



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.

These forward-looking statements are based on our current expectations and assumptions, including those related to our financial condition or results of operations to be materially different from those suggested by the forward-looking statements including, 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.

(SEC), 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.

About Non-

Financial Measures

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.





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

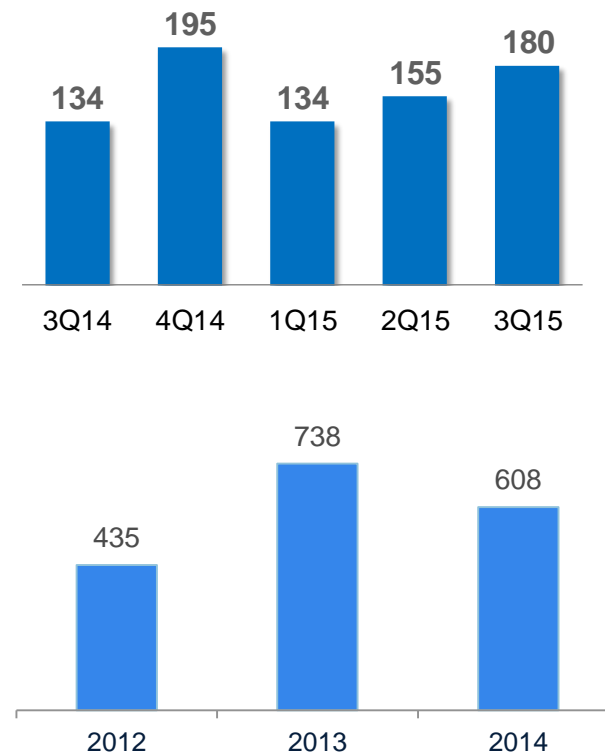
(US\$ thousands)

For the three months ended

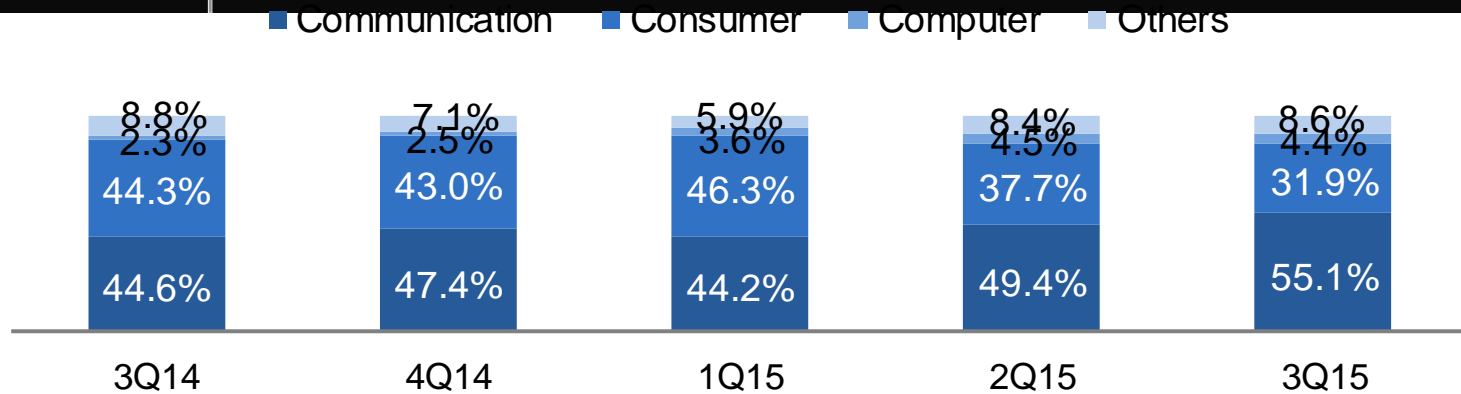
| | Sept 30, 2015 | June 30, 2015 |
|---|----------------|----------------|
| Cash and cash equivalent, beginning of period | 766,165 | 402,378 |
| Net cash from operating activities | 180,172 | 154,577 |
| Net cash used in investing activities | (187,920) | (170,372) |
| Net cash from (used in) financing 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

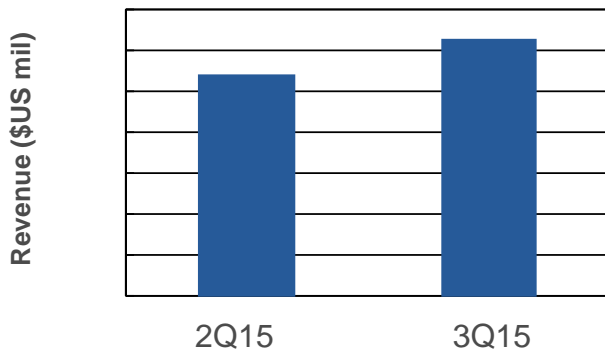


Total Revenue Breakdown by Applications

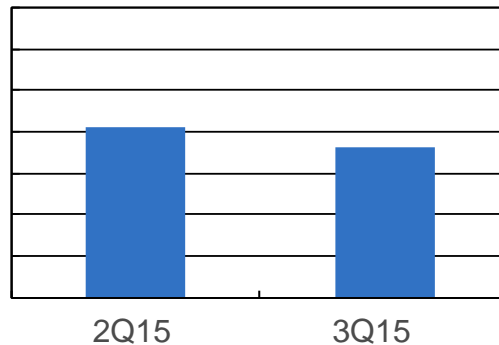


3Q 15 vs. 2Q 15

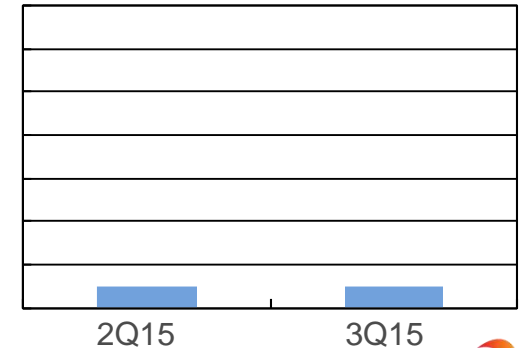
Communications



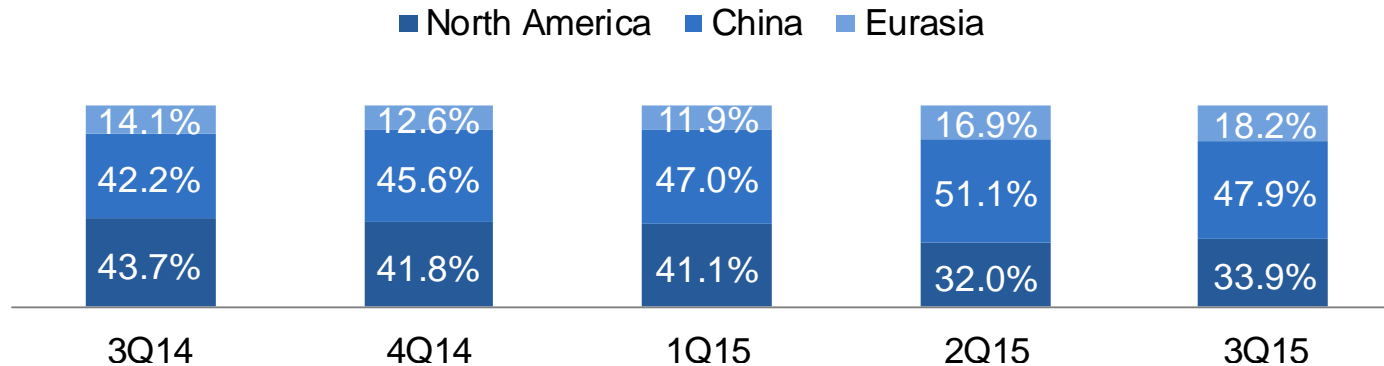
Consumer



Computer

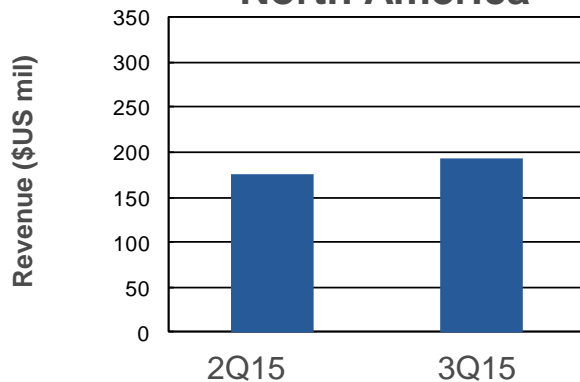


Total Revenue Breakdown by Geography

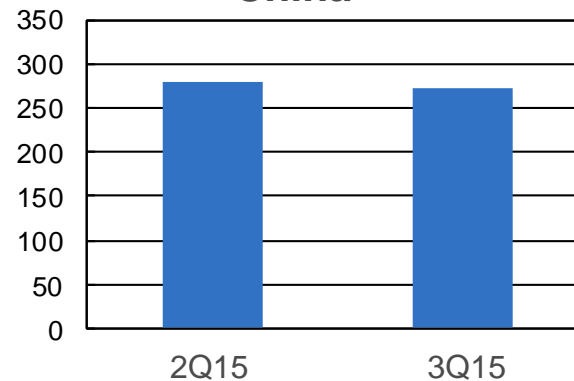


3Q 15 vs. 2Q 15

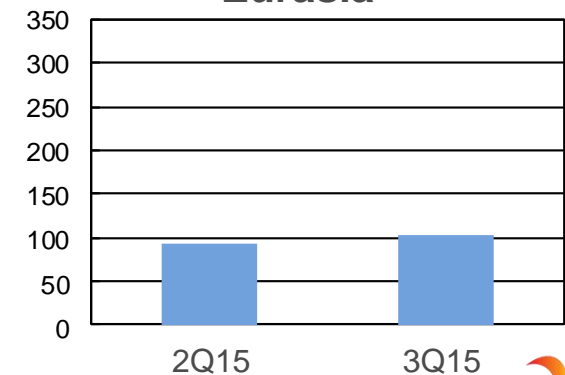
North America



China



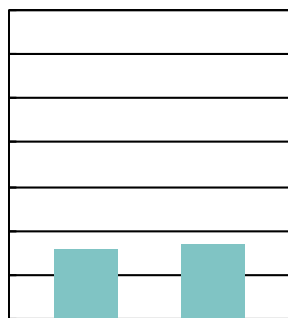
Eurasia



Wafer Revenue Breakdown by Technology

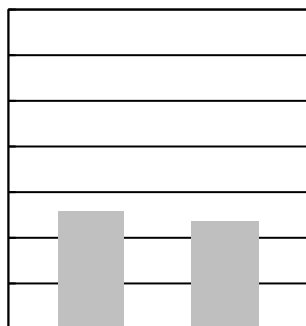
3Q 15 vs. 2Q 15

45nm and below



2Q15 3Q15

55/65nm



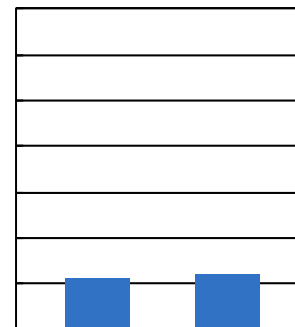
2Q15 3Q15

90nm



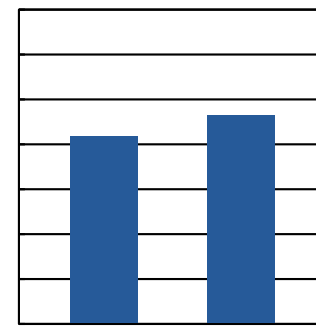
2Q15 3Q15

0.13um



2Q15 3Q15

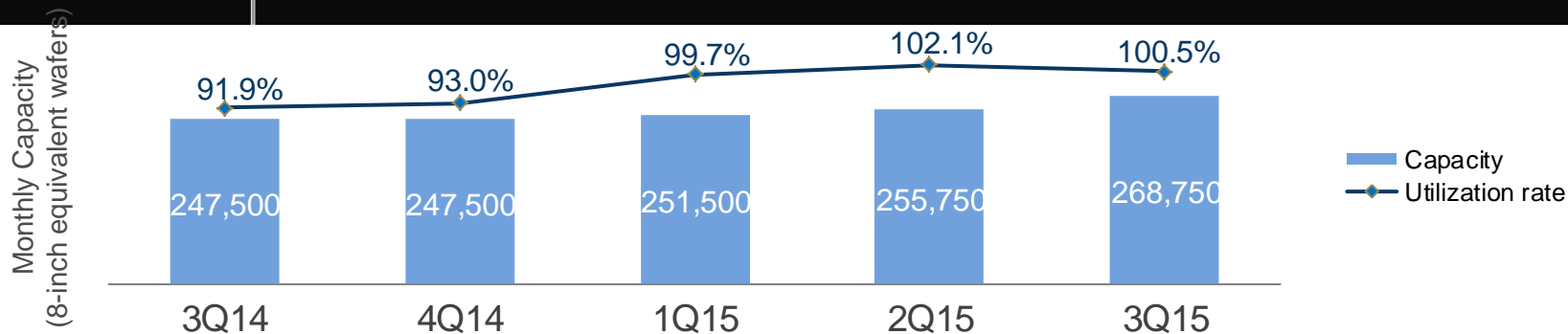
0.15 /18 um



2Q15 3Q15



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 | | | |

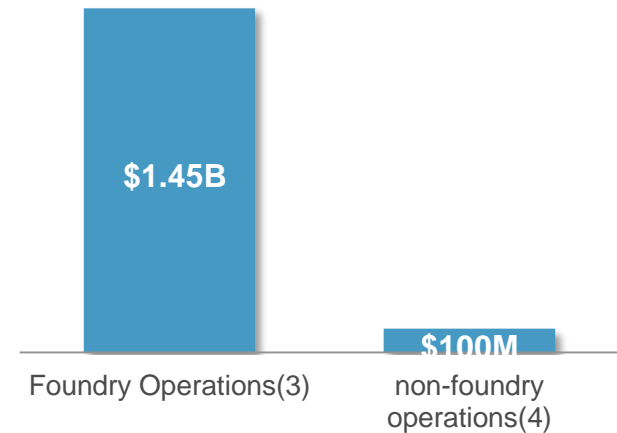
(1) Our new 12-inch fab in Beijing have reached an installed capacity of 3,000 wafers per month but not entered into mass production at the end of 3Q15.

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



4Q 2015 Guidance

| | |
|------------------------------------|--|
| Revenue | +3% to +6% QoQ \$587 to \$604 million |
| Gross Margin | 28% to 30% |
| Non-GAAP Operating Expenses (1) | \$142 to \$147 million |
| Non | |



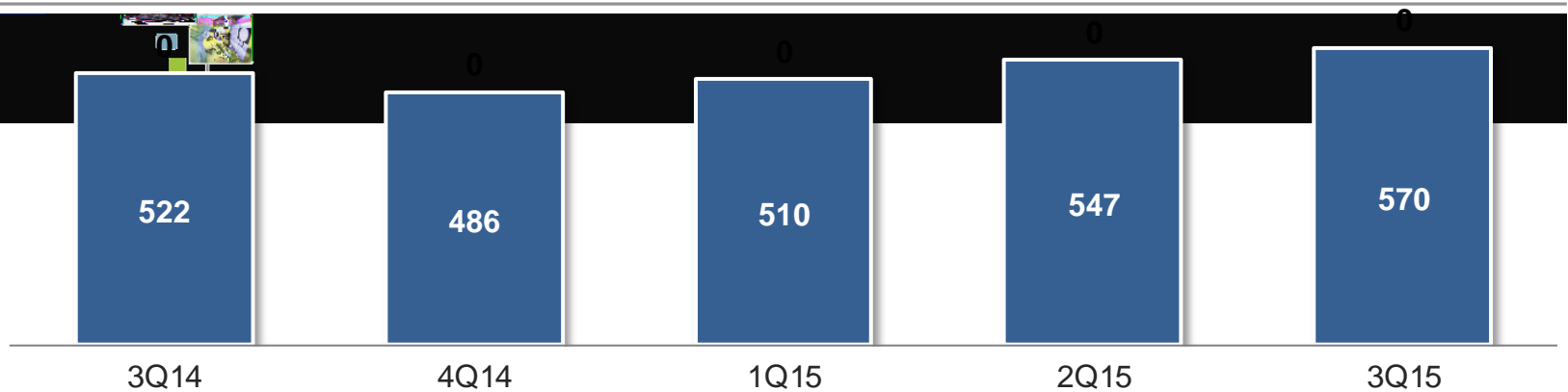


Appendix

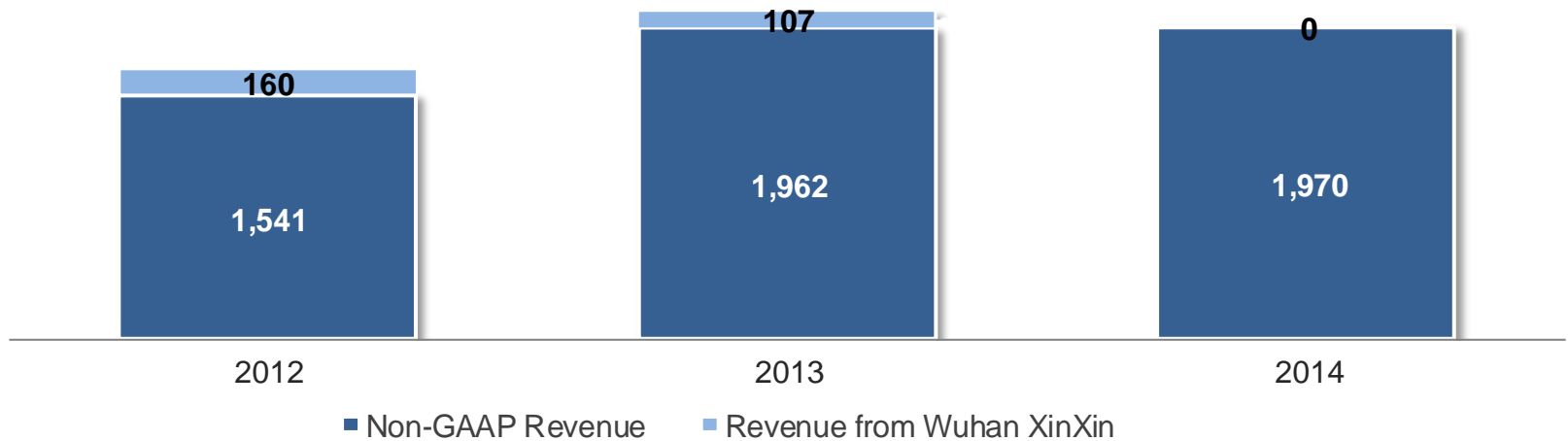
Capital Expenditures & Depreciation

| <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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