

# Safe Harbor Statements

## Under the Private Securities Litigation Reform Act of 1995

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 “Fourth Quarter 2016 Guidance”, “CapEx Summary” and the statements contained in the quotes of our CEO are based on SMIC’s current assumptions, expectations and projections about future events. SMIC uses words like “believe,” “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.

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 filed with the SEC on April 25, 2016, especially the consolidated financial statements, and such other documents that SMIC may file with the SEC or The Hong Kong Stock Exchange Limited (“SEHK”) from time to time, including current reports 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 presentation 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 presentation. Except as may be 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.

## 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.





# 3Q16 Financial Highlights

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## Revenue was \$774.8 million, a record high

- Compared to \$690.2 million in 2Q16
- Compared to \$569.9 million in 3Q15
- 7th continuous growth quarter

## Gross profit was \$232.1 million, a record high

- Compared to \$217.8 million in 2Q16
- Compared to \$182.4 million in 3Q15

## Gross margin was 30.0%

- Compared to 31.6% in 2Q16
- Compared to 32.0% in 3Q15

## Profit attributable to SMIC was \$113.6 million, a record high

- Compared to \$97.6 million in 2Q16
- Compared to \$82.6 million in 3Q15
- 18th consecutive profitable quarter
- 1<sup>st</sup> quarter to exceed \$100 million

## ROE was 11.4%, on a quarterly basis

- Compared to 10.2% in 2Q16
- Compared to 9.3% in 3Q15

# Income Statement Highlights

**Revenue** increased by 12.3% QoQ from \$690.2 million in 2Q16 to \$774.8 million in 3Q16 mainly due to 1) an increase in wafer shipments in 3Q16 and 2) the revenue contributed from the acquisition of Lfoundry.

**Gross margin** was 30.0% in 3Q16, as compared to 31.6% in 2Q16. The change was mainly due to 1) the receipt of insurance compensation in 2Q16 and 2) the acquisition of LFoundry in 3Q16.

**R&D expenses** increased by \$17.4 million QoQ to \$81.9 million in 3Q16, compared to \$64.5 million in 2Q16. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$15.0 million QoQ to \$91.5 million in 3Q16. The change was mainly due to higher level of R&D activities in 3Q16. Funding of R&D contracts from the government was \$9.6 million in 3Q16, compared to \$12.0 million in 2Q16.



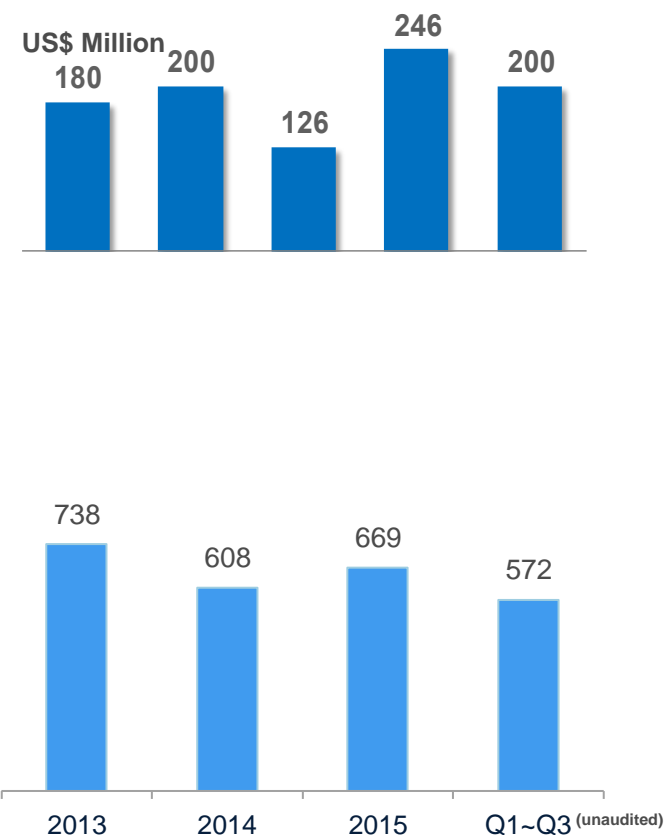


# Cash Flow Highlights

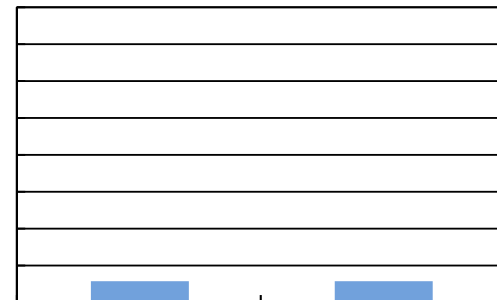
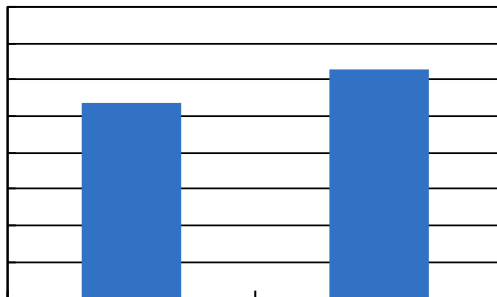
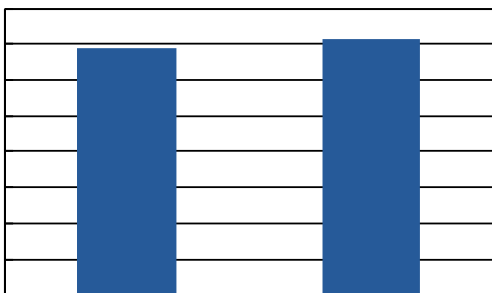
## For the three months ended

	Sept 30, 2016	June 30, 2016
Cash and cash equivalent, beginning of period	1,586,671	1,034,955
<b>Net cash from operating activities</b>	<b>199,532</b>	<b>245,764</b>
Net cash used in investing activities	(687,808)	(1,211,425)
Net cash from (used in) financing activities	539,193	1,521,195
Net increase (decrease) in cash and cash equivalent	48,081	551,716
Cash and cash equivalent, end of period	1,634,752	1,586,671

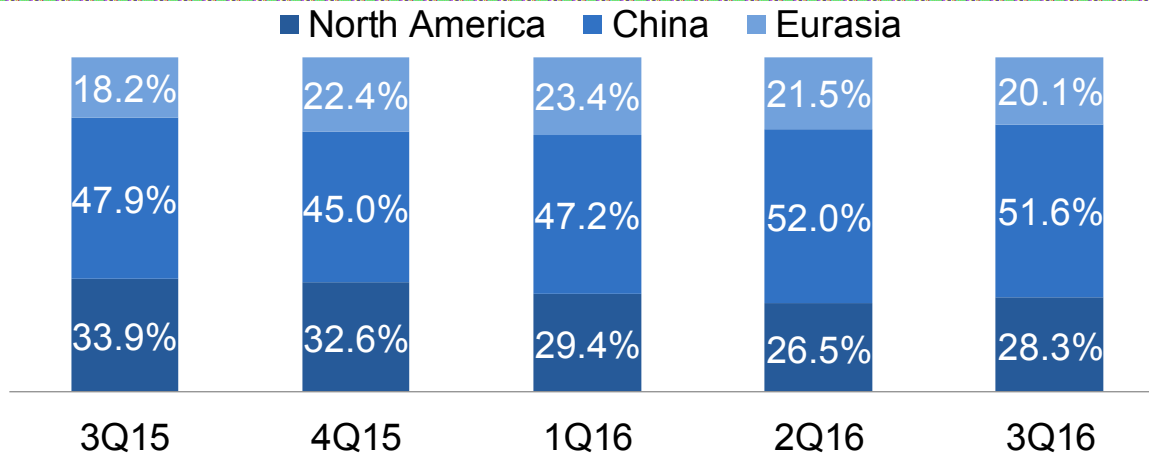
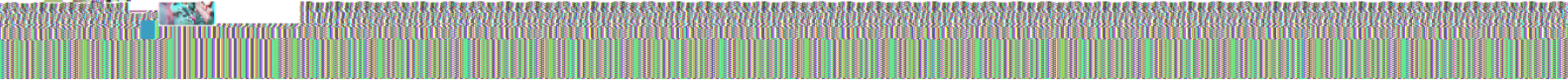
## Cash Flow from Operations



# Total Revenue Breakdown by Applications

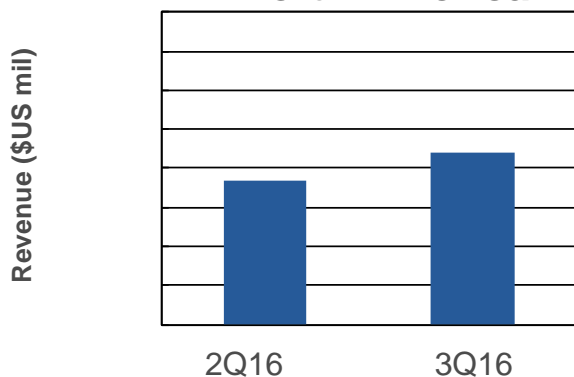


# Total Revenue Breakdown by Geography

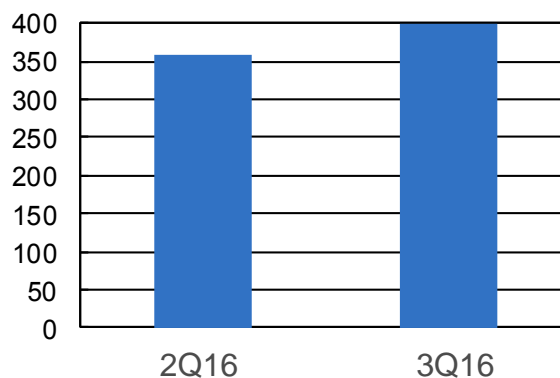


## 3Q 16 vs. 2Q 16

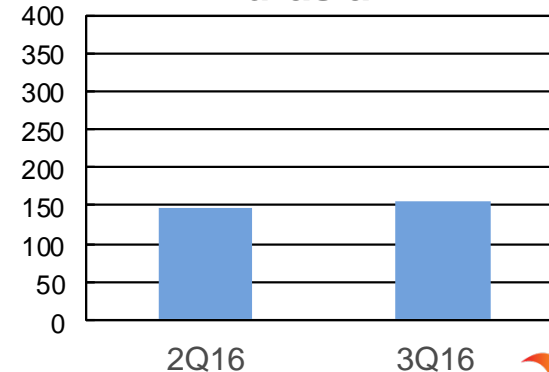
### North America



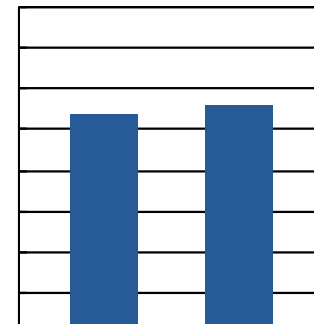
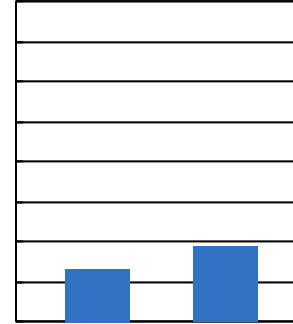
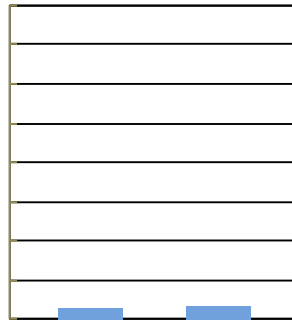
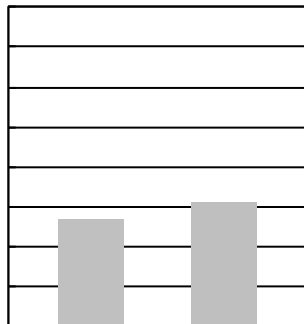
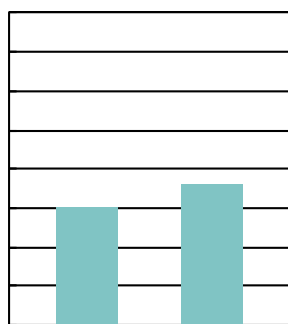
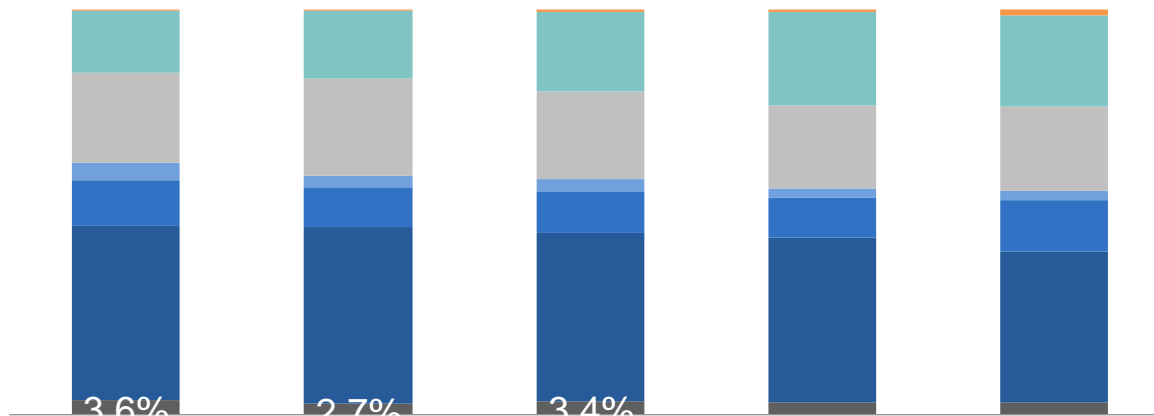
### China

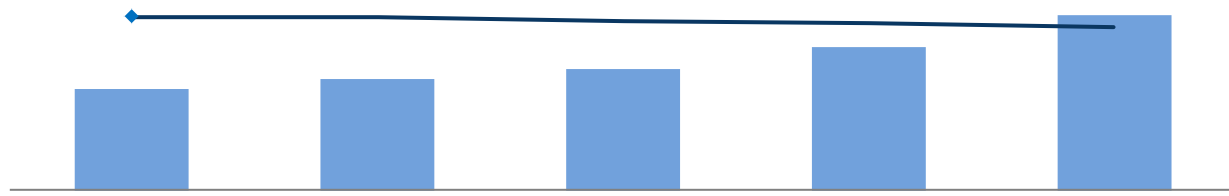


### Eurasia



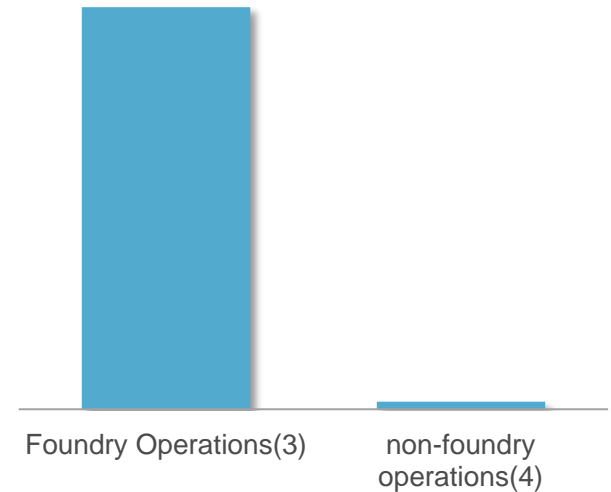
# Wafer Revenue Breakdown by Technology





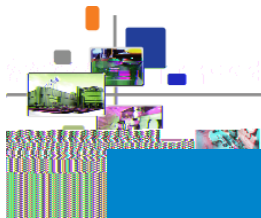
## 4Q 2016 Guidance

Revenue	+5% to +7% QoQ \$814 to \$829 million
Gross Margin	28% to 30%
Non-GAAP Operating Expenses (1)	\$179 to \$184 million
Non-controlling interests <sup>(2)</sup>	\$37 to \$39 million





# Appendix



# Capital Expenditures & Depreciation

	3Q15	4Q15	1Q16	2Q16	3Q16
Capex	315	745	751	792	671
Depreciation & Amortization	130	143	160	169	186



# Thank you

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