

SMIC Q3 2019 Financial Presentation

HKSE: 981

OTCQX: SMICY

SMIC Investor Relations

November 2019

Forward-Looking Statements

This presentation contains, in addition to historical information, forward-looking statements. These forward-looking statements, including

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Executive Officers are based on SMIC's current assumptions, expectations, beliefs, plans, objectives, and projections about future events or performance. SMIC uses words like "believe," "anticipate," "intend," "estimate," "expect," "project," "target," "going forward", "continue", "ought to", "may", "seek", "should", "plan", "could", "vision", "goals", "aim", "aspire", "objective", "schedules", "outlook" and similar expressions to identify forward looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessary estimates reflecting 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-

3Q19 Financial Highlights

Revenue was \$816 million

Up 3.2% QoQ, compared to \$791 million in 2Q19

Down 4.0% YoY, compared to \$851 million in 3Q18

Excluding the contribution from the Avezzano fab, revenue was \$803 million, up 6.1% QoQ, compared to \$757 million in 2Q19

Gross margin was 20.8%

Compared to 19.1% in 2Q19

Compared to 20.5% in 3Q18

Excluding the contribution from the Avezzano fab, gross margin was 21.1% in 3Q19, compared to 20.8% in 2Q19

Profit attributable to SMIC was \$115 million

Compared to \$19 million in 2Q19

Compared to \$27 million in 3Q18

\$3.8 billion cash on hand, including financial assets

Compared to \$3.7 billion in 2Q19

Compared to \$3.0 billion in 3Q18

Income Statement Highlights

(US\$ thousands)	3Q19

Revenue was \$816.5 million in 3Q19, an increase of 3.2% QoQ from \$790.9 million in 2Q19. Revenue increased in 3Q19 was mainly due to the increase of wafer shipment in 3Q19.

Gross margin was 20.8% in 3Q19, compared to 19.1% in 2Q19.

R&D expenses, increased by 1.5% to \$185.0 million in 3Q19, compared to \$182.2 million in 2Q19. The change was mainly due to higher level of R&D activities in 3Q19.

(1)In 3Q19, the Group has changed its accounting policy regarding the presentation of certain government funding in consolidated statement of comprehensive income. Previously, certain government funding is deducted in reporting the related expense. To make the presentation more comparable to other companies in the foundry sector, the Group decided to present such government funding as income in the profit or loss under other operating income. Comparative figures have also been reclassified to conform to the current period presentation

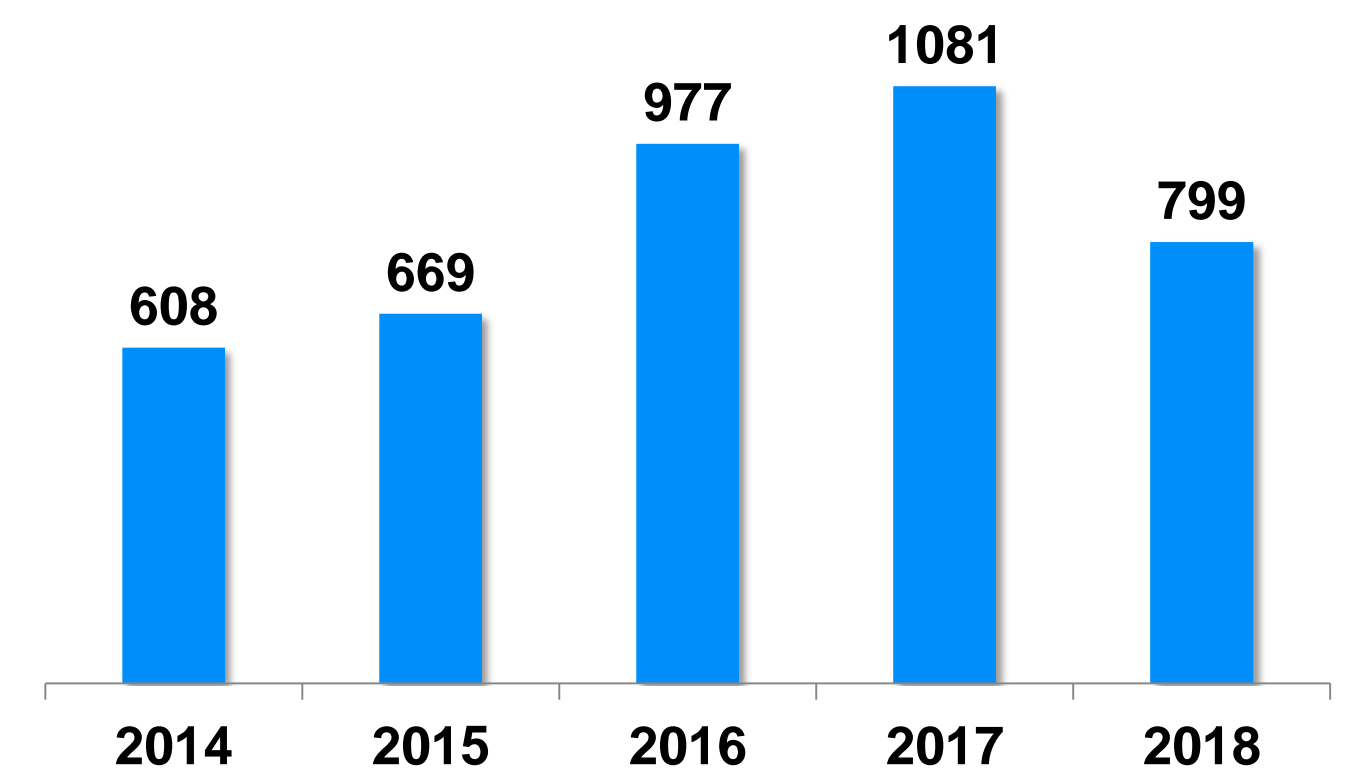
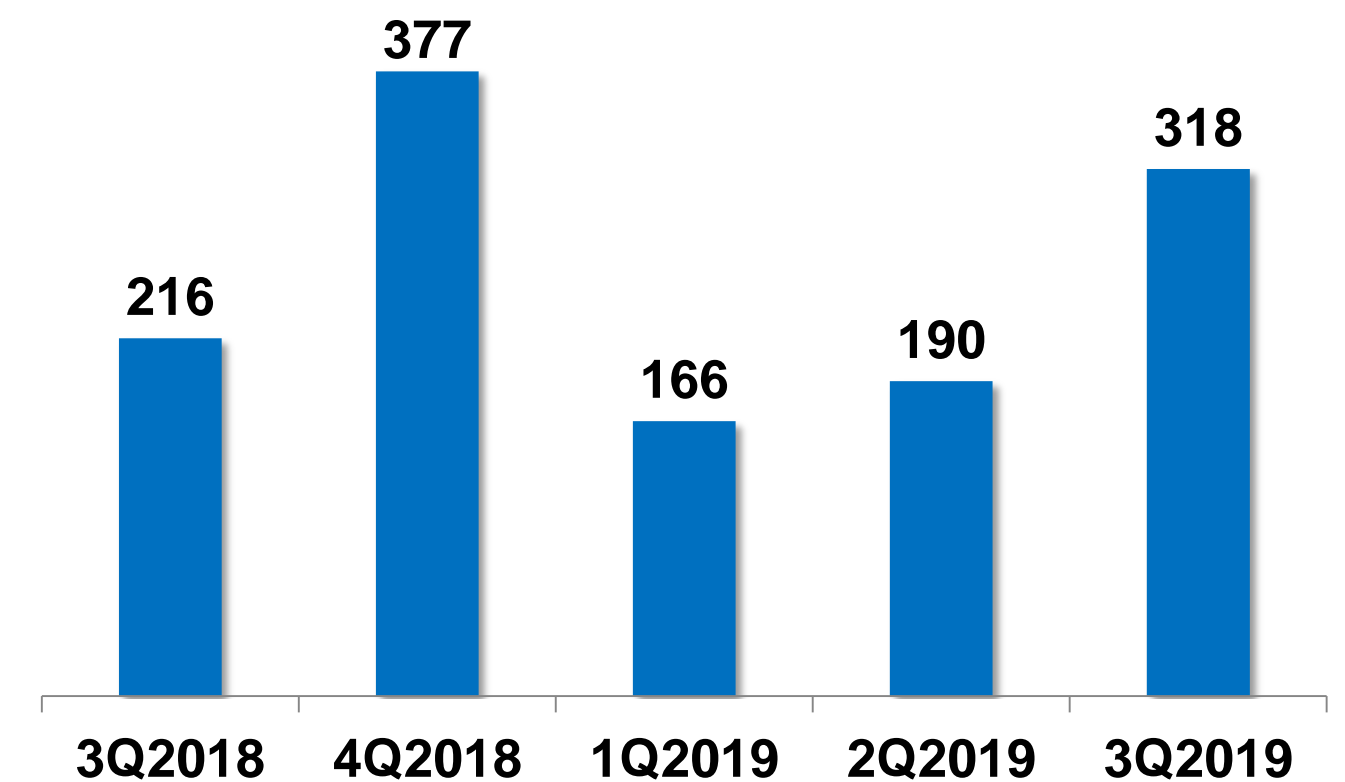


SMIC Financial Presentation

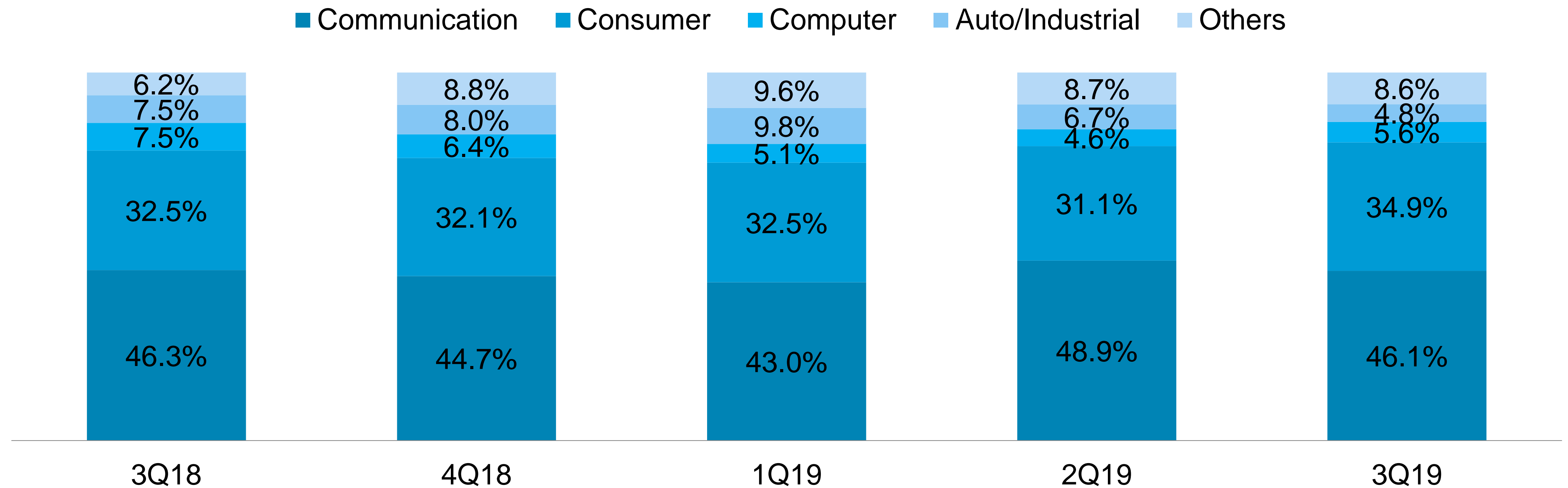
Cash Flow Highlights

(US\$ thousands)	For the three months ended	
	Sep 30, 2019	Jun 30, 2019
Cash and cash equivalent, beginning of period	1,518,578	1,370,041
Net cash from operating activities	317,765	190,105
Net cash used in investing activities	(367,320)	(990,060)
Net cash from (used in) financing activities	(264,235)	974,010
Net increase (decrease) in cash and cash equivalent	(336,099)	148,537
Cash and cash equivalent, end of period	1,182,479	1,518,578

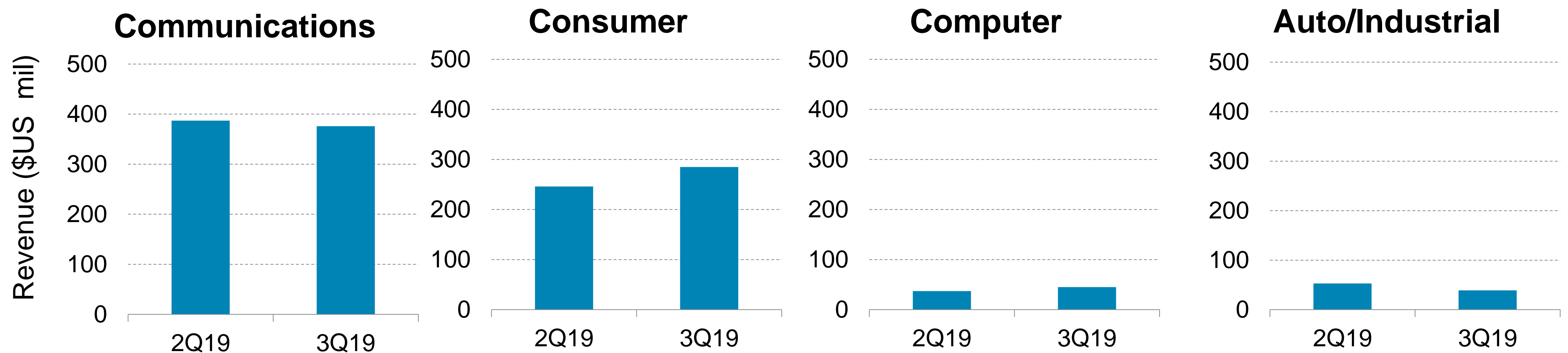
Cash Flow from Operations (US\$ millions)



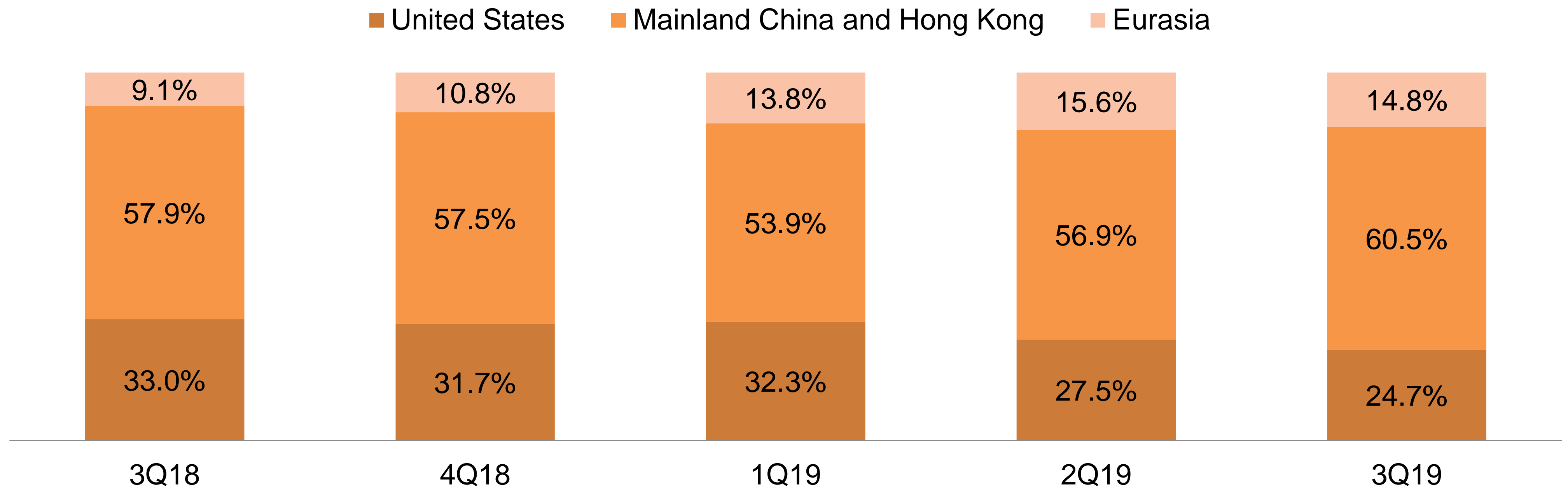
Total Revenue Breakdown by Applications



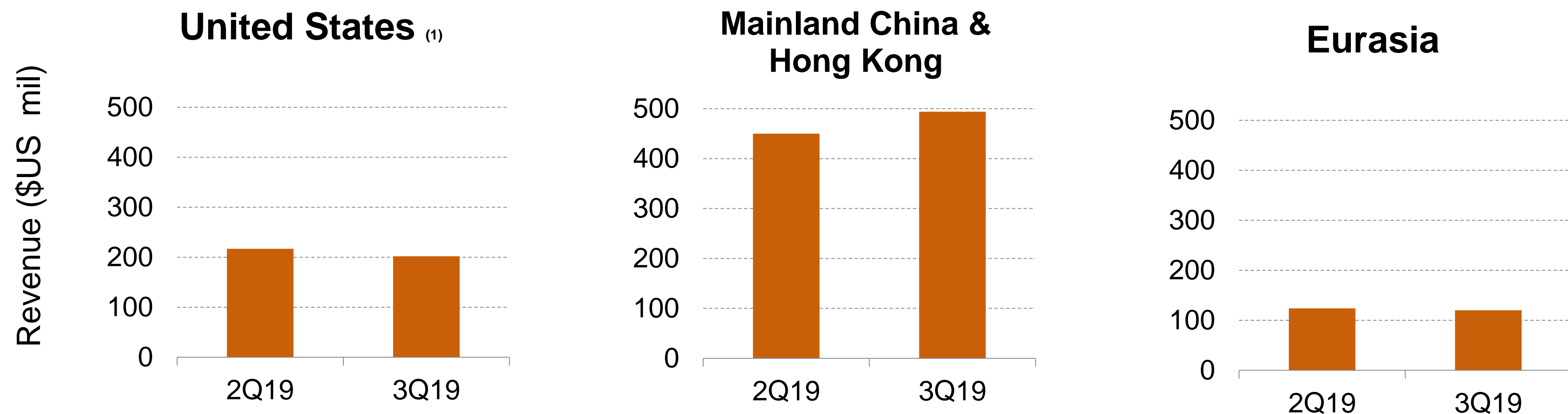
2Q19 vs. 3Q19



Total Revenue Breakdown by Geography

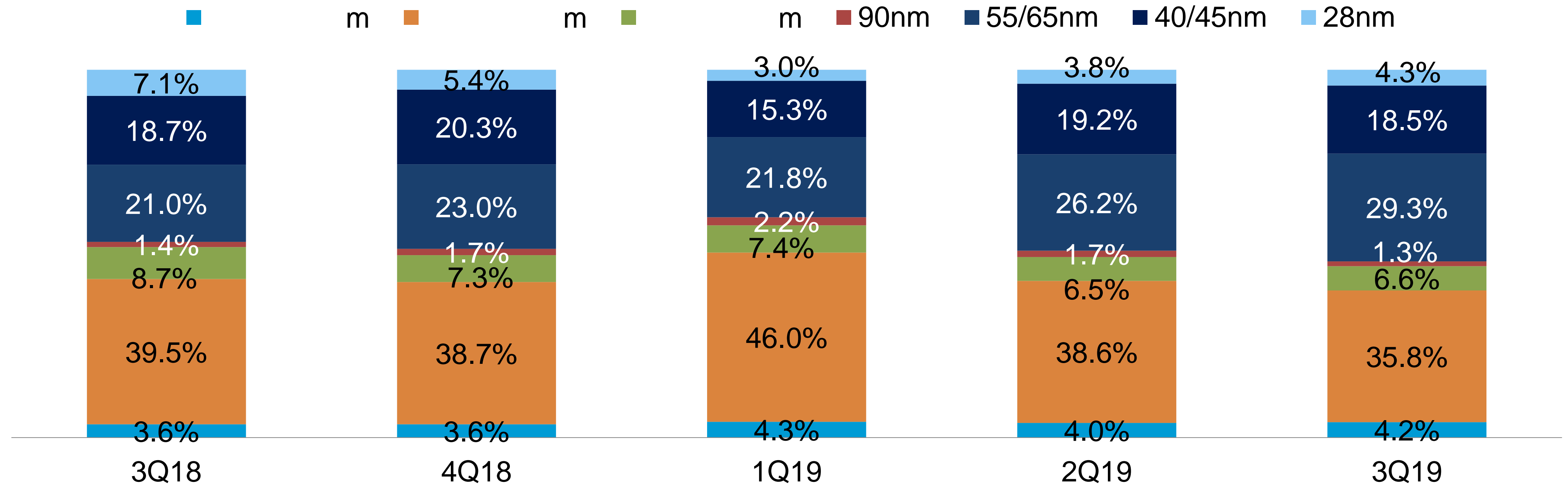


2Q19 vs. 3Q19

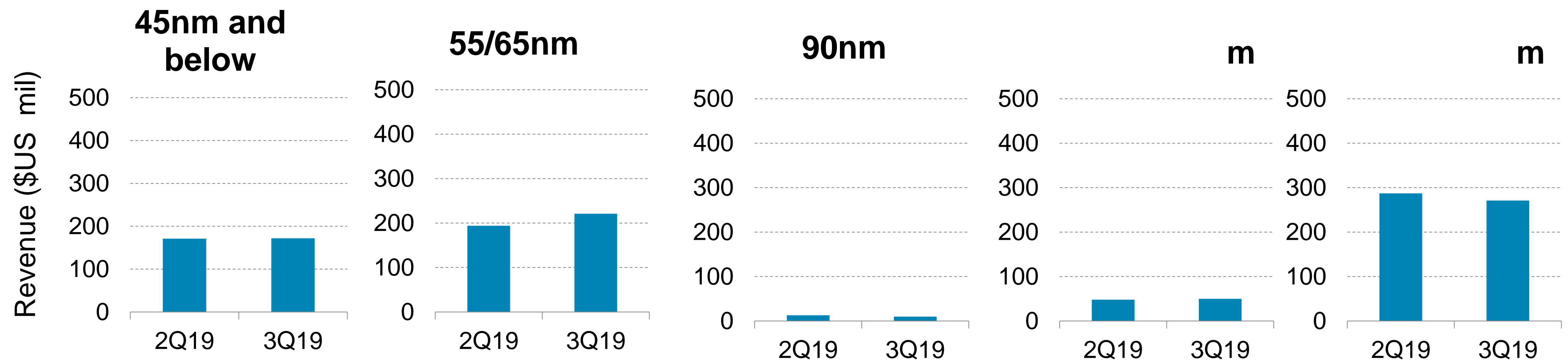


(1) Presenting the Revenue to those companies whose headquarters are in the United States, but ultimately selling and shipping the products to their global customers.

Wafer Revenue Breakdown by Technology



2Q19 vs. 3Q19

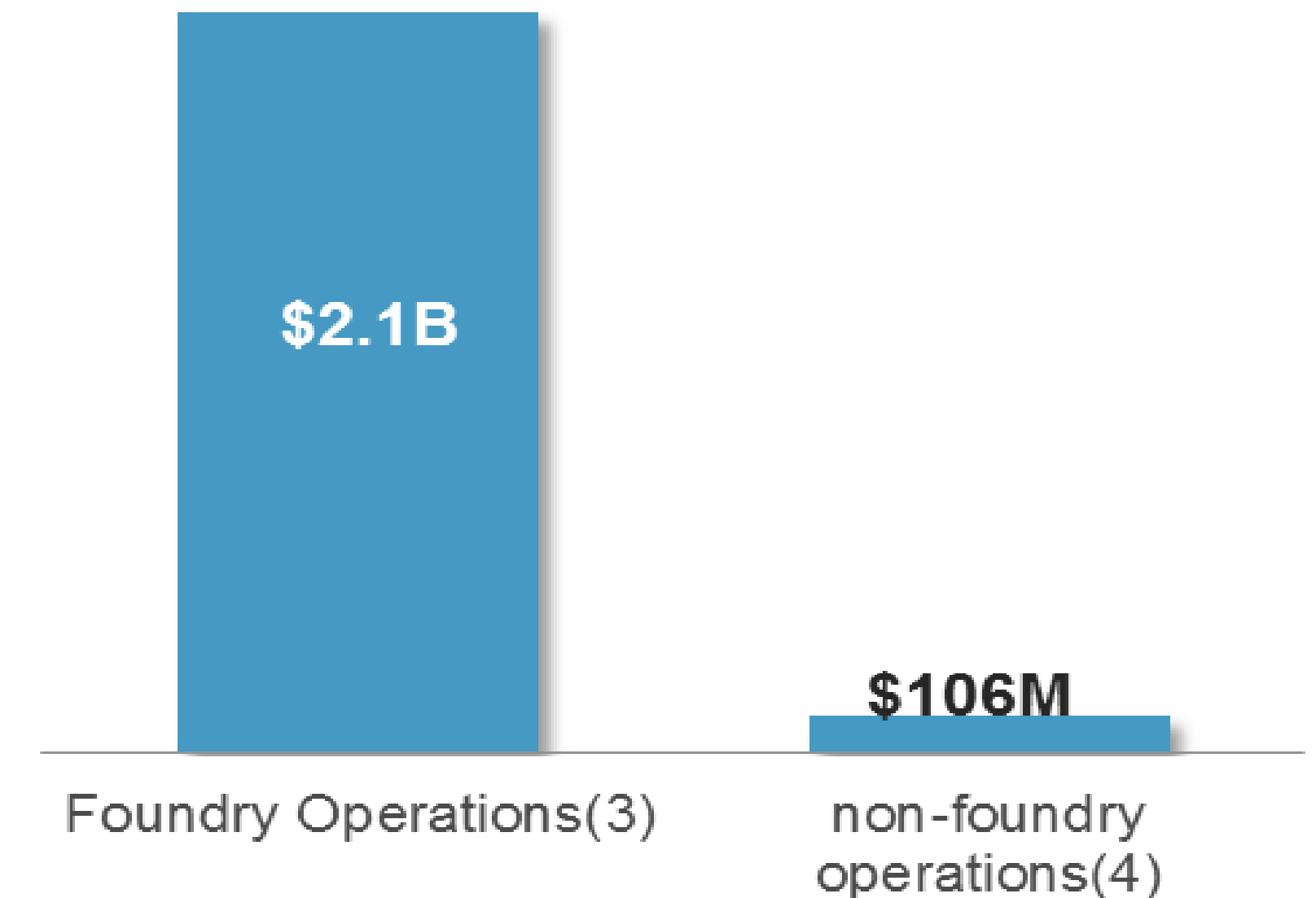




4Q 2019 Guidance and 2019 Capex Guidance

	4Q 2019 Guidance
Revenue	2%-4% QoQ \$833 to 850 million
Revenue excluding Avezzano fab	+4%--+6% QoQ
Gross Margin	23% to 25%
Non-IFRS Operating Expenses ⁽¹⁾	\$271 to \$277 million
Non-controlling interests ⁽²⁾	\$17 to \$19 million

2019 Capex Guidance



(1)Excluding the effect of employee bonus accrual, government funding, impairment loss of tangible and intangible assets, gain or loss on the disposal of machinery and equipment, and gain from the disposal of living quarters, to range from \$271 million to \$277 million.

(2)Non-controlling interests of our majority-owned subsidiaries to range from positive \$17 million to positive \$19 million (losses to be borne by non-controlling interests)

(3)The planned 2019 capital expenditures for foundry operations are approximately \$2.1 billion, which are mainly for the equipment and facility in our majority-owned Shanghai 300mm fab and FinFET R&D line.

(4)The planned 2019 capital expenditures for non-foundry operations quarters.

Appendix

Results Vs Original Guidance

	3Q 2019 Guidance	3Q 2019 Results
Revenue	0% to +2% QoQ \$791 to \$807 million	3.2% QoQ \$816 million
Revenue excluding Avezzano fab	+2% to +4% QoQ	+6.1% QoQ
Gross Margin	19% to 21%	21%
Non-IFRS Operating Expenses ⁽¹⁾	\$294 to \$300 million	\$ 257 million
Non-controlling interests	\$25 to \$27 million	\$31 million

(1) Non-IFRS operating expenses are defined as operating expenses adjusted to exclude the effect of employee bonus accrual, government funding, gain on the disposal of subsidiaries, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters.

Thank You!

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