



SMIC Q2 2019 Financial Presentation

HKSE: 981 OTCQX: SMICY

SMIC Investor Relations

August 2019

Safe Harbor Statements





2Q19 Financial Highlights

- **Revenue was \$791 million**
 - Up 18.2% QoQ, compared to \$669 million in 1Q19
 - Down 11.2% YoY, compared to \$891 million in 2Q18
 - Down 5.6% YoY, compared to \$838 million in 2Q18, excluding Licensing Revenue

- **Gross margin was 19.1%**
 - Compared to 18.2% in 1Q19
 - Compared to 24.5% in 2Q18
 - Compared to 19.7% in 2Q18, excluding Licensing Revenue

- **Profit attributable to SMIC was \$19 million**
 - Compared to \$12 million in 1Q19
 - Compared to \$52 million in 2Q18

- **\$3.7 billion cash on hand, including financial assets**
 - Compared to \$3.9 billion in 1Q19
 - Compared to \$2.7 billion in 2Q18



1H19 Financial Highlights (unaudited)

- **Revenue was \$1,460 million**
 - Compared to \$1,722 million in 1H18
- **Gross profit was \$273 million**
 - Compared to \$438 million in 1H18
- **Profit attributable to SMIC was \$31 million**
 - Compared to \$81 million in 1H18
- **EBITDA was \$600 million**
 - Compared to \$637 million in 1H18
- **EBITDA margin was 41%**
 - Compared to 37% in 1H18
- **\$3.7 billion cash on hand, including financial assets**
 - Compared to \$2.7 billion in 1H18

Income Statement Highlights

(US\$ thousands)	2Q19	1Q19	QoQ	2Q18	YoY
Total Revenue	790,882	668,899	18.2%	890,713	-11.2%
Gross Profit	151,158	122,070	23.8%	217,833	-30.6%
Gross Margin	19.1%	18.2%	-	24.5%	-
Operating Expenses	(193,988)	(97,625)	98.7%	(198,697)	-2.4%
<i>Research & Development, net</i>	<i>(123,869)</i>	<i>(77,175)</i>	<i>60.5%</i>	<i>(147,177)</i>	<i>-15.8%</i>
<i>General & Administrative</i>	<i>(64,578)</i>	<i>(43,148)</i>	<i>49.7%</i>	<i>(48,456)</i>	<i>33.3%</i>
<i>Selling & Marketing</i>	<i>(8,852)</i>	<i>(6,811)</i>	<i>30.0%</i>	<i>(8,139)</i>	<i>8.8%</i>
<i>Other operating income (expense)</i>	<i>3,938</i>	<i>30,587</i>	<i>-87.1%</i>	<i>5,420</i>	<i>-27.3%</i>
Profit (loss) from operations	(42,830)	24,445	-	19,136	-
Other income (expense), net	18,379	6,055	203.5%	14,955	22.9%
Income tax benefit (expense)	(1,366)	(6,123)	-77.7%	(2,426)	-43.7%
Profit attributable to SMIC	18,539	12,272	51.1%	51,599	-64.1%
Non-controlling Interests	(44,356)	12,105	-	(19,934)	122.5%
Earnings per ADS (Basic)	0.02	0.01	-	0.05	-

- **Revenue** was \$790.9 million in 2Q19, an increase of 18.2% QoQ from \$668.9 million in 1Q19. Revenue increased in 2Q19 mainly due to the increase of wafer shipment in 2Q19.
- **Gross margin** was 19.1% in 2Q19, compared to 18.2% in 1Q19.
- **R&D expenses**, net increased by \$46.7 million QoQ to \$123.9 million in 2Q19, compared to \$77.2 million in 1Q19. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$31.9 million QoQ to \$182.2 million in 2Q19. The change was mainly due to higher level of R&D activities in 2Q19. Funding of R&D contracts from the government was \$58.3 million in 2Q19, compared to \$73.1 million in 1Q19.

Balance Sheet Highlights

(US\$ thousands)	As of	
	Jun 30, 2019	Mar 31, 2019
Cash and cash equivalent	1,518,578	1,370,041
Restricted Cash	1,157,668	685,598
Financial assets at fair value through profit or loss-current (1)	25,161	46,951
Financial assets at amortized cost (2)	2,205,246	2,510,503
Trade and other receivables	904,077	739,882
Inventories	647,154	661,633
Assets classified as held-for-sales	250,670	267,264
Other Assets	9,397,191	8,818,993
Total Assets	16,105,745	15,100,865
Short-term borrowings	756,162	416,311
Long-term borrowings	1,849,016	1,907,211
Lease Liabilities (6)	239,402	263,399
Short-term notes	218,191	-
Medium-term notes	217,336	444,454
Convertible bonds	426,365	422,479
Corporate bonds	499,513	499,027
Total Debt	4,205,985	3,952,881
Net Debt (3)	457,000	25,386
Total Liabilities	6,508,157	6,153,190
Total Equity	9,597,588	8,947,675
Total Debt/Equity Ratio (4)	43.8%	44.2%
Net debt/Equity Ratio (5)	4.8%	0.3%

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.

6. Part of other liabilities was reclassified to lease liabilities, compliment with IFRS 16.



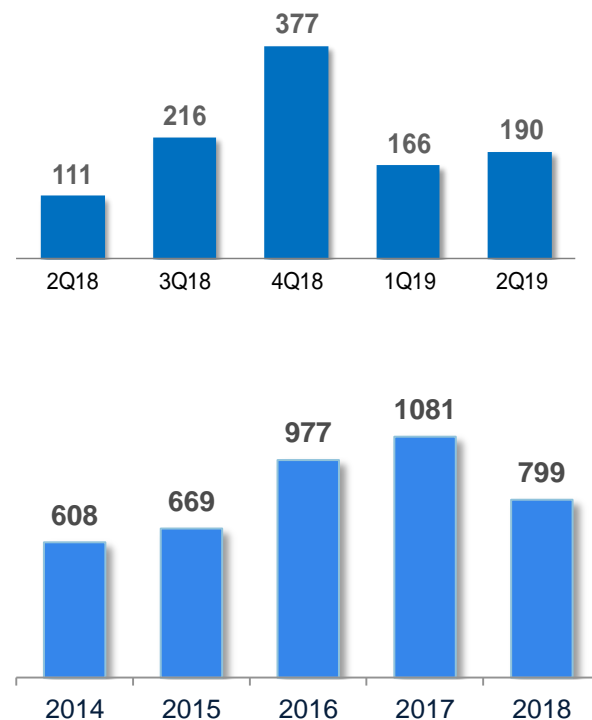
Cash Flow Highlights

(US\$ thousands)

For the three months ended

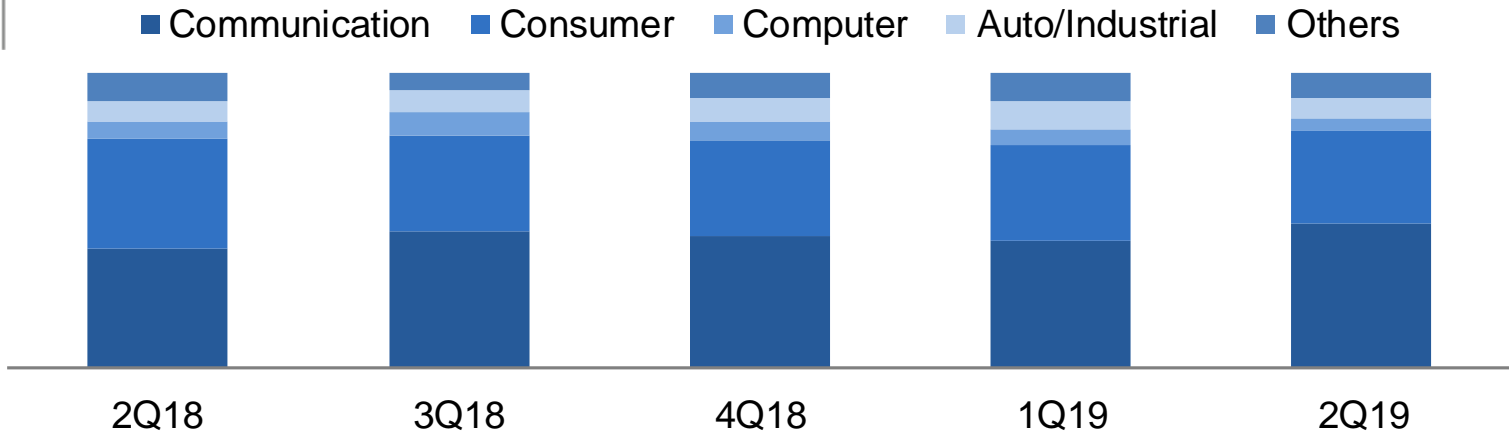
	Jun 30, 2019	Mar 31, 2019
Cash and cash equivalent, beginning of period	1,370,041	1,786,420
Net cash from operating activities	190,105	166,103
Net cash used in investing activities	(990,060)	(816,708)
Net cash from (used in) financing activities	974,010	216,590
Net increase (decrease) in cash and cash equivalent	148,537	(416,379)
Cash and cash equivalent, end of period	1,518,578	1,370,041

Cash Flow from Operations (US\$ millions)



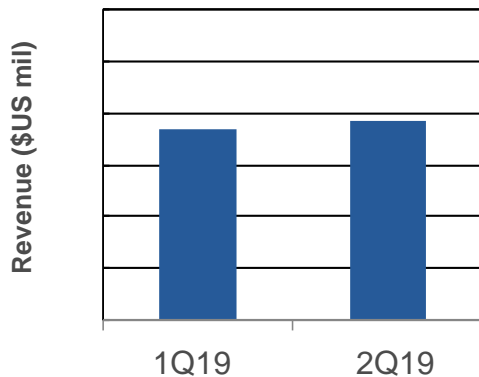


Total Revenue Breakdown by Applications

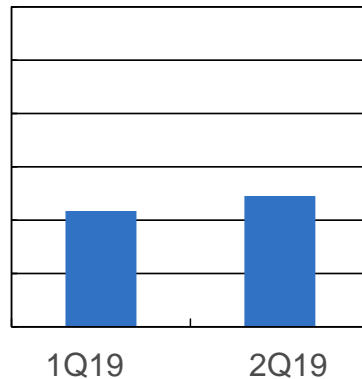


1Q19 vs. 2Q19

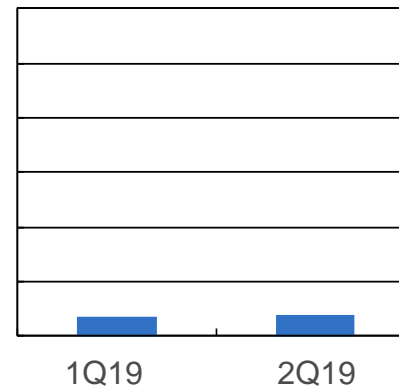
Communications



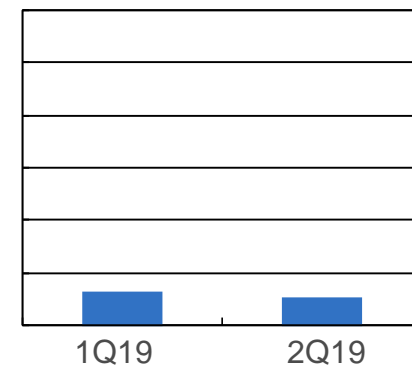
Consumer



Computer

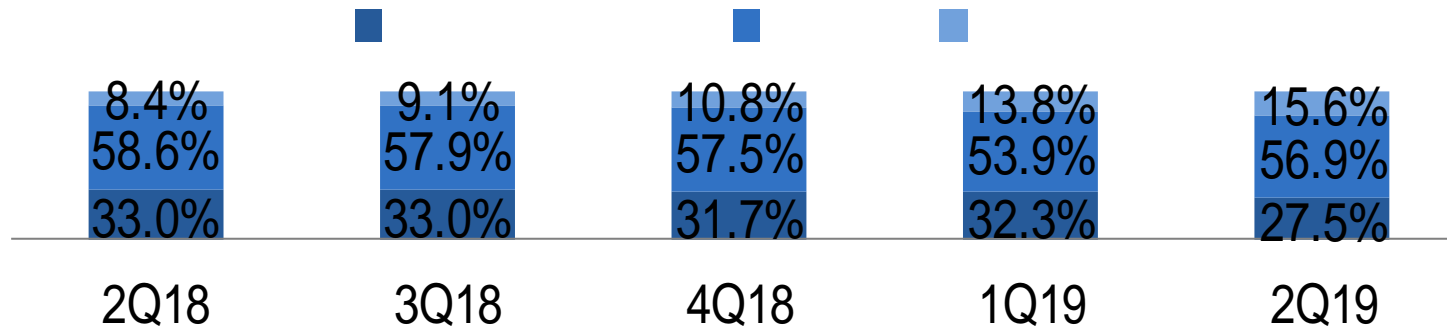


Auto/Industrial



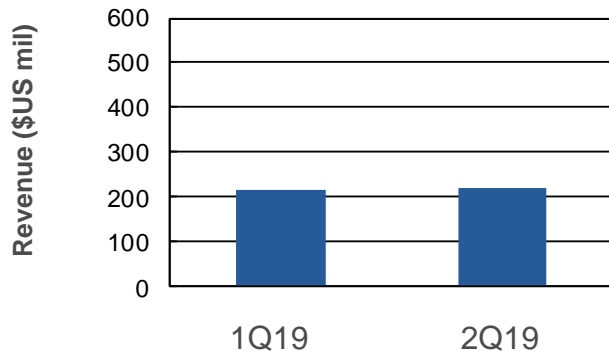


Total Revenue Breakdown by Geography

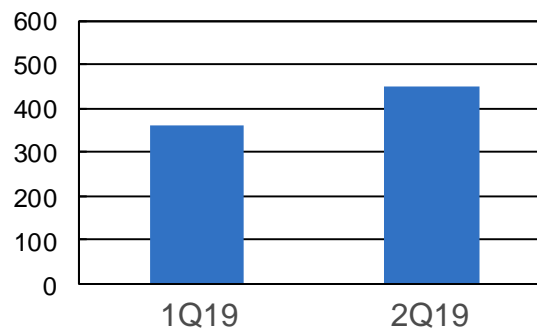


1Q19 vs. 2Q19

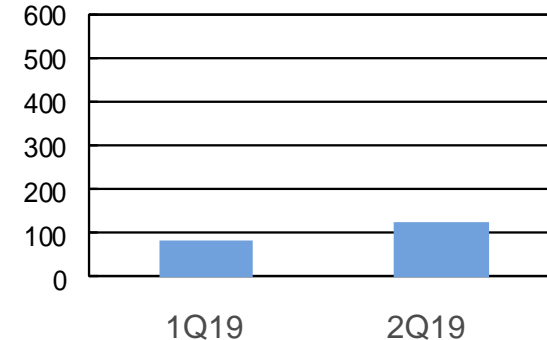
North America ⁽¹⁾



China



Eurasia

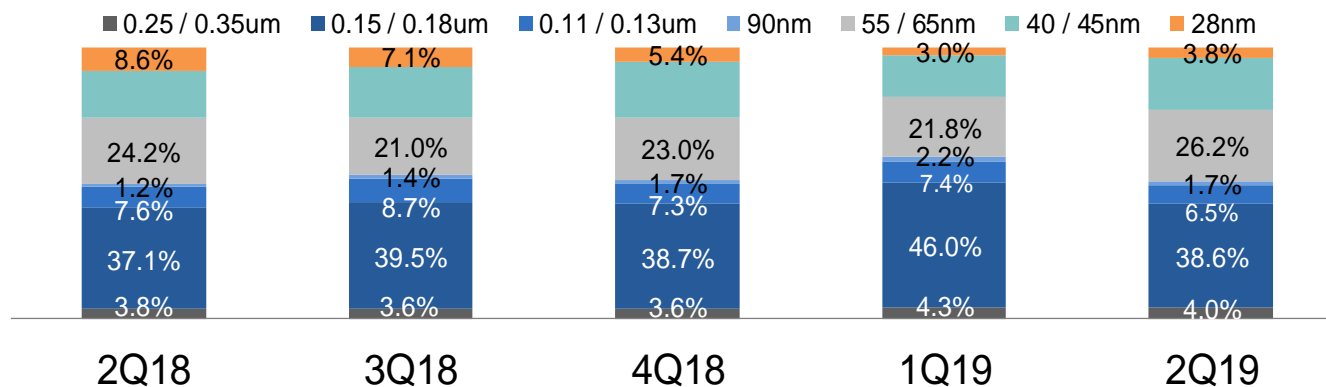


(1) Presenting the Revenue to those companies whose headquarters are in the United States, but ultimately selling and shipping the products to their global customers.



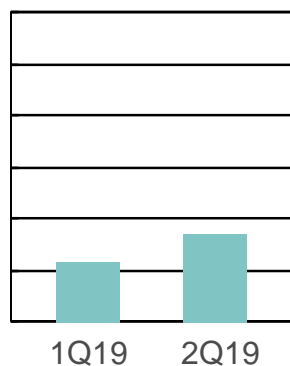


Wafer Revenue Breakdown by Technology

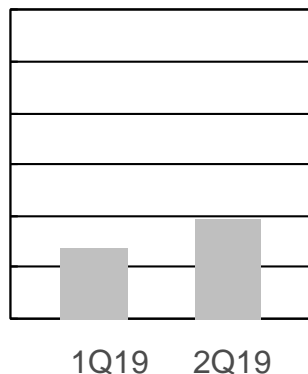


1Q19 vs. 2Q19

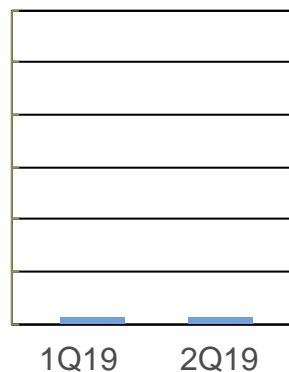
45nm and below



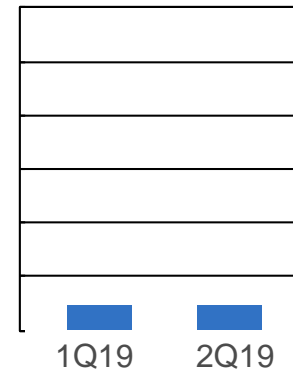
55/65nm



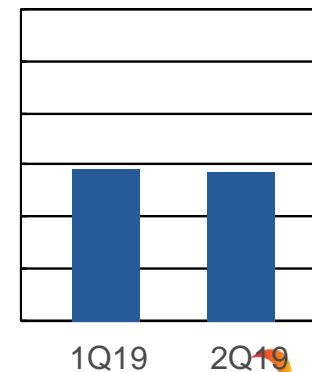
90nm



0.11/0.13um

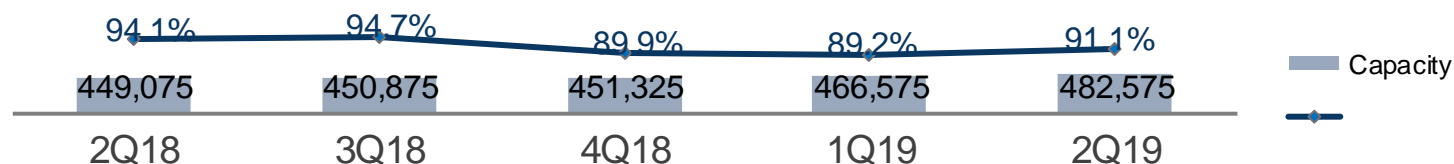


0.15 / 18 um



Capacity, Utilization and Shipment

Monthly Capacity
(8-inch equivalent wafers)



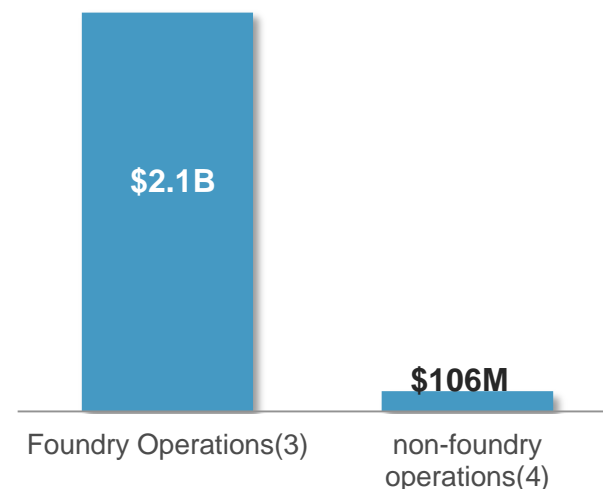
	2Q18	3Q18	4Q18	1Q19	2Q19
Shanghai 200mm Fab	108,000	106,000	109,000	112,000	115,000
Shanghai 300mm Fab	17,000	15,000	10,000	10,000	8,000
Beijing 300mm Fab	43,000	42,000	42,000	47,000	50,000
Tianjin 200mm Fab	50,000	53,000	60,000	58,000	57,000
Shenzhen 200mmFab	35,000	40,300	42,000	45,000	50,000
Shenzhen 300mmFab	3,000	3,000	3,000	3,000	3,000
Majority-Owned Beijing 300mm Fab	32,000	33,000	33,000	33,000	36,000
Majority-Owned Avezzano 200mm Fab	42,325	42,325	42,325	42,325	42,325
Monthly Capacity (8-inch equivalent wafers)	449,075	450,875	451,325	466,575	482,575
Wafer Shipments	1,258,336	1,315,007	1,217,690	1,089,502	1,284,451

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

3Q 2019 Guidance and 2019 Capex Guidance

	3Q 2019 Guidance
Revenue	Flat to +2% QoQ \$791 to 807 million
Revenue excluding LFoundry	+2%~+4% QoQ
Gross Margin	19% to 21%
Non-GAAP Operating Expenses ⁽¹⁾	\$294 to \$300 million
Non-controlling interests ⁽²⁾	\$25 to \$27 million

2019 Capex Guidance



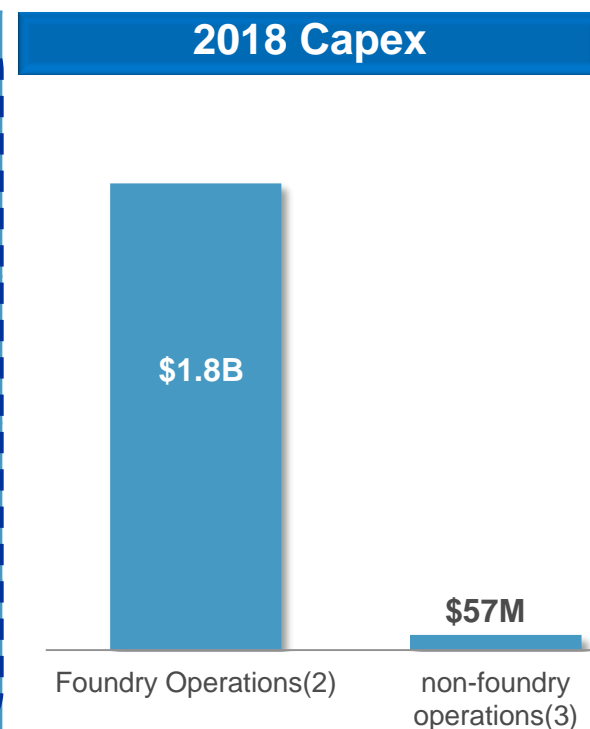
- (1) Exclude the effect of employee bonus accrual, government funding, impairment loss of tangible and intangible assets, gain or loss on the disposal of machinery and equipment, gain from the disposal of living quarters, and gain from the disposal of subsidiary.
- (2) Non-controlling interests of our majority-owned subsidiaries to range from positive \$25 million to positive \$27 million (losses to be borne by non-controlling interests)
- (3) The planned 2019 capital expenditures for foundry operations are approximately \$2.1 billion, which are mainly for the equipment and facility in our majority-owned Shanghai 300mm fab and FinFET R&D line.
- (4) The planned 2019 capital expenditures for non-foundry operations are approximately \$105.8 million, mainly for the construction of employee's living quarters.



Appendix

Results Vs Original Guidance

	2Q 2019 Guidance	2Q 2019 Results
Revenue	+17% to +19% QoQ \$783 to \$796 million	18.2% QoQ \$791 million
Gross Margin	18% to 20%	19.1%
Non-GAAP Operating Expenses (1)	\$269 to \$273 million	\$ 249 million
Non-controlling interests	\$34 to \$36 million	\$44 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-foundry operations were \$57.1 million primarily for the construction of employees' living quarters.

Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	2Q18	3Q18	4Q18	1Q19	2Q19
Capex	559	528	405	440	908
Depreciation & Amortization	268	259	253	278	284



Thank you

Contact us: ir@smics.com