



# SMIC

## 2Q 2007 Earnings Presentation

**July 27, 2007**

**SMI**  
**LISTED**  
**NYSE**



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A collage of four images showing different views of SMIC industrial buildings and facilities, arranged in a grid-like pattern with overlapping borders.

# SAFE HARBOR

(Under the Private Securities Litigation Reform Act of 1995)

This press release may contain, 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 are based on SMIC’s current assumptions, expectations and projections about future events. SMIC uses words like “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project” and similar expressions to identify forward-looking statements, although not all forward-looking statements contain these words.

These forward-looking statements are necessarily estimates reflecting the best judgment of SMIC’s senior management and 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 cyclicity and market conditions in the semiconductor industry, intense competition, timely wafer acceptance by SMIC’s customers, timely introduction of new technologies, SMIC’s ability to ramp new products into volume, supply and demand for semiconductor foundry services, industry overcapacity, shortages in equipment, components and raw materials, availability of manufacturing capacity and financial stability in end markets.

Investors should consider the information contained in SMIC’s filings with the U.S. Securities and Exchange Commission (SEC), including its registration statement on Form F-1, as amended, filed with the SEC on March 11, 2004, especially in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections, and its registration statement on Form A-1 as filed with the Stock Exchange of Hong Kong (SEHK) on March 8, 2004, and such other documents that SMIC may file with the SEC or SEHK from time to time, including on Form 6-K. Other unknown or unpredictable factors also could have material adverse effects on SMIC’s future results, 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 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.

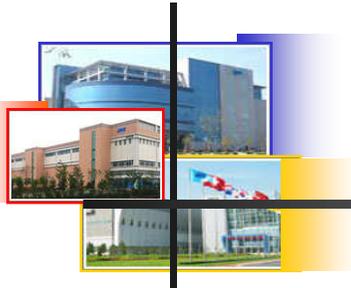




TODAY

- **Financial Highlights**
- **Guidance**
- **Business Review**
- **Appendix**





## FINANCIAL HIGHLIGHTS

**Revenue increased 3.7% over 2Q06 to \$374.8 million in 2Q07,  
but decreased 3.5% from Q107**

<b>Financial Highlights</b>					
<i>(Amounts in US\$ million, except for EPS and operating data)</i>	<b>2Q07</b>	<b>1Q07</b>	<b>QoQ</b>	<b>2Q06</b>	<b>YoY</b>
<b>Revenue</b>	374.8	388.2	-3.5%	361.5	3.7%
<b>Gross margins</b>	10.3%	9.5%	-	12.0%	-
<b>Net Income (loss)</b>	(2.1)	8.8	-	1.4	-
<b>Operating expenses</b>	47.1	21.7	116.9%	50.6	-6.9%
<b>Capex</b>	370.0	90.9	307%	317.3	16.6%
<b>Net income (loss) per ADS (US\$ diluted)</b>	(0.0056)	0.0234	-	0.0001	-





## 3Q 2007 GUIDANCE

	<b>2Q2007 Actual</b>	<b>3Q2007 Guidance</b>	<b>FY 2007</b>
<b>Revenue</b>	US\$ 375 M	Up 2% -5%	
<b>Depreciation and amortization</b>	US\$ 187 M	US\$ 190 M – US\$ 195 M	
<b>Operating expenses as % of sales</b>	12.6%	In the mid- teens	
<b>Capital expenditures</b>	US\$ 370 M	US\$ 150 M – US\$ 200 M	US\$ 720 M

Source: Company financials





# BUSINESS REVIEW





# STRATEGY TO DRIVE GROWTH AND PROFITABILITY

## Global Presence

## China Leadership

- **Continue to Broaden Global Customer Bases**
- **Continue to Broaden Global Application Bases**
- **Capitalize on China Opportunities of Global Players**
- **Develop and Enhance New Business Models**
- **Expand Partnerships and Industry Collaboration**



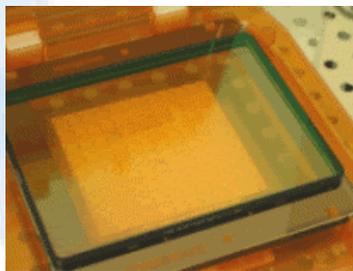


# INDISPUTABLE STRENGTH

The only advanced China-based fab with complete turn-key solutions, including design service, mask making, wafer manufacturing, wafer bumping, wafer probing, assembly and final test



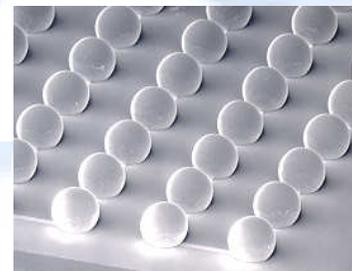
**Design Services**



**Mask Making**



**Wafer Manufacturing**



**Wafer Bumping**

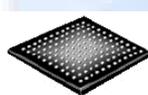


**Wafer Probing**

**Assembly & Final Test**



**Flip Chip**



**CSP**



**PLCC**



**TSOP**



**QFP**

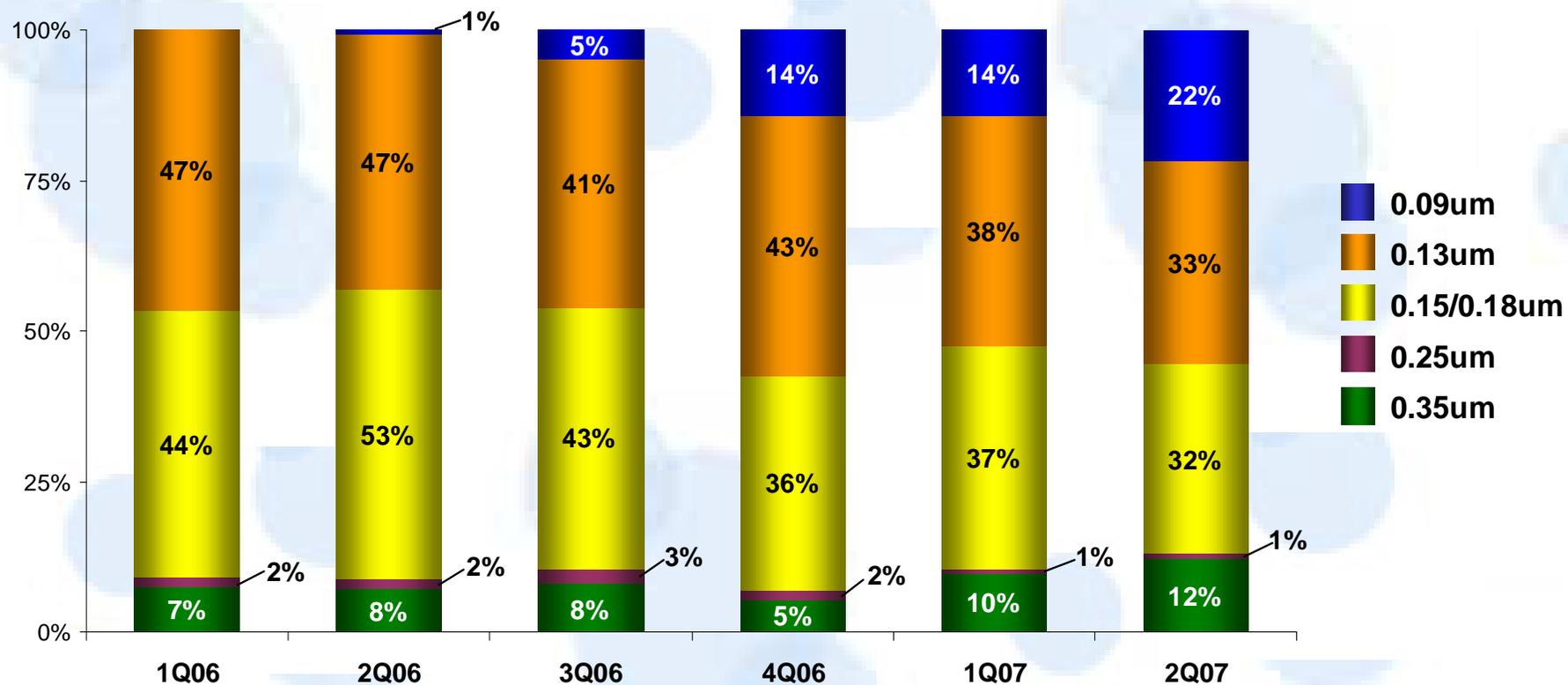


**BGA**



# TOTAL SALES BREAKDOWN BY TECHNOLOGY

- 0.13um & Below Process Technologies Contributed 55% of Total Wafer Revenue
- 90nm node Jumped to 22% of Sales from 14.4% in First Quarter



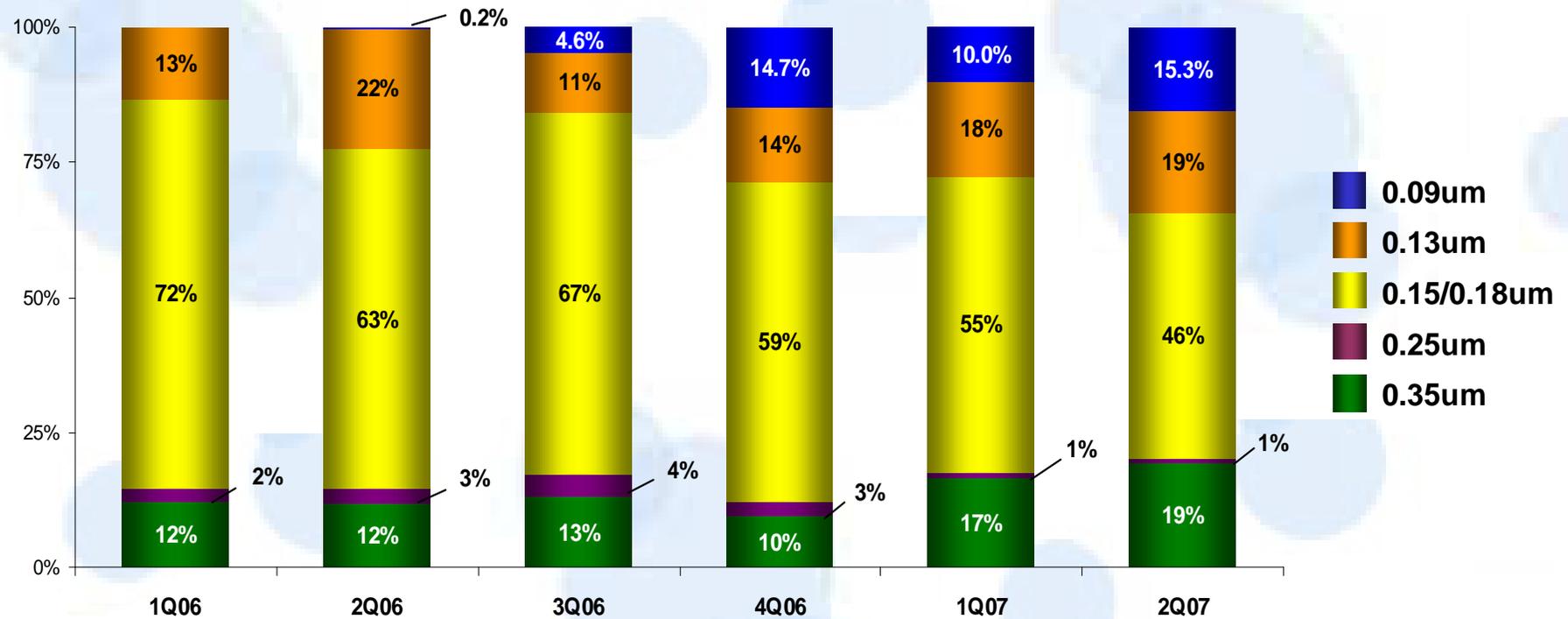
Source: Company financials



# LOGIC SALES BREAKDOWN BY TECHNOLOGY

## MAJORITY OF LOGIC STILL IN SWEET SPOT OF 0.15/0.18um

% Of Logic Wafer Revenue from 0.13um to 90nm Represented 34% of Total Wafer Revenue In 2Q07

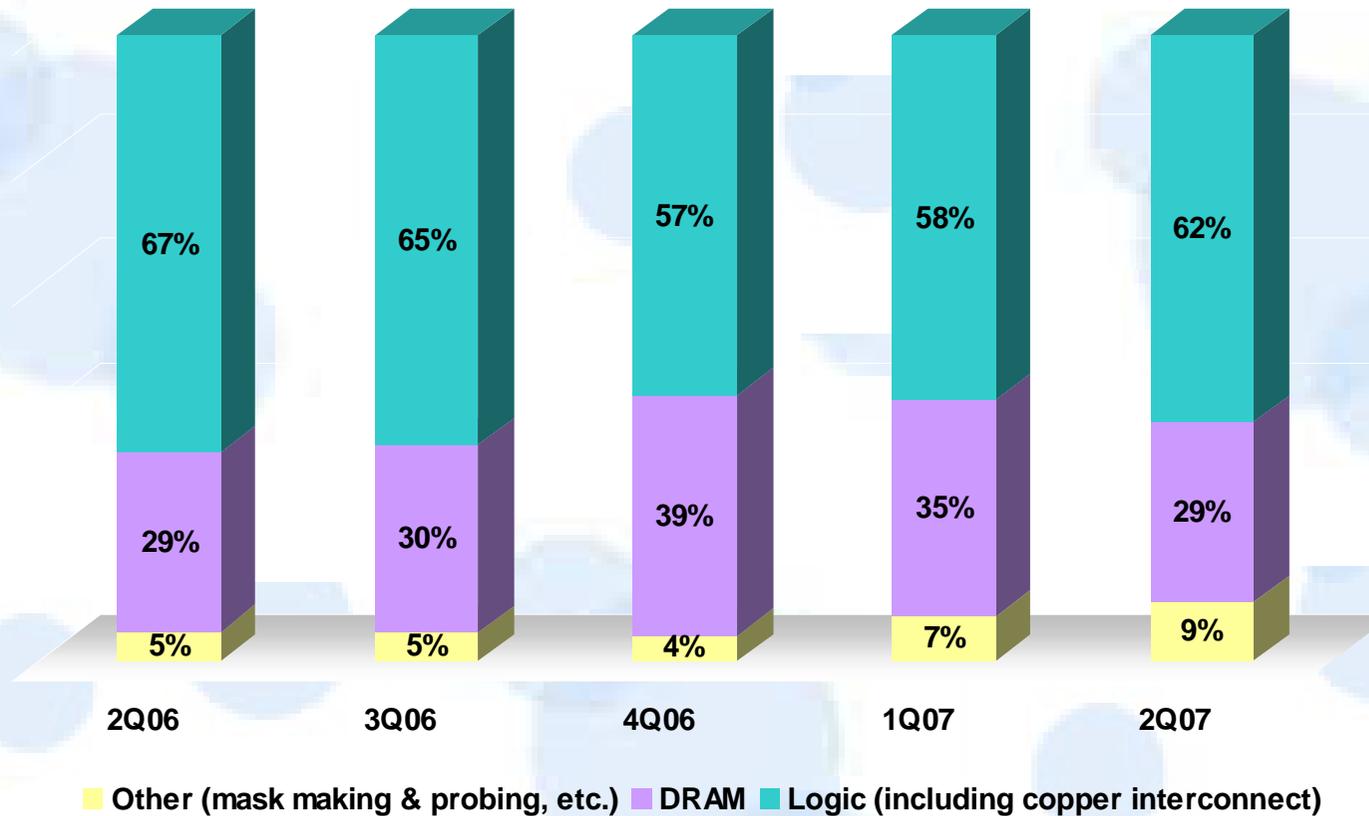


Source: Company financials



# SMIC MAINTAINS SOLID REVENUE BASE IN LOGIC

Driving toward 70/30 split between Logic and DRAM

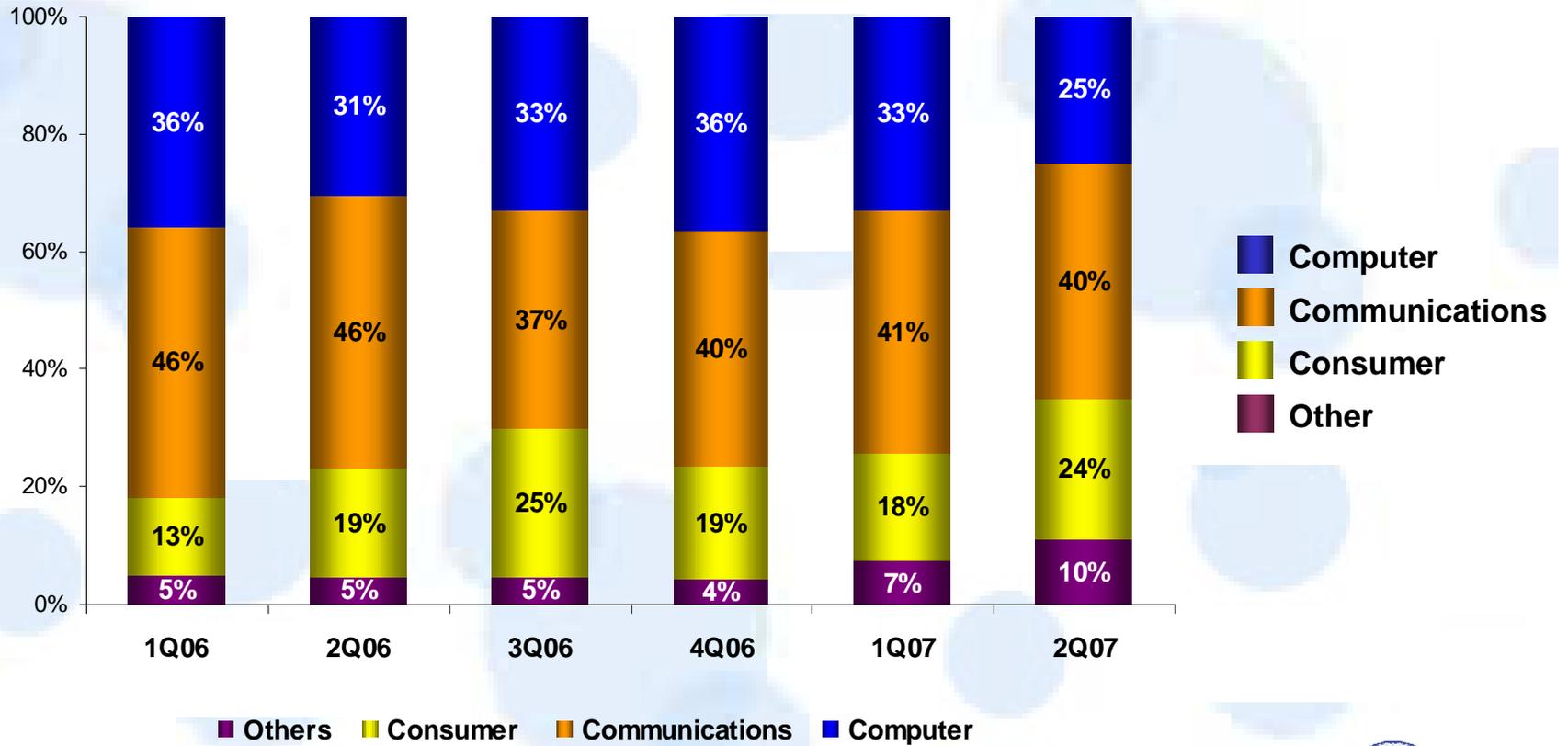


Source: Company financials



# SALES BREAKDOWN BY APPLICATION

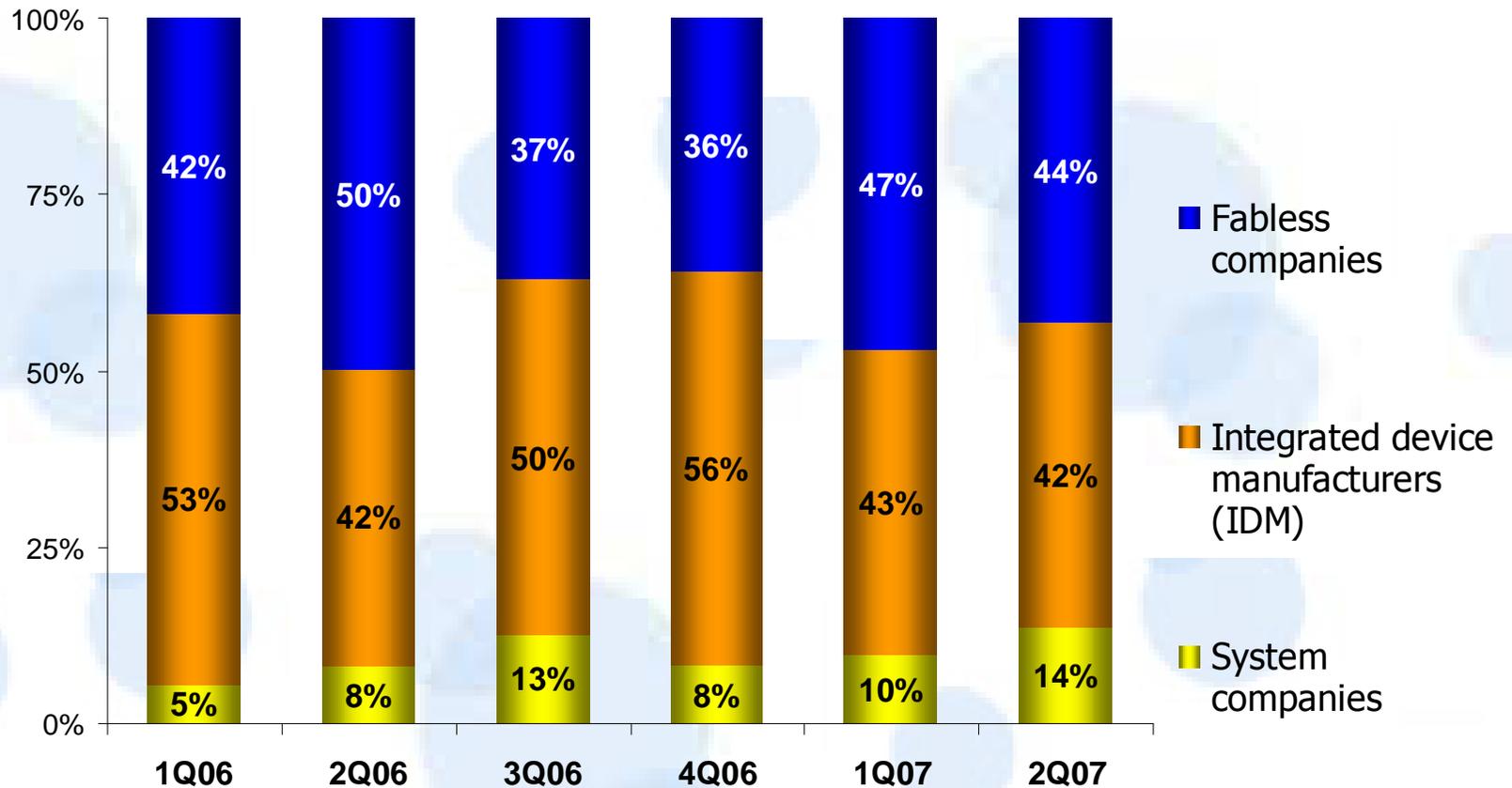
**SMIC is seeing greater number of applications for mobile devices as a driver of growth**



Source: Company financials



# SALES BREAKDOWN BY CUSTOMER TYPE

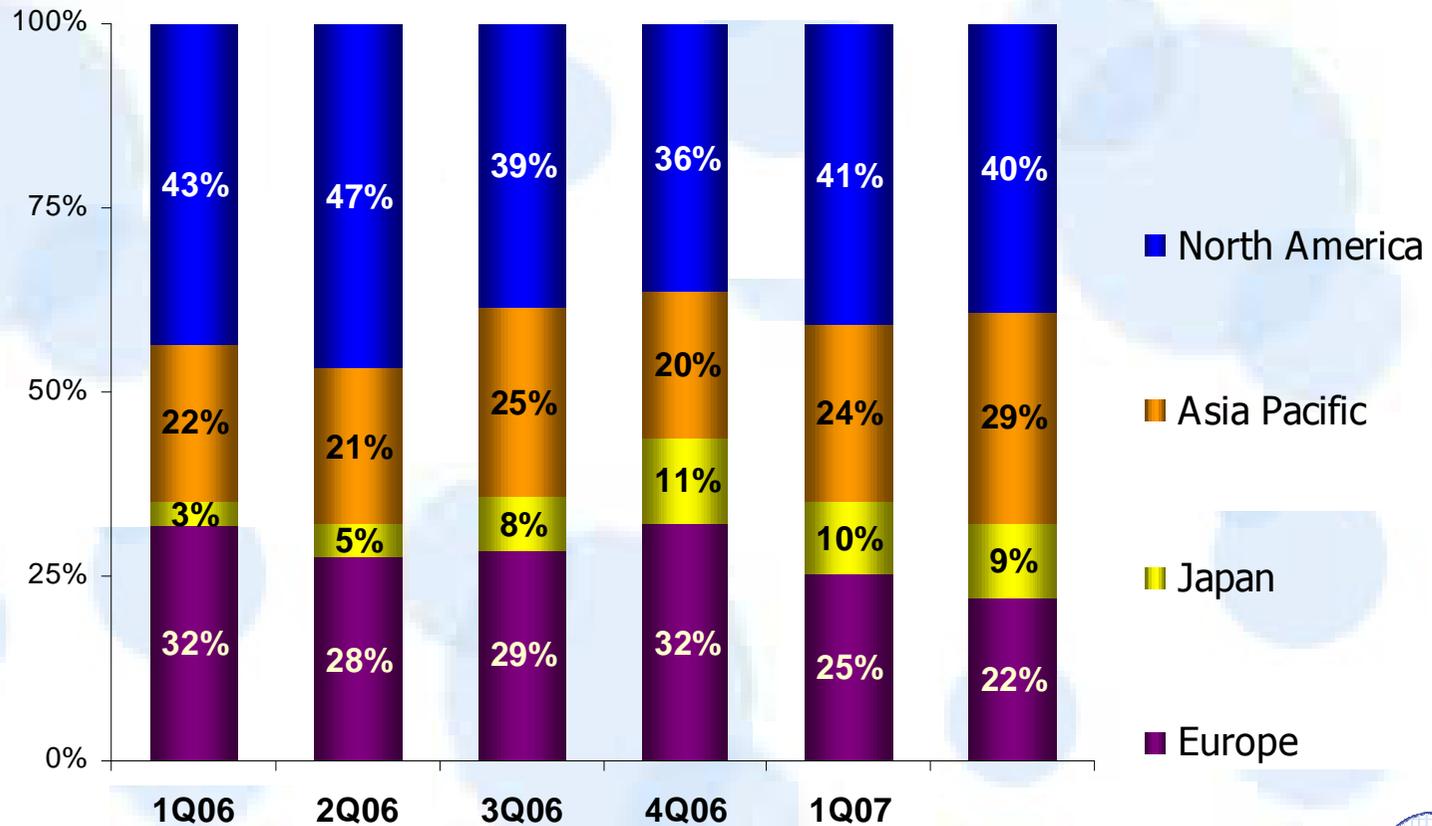


Source: Company financials



# SALES BREAKDOWN BY GEOGRAPHY

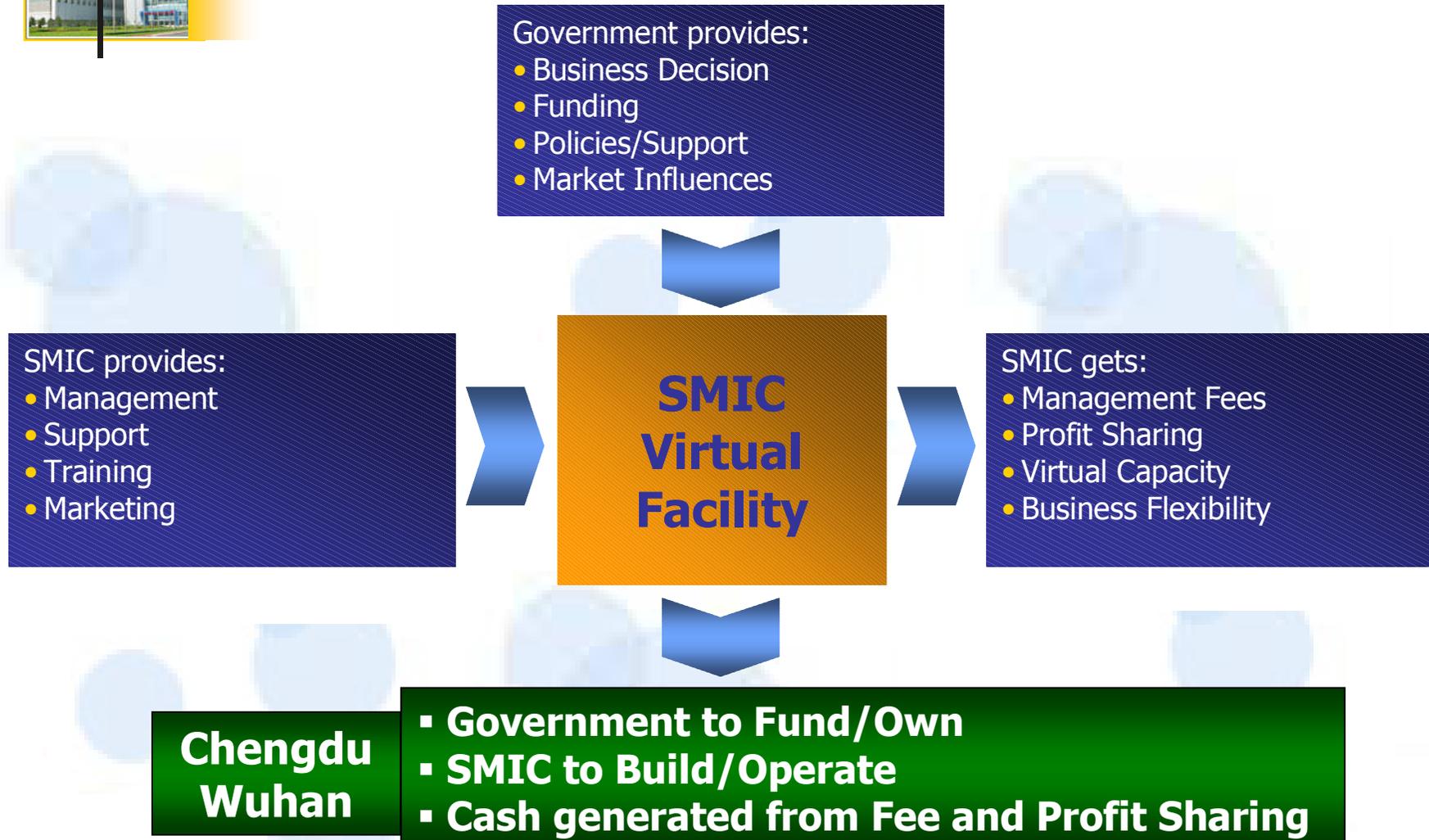
## Higher Growth in New Tap-outs Come From Mainland Chinese and Asian Customers



Source: Company financials



# CHENGDU AND WUHAN BUSINESS MODEL





## TECHNOLOGY ROADMAP IS ON TRACK

- **65-nanometer technology**
  - **Development making good progress**
  - **Expect to enter pilot production by the end of year**





## COMMITTED TO ENHANCE SHAREHOLDER VALUE

- **Continue to improve profitability**
- **Dedicated to accelerate growth**
- **Strategically identifying opportunities**





# APPENDIX





## GLOBAL TRENDS FAVORING SMIC

One of the Leading Foundries in the World

### Global position

- Competitive strengths
- Global strategy
- Specific plans
  - Build leading products
  - Broaden customer base
  - Develop new marketing strategies

Captured 40% of China IC output

### China position

- Mobile phone applications continue to grow in demand as well as variety
- China Showing High Growth in IC Demand for:
  - Power management ICs
  - Personal multimedia players
  - MP3 and MP4 applications





# SUMMARY INCOME STATEMENT

## Continue to Build Momentum

Posted Solid Revenue Despite the difficult pricing pressure in the market

Summary Income Statement					
<i>(Amounts in US\$ thousands, except for EPS and operating data)</i>	2Q07	1Q07	QoQ	2Q06	YoY
<b>Net revenue</b>	374,829	388,284	-3.5%	361,446	3.7%
<b>Gross profit</b>	38,491	36,940	4.2%	43,330	-11.2%
<b>Operating expenses</b>	47,113	21,722	116.9%	50,624	-6.9%
<b>Income (loss) from operations</b>	(8,623)	15,218	-	(7,293)	18.2%
<b>Income (loss) attributable to shareholders of ordinary shares</b>	(2,054)	8,760	-	1,356	-
<b>Net income (loss) per ADS (US\$ diluted)</b>	(0.0056)	0.0234	-	0.0001	-
<b>Wafers shipped (in 8" wafers) <sup>(2)</sup></b>	443,445	450,592	-1.6%	388,498	14.1%
<b>Capacity utilization</b>	88.9%	86.2%	-	93.5%	-





## SUMMARY BALANCE SHEET

<b>Summary Balance Sheet</b>		
<i>(in US\$ thousands)</i>	<b>For the three months ended</b>	
	<b>June 30, 2007 (Unaudited)</b>	<b>March 31, 2007 (Unaudited)</b>
<b>Cash and cash equivalents</b>	372,449	341,704
<b>Current assets</b>	1,109,287	1,075,260
<b>Total assets</b>	4,724,788	4,464,198
<b>Current liabilities</b>	1,006,544	589,732
<b>Total liabilities</b>	1,660,193	1,403,676
<b>Minority interests</b>	36,961	37,824
<b>Shareholders' equity</b>	3,027,635	3,022,697
<b>Total liability and shareholders' equity</b>	4,724,788	4,464,198

Source: Company financials





# SUMMARY CASH FLOW STATEMENT

<b>Summary Cash Flow Statement</b>		
<i>(in US\$ thousands)</i>	<b>For the three months ended</b>	
	<b>June 30, 2007 (Unaudited)</b>	<b>March 31, 2007 (Unaudited)</b>
<b>Net income (loss)</b>	(2,054)	8,760
<b>Net cash provided by operating activities</b>	151,803	180,684
<b>Net cash used in investing activities</b>	(145,605)	(176,288)
<b>Net cash provided by (used in) financing activities</b>	24,593	(26,331)
<b>Net increase (decrease) in cash and cash equivalents</b>	30,745	(21,916)
<b>Cash and cash equivalents at the beginning of period</b>	341,704	363,620
<b>Cash and cash equivalents at the end of period</b>	372,449	341,704

Source: Company financials





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[www.smics.com](http://www.smics.com)  
email: [IR@smics.com](mailto:IR@smics.com)

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