



SMIC Q2 2017 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

Aug 2017



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"



2Q17 Financial Highlights

- **Revenue was \$751 million**
 - Down 5.3% QoQ, compared to \$793 million in 1Q17
 - Up 8.8% YoY, compared to \$690 million in 2Q16

- **Gross margin was 25.8%**
 - Compared to 27.8% in 1Q17
 - Compared to 31.6% in 2Q16

- **Profit attributable to SMIC was \$36 million**
 - Down 48.0% QoQ, compared to \$70 million in 1Q17
 - Down 62.9% YoY, compared to \$98 million in 2Q16
 - 21st consecutive profitable quarter

- **EBITDA was \$287million**
 - Down 8.2% QoQ, compared to \$312 million in 1Q17
 - Up 6.3% YoY, compared to \$270 million 2Q16

- **EBITDA margin was 38.2%**
 - Compared to 39.4% in 1Q17
 - Compared to 39.1% in 2Q16



1H17 Financial Highlights (unaudited)

- **Revenue was \$1,544 million, a record high**
 - Compared to \$1,325 million in 1H16
- **Gross profit was \$415 million, a record high**
 - Compared to \$372 million in 1H16
- **EBITDA was \$599 million, a record high**
 - Compared to \$488 million in 1H16
- **EBITDA margin was 38.8%**
 - Compared to 36.9% in 1H16
- **\$1.4 billion cash on hand, including other financial assets**
 - Compared to \$1.9 billion in 1H16

Income Statement Highlights

(US\$ thousands)	2Q17	1Q17	QoQ	2Q16	YoY
Total Revenue	751,193	793,085	-5.3%	690,221	8.8%
Gross Profit	194,132	220,819	-12.1%	217,814	-10.9%
Gross Margin	25.8%	27.8%	-	31.6%	-
Operating Expenses	(172,500)	(143,433)	20.3%	(102,394)	68.5%
<i>Research & Development, net</i>	<i>(111,158)</i>	<i>(107,805)</i>	<i>3.1%</i>	<i>(64,526)</i>	<i>72.3%</i>
<i>General & Administrative</i>	<i>(54,199)</i>	<i>(39,394)</i>	<i>37.6%</i>	<i>(33,496)</i>	<i>61.8%</i>
<i>Selling & Marketing</i>	<i>(9,441)</i>	<i>(10,375)</i>	<i>-9.0%</i>	<i>(8,228)</i>	<i>14.7%</i>
<i>Other operating income (expense)</i>	<i>2,298</i>	<i>14,141</i>	<i>-83.7%</i>	<i>3,856</i>	<i>-40.4%</i>
Profit from operations	21,632	77,386	-72.0%	115,420	-81.3%
Other income (expense), net	14,540	(12,371)	-	(20,632)	-
Income tax benefit (expense)	(2,856)	(802)	256.1%	(297)	861.6%
Profit attributable to SMIC	36,271	69,791	-48.0%	97,643	-62.9%
Non-controlling Interests	(2,955)	(5,578)	-47.0%	(3,152)	-6.3%
Earnings per ADS (Basic)	0.04	0.08	-	0.12	-

- **Revenue** decreased by 5.3% QoQ from \$793.1 million in 1Q17 to \$751.2 million in 2Q17 mainly due to a decrease of wafer shipment in 2Q17.
- **R&D expenses** increased by \$3.4 million QoQ to \$111.2 million in 2Q17, compared to \$107.8 million in 1Q17. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$5.4 million QoQ to \$127.3 million in 2Q17. The change was mainly due to higher level of R&D activities in 2Q17. Funding of R&D contracts from the government was \$16.1 million in 2Q17, compared to \$14.1 million in 1Q17.
- **General and administrative expenses** increased by 37.6% to \$54.2 million in 2Q17, compared to \$39.4 million in 1Q17. The change was mainly due to 1) more share-based compensation payment accrued in 2Q17 and 2) the start-up cost relating to our new project in Shenzhen.

Balance Sheet Highlights

(US\$ thousands)	As of	
	June 30, 2017	Mar 31, 2017
Cash and cash equivalent	876,118	1,552,043
Restricted Cash-current	344,100	280,771
Restricted Cash-non current	12,788	18,278
Other financial assets-current ⁽¹⁾	516,002	557,040
Trade and other receivables	722,911	705,265
Inventories	577,179	503,801
Assets classified as held-for-sales	49,654	45,421
Other Assets	7,702,898	6,699,496
Total Assets	10,801,650	10,362,115
Short-term borrowings	305,898	204,973
Long-term borrowings	1,456,108	1,369,482
Shor-term notes	-	87,097
Medium-term notes	219,370	216,172
Convertible bonds	402,549	398,879
Corporate bonds	495,789	495,344
Total Debt	2,879,714	2,771,947
Net Debt ⁽²⁾	1,487,594	662,864
Total Liabilities	4,856,566	4,471,225
Total Equity	5,945,084	5,890,890
Total Debt/Equity Ratio ⁽³⁾	48.4%	47.1%
Net debt/Equity Ratio ⁽⁴⁾	25.0%	11.3%

(1) Other financial assets mainly contain financial products sold by bank and bank deposits over 3 months

(2) Net debt is total debt minus cash and cash equivalent, and other financial assets

(3) Total debt divided by equity

(4) Net debt divided by equity.

Cash Flow Highlights

(US\$ thousands)

For the three months ended

June 30, 2017

Mar 31, 2017

Cash and cash equivalent,
beginning of period

1,552,043

2,126,011

Net cash from operating
activities

245,219

146,923

Net cash used in investing
activities

(1,001,407)

(848,870)

Net cash from (used in)
financing activities

80,928

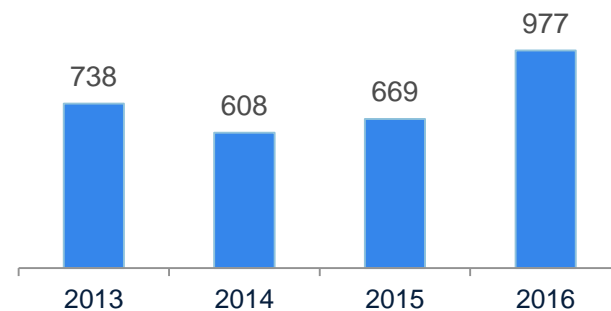
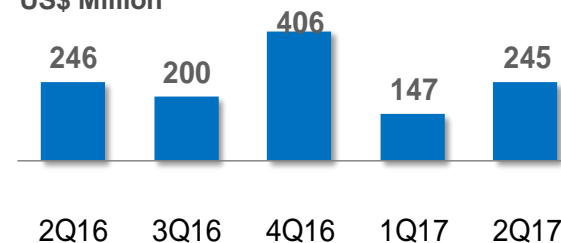
125,920

Net increase (decrease) in
cash and cash equivalent

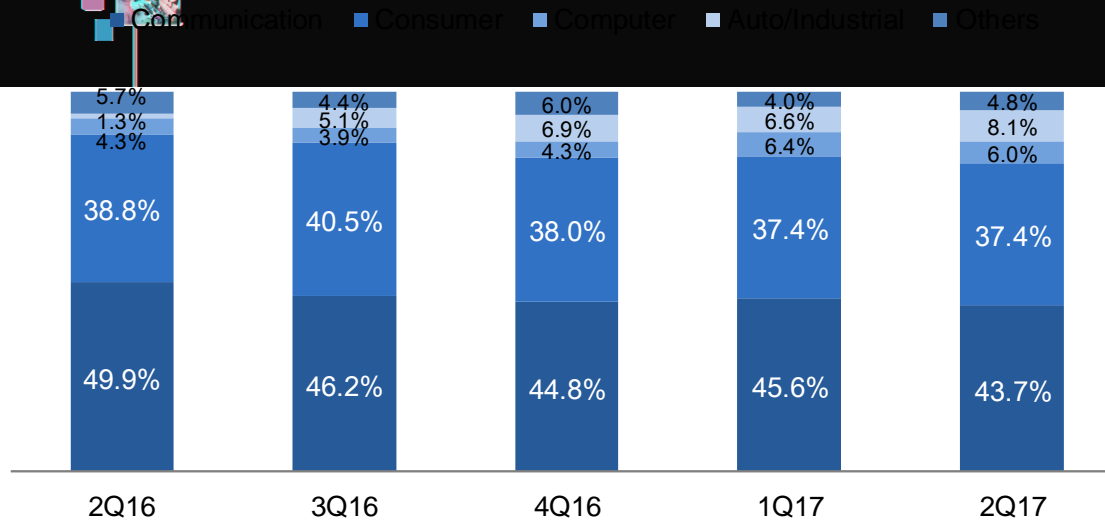
(675,925)

Cash Flow from Operations

US\$ Million

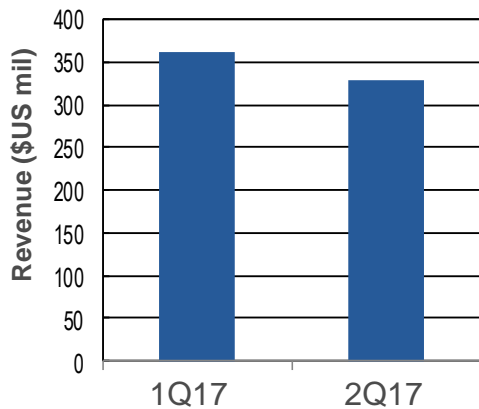


Total Revenue Breakdown by Applications

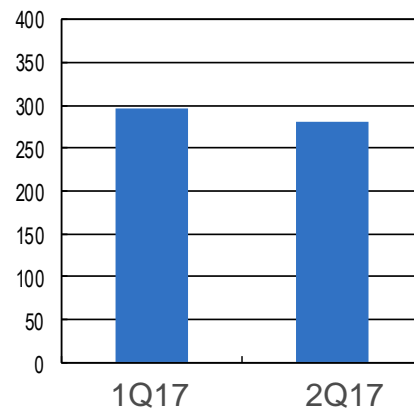


2Q17 vs. 1Q17

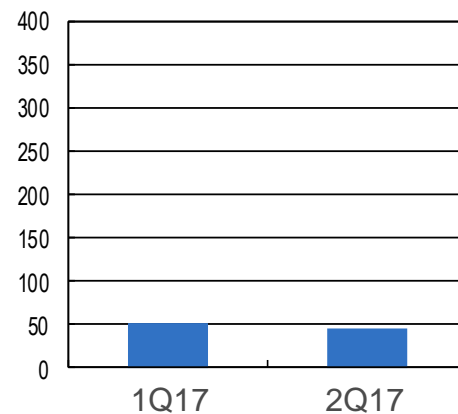
Communications



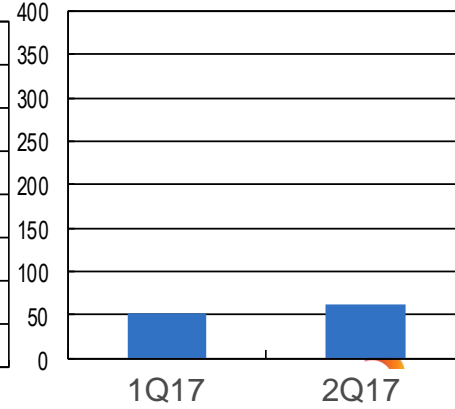
Consumer



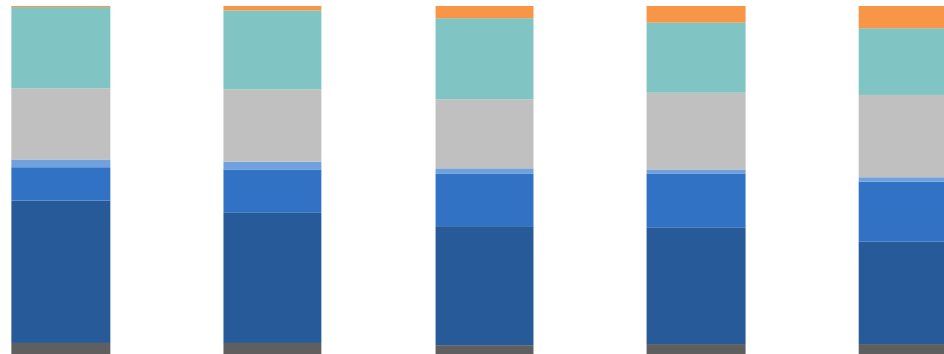
Computer



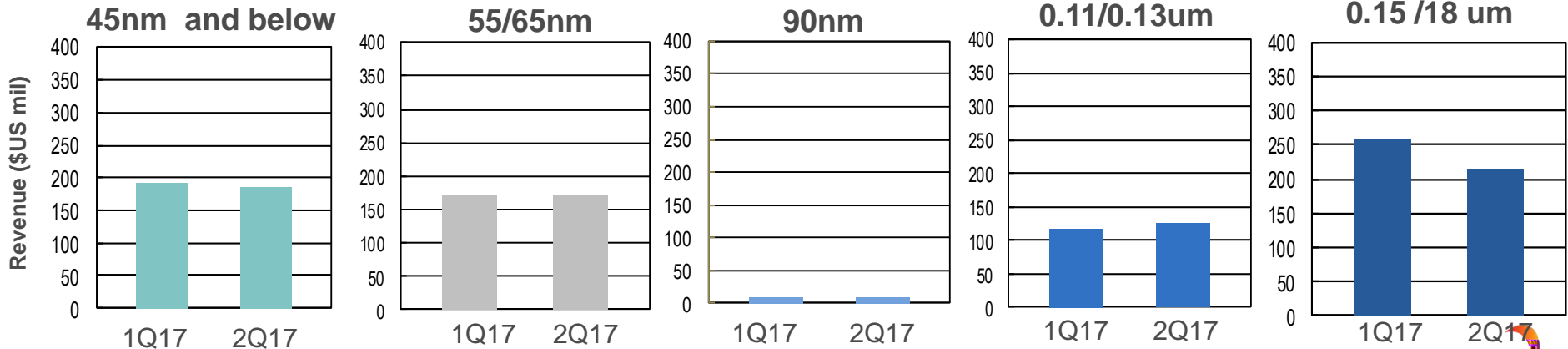
Auto/Industrial



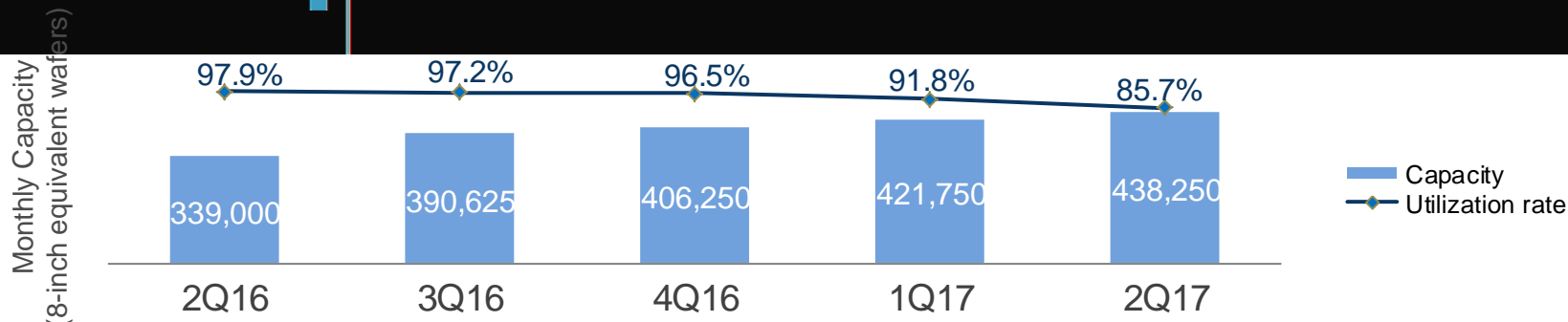
Wafer Revenue Breakdown by Technology



2Q 17 vs. 1Q 17



Capacity, Utilization and Shipment



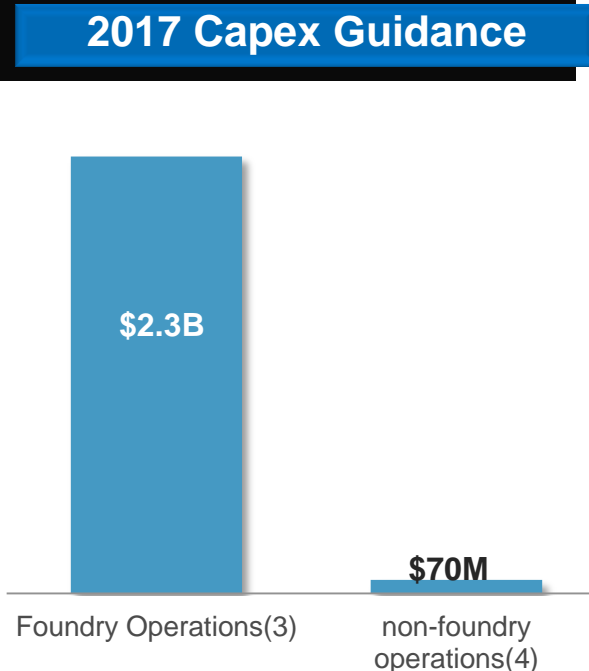
	2Q16	3Q16	4Q16	1Q17	2Q17
Shanghai 200mm Fab	106,000	107,000	108,000	110,000	112,000
Shanghai 300mm Fab	20,000	20,000	20,000	20,000	20,000
Beijing 300mm Fab	37,000	39,000	43,000	48,000	50,000
Tianjin 200mm Fab	45,000	45,000	45,000	45,000	45,000
Shenzhen 200mm Fab	26,000	31,000	31,000	31,000	32,000
Majority-Owned Beijing 300mm Fab	15,000	15,500	18,000	19,000	23,000
Majority-Owned Avezzano 200mm Fab		40,000	40,000	40,000	40,000
Monthly Capacity (8-inch equivalent wafers)	339,000	390,625	406,250	421,750	438,250
Wafer Shipments	934,861	1,058,504	1,096,011	1,095,761	1,014,158

(1) Capacity utilization rate is reported based on total equivalent wafers out divided by estimated total quarterly capacity



3Q 2017 Guidance and 2017 Capex Guidance

	3Q 2017 Guidance
Revenue	flat to +3% QoQ \$751 to \$774 million
Gross Margin	22% to 24%
Non-GAAP Operating Expenses ⁽¹⁾	\$179 to \$185 million
Non-controlling interests ⁽²⁾	\$0 to \$3 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 to range from zero to positive \$3 million (losses to be borne by non-controlling interests).
- (3) The planned 2017 capital expenditures for foundry operations are approximately \$2.3 billion, of which approximately \$0.9 billion is expected to be spent for the expansion of capacity in our majority-owned Beijing 300mm fab.
- (4) The planned 2017 capital expenditures for non-foundry operations are approximately \$70 million, mainly for the construction of employees' living quarters.



Appendix





Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	2Q16	3Q16	4Q16	1Q17	2Q17
Capex	792	671	481	727	782
Depreciation & Amortization	169	186	216	235	241



Thank you

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