



SMIC

3Q 2007 Earnings Presentation

Oct 31, 2007

SEHK: 981

NYSE: SMI





SAFE HARBOR

(Under the Private Securities Litigation Reform Act of 1995)

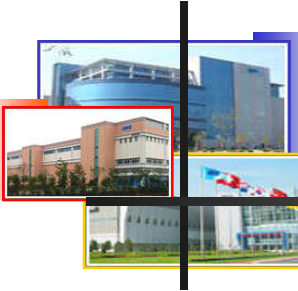
This press release may contain, in addition to historical information, “forward-looking statements” within the meaning of the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on SMIC’s current assumptions, expectations and 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 cyclical 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**



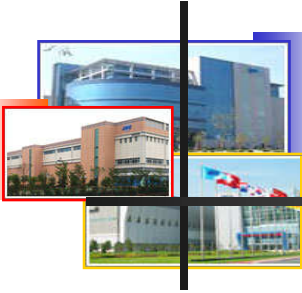


FINANCIAL HIGHLIGHTS

Revenue increased 6.1% over 3Q06 to \$391.4 million in 3Q07

Financial Highlights					
<i>(Amounts in US\$ million, except for EPS and operating data)</i>	3Q07	2Q07	QoQ	3Q06	YoY
Sales	391.4	374.8	4.4%	368.9	6.1%
Gross margins	10.8%	10.3%	-	7.3%	-
Net loss	(25.6)	(2.1)	-	(36.0)	-
Operating expenses	62.4	47.1	32.5%	40.3	54.9%
Capex	139.0	370.0	-62.4%	157.4	-11.69%
Net loss per ADS (US\$ diluted)	(0.069)	(0.0056)	-	(0.980)	-





RESULTS HIGHLIGHTS

- **Logic business revenue growth of 13.0% over 2Q**
- **90nm revenue increased to 26.7% over 2Q**
- **Gross margin up slightly to 10.8%**
 - Higher utilization
 - Higher proportion of logic shipments
- **Capacity utilization up to 94.1%**



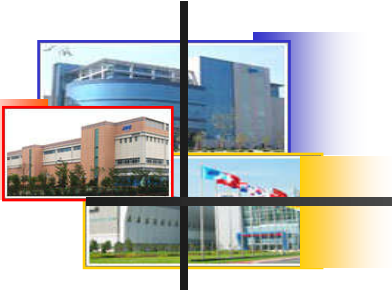


4Q 2007 GUIDANCE

<i>US\$ Millions (except opex %)</i>	3Q2007 Actual	4Q2007 Guidance	FY 2007
Sales	US\$ 391 M	Up 2% – 5%	
Depreciation	US\$ 189 M	US\$ 185 – 205 M	
Operating expenses as percentage of sales	16.0%	In mid-teens	
Capital expenditures	US\$ 139 M	US\$ 60 – 90 M	US\$ 700M

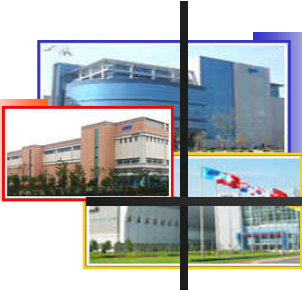
Source: Company financials





BUSINESS REVIEW





SUCCESSFUL STRATEGY

Global Presence

China Leadership

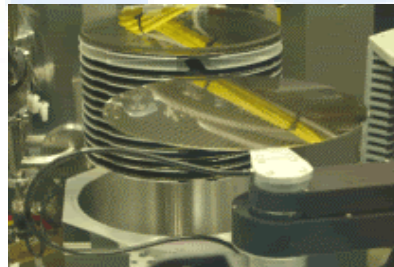
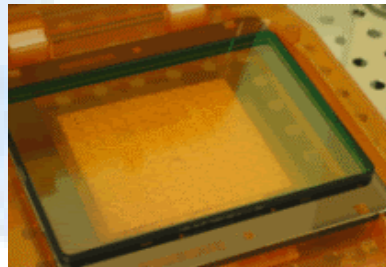
- **Capturing industry migration to China**
- **Growing technological edge and customer base**
- **Expanding capacity with virtual model**





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

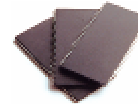
Assembly & Final Test



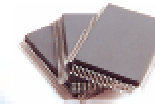
Flip Chip



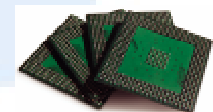
CSP



TSOP



QFP



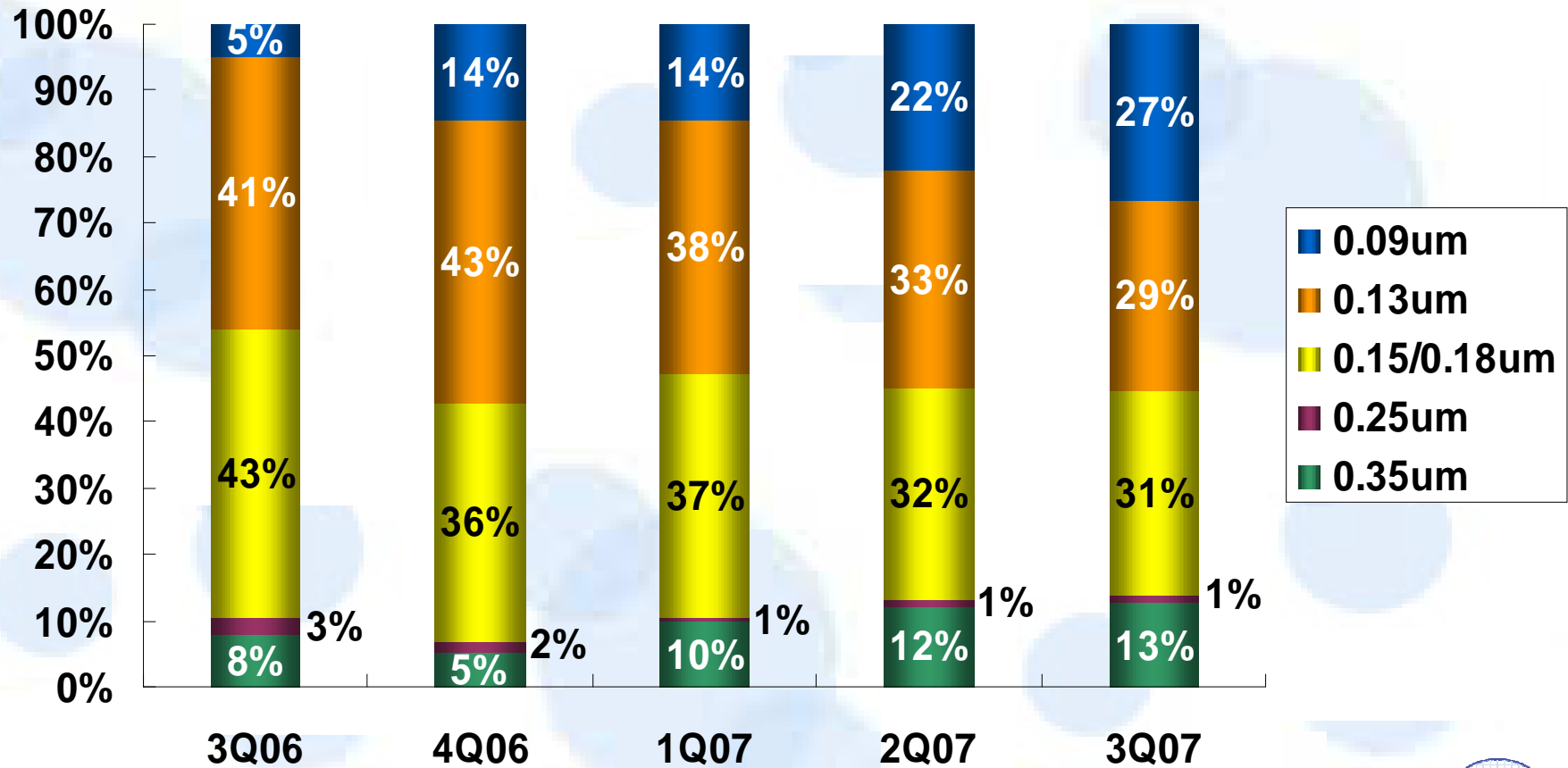
BGA





TOTAL SALES BREAKDOWN BY TECHNOLOGY

90nm Node Increased to 27% of Wafer Revenue from 22% in the Second Quarter



Source: Company financials

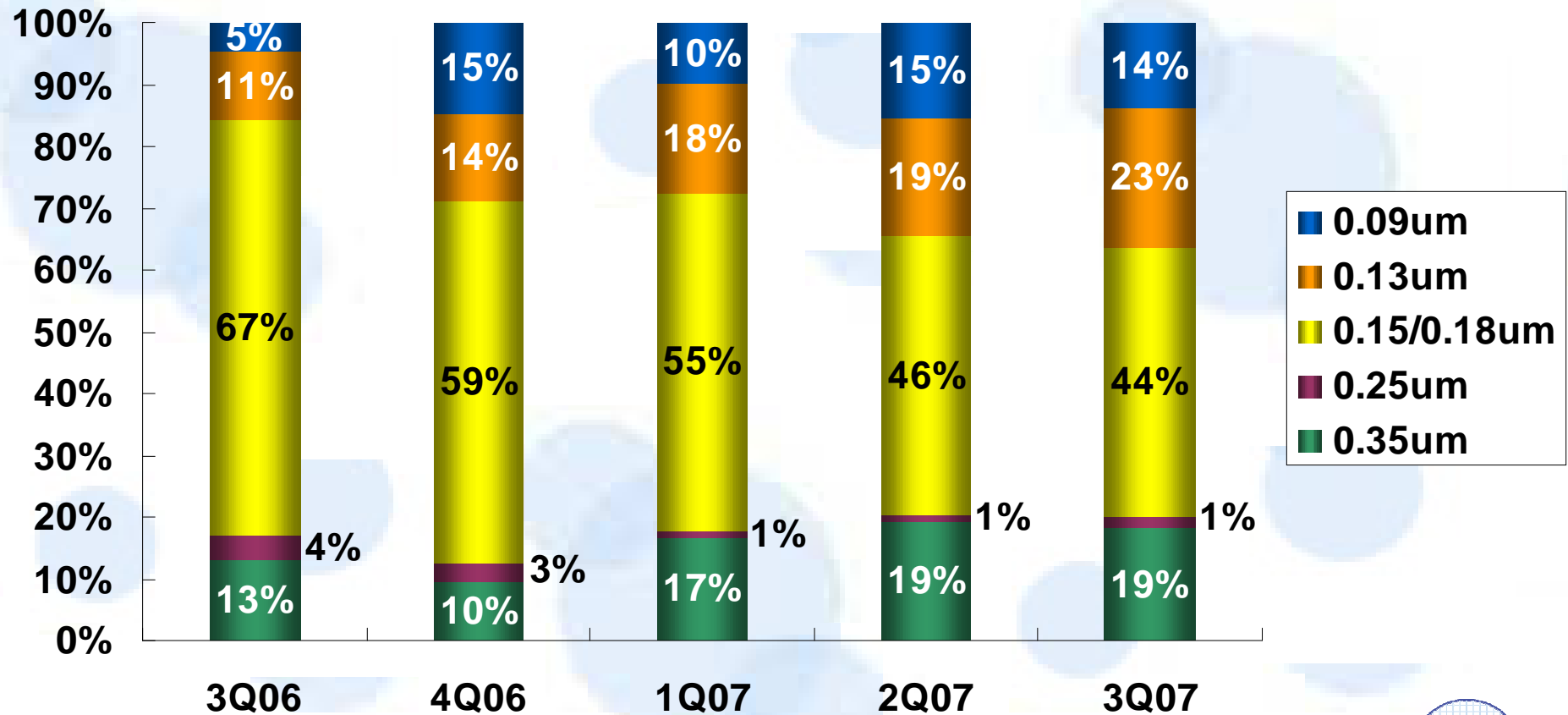




LOGIC SALES BREAKDOWN BY TECHNOLOGY

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

% Of Logic Wafer Revenue from 0.13um to 90nm Represented 37% of Total Wafer Revenue In 3Q07



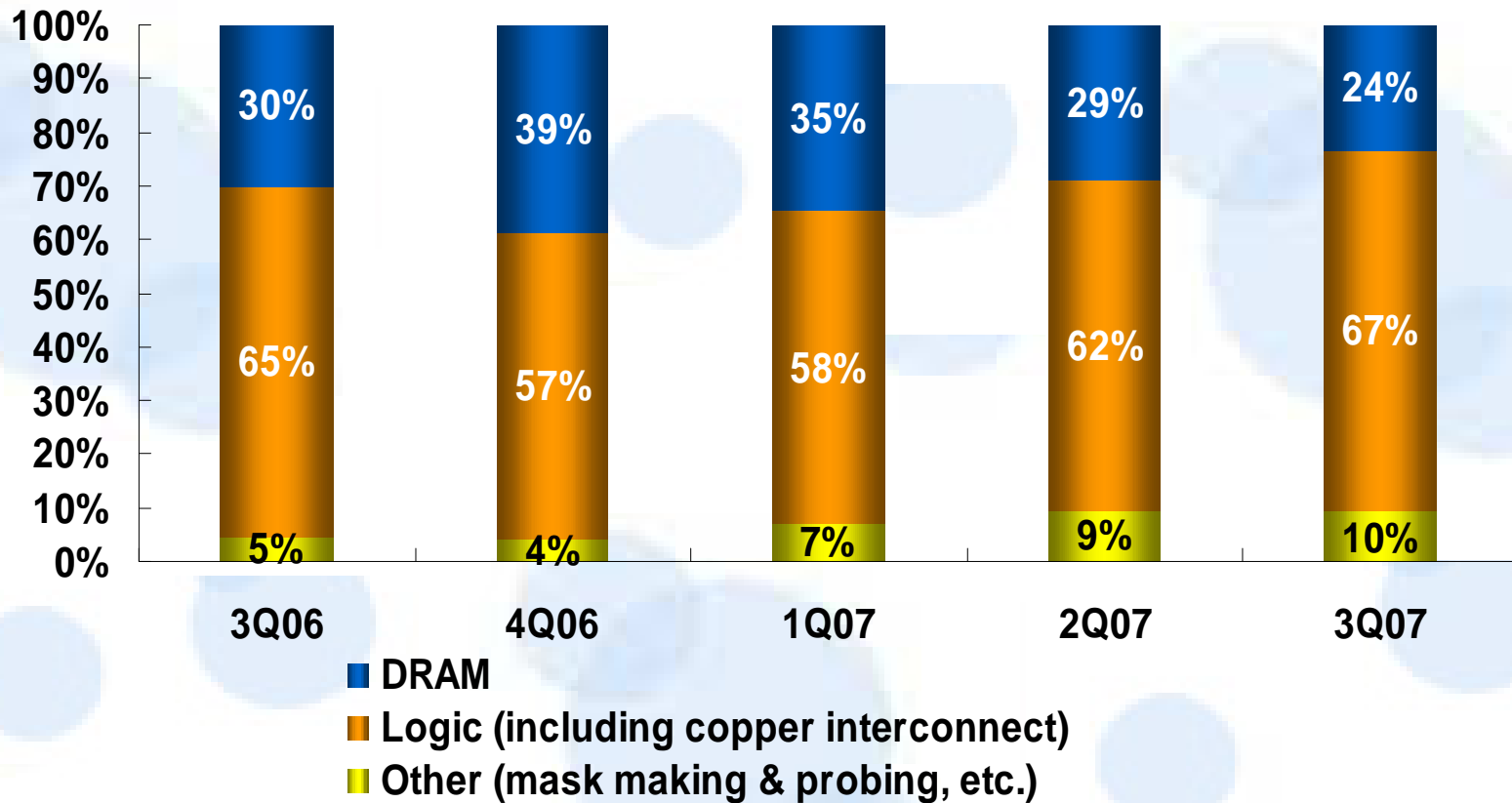
Source: Company financials





SMIC MAINTAINS SOLID REVENUE IN LOGIC

DRAM Revenue Decreased to 24% of Total Revenue



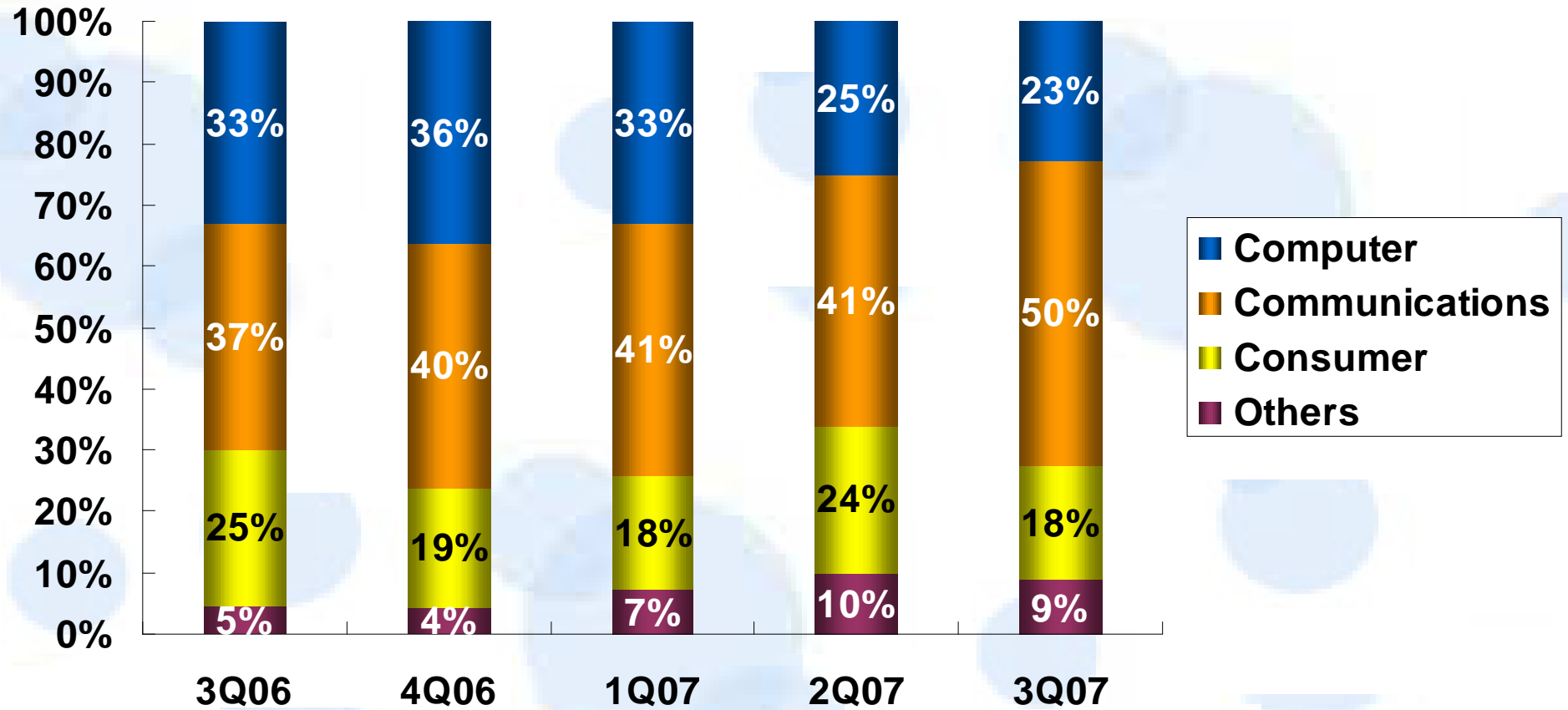
Source: Company financials





SALES BREAKDOWN BY APPLICATION

SMIC is Seeing Greater Number of Applications for Mobile Devices as a Driver of Growth

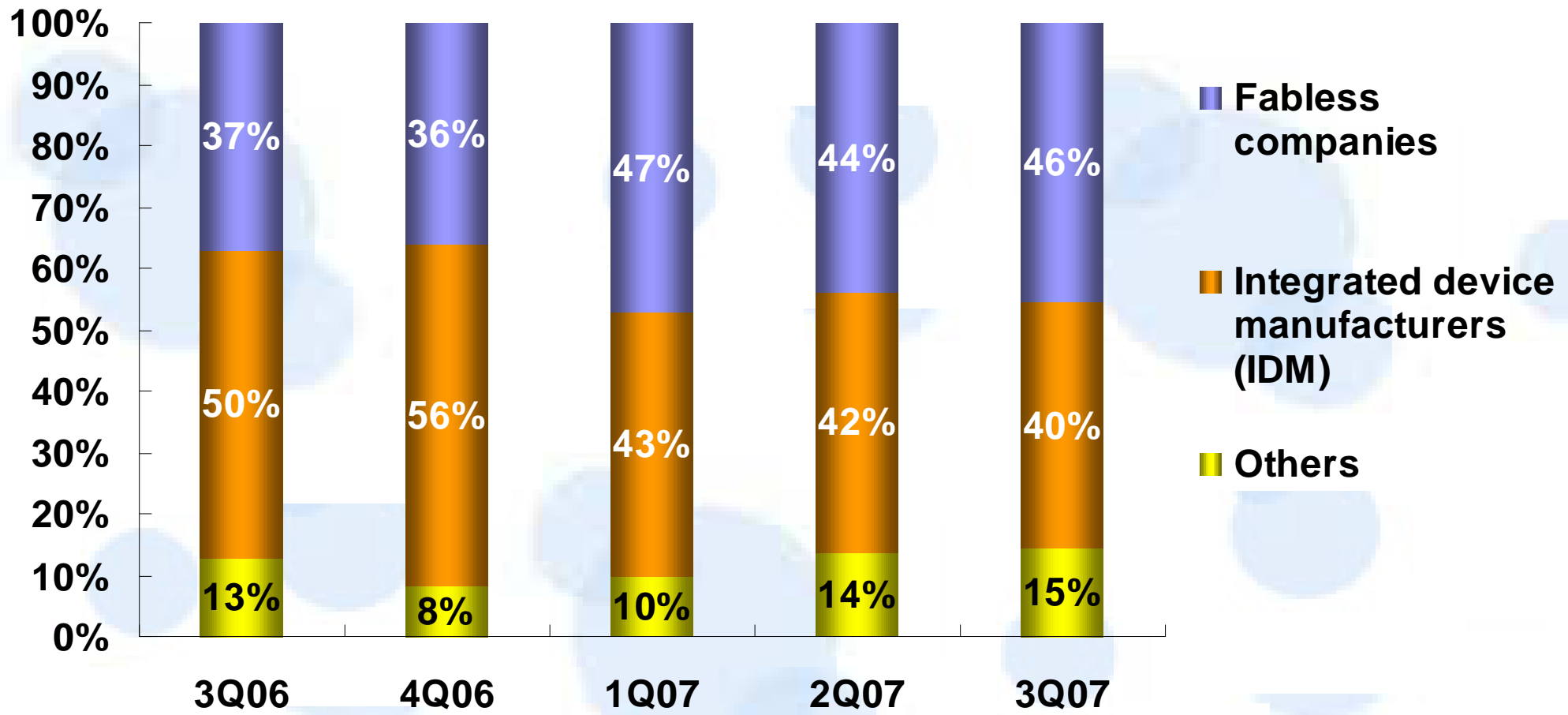


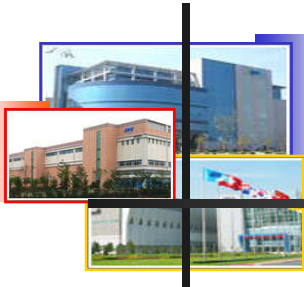
Source: Company financials





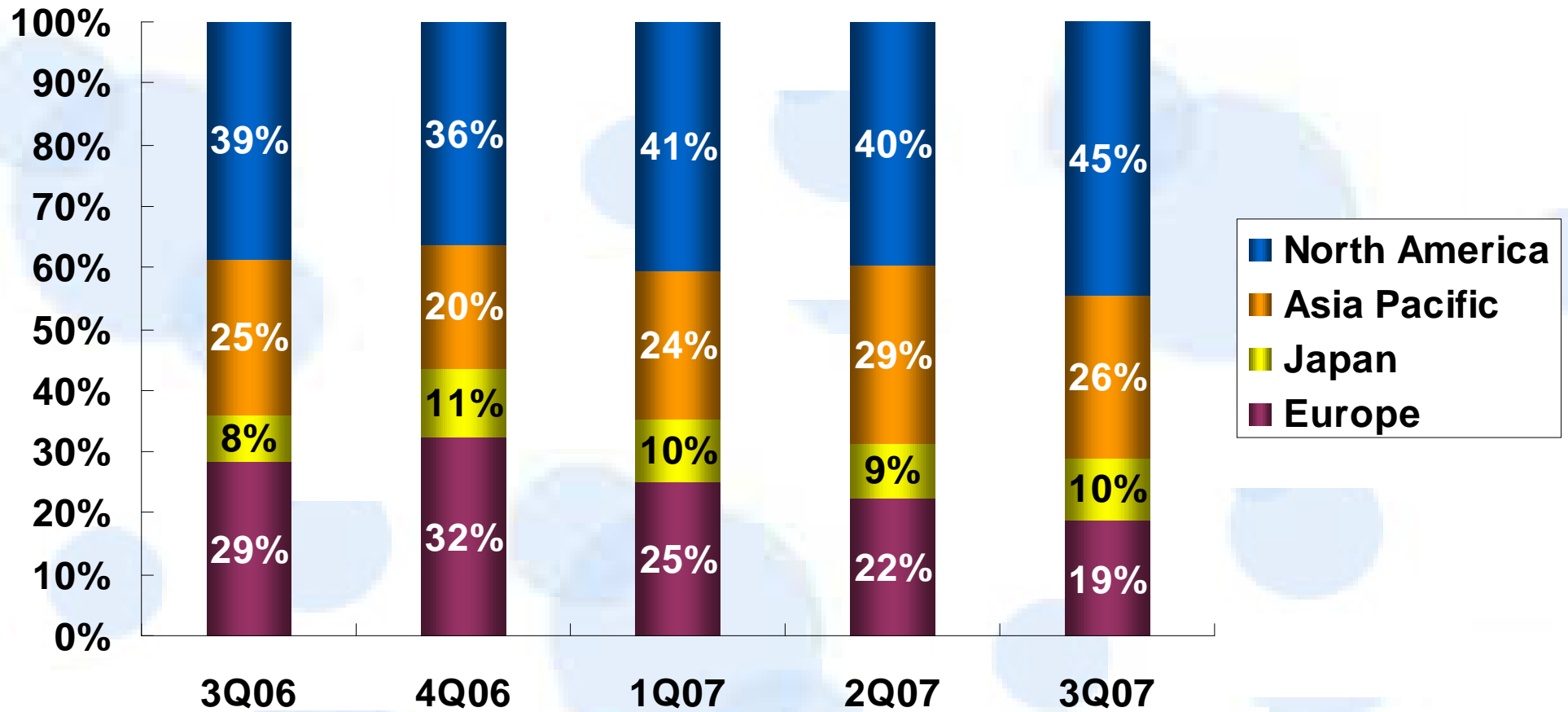
SALES BREAKDOWN BY CUSTOMER TYPE





SALES BREAKDOWN BY GEOGRAPHY

Higher Growth Come From North American Customers



Source: Company financials





CHENGDU AND WUHAN BUSINESS MODEL

Government provides:

- Business Decision
- Funding
- Policies/Support
- Market Influences



SMIC provides:

- Management
- Support
- Training
- Marketing



**SMIC
Virtual
Facility**



SMIC gets:

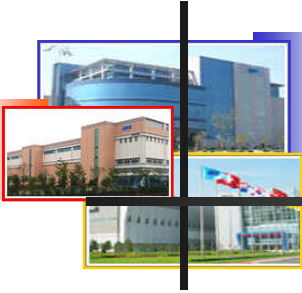
- Management Fees
- Profit Sharing
- Virtual Capacity
- Business Flexibility



**Chengdu
Wuhan**

- Government to Fund/Own
- SMIC to Build/Operate
- Cash generated from Fee and Profit Sharing

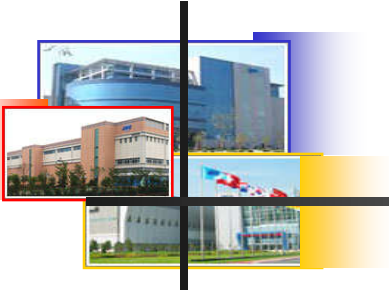




TECHNOLOGY ROADMAP IS ON TRACK

- **65-nanometer technology**
 - Development progress on track
- **Strategic agreement with Spansion**
 - 65nm flash technology transfer
 - License to manufacture MirriorBit® Quad products
- **Commercial production of 2Gb NAND flash**
 - Started in September
 - Developing 8Gb





Committed To Enhance Shareholder Value

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





APPENDIX





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>	3Q2007	2Q07	QoQ	3Q06	YoY
Sales	391,398	374,829	4.4%	368,926	6.1%
Gross profit	42,250	38,490	9.8%	26,880	57.2%
Operating expenses	62,435	47,113	32.5%	40,317	54.9%
Loss from operations	(20,185)	(8,623)	-	(13,437)	-
Net loss	(25,553)	(2,054)	-	(35,980)	-
Net loss per ADS (US\$ diluted)	(0.0690)	(0.0056)	-	(0.0980)	-
Wafers shipped (in 8" wafers) ⁽²⁾	458,466	443,445	3.4%	413,985	10.7%
Capacity utilization	94.1%	88.9%		84.3%	-





SUMMARY BALANCE SHEET

Summary Balance Sheet		
<i>(in US\$ thousands)</i>	For the three months ended	
	September 30, 2007	June 30, 2007
Cash and cash equivalents	382,987	372,449
Current assets	1,096,443	1,109,287
Total assets	4,617,079	4,724,788
Current liabilities	892,426	1,006,544
Total liabilities	1,573,599	1,660,193
Minority interests	36,102	36,961
Shareholders' equity	3,007,379	3,027,635
Total liability and shareholders' equity	4,617,079	4,724,788

Source: Company financials



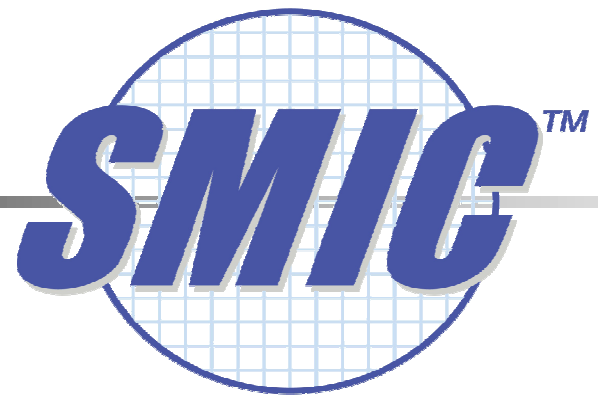


SUMMARY CASH FLOW STATEMENT

Summary Cash Flow Statement		
<i>(in US\$ thousands)</i>	For the three months ended	
	September 30, 2007	June 30, 2007
Net loss	(25,553)	(2,054)
Net cash provided by operating activities	142,910	152,999
Net cash used in investing activities	(107,751)	(146,800)
Net cash provided by (used in) financing activities	(24,571)	24,593
Net increase in cash and cash equivalents	10,538	30,745
Cash and cash equivalents at the beginning of period	372,449	341,704
Cash and cash equivalents at the end of period	382,987	372,449

Source: Company financials





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