



Semiconductor Manufacturing International Corporation

SMIC Q1 2015 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

May 2015



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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-looking statements, including statements under “2Q 2015 Guidance”, and “2015 Capex Guidance” are based on SMIC’s current assumptions, expectations and projections about future events. SMIC uses words like “believe,” “plan,” “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 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 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 and financial stability in end markets.

Investors should consider the information contained in SMIC’s filings with the U.S. Securities and Exchange Commission (SEC), including its annual report on 20-F filed with the SEC on April 28, 2015, especially the consolidated financial statements, and such other documents that SMIC 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 SMIC’s 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-Generally Accepted Accounting Principles (“Non-GAAP”) Financial Measures

To supplement SMIC’s consolidated financial results presented in accordance with IFRS, SMIC uses in this presentation non-GAAP measures of operating results that are adjusted to exclude wafer shipments from Wuhan Xinxin Semiconductor Manufacturing Corporation (“Wuhan Xinxin”), which SMIC began gradually phasing out in 3Q13. There were no wafer shipments from Wuhan Xinxin from 1Q14 onwards. This presentation includes 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 second 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-GAAP financial measures facilitates investors’ and management’s comparisons to SMIC’s historical performance. The Group’s management regularly uses these non-GAAP financial measures to understand, manage and evaluate the Group’s business and make financial and operational decisions.



1Q15 Financial Highlights

- **Revenue was \$509.8M**
 - Compared to \$485.9 million in 4Q14
 - Compared to \$451.1 million in 1Q14

- **Gross margin was 29.4%, the highest since 1Q04**
 - Compared to 22.5% in 4Q14
 - Compared to 21.3% in 1Q14

- **Profit attributable to SMIC was \$55.5M**
 - Compared to \$28.4M in 4Q14
 - Compared to \$20.3M in 1Q14
 - Profit excluding gain from disposal of living quarters was \$55.3 million, a record high
 - Twelfth consecutive profitable quarter

- **Revenue from China-based customers increased to 47.0% of overall revenue, an all time high**
 - Compared to 45.6% in 4Q14
 - Compared to 40.6% in 1Q14



1Q15 Financial Highlights

- **\$1.0B cash on hand, including other financial assets**
 - Compared to \$1.2B in 4Q14
 - Compared to \$0.6B in 1Q14
- **Gross debt to equity ended at 32.9%**
 - Compared to 39.0% in 4Q14
 - Compared to 38.5% in 1Q14
- **Net debt to equity ended at 3.5%**
 - Compared to 1.3% in 4Q14
 - Compared to 15.0% in 1Q14

Income Statement Highlights

(US\$ thousands)	1Q15	4Q14	QoQ	1Q14	YoY
Total Revenue	509,798	485,893	4.9%	451,083	13.0%
Gross Profit	149,927	109,339	37.1%	96,118	56.0%
Gross Margin	29.4%	22.5%	-	21.3%	-
Operating Expenses	(104,423)	(107,691)	-3.0%	(66,533)	56.9%
<i>Research & Development, net</i>	<i>(53,453)</i>	<i>(53,113)</i>	<i>0.6%</i>	<i>(36,653)</i>	<i>45.8%</i>
<i>General & Administrative</i>	<i>(42,486)</i>	<i>(46,039)</i>	<i>-7.7%</i>	<i>(23,193)</i>	<i>83.2%</i>
<i>Selling & Marketing</i>	<i>(9,205)</i>	<i>(9,436)</i>	<i>-2.4%</i>	<i>(9,708)</i>	<i>-5.2%</i>
<i>Other operating income (expense)</i>	<i>721</i>	<i>897</i>	<i>-19.6%</i>	<i>3,021</i>	<i>-76.1%</i>
Profit from operations	45,504	1,648	2,661.2%	29,585	53.8%
Other income (expense), net	6,125	10,259	-40.3%	(9,189)	-
Income tax benefit (expense)	(54)	(10,446)	-99.5%	(1,454)	-96.3%
Profit attributable to SMIC	55,477	28,387	95.4%	20,261	173.8%
Non-controlling Interests	(3,902)	(26,926)	-85.5%	(1,319)	195.8%
Earnings per ADS (Basic)	0.08	0.04	-	0.03	-

- **Revenue** increased 4.9% QoQ from \$485.9 million in 4Q14 to \$509.8 million in 1Q15 mainly because wafer shipments increased in 1Q15 due to an increase of demand for 65nm and 40nm.
- **Cost of sales** was \$359.9 million in 1Q15, down 4.4% QoQ from \$376.6 million in 4Q14, which was mainly due to the decrease of depreciation, as some equipment had been fully depreciated.
- **Gross margin** was 29.4% in 1Q15, up from 22.5% in 4Q14. The change was mainly due to 1) an increase in fab utilization and 2) a decrease of depreciation within the cost of sales in 1Q15..
- The change in **income tax benefit (expense)** was mainly due to the land value-added tax incurred in 4Q14..
- The change in **non-controlling interests** was mainly because part of the Group's R&D expenses was re-charged to Semiconductor Manufacturing North China (Beijing) Corporation ("SMNC", the Company's majority owned subsidiary in Beijing) in 4Q14.

Balance Sheet Highlights

(US\$ thousands)	As of	
	March 31, 2015	Dec 31, 2014
Cash and cash equivalent	402,378	603,036
Restricted Cash	229,500	238,051
Other financial assets (1)	586,047	644,071
Trade and other receivables	454,383	456,388
Inventories	340,889	316,041
Other Assets	3,527,966	3,511,792
Total Assets	5,541,163	5,769,379
Short-term borrowings	192,775	162,054
Long-term borrowings	39,087	256,200
Convertible bonds	382,668	379,394
Corporate bonds	491,976	491,579
Total Debt	1,106,506	1,289,227
Net Debt (2)	118,081	42,120
Total Liabilities	2,176,899	2,461,657
Total Equity	3,364,264	3,307,722
Total Debt/Equity Ratio(3)	32.9%	39.0%
Net Debt/Equity Ratio (4)	3.5%	1.3%

(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



Cash Flow Highlights

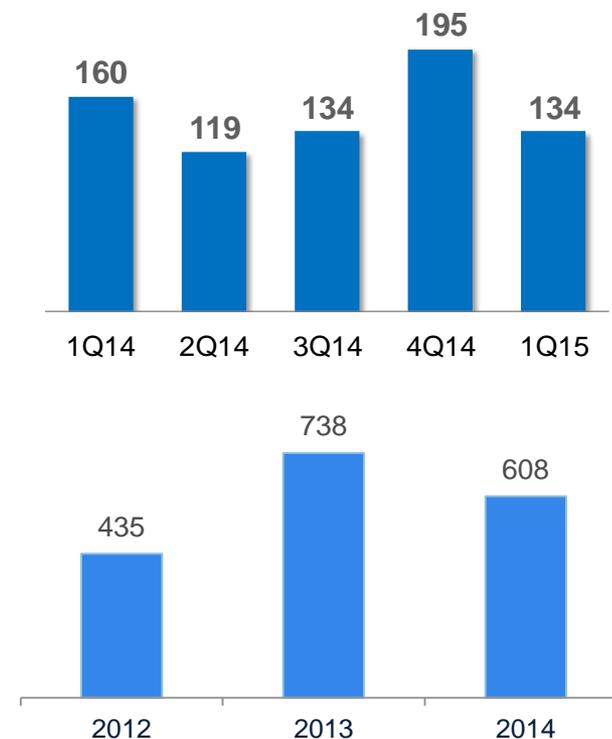
(US\$ thousands)

For the three months ended

	March 31, 2015	Dec 31, 2014
Cash and cash equivalent, beginning of period	603,036	362,239
Net cash from operating activities	134,273	195,218
Net cash used in investing activities	(148,888)	(644,783)
Net cash from (used in) financing activities	(185,819)	690,163
Net increase (decrease) in cash and cash equivalent	(200,658)	240,797
Cash and cash equivalent, end of period	402,378	603,036

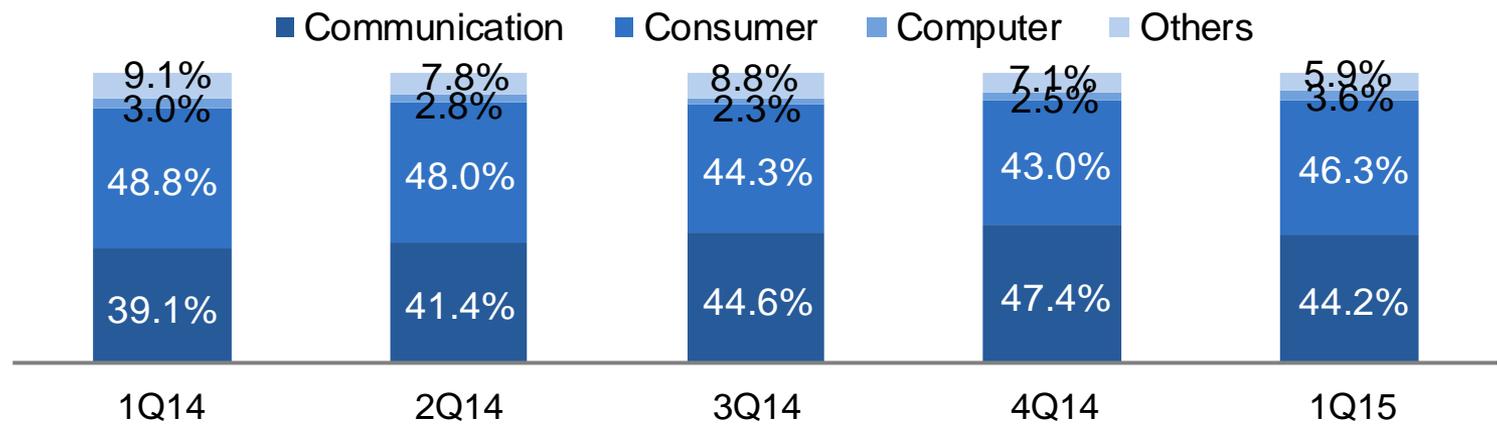
Cash Flow from Operations

US\$ Million



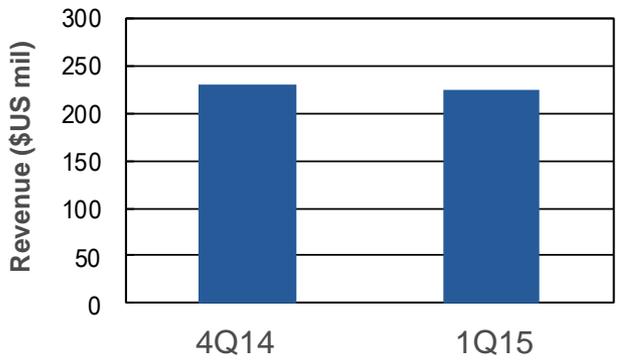


Total Revenue Breakdown by Applications

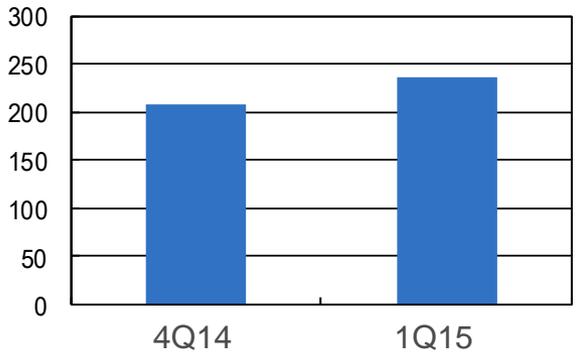


1Q 15 vs. 4Q 14

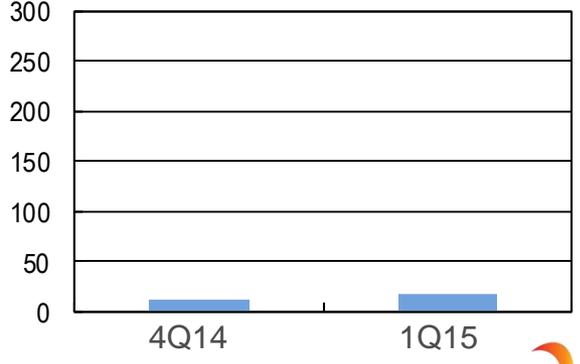
Communications



Consumer

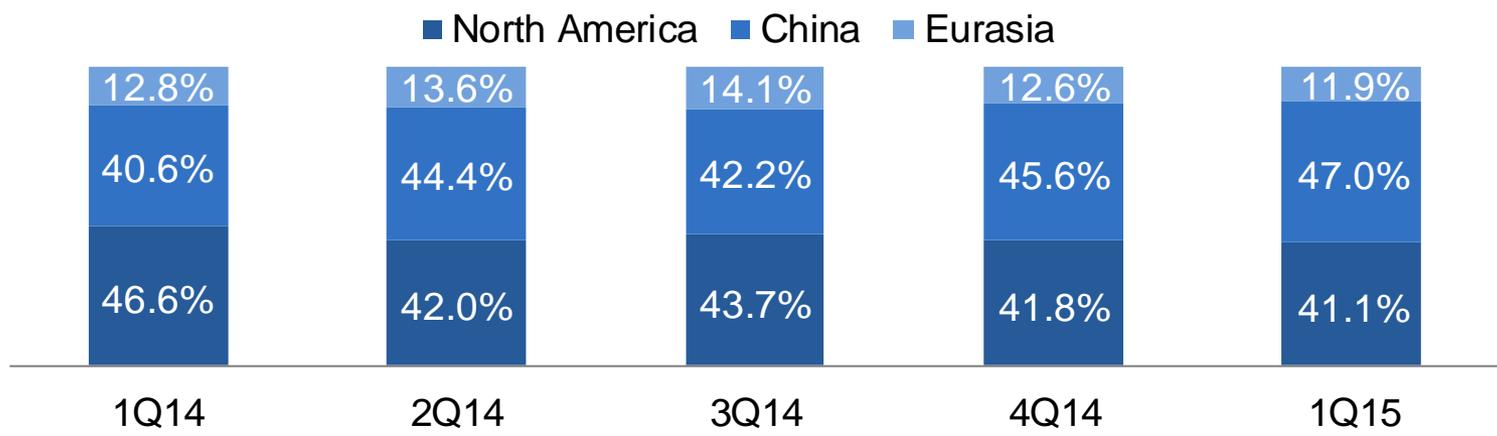


Computer

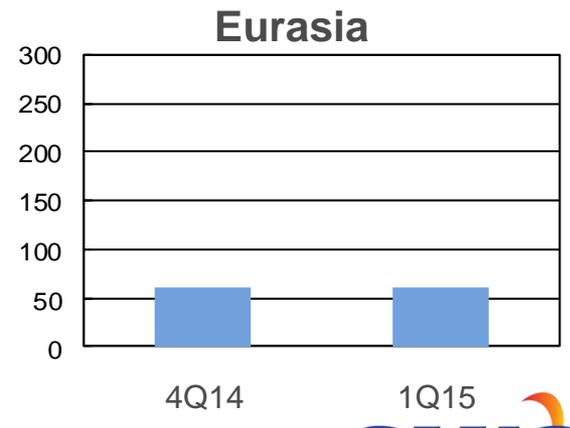
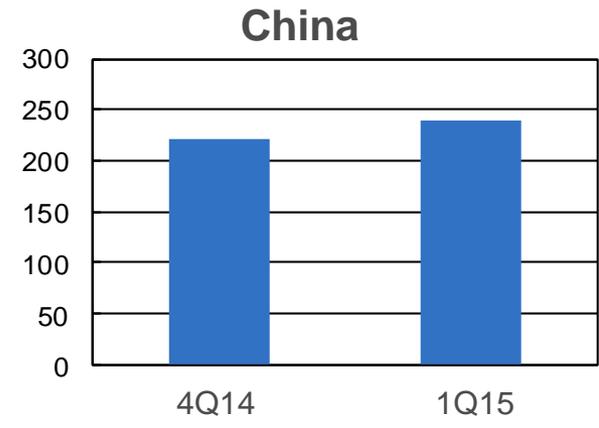
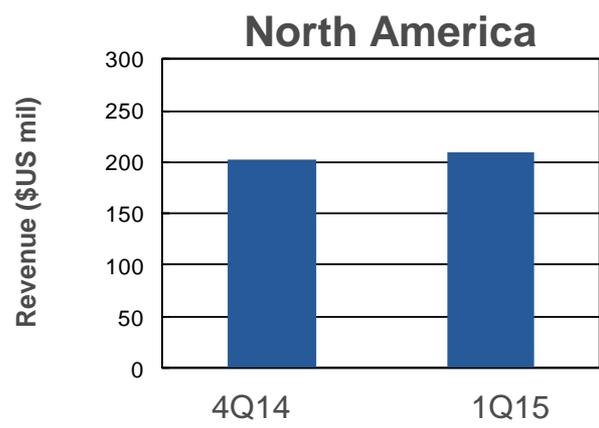




Total Revenue Breakdown by Geography

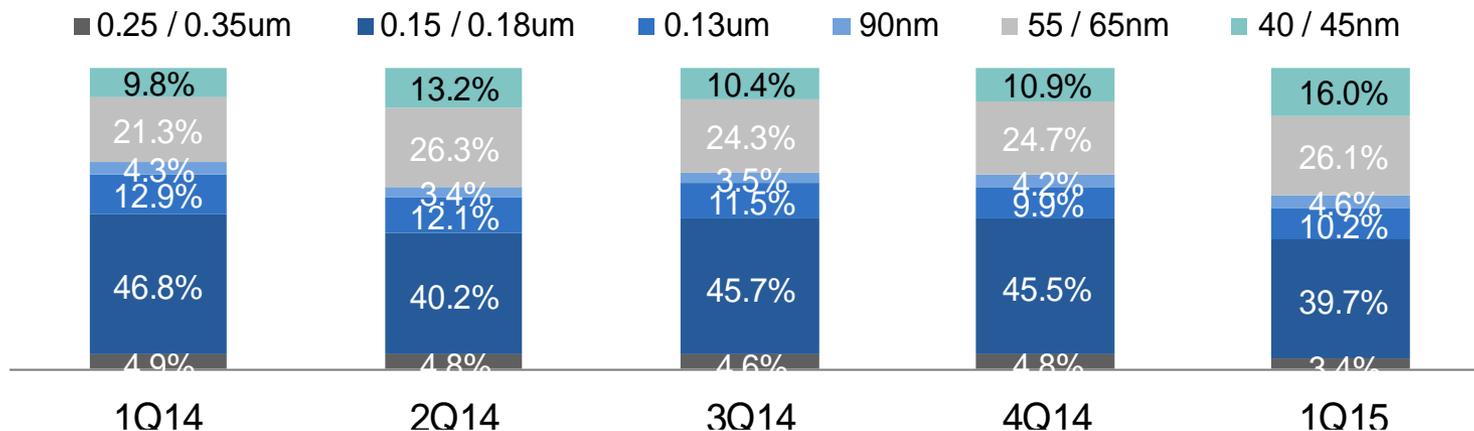


1Q 15 vs. 4Q 14

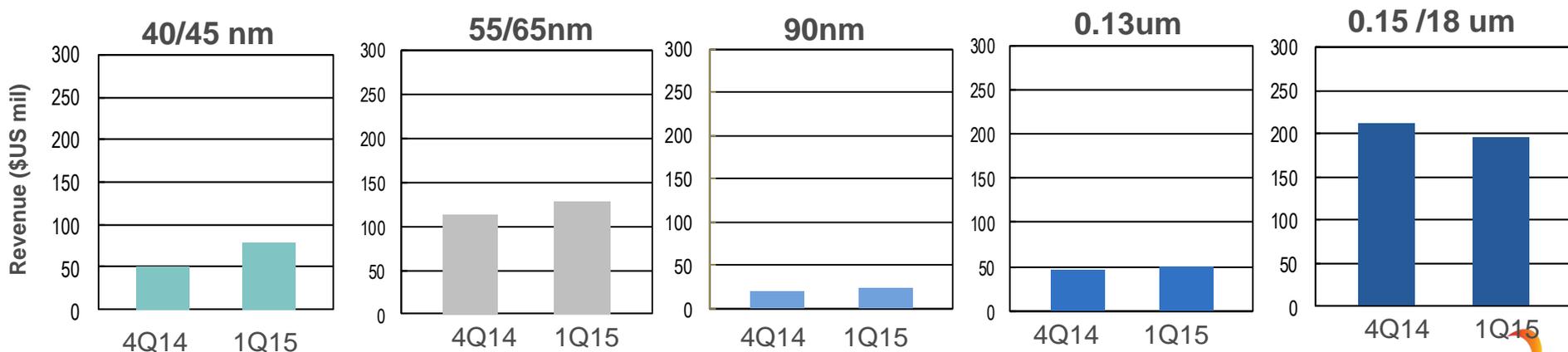




Wafer Revenue Breakdown by Technology



1Q 15 vs. 4Q 14



Capacity, Utilization and Shipment



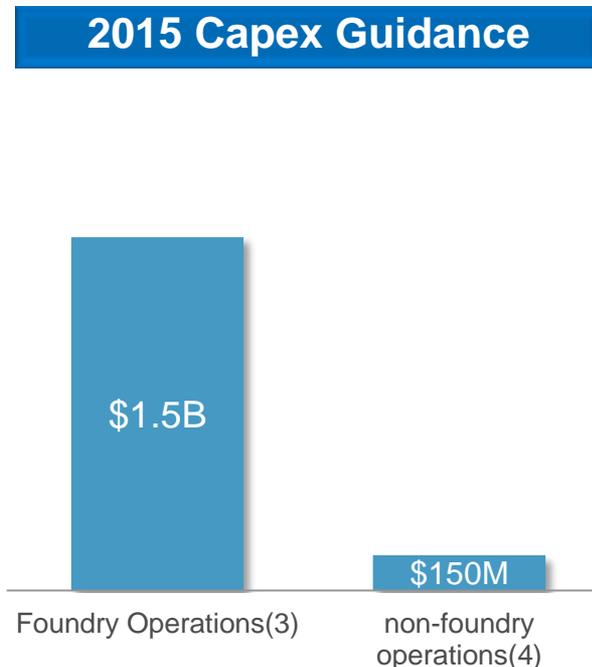
	1Q14	2Q14	3Q14	4Q14	1Q15
Shanghai Mega Fab (8")	94,000	96,000	96,000	96,000	97,000
Shanghai 12-inch Fab (12")	14,000	14,000	14,000	14,000	14,000
Beijing Mega Fab (12")	36,000	36,000	36,000	36,000	36,000
Tianjin Fab (8")	37,000	39,000	39,000	39,000	42,000
Monthly Capacity⁽¹⁾ (8-inch equivalent wafers)	243,500	247,500	247,500	247,500	251,500
Wafer Shipment	581,621	648,764	668,811	660,049	692,131
Utilization Rate ⁽²⁾	84.2%	94.6%	91.9%	93.0%	99.7%

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

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

2Q 2015 Guidance and 2015 Capex Guidance

	2Q 2015 Guidance
Revenue	+2% to +5% QoQ \$520 to \$535 million
Gross Margin	27% to 29%
Non-GAAP Operating Expenses (1)	\$120 to \$125 million
Non-controlling interests ⁽²⁾	\$5 to \$7 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 to range from positive \$5 million to positive \$7 million (losses to be borne by non-controlling interests).
- (3) The planned 2015 capital expenditures for foundry operations are adjusted to approximately \$1.5 billion, which are mainly for 1) the capacity expansion of SMNC's 12-inch fab, which is approximately \$800 million, of which approximately \$450 million will be funded by SMIC, 2) the capacity expansion in our new 8-inch fab in Shenzhen and 3) research and development equipment, mask shops and intellectual property acquisition.
- (4) The planned 2015 capital expenditures for non-foundry operations, mainly for the construction of living quarters, are adjusted to approximately \$150 million. The Group plans to rent out or sell these living quarter units to employees in the future.



Appendix

1Q15 Results Vs Original Guidance

	1Q 2015 Guidance	1Q 2015 Results
Revenue	+2% to +5% QoQ	+4.9% QoQ
Gross Margin	27% to 29%	29.4%
Non-GAAP Operating Expenses ⁽¹⁾	\$123 to \$128 million	\$ 99.7 million

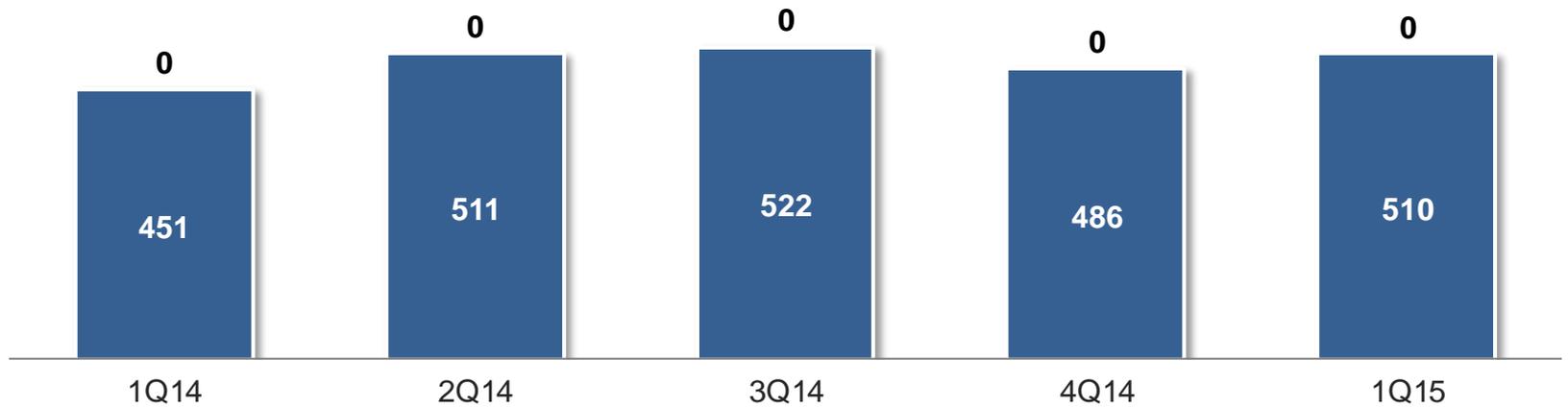
- **R&D expenses** increased slightly to \$53.5 million in 1Q15, compared to \$53.1 million in 4Q14. Excluding the funding of R&D contracts from the government, R&D expenses decreased by \$6.7 million QoQ to \$58.8 million in 1Q15. Funding of R&D contracts from the government was \$5.3 million in 1Q15, compared to \$12.4 million in 4Q14.
- **General and administrative expenses** decreased to \$42.5 million in 1Q15, down 7.7% QoQ from \$46.0 million in 4Q14, mainly because of decreases in share-based compensation expenses, tax surcharges, legal, audit and consulting expenses in 1Q15.

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

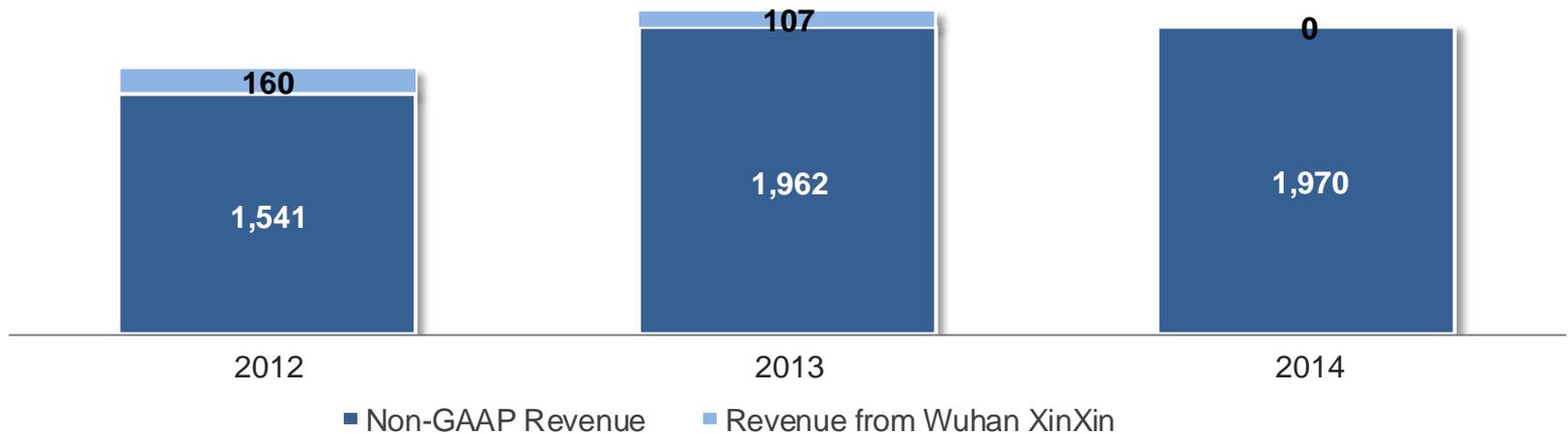
Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	1Q14	2Q14	3Q14	4Q14	1Q15
Capex	108	142	282	482	145
Depreciation & Amortization	137	138	139	135	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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