



SMIC Q3 2017 Financial Presentation

NYSE: SMI **HKSE: 981**

SMIC Investor Relations

Nov 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" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements, including statements under "Fourth Quarter 2017 Guidance", "CapEx Summary" and the statements contained in the quotes of co-Chief Executive Officers 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 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 in the semiconductor industry, SMIC's reliance on a small number of customers, 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, financial stability in end markets, orders or judgments from pending litigation, intensive intellectual property litigation in semiconductor industry, general economic conditions and fluctuations in currency exchange rates.

In addition to the information contained in this presentation, you should also consider the information contained in our other filings with the SEC, including our annual report on Form 20-F filed with the SEC on April 27, 2017, especially in the "Risk Factors" section and such other documents that we may file with the SEC or The Hong Kong Stock Exchange Limited ("SEHK")



3Q17 Financial Highlights

- Revenue was \$770 million
 - Up 2.5% QoQ

Income Statement Highlights

(US\$ thousands)	3Q17	2Q17	QoQ	3Q16	YoY
Total Revenue	769,723	751,193	2.5%	774,845	-0.7%
Gross Profit	177,297	194,132		232,103	
Gross Margin	23.0%	25.8%	-	30.0%	-
Operating Expenses	(154,592)	(172,500)			

- **Revenue** increased by 2.5% QoQ from \$751.2 million in 2Q17 to \$769.7 million in 3Q17 mainly due to an increase of wafer shipment in 3Q17.
- **R&D expenses** decreased by \$4.3 million QoQ to \$106.8 million in 3Q17, compared to \$111.2 million in 2Q17. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$3.8 million QoQ to \$131.0 million in 3Q17. The change was mainly due to higher level of R&D activities in 3Q17. Funding of R&D contracts from the government was \$24.2 million in 3Q17, compared to \$16.1 million in 2Q17.
- **General and administrative expenses** decreased by 14.9% to \$46.1 million in 3Q17, compared to \$54.2 million in 2Q17. The change was mainly due to 1) less share-based compensation payment accrued in 3Q17 and 2) the reversal of allowance for doubtful debts in 3Q17.



Balance Sheet Highlights

(US\$ thousands)	As of	
	Sept 30, 2017	June 30, 2017
Cash and cash equivalent	1,119,149	876,118
Restricted Cash-current	339,596	344,100
Restricted Cash-non current	13,228	12,788
Other financial assets-current ⁽¹⁾	607,258	516,002
Trade and other receivables	609,849	722,911
Inventories	625,283	577,179
Assets classified as held-for-sales	38,942	49,654
Other Assets	7,495,181	7,702,898
Total Assets	10,848,486	10,801,650
Short-term borrowings	437,375	305,898
Long-term borrowings	1,573,150	1,456,108
Medium-term notes	224,755	219,370
Convertible bonds	406,357	402,549
Corporate bonds	496,234	495,789
Total Debt	3,137,871	2,879,714
Net Debt ⁽²⁾	1,411,464	1,487,594
Total Liabilities	4,857,948	4,856,566
Total Equity	5,990,538	5,945,084
Total Debt/Equity Ratio ⁽³⁾	52.4%	48.4%
Net debt/Equity Ratio ⁽⁴⁾	23.6%	25.0%

(1) Other financial assets – current 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

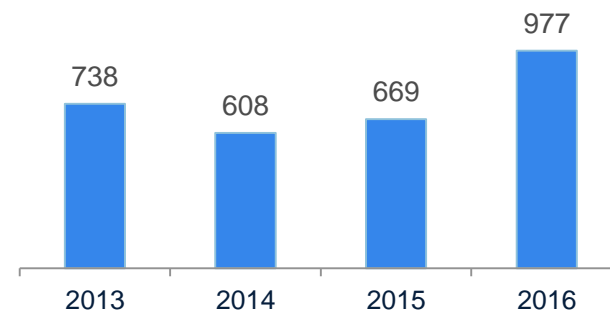
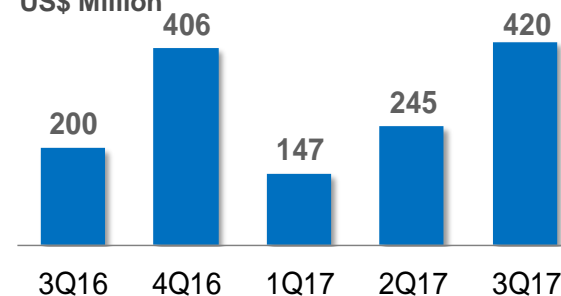
(US\$ thousands)

For the three months ended

	Sept 30, 2017	June 30, 2017
Cash and cash equivalent, beginning of period	876,118	1,552,043
Net cash from operating activities	419,540	245,219
Net cash used in investing activities	(399,015)	(1,001,407)
Net cash from (used in) financing activities	217,493	80,928
Net increase (decrease) in cash and cash equivalent	243,031	(675,925)
Cash and cash equivalent, end of period	1,119,149	876,118

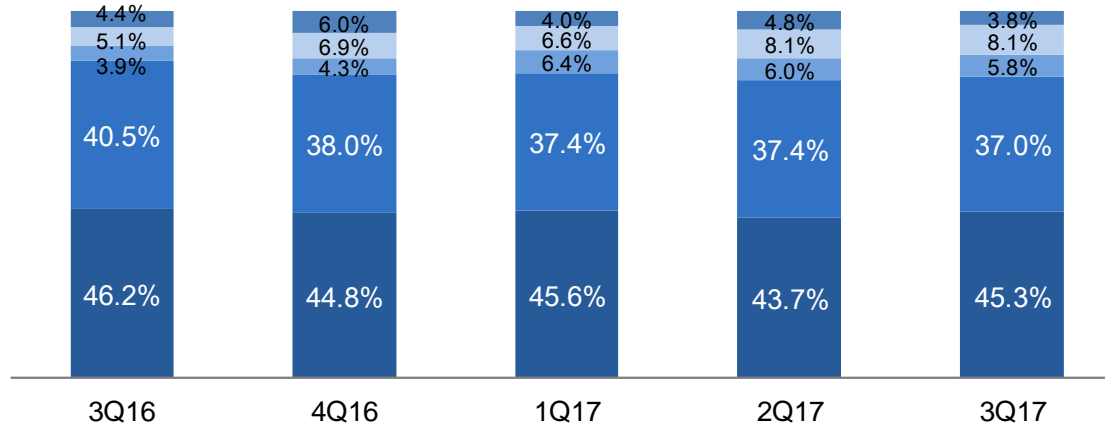
Cash Flow from Operations

US\$ Million



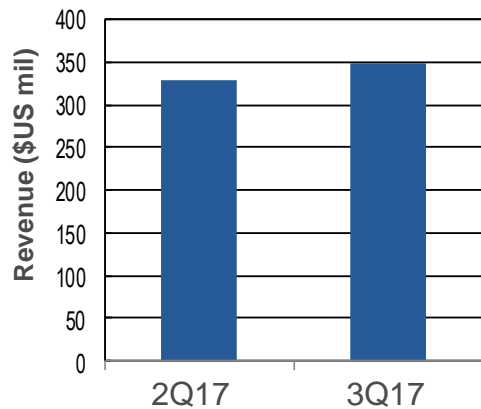
Total Revenue Breakdown by Applications

■ Communication ■ Consumer ■ Computer ■ Auto/Industrial ■ Others

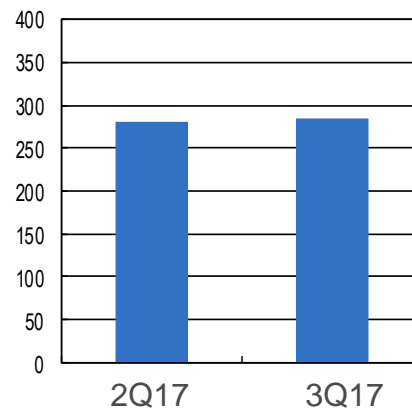


3Q17 vs. 2Q17

Communications



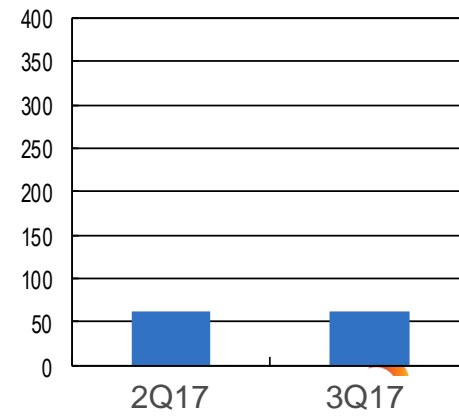
Consumer



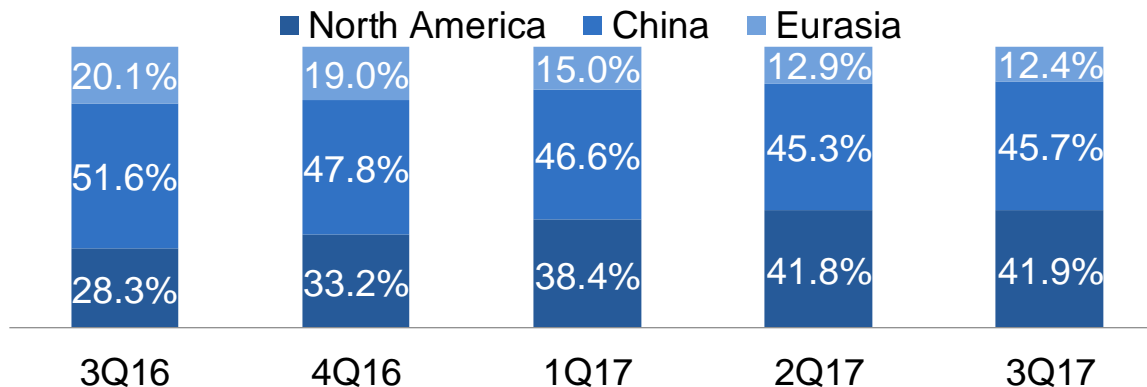
Computer

2Q17 3Q17

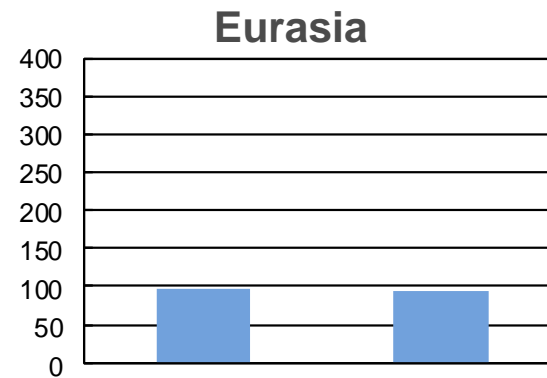
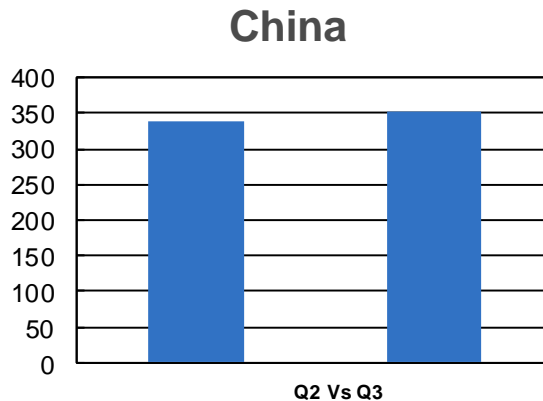
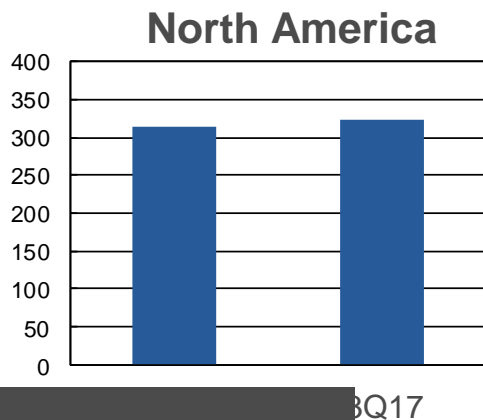
Auto/Industrial



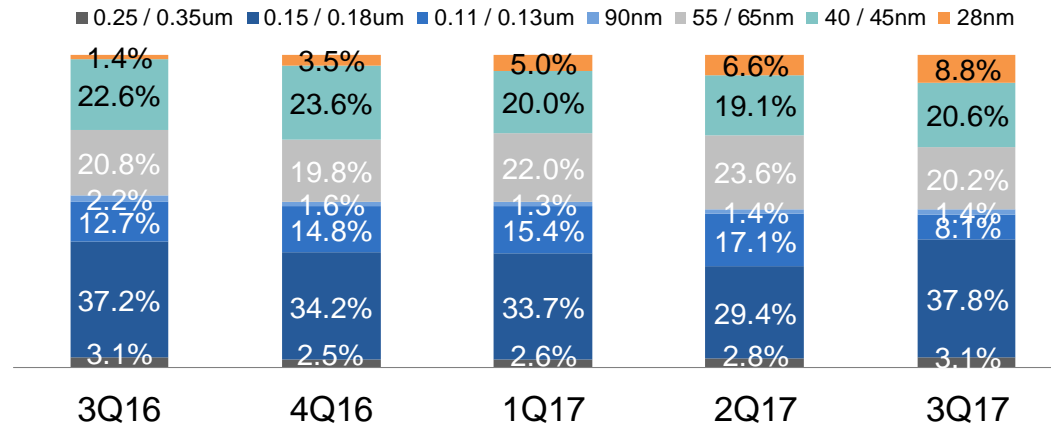
Total Revenue Breakdown by Geography



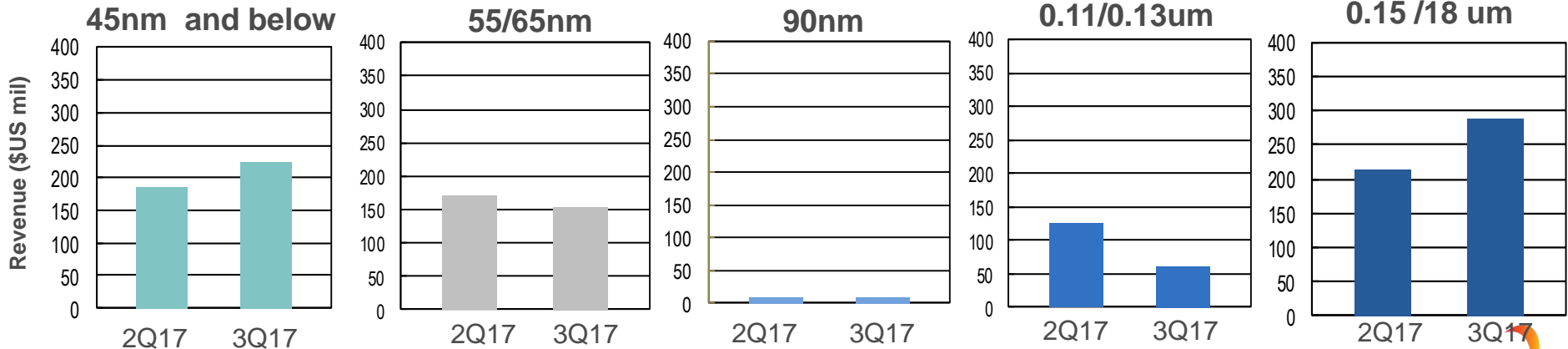
3Q17 vs. 2Q17



Wafer Revenue Breakdown by Technology

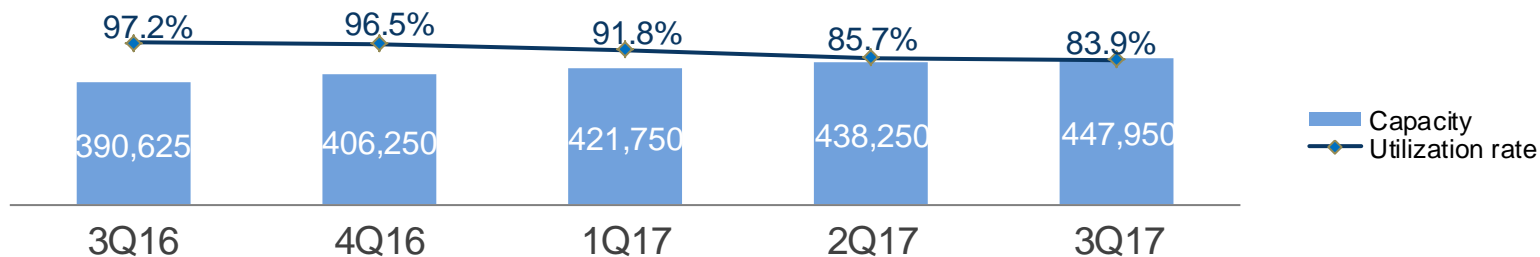


3Q 17 vs. 2Q 17



Capacity, Utilization and Shipment

Monthly Capacity
(8-inch equivalent wafers)

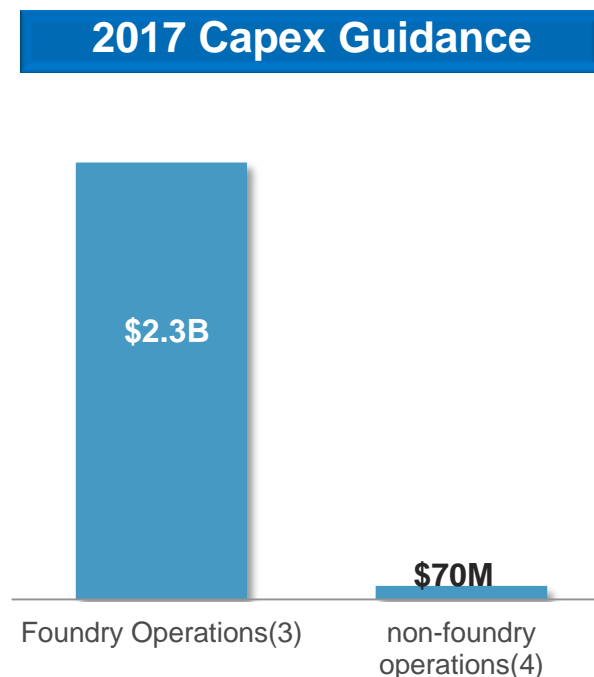


	3Q16	4Q16	1Q17	2Q17	3Q17
Shanghai 200mm Fab	107,000	108,000	110,000	112,000	114,000
Shanghai 300mm Fab	20,000	20,000	20,000	20,000	18,000
Beijing 300mm Fab	39,000	43,000	48,000	50,000	50,000
Tianjin 200mm Fab	45,000	45,000	45,000	45,000	47,000
Shenzhen 200mm Fab	31,000	31,000	31,000	32,000	32,075
Majority-Owned Beijing 300mm Fab	15,500	18,000	19,000	23,000	27,500
Majority-Owned Avezzano 200mm Fab	40,000	40,000	40,000	40,000	40,000
Monthly Capacity (8-inch equivalent wafers)	390,625	406,250	421,750	438,250	447,950
Wafer Shipments	1,058,504	1,096,011	1,095,761	1,014,158	1,076,039

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

4Q 2017 Guidance and 2017 Capex Guidance

	4Q 2017 Guidance
Revenue	+1% to +3% QoQ \$777 to \$793 million
Gross Margin	18% to 20%
Non-GAAP Operating Expenses ⁽¹⁾	\$204 to \$210 million
Non-controlling interests ⁽²⁾	\$48 to \$50 million



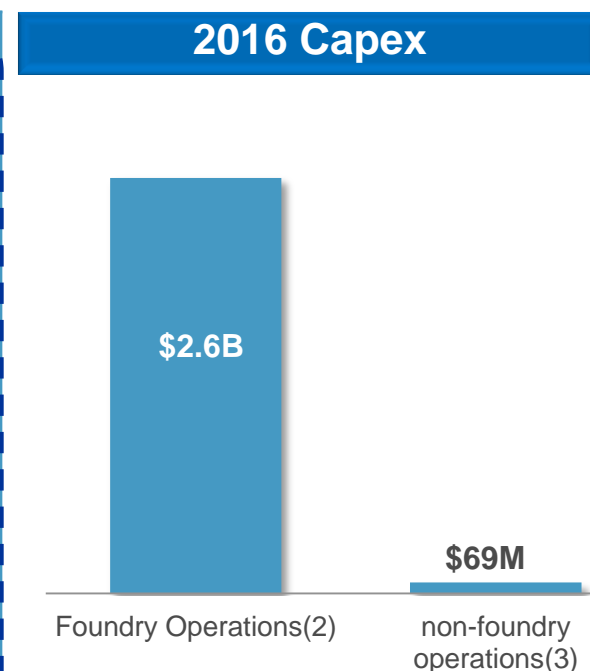
- (1) Exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters
- (2) Non-controlling interests of our majority-owned subsidiaries to range from positive \$48 million to positive \$50 million (losses to be borne by non-controlling interests)
- (3) 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

Results Vs Original Guidance

	3Q 2017 Guidance	3Q 2017 Results
Revenue	flat to +3% QoQ \$751 to \$774 million	+2.5% QoQ \$770 million
Gross Margin	22% to 24%	23.0%
Non-GAAP Operating Expenses (1)	\$179 to \$185 million	\$ 184 million
Non-controlling interests	\$0 to \$3 million	-\$5 million



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

(2) The 2016 capital expenditures for foundry operations were \$2,626.2 million, of which \$1,239.7 million was spent for the expansion of capacity in our majority-owned Beijing 300mm fab. The 2016 capital expenditures for non-foundry operations were \$68.5 million primarily for the construction of employees' living quarters.

Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	3Q16	4Q16	1Q17	2Q17	3Q17
Capex	671	481	727	782	451
Depreciation & Amortization	186	216	235	241	243



Thank you

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