



# **SMIC**

## **4Q 2008 Earnings Presentation**

**Feb 5, 2009**

**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 SMIC’s ability to continue capturing growth opportunities in China, the quicker recovery of the Chinese economy relative to the global economy, SMIC’s expectation of becoming the primary supplier of silicon requirements for Datang’s TD-SCDMA technology, the continued strengthening of SMIC’s product portfolio, SMIC’s expectation that new tape outs in the first quarter of 2009 will remain strong, SMIC’s ability to maintain a positive EBITDA in 2009, SMIC’s expectations regarding the amount of its capital expenditures in 2009 and targeted reduction in payroll costs, SMIC’s efforts in positioning itself as a stronger and more competitive player in the foundry sector, and statements under “Capex Summary” and “First Quarter 2009 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 cyclical and market conditions in the semiconductor industry, the downturn in the global economy and the impact on China’s economy, intense competition, timely wafer acceptance by SMIC’s customers, timely introduction of new technologies, SMIC’s ability to capture growth opportunities in China, SMIC’s ability to become the primary supplier for Datang’s TD-SCDMA technology products, SMIC’s ability to strengthen its products portfolio, 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 November 28, 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.





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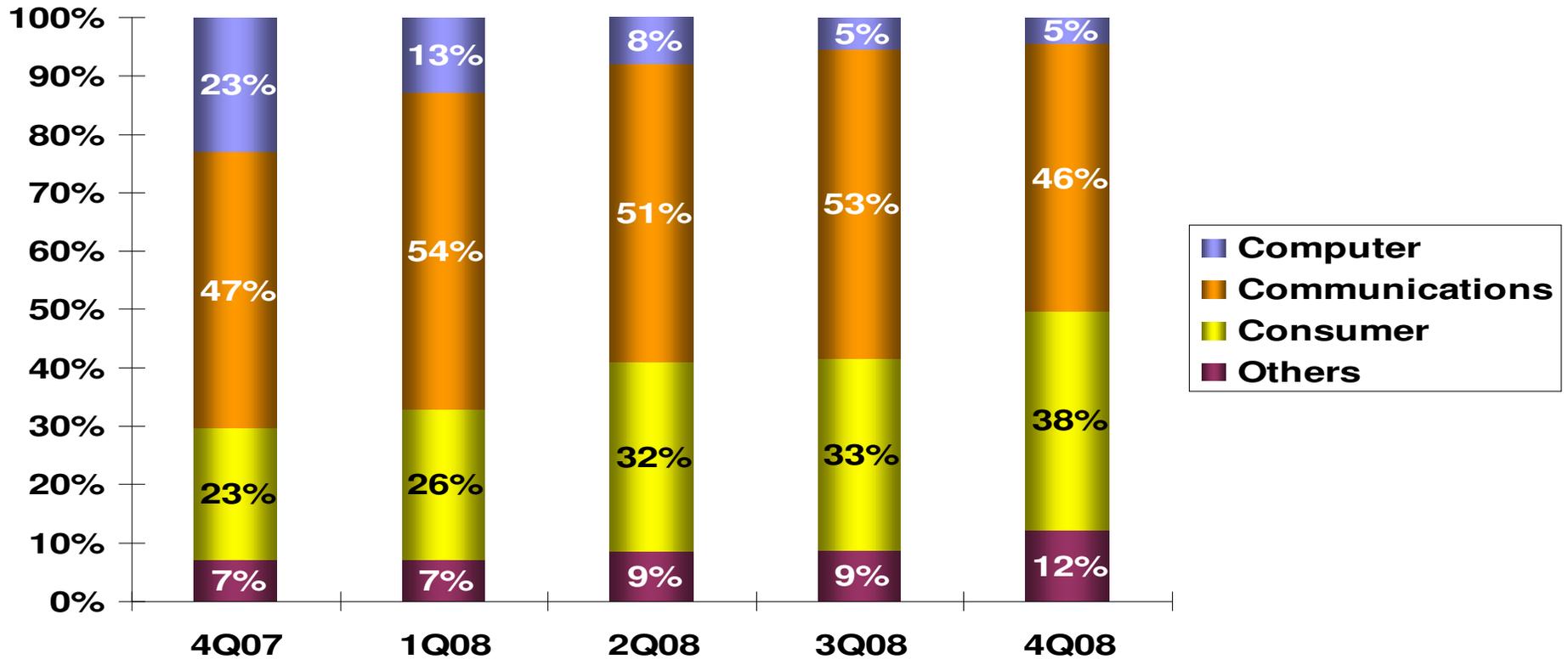


# FINANCIAL HIGHLIGHTS

<b>Financial Highlights</b>					
<i>(Amounts in US\$ million, except for EPS and operating data)</i>	<b>4Q08</b>	<b>3Q08</b>	<b>QoQ</b>	<b>4Q07</b>	<b>YoY</b>
<b>Sales</b>	<b>272.5</b>	<b>375.9</b>	<b>(27.5%)</b>	<b>395.3</b>	<b>(31.1%)</b>
<b>Gross margins</b>	<b>(27.4%)</b>	<b>7.2%</b>	<b>-</b>	<b>8.9%</b>	<b>-</b>
<b>Net income(loss)</b>	<b>(124.5)</b>	<b>(30.3)</b>	<b>311.2%</b>	<b>(622.0)</b>	<b>19923.0%</b>
<b>Operating expenses</b>	<b>46.4</b>	<b>40.5</b>	<b>14.8%</b>	<b>57.4</b>	<b>(19.1%)</b>
<b>Capex</b>	<b>56</b>	<b>242</b>	<b>(76.9%)</b>	<b>260</b>	<b>(78.5%)</b>
<b>Net income (loss) per ADS (US\$ diluted)</b>	<b>(0.3287)</b>	<b>(0.0814)</b>	<b>-</b>	<b>(0.0017)</b>	<b>-</b>



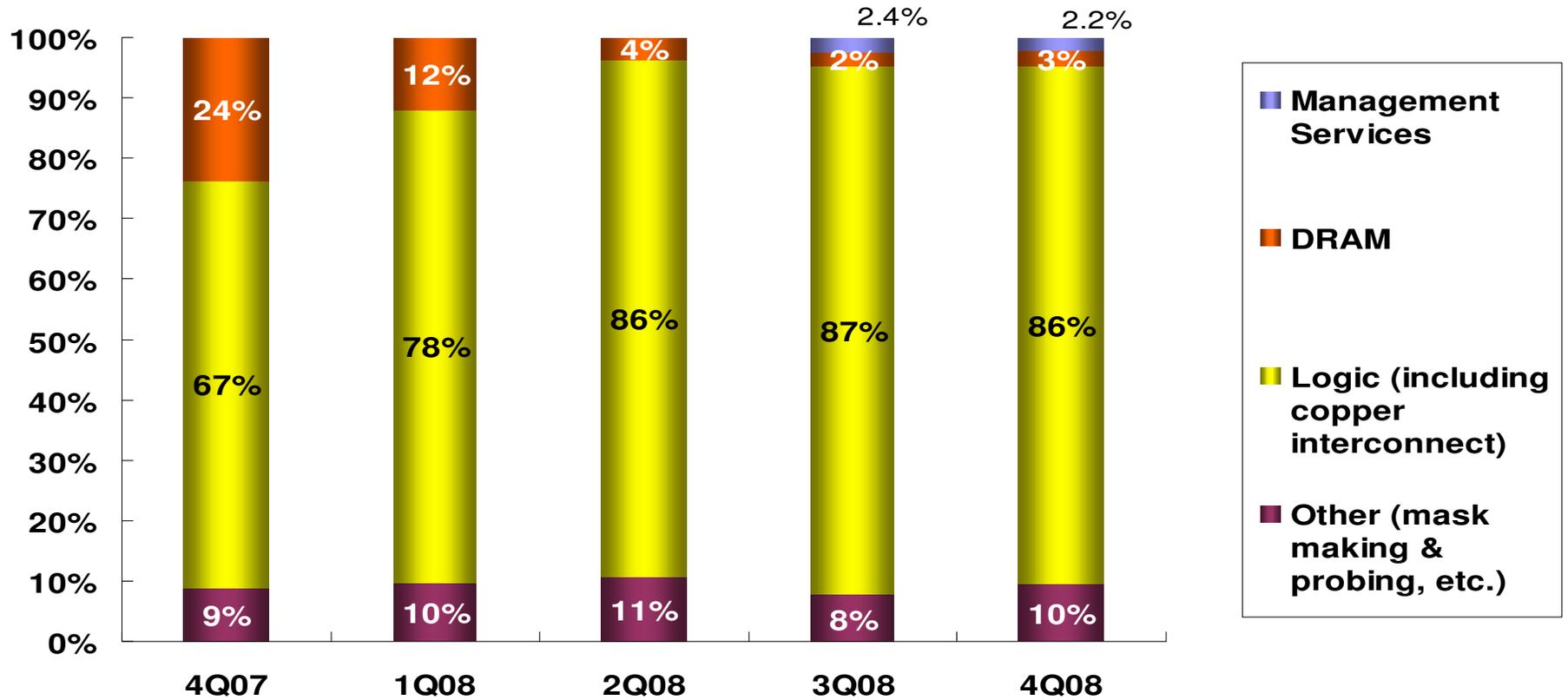
# SALES BREAKDOWN BY APPLICATION



Source: Company financials



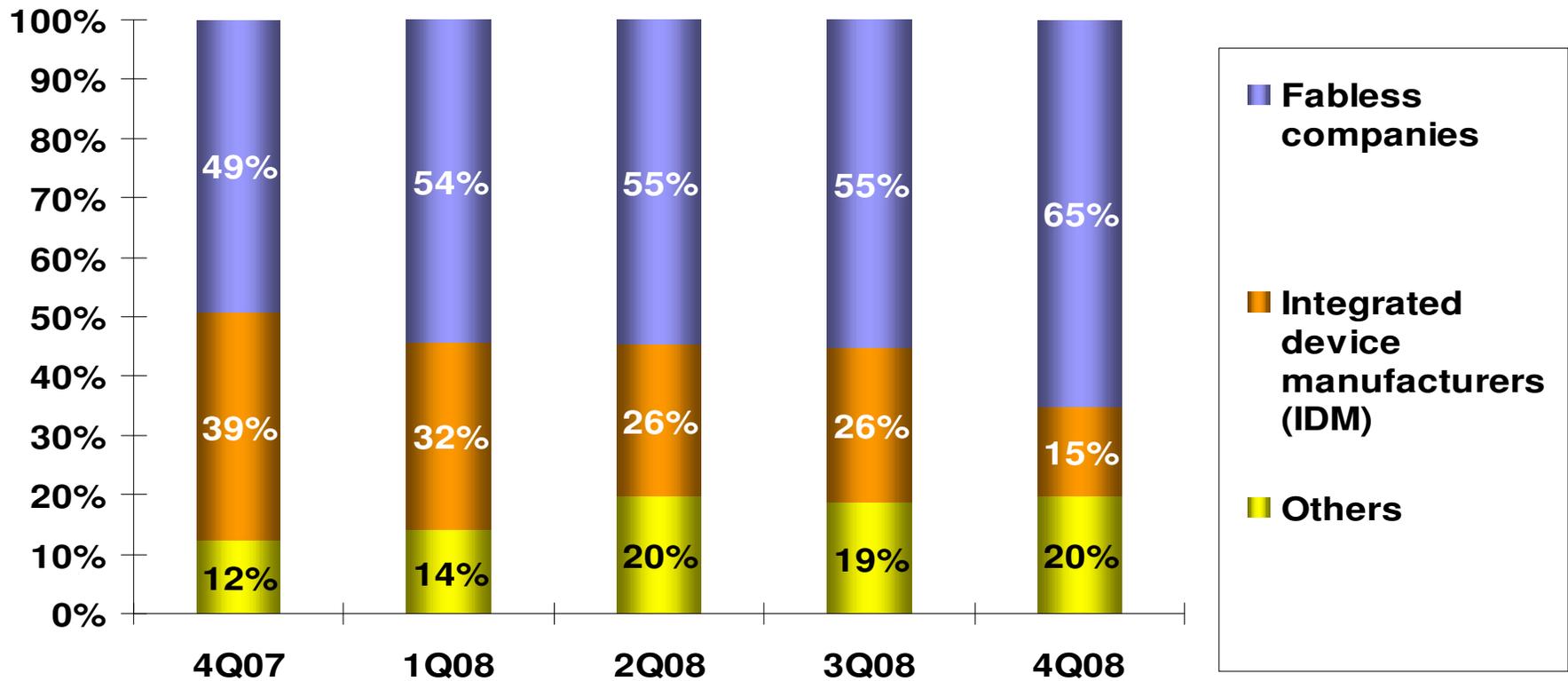
# SALES BREAKDOWN BY SERVICES



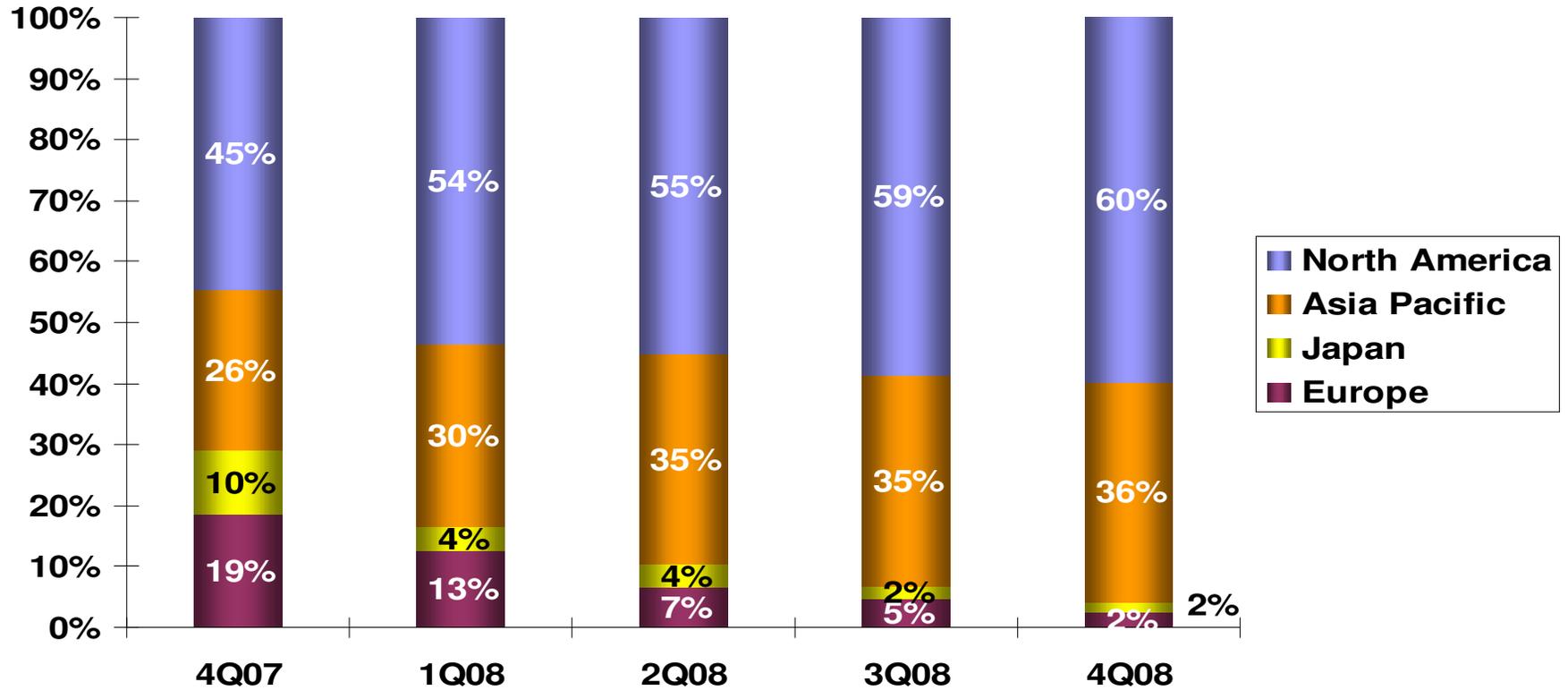
Source: Company financials



# SALES BREAKDOWN BY CUSTOMER TYPE



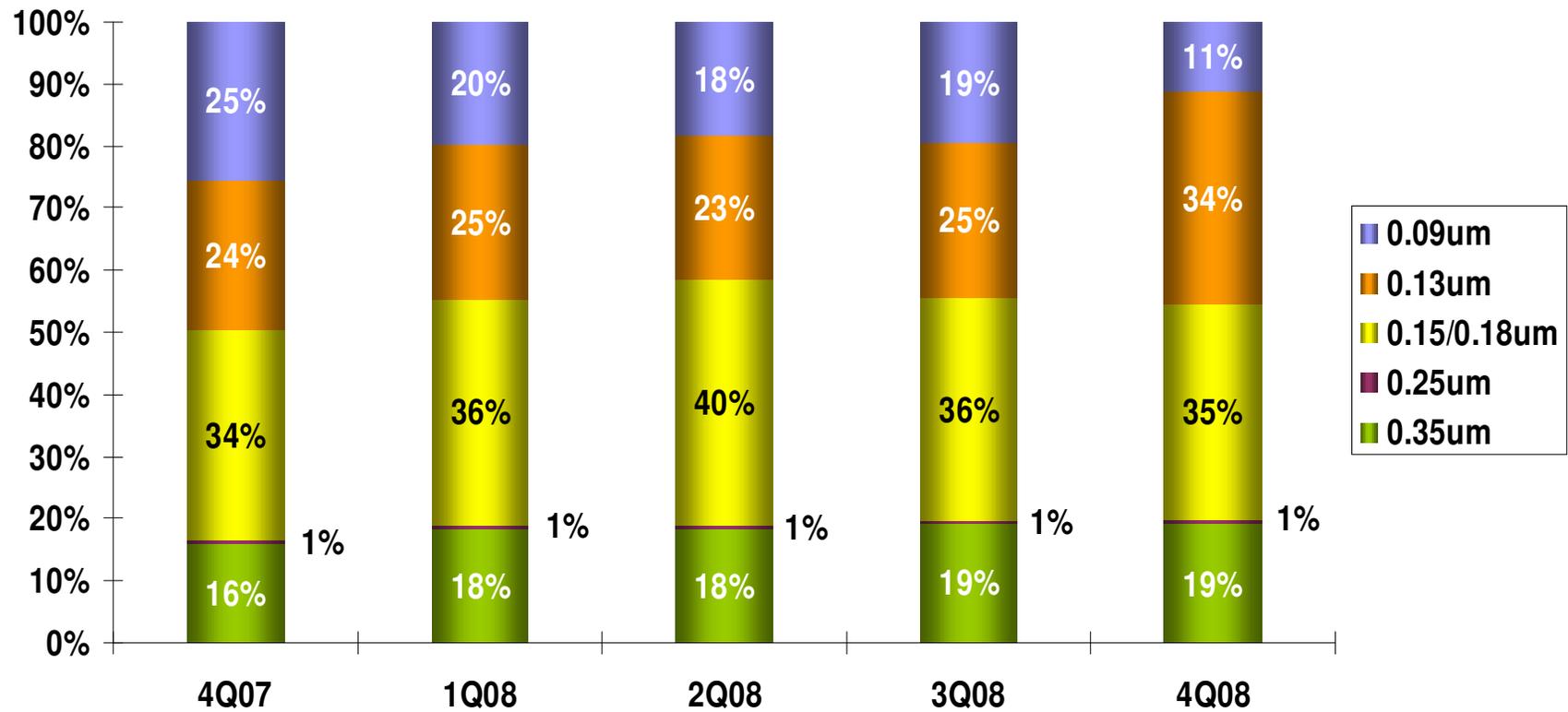
# SALES BREAKDOWN BY GEOGRAPHY



Source: Company financials



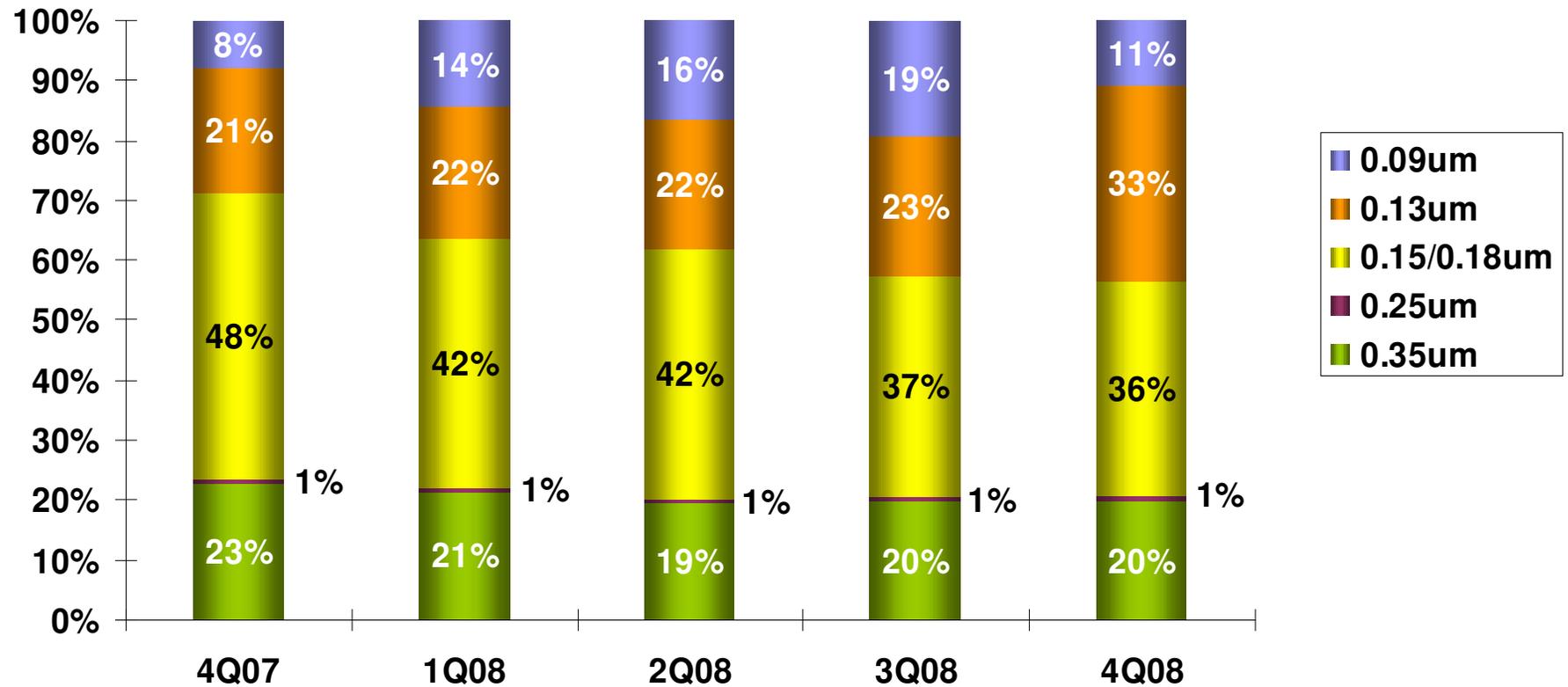
# TOTAL SALES BREAKDOWN BY TECHNOLOGY



Source: Company financials



# LOGIC SALES BREAKDOWN BY TECHNOLOGY



Source: Company financials





# 1Q 2009 GUIDANCE

<i>US\$ Millions (except opex %)</i>	<b>4Q2008 Actual</b>	<b>1Q2009 Guidance</b>
<b>Sales</b>	<b>US\$ 272.5 M</b>	<b>See note*</b>
<b>Operating expenses</b>	<b>\$46.5 M</b>	<b>Exclude forex difference range from \$53 M to \$56 M</b>
<b>Capital expenditures</b>	<b>\$56 M</b>	<b>\$40 M - \$45 M</b>
<b>Depreciation &amp; Amortization</b>	<b>\$207.7</b>	<b>\$206 M - \$208 M</b>

\*Given the lack of visibility in this current market environment, we are unable to provide specific revenue guidance. However, we estimate that Q109 revenue may decline by approximately 50%.

Source: Company financials





# SUMMARY BALANCE SHEET

<b>Summary Balance Sheet</b>		
<i>(in US\$ thousands)</i>	<b>For the three months ended</b>	
	<b>Dec 31, 2008</b>	<b>Sep 30, 2008</b>
<b>Cash and cash equivalents</b>	<b>450,230</b>	<b>392,881</b>
<b>Current assets</b>	<b>926,858</b>	<b>1,037,695</b>
<b>Total assets</b>	<b>4,270,622</b>	<b>4,541,917</b>
<b>Current liabilities</b>	<b>899,773</b>	<b>1,032,403</b>
<b>Total liabilities</b>	<b>1,478,462</b>	<b>1,790,955</b>
<b>Minority interests</b>	<b>27,881</b>	<b>29,401</b>
<b>Shareholders' equity</b>	<b>2,764,279</b>	<b>2,721,561</b>
<b>Total liability and shareholders' equity</b>	<b>4,270,622</b>	<b>4,541,917</b>

Source: Company financials





# SUMMARY INCOME STATEMENT

<b>Summary Income Statement</b>					
<i>(Amounts in US\$ thousands, except for EPS and operating data)</i>	<b>4Q08</b>	<b>3Q08</b>	<b>QoQ</b>	<b>4Q07</b>	<b>YoY</b>
<b>Sales</b>	<b>272,479</b>	<b>375,945</b>	<b>(27.5%)</b>	<b>395,254</b>	<b>(31.1%)</b>
<b>Gross profit</b>	<b>(74,635)</b>	<b>27,224</b>		<b>35,047</b>	
<b>Operating expenses</b>	<b>46,445</b>	<b>40,451</b>	<b>14.8%</b>	<b>57,389</b>	<b>(19.1%)</b>
<b>Income (loss) from operations</b>	<b>(121,080)</b>	<b>(13,227)</b>	<b>815.4%</b>	<b>(22,342)</b>	<b>441.9%</b>
<b>Net income (loss)</b>	<b>(124,543)</b>	<b>(30,289)</b>	<b>311.2%</b>	<b>(662)</b>	<b>19923.0%</b>
<b>Net income (loss) per ADS (US\$ diluted)</b>	<b>(0.3287)</b>	<b>(0.0814)</b>	<b>-</b>	<b>(0.0017)</b>	<b>-</b>
<b>Wafers shipped (in 8" wafers) <sup>(2)</sup></b>	<b>323,175</b>	<b>431,660</b>	<b>(25.1%)</b>	<b>497,454</b>	<b>(35.0%)</b>
<b>Capacity utilization</b>	<b>67.7%</b>	<b>90.5%</b>	<b>-</b>	<b>94.4%</b>	<b>-</b>
<b>Simplified ASP</b>	<b>\$843</b>	<b>\$871</b>	<b>(3.2%)</b>	<b>\$795</b>	<b>6.0%</b>



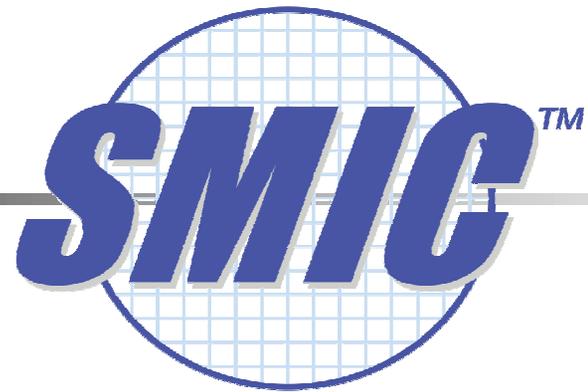
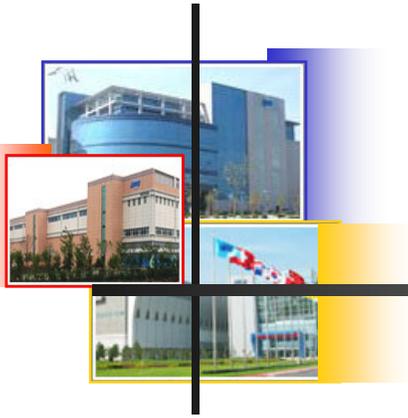


# SUMMARY CASH FLOW STATEMENT

<b>Summary Cash Flow Statement</b>		
<i>(in US\$ thousands)</i>	<b>For the three months ended</b>	
	<b>Dec 31, 2008</b>	<b>Sep 30, 2008</b>
<b>Net loss</b>	<b>(124,544)</b>	<b>(30,289)</b>
<b>Net cash provided by operating activities</b>	<b>171,213</b>	<b>110,119</b>
<b>Net cash used in investing activities</b>	<b>(120,085)</b>	<b>(162,773)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>6,460</b>	<b>(34,668)</b>
<b>Net increase in cash and cash equivalents</b>	<b>57,349</b>	<b>(87,384)</b>
<b>Cash and cash equivalents at the beginning of period</b>	<b>392,881</b>	<b>480,265</b>
<b>Cash and cash equivalents at the end of period</b>	<b>450,230</b>	<b>392,881</b>

Source: Company financials





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