

# **SMIC Q2 2015 Financial Presentation**

**NYSE: SMI      HKSE: 981**

SMIC Investor Relations

Aug 2015





# 2Q15 Financial Highlights

- **Revenue was \$546.6M, a record high**
  - Compared to \$509.8 million in 1Q15
  - Compared to \$511.3 million in 2Q14
- **Gross margin was 32.3%, a record high**
  - Compared to 29.4% in 1Q15
  - Compared to 28.0% in 2Q14
- **Profit attributable to SMIC was \$76.7M**
  - Compared to \$55.5M in 1Q15
  - Compared to \$56.8M in 2Q14
  - Thirteenth consecutive profitable quarter
  - Record high profit if excluding the gain of commitment to grant shares and warrants in 2Q10
- **Revenue from China-based customers increased to 51.1% of overall revenue, an all time high**
  - Compared to 47.0% in 1Q15
  - Compared to 44.4% in 2Q14



# 2Q15 Financial Highlights

- **\$1.3B cash on hand, including other financial assets**  
Compared to \$1.0B in 1Q15  
Compared to \$0.9B in 2Q14
- **Gross debt to equity ended at 28.2%**  
Compared to 32.9% in 1Q15  
Compared to 39.7% in 2Q14
- **Utilization rate was 102.1%**  
Compared to 99.7% in 1Q15  
Compared to 94.6% in 2Q14

# Income Statement Highlights

(US\$ thousands)	2Q15	1Q15	QoQ	2Q14	YoY
<b>Total Revenue</b>	<b>546,615</b>	<b>509,798</b>	<b>7.2%</b>	<b>511,344</b>	<b>6.9%</b>
Gross Profit	176,405	149,927	17.7%	143,053	23.3%
<b>Gross Margin</b>	<b>32.3%</b>	<b>29.4%</b>	-	<b>28.0%</b>	-
<b>Operating Expenses</b>	<b>(115,728)</b>	<b>(104,423)</b>	10.8%	<b>(84,861)</b>	36.4%
<i>Research &amp; Development, net</i>	<i>(55,202)</i>	<i>(53,453)</i>	3.3%	<i>(45,080)</i>	22.5%
<i>General &amp; Administrative</i>	<i>(52,051)</i>	<i>(42,486)</i>	22.5%	<i>(35,528)</i>	46.5%
<i>Selling &amp; Marketing</i>	<i>(9,159)</i>	<i>(9,205)</i>	-0.5%	<i>(9,018)</i>	1.6%
<i>Other operating income (expense)</i>	<i>684</i>	<i>721</i>	-5.1%	<i>4,765</i>	-85.6%
<b>Profit from operations</b>	<b>60,677</b>	<b>45,504</b>	<b>33.3%</b>	<b>58,192</b>	<b>4.3%</b>
Other income (expense), net	11,943	6,125	95.0%	(1,105)	-
Income tax benefit (expense)	(924)	(54)	1611.1%	93	-
<b>Profit attributable to SMIC</b>	<b>76,704</b>	<b>55,477</b>	<b>38.3%</b>	<b>56,801</b>	<b>35.0%</b>
Non					

- **Revenue** increased 7.2% QoQ from \$509.8 million in 1Q15 to \$546.6 million in 2Q15 mainly because of an increase of wafer shipments in 2Q15
- **Gross margin** was 32.3% in 2Q15, up from 29.4% in 1Q15, primarily due to an increase in fab utilization in 2Q15.
- **R&D expenses** increased to \$55.2 million in 2Q15, compared to \$53.5 million in 1Q15. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$6.8 million QoQ to \$65.6 million in 2Q15. Funding of R&D contracts from the government was \$10.4 million in 2Q15, compared to \$5.3 million in 1Q15.
- **General and administrative expenses** increased to \$52.1 million in 2Q15, up 22.5% QoQ from \$42.5 million in 1Q15, mainly because of 1) the expansion expenses relating to the two new fab projects the 8-inch fab in Shenzhen and the 12-inch fab in Beijing and 2) accrued employee bonus increased in 2Q15.

# Balance Sheet Highlights

(US\$ thousands)	As of	
	June 30, 2015	March 31, 2015
Cash and cash equivalent	766,165	402,378
Restricted Cash	105,791	229,500
Other financial assets (1)	568,886	586,047
Trade and other receivables	489,675	454,383
Inventories	365,332	340,889
Other Assets	3,869,174	3,527,966
<b>Total Assets</b>	<b>6,165,023</b>	<b>5,541,163</b>
Short-term borrowings	119,727	192,775
Long-term borrowings	85,484	39,087
Convertible bonds	385,947	382,668
Corporate bonds	492,383	491,976
<b>Total Debt</b>	<b>1,083,541</b>	<b>1,106,506</b>
<b>Net Debt (2)</b>	<b>(251,510)</b>	<b>118,081</b>
<b>Total Liabilities</b>	<b>2,318,999</b>	<b>2,176,899</b>
<b>Total Equity</b>	<b>3,846,024</b>	<b>3,364,264</b>
Total Debt/Equity Ratio(3)	28.2%	32.9%
Net Debt/Equity Ratio (4)	N/A (5)	3.5%

(1) Other financial assets contain financial products sold by bank and bank deposit over 3 months

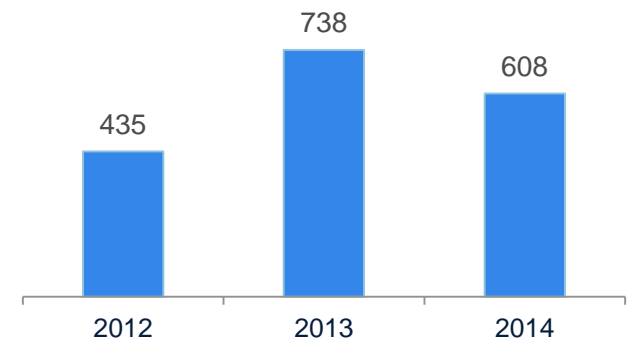
(2) Net debt is total debt minus cash and cash equivalent, and other financial assets

(3) Total debt divided by equity

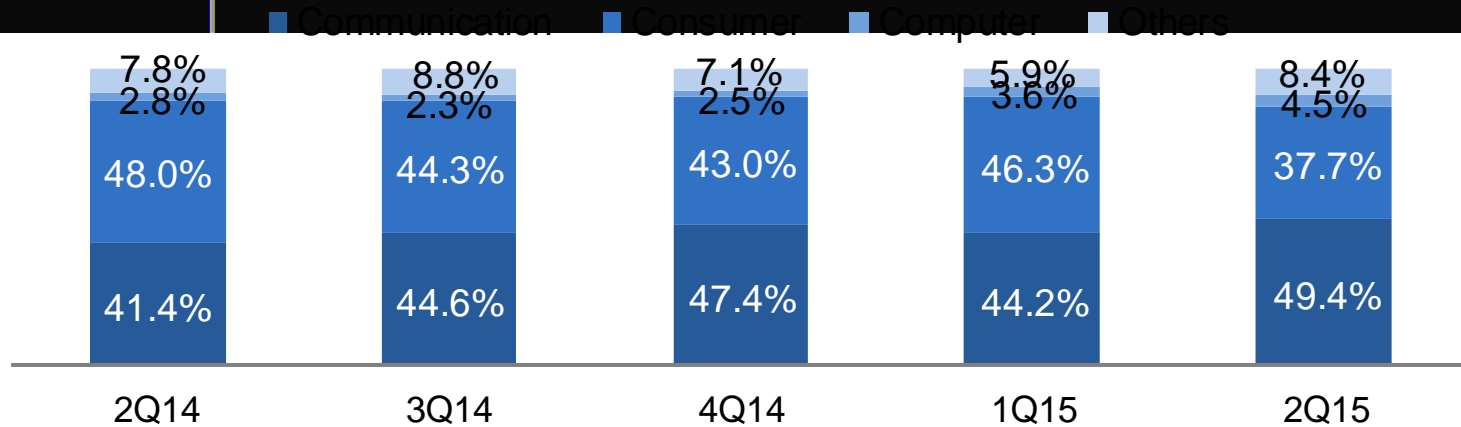
(4) Net debt divided by equity

(5) The ratio was not applicable due to the negative net debt in 2Q15.

# Cash Flow Highlights

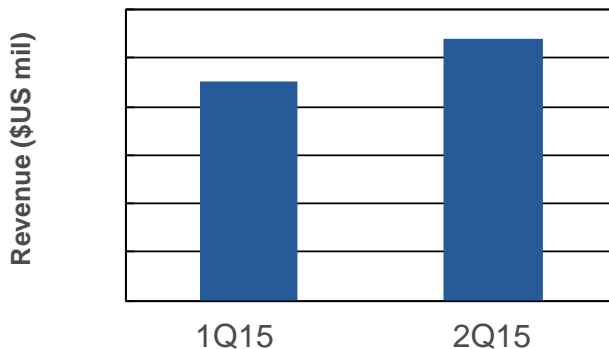


# Total Revenue Breakdown by Applications

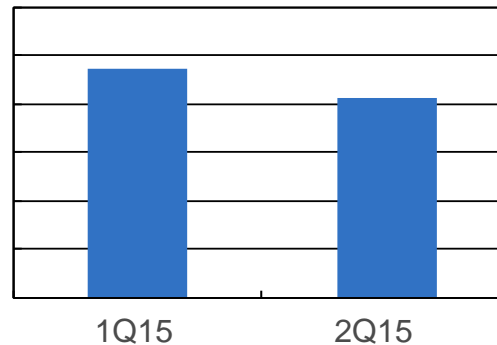


## 2Q 15 vs. 1Q 15

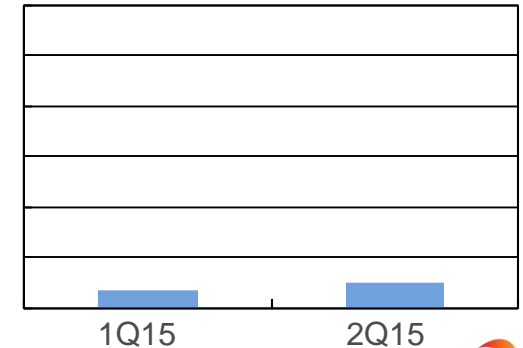
### Communications



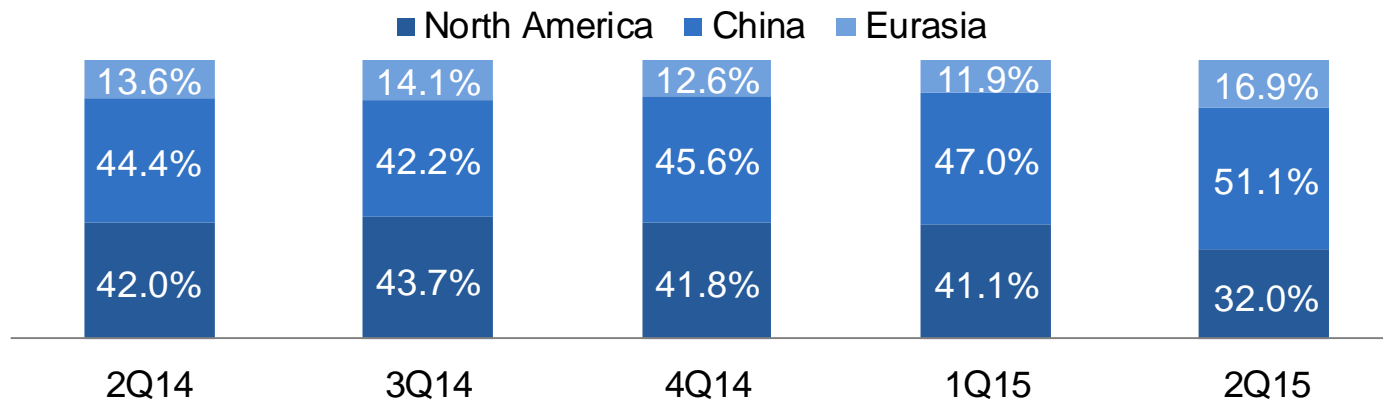
### Consumer



### Computer

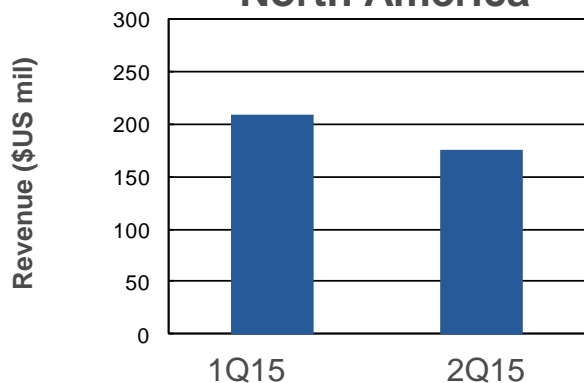


# Total Revenue Breakdown by Geography

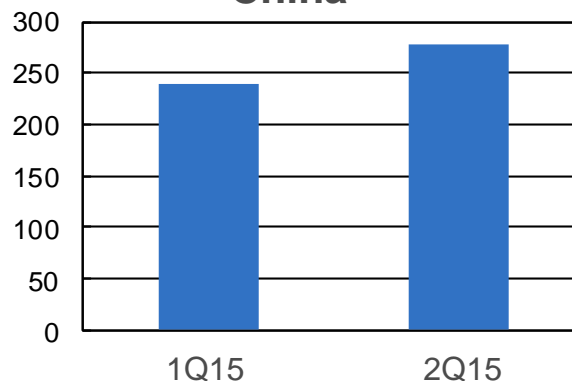


## 2Q 15 vs. 1Q 15

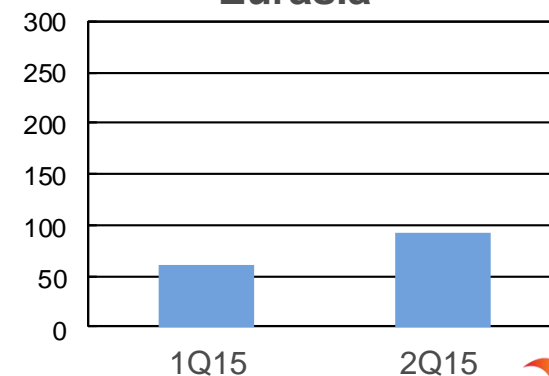
### North America



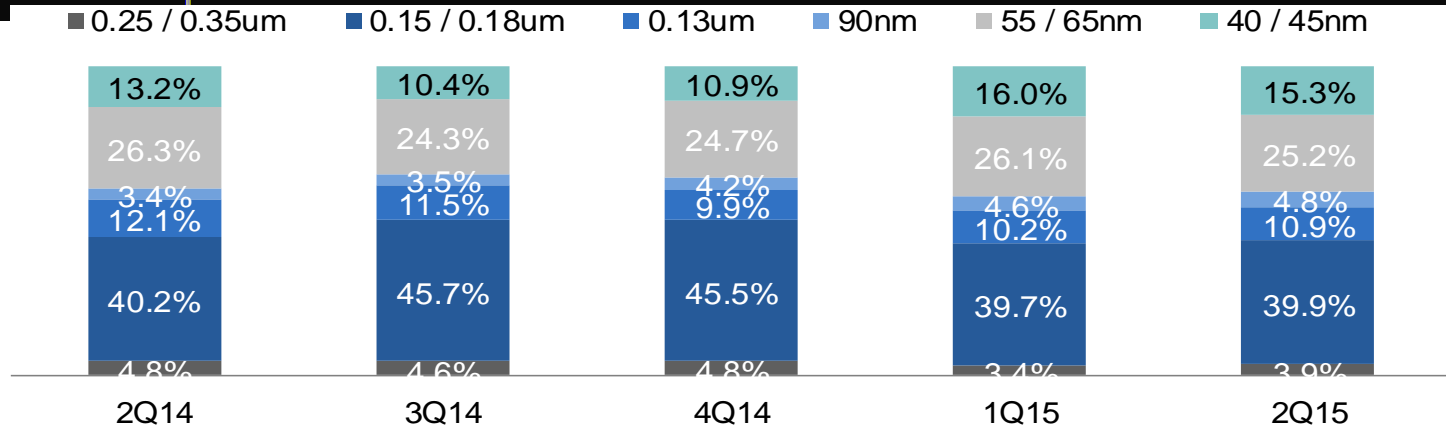
### China



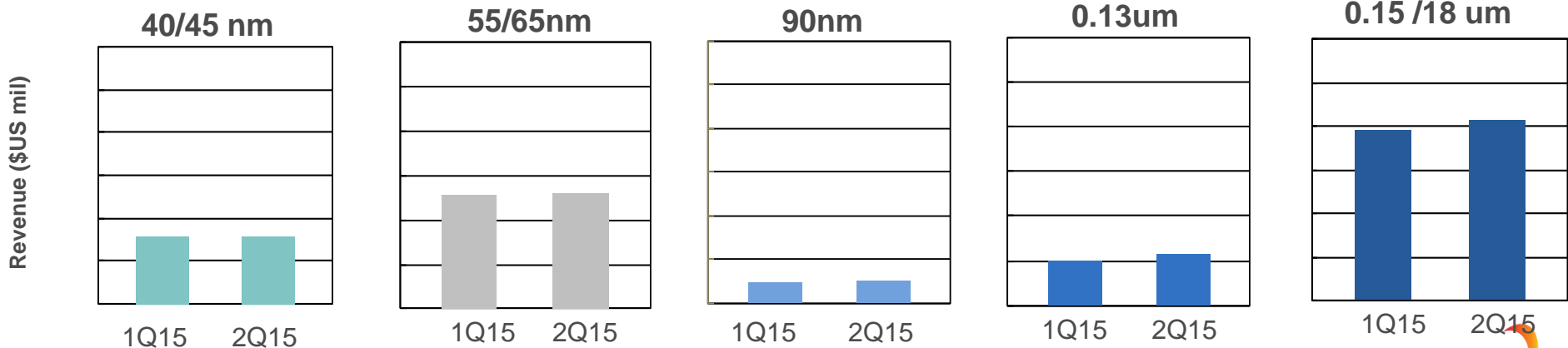
### Eurasia

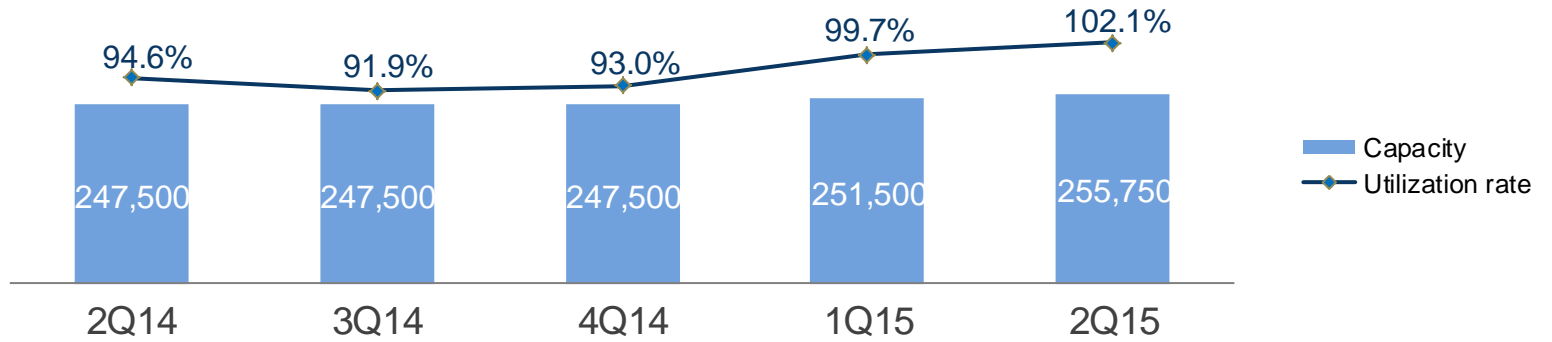


# Wafer Revenue Breakdown by Technology



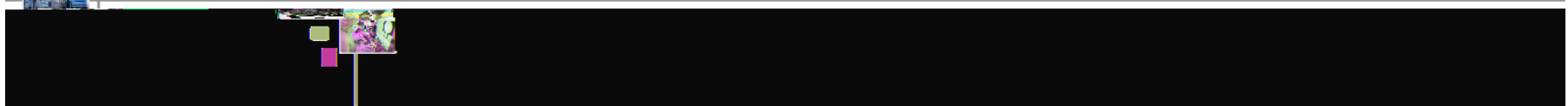
## 2Q 15 vs. 1Q 15





(1) Our new 8-inch fab in Shenzhen and 12-inch fab in Beijing have reached an installed capacity of 10,000 and 600 wafers per month but not entered into mass production at the end of 2Q15.

(2)





# Appendix

# 2Q15 Results Vs Original Guidance

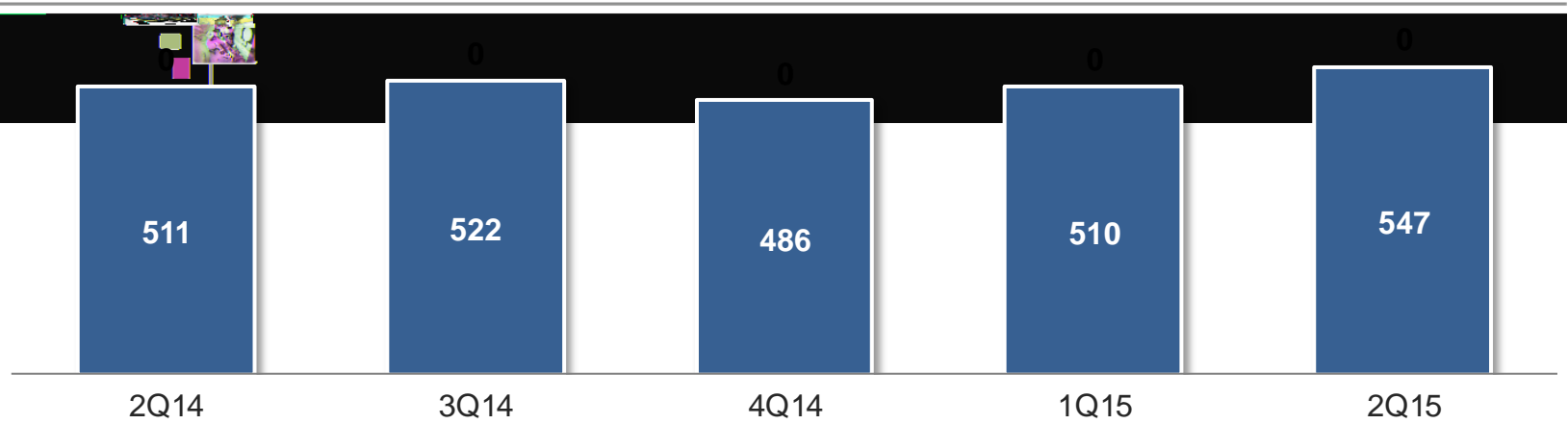
	2Q 2015 Guidance	2Q 2015 Results
Revenue	+2% to +5% QoQ	+7.2% QoQ
Gross Margin	27% to 29%	32.3%
Non-GAAP Operating Expenses <sup>(1)</sup>	\$120 to \$125 million	\$ 110.9 million
Non-controlling interests	\$5 to \$7 million	\$5.0 million

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

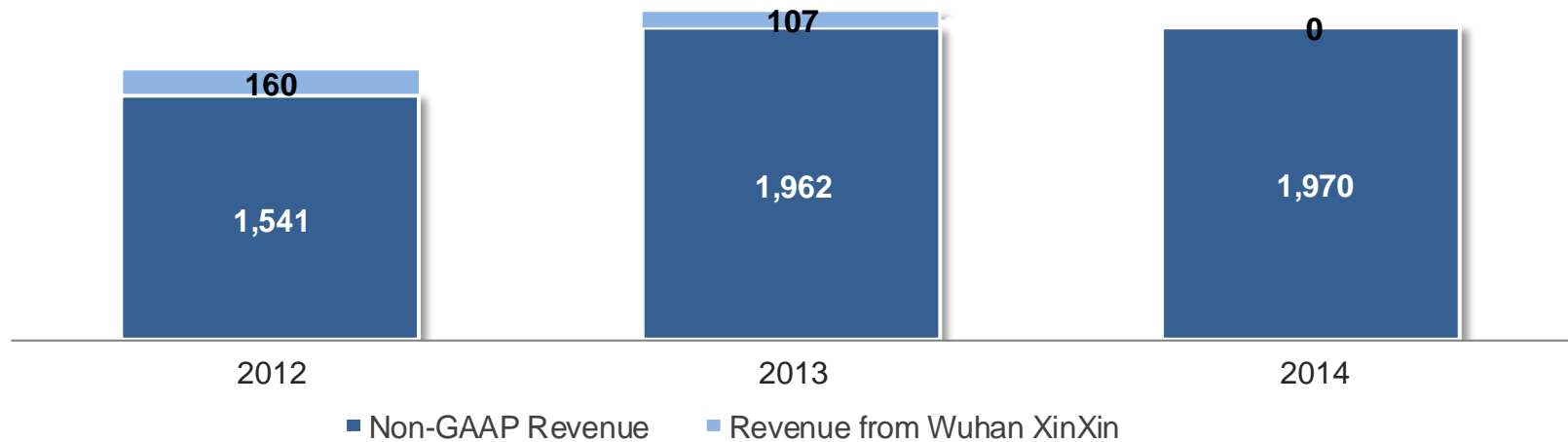
# Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	2Q14	3Q14	4Q14	1Q15	2Q15
<b>Capex</b>	142	282	482	145	368
<b>Depreciation &amp; Amortization</b>	138	139	135	125	125

# 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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