



SMIC Q3 2020

Financial Presentation

HKSE: 981 STAR: 688981 OTCQX: SMICY

SMIC Investor Relations

November 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 and Chief Financial Officer 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 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.

3Q20 Financial Highlights

- **Revenue was \$1,083 million, a record high**
 - Up 15.3% QoQ, compared to \$938 million in 2Q20
 - Up 32.6% YoY, compared to \$816 million in 3Q19

- **Gross margin was 24.2%**
 - Compared to 26.5% in 2Q20
 - Compared to 20.8% in 3Q19

- **Profit attributable to SMIC was \$256 million, a record high**
 - Compared to \$138 million in 2Q20
 - Compared to \$115 million in 3Q19

- **EBITDA was \$653 million, a record high**
 - Compared to \$466 million in 2Q20
 - Compared to \$383 million in 3Q19

- **\$12.3 billion cash on hand, including financial assets and restricted cash**
 - Compared to \$7.0 billion in 2Q20
 - Compared to \$4.7 billion in 3Q19

Income Statement Highlights

| (US\$ thousands) | 3Q20 | 2Q20 | QoQ | 3Q19 | YoY |
|---|------------------|------------------|---------------|------------------|---------------|
| Total Revenue | 1,082,505 | 938,463 | 15.3% | 816,452 | 32.6% |
| Gross Profit | 261,977 | 248,589 | 5.4% | 169,815 | 54.3% |
| Gross Margin | 24.2% | 26.5% | - | 20.8% | - |
| Operating Expenses | (79,287) | (183,923) | -56.9% | (122,665) | -35.4% |
| <i>Research & Development</i> | <i>(158,520)</i> | <i>(157,999)</i> | <i>0.3%</i> | <i>(185,019)</i> | <i>-14.3%</i> |
| <i>General & Administrative</i> | <i>(56,970)</i> | <i>(59,381)</i> | <i>-4.1%</i> | <i>(70,041)</i> | <i>-18.7%</i> |
| <i>Selling & Marketing</i> | <i>(6,472)</i> | <i>(5,072)</i> | <i>27.6%</i> | <i>(5,900)</i> | <i>9.7%</i> |
| <i>Other operating income</i> | <i>140,840</i> | <i>40,453</i> | <i>248.2%</i> | <i>140,047</i> | <i>0.6%</i> |
| Profit (loss) from operations | 182,690 | 64,666 | 182.5% | 47,150 | 287.5% |
| Other income (expense), net | 101,793 | 76,999 | 32.2% | 41,537 | 145.1% |
| Income tax benefit (expense) | (20,959) | (16,029) | 30.8% | (4,061) | 416.1% |
| Profit (loss) attributable to SMIC | 256,379 | 137,969 | 85.8% | 115,135 | 122.7% |
| Non-controlling Interests | 7,145 | (12,333) | - | (30,509) | - |
| Earnings per ADS (Basic) | 0.18 | 0.13 | | 0.11 | |

- **Revenue** was \$1,082.5 million in 3Q20, an increase of 15.3% QoQ from \$938.5 million in 2Q20. Revenue increased in 3Q20 mainly due to the product-mix change and increase in other operating income in 3Q20.
- **R&D expenses** increased to \$158.5 million in 3Q20, compared to \$158.0 million in 2Q20.
- **General and administrative expenses** decreased by 4.1% to \$57.0 million in 3Q20, compared to \$59.4 million in 2Q20. The change was mainly due to our effectively controlled 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 \$137.8 million in 3Q20, compared to \$40.5 million in 2Q20.

Balance Sheet Highlights

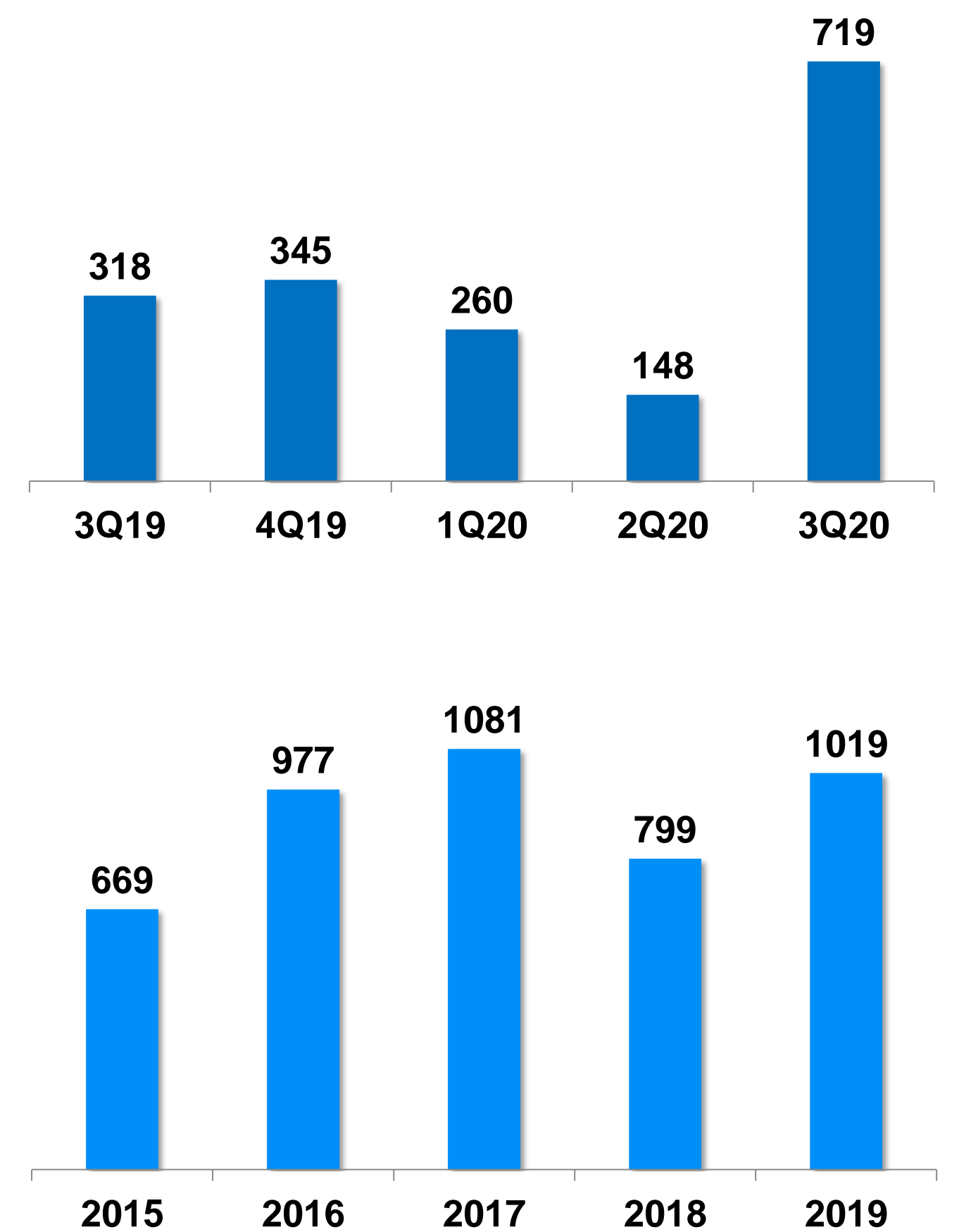
| (US\$ thousands) | As of | |
|--|--------------------|--------------------|
| | Sept 30, 2020 | June 30, 2020 |
| Cash and cash equivalent | 8,619,395 | 3,130,068 |
| Restricted Cash-Current | 438,583 | 595,064 |
| Financial assets at amortized cost (1) | 2,938,086 | 3,272,024 |
| Trade and other receivables | 1,115,825 | 1,448,234 |
| Inventories | 647,625 | 669,202 |
| Assets classified as held-for-sales | 4,729 | 7,213 |
| Other Assets | 15,222,036 | 11,266,373 |
| Total Assets | 28,986,279 | 20,388,178 |
| Borrowings-Current | 1,082,866 | 1,053,686 |
| Borrowings-Non-current | 2,084,253 | 1,690,928 |
| Lease Liabilities | 268,791 | 292,268 |
| Short-term notes | - | 211,840 |
| Medium-term notes | 219,567 | 211,313 |
| Convertible bonds | 15,403 | 65,000 |
| Bonds payable | 596,795 | 596,625 |
| Total Debt | 4,267,675 | 4,121,660 |
| Net Debt (2) | (8,071,910) | (2,875,496) |
| Total Liabilities | 7,948,705 | 7,210,503 |
| Total Equity | 21,037,574 | 13,177,675 |
| Total Debt/Equity Ratio (3) | 20.3% | 31.3% |
| Net debt/Equity Ratio (4) | -38.4% | -21.8% |

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

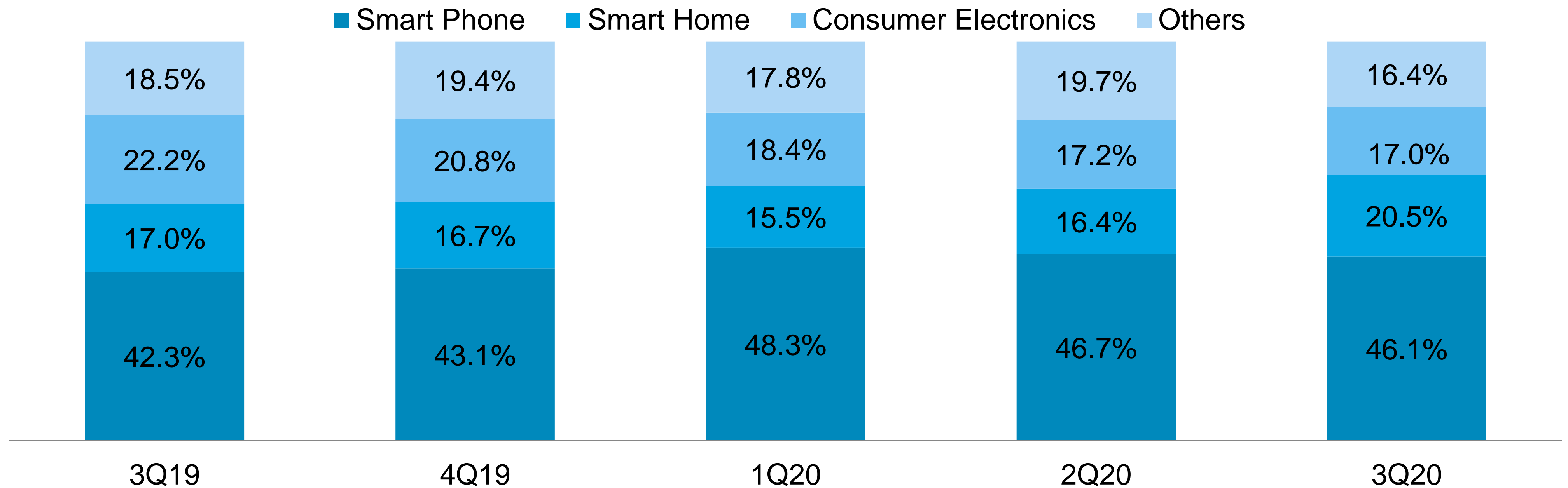
Cash Flow Highlights

| <i>(US\$ thousands)</i> | For the three months ended | |
|---|----------------------------|---------------|
| | Sept 30, 2020 | June 30, 2020 |
| Cash and cash equivalent, beginning of period | 3,130,068 | 1,663,808 |
| Net cash from operating activities | 719,150 | 147,719 |
| Net cash used in investing activities | (3,332,124) | (247,602) |
| Net cash from (used in) financing activities | 7,964,151 | 1,577,785 |
| Net increase (decrease) in cash and cash equivalent | 5,489,327 | 1,466,260 |
| Cash and cash equivalent, end of period | 8,619,395 | 3,130,068 |

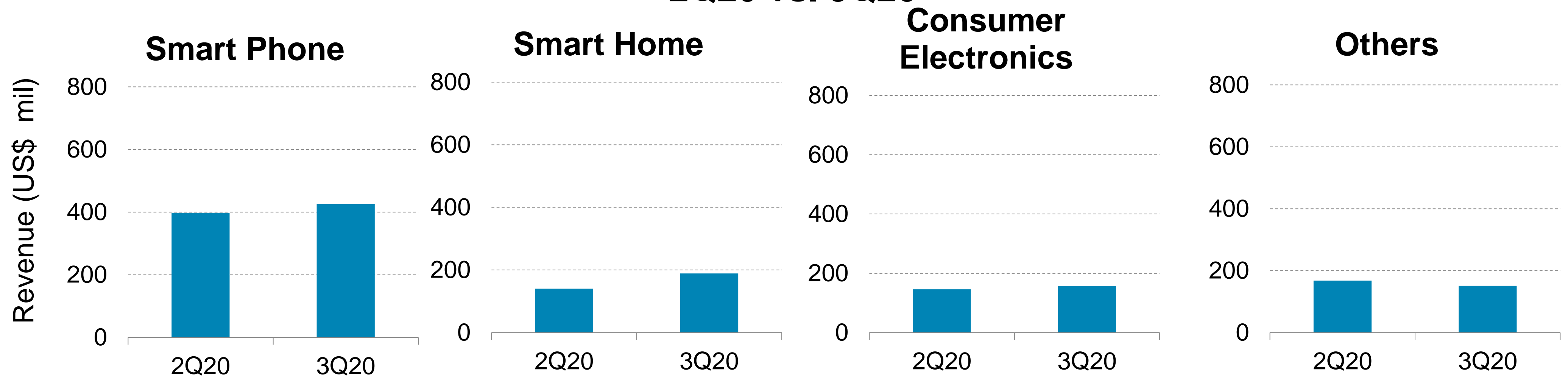
Cash Flow from Operations *(US\$ millions)*



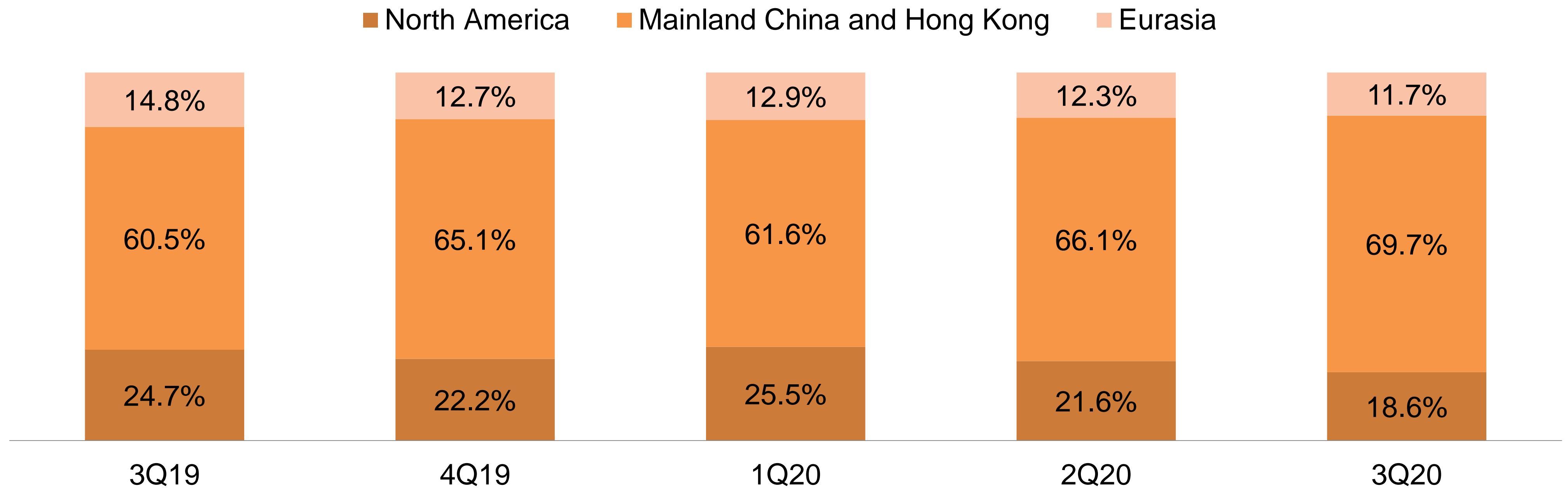
Wafer Revenue Breakdown by Application



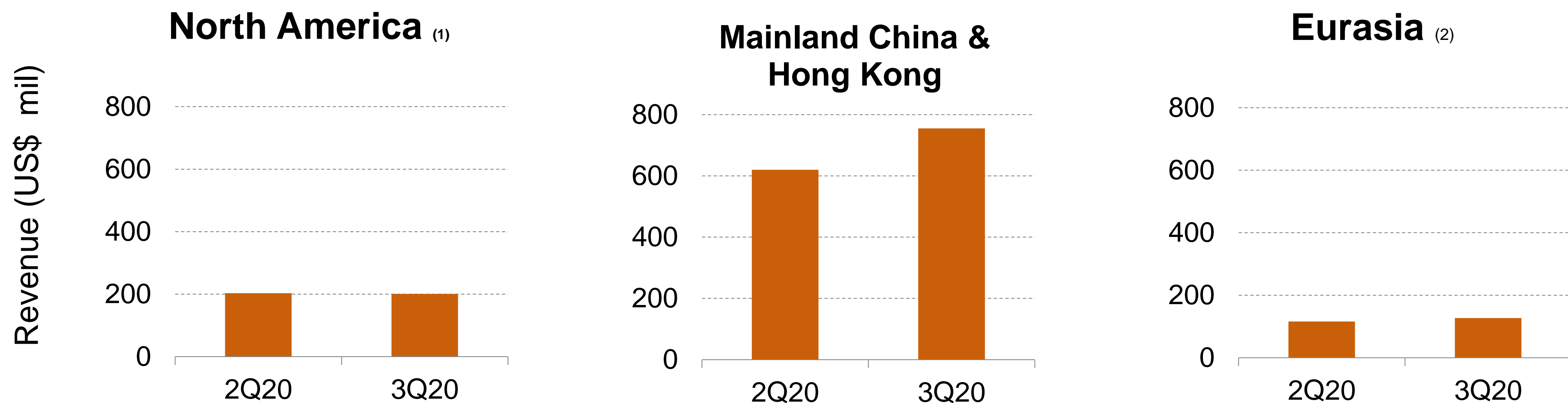
2Q20 vs. 3Q20



Total Revenue Breakdown by Geography



2Q20 vs. 3Q20

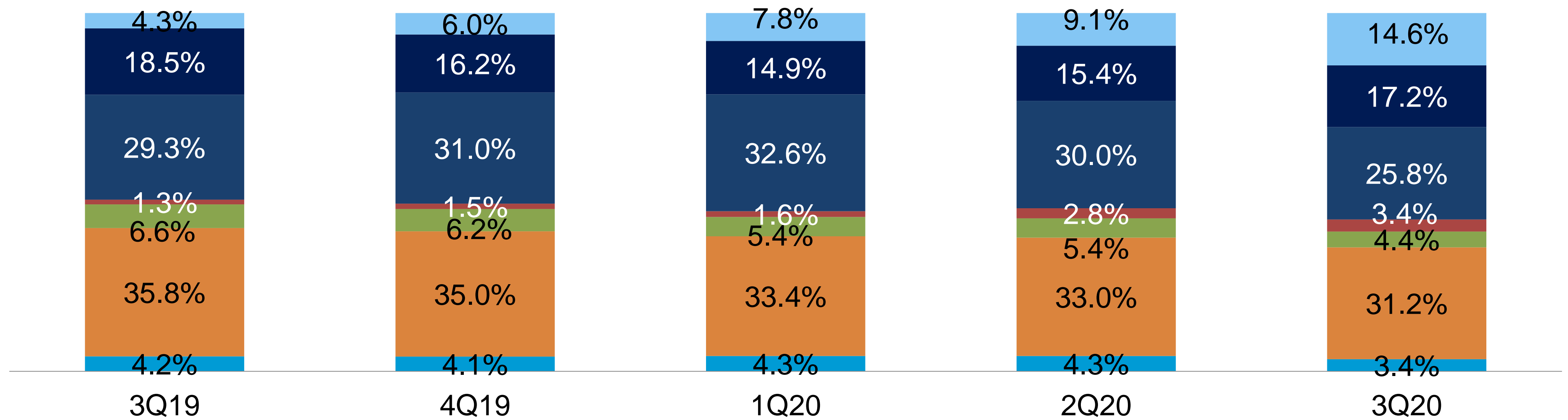


(1) Presenting the Revenue to those companies whose headquarters are in the United States, but ultimately selling and shipping the products to their global customers.

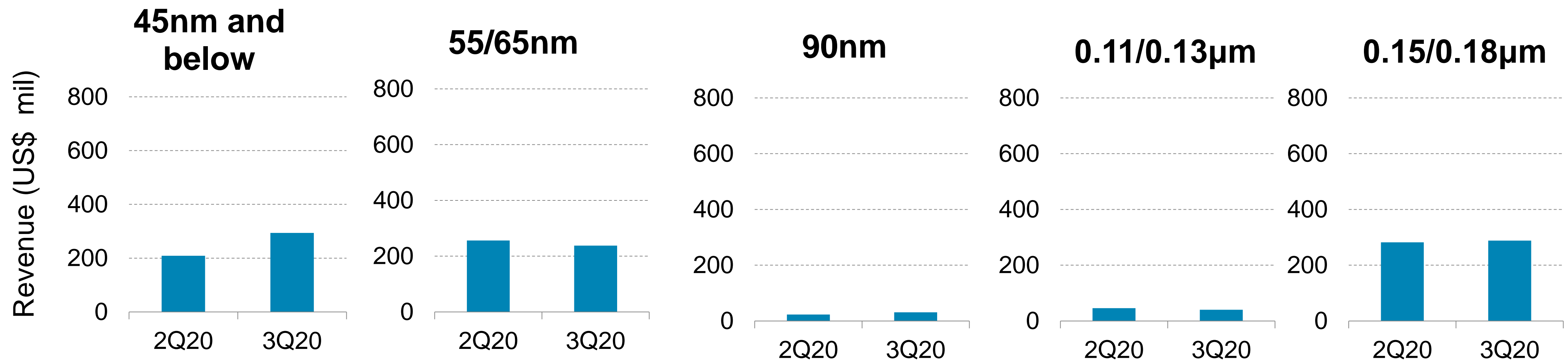
(2) Excluding Mainland China and Hong Kong.

Wafer Revenue Breakdown by Technology

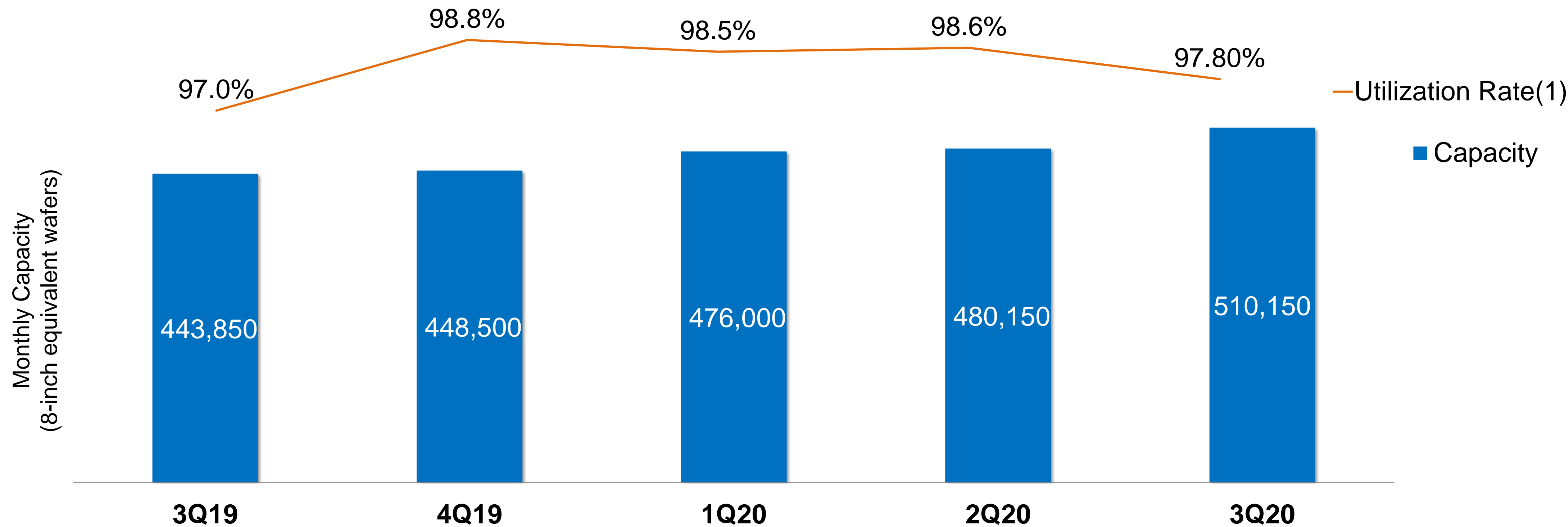
■ 0.25/0.35μm
 ■ 0.15/0.18μm
 ■ 0.11/0.13μm
 ■ 90nm
 ■ 55/65nm
 ■ 40/45nm
 ■ 14/28nm



2Q20 vs. 3Q20



Capacity, Utilization and Shipment



| | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 |
|-----------------|-----------|-----------|-----------|-----------|-----------|
| Wafer Shipments | 1,315,443 | 1,339,400 | 1,406,714 | 1,435,591 | 1,440,531 |

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

4Q 2020 Guidance and 2020 Capex Guidance

| | 4Q 2020 Guidance | 2020 Capex ⁽¹⁾ |
|--------------|------------------|---------------------------|
| Revenue | -10% to -12% QoQ | |
| Gross Margin | 16% to 18% | \$5.9B |

(1) Capex plan is decreased from \$6.7 billion to \$5.9 billion, mainly due to 1) an extended lead-time or uncertainty of certain equipment delivery from US suppliers due to export restriction; 2) delay in equipment move-in schedule caused by logistics.

Appendix

Results vs Original Guidance

| | 3Q 2020 Original Guidance | 3Q 2020 Results |
|--|--|------------------------------|
| Revenue | +1% to +3% QoQ \$948 to \$967 million | 15.3% QoQ \$1,083 million |
| Gross Margin | 19% to 21% | 24.2% |
| Non-IFRS Operating Expenses ⁽¹⁾ | \$220 to \$235 million | \$ 215 million |
| Non-controlling interests | \$0 to \$10 million | -\$7 million |

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

Capital Expenditures & Depreciation

| <i>(US\$ millions)</i> | 3Q19 | 4Q19 | 1Q20 | 2Q20 | 3Q20 |
|--|------|------|------|-------|-------|
| Capex | 190 | 492 | 777 | 1,342 | 2,280 |
| Depreciation & Amortization | 280 | 286 | 290 | 306 | 351 |

Thank You!

Contact us: ir@smics.com