



SMIC Q1 2016 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

May 2016



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Under the Private Securities Litigation Reform Act of 1995

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1Q16 Financial Highlights

- **Revenue was \$634.3 million, a record high**
 - Compared to \$610.1 million in 4Q15
 - Compared to \$509.8 million in 1Q15

- **Gross margin was 24.2%**
 - Compared to 28.5% in 4Q15
 - Compared to 29.4% in 1Q15

- **Profit from operations was \$66.1 million**
 - Compared to \$41.6 million in 4Q15
 - Compared to \$45.5 million in 1Q15

- **Profit attributable to SMIC was \$61.4 million**
 - Compared to \$38.6 million in 4Q15
 - Compared to \$55.5 million in 1Q15
 - Sixteenth consecutive profitable quarter

- **The overall UTR was 98.8%**

Income Statement Highlights

| (US\$ thousands) | 1Q16 | 4Q15 | QoQ | 1Q15 | YoY |
|---|-----------------|------------------|---------------|------------------|---------------|
| Total Revenue | 634,312 | 610,148 | 4.0% | 509,798 | 24.4% |
| Gross Profit | 153,752 | 173,937 | -11.6% | 149,927 | 2.6% |
| Gross Margin | 24.2% | 28.5% | - | 29.4% | - |
| Operating Expenses | (87,616) | (132,340) | -33.8% | (104,423) | -16.1% |
| <i>Research & Development, net</i> | <i>(53,498)</i> | <i>(66,121)</i> | <i>-19.1%</i> | <i>(53,453)</i> | <i>0.1%</i> |
| <i>General & Administrative</i> | <i>(27,492)</i> | <i>(67,253)</i> | <i>-59.1%</i> | <i>(42,486)</i> | <i>-35.3%</i> |
| <i>Selling & Marketing</i> | <i>(9,710)</i> | <i>(12,358)</i> | <i>-21.4%</i> | <i>(9,205)</i> | <i>5.5%</i> |
| <i>Other operating income (expense)</i> | <i>3,084</i> | <i>13,392</i> | <i>-77.0%</i> | <i>721</i> | <i>327.7%</i> |
| Profit from operations | 66,136 | 41,597 | 59.0% | 45,504 | 45.3% |
| Other income (expense), net | (13,636) | (5,749) | 137.2% | 6,125 | - |
| Income tax benefit (expense) | (738) | (5,770) | -87.2% | (54) | 1266.7% |
| Profit attributable to SMIC | 61,418 | 38,604 | 59.1% | 55,477 | 10.7% |
| Non-controlling Interests | (9,656) | (8,526) | 13.3% | (3,902) | 147.5% |
| Earnings per ADS (Basic) | 0.07 | 0.05 | - | 0.08 | - |

- **Revenue** increased by 4.0% QoQ from \$610.1 million in 4Q15 to \$634.3 million in 1Q16 mainly due to an increase of wafer shipments in 1Q16.
- **Gross margin** was 24.2% in 1Q16, as compared to 28.5% in 4Q15. The decline in gross margin was primarily due to 1) increased manufacturing costs from our majority-owned fab in Beijing which entered into mass production in December 2015 and 2) the impact of a temporary power supply suspension occurred at our fabs in Beijing in February 2016.
- **R&D expenses** decreased by \$12.6 million QoQ to \$53.5 million in 1Q16, compared to \$66.1 million in 4Q15. Excluding the funding of R&D contracts from the government, R&D expenses decreased by \$13.7 million QoQ to \$61.5 million in 1Q16. The change was mainly due to lower number of R&D activities in 1Q16. Funding of R&D contracts from the government was \$8.0 million in 1Q16, compared to \$9.1 million in 4Q15.
- **General and administrative expenses** decreased to \$27.5 million in 1Q16, down 59.1% QoQ from \$67.3 million in 4Q15, mainly due to 1) a decrease of accrued employee bonus in 1Q16 and 2) our majority-owned fab in Beijing entered into mass production in December 2015 and as a result, the pre-operating related expenses largely decreased in 1Q16, as compared to 4Q15.



Balance Sheet Highlights

| (US\$ thousands) | As of | |
|-------------------------------------|------------------|------------------|
| | Mar 31, 2016 | Dec 31, 2015 |
| Cash and cash equivalent | 1,034,955 | 1,005,201 |
| Restricted Cash | 232,995 | 302,416 |
| Other financial assets (1) | 107,167 | 282,880 |
| Trade and other receivables | 581,994 | 499,846 |
| Inventories | 386,180 | 387,326 |
| Assets classified as held-for-sales | 69,854 | 72,197 |
| Other Assets | 5,186,938 | 4,565,481 |
| Total Assets | 7,600,084 | 6,075,347 |
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Cash Flow Highlights

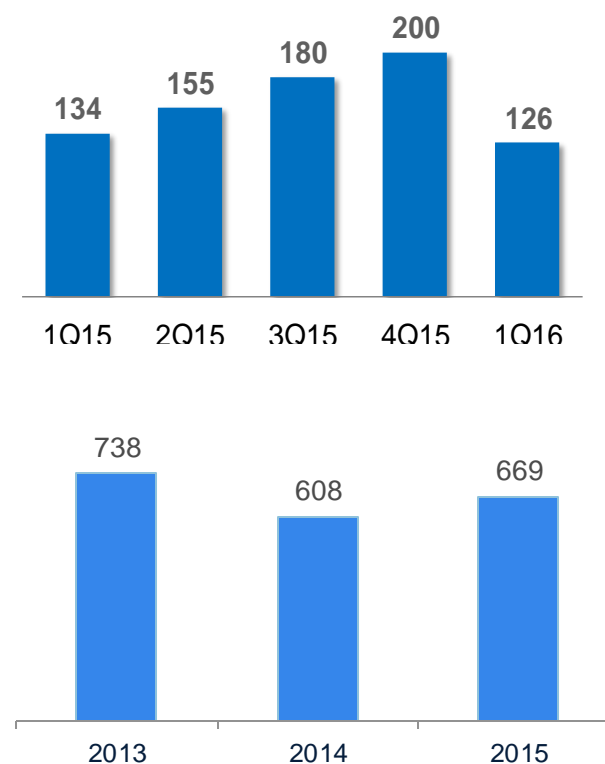
(US\$ thousands)

For the three months ended

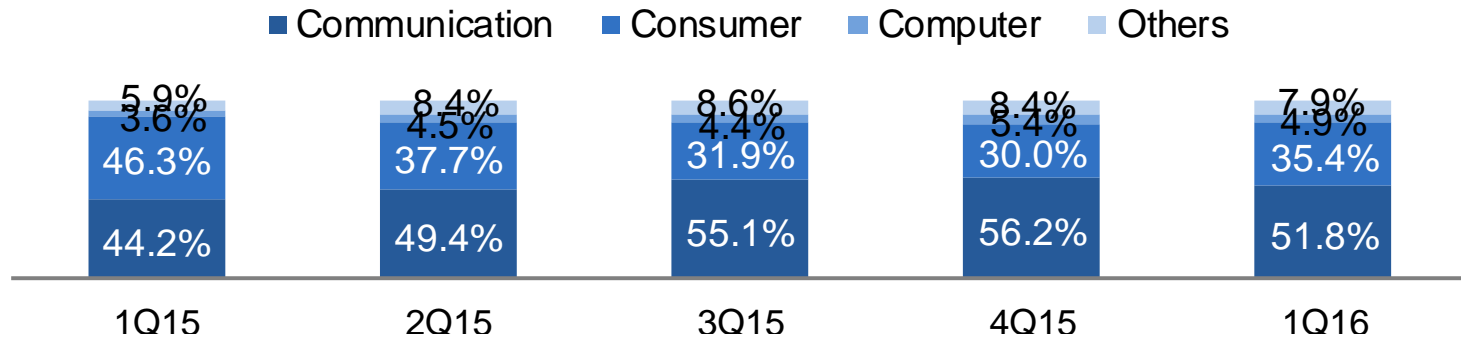
| | Mar 31, 2016 | Dec 31, 2015 |
|---|------------------|------------------|
| Cash and cash equivalent, beginning of period | 1,005,201 | 741,576 |
| Net cash from operating activities | 126,390 | 200,175 |
| Net cash used in investing activities | (415,901) | (282,376) |
| Net cash from (used in) financing activities | 323,374 | 352,382 |
| Net increase (decrease) in cash and cash equivalent | 29,754 | 263,625 |
| Cash and cash equivalent, end of period | 1,034,955 | 1,005,201 |

Cash Flow from Operations

US\$ Million

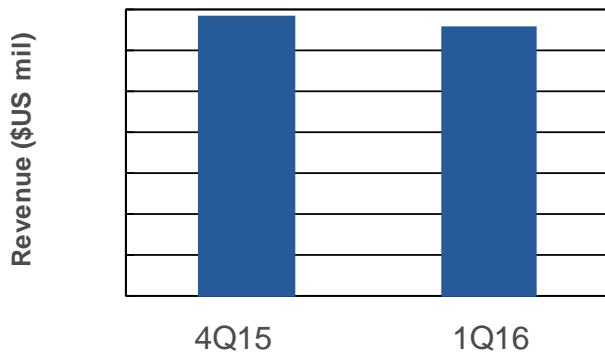


Total Revenue Breakdown by Applications

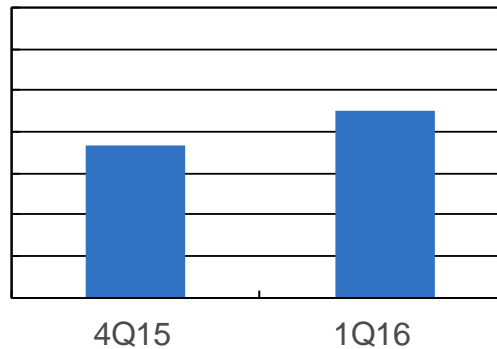


1Q 16 vs. 4Q 15

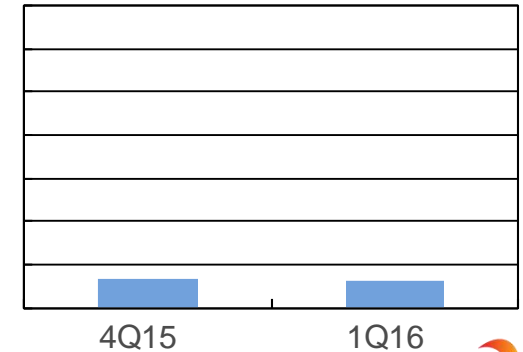
Communications



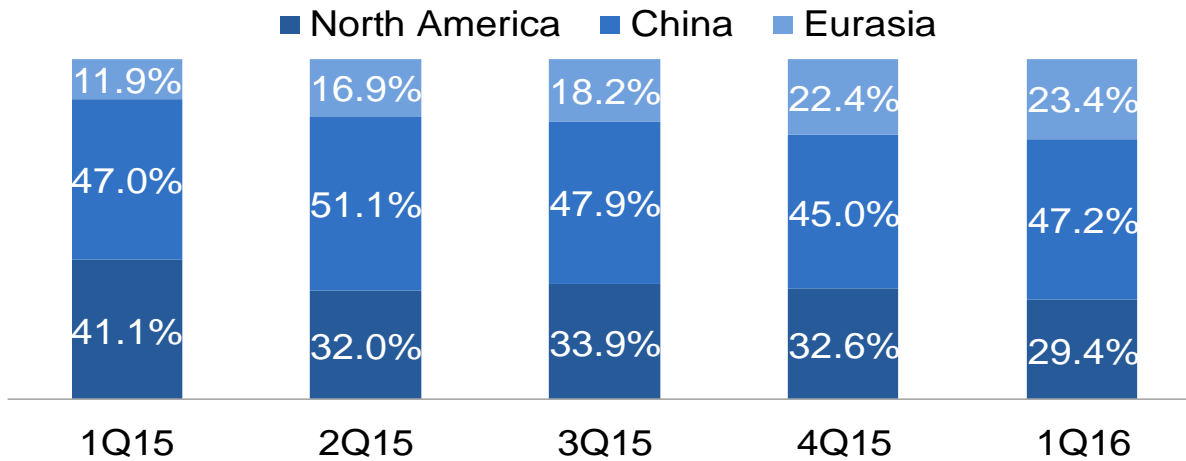
Consumer



Computer

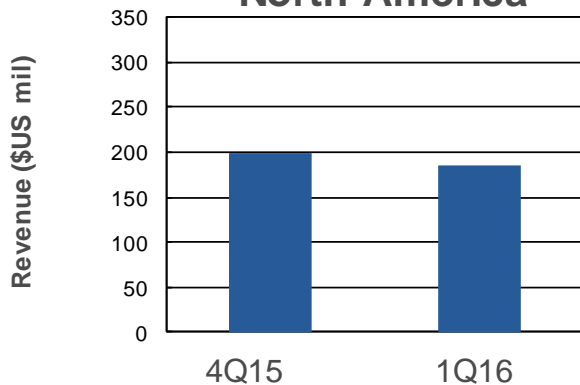


Total Revenue Breakdown by Geography

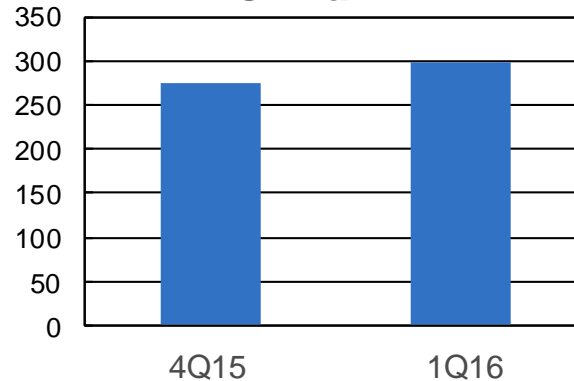


1Q 16 vs. 4Q 15

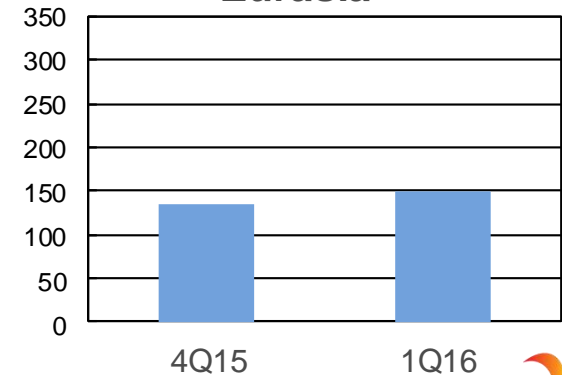
North America



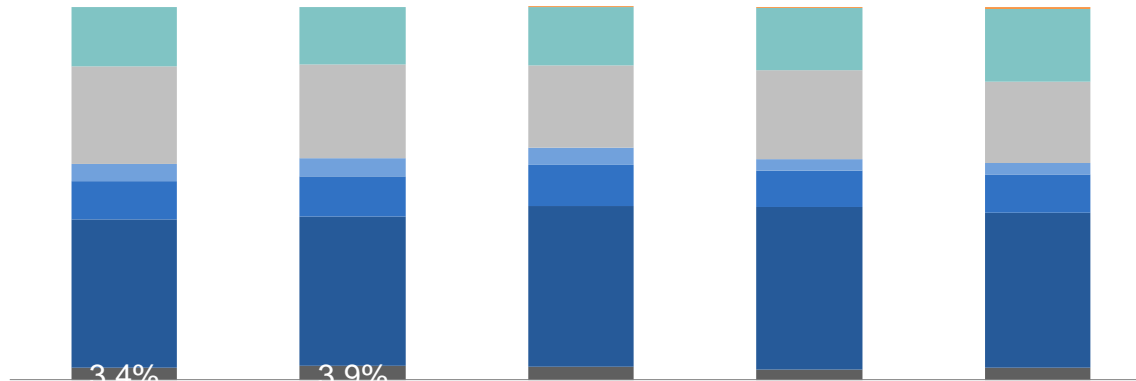
China



Eurasia

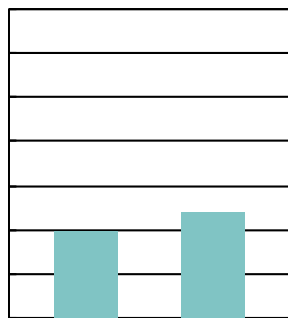


Wafer Revenue Breakdown by Technology



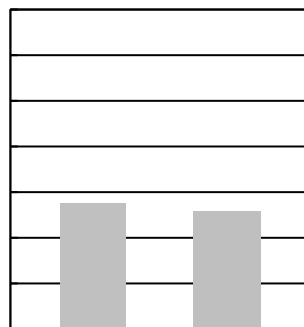
1Q 16 vs. 4Q 15

45nm and below



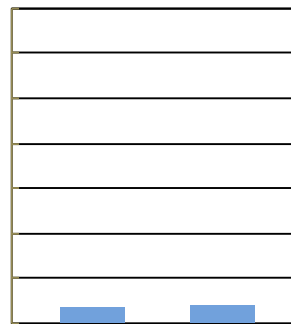
4Q15 1Q16

55/65nm



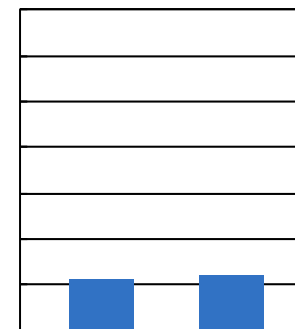
4Q15 1Q16

90nm



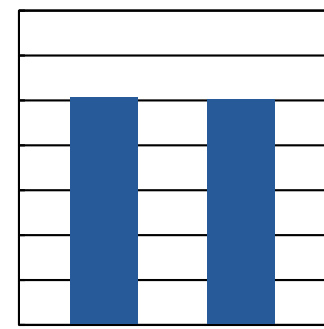
4Q15 1Q16

0.11/0.13um



4Q15 1Q16

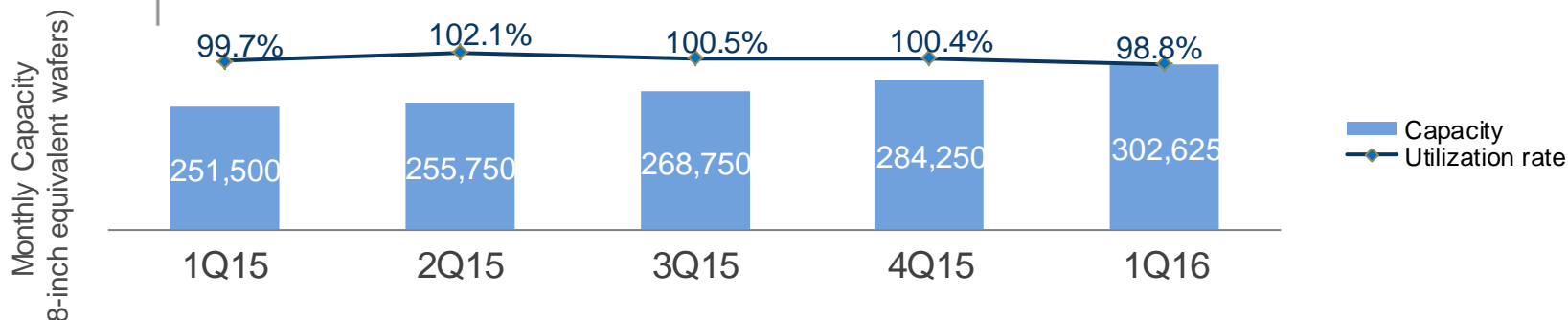
0.15/18 um



4Q15 1Q16



Capacity, Utilization and Shipment



| | 1Q15 | 2Q15 | 3Q15 | 4Q15 | 1Q16 |
|--|----------------|----------------|----------------|----------------|----------------|
| Shanghai Mega Fab (8") | 97,000 | 99,000 | 100,000 | 100,000 | 101,000 |
| Shanghai 12-inch Fab (12") | 14,000 | 14,000 | 14,000 | 14,000 | 15,500 |
| Beijing Mega Fab (12") | 36,000 | 37,000 | 37,000 | 37,000 | 37,000 |
| Tianjin Fab (8") | 42,000 | 42,000 | 43,000 | 43,000 | 42,000 |
| Shenzhen Fab (8") | | | 11,000 | 13,000 | 19,000 |
| Beijing Majority-Owned Fab (12") ⁽¹⁾ | | | | 6,000 | 10,000 |
| Monthly Capacity (8-inch equivalent wafers) | 251,500 | 255,750 | 268,750 | 284,250 | 302,625 |
| Wafer Shipments | 692,131 | 731,730 | 771,201 | 820,904 | 868,309 |
| Utilization Rate ⁽²⁾ | 99.7% | 102.1% | 100.5% | 100.4% | 98.8% |

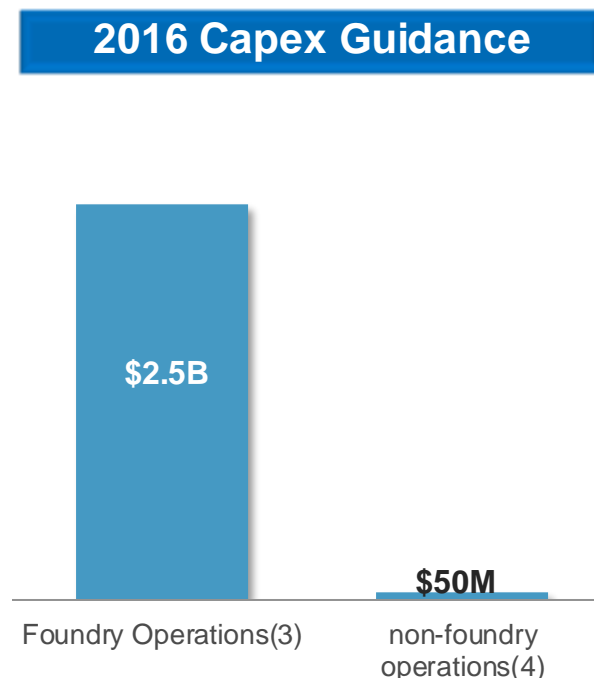
(1) Our Beijing majority-owned 12-inch fab entered into mass production in 4Q15

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



2Q 2016 Guidance and 2016 Capex Guidance

| | 2Q 2016 Guidance |
|--|--|
| Revenue | +3% to +7% QoQ \$653 to \$679 million |
| Gross Margin | 25% to 27% |
| Non-GAAP Operating Expenses (1) | \$115 to \$120 million |
| Non-controlling interests ⁽²⁾ | \$9 to \$11 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 \$9 million to positive \$11 million (losses to be borne by non-controlling interests).
- (3) The planned 2016 capital expenditures for foundry operations are up from approximately \$2.1 billion to approximately \$2.5 billion, which are mainly for 1) the expansion of capacity in our majority-owned 12-inch fab in Beijing, 8-inch fab in Shenzhen, 12-inch fab in Shanghai and a new majority-owned 12-inch joint venture fab with bumping services in Jiangyin, 2) a new majority-owned joint venture company, which will focus on research and development on 14nm logic technology, and 3) research and development equipment, mask shops and intellectual property acquisition.
- (4) The planned 2016 capital expenditures for non-foundry operations are approximately \$50 million, mainly for the construction of living quarters.



Appendix



| | 1Q 2016 Guidance | 1Q 2016 Results |
|---|---------------------|--------------------|
| Revenue | +1% to +3% QoQ | +4.0% QoQ |
| 20168 (en 439 0.753 rg50.375 399.21 153 47.792 r29.294 g0.294 G1(R)-16(e)-24(v)6 (e5131.32 0.753 rg | | |
| | | |
| | | |



Capital Expenditures & Depreciation

(US\$ millions)



Thank you

Contact us: ir@smics.com