



SMIC Q2 2020 Financial Presentation

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SMIC Investor Relations

August 2020

Forward-Looking Statements

This presentation contains, in addition to historical information, forward-looking statements. These forward-looking statements, including statements under “Quarterly 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 cyclical 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 Hong Kong Stock Exchange Limited ("SEHK") and Shanghai Stock Exchange ("SSE") 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

The consolidated financial information is prepared in accordance with International Financial Reporting Standards (“IFRS”) and is presented in accordance with IFRS unless otherwise stated.

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.

2Q20 Financial Highlights

- **Revenue was \$938 million, a record high**
 - Up 3.7% QoQ, compared to \$905 million in 1Q20
 - Up 18.7% YoY, compared to \$791 million in 2Q19
- **Gross margin was 26.5%**
 - Compared to 25.8% in 1Q20
 - Compared to 19.1% in 2Q19
- **Profit attributable to SMIC was \$138 million, a record high**
 - Compared to \$64 million in 1Q20
 - Compared to \$19 million in 2Q19
- **\$6.4 billion cash on hand, including financial assets and excluding restricted cash**
 - Compared to \$5.3 billion in 1Q20
 - Compared to \$3.7 billion in 2Q19

1H20 Financial Highlights (unaudited)

- **Revenue was \$1,843 million, a record high**
 - compared to \$1,460 million in 1H19
- **Gross profit was \$482 million, a record high**
 - Compared to \$273 million in 1H19
- **Gross margin was 26.2%**
 - Compared to 18.7% in 1H19
- **Profit attributable to SMIC was \$202 million, a record high**
 - Compared to \$31 million in 1H19
- **EBITDA was \$839 million, a record high**
 - Compared to \$600 million in 1H19

Income Statement Highlights

(US\$ thousands)	2Q20	1Q20	QoQ	2Q19	YoY
Total Revenue	938,463	904,912	3.7%	790,882	18.7%
Gross Profit	248,589	233,585	6.4%	151,158	64.5%
Gross Margin	26.5%	25.8%	-	19.1%	-
Operating Expenses	(183,923)	(186,244)	-1.2%	(193,988)	-5.2%
<i>Research & Development</i>	<i>(157,999)</i>	<i>(166,486)</i>	<i>-5.1%</i>	<i>(182,207)</i>	<i>-13.3%</i>
<i>General & Administrative</i>	<i>(59,381)</i>	<i>(74,231)</i>	<i>-20.0%</i>	<i>(64,578)</i>	<i>-8.0%</i>
<i>Selling & Marketing</i>	<i>(5,072)</i>	<i>(5,841)</i>	<i>-13.2%</i>	<i>(8,852)</i>	<i>-42.7%</i>
<i>Other operating income</i>	<i>40,453</i>	<i>59,212</i>	<i>-31.7%</i>	<i>62,276</i>	<i>-35.0%</i>
Profit (loss) from operations	64,666	47,341	36.6%	(42,830)	-
Other income (expense), net	76,999	18,317	320.4%	18,379	319.0%
Income tax benefit (expense)	(16,029)	(14,340)	11.8%	(1,366)	1,073.4%
Profit (loss) attributable to SMIC	137,969	64,164	115.0%	18,539	644.2%
Non-controlling Interests	(12,333)	(12,846)	-4.0%	(44,356)	-72.2%
Earnings per ADS (Basic)	0.13	0.06		0.02	

- **Revenue** was \$938.5 million in 2Q20, an increase of 3.7% QoQ from \$904.9 million in 1Q20. Revenue increased in 2Q20 mainly due to the increase of wafer shipment in 2Q20.
- **R&D expenses** decreased to \$158 million in 2Q20, compared to \$166.5 million in 1Q20. The change was mainly due to the decrease in R&D activities in 2Q20.
- **General and administrative expenses** decreased by 20% to \$59.4 million in 2Q20, compared to \$74.2 million in 1Q20. The change was mainly due to our majority-owned fab in Shanghai entered into mass production in June 2020 and as a result, the pre-operating related expenses decreased.
- The change in **other operating income** was mainly due to other operating income recognized in relation to government funding of \$40.5 million in 2Q20, compared to \$59.2 million in 1Q20.

Balance Sheet Highlights

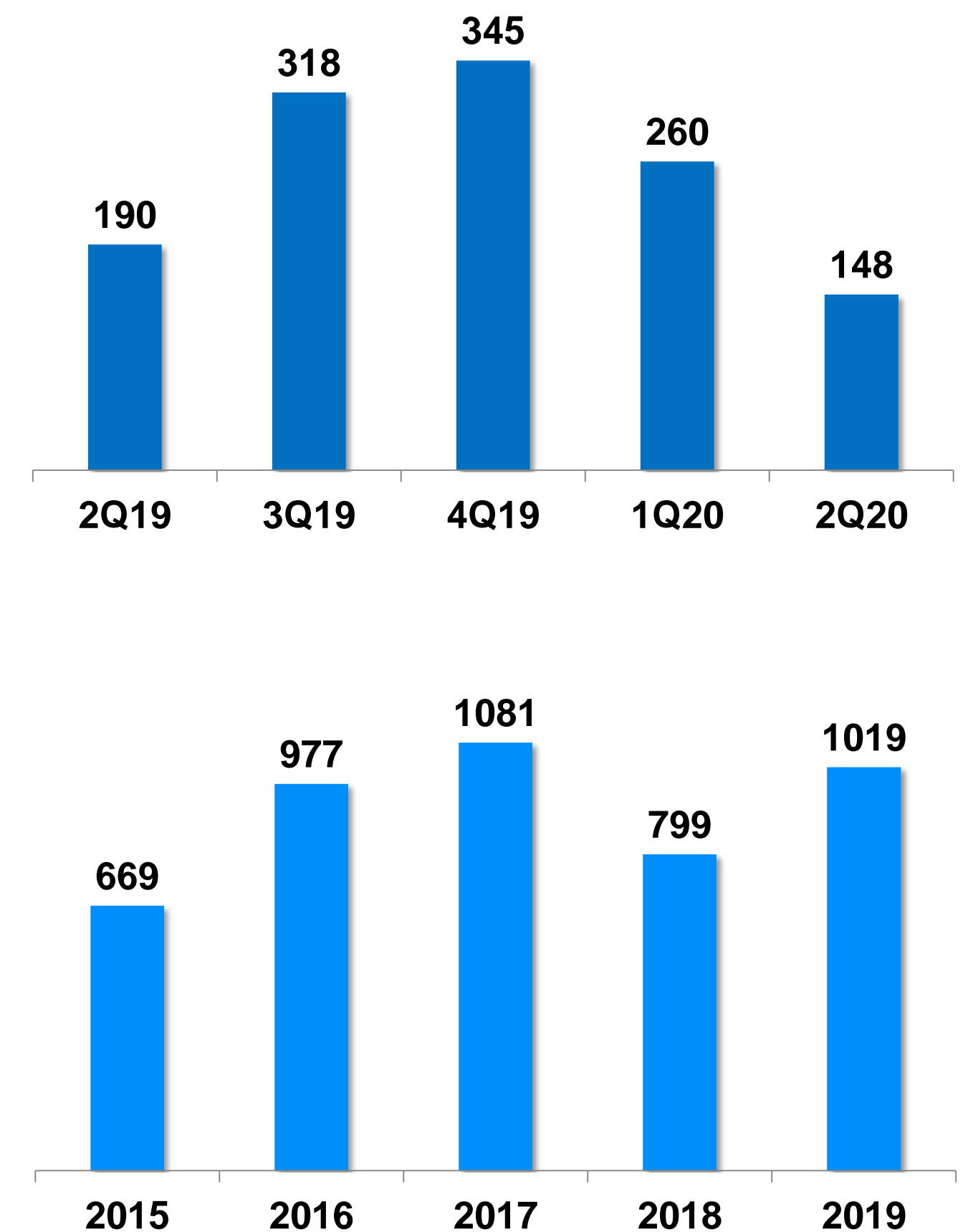
(US\$ thousands)	As of	
	June 30, 2020	Mar 31, 2020
Cash and cash equivalent	3,130,068	1,663,808
Restricted Cash	595,064	721,977
Financial assets at amortized cost (1)	3,272,024	3,619,729
Trade and other receivables	1,448,234	1,001,303
Inventories	669,202	616,688
Assets classified as held-for-sales	7,213	7,214
Other Assets	11,266,373	10,204,151
Total Assets	20,388,178	17,834,870
Borrowings-Current	1,053,686	916,346
Borrowings-Non-current	1,690,928	1,829,925
Lease Liabilities	292,268	314,639
Short-term notes	211,840	496,827
Medium-term notes	211,313	212,317
Convertible bonds	65,000	605,994
Bonds payable	596,625	596,457
Total Debt	4,121,660	4,972,505
Net Debt (2)	(2,280,432)	(311,032)
Total Liabilities	7,210,503	7,561,753
Total Equity	13,177,675	10,273,117
Total Debt/Equity Ratio (3)	31.3%	48.4%
Net debt/Equity Ratio (4)	-17.3%	-3.0%

1. Financial assets at amortized cost mainly contains bank deposits over 3 months.
2. Net debt is total debt minus cash and cash equivalent, total current financial assets
3. Total debt divided by equity
4. Net debt divided by equity.

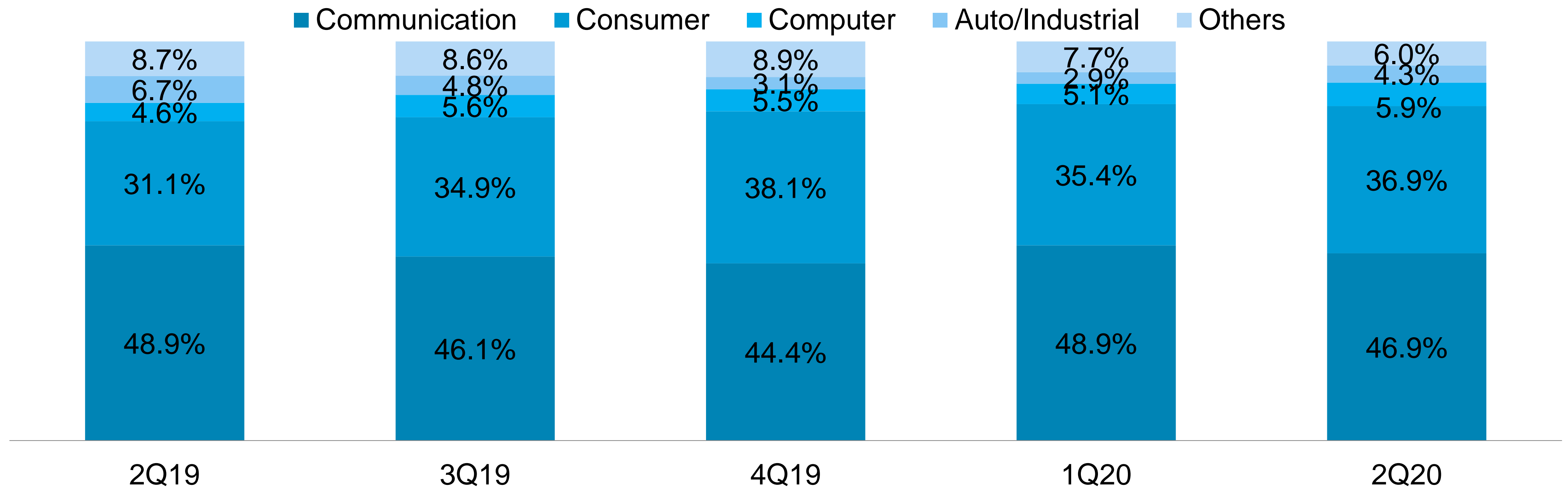
Cash Flow Highlights

<i>(US\$ thousands)</i>	For the three months ended	
	June 30, 2020	Mar 31, 2020
Cash and cash equivalent, beginning of period	1,663,808	2,238,840
Net cash from operating activities	147,719	259,829
Net cash used in investing activities	(247,602)	(1,816,977)
Net cash from (used in) financing activities	1,577,785	991,448
Net increase (decrease) in cash and cash equivalent	1,466,260	(575,032)
Cash and cash equivalent, end of period	3,130,068	1,663,808

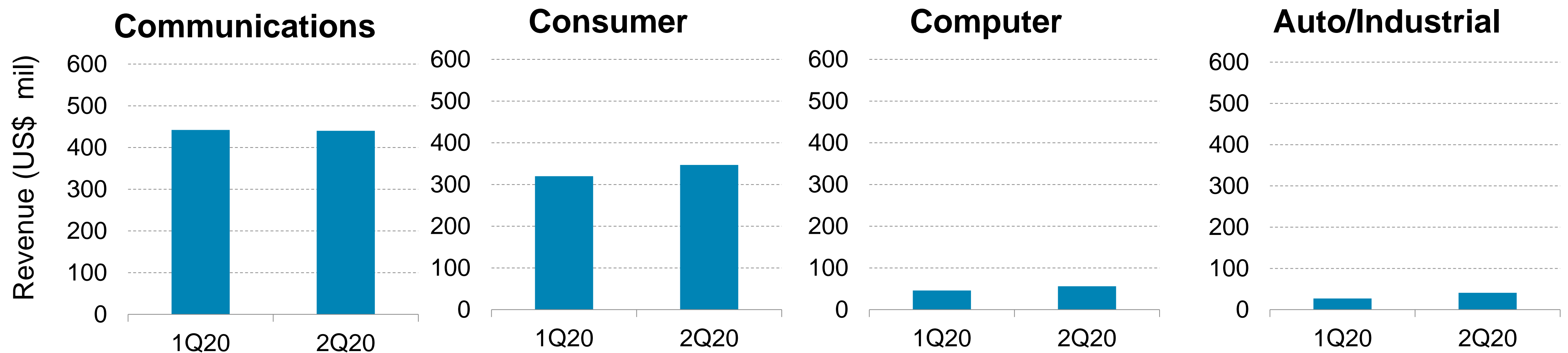
Cash Flow from Operations *(US\$ millions)*



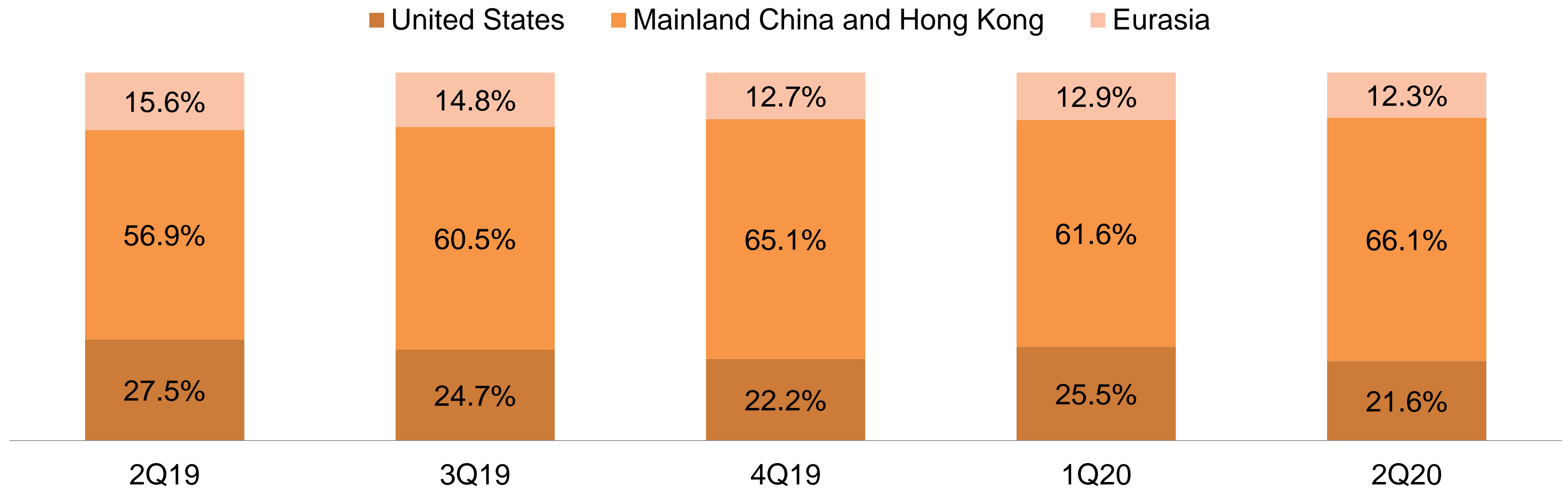
Total Revenue Breakdown by Application



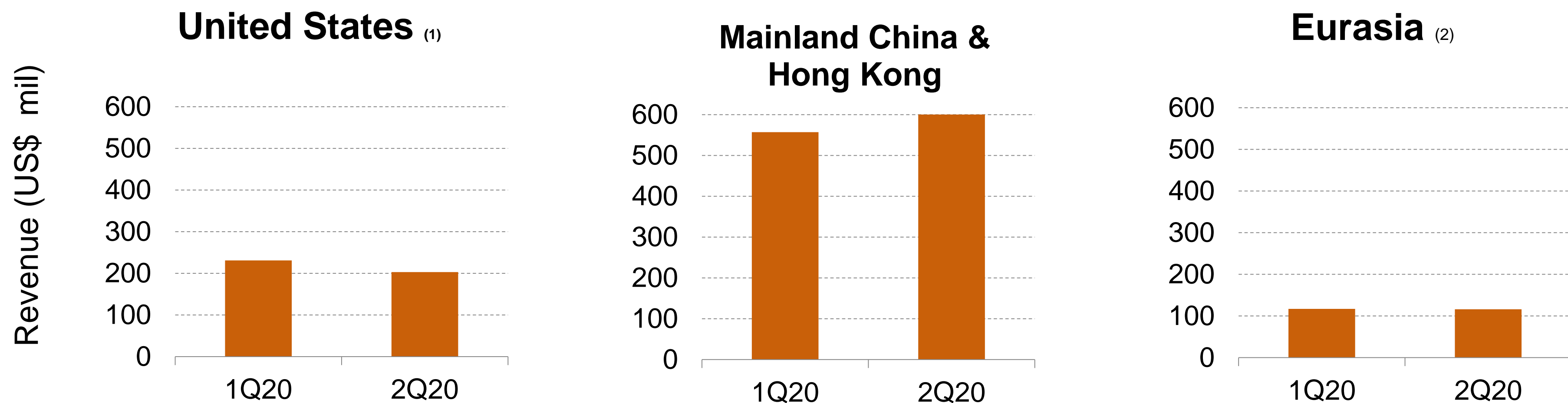
1Q20 vs. 2Q20



Total Revenue Breakdown by Geography



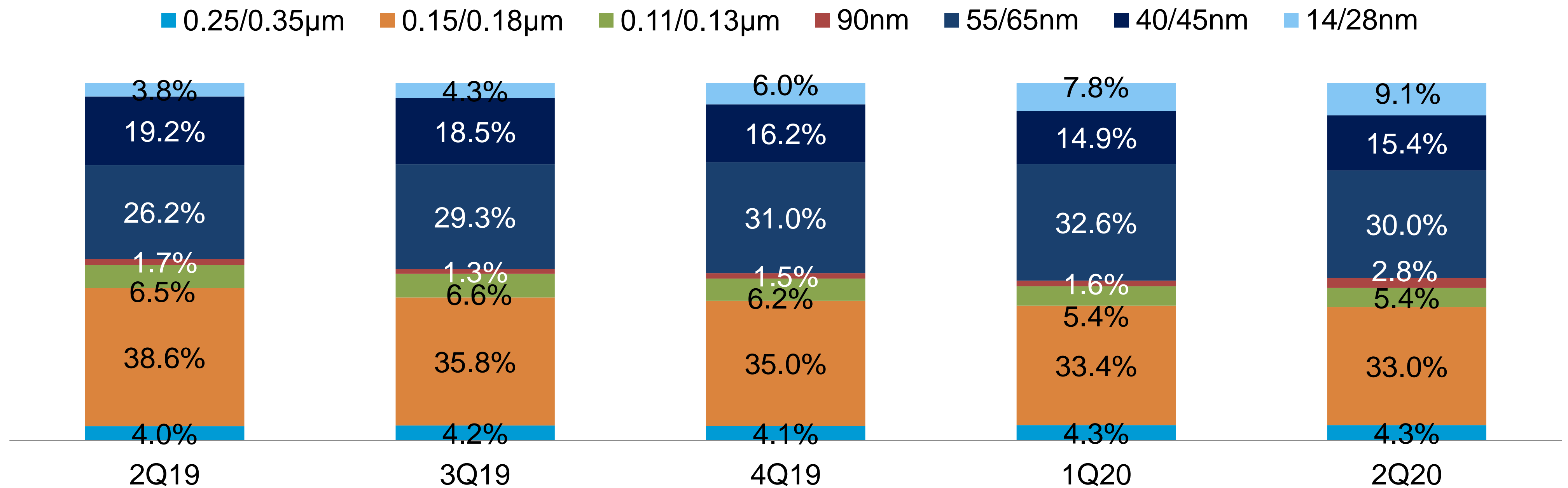
1Q20 vs. 2Q20



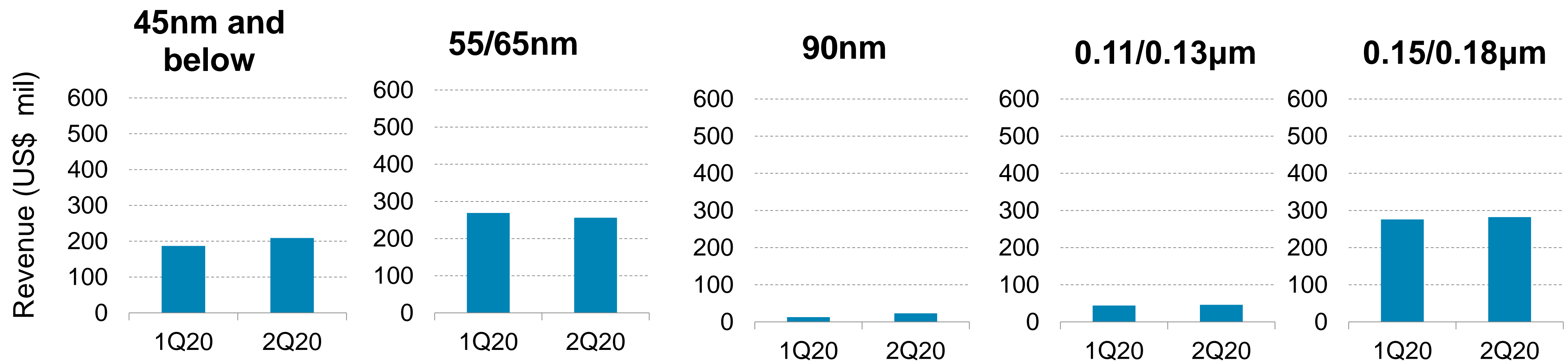
(1) Presenting the Revenue to those companies whose headquarters are in the United States, but ultimately selling and shipping the products to their global customers.

(2) Excluding Mainland China and Hong Kong.

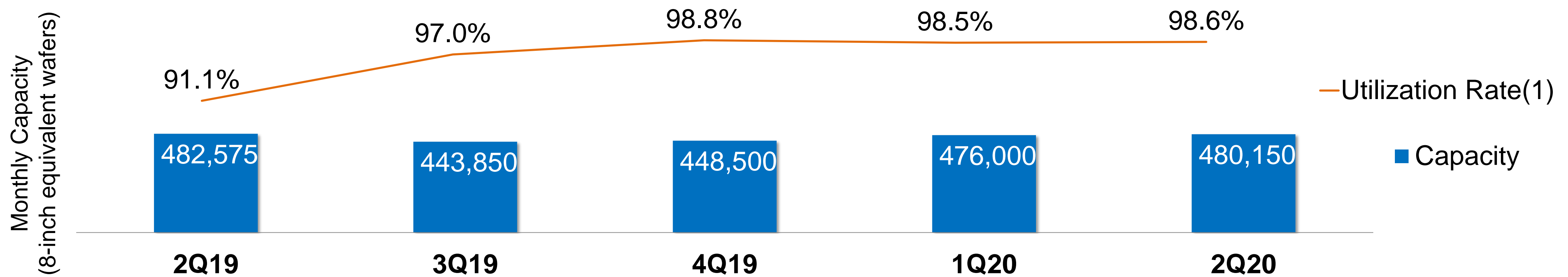
Wafer Revenue Breakdown by Technology



1Q20 vs. 2Q20



Capacity, Utilization and Shipment



	2Q19	3Q19	4Q19	1Q20	2Q20
Shanghai 200mm Fab	115,000	112,000	115,000	115,000	115,000
Shanghai 300mm Fab	8,000	8,000	2,000	2,000	1,400
Beijing 300mm Fab	50,000	50,000	52,000	52,000	52,000
Tianjin 200mm Fab	57,000	58,000	58,000	63,000	73,000
Shenzhen 200mmFab	50,000	52,000	55,000	55,000	46,000
Shenzhen 300mmFab	3,000	3,000	-	-	-
Majority-Owned Beijing 300mm Fab	36,000	37,600	41,000	50,000	50,000
Majority-Owned Shanghai 300mm Fab	-	-	3,000	4,000	6,000
Majority-Owned Avezzano 200mm Fab (2)	42,325	-	-	-	-
Monthly Capacity (8-inch equivalent wafers)	482,575	443,850	448,500	476,000	480,150
Wafer Shipments	1,284,451	1,315,443	1,339,400	1,406,714	1,435,591

(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

3Q 2020 Guidance and 2020 Capex Guidance

	3Q 2020 Guidance	2020 Capex ⁽²⁾
Revenue	+1% to +3% QoQ \$948 to \$967 million	
Gross Margin	19% to 21%	
Non-IFRS Operating Expenses ⁽¹⁾	\$220 to \$235 million	\$6.7B
Non-controlling interests	\$0 to \$10 million	

(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) The planned 2020 capital expenditures increase from approximately \$4.3 billion to \$6.7 billion. The incremental capital expenditures are mainly for the capacity expansion in equipment and machinery.

Appendix

Results vs Original Guidance

	2Q 2020 Guidance	2Q 2020 Results
Revenue	+3% to +5% QoQ \$932 to \$950 million	3.7% QoQ \$938 million
Gross Margin	26% to 28%	26.5%
Non-IFRS Operating Expenses ⁽¹⁾	\$240 to \$245 million	\$ 215 million
Non-controlling interests	\$0 to \$10 million	\$12 million

(1) Non-IFRS operating expenses are defined as operating expenses adjusted to 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

Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	2Q19	3Q19	4Q19	1Q20	2Q20
Capex	908	190	492	777	1,342
Depreciation & Amortization	284	280	286	290	306

Thank You!

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