



SMIC

3Q 2008 Earnings Presentation

Oct 30, 2008

SEHK: 981

NYSE: SMI





SAFE HARBOR

(Under the Private Securities Litigation Reform Act of 1995)

This press release 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 concerning estimated completion of our conversion of DRAM capacity into logic by the end of this year, percentage increase in our Beijing 300-mm logic capacity by the end of 2008, the expected timing for qualifying our technology and risk production in connection with our 45nm collaboration with IBM, the expected expansion of TD-SCDMA to another 28 cities in the near future, future collaborations with local fabless design houses, our intention to hold back on capacity expansion, our expectation for fourth quarter 2008 revenue, and statements under “Capex Summary” and “Fourth Quarter 2008 Guidance”, 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 cyclicalities and market conditions in the semiconductor industry, the current global financial crisis, 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, orders or judgments from pending litigation, 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 annual report on 20-F, as amended, filed with the SEC on June 27, 2008, especially in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections, 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

Financial Highlights					
<i>(Amounts in US\$ million, except for EPS and operating data)</i>	3Q08	2Q08	QoQ	3Q07	YoY
Sales	375.9	342.9	9.6%	391.4	(3.9%)
Gross margins	7.2%	6.1%	-	10.8%	-
Net income(loss)	(30.3)	(45.6)	(33.6%)	(25.6)	18.5%
Operating expenses	40.5	60.8	(33.4%)	62.4	(35.2%)
Capex	242	231	4.8%	139	74.1%
Net income (loss) per ADS (US\$ diluted)	(0.0814)	(0.1227)	-	(0.0690)	-





4Q 2008 GUIDANCE

<i>US\$ Millions (except opex %)</i>	3Q2008 Actual	4Q2008 Guidance	FY 2008
Sales	US\$ 376 M	Decrease 25% to 29% from 3Q08	
Operating expenses as percentage of sales	10.8%	Around the mid-teens	
Capital expenditures	\$242 M	\$165 M - \$195 M	US\$790M

Source: Company financials



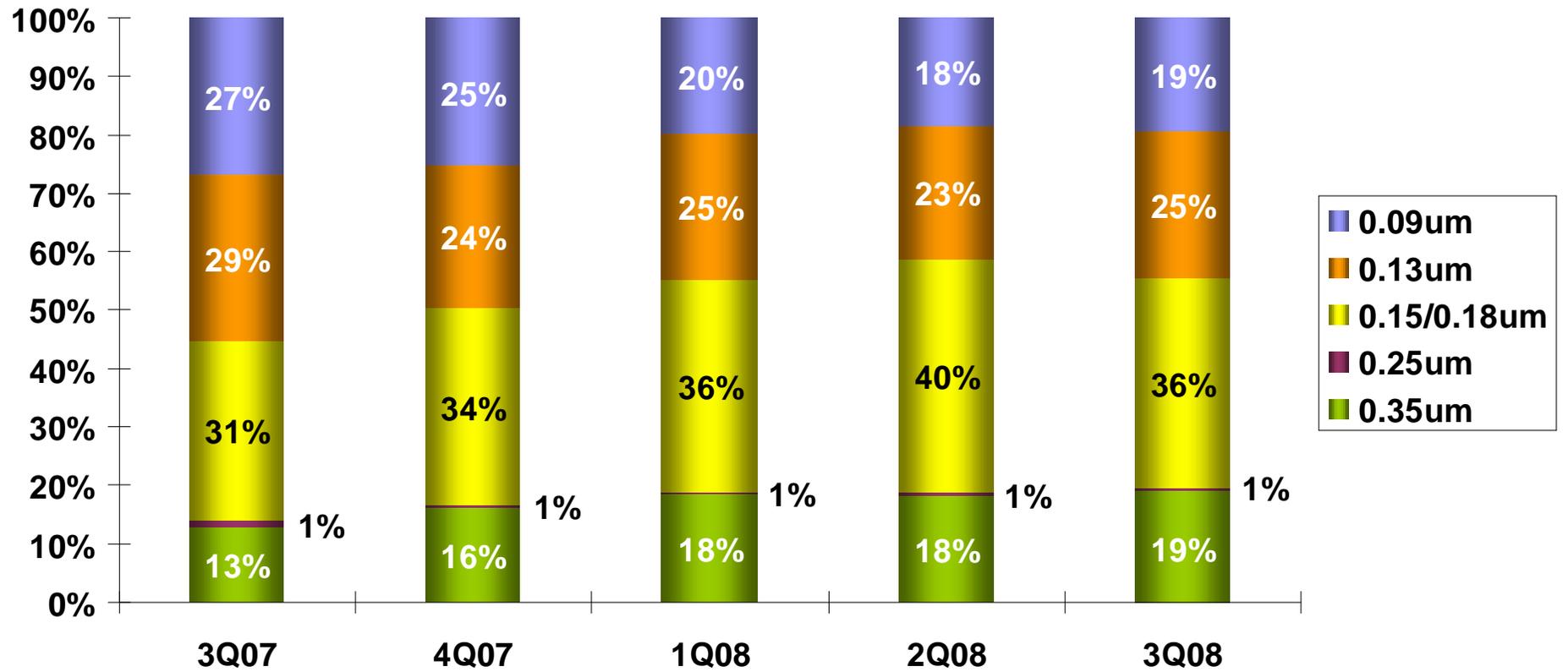


BUSINESS REVIEW





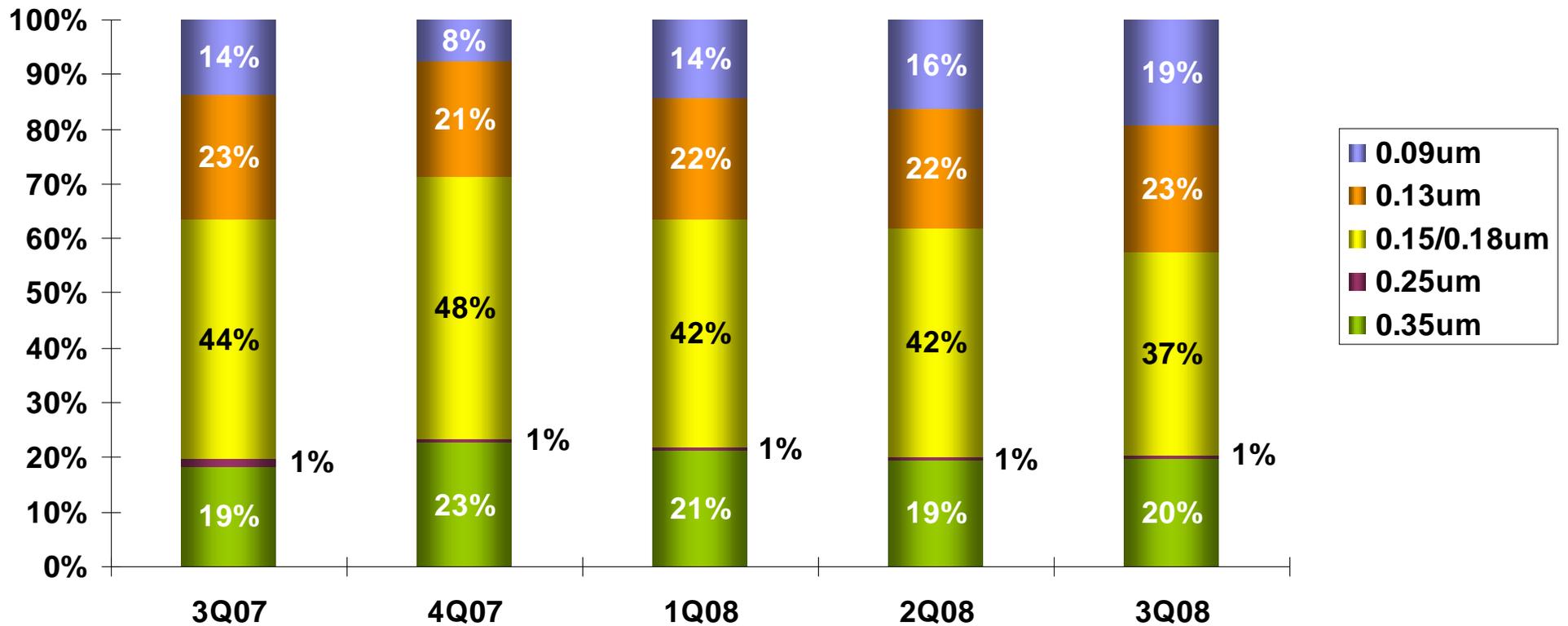
TOTAL SALES BREAKDOWN BY TECHNOLOGY



Source: Company financials



LOGIC SALES BREAKDOWN BY TECHNOLOGY

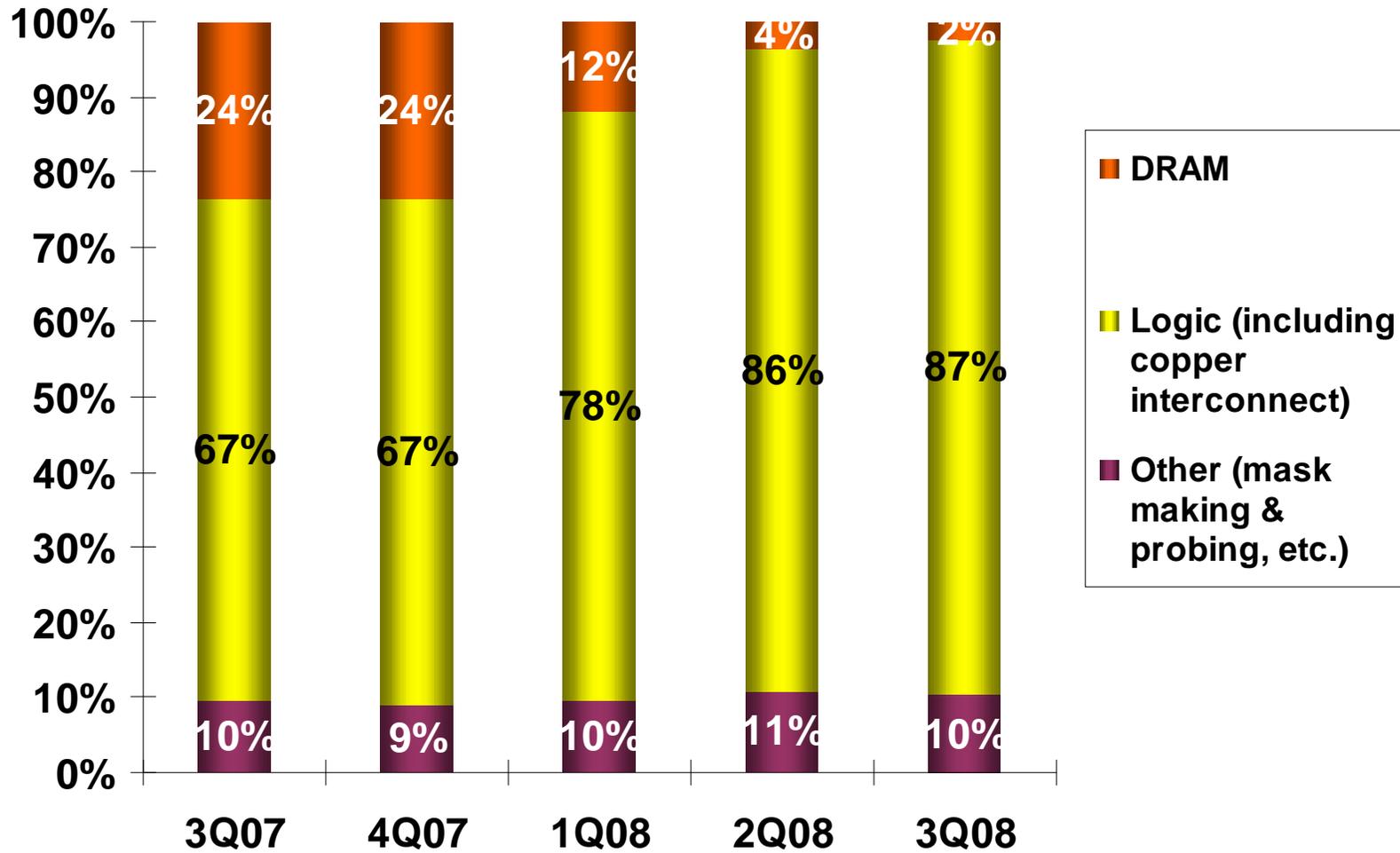


Source: Company financials





SALES BREAKDOWN BY SERVICES

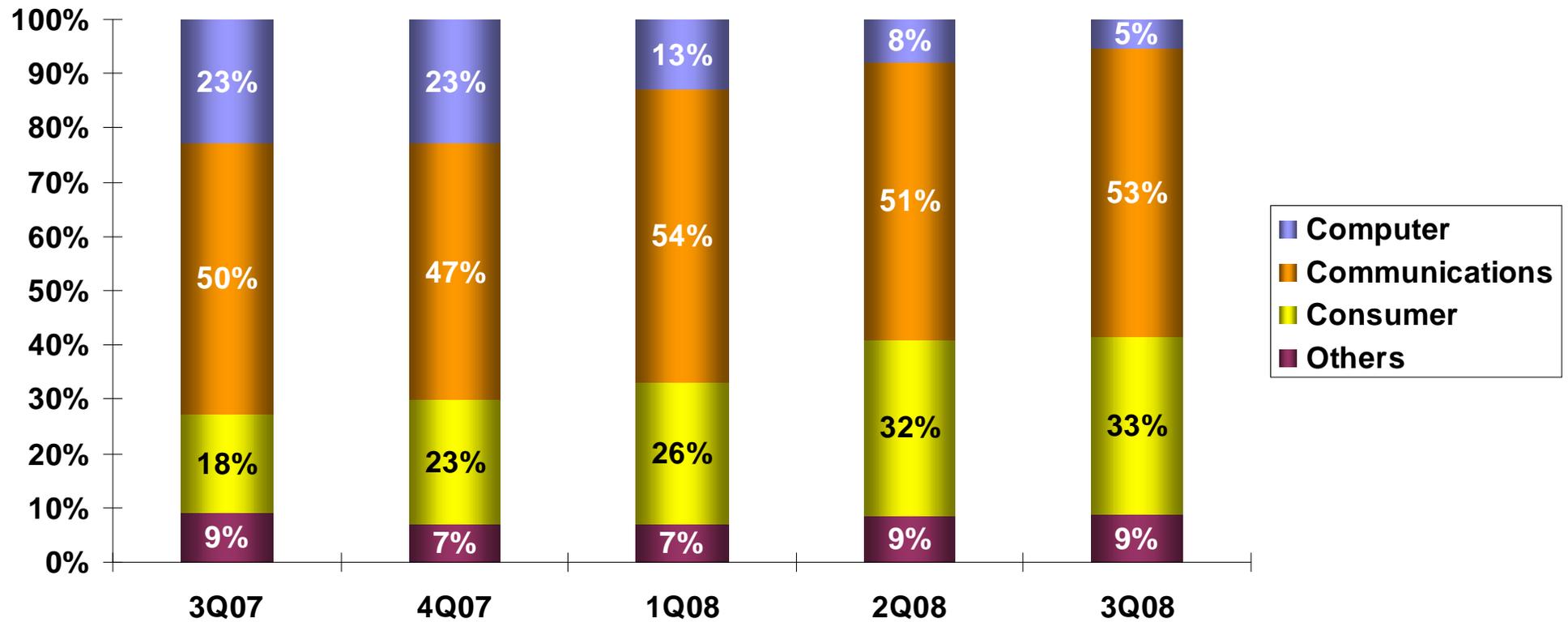


Source: Company financials





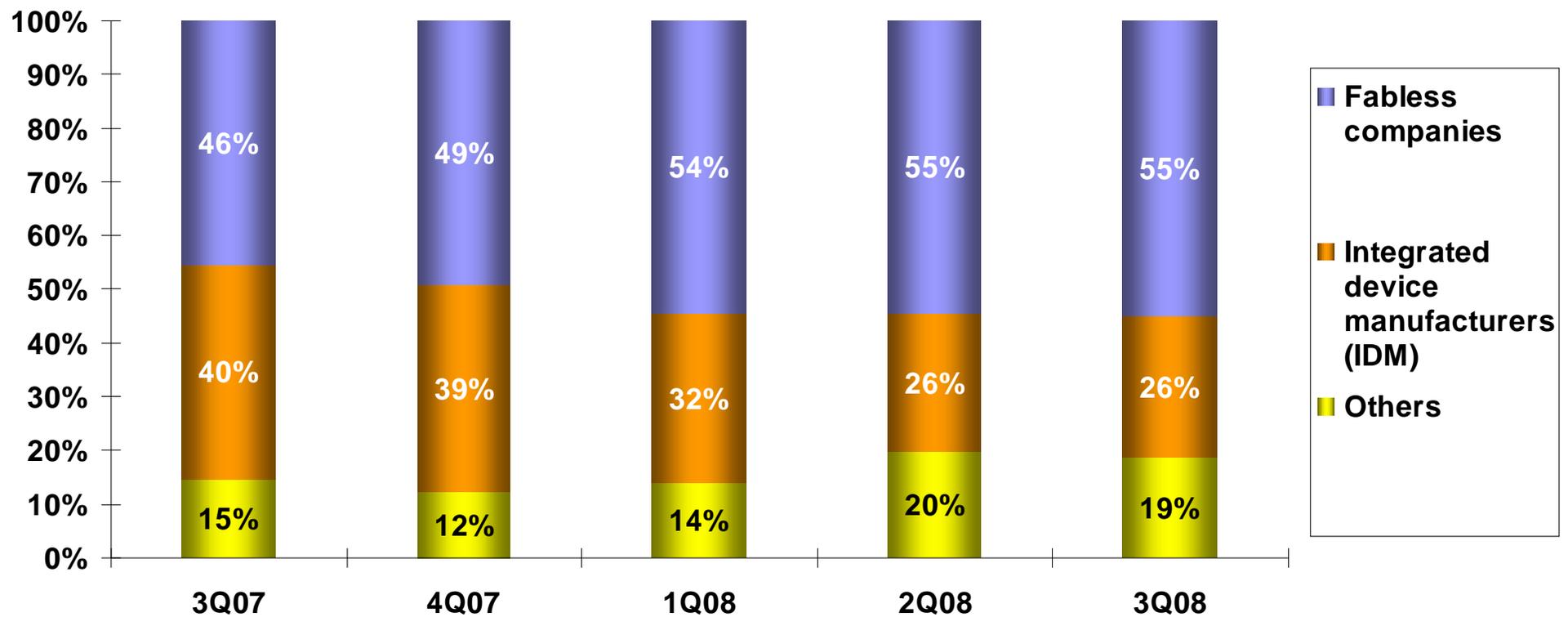
SALES BREAKDOWN BY APPLICATION



Source: Company financials

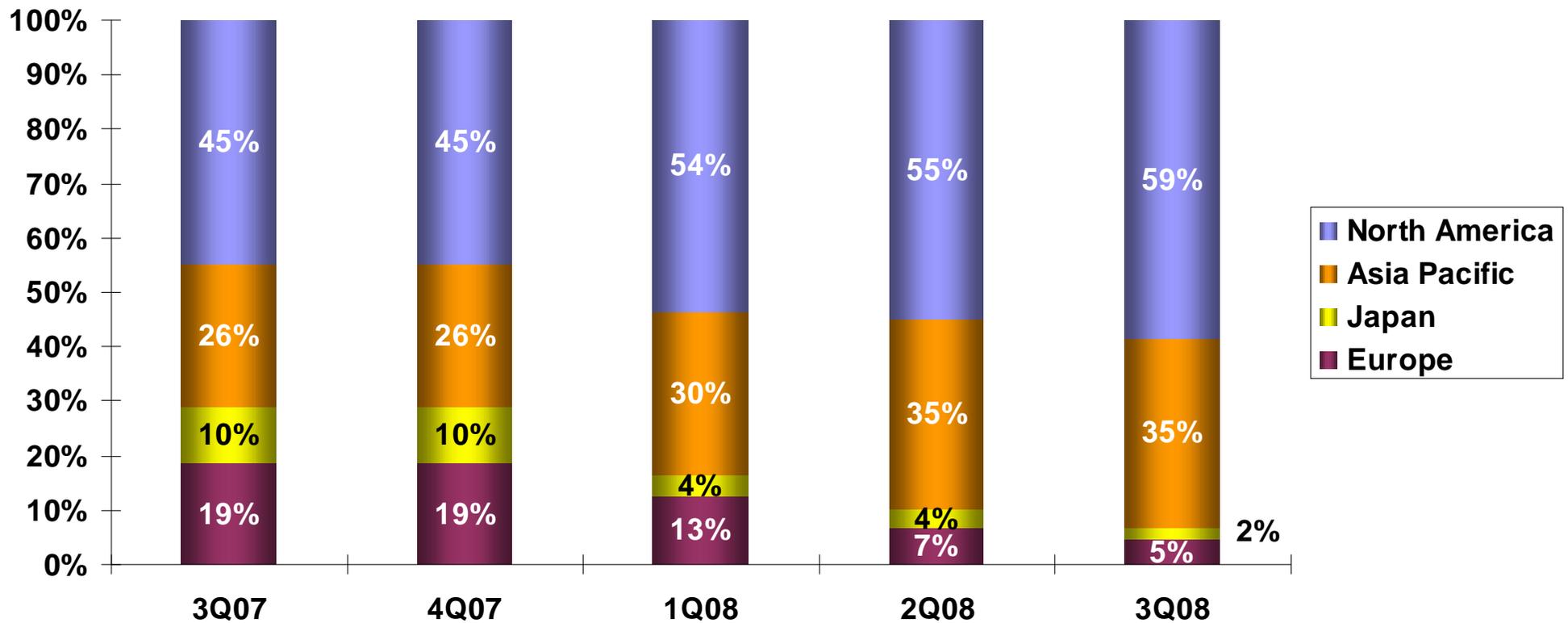


SALES BREAKDOWN BY CUSTOMER TYPE





SALES BREAKDOWN BY GEOGRAPHY



Source: Company financials





APPENDIX



SUMMARY INCOME STATEMENT

Summary Income Statement					
<i>(Amounts in US\$ thousands, except for EPS and operating data)</i>	3Q08	2Q08	QoQ	3Q07	YoY
Sales	375,945	342,919	9.6%	391,398	(3.9%)
Gross profit	27,224	20,842	30.6%	42,250	(35.6%)
Operating expenses	40,451	60,750	(33.4%)	62,435	(35.2%)
Income (loss) from operations	(13,227)	(39,907)	(66.9%)	(20,185)	(34.5%)
Net income (loss)	(30,289)	(45,629)	(33.6%)	(25,553)	18.5%
Net income (loss) per ADS (US\$ diluted)	(0.0814)	(0.1227)	-	(0.0690)	-
Wafers shipped (in 8" wafers) ⁽²⁾	431,660	402,114	7.3%	458,466	(5.8%)
Capacity utilization	90.5%	92.2%	-	94.1%	-





SUMMARY BALANCE SHEET

Summary Balance Sheet		
<i>(in US\$ thousands)</i>	For the three months ended	
	Sep 30, 2008	Jun 30, 2008
Cash and cash equivalents	392,881	480,265
Current assets	1,037,695	1,183,300
Total assets	4,541,917	4,649,104
Current liabilities	1,032,403	1,090,297
Total liabilities	1,790,955	1,867,139
Minority interests	29,401	32,496
Shareholders' equity	2,721,561	2,749,470
Total liability and shareholders' equity	4,541,917	4,649,104

Source: Company financials





SUMMARY CASH FLOW STATEMENT

Summary Cash Flow Statement		
<i>(in US\$ thousands)</i>	For the three months ended	
	Sep 30, 2008	Jun 30, 2008
Net loss	(30,289)	(45,629)
Net cash provided by operating activities	110,119	147,211
Net cash used in investing activities	(162,773)	(320,120)
Net cash provided by (used in) financing activities	(34,668)	146,927
Net decrease in cash and cash equivalents	(87,384)	(26,055)
Cash and cash equivalents at the beginning of period	480,265	506,320
Cash and cash equivalents at the end of period	392,881	480,265

Source: Company financials





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