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Safe Harbor Statements
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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 statements under “2Q 2016 Guidance”, and “2016 Capex Guidance” are based on SMIC’s current assumptions, expectations and projections about future events. SMIC uses words like “believe,” “plan,” “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 cyclical nature of the semiconductor industry, changes in demand for our products, competition in our markets, our reliance on a small number of customers, orders or judgments from pending litigation, intensive intellectual property lawsuits in semiconductor industry, and financial stability in end markets, general economic conditions and fluctuations in currency exchange rates.

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

During this presentation, references to financial measures of SMIC will include references to non-GAAP financial measures, including non-GAAP operating expenses and adjusted EBITDA margin. For an explanation to the most directly comparable GAAP financial measures, see today’s earnings release.
- Introduction
- SMIC Performance
- China Semiconductor Opportunity
- Strategies for Profitable Growth
- Concluding Remarks
SMIC: Largest and Most Advanced IC Foundry in PRC

Company Overview

- Established in 2000, headquartered in Shanghai
- Listed both on HKSE and NYSE
- The leading semiconductor foundry in China and Italy
- Achieved consecutive 17 quarters’ profitability through 2Q16, under leadership of current management team
- 2015 annual revenue: US$2.24bn
- Target revenue CAGR of 20% over next 4 years

Strong Global Presence

- Established in 2000, headquartered in Shanghai
- Listed both on HKSE and NYSE
- The leading semiconductor foundry in China and Italy
- Achieved consecutive 17 quarters’ profitability through 2Q16, under leadership of current management team
- 2015 annual revenue: US$2.24bn
- Target revenue CAGR of 20% over next 4 years

Shareholding Structure

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Datang Telecom Technology</td>
<td>18.25%</td>
</tr>
<tr>
<td>China IC Industry Investment Fund</td>
<td>17.54%</td>
</tr>
<tr>
<td>Other Global Investors</td>
<td>64.21%</td>
</tr>
</tbody>
</table>

Diversified Revenue Sources

- Top 10 customers: 5 from China, 3 from US, 2 from Eurasia.
- Source: Public Filings: NASDAQ OMX data, July 20, 2016

- Source: Company 2016 Q2 results
SMIC’s Brief History

- **2000**: Incorporated
- **2004**: IPO in NYSE and HKSE, Achieved profitability
- **2005**: Started 12” production
- **2008**: Completed exit of DRAM business
- **2009**: Management changed
- **2011**: Current management team on board
- **2013**: Established Beijing 12-inch JV
- **2014**: Established 12” bumping JV
- **2016**: Strategic partnership with JCET, Strategic merger of LFoundry Europe
- **2012**: Net income turnaround
- **2015**: Record high rev and profit
- **2014**: Exited Wuhan business
- **2008**: Completed exit of DRAM business
- **2012**: Net income turnaround
- **2014**: Exited Wuhan business

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# Independent and International Board

## Executive Directors

- **Zhou Zixue**
  - Chairman of the Board & Executive Director
  - 2015 Joined SMIC
  - 2009-2015 Chief Economist in MIIT

- **Tzu-Yin Chiu**
  - CEO & Executive Director
  - Over 30 years in semiconductor industry
  - Track record of managing successful semiconductor manufacturing international companies at the executive level

- **Gao Yonggang**
  - CFO & Executive Director
  - More than 20 years of experience in financial management.
  - Previously Datang CFO

## Non-Executive Directors

- **Chen Shanzhi**
  - Non-executive Director
  - 20 years of experience in information and communication technology.
  - Currently SVP and CIO of Datang

- **Lu Jun**
  - Non-executive Director
  - Familiar with industrial policies and in-depth understanding in IC and related industries.
  - Currently President of Sino IC-Capital Co., Ltd.

- **Ren Kai**
  - Non-executive Director
  - Extensive experience in investment management fields
  - Currently VP of Sino IC Capital.

- **Zhou Jie**
  - Non-executive Director
  - 20 years in corporate management, investment banking and capital market operation.
  - Currently executive director and president of Shanghai Industrial Investment Company

## Independent Non-Executive Directors

- **Lip-Bu Tan**
  - Independent Non-executive Director
  - Founder and Chairman of Walden International, a leading venture capital firm managing over US$2.0 billion in committed capital
  - President and CEO of Cadence Design Systems

- **Sean Maloney**
  - Independent Non-executive Director
  - Over 30 years at Intel
  - Known within the high tech industry as a visionary whose hard work and strategic planning contributed to the unprecedented global growth of the company.
  - From 2011 to 2013, Mr. Maloney served as Chairman of Intel China

- **William Tudor Brown**
  - Independent Non-executive Director
  - Over 30 years of experience in the information technology area.
  - One of the founders of ARM Holdings, and President during the period from 2008 to 2012

- **Carmen I-Hua Chang**
  - Independent Non-executive Director
  - Involved in seminal cross border transactions between China and US including earliest investments by Goldman Sachs in China Netcom other key transactions
  - Partner and Managing Director in New Enterprise Associates (NEA).
International and Experienced Management Team

Chairman
Dr. Zhou Zixue

- 2009–2015: Chief Economist, Ministry of Industry and Information Technology of China (“MIIT”)
- 2008–2009: Director-General, Department of Finance of MIIT
- 2002–2008: Director-General, Ministry of Information Industry of China

CEO
Dr. Tzu-Yin Chiu

- 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

CFO
Dr. Yonggang Gao

COO
Dr. Haijun Zhao

Legal, GA, HR & PA
Dr. John Liu

Engineering & Services
Dr. John Liu

Sales & Marketing
Mike Rekuc

Design Services
Dr. Tianshen Tang

BD & Company Secretary
Gareth Kung
1H 2016 Financial Achievements (unaudited)

SMIC Annual Revenue and Profit (US$mm)

1H 2016 Financial Highlights

- **Revenue**: $1.3B, *record high*
- **Gross Profit**: $372M, *record high*
- **Gross Margin**: 28.1%
- **Operating Profit**: $182M, *record high*
- **Profit attributable to SMIC**: $159M, *record high*
- **Profit margin attributable to SMIC**: 12.0%
- **China Revenue**: 49.7%, *record high*
- **Cash on hand including other financial assets**: $1.9B

Note: *Non-GAAP Revenue refers to revenue excluding shipments from Wuhan Xinxin*
2Q16 Financial Highlights

- Revenue: $690.2M, record high
- Gross profit: $217.8M, record high
- Gross margin: 31.6%
- Operating profit: $115.4M, record high
- Operating margin: 16.7%
- Profit attributable to SMIC: $97.6M, record high
- 17th consecutive profitable quarter
- Cash & Other Financial Assets: $1.9B
- Revenue from China: 52.0%, record high
- Utilization rate: 97.9%

2Q 2016 Financial Highlights

- Revenue: +8% to +11% QoQ
  - $745~$766M
- Gross Margin: 28% to 30%
- Non-GAAP Operating Expenses (1): $140 to $145M
- Non-controlling interests (2): $4 to $6M

(1) Exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters
(2) Losses to be borne by non-controlling interests
### SMIC Family of IC Manufacturing

#### Fab Technology Node

<table>
<thead>
<tr>
<th>Fab</th>
<th>Technology Node</th>
<th>Monthly Capacity 2Q16</th>
<th>2016 Year-End Target</th>
<th>Fab Shell Design Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai 12”</td>
<td>45nm and below</td>
<td>20K</td>
<td>20K</td>
<td>~20K</td>
</tr>
<tr>
<td>Beijing 12”</td>
<td>55-90nm, 0.13um</td>
<td>37K</td>
<td>45K</td>
<td>~50K</td>
</tr>
<tr>
<td>Beijing JV 12”</td>
<td>45nm and below</td>
<td>15K</td>
<td>18K</td>
<td>~35K</td>
</tr>
<tr>
<td>Shanghai 8”</td>
<td>0.11-0.35um</td>
<td>106K</td>
<td>-</td>
<td>~106K</td>
</tr>
<tr>
<td>Tianjin 8”</td>
<td>0.13-0.35um</td>
<td>45K</td>
<td>-</td>
<td>~45K</td>
</tr>
<tr>
<td>Shenzhen 8”</td>
<td>0.15-0.35um</td>
<td>26K</td>
<td>31K</td>
<td>~50K</td>
</tr>
<tr>
<td>Italy LF 8”</td>
<td>90nm-0.18um</td>
<td>40K</td>
<td>-</td>
<td>~50K</td>
</tr>
</tbody>
</table>
Introduction

**SMIC Performance**

China Semiconductor Opportunity

Strategies for Profitable Growth

Concluding Remarks
Improved Efficiency and Sustained Profitability

**Strong Revenues Growth (US$mm)**

- **Record high revenue**
  - Revenue excl. Wuhan
  - Wuhan Revenue

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue excl. Wuhan</th>
<th>Wuhan Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>32</td>
<td>25</td>
</tr>
<tr>
<td>2011</td>
<td>275</td>
<td>23</td>
</tr>
<tr>
<td>2012</td>
<td>800</td>
<td>310</td>
</tr>
<tr>
<td>2013</td>
<td>50</td>
<td>247</td>
</tr>
<tr>
<td>2014</td>
<td>47</td>
<td>49</td>
</tr>
<tr>
<td>2015</td>
<td>42</td>
<td>39</td>
</tr>
<tr>
<td>2016</td>
<td>41</td>
<td>31</td>
</tr>
</tbody>
</table>

**Improved Utilization Rate**

- **SMIC Utilization**
- **Industry Global Utilization**

- Represents quarters with positive net income

*Source: SMIC analysis with third party reference data, 3Q16

Note: All figures before 2013 are based on US GAAP, and all figures after 2013 are based on IFRS

1. EBITDA margin is defined as profit for the period excluding the impact of the finance cost, depreciation and amortization, and income tax expense divided by revenue.
2. ROE = Trailing 12 months profit attributable to owners of the Company / average equity attributable to owners of the Company
Capex, Depreciation, and Cash levels

2016 Capex Guidance

- Foundry Operations: $2.5B
- Non-foundry Operations: $50mm

Cash and Cash Flow from Operations (US$mm)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash in hand *</th>
<th>Cashflow from Operations</th>
<th>Gross Debt/Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>262</td>
<td>358</td>
<td>38.7%</td>
</tr>
<tr>
<td>2012</td>
<td>379</td>
<td>435</td>
<td>48.3%</td>
</tr>
<tr>
<td>2013</td>
<td>435</td>
<td>703</td>
<td>45.2%</td>
</tr>
<tr>
<td>2014</td>
<td>738</td>
<td>1,247</td>
<td>39.0%</td>
</tr>
<tr>
<td>2015</td>
<td>608</td>
<td>1,288</td>
<td>33.8%</td>
</tr>
<tr>
<td>1Q16</td>
<td>669</td>
<td>1,142</td>
<td>39.3%</td>
</tr>
<tr>
<td>2Q16</td>
<td>126</td>
<td>246</td>
<td>50.9%</td>
</tr>
</tbody>
</table>

* Cash in hand includes cash and cash equivalent, plus other financial assets.

International and Domestic Investment Grade Credit Ratings

- S&P investment grade BBB- long-term corporate credit rating
- Moody’s investment grade Baa3 corporate credit rating
- China Chengxin International Credit Rating Agency’s triple A rating
- Committed to maintain investment grade credit ratings
Introduction
SMIC Performance
China Semiconductor Opportunity
Strategies for Profitable Growth
Concluding Remarks
Rapid and Sustainable Growth of China IC Market

China has become the world’s largest IC market (US$bn)

2000 – China market share: 7%
- USA $64
- Japan $41
- Others $100

2016F – China market share: 41%
- USA $46
- Japan $33
- Others $117
- China $137

2018F – China market share: 42%
- USA $50
- Japan $34
- Others $121
- China $147

Chinese fabless market growth (US$bn)

CAGR11-18E: 3%

SMIC sees rapid growth of revenue from China (US$mm)

CAGR11-15: 25%

Source:
SMIC analysis with 3rd party reference data, 2Q16

China has become the world’s largest IC market (US$bn)

2000 – China market share: 7%
- USA $64
- Japan $41
- Others $100

2016F – China market share: 41%
- USA $46
- Japan $33
- Others $117
- China $137

2018F – China market share: 42%
- USA $50
- Japan $34
- Others $121
- China $147

Source:
SMIC analysis with 3rd party reference data, 2Q16
Chinese System Brand Names are Rising in Worldwide Market Shares

Chinese System Brands
Worldwide Shipment Share Y15

Mobile Phone
~39% of WW

LCD TV
>25% of WW

Tablets
~35% of WW
Top-3 Chinese Brands 5%

PC/ Notebook
~21% of WW

Smartphone Brands
Shipment Ranking Y13~Y15

Samsung, Apple, and Huawei still dominate the market. More Chinese brands are surfacing

Data Source: iSuppli, Gartner, FGI, GfK, SMIC Analysis, 3Q16
China IC Market Growth Drives Foundry Potential

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

- Local foundries
- Local design*
- Local brands**
- Total China IC market

2015E
- Local foundries: 4
- Local design*: 14
- Local brands**: 57
- Total China IC market: 144

2008
- Local foundries: 2.2
- Local design*: 4.2
- Local brands**: 27.0
- Total China IC market: 79.2

**Including local system companies

Source: SMIC analysis with 3rd party reference data, 1Q16.

Large Domestic China IC Consumption
- Domestic China IC consumption accounts for 2/5 of worldwide consumption*
- IC purchases by local brands ~ US$57bn in 2015

*Source: SMIC analysis with 3rd party reference data, 1Q16

China Smartphone Unit Production (mm)

CAGR13-17: 13%

<table>
<thead>
<tr>
<th>Year</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016F</th>
<th>2017F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit (mm)</td>
<td>627</td>
<td>870</td>
<td>962</td>
<td>984</td>
<td>1,025</td>
</tr>
</tbody>
</table>

Source: SMIC analysis with 3rd party reference data, 2Q16.
 Introduction
 SMIC Performance
 China Semiconductor Opportunity
 Strategies for Profitable Growth
 Concluding Remarks
Executing Three Prongs for Sustainable Profitability & Growth

- Fully utilize existing assets

- Differentiate and diversify technology portfolio to address broad market needs and profitable areas of growth

- Advance technology in preparation for the migration of the applications we serve
Industry peers are focused on competing in the advanced Digital Logic segment.

SMIC’s strategy is to lead in selected differentiation technologies while continuing to invest carefully in advanced digital logic technologies.

Note: BROWN tech nodes are in production at SMIC.
Recent Differentiated Technology Roll out

38nm NAND
- In risk production
- Mobile code storage

55nm e-Flash
- In mass production
- Both Overseas and Chinese

95ULP
- In qualification
- 2X density compared to 0.13LL logic
- 3X density compared to 0.13LL SRAM

Bank card IC
- In mass production
- 4 customers engaged

BSI CMOS Image Sensors
- 0.13um 5M & 8M in mass production
- 0.11um 5M NTOs fab out

Fingerprint IC
- In mass production
- Both Overseas and Chinese

MEMS
- CMOS-MEMS In risk production
- Lead MEMS microphone in mass production
- 3-axis accelerometer in qualification

TSV
- Embedded TSV in mass production
- CIS TSV in risk production
- Sensor to CMOS with embedded TSV TQV fab out

By continuing to roll out new technologies, we are increasing our addressable market and gaining new market share.

Source:
* SMIC analysis with 3rd party reference data, 2Q16
**SPOCULL™ 95ULP Technology**

**Excellent Performance-Boosting Solution**

**Excellent Performance**
- Highest Density Solution at 8” Foundry Technology
  - 2X density compared to 0.13LL logic
  - 3X density compared to 0.13LL SRAM

**Applications, Status**
- Suitable for applications such as
  - ultra-low power MCU
  - high performance analog, RF
  - IoT related applications
- in MPW and NTO stage

- **SPOCULL --- SMIC POly Contact for Ultra Low Leakage**
Investments in Innovation and Performance

R&D Expense vs Sales (US$mm)

<table>
<thead>
<tr>
<th>Year</th>
<th>R&amp;D Expense</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>114</td>
</tr>
<tr>
<td>2012</td>
<td>134</td>
</tr>
<tr>
<td>2013</td>
<td>171</td>
</tr>
<tr>
<td>2014</td>
<td>227</td>
</tr>
<tr>
<td>2015</td>
<td>272</td>
</tr>
</tbody>
</table>

Note: R&D expense excludes the funding of R&D contracts from the government and fab start-up costs.

Accumulative Number of Granted Patents

<table>
<thead>
<tr>
<th>Year</th>
<th>Granted Patents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>2,469</td>
</tr>
<tr>
<td>2012</td>
<td>3,270</td>
</tr>
<tr>
<td>2013</td>
<td>3,974</td>
</tr>
<tr>
<td>2014</td>
<td>4,769</td>
</tr>
<tr>
<td>2015</td>
<td>5,649</td>
</tr>
</tbody>
</table>

Design IP enabled Wafer Shipments vs Total Shipments (000, 8’ equivalent)

<table>
<thead>
<tr>
<th>Year</th>
<th>IP enabled Shipments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>905</td>
</tr>
<tr>
<td>2012</td>
<td>1,307</td>
</tr>
<tr>
<td>2013</td>
<td>1,689</td>
</tr>
<tr>
<td>2014</td>
<td>1,938</td>
</tr>
<tr>
<td>2015</td>
<td>2,346</td>
</tr>
</tbody>
</table>

Note: R&D expense excludes the funding of R&D contracts from the government and fab start-up costs.
Increasing Scale, Broadening Technology Portfolio, and Penetrating New Markets through M&A

1. **Cost Effective**
   - SMIC acquired 70% stake in LFoundry for a consideration of 49 million EUR

2. **Beneficial/Strategic**
   - LF capacity of 40K/mo, increases our 339K/mo capacity by 11.8%
   - Entry into auto IC market
   - Access to excellent CIS/BSI technology
   - Presence in Europe

- 339K/mo + 40K/mo
- Enhanced flexibility and opportunities
- Gain strong footing in European market
- Entry into Auto and Industrial markets with LF’s excellent CIS/BSI technology

- Enriched portfolio, logic, RF, MS, PMIC, MEMS, sensors, CIS, smart power, TDDI, embedded memory, NVM, and etc
- 1st cross-border M&A in the industry for mainland China
- Footprint in Europe
- Introduction
- SMIC Performance
- China Semiconductor Opportunity
- Strategies for Profitable Growth
- Concluding Remarks
Concluding Remarks

OPPORTUNITIES

- **China semiconductor ecosystem strengthening**
  - Current customers’ IC market share gain
  - Room to grow our foundry market share
    - New customers & technology
    - New markets to penetrate
    - IOT rising
    - M&A

- **Strong Execution**
  - 2016 High utilizations
  - Rev grow >25%

- **Strong Demand**
  - Strong PO’s
  - 20% CAGR 2016-2019

- **Technology Readiness**
  - 28nm/40nm/55nm
  - Differentiated technology

- **Capacity Readiness**
  - SMIC fabs ramping
  - Seeking M&A

- **Financial Channels**
  - Operating cash
  - Low net debt/equity

- **Right Positioning**
  - Preferred foundry in Mainland China
  - JV’s
  - Leasing

- **Opportunities**
  - China semiconductor ecosystem strengthening
  - Current customers’ IC market share gain
  - Room to grow our foundry market share
    - New customers & technology
    - New markets to penetrate
    - IOT rising
    - M&A

- **2016 High utilizations**
- **Rev grow >25%**
- **Preferred foundry in Mainland China**
Thank You

Contact us: ir@smics.com