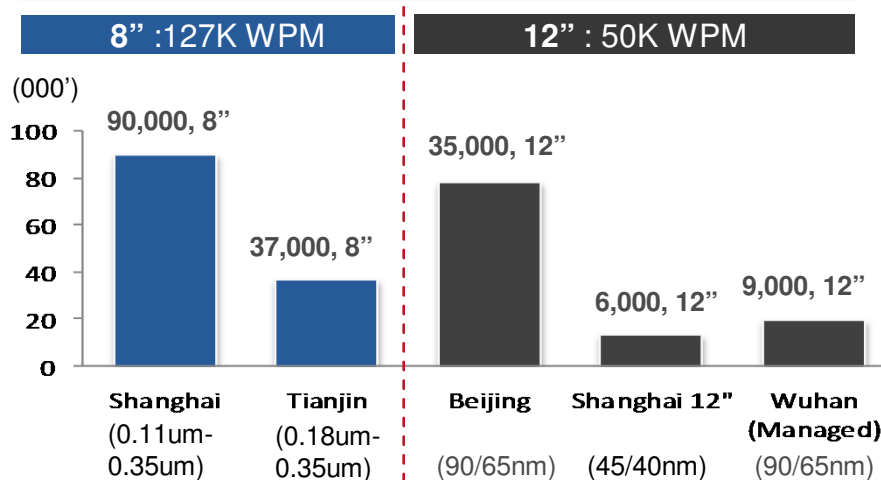


## Company Overview

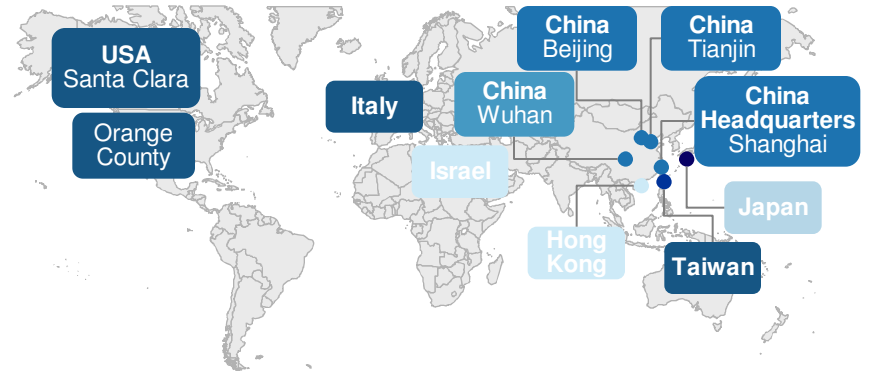
- Established in 2000, headquartered in Shanghai
- 9,974 employees as of Dec 31, 2012
- Listed both on HKSE and NYSE
- The largest semiconductor foundry in China
- US\$ 1.3bn revenue in FY2011, and US\$1.71bn revenue in 2012.

Source: 1 Company data as of 4Q2012 unaudited

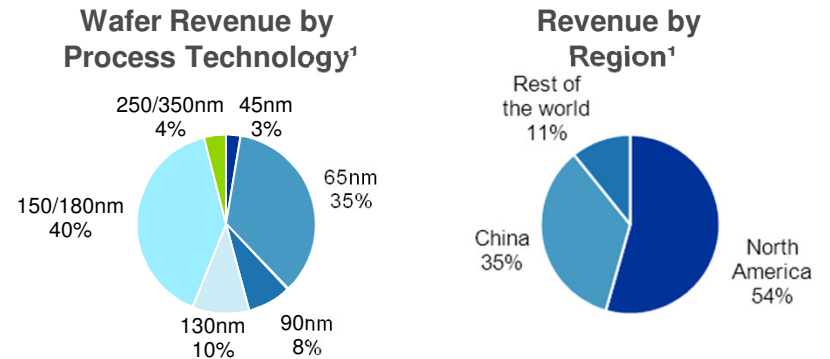
## World Class Manufacturing Capacity



## Strong Global Presence



## Diversified Revenue Sources



- Top 10 customers: 5 from China, 3 from US, 2 from the rest of the world

Source: Company data as of 4Q2012



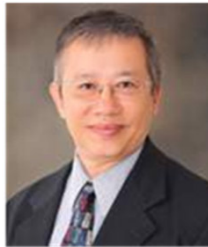


# Experienced New Executive Management Team



**Chairman**  
Wenyi Zhang

- 1997–2009: Chairman, Hua Hong Group (first 8" foundry in China)
- 1995–1998: Vice Minister, Ministry of Electronics
- 1983–1995: CEO, IRICO (largest TV CRT manufacturer in China)



**CEO**  
Dr. Tzu-Yin Chiu

- 2010–2011: COO, HLMC (foundry)
- 2009–2011: President & CEO, HHNEC (foundry)
- 2007–2009: President/COO, Silterra Malaysia (foundry)
- 2005–2006: COO, Hua Hong (foundry)
- 2001–2005: Senior VP, SMIC
- 1996–2001: Senior Director, TSMC
- 1984–1996: R&D, AT&T Bell Labs



Notes: All the above executives had worked with SMIC previously—some continuing their tenure and some returning, with the exception of Chairman Wenyi Zhang and Admin & Public Affairs, Dong Cui



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# Key Milestones Under New Leadership

## Management

- New Chairman joined the company in 3Q11, “Independent and International”
- New CEO joined the company in 3Q11, “Utilization and Differentiation”

## Financials

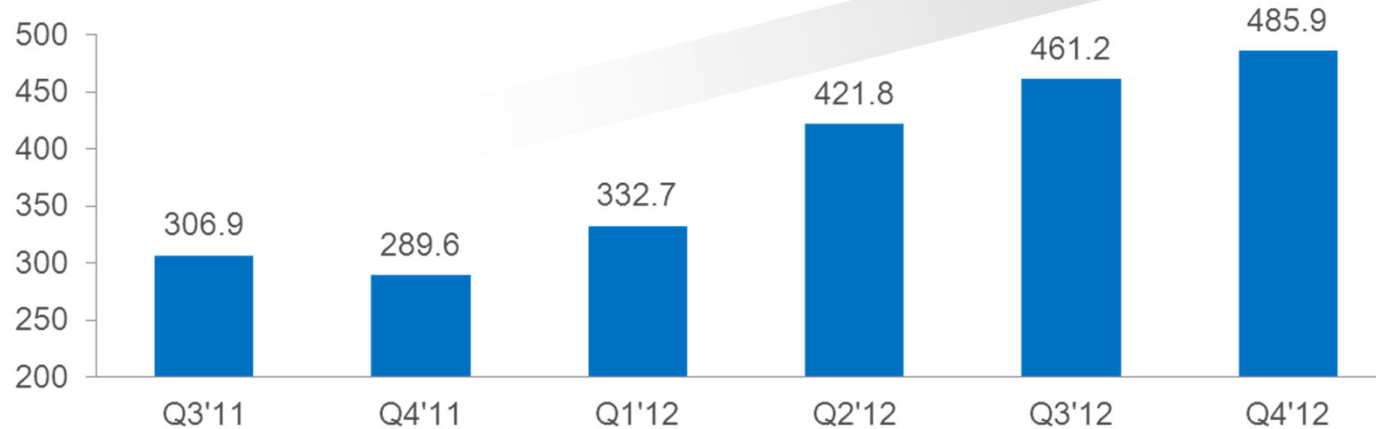
- 2012 Q2 to Q4, three consecutive quarters of record high revenue and net profit gain.
- 2012 full year unaudited net profit turnaround from net loss of 246.8 million in 2011 to net gain of 15.9 million in 2012. \*

## Technology

- 0.13um-1.2V Low-Power Embedded EEPROM Platform unveiled 3Q12
- BSI technology breakthrough, working Silicon in 4Q12
- 40nm process technology entered mass production in 4Q12

Note: \* Net profit based unaudited net profit attributable to SMIC

Revenue  
(US\$mm)



Source: Company data as of 4Q2012



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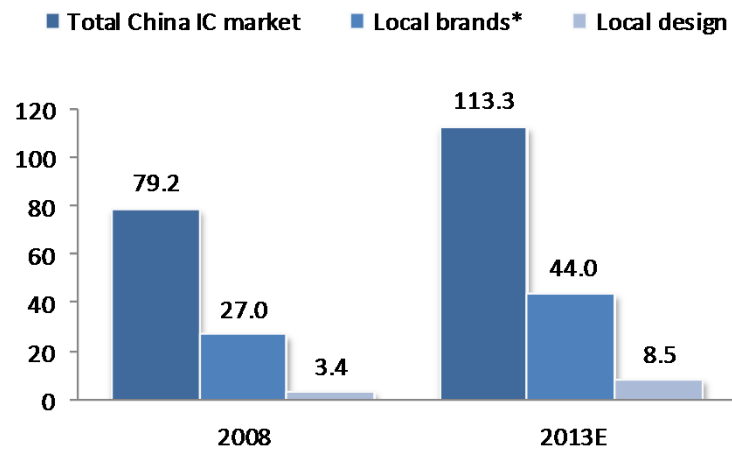


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# China IC Market is Expected to Maintain Strong Growth Going Forward



## Total China IC Market & Local Brands & Design Revenue (US\$bn)



\*Including local system companies

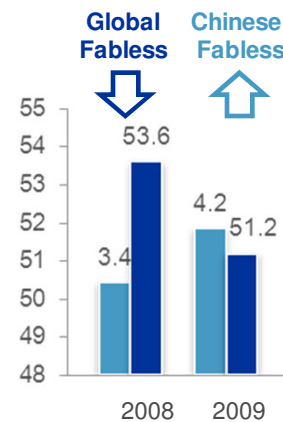
Source: IHS iSuppli China 3Q2012 AMFT

### Large Domestic China IC Consumption

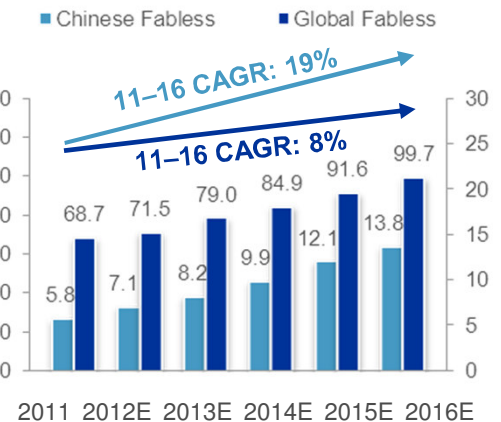
- Domestic China IC consumption accounts for 1/3 of worldwide consumption
- IC purchases by local brands > US\$40bn in 2011

## Chinese vs. Global Fabless Market (US\$bn)

During global financial crisis



Post financial crisis



Sources: IHS iSuppli China 3Q2012 AMFT, 1H2012 China Fabless

### Strong Growth of China IC Fabless Market

- China fabless has successfully gained market share from global peers during financial crisis
- The estimated growth of China fabless revenue, on average, is projected to exceed the estimated growth of global fabless revenue by 11%



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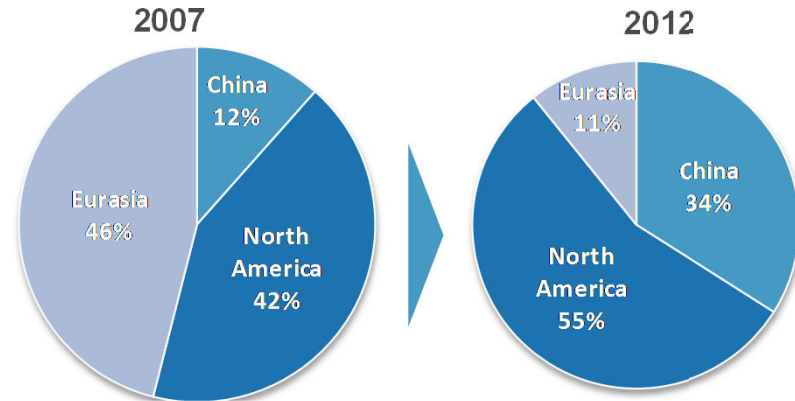


# Leveraging its Strong Position in the Fast-Growing China IC Ecosystem

## SMIC's Strong Position in China IC Ecosystem



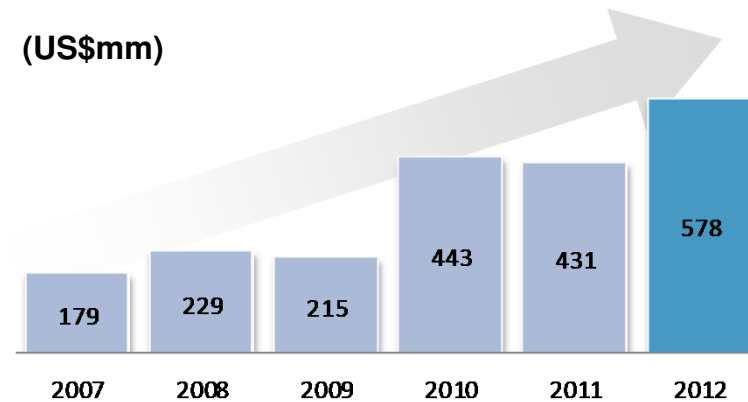
## China's Revenue Share at SMIC is Expanding



Source: Company filings, 2012 data is based on unaudited sum of quarterly data

## SMIC Sees Rapid Growth of Revenue from China

(US\$mm)



Source: Company data as of 4Q2012, 2012 based on unaudited sum of quarterly data

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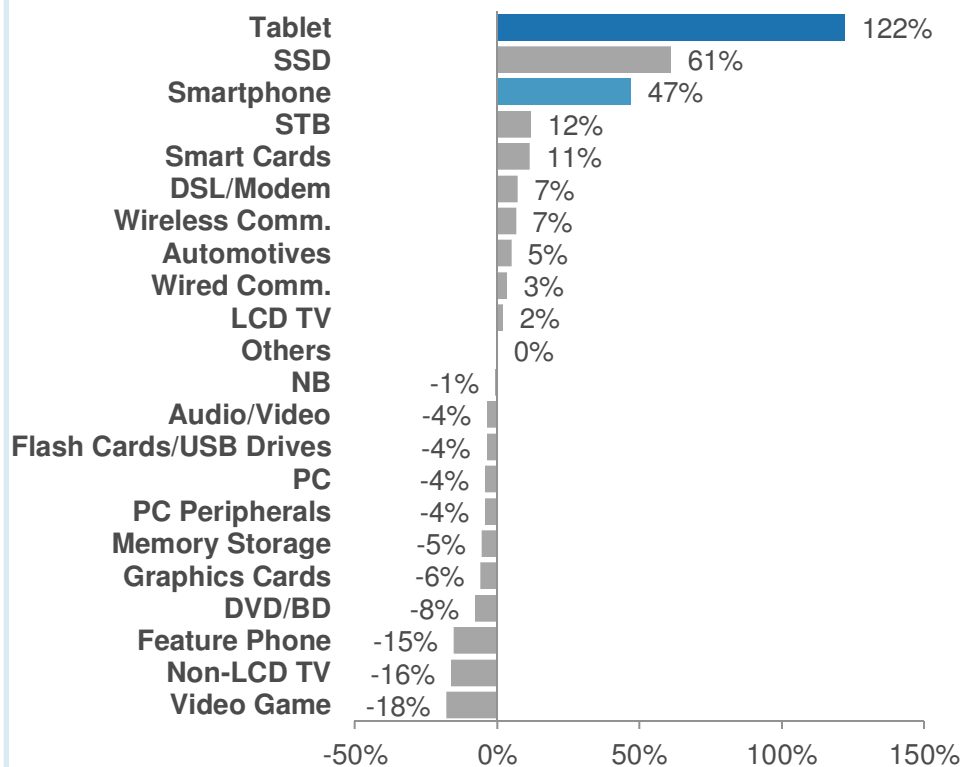


# SMIC is Overweight in Comms & Consumer, while Mobile Business Dominates 2012 Semiconductor Market Growth

Smartphone & Media Tablets Dominates 2012 Semiconductor Market Growth While PC Market is Stagnant

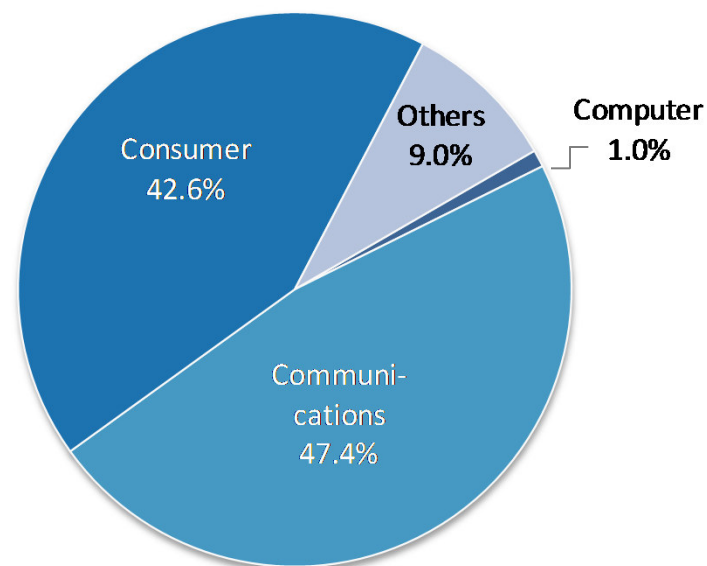
SMIC is Overweight in Communications & Consumer and Less Affected by PC Weakness

Unit Production Growth Rate\*  
Y11-Y12



Source: Gartner, "Semiconductor Forecast Database, Worldwide, 4Q12 Update", December 7th, 2012. Chart created by Semiconductor Manufacturing International Corp. (SMIC), based on Gartner's "Semiconductor Forecast Database, Worldwide, 4Q12 Update".

SMIC Revenue by Application



Source: Company data, 4Q2012

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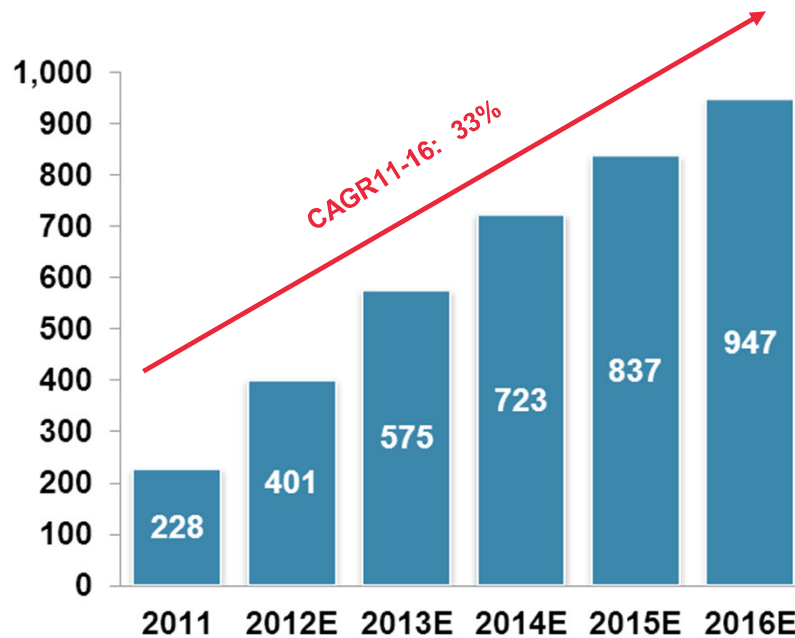
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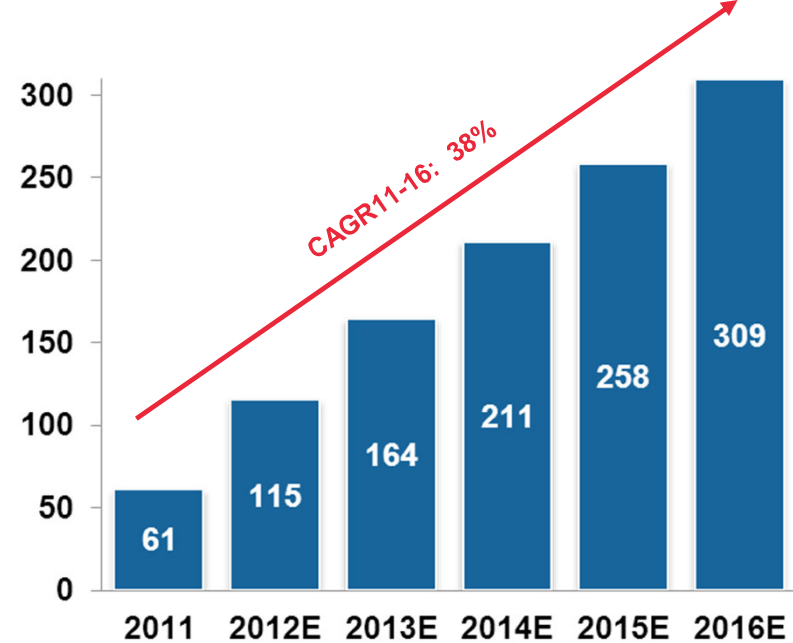
# Mobile Devices are Key Drivers of China IC Market

- **Low-cost 3G Smartphone (<RMB 1,000)** will be the key driver to boost demand
- **China OEMs aim to ship 150M+ Low-Cost Smartphone in 2013**

China Smartphone Unit Production (mm)



China Tablets Unit Production (mm)



Source: Gartner, "Semiconductor Forecast Database, Asia/Pacific 3Q12", 2012/12/4, Chart created by SMIC based on Gartner's "Semiconductor Forecast Database, Asia/Pacific, 3Q12".



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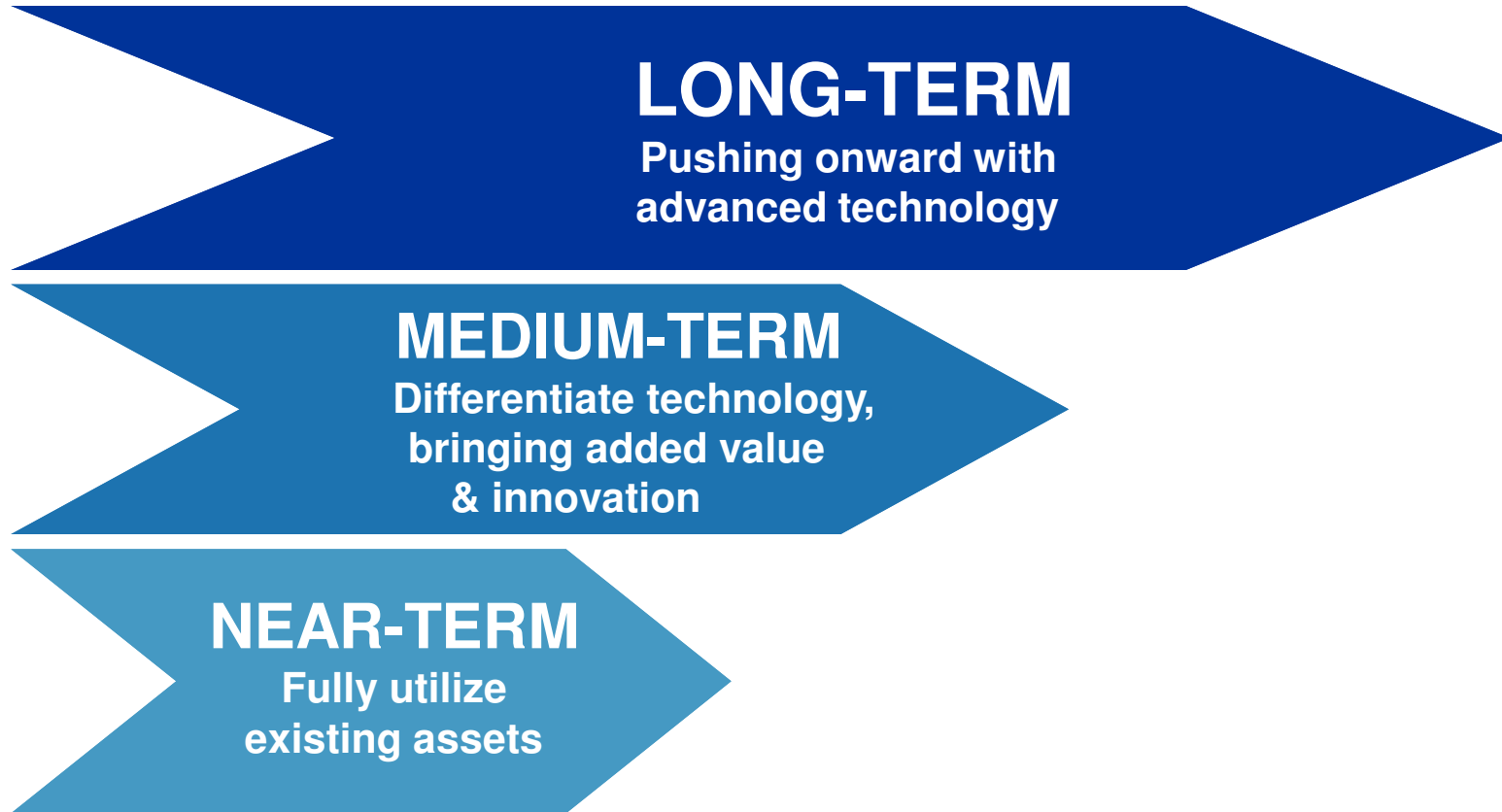


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# Executing Trio-Strategy for Sustainable Profitability

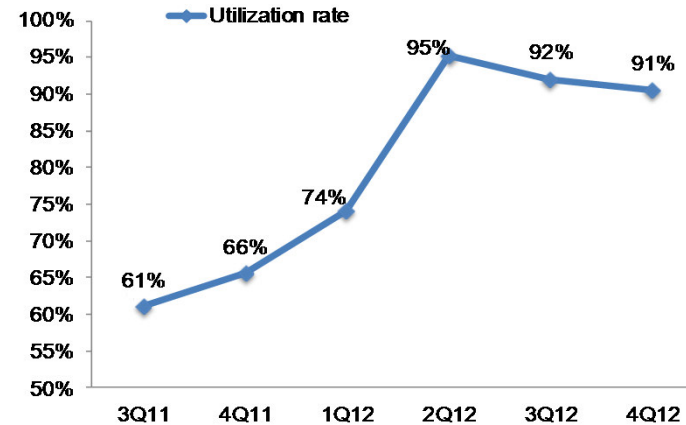




# Near-term Strategy Execution

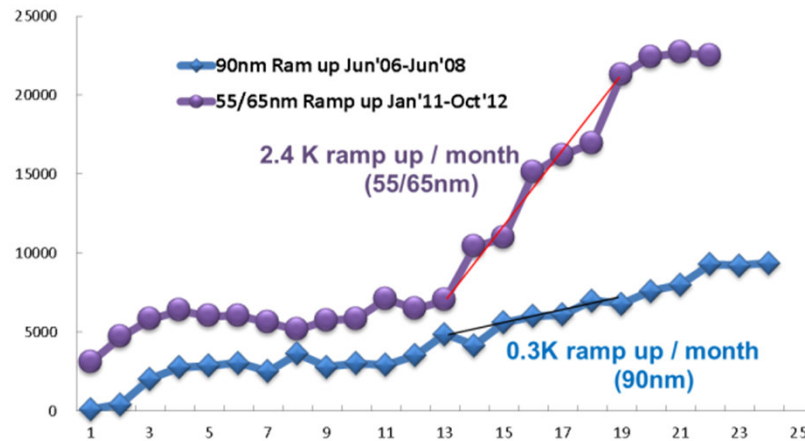
- Delivering Quality
- Improving Service
- Increasing Efficiency
- Providing Design Solutions

## Utilization Improvement



Source: Company data as of 4Q2012

## Faster Ramping



Source: Company data

## Awards 2011-2012

- Best 8-inch Fab of the Year (US customer A)
- Best Supplier for 3 Consecutive Semi-Annual Evaluations (US customer B)
- Top Strategic Partner (China customer A)
- Best Supplier (China customer B)
- Best Supplier (China customer C)
- Best Supplier (US customer C)
- Best Supplier (China customer D)
- Best Supplier (China customer E)
- Best Partner (China customer F)

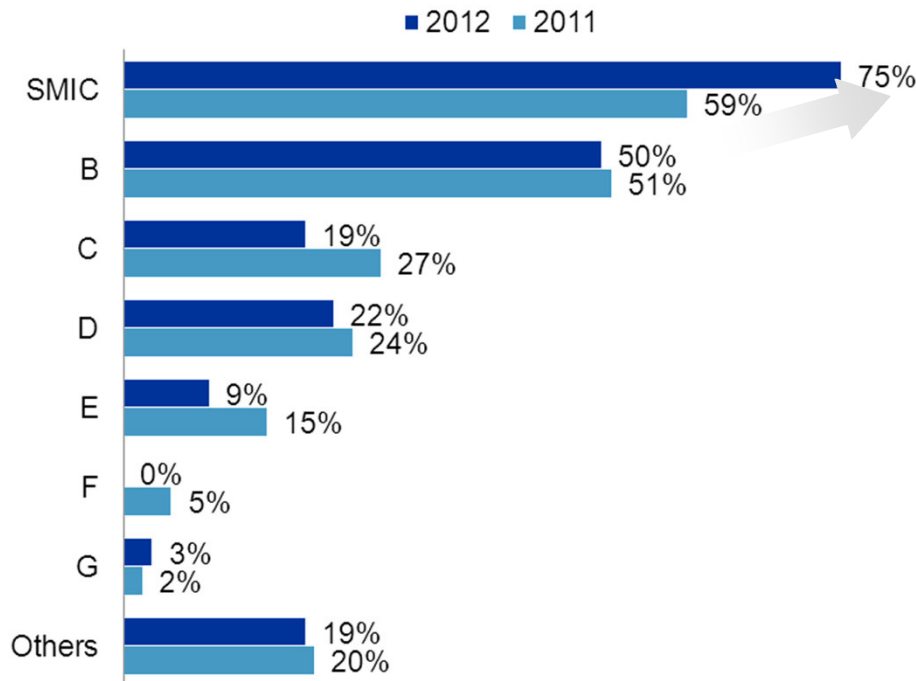


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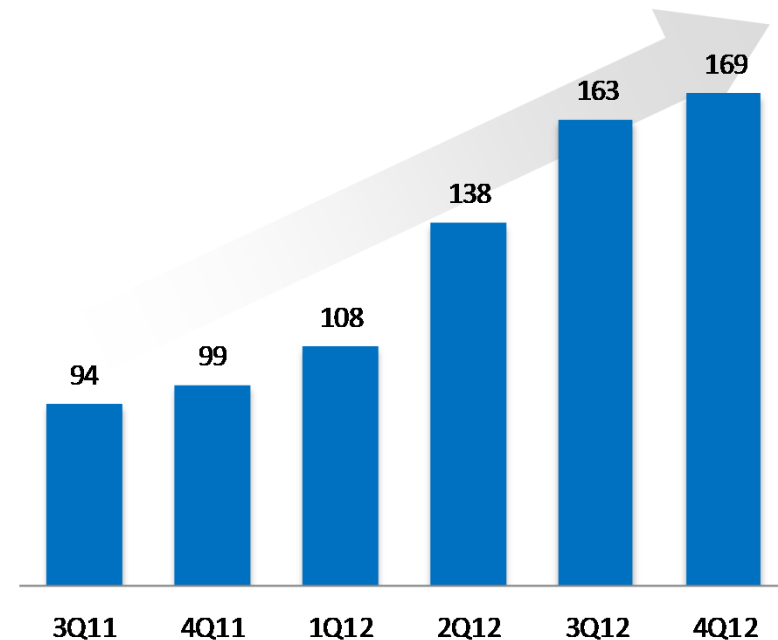
# SMIC is Gaining Preference Among Chinese Fabless

Chinese Fabless Companies' Foundry Partner of Choice



Source: MIIT CSIP, November 2012

SMIC Quarterly Revenue from China Region (US\$mm)

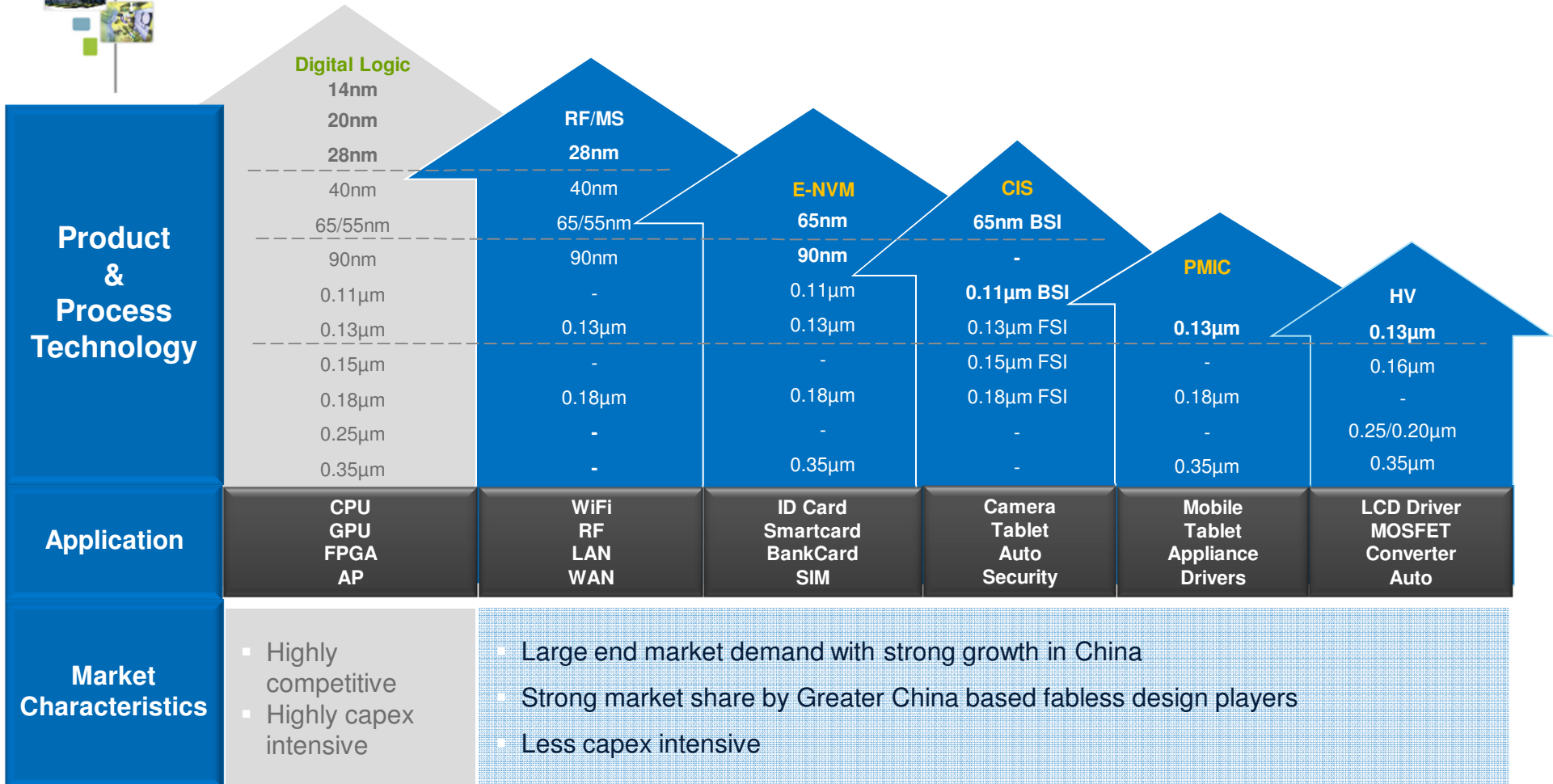


Source: Company data as of 4Q2012

- Based on a survey published by the Ministry of Industry and Information Technology's China Software and Integrated Circuit Promotion Center (CSIP) in November 2012, **75%** of Chinese fabless companies chose SMIC as their most preferred foundry partner.



# Mid-term Differentiation Strategy



- Industry peers are focused on competing in the advanced **Digital Logic** segment
- SMIC's strategy is to lead in selected **differentiated technologies** while continuing to invest carefully in advanced technologies



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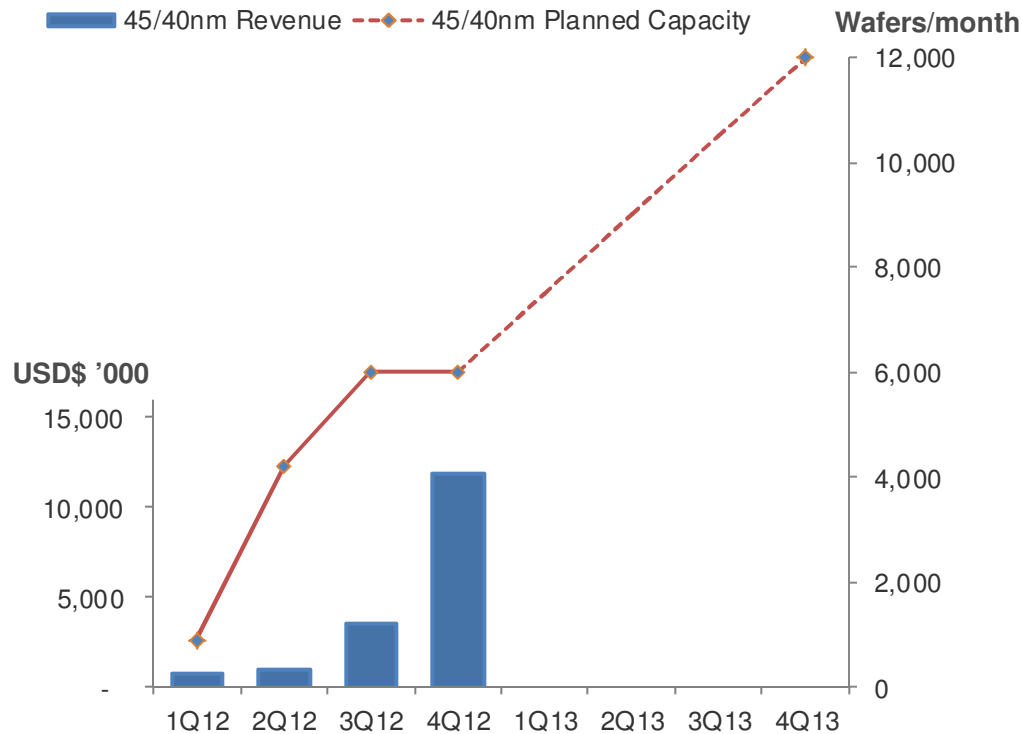
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# Long-Term Strategy Execution

## 40nm Ramp & Planned Capacity



Source: Company data

## Technology Roadmap

### 28nm

- IBM collaboration
- Both HKMG and PolySiON processes
- Target processes ready Q4 2013

### 20nm

- Target process ready mid-2015



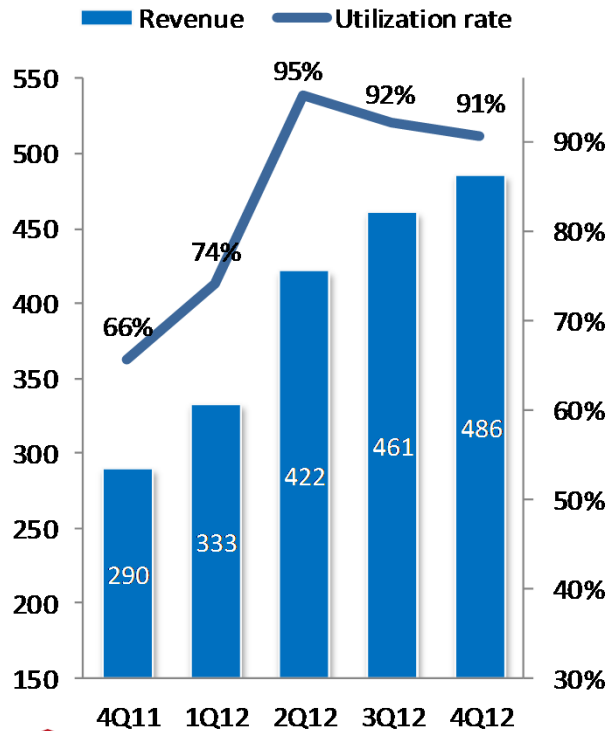


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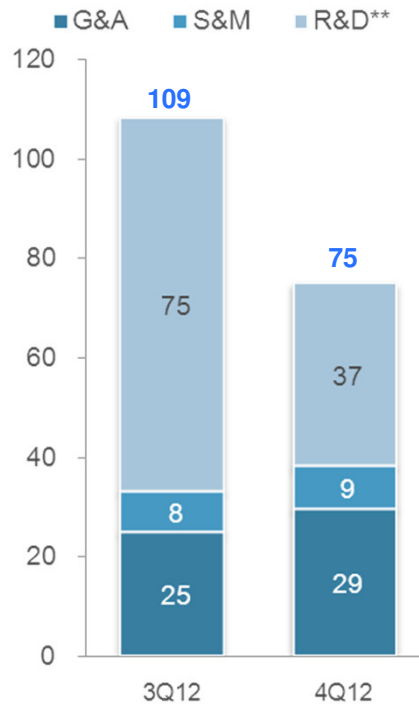


# New Leadership Delivered Impressive Turnaround...

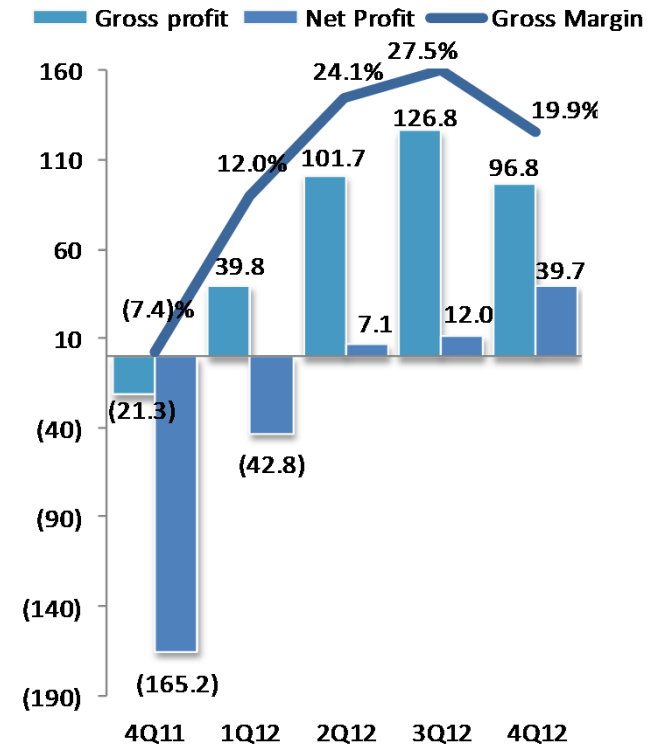
**Revenue and Utilization (US\$mm)**



**Normalized Opex\* Analysis (US\$mm)**



**Gross Profit, Net Income\*\*\*, Gross Margin (US\$mm)**



**Management Change**

Note: \*Normalized opex excludes Government Grants, Other Income, and Gain (loss) from disposal of assets

\*\*R&D is normalized, and excludes Government Grants

\*\*\*Net Income attributable to SMIC

Source: Company data as of 4Q2012



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## Substantial Financial Improvement

<i>(US\$ millions)</i>	2011A	2012*	YoY
<b>Revenue</b>	1,319	1,702	+29%
<b>Gross Margin</b>	7.7%	20.5%	+12.8ppts
<b>Net Income (Loss)</b>	(246.8)	15.9	+262.7
<b>Capex</b>	765	499	-266

- Target continued improvement in 2013
  - 45nm/40nm target ramping up to low-to-mid teen revenue contribution in 4Q13
  - Continue reducing breakeven utilization, targeting 80% by the end of 2013
  - Target 28nm nodes process readiness by late 2013

Note: \*2012 is based on unaudited results

\*\*Net Income (loss) attributable to SMIC





# 1Q 2013 Guidance: Continuing to Outperform Foundry Market Cycle

<i>(US\$ millions)</i>	Q1 2013	QoQ
<b>Revenue</b>	471.3 ~ 485.9	+1 ~ -2%
<b>Gross Margin</b>	82.5 ~ 94.7	17.5% ~ 19.5%
<b>Operating Expenses*</b>	74 ~ 77	-1% ~ +2.8%**

Note: \*Exclude asset disposal and government grants  
\*\*Compared to Q4 2012 normalized opex of 74.8m

- In 2012 Q4 R&D grants totaled 10.1 million and asset disposal gain was 20.6 million. Excluding these items, normalized opex in Q4 2012 was 74.7 million.





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# Concluding Remarks

## Summary of Highlights

- SMIC has the **right team** – focus on sustained profitability and capital efficiency
- SMIC is in the **right market** – located in China, the largest and fastest growing IC market; and strong focus on mobile business
- SMIC has a **focused profitability strategy**
  - Quality, Service and Efficiency to boost utilization
  - Value added differentiation for enlarging addressable markets
  - Strategic joint ventures and collaboration for technology advancement
- SMIC team has delivered an **impressive turnaround**

In The Right Market

The Right Team

Focused Profitability Strategy



Impressive Turnaround





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# Thank You

Contact us: [ir@smics.com](mailto:ir@smics.com)

