



# 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

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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
  - ± 21<sup>st</sup> 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
<b>Total Revenue</b>	<b>751,193</b>	<b>793,085</b>	<b>-5.3%</b>	<b>690,221</b>	<b>8.8%</b>
Gross Profit	194,132	220,819	-12.1%	217,814	-10.9%
<b>Gross Margin</b>	<b>25.8%</b>	<b>27.8%</b>	-	<b>31.6%</b>	-
<b>Operating Expenses</b>	<b>(172,500)</b>	<b>(143,433)</b>	<b>20.3%</b>	<b>(102,394)</b>	<b>68.5%</b>
<i>Research &amp; 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 &amp; Administrative</i>	<i>(54,199)</i>	<i>(39,394)</i>	<i>37.6%</i>	<i>(33,496)</i>	<i>61.8%</i>
<i>Selling &amp; 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>
<b>Profit from operations</b>	<b>21,632</b>	<b>77,386</b>	<b>-72.0%</b>	<b>115,420</b>	<b>-81.3%</b>
Other income (expense), net	14,540	(12,371)	-	(20,632)	-
Income tax benefit (expense)	(2,856)	(802)	256.1%	(297)	861.6%
<b>Profit attributable to SMIC</b>	<b>36,271</b>	<b>69,791</b>	<b>-48.0%</b>	<b>97,643</b>	<b>-62.9%</b>
Non-controlling Interests	(2,955)	(5,578)	-47.0%	(3,152)	-6.3%
<b>Earnings per ADS (Basic)</b>	<b>0.04</b>	<b>0.08</b>	-	<b>0.12</b>	-

- **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 <sup>(1)</sup>	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
<b>Total Assets</b>	<b>10,801,650</b>	<b>10,362,115</b>
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
<b>Total Debt</b>	<b>2,879,714</b>	<b>2,771,947</b>
<b>Net Debt <sup>(2)</sup></b>	<b>1,487,594</b>	<b>662,864</b>
<b>Total Liabilities</b>	<b>4,856,566</b>	<b>4,471,225</b>
<b>Total Equity</b>	<b>5,945,084</b>	<b>5,890,890</b>
Total Debt/Equity Ratio <sup>(3)</sup>	48.4%	47.1%
Net debt/Equity Ratio <sup>(4)</sup>	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

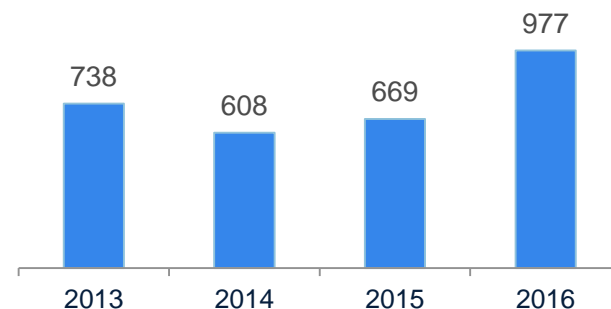
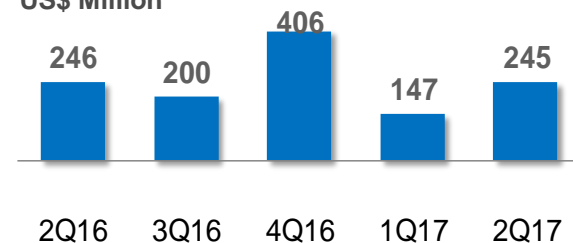
(US\$ thousands)

For the three months ended

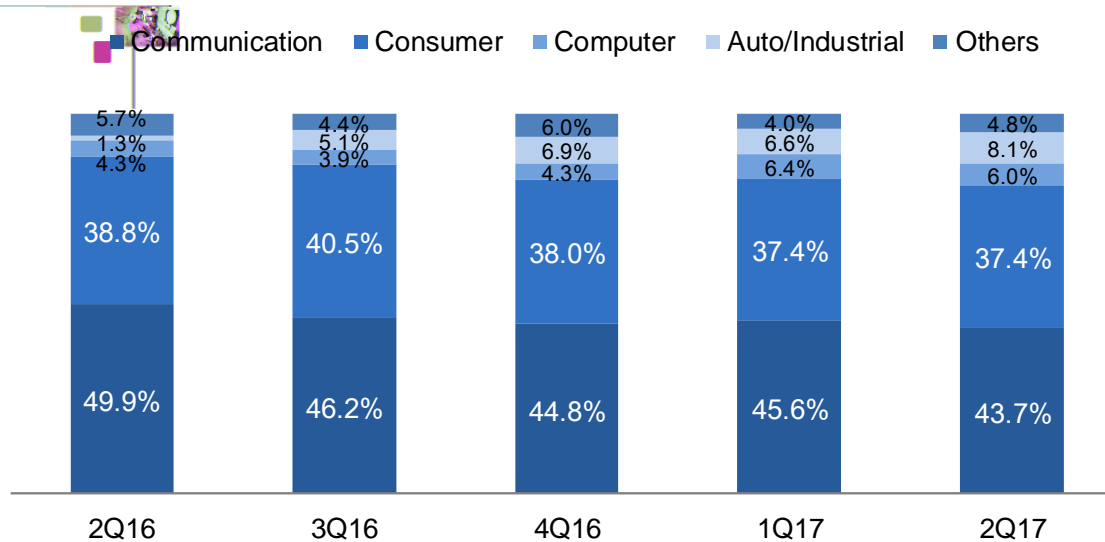
	June 30, 2017	Mar 31, 2017
Cash and cash equivalent, beginning of period	1,552,043	2,126,011
<b>Net cash from operating activities</b>	<b>245,219</b>	<b>146,923</b>
Net cash used in investing activities	(1,001,407)	(848,870)
Net cash from (used in) financing activities	80,928	125,920
Net increase (decrease) in cash and cash equivalent	(675,925)	(573,968)
Cash and cash equivalent, end of period	876,118	1,552,043

## Cash Flow from Operations

US\$ Million

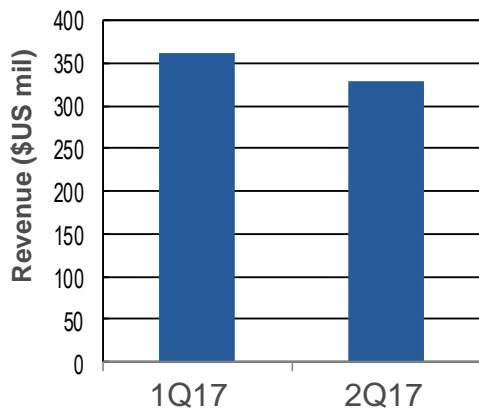


# Total Revenue Breakdown by Applications

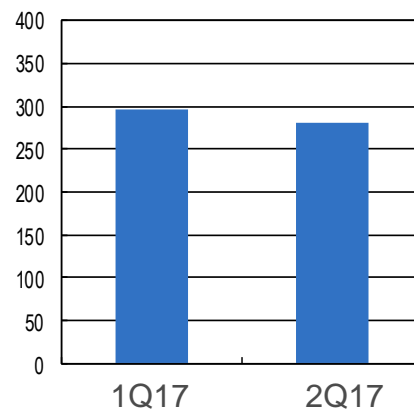


## 2Q17 vs. 1Q17

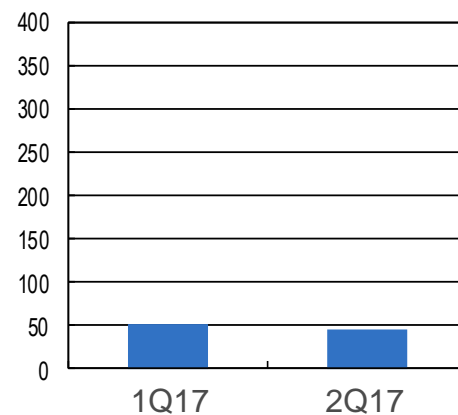
### Communications



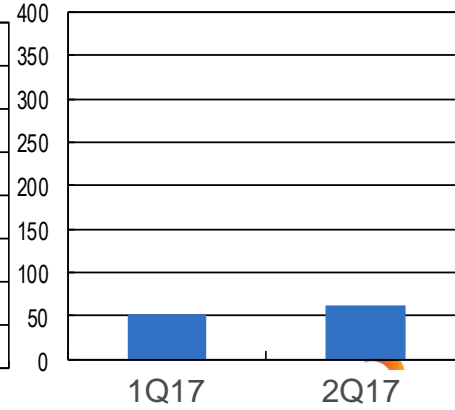
### Consumer



### Computer



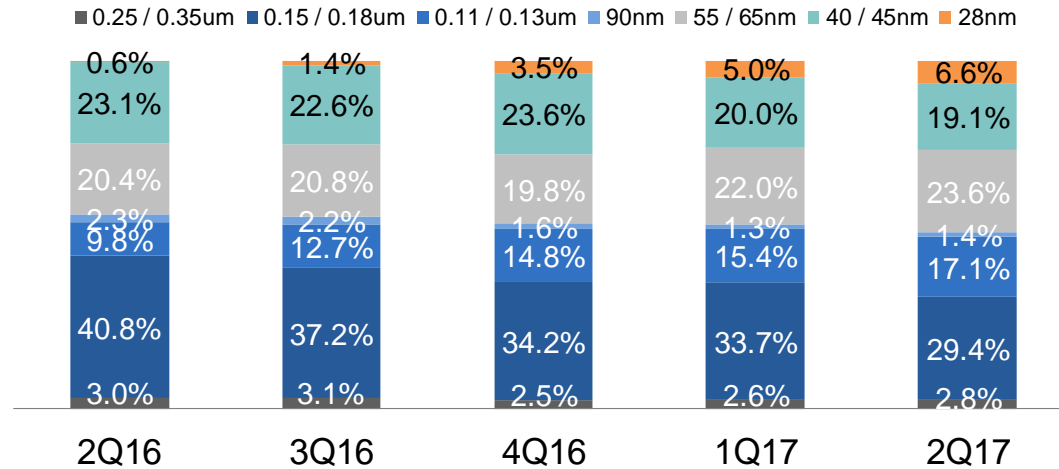
### Auto/Industrial



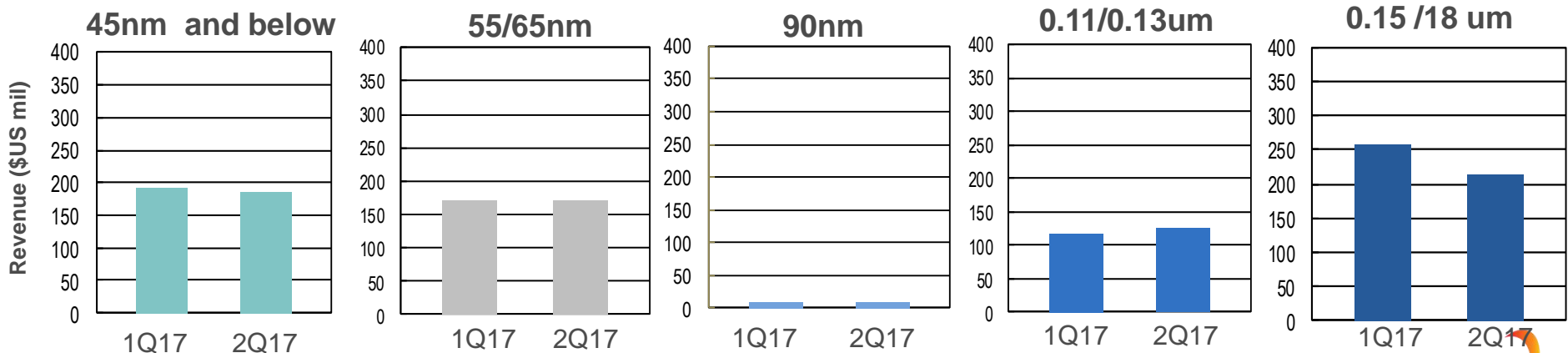




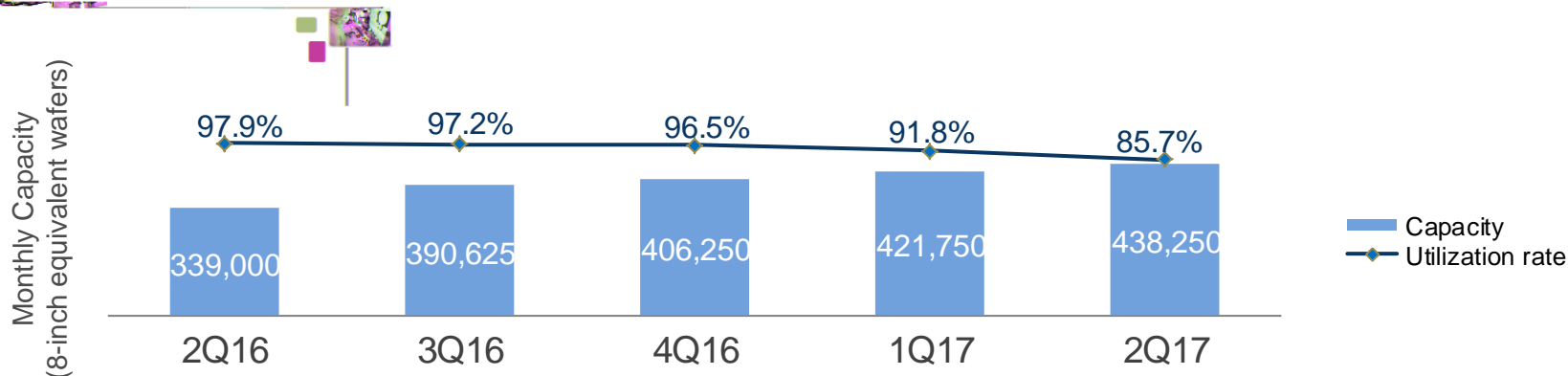
# Wafer Revenue Breakdown by Technology



## 2Q 17 vs. 1Q 17



# Capacity, Utilization and Shipment

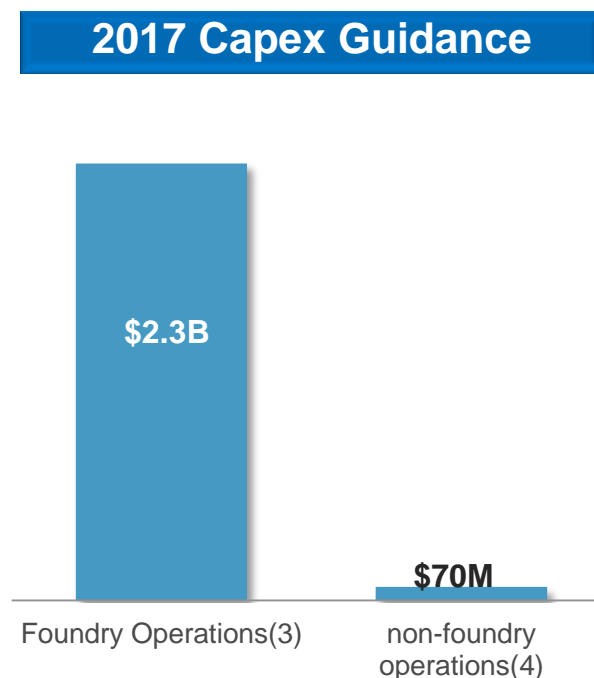


	2Q16	3Q16	4Q16	1Q17	2Q17
Shanghai 200mm Fab	106,000	107,000	108,000	110,000	112,000
Shanghai 300mm Fab	20,000	20,000	20,000	20,000	20,000
Beijing 300mm Fab	37,000	39,000	43,000	48,000	50,000
Tianjin 200mm Fab	45,000	45,000	45,000	45,000	45,000
Shenzhen 200mm Fab	26,000	31,000	31,000	31,000	32,000
Majority-Owned 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
<b>Monthly Capacity (8-inch equivalent wafers)</b>	<b>339,000</b>	<b>390,625</b>	<b>406,250</b>	<b>421,750</b>	<b>438,250</b>
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 <sup>(1)</sup>	\$179 to \$185 million
Non-controlling interests <sup>(2)</sup>	\$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 HPSORHHVLYLQJTUWHUV



# Appendix







# Capital Expenditures & Depreciation

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



# Thank you

Contact us: [ir@smics.com](mailto:ir@smics.com)