



SMIC Q4 2018 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

Feb 2019

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-

8 4 D 4 -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 cyclicity 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, 2018, 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") from time to time, including current reports on Form 6-K. Other unknown or unpredictable factors also could have material adverse effects on our future results, 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

During this presentation, references to financial measures of SMIC will include references to non-GAAP financial measures, including non-GAAP operating expenses and adjusted EBITDA, and EBITDA margin. For an explanation to the most directly comparable GAAP financial measures, see our earnings release.





2018 Financial Highlights (unaudited)

- **Revenue was \$3.36 billion, a record high**
Compared to \$3.10 billion in 2017
8.3% growth YoY
- **Gross margin was 22.2%**
Compared to 23.9% in 2017
- **Profit attributable to SMIC was \$134 million**
Compared to \$180 million in 2017
- **EBITDA was \$1.16 billion, a record high**
Compared to \$1.12 billion in 2017
- **Revenue from China-based customers was 59.1% of overall revenue, an all time high**
Compared to 47.3% in 2017



4Q18 Financial Highlights

- **Revenue was \$788 million**
Down 7.4% QoQ, compared to \$851 million in 3Q18
Flat YoY, compared to \$787 million in 4Q17
- **Gross margin was 17.0%**
Compared to 20.5% in 3Q18
Compared to 18.9% in 4Q17
- **Profit attributable to SMIC was \$27 million**
Compared to \$27 million in 3Q18
Compared to \$48 million in 4Q17
- **\$3.8 billion cash on hand, including financial assets**
Compared to \$3.0 billion in 3Q18
Compared to \$2.5 billion in 4Q17



- **Revenue** decreased by 7.4% QoQ

Balance Sheet Highlights

(US\$ thousands)	As of	
	Dec 31, 2018	Sept 30, 2018
Cash and cash equivalent	1,786,420	822,619
Restricted Cash-current	592,290	586,086
Restricted Cash-non current	-	8,468
Financial assets at fair value through profit or loss-current (1)	41,685	47,945
Financial assets at amortized cost (2)	1,996,808	2,082,233
Trade and other receivables	837,828	926,317
Inventories	593,009	697,964
Assets classified as held-for-sales	270,807	12,912
Other Assets	8,305,473	8,183,153
Total Assets	14,424,320	13,367,697
Short-term borrowings	530,005	728,097
Long-term borrowings	1,760,763	1,465,548
Medium-term notes	218,247	217,554
Convertible bonds	418,592	414,706
Corporate bonds	498,551	498,075
Total Debt	3,426,158	3,323,980
Net Debt (3)	(398,755)	371,183
Total Liabilities	5,500,740	5,398,281
Total Equity	8,923,580	7,969,416
Total Debt/Equity Ratio (4)	38.4%	41.7%
Net debt/Equity Ratio (5)	-4.5%	4.7%

1. Financial assets at fair value through profit or loss current mainly contains financial products sold by bank.
2. Financial assets at amortized cost mainly contains bank deposits over 3 months.
3. Net debt is total debt minus cash and cash equivalent, financial assets at fair value through profit or loss and financial assets at amortized cost.
4. Total debt divided by equity
5. Net debt divided by equity.

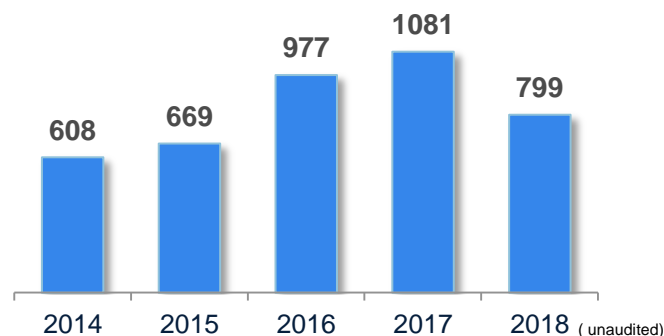
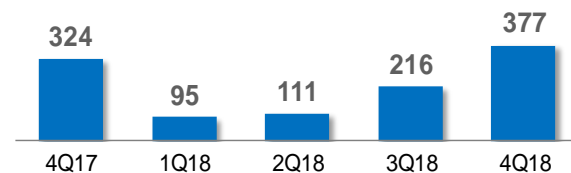
Cash Flow Highlights

(US\$ thousands)

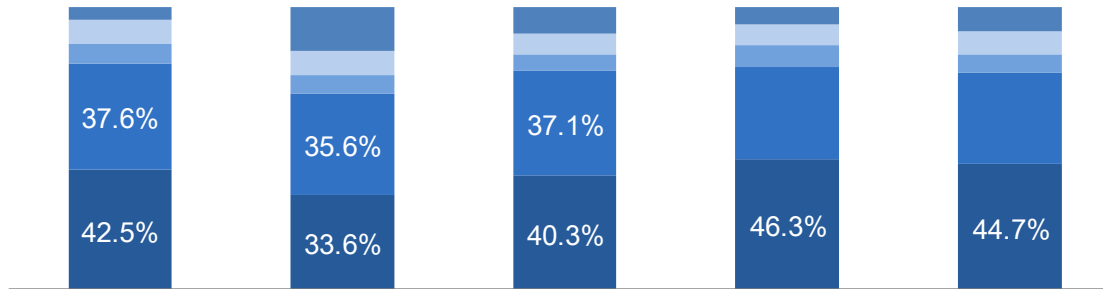
For the three months ended

	Dec 31, 2018	Sept 30, 2018
Cash and cash equivalent, beginning of period	822,619	1,414,260
Net cash from operating activities	377,486	216,487
Net cash used in investing activities	(499,552)	(1,086,068)
Net cash from (used in) financing activities	1,100,194	308,802
Net increase (decrease) in cash and cash equivalent	963,801	(591,641)
Cash and cash equivalent, end of period	1,786,420	822,619

Cash Flow from Operations (US\$ millions)

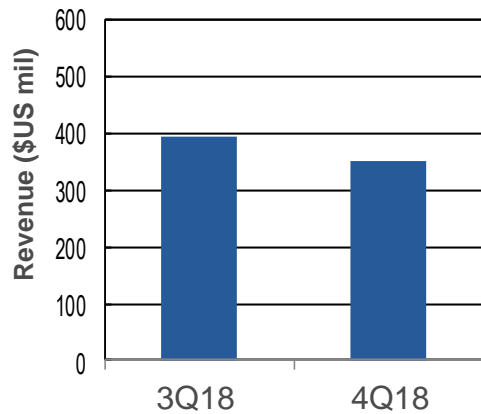


Total Revenue Breakdown by Applications

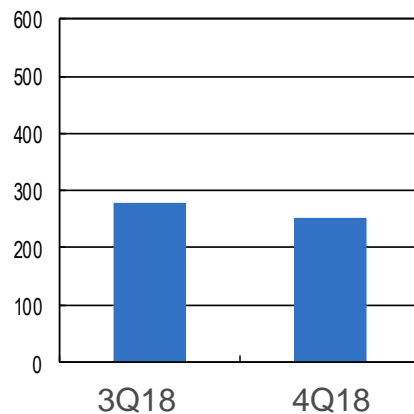


4Q18 vs. 3Q18

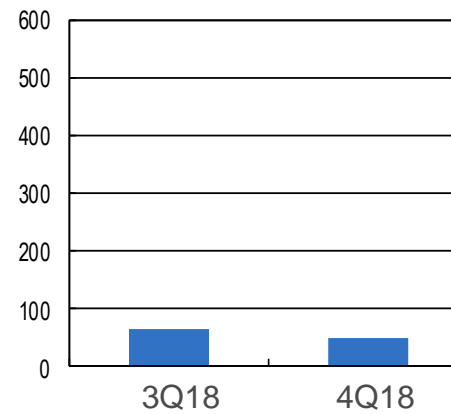
Communications



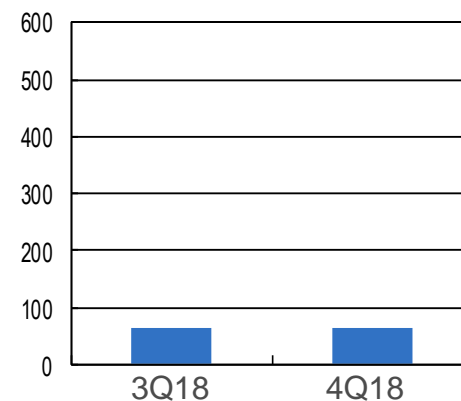
Consumer



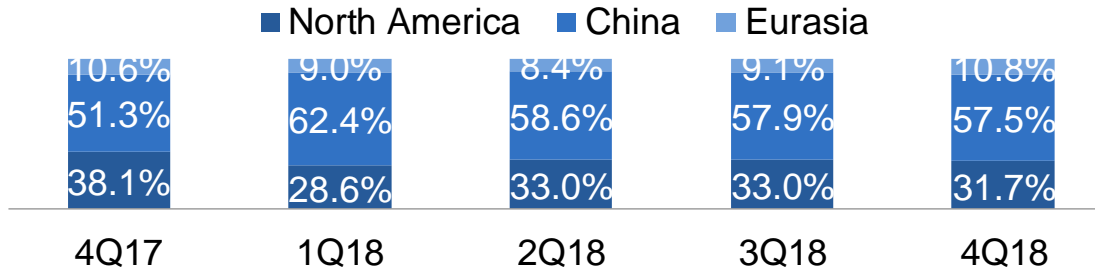
Computer



Auto/Industrial

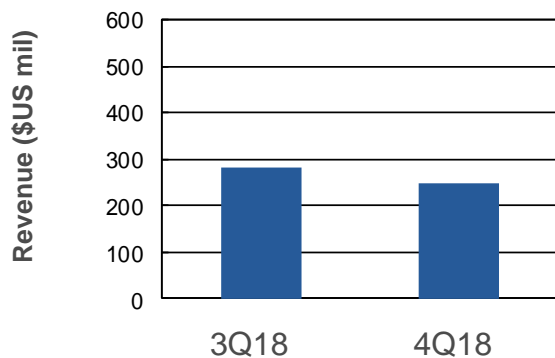


Total Revenue Breakdown by Geography

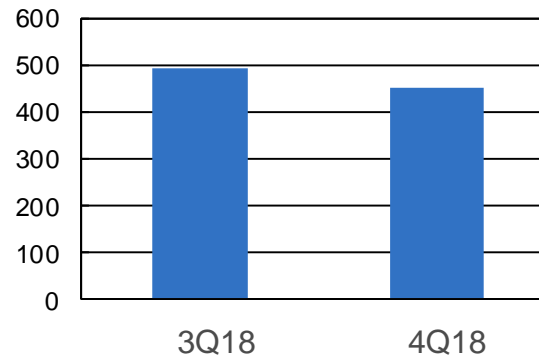


4Q18 vs. 3Q18

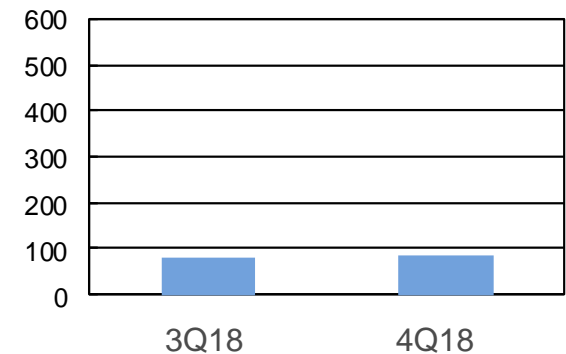
North America (1)



China

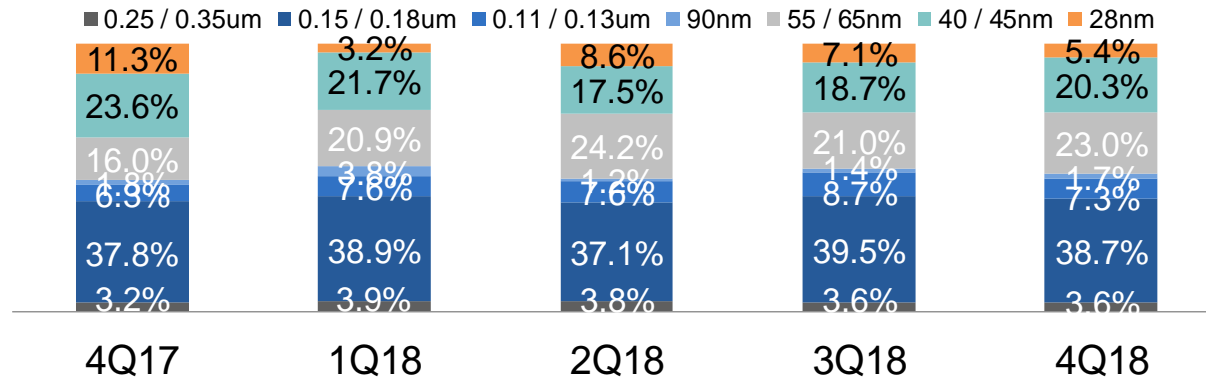


Eurasia



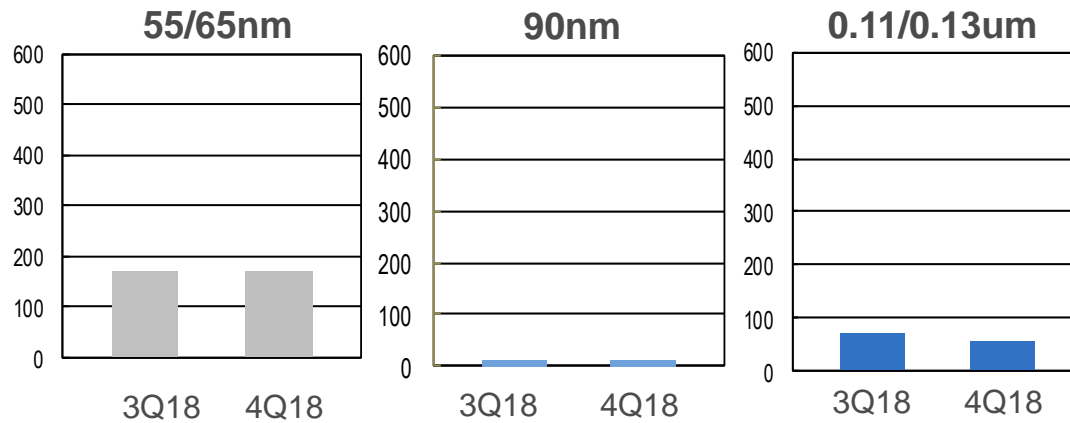
(1) Presenting the Revenue to those companies whose headquarters are in the United States, but ultimately selling and shipping the products to their global customers.

Wafer Revenue Breakdown by Technology



4Q 18 vs. 3Q 18

45nm and below



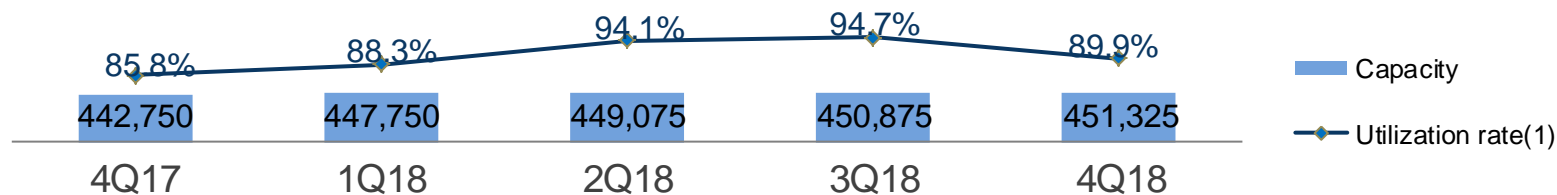
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3Q18 4Q18



Capacity, Utilization and Shipment

Monthly Capacity
(8-inch equivalent wafers)

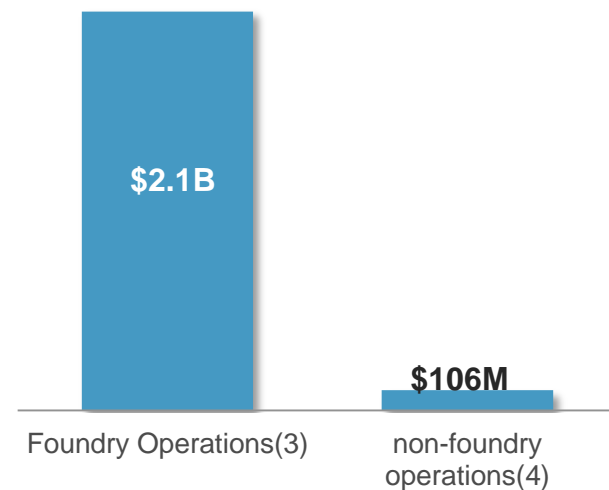


	4Q17	1Q18	2Q18	3Q18	4Q18
Shanghai 200mm Fab	109,000	109,000	108,000	106,000	109,000
Shanghai 300mm Fab	17,000	17,000	17,000	15,000	10,000
Beijing 300mm Fab	46,000	46,000	43,000	42,000	42,000
Tianjin 200mm Fab	50,000	50,000	50,000	53,000	60,000
Shenzhen 200mmFab	30,000	35,000	35,000	40,300	42,000
Shenzhen 300mmFab	3,000	3,000	3,000	3,000	3,000
Majority-Owned Beijing 300mm Fab	29,000	29,000	32,000	33,000	33,000
Majority-Owned Avezzano 200mm Fab	40,000	40,000	42,325	42,325	42,325
Monthly Capacity (8-inch equivalent wafers)	442,750	447,750	449,075	450,875	451,325
Wafer Shipments	1,124,821	1,083,630	1,258,336	1,315,007	1,217,690

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



	1Q 2019 Guidance
Revenue	-18% to -16% QoQ \$646 to \$662 million
Gross Margin	20% to 22%
Non-GAAP Operating Expenses ⁽¹⁾	\$250 to \$255 million
Non-controlling interests ⁽²⁾	\$10 to \$12 million

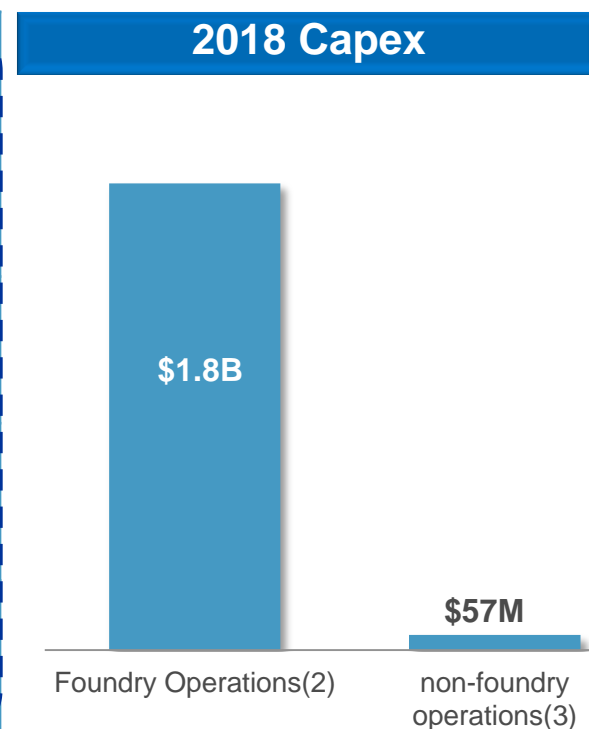




Appendix

Results Vs Original Guidance

	4Q 2018 Guidance	4Q 2018 Results
Revenue	-7% to -9% QoQ \$773 to \$789 million	-7.4% QoQ \$788 million
Gross Margin	15% to 17%	17.0%
Non-GAAP Operating Expenses (1)	\$226 to \$230 million	\$ 243 million
Non-controlling interests	\$20 to \$22 million	\$16 million



- (1) Exclude the effect of employee bonus accrual, government funding, impairment loss of tangible and intangible assets, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters.
- (2) The 2018 capital expenditures for foundry operations were \$1,756.3 million, of which \$429.3 million, \$382.7 million and \$269.8 million were spent for the expansion of capacity in our majority-owned Beijing 300mm fab, Tianjin 200mm fab and majority-owned Shanghai 300mm fab, and \$331.0 million was used for R&D equipment.
- (3) The 2018 capital expenditures for non-quarters. &

Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	4Q17	1Q18	2Q18	3Q18	4Q18
Capex	499	322	559	528	405
Depreciation & Amortization	252	269	268	259	253



Thank you

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