



SMIC Q4 2019 Financial Presentation

HKSE: 981

OTCQX: SMICY

SMIC Investor Relations

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Forward-Looking Statements

This presentation contains, in addition to historical information, forward-looking statements. These forward-looking statements, including statements under “First Quarter 2020 Guidance”, “Capex Summary” and the statements contained in the quotes of our Co-Chief Executive Officers are based on SMIC's current assumptions, expectations, beliefs, plans, objectives, and projections about future events or performance. SMIC uses words like "believe," "anticipate," "intend," "estimate," "expect," "project," "target," "going forward", "continue", "ought to", "may", "seek", "should", "plan", "could", "vision", "goals", "aim", "aspire", "objective", "schedules", "outlook" and similar expressions to identify forward looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessary estimates reflecting 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 the 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 Hong Kong Stock Exchange Limited ("SEHK") from time to time. 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 required by applicable laws, SMIC undertakes no obligation and does not intend to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events after the date on which such statement is made or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or otherwise.

About Non-International Financial Reporting Standards (“non-IFRS”) Financial Measures

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

2019 Financial Highlights (unaudited)

- **Revenue was \$3.12 billion**

- Compared to \$3.36 billion in 2018
- Mainly due to decrease of revenue from Avezzano fab due to disposal

- **Gross margin was 20.6%**

- Compared to 22.2% in 2018

- **Profit attributable to SMIC was \$235 million**

- Compared to \$134 million in 2018

- **EBITDA was \$1.37 billion**

- Compared to \$1.16 billion in 2018

4Q19 Financial Highlights

- **Revenue was \$839 million**

- Up 2.8% QoQ, compared to \$816 million in 3Q19
- Up 6.6% YoY, compared to \$788 million in 4Q18
- Excluding the contribution from the Avezzano fab in 3Q19 and 4Q18, revenue was up 4.6% QoQ, compared to \$803 million in 3Q19 and up 13.8% YoY, compared to \$738 million in 4Q18

- **Gross margin was 23.8%**

- Compared to 20.8% in 3Q19
- Compared to 17.0% in 4Q18

- **Profit attributable to SMIC was \$89 million**

- Compared to \$115 million in 3Q19
- Compared to \$27 million in 4Q18

- **\$4.6 billion cash on hand, including financial assets and excluding restricted cash**

- Compared to \$3.8 billion in 3Q19
- Compared to \$3.8 billion in 4Q18

Income Statement Highlights

(US\$ thousands)	4Q19	3Q19	QoQ	4Q18	YoY
Total Revenue	839,439	816,452	2.8%	787,565	6.6%
Gross Profit	199,416	169,815	17.4%	134,125	48.7%
Gross Margin	23.8%	20.8%	-	17.0%	-
Operating Expenses	(179,271)	(122,665)	46.1%	(175,055)	2.4%
<i>Research & Development⁽¹⁾</i>	<i>(169,871)</i>	<i>(185,019)</i>	-8.2%	<i>(185,079)</i>	-8.2%
<i>General & Administrative</i>	<i>(77,157)</i>	<i>(70,041)</i>	10.2%	<i>(50,003)</i>	54.3%
<i>Selling & Marketing</i>	<i>(5,273)</i>	<i>(5,900)</i>	-10.6%	<i>(7,701)</i>	-31.5%
<i>Other operating income⁽¹⁾</i>	<i>70,649</i>	<i>140,047</i>	-49.6%	<i>67,638</i>	4.5%
Profit (loss) from operations	20,145	47,150	-57.3%	(40,930)	-
Other income (expense), net	67,395	41,537	62.3%	43,473	55.0%
Income tax benefit (expense)	(11,866)	(4,061)	192.2%	8,332	-
Profit (loss) attributable to SMIC	88,735	115,135	-22.9%	26,520	234.6%
Non-controlling Interests	(13,061)	(30,509)	-57.2%	(15,645)	-16.5%
Earnings per ADS (Basic)	0.08	0.11		0.02	-

- **Revenue** was \$839.4 million in 4Q19, an increase of 2.8% QoQ from \$816.5 million in 3Q19. Excluding the contribution from the Avezzano 200mm fab in 3Q19, revenue in 4Q19 increased by 4.6% QoQ from \$802.8 million in 3Q19. Revenue increased in 4Q19 mainly due to the increase of wafer shipment.
- **R&D expenses**, decreased to \$169.9 million in 4Q19, compared to \$185.0 million in 3Q19. The change was mainly due to less R&D activities in 4Q19.
- **Other operating income** change was mainly due to 1) the gain on disposal of subsidiaries amounting to \$81.4 million in 3Q19 and no gain on disposal of subsidiaries in 4Q19 and 2) government funding of \$71.8 million in 4Q19, compared to \$58.3 million in 3Q19.

(1) In 3Q19, the Group has changed its accounting policy regarding the presentation of certain government funding in consolidated statement of comprehensive income. Previously, certain government funding was deducted in reporting the related expense. To make the presentation more comparable to other companies in the foundry sector, the Group decided to present such government funding as income in the profit or loss under other operating income. Comparative figures have also been reclassified to conform to the current period presentation

Balance Sheet Highlights

(US\$ thousands)	As of	
	Dec 31, 2019	Sep 30, 2019
Cash and cash equivalent	2,238,840	1,182,479
Restricted Cash	804,547	833,502
Financial assets at fair value through profit or loss-current (1)	42,985	37,850
Financial assets at amortized cost (2)	2,276,370	2,612,702
Trade and other receivables	836,143	1,498,375
Inventories	628,885	645,821
Assets classified as held-for-sales	11,815	14,229
Other Assets	9,598,235	9,329,417
Total Assets	16,437,820	16,154,375
Short-term borrowings	562,833	338,479
Long-term borrowings	2,003,836	2,179,017
Lease Liabilities	247,732	215,246
Short-term notes	286,512	494,833
Medium-term notes	214,193	211,314
Convertible bonds	630,428	430,399
Corporate bonds	-	500,000
Total Debt	3,945,534	4,369,288
Net Debt (3)	(612,661)	536,257
Total Liabilities	6,239,958	6,510,452
Total Equity	10,197,862	9,643,923
Total Debt/Equity Ratio (4)	38.7%	45.3%
Net debt/Equity Ratio (5)	-6.0%	5.6%

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, total current financial assets

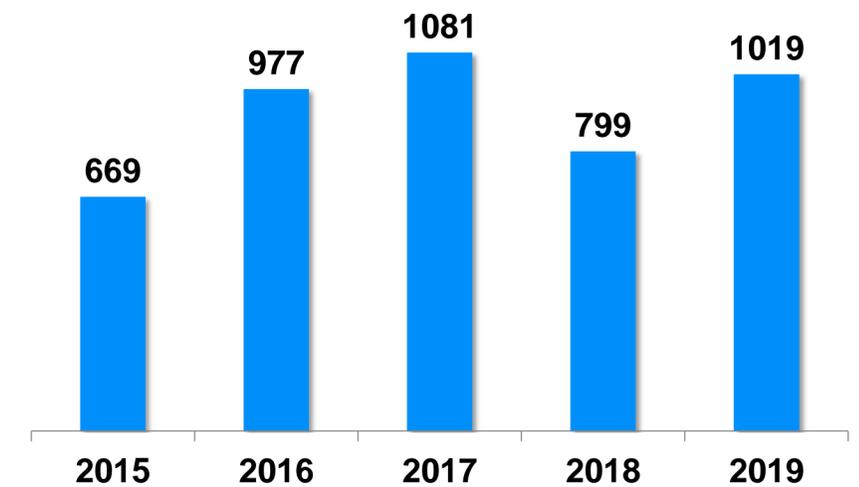
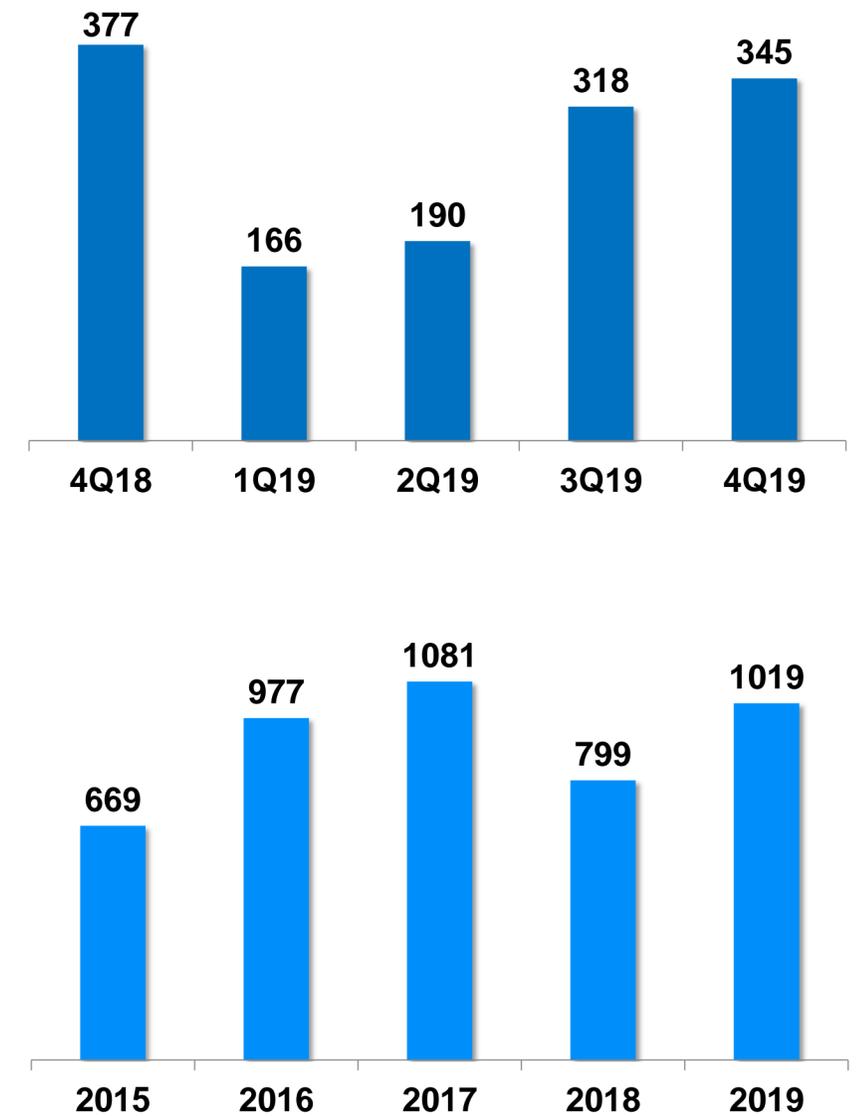
4. Total debt divided by equity

5. Net debt divided by equity.

Cash Flow Highlights

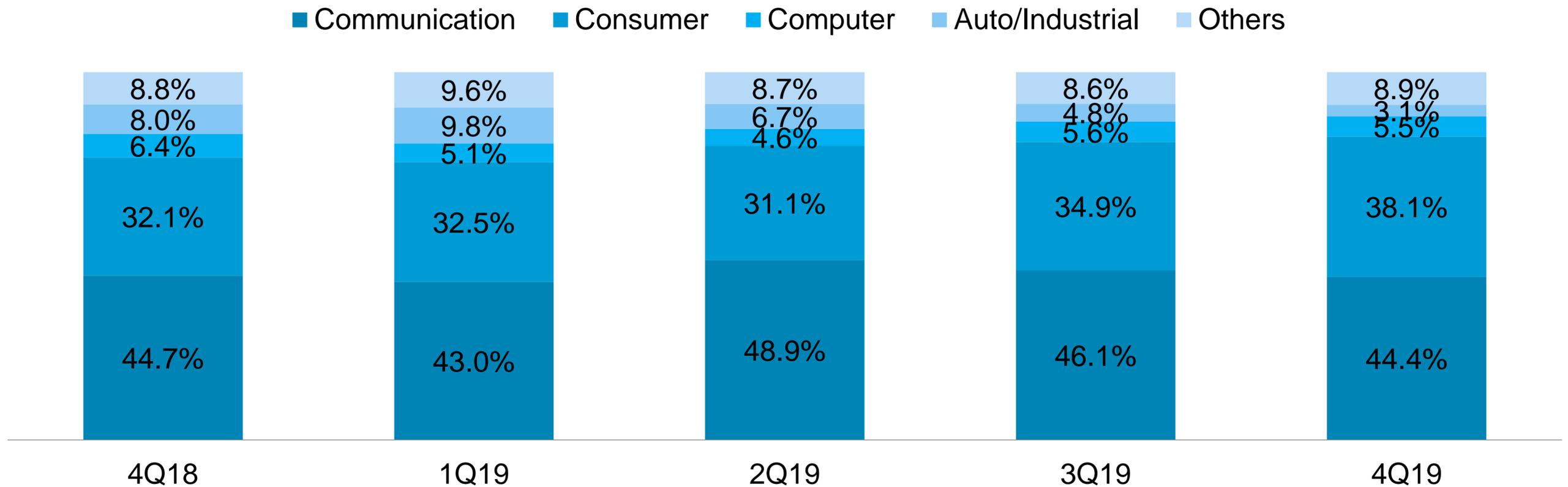
<i>(US\$ thousands)</i>	For the three months ended	
	Dec 31, 2019	Sep 30, 2019
Cash and cash equivalent, beginning of period	1,182,479	1,518,578
Net cash from operating activities	345,037	317,765
Net cash used in investing activities	235,898	(367,320)
Net cash from (used in) financing activities	462,110	(264,235)
Net increase (decrease) in cash and cash equivalent	1,056,361	(336,099)
Cash and cash equivalent, end of period	2,238,840	1,182,479

Cash Flow from Operations *(US\$ millions)*

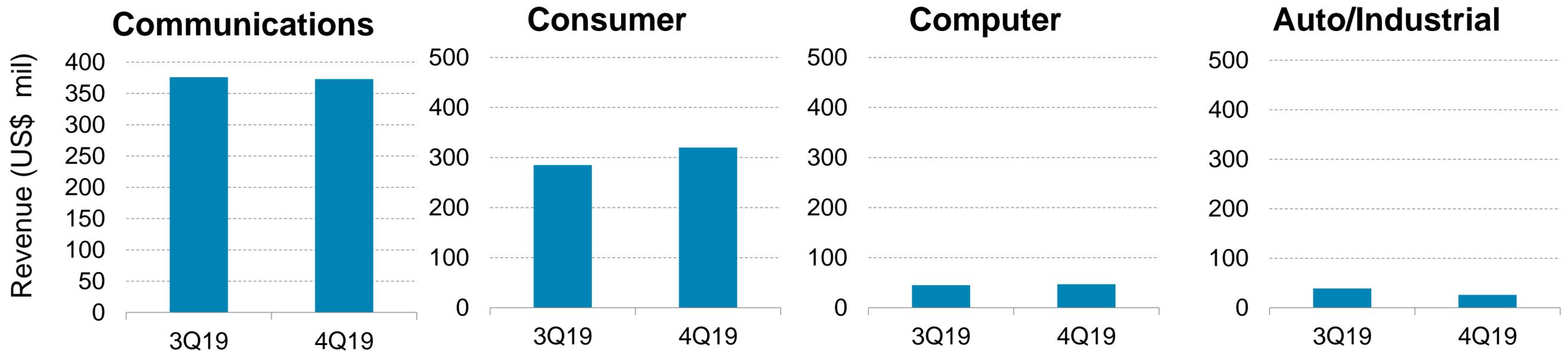


(Unaudited)

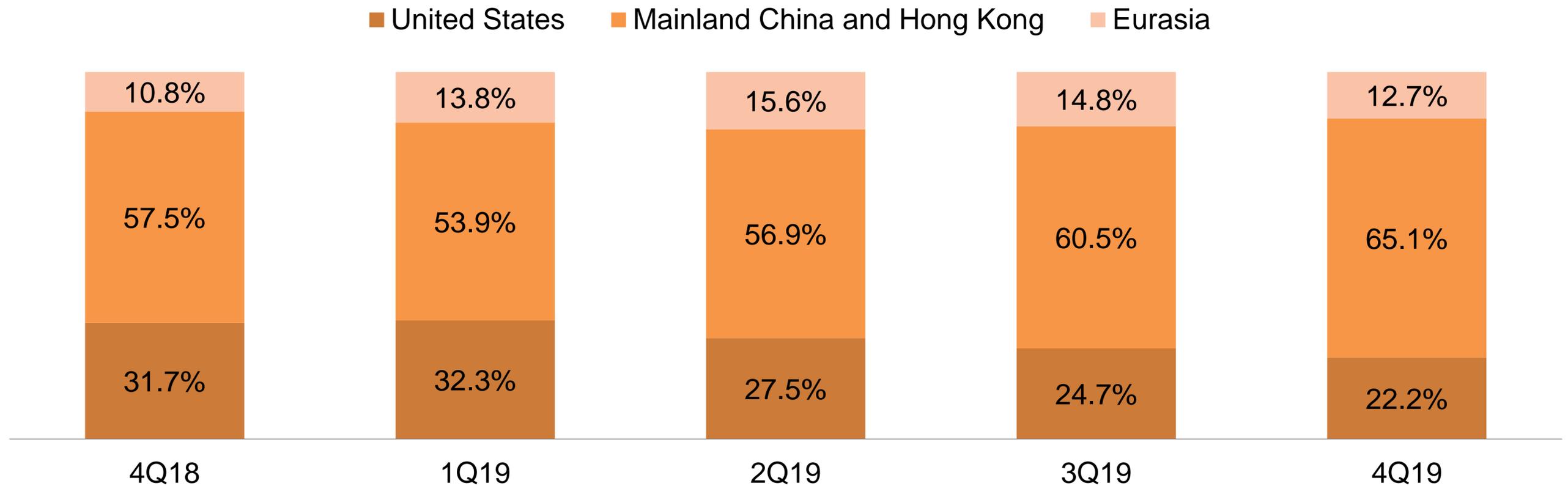
Total Revenue Breakdown by Application



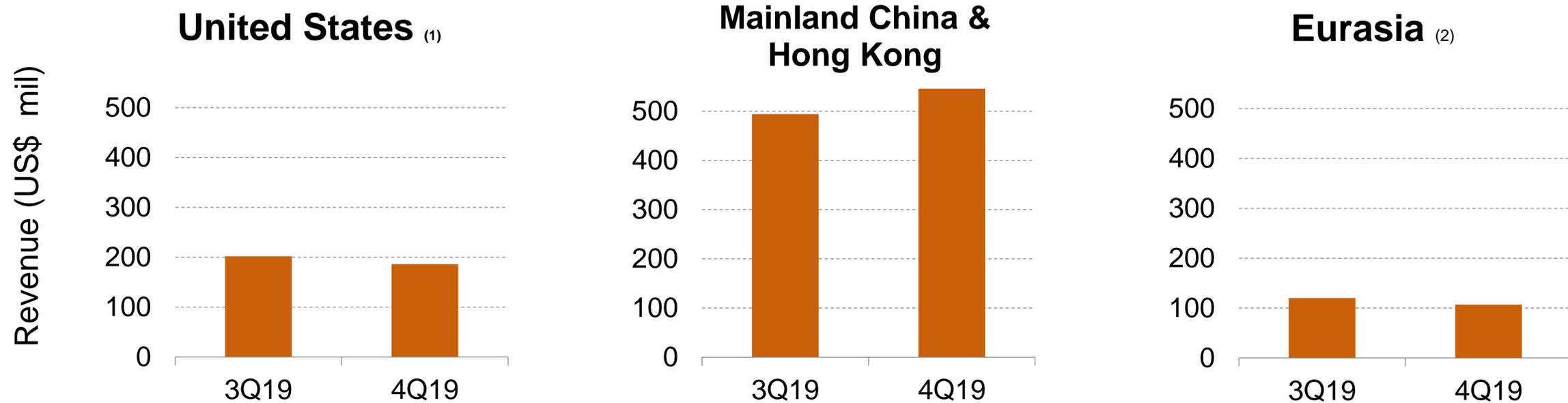
3Q19 vs. 4Q19



Total Revenue Breakdown by Geography



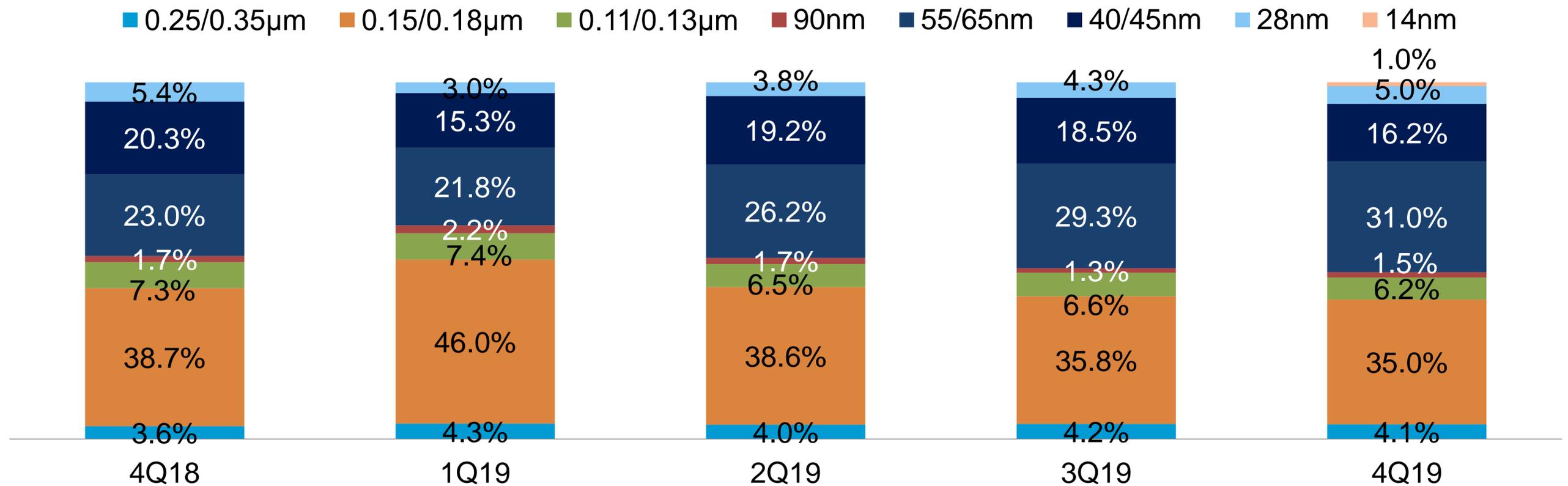
3Q19 vs. 4Q19



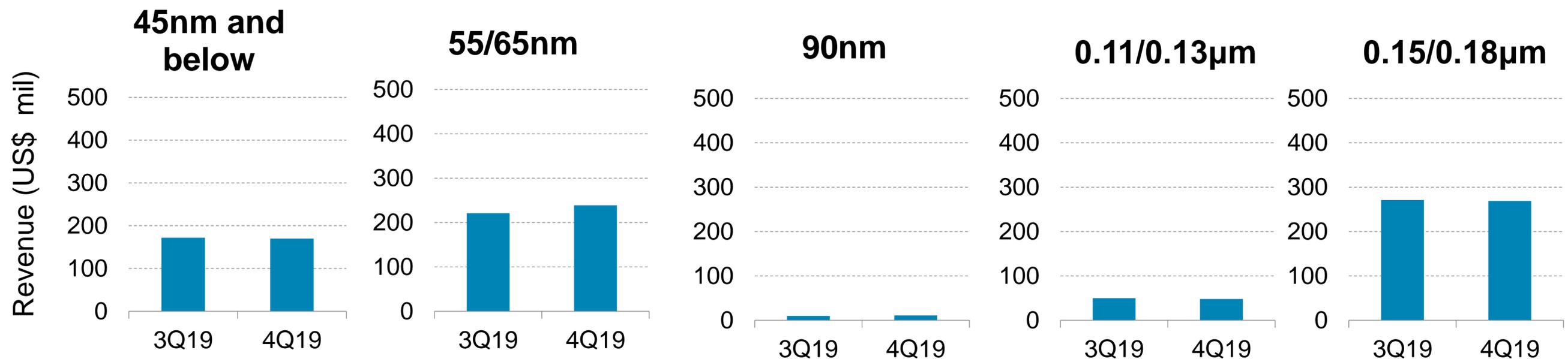
(1) Presenting the Revenue to those companies whose headquarters are in the United States, but ultimately selling and shipping the products to their global customers.

(2) Excluding Mainland China and Hong Kong.

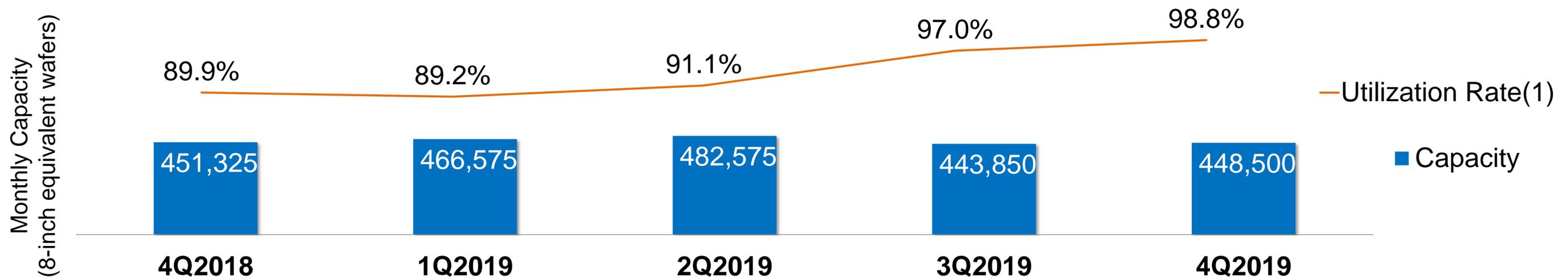
Wafer Revenue Breakdown by Technology



3Q19 vs. 4Q19



Capacity, Utilization and Shipment



	4Q18	1Q19	2Q19	3Q19	4Q19
Shanghai 200mm Fab	109,000	112,000	115,000	112,000	115,000
Shanghai 300mm Fab	10,000	10,000	8,000	8,000	2,000
Beijing 300mm Fab	42,000	47,000	50,000	50,000	52,000
Tianjin 200mm Fab	60,000	58,000	57,000	58,000	58,000
Shenzhen 200mmFab	42,000	45,000	50,000	52,000	55,000
Shenzhen 300mmFab	3,000	3,000	3,000	3,000	-
Majority-Owned Beijing 300mm Fab	33,000	33,000	36,000	37,600	41,000
Majority-Owned Shanghai 300mm Fab	-	-	-	-	3,000
Majority-Owned Avezzano 200mm Fab (2)	42,325	42,325	42,325	-	-
Monthly Capacity (8-inch equivalent wafers)	451,325	466,575	482,575	443,850	448,500
Wafer Shipments	1,217,690	1,089,502	1,284,451	1,315,443	1,339,400

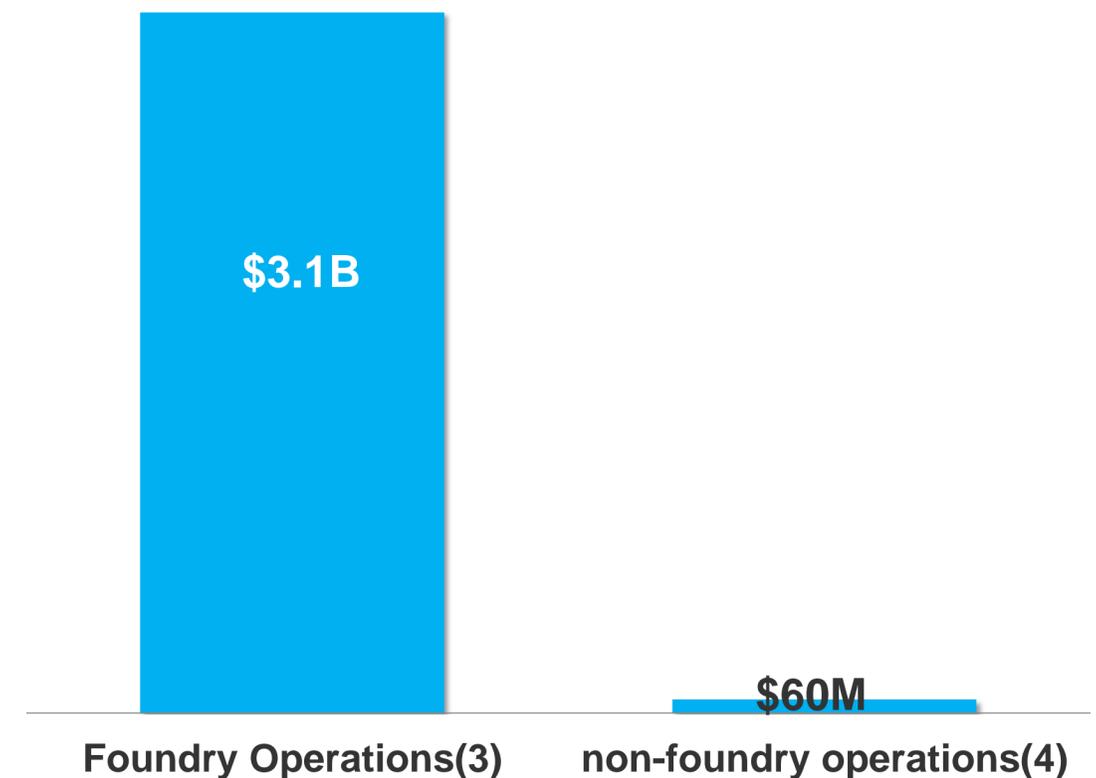
(1)Capacity utilization rate is reported based on total equivalent wafers out divided by estimated total quarterly capacity

(2)The majority-owned Avezzano 200mm fab was disposed of by the Group in 3Q19

1Q 2020 Guidance and 2020 Capex Guidance

	1Q 2020 Guidance
Revenue	+0 to 2% QoQ \$839 to \$856 million
Gross Margin	21% to 23%
Non-IFRS Operating Expenses ⁽¹⁾	\$294 to \$300 million
Non-controlling interests ⁽²⁾	-\$17 to -\$19 million

2020 Capex Guidance



(1) Excluding 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) Non-controlling interests of our majority-owned subsidiaries are losses (gains) to be borne by non-controlling interests.

(3) The planned 2020 capital expenditures for foundry operations are approximately \$3.1 billion, of which \$2.0 billion and \$0.5 billion are expected to be spent on the equipment and facility in the majority-owned Shanghai 300mm fab and the majority-owned Beijing 300mm fab, respectively.

(4) The planned 2020 capital expenditures for non-foundry operations are approximately \$59.9 million, mainly for the construction of employee's living quarters.

Appendix

Results vs Original Guidance

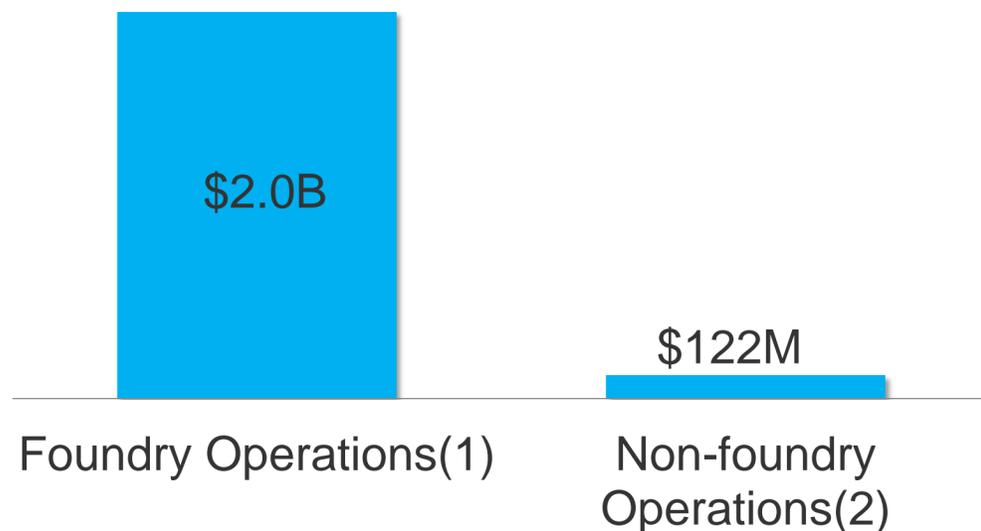
	4Q 2019 Guidance	4Q 2019 Results
Revenue	+2% to 4% QoQ \$833 to \$849 million	2.8% QoQ \$839 million
Revenue excluding Avezzano fab	+4% to 6% QoQ	+4.6% QoQ
Gross Margin	23% to 25%	23.8%
Non-IFRS Operating Expenses ⁽¹⁾	\$271 to \$277 million	\$ 248 million
Non-controlling interests	\$17 to \$19 million	\$13 million

(1) Non-IFRS operating expenses are defined as operating expenses adjusted to exclude the effect of employee bonus accrual, government funding, gain on the disposal of subsidiaries, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters.

Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	4Q18	1Q19	2Q19	3Q19	4Q19
Capex	405	440	908	190	492
Depreciation & Amortization	253	278	284	280	286

2019 Capex



(1)The 2019 capital expenditures for foundry operations were \$2.0 billion, of which \$1.2 billion and \$0.2 billion were spent for the expansion of capacity in our majority-owned Shanghai 300mm fab and the majority-owned Beijing 300mm fab, respectively.

(2)The 2019 capital expenditures for non-foundry operations were \$121.8 million primarily for the construction of employees' living quarters.

Thank You!

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