SMIC Q1 2016
Financial Presentation

NYSE: SMI   HKSE: 981

SMIC Investor Relations

May 2016

1Q16 Financial Highlights

- **Revenue was $634.3 million, a record high**
  - Compared to $610.1 million in 4Q15
  - Compared to $509.8 million in 1Q15

- **Gross margin was 24.2%**
  - Compared to 28.5% in 4Q15
  - Compared to 29.4% in 1Q15

- **Profit from operations was $66.1 million**
  - Compared to $41.6 million in 4Q15
  - Compared to $45.5 million in 1Q15

- **Profit attributable to SMIC was $61.4 million**
  - Compared to $38.6 million in 4Q15
  - Compared to $55.5 million in 1Q15
  - Sixteenth consecutive profitable quarter

- **The overall UTR was 98.8%**

Income Statement Highlights

(US$ thousands)	1Q16	4Q15	QoQ	1Q15	YoY
Total Revenue	**634,312**	**610,148**	**4.0%**	**509,798**	**24.4%**
Gross Profit	153,752	173,937	-11.6%	149,927	2.6%
Gross Margin	**24.2%**	**28.5%**	**-**	**29.4%**	**-**
Operating Expenses	(87,616)	(132,340)	-33.8%	(104,423)	-16.1%
Research & Development, net	*(53,498)*	*(66,121)*	*-19.1%*	*(53,453)*	*0.1%*
General & Administrative	*(27,492)*	*(67,253)*	*-59.1%*	*(42,486)*	*-35.3%*
Selling & Marketing	*(9,710)*	*(12,358)*	*-21.4%*	*(9,205)*	*5.5%*
Other operating income (expense)	*3,084*	*13,392*	*-77.0%*	*721*	*327.7%*
Profit from operations	**66,136**	**41,597**	**59.0%**	**45,504**	**45.3%**
Other income (expense), net	(13,636)	(5,749)	137.2%	6,125	-
Income tax benefit (expense)	(738)	(5,770)	-87.2%	(54)	1266.7%
Profit attributable to SMIC	**61,418**	**38,604**	**59.1%**	**55,477**	**10.7%**
Non-controlling Interests	(9,656)	(8,526)	13.3%	(3,902)	147.5%
Earnings per ADS (Basic)	**0.07**	**0.05**	**-**	**0.08**	**-**

- **Revenue** increased by 4.0% QoQ from $610.1 million in 4Q15 to $634.3 million in 1Q16 mainly due to an increase of wafer shipments in 1Q16.
- **Gross margin** was 24.2% in 1Q16, as compared to 28.5% in 4Q15. The decline in gross margin was primarily due to 1) increased manufacturing costs from our majority-owned fab in Beijing which entered into mass production in December 2015 and 2) the impact of a temporary power supply suspension occurred at our fabs in Beijing in February 2016.
- **R&D expenses** decreased by $12.6 million QoQ to $53.5 million in 1Q16, compared to $66.1 million in 4Q15. Excluding the funding of R&D contracts from the government, R&D expenses decreased by $13.7 million QoQ to $61.5 million in 1Q16. The change was mainly due to lower number of R&D activities in 1Q16. Funding of R&D contracts from the government was $8.0 million in 1Q16, compared to $9.1 million in 4Q15.
- **General and administrative expenses** decreased to $27.5 million in 1Q16, down 59.1% QoQ from $67.3 million in 4Q15, mainly due to 1) a decrease of accrued employee bonus in 1Q16 and 2) our majority-owned fab in Beijing entered into mass production in December 2015 and as a result, the pre-operating related expenses largely decreased in 1Q16, as compared to 4Q15.

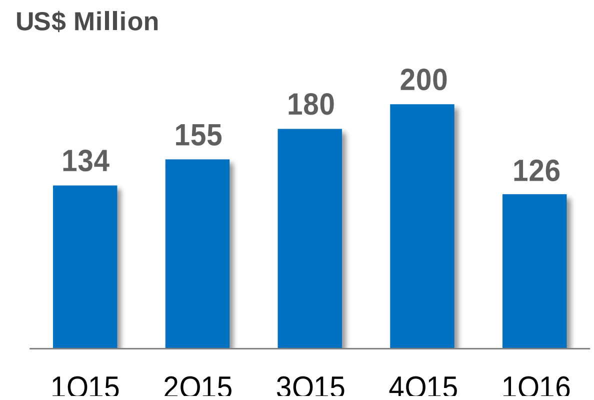
Balance Sheet Highlights

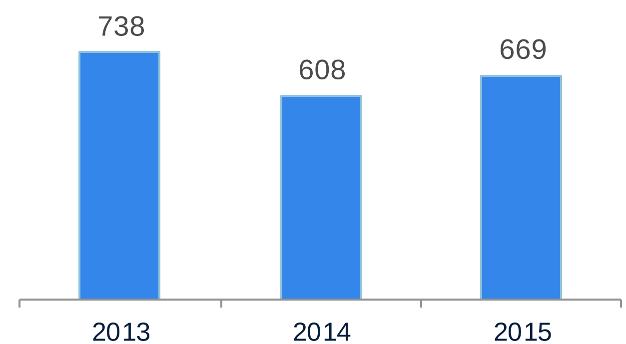
(US$ thousands)	As of	
	Mar 31, 2016	Dec 31, 2015
Cash and cash equivalent	1,034,955	1,005,201
Restricted Cash	232,995	302,416
Other financial assets (1)	107,167	282,880
Trade and other receivables	581,994	499,846
Inventories	386,180	387,326
Assets classified as held-for-sales	69,854	72,197
Other Assets	5,186,938	4,565,481
Total Assets	**7,600,081.13 TC /m0.294.13 TmC /P ID 50/Lang (en-GB)>BD**	

Cash Flow Highlights

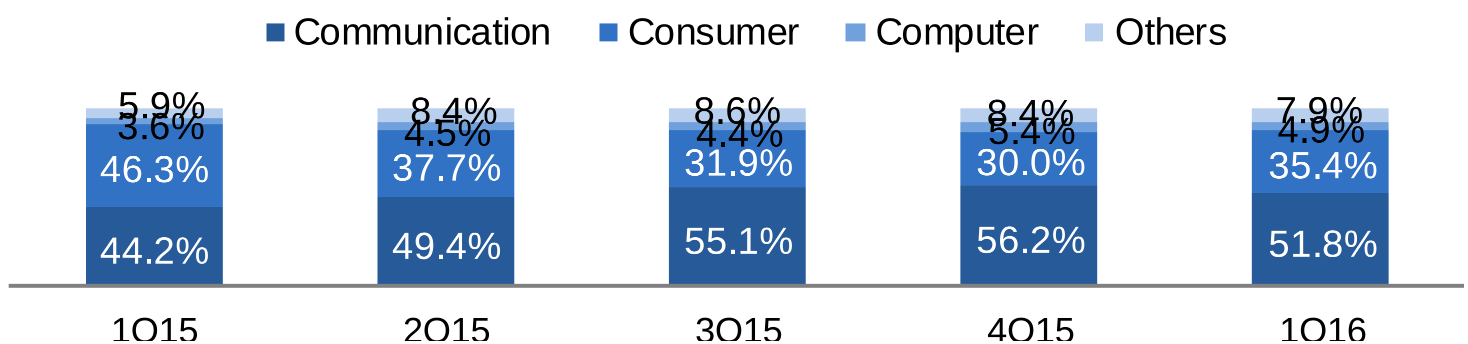
(US$ thousands)	For the three months ended	
	Mar 31, 2016	**Dec 31, 2015**
Cash and cash equivalent, beginning of period	1,005,201	741,576
Net cash from operating activities	**126,390**	**200,175**
Net cash used in investing activities	**(415,901)**	**(282,376)**
Net cash from (used in) financing activities	**323,374**	**352,382**
Net increase (decrease) in cash and cash equivalent	29,754	263,625
Cash and cash equivalent, end of period	1,034,955	1,005,201

Cash Flow from Operations

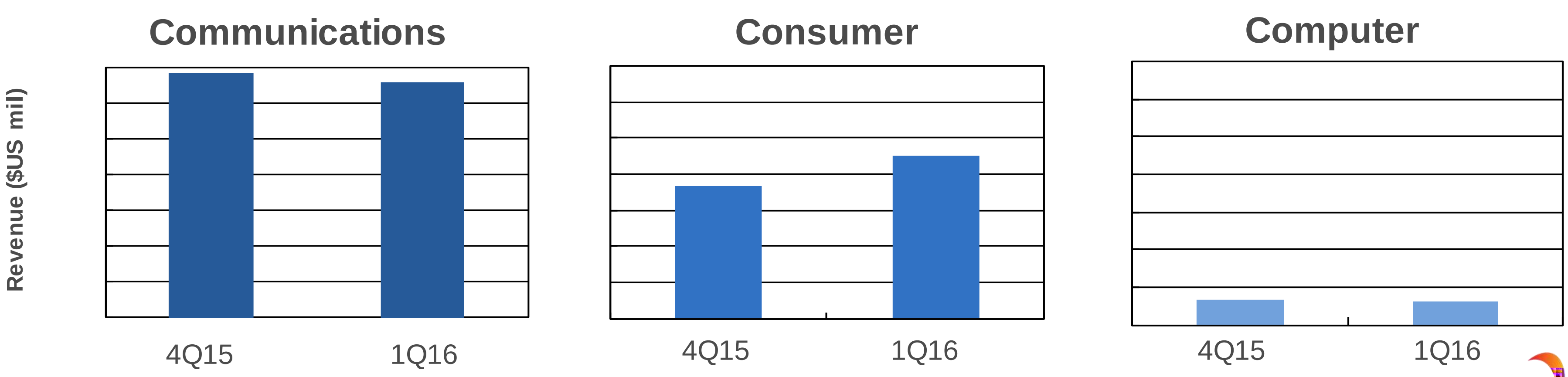




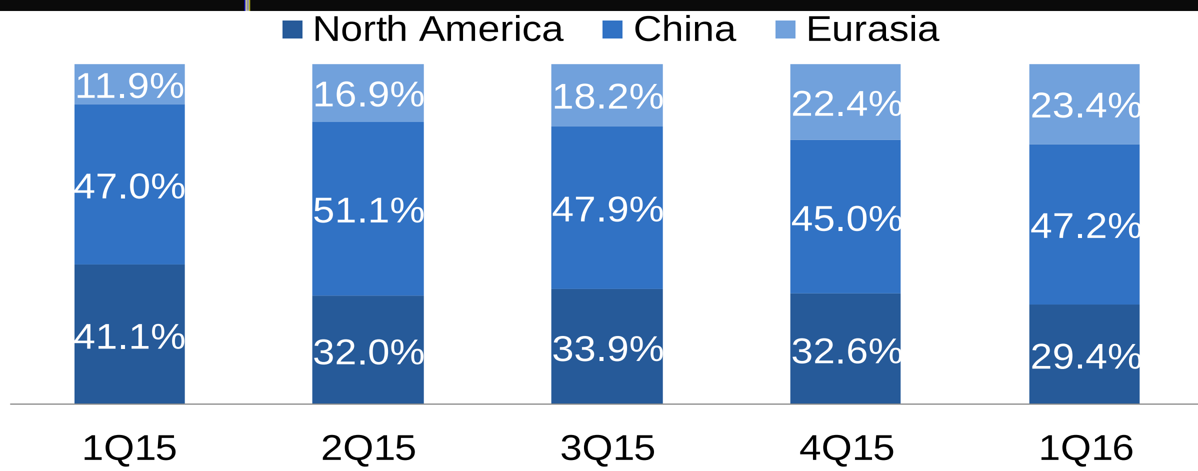
Total Revenue Breakdown by Applications



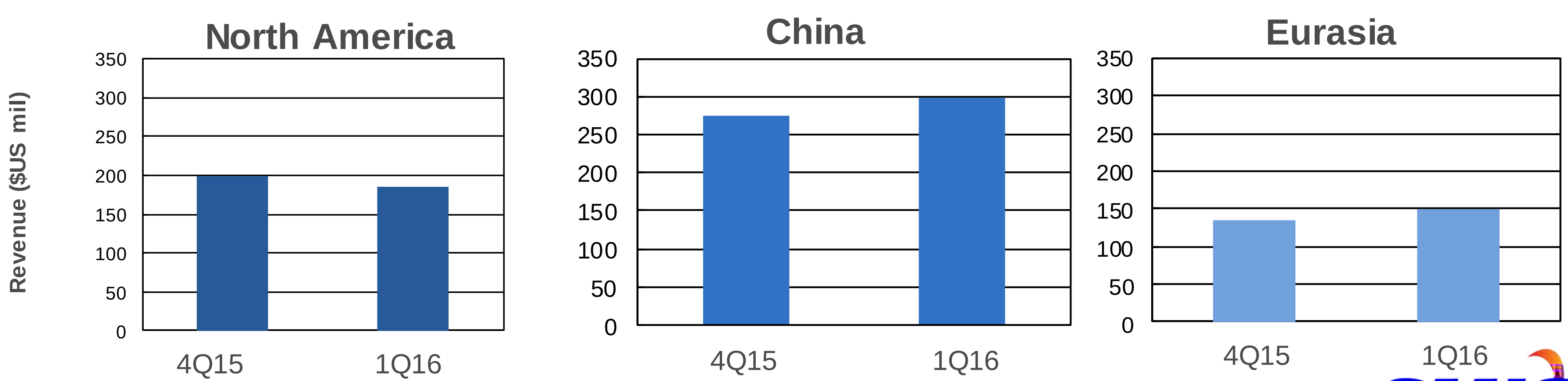
1Q 16 vs. 4Q 15



Total Revenue Breakdown by Geography



1Q 16 vs. 4Q 15



Wafer Revenue Breakdown by Technology

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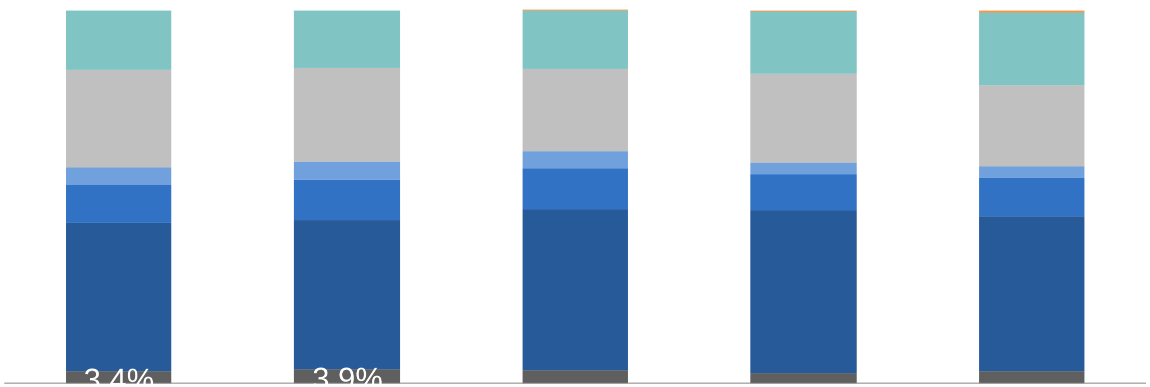
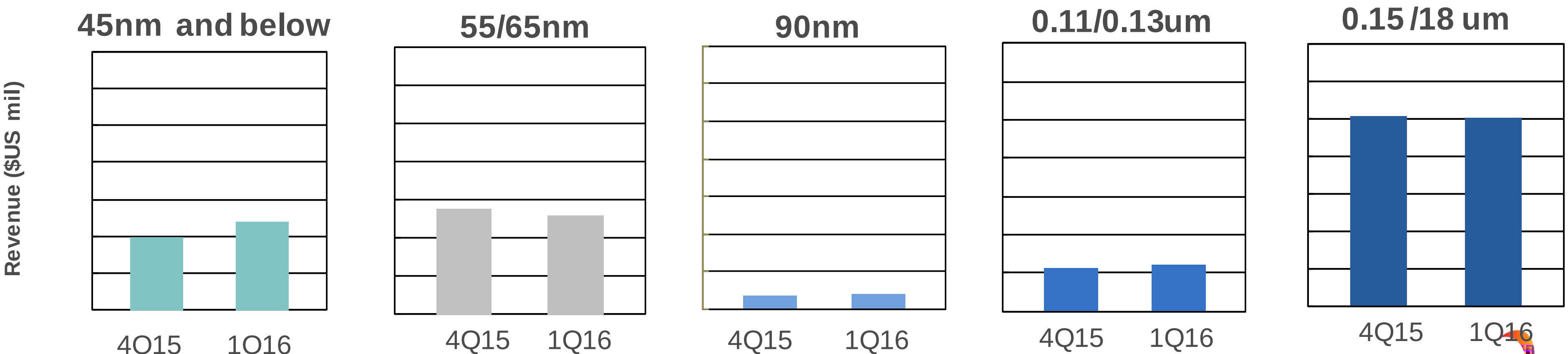
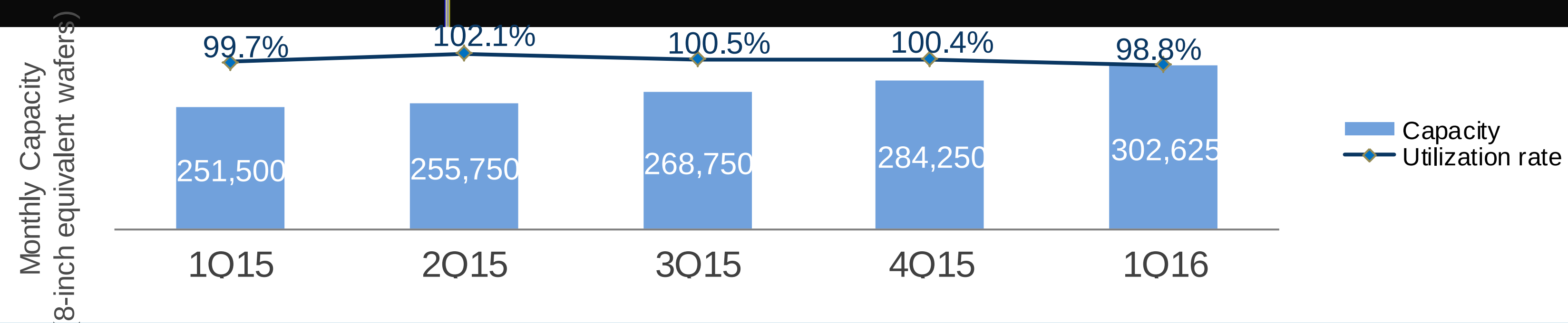


1Q 16 vs. 4Q 15



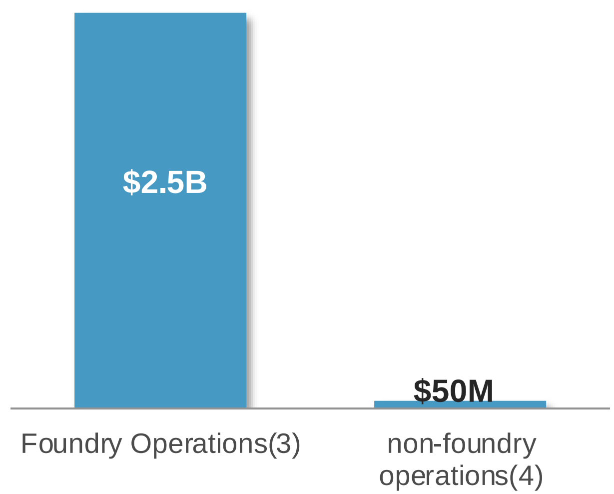
Capacity, Utilization and Shipment



	1Q15	2Q15	3Q15	4Q15	1Q16
Shanghai Mega Fab (8”)	97,000	99,000	100,000	100,000	101,000
Shanghai 12-inch Fab (12”)	14,000	14,000	14,000	14,000	15,500
Beijing Mega Fab (12”)	36,000	37,000	37,000	37,000	37,000
Tianjin Fab (8”)	42,000	42,000	43,000	43,000	42,000
Shenzhen Fab (8”)			11,000	13,000	19,000
Beijing Majority-Owned Fab (12") (1)				6,000	10,000
Monthly Capacity (8-inch equivalent wafers)	**251,500**	**255,750**	**268,750**	**284,250**	**302,625**
Wafer Shipments	692,131	731,730	771,201	820,904	868,309
Utilization Rate (2)	99.7%	102.1%	100.5%	100.4%	98.8%

(1) Our Beijing majority-owned 12-inch fab entered into mass production in 4Q15
(2) Capacity utilization rate is reported based on total equivalent wafers out divided by estimated total quarterly capacity

	2Q 2016 Guidance
Revenue	+3% to +7% QoQ $653 to $679 million
Gross Margin	25% to 27%
Non-GAAP Operating Expenses (1)	$115 to $120 million
Non-controlling interests(2)	$9 to $11 million



(1) Exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters

(2) Non-controlling interests of our majority-owned subsidiaries are expected to range from positive $9 million to positive $11 million

Appendix

	1Q 2016 Guidance	1Q 2016 Results
Revenue	+1% to +3% QoQ	+4.0% QoQ

Capital Expenditures & Depreciation

$ millions)

Thank you

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