



SMIC Q3 2015 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

Nov 2015



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Under the Private Securities Litigation Reform Act of 1995

This presentation identifies forward-looking statements, although not all forward-looking statements contain these words. These forward-looking statements include, 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, financial stability in end markets, general economic conditions and fluctuations in currency exchange rates.

including its annual report on 20-F filed with the SEC on April 28, 2015, especially the consolidated financial statements, and such other reports on Form 6- \$ 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.

SMIC uses in this presentation non-GAAP revenue, and non-GAAP operating expenses which consist of total operating expenses as adjusted to exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters. It also includes fourth quarter 2015 guidance for non-GAAP operating expenses. The presentation of non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. SMIC believes that use of these non-performance. The management regularly uses these non-GAAP financial measures to understand, manage and evaluate the Group's business and make financial and operational decisions.

About Non-

Financial Measures





3Q15 Financial Highlights

- **Revenue was \$569.9M, a record high**
 - Compared to \$546.6 million in 2Q15
 - Compared to \$521.6 million in 3Q14
- **Gross profit was \$182.4M, a record high**
 - Compared to \$176.4M in 2Q15
 - Compared to \$134.9M in 3Q14
- **Gross margin was 32.0%**
 - Compared to 32.3% in 2Q15
 - Compared to 25.9% in 3Q14
- **Profit attributable to SMIC was \$82.6M**
 - Compared to \$76.7M in 2Q15
 - Compared to \$47.5M in 3Q14
 - Fourteenth consecutive profitable quarter
 - Record high profit if excluding the gain of commitment to grant shares and warrants in 2Q10



3Q15 Financial Highlights

- **\$1.2B cash on hand, including other financial assets**
Compared to \$1.3B in 2Q15
Compared to \$0.7B in 3Q14
- **Gross debt to equity ended at 26.6%**
Compared to 28.2% in 2Q15
Compared to 32.2% in 3Q14
- **Utilization rate was 100.5%**
Compared to 102.1% in 2Q15
Compared to 91.9% in 3Q14

Income Statement Highlights

(US\$ thousands)	3Q15	2Q15	QoQ	3Q14	YoY
Total Revenue	569,854	546,615	4.3%	521,646	9.2%
Gross Profit	182,351	176,405	3.4%	134,942	35.1%
Gross Margin	32.0%	32.3%	-	25.9%	-
Operating Expenses	(108,125)	(115,728)	-6.6%	(94,122)	14.9%
<i>Research & Development, net</i>	<i>(62,381)</i>	<i>(55,202)</i>	<i>13.0%</i>	<i>(54,887)</i>	<i>13.7%</i>
<i>General & Administrative</i>	<i>(51,387)</i>	<i>(52,051)</i>	<i>-1.3%</i>	<i>(34,668)</i>	<i>48.2%</i>
<i>Selling & Marketing</i>	<i>(11,154)</i>	<i>(9,159)</i>	<i>21.8%</i>	<i>(10,090)</i>	<i>10.5%</i>
<i>Other operating income (expense)</i>	<i>16,797</i>	<i>684</i>	<i>2,355.7%</i>	<i>5,523</i>	<i>204.1%</i>
Profit from operations	74,226	60,677	22.3%	40,820	81.8%
Other income (expense), net	(3,459)	11,943		7,840	-
Income tax benefit (expense)	(1,793)	(924)	94.0%	18	-
Profit attributable to SMIC	82,626	76,704	7.7%	47,520	73.9%
Non-controlling Interests	(13,652)	(5,008)	172.6%	1,158	-
Earnings per ADS (Basic)	0.10	0.10	-	0.07	-

- **Revenue** increased by 4.3% QoQ from \$546.6 million in 2Q15 to \$569.9 million in 3Q15 mainly due to an increase of wafer shipments in 3Q15.
- **Gross margin** was 32.0 % in 3Q15, as compared to 32.3% in 2Q15.
- **R&D expenses** increased by \$7.2 million QoQ to \$62.4 million in 3Q15, compared to \$55.2 million in 2Q15. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$6.4 million QoQ to \$72.0 million in 3Q15. The change was mainly due to higher R&D activities in 3Q15. Funding of R&D contracts from the government was \$9.6 million in 3Q15, compared to \$10.4 million in 2Q15.
- **Other operating income** increased from \$0.7 million in 2Q15 to \$16.8 million in 3Q15, mainly because of the gain realized from the disposal of certain living quarters in 3Q15.

Balance Sheet Highlights

(US\$ thousands)	As of	
	Sept 30, 2015	June 30, 2015
Cash and cash equivalent	741,576	766,165
Restricted Cash	88,685	105,791
Other financial assets (1)	462,280	568,886
Trade and other receivables	466,130	489,675
Inventories	398,987	365,332
Assets classified as held-for-sales	111,374	-
Other Assets	3,937,782	3,869,174
Total Assets	6,206,814	6,165,023
Short-term borrowings	57,499	119,727
Long-term borrowings	108,557	85,484
Convertible bonds	389,268	385,947
Corporate bonds	492,790	492,383
Total Debt	1,048,114	1,083,541
Net Debt (2)	(155,742)	(251,510)
Total Liabilities	2,263,916	2,318,999
Total Equity	3,942,898	3,846,024
Total Debt/Equity Ratio(3)	26.6%	28.2%

(1) Other financial assets 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

Cash Flow Highlights

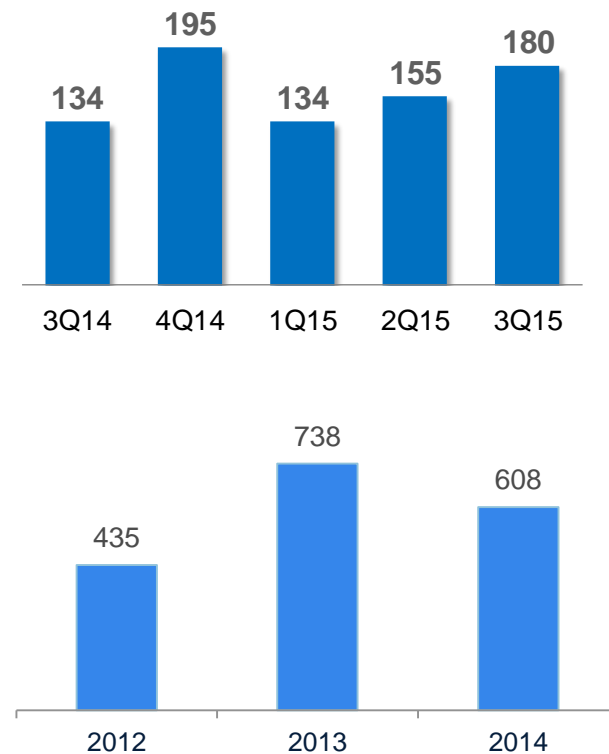
(US\$ thousands)

For the three months ended

	Sept 30, 2015	June 30, 2015
Cash and cash equivalent, beginning of period	766,165	402,378
Net cash from operating activities	180,172	154,577
Net cash used in investing activities	(187,920)	(170,372)
Net cash from (used in) financing activities	(8,908)	379,423
Net increase (decrease) in cash and cash equivalent	(24,589)	363,787
Cash and cash equivalent, end of period	741,576	766,165

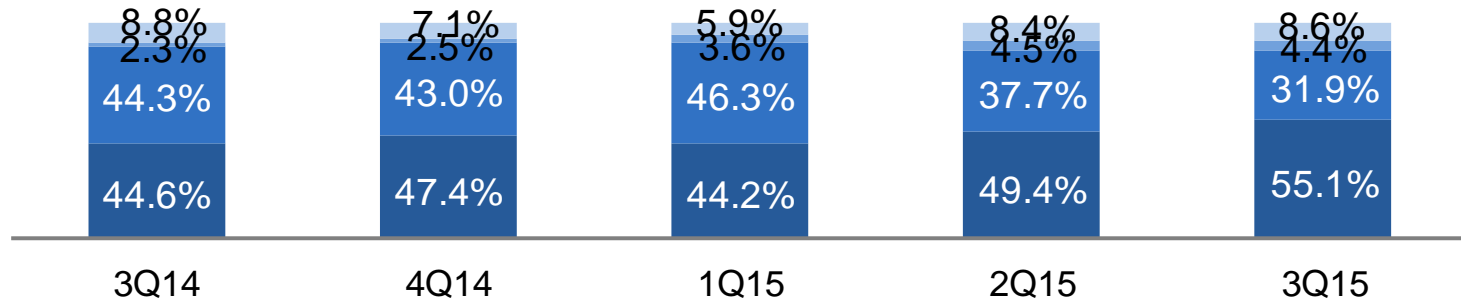
Cash Flow from Operations

US\$ Million



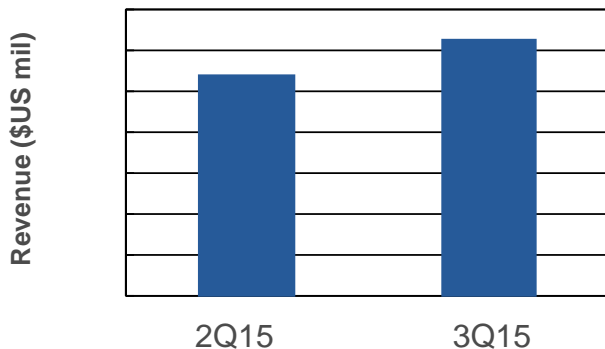
Total Revenue Breakdown by Applications

■ Communication ■ Consumer ■ Computer ■ Others

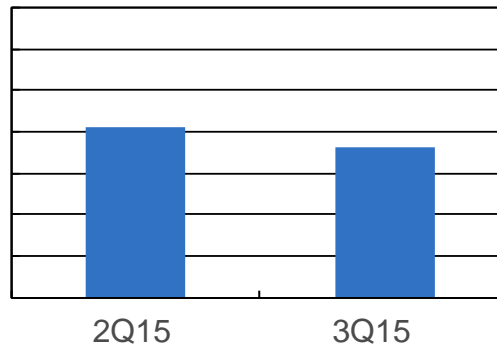


3Q 15 vs. 2Q 15

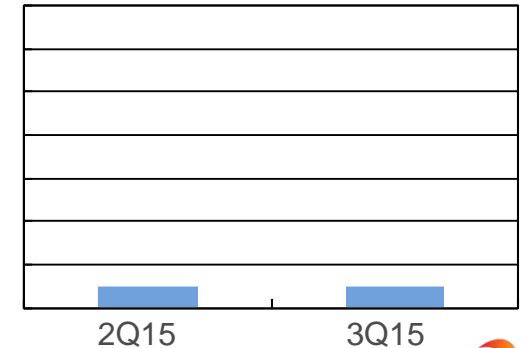
Communications



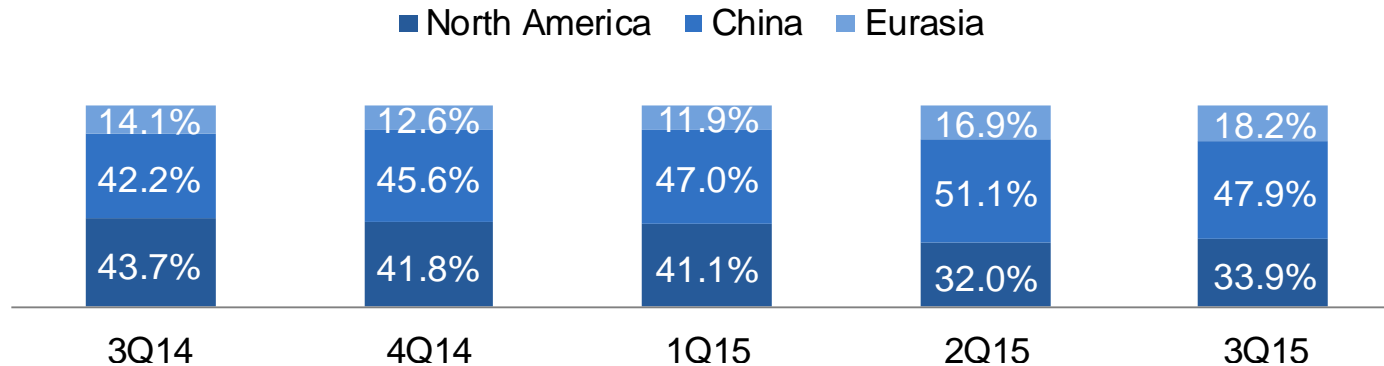
Consumer



Computer

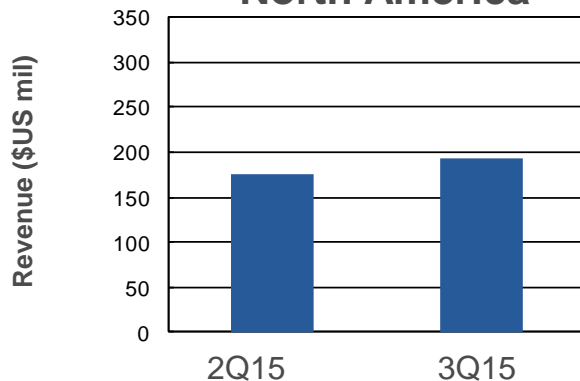


Total Revenue Breakdown by Geography

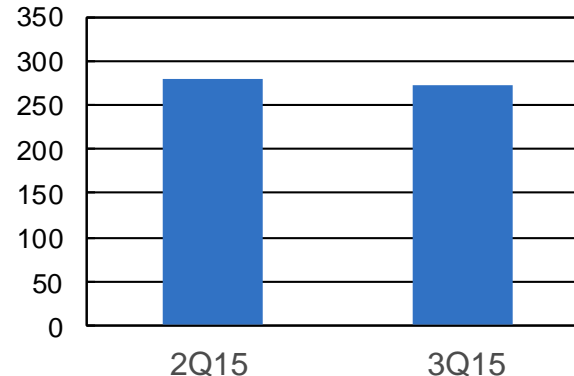


3Q 15 vs. 2Q 15

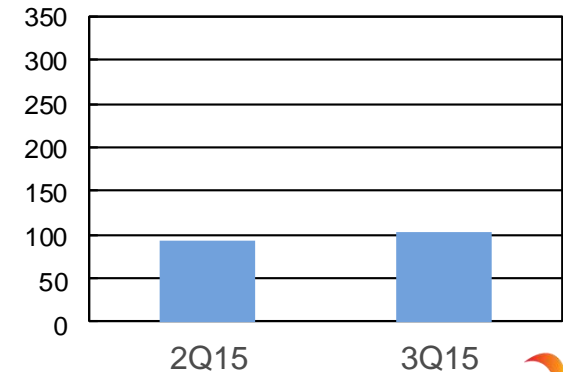
North America



China



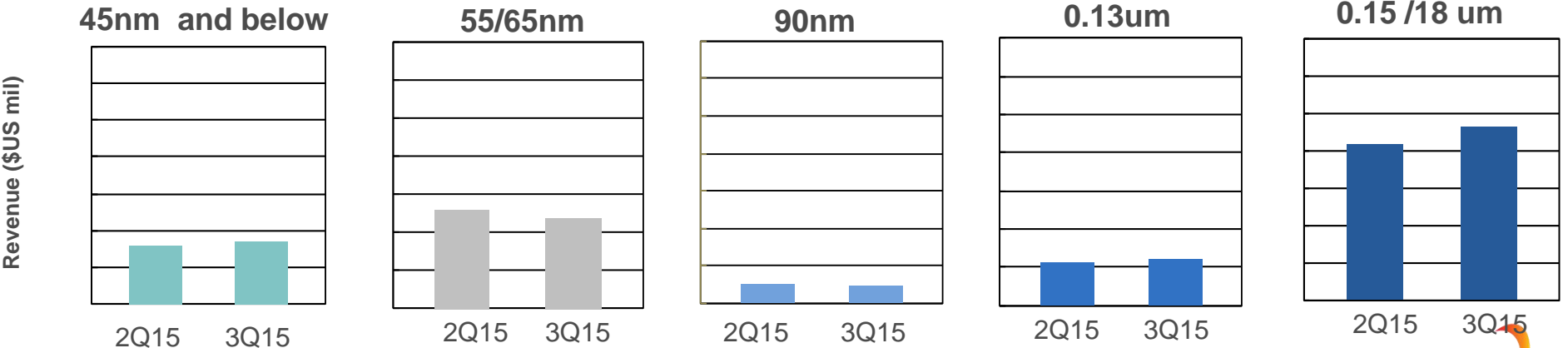
Eurasia



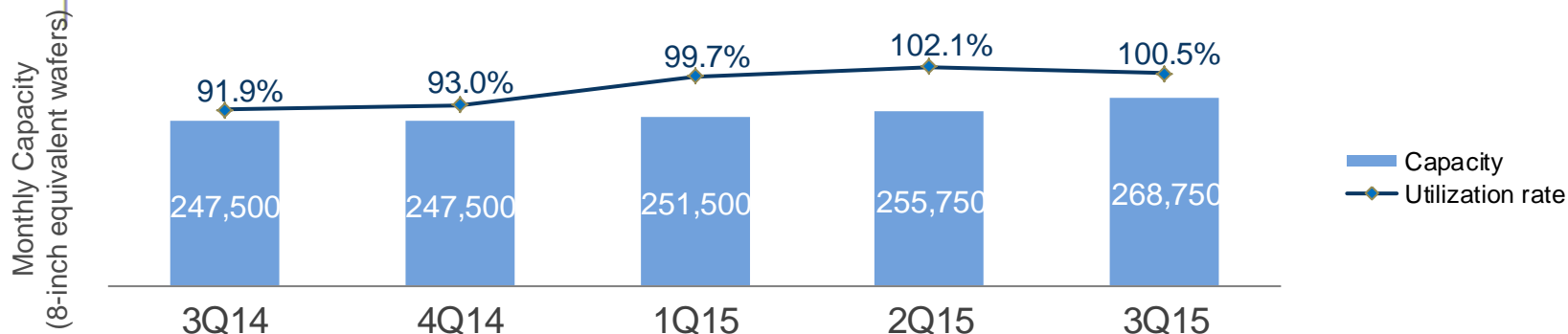
Wafer Revenue Breakdown by Technology



3Q 15 vs. 2Q 15



Capacity, Utilization and Shipment



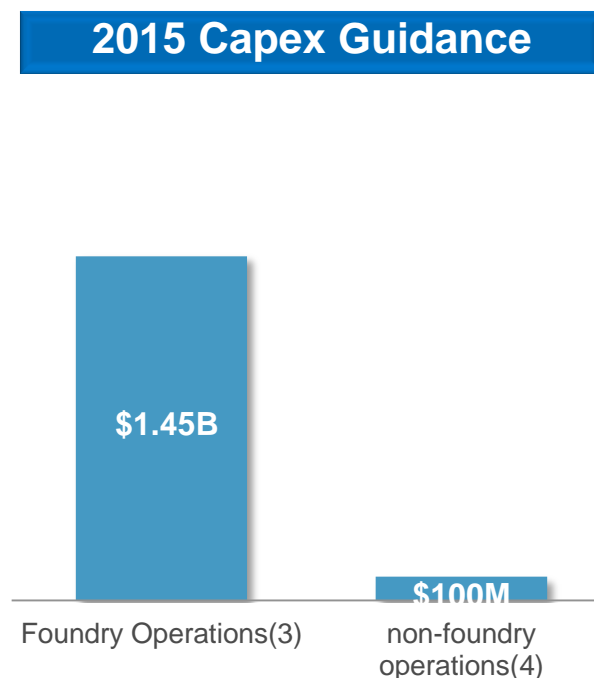
	3Q14	4Q14	1Q15	2Q15	3Q15
	96,000	96,000	97,000	99,000	100,000
Shanghai 12- (14,000	14,000	14,000	14,000	14,000
(36,000	36,000	36,000	37,000	37,000
	39,000	39,000	42,000	42,000	43,000
					11,000
Monthly Capacity ⁽¹⁾ (8-inch equivalent wafers)	247,500	247,500	251,500	255,750	268,750
Wafer Shipments	668,811	660,049	692,131	731,730	771,201
Utilization Rate ⁽²⁾	91.9%	93.0%	99.7%		

(1) Our new 12-inch fab in Beijing have reached an installed capacity of 3,000 wafers per month but not entered into mass production at the end of 3Q15.

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

4Q 2015 Guidance and 2015 Capex Guidance

	4Q 2015 Guidance
Revenue	+3% to +6% QoQ \$587 to \$604 million
Gross Margin	28% to 30%
Non-GAAP Operating Expenses (1)	\$142 to \$147 million
Non-controlling interests ⁽²⁾	\$33 to \$36 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 \$33 million to positive \$36 million (losses to be borne by non-controlling interests).
- (3) The planned 2015 capital expenditures for foundry operations are approximately \$1.45 billion.
- (4) The planned 2015 capital expenditures for non-foundry operations, mainly for the construction of living quarters, are approximately \$100 million. The Group plans to rent out or sell these living quarter units to employees in the future.



Appendix



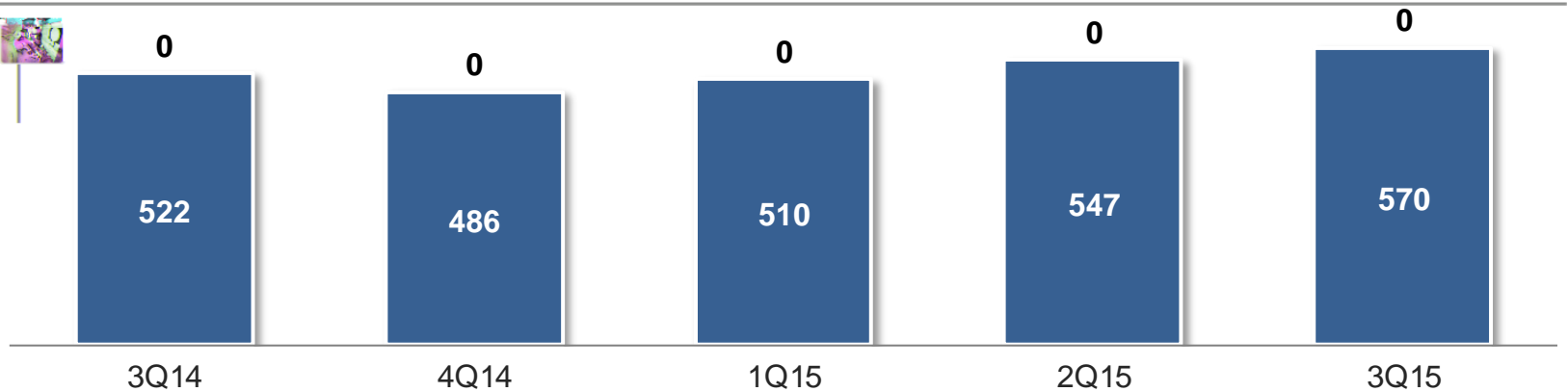
	3Q 2015 Guidance	3Q 2015 Results
Revenue	+1% to +3%	



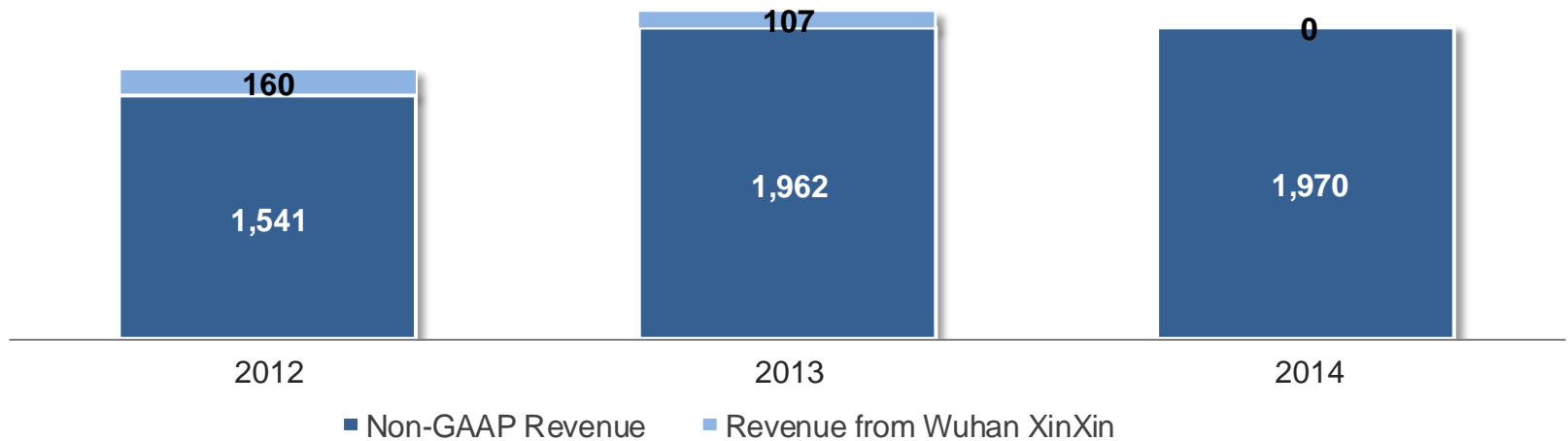
Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	3Q14	4Q14	1Q15	2Q15	3Q15
Capex	282	482	145	368	315
Depreciation & Amortization	139	135	125	125	130

Non-GAAP Revenue and Revenue from Wuhan Xinxin



(\$mm)



- There were no wafer shipments from Wuhan Xinxin from 1Q14 onwards.



Thank you

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