



SMIC Q1 2019 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

May 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 and Section 27A of the U.S. Securities Act of 1933 and Section 21E of the U.S. Securities Exchange Act of 1934. These forward-looking statements 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.

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-Chief Executive Officers are based on SMIC's

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1Q19 Financial Highlights

- **Revenue was \$669 million**

 - Down 15.1% QoQ, compared to \$788 million in 4Q18

 - Down 19.5% YoY, compared to \$831 million in 1Q18

 - Down 7.5% YoY, compared to \$723 million in 1Q18, excluding Licensing Revenue

- **Gross margin was 18.2%**

 - Compared to 17.0% in 4Q18

 - Compared to 26.5% in 1Q18

 - Compared to 15.6% in 1Q18, excluding Licensing Revenue

- **Profit attributable to SMIC was \$12 million**

 - Compared to \$27 million in 4Q18

 - Compared to \$29 million in 1Q18

- **\$3.9 billion cash on hand, including financial assets**

 - Compared to \$3.8 billion in 4Q18

 - Compared to \$2.3 billion in 1Q18

Income Statement Highlights

(US\$ thousands)	1Q19	4Q18	QoQ	1Q18	YoY
Total Revenue	668,899	787,565	-15.1%	831,044	-19.5%
Gross Profit	122,070	134,125	-9.0%	220,176	-44.6%
Gross Margin	18.2%	17.0%	-		

- **Revenue** was \$668.9 million in 1Q19, compared to \$787.6 million in 4Q18. Revenue decreased in 1Q19 mainly due to a decrease of wafer shipment and product-mix change in 1Q19.
- **Gross margin** was 18.2% in 1Q19, compared to 17.0% in 4Q18.
- **R&D expenses**, net decreased by \$57.8 million QoQ to \$77.2 million in 1Q19, compared to \$135.0 million in 4Q18. Excluding the funding of R&D contracts from the government, R&D expenses decreased by \$34.8 million QoQ to \$150.3 million in 1Q19. The change was mainly due to less R&D activities in 1Q19. Funding of R&D contracts from the government was \$73.1 million in 1Q19, compared to \$50.1 million in 4Q18.



Balance Sheet Highlights

(US\$ thousands)	As of	
	Mar 31, 2019	Dec 31, 2018
Cash and cash equivalent	1,370,041	1,786,420
Restricted Cash	685,598	592,290
Financial assets at fair value through profit or loss-current (1)	46,951	41,685
Financial assets at amortized cost (2)	2,510,503	1,996,808
Trade and other receivables	739,882	837,828
Inventories	661,633	593,009
Assets classified as held-for-sales	267,264	270,807
Other Assets	8,818,993	8,305,473
Total Assets	15,100,865	14,424,320
Short-term borrowings	416,311	530,005
Long-term borrowings	1,907,211	1,760,763
Medium-term notes	444,454	218,247
Convertible bonds	422,479	418,592
Corporate bonds	499,027	498,551
Total Debt	3,689,482	3,426,158
Net Debt (3)	(238,013)	(398,755)
Total Liabilities	6,153,190	5,500,740
Total Equity	8,947,675	8,923,580
Total Debt/Equity Ratio (4)	41.2%	38.4%
Net debt/Equity Ratio (5)	-2.7%	-4.5%

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.

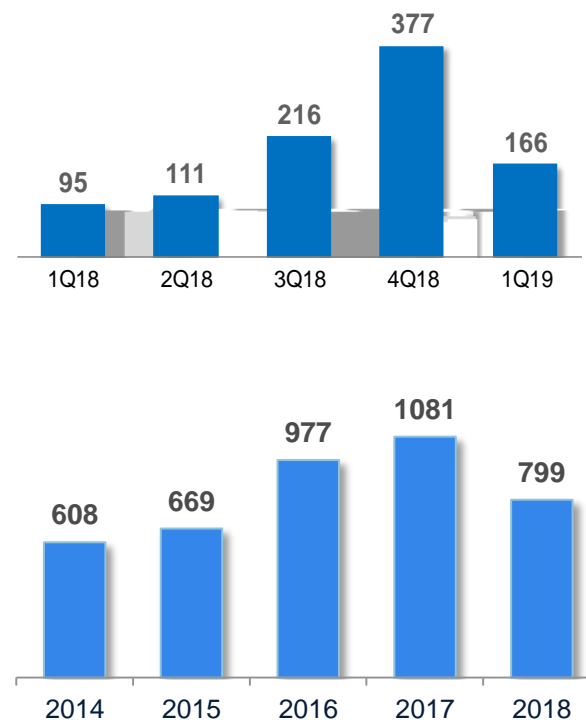
Cash Flow Highlights

(US\$ thousands)

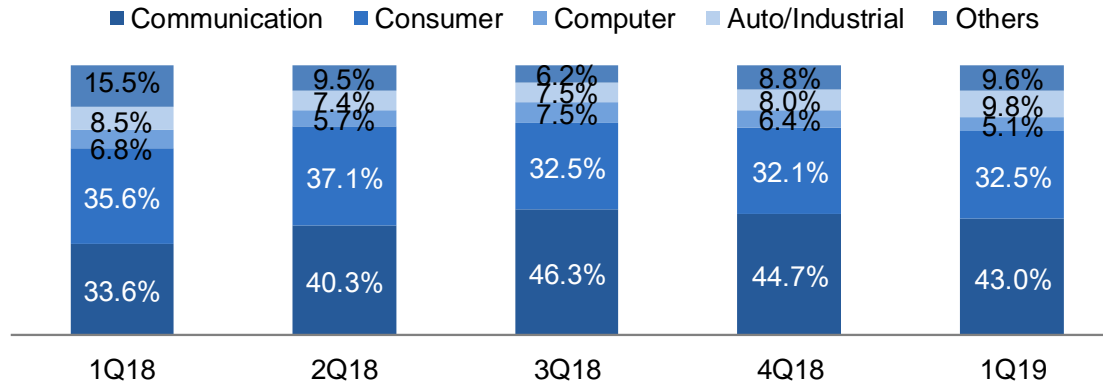
For the three months ended

	Mar 31, 2019	Dec 31, 2018
Cash and cash equivalent, beginning of period	1,786,420	822,619
Net cash from operating activities	166,103	377,486
Net cash used in investing activities	(816,708)	(499,552)
Net cash from (used in) financing activities	216,590	1,100,194
Net increase (decrease) in cash and cash equivalent	(416,379)	963,801
Cash and cash equivalent, end of period	1,370,041	1,786,420

Cash Flow from Operations (US\$ millions)

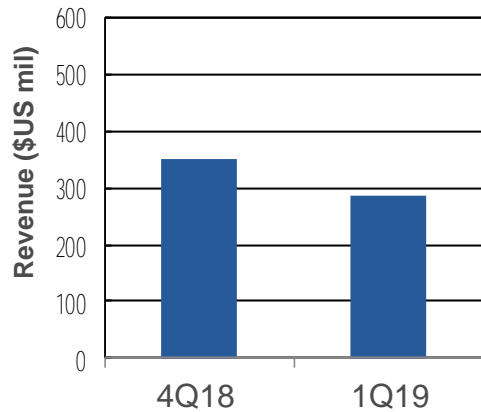


Total Revenue Breakdown by Applications

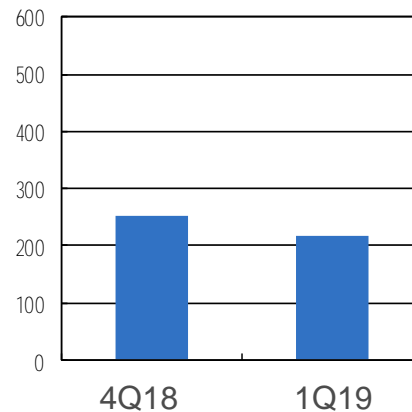


1Q19 vs. 4Q18

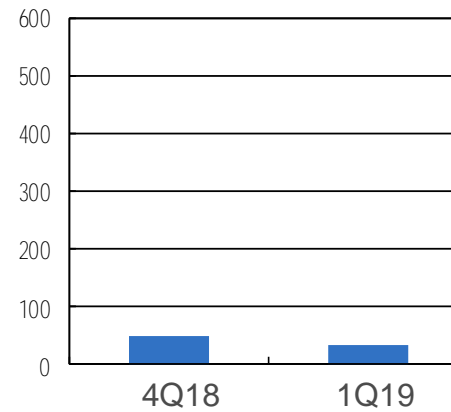
Communications



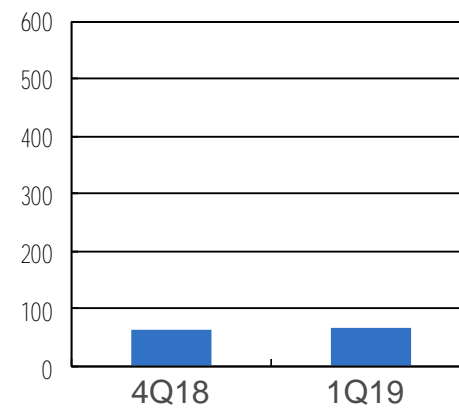
Consumer



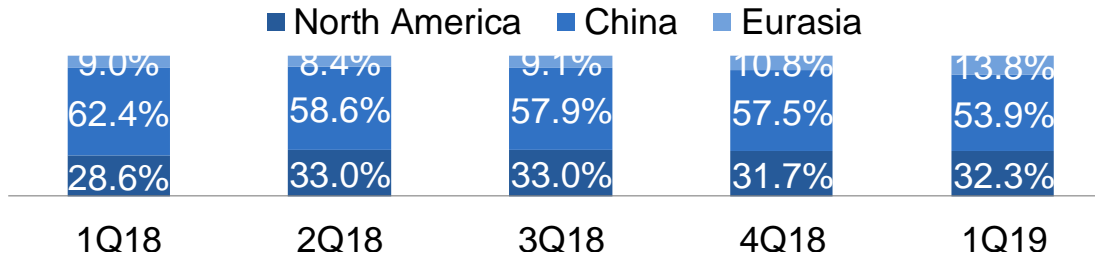
Computer



Auto/Industrial

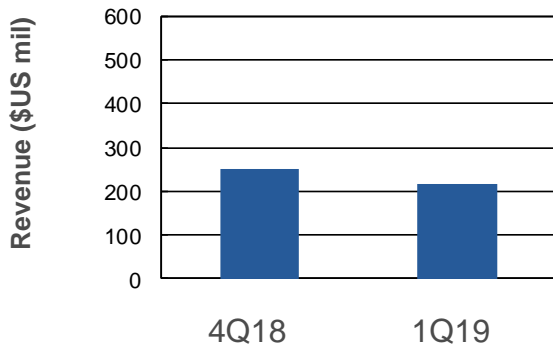


Total Revenue Breakdown by Geography

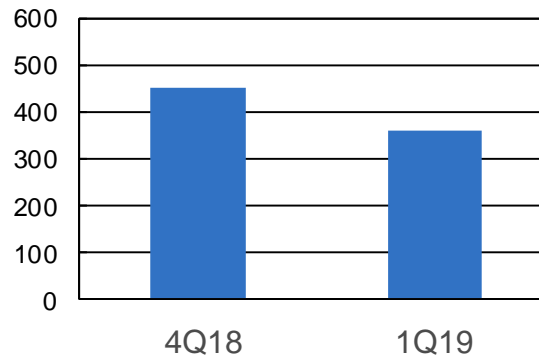


1Q19 vs. 4Q18

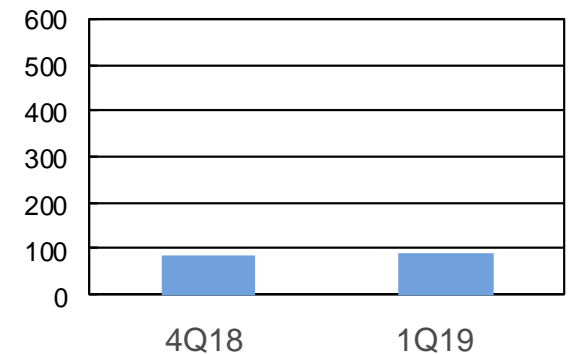
North America (1)



China



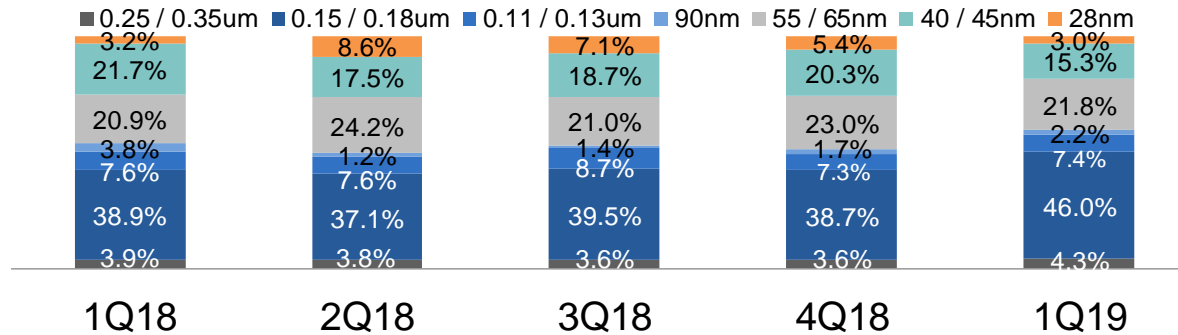
Eurasia



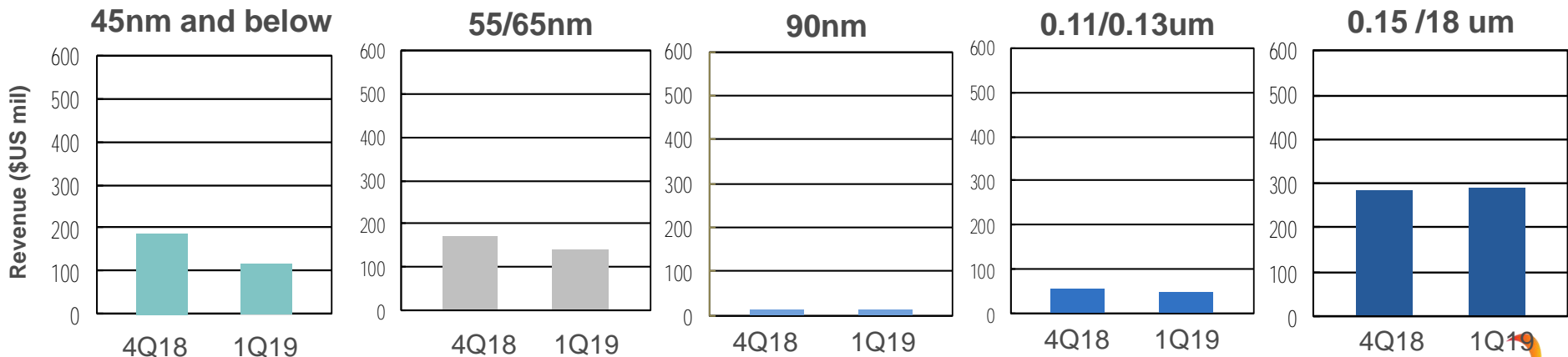
(1) Presenting the Revenue to those companies whose headquarters are in the United States, but ultimately selling and shipping the products to their global customers.



Wafer Revenue Breakdown by Technology

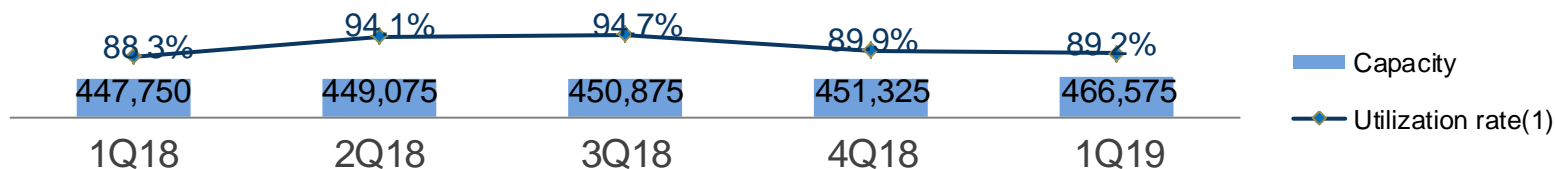


1Q 19 vs. 4Q 18



Capacity, Utilization and Shipment

Monthly Capacity
(8-inch equivalent wafers)



	1Q18	2Q18	3Q18	4Q18	1Q19
Shanghai 200mm Fab	109,000	108,000	106,000	109,000	112,000
Shanghai 300mm Fab	17,000	17,000	15,000	10,000	10,000
Beijing 300mm Fab	46,000	43,000	42,000	42,000	47,000
Tianjin 200mm Fab	50,000	50,000	53,000	60,000	58,000
Shenzhen 200mm Fab	35,000	35,000	40,300	42,000	45,000
Shenzhen 300mm Fab	3,000	3,000	3,000	3,000	3,000
Majority-Owned Beijing 300mm Fab	29,000	32,000	33,000	33,000	33,000
Majority-Owned Avezzano 200mm Fab	40,000	42,325	42,325	42,325	42,325
Monthly Capacity (8-inch equivalent wafers)	447,750	449,075	450,875	451,325	466,575
Wafer Shipments	1,083,630	1,258,336	1,315,007	1,217,690	1,089,502

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

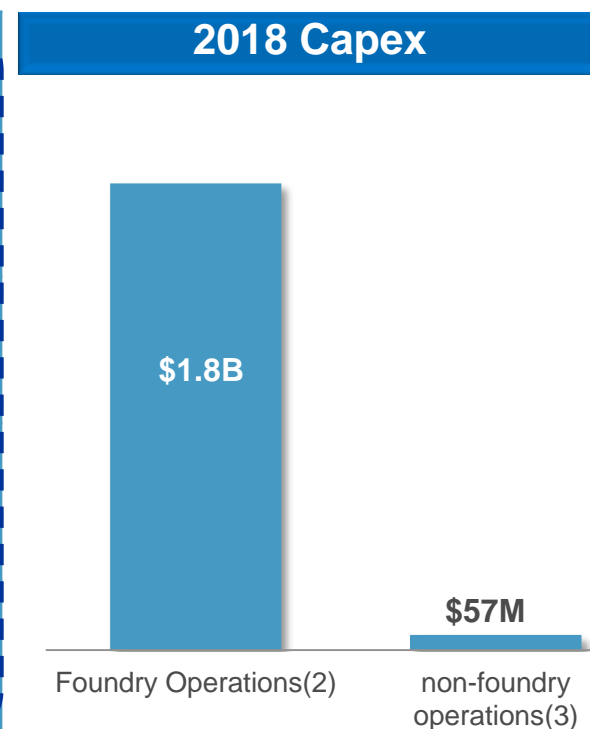




Appendix

Results Vs Original Guidance

	1Q 2019 Guidance	1Q 2019 Results
Revenue	-18% to -16% QoQ \$646 to \$662 million	-15.1% QoQ \$669 million
Gross Margin	20% to 22%	18.2%
Non-GAAP Operating Expenses (1)	\$250 to \$255 million	\$ 202 million
Non-controlling interests	\$10 to \$12 million	-\$12 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>	1Q18	2Q18	3Q18	4Q18	1Q19
Capex	322	559	528	405	443
Depreciation & Amortization	269	268	259	253	278



Thank you

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