



SMIC Investor Presentation

HKSE: 981 **OTCQX: SMICY**

SMIC Investor Relations

May 2020

Forward-Looking Statements

This presentation contains, in addition to historical information, forward-looking statements. These forward-looking statements, including statements under “Second 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.

**I.
Market
Opportunity**

**II.
SMIC
Introduction**

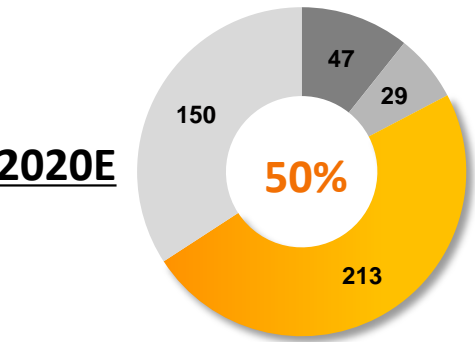
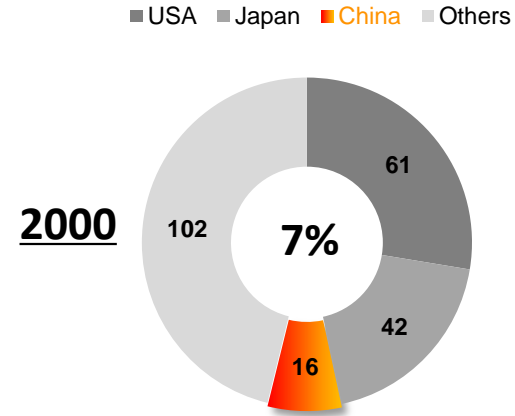
**III.
SMIC
Performance**

**IV.
Strategies for
Growth**

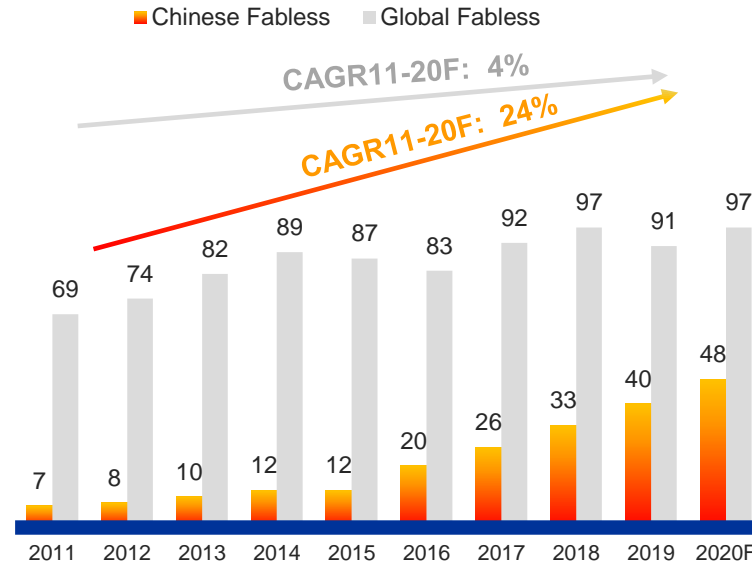
**V.
Concluding
Remarks**

RAPID GROWTH OF THE CHINA IC MARKET

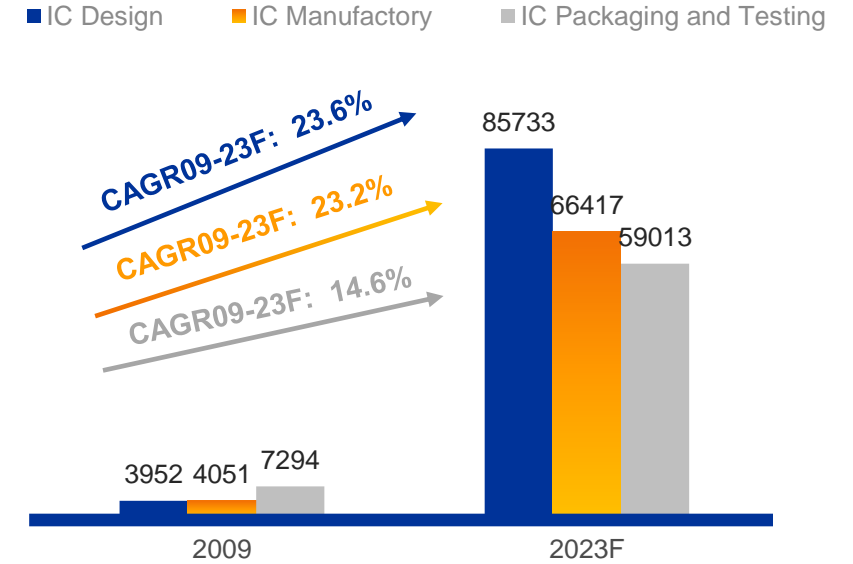
China: World's Largest IC Market (US\$bn)



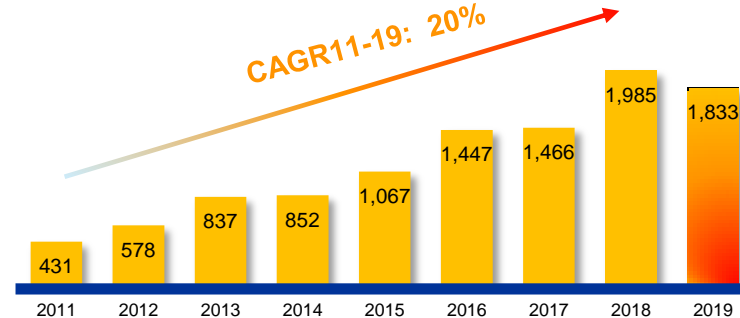
Chinese Fabless Market Growth (US\$bn)



Chinese IC Industry Revenue Development (US\$m)



SMIC's Rapid Revenue Growth from China Clients (US\$m)

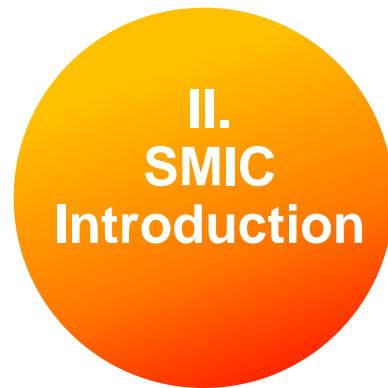


*2018 SMIC China revenue included one-time technology licensing fee of ~\$160M



Companies pictured are examples of and are not limited to.
*Including local system companies

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SMIC: LARGEST AND MOST ADVANCED IC FOUNDRY IN PRC

Established
in 2000



Listed on
HKEX



#1
in PRC



#4
globally

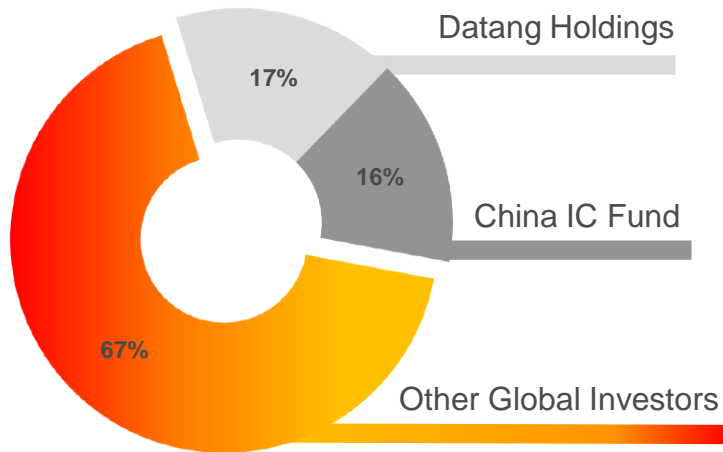


Annual Revenue US\$B

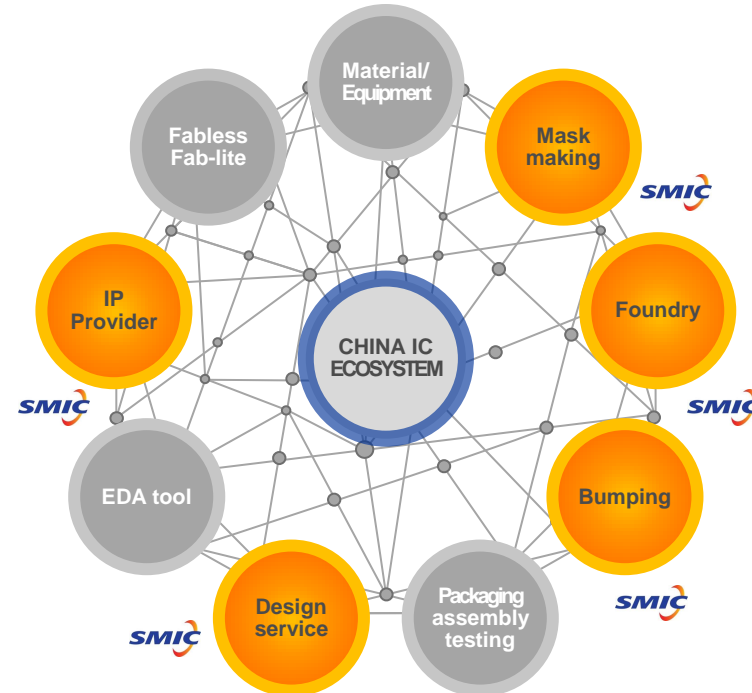
mid to high
teens' growth



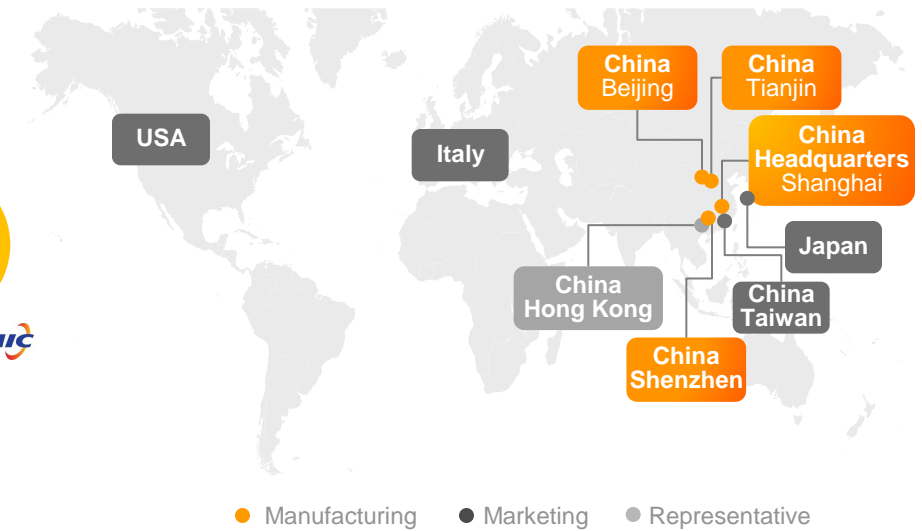
Shareholding Structure



SMIC's Strong Position in China IC Ecosystem



Strong Global Presence



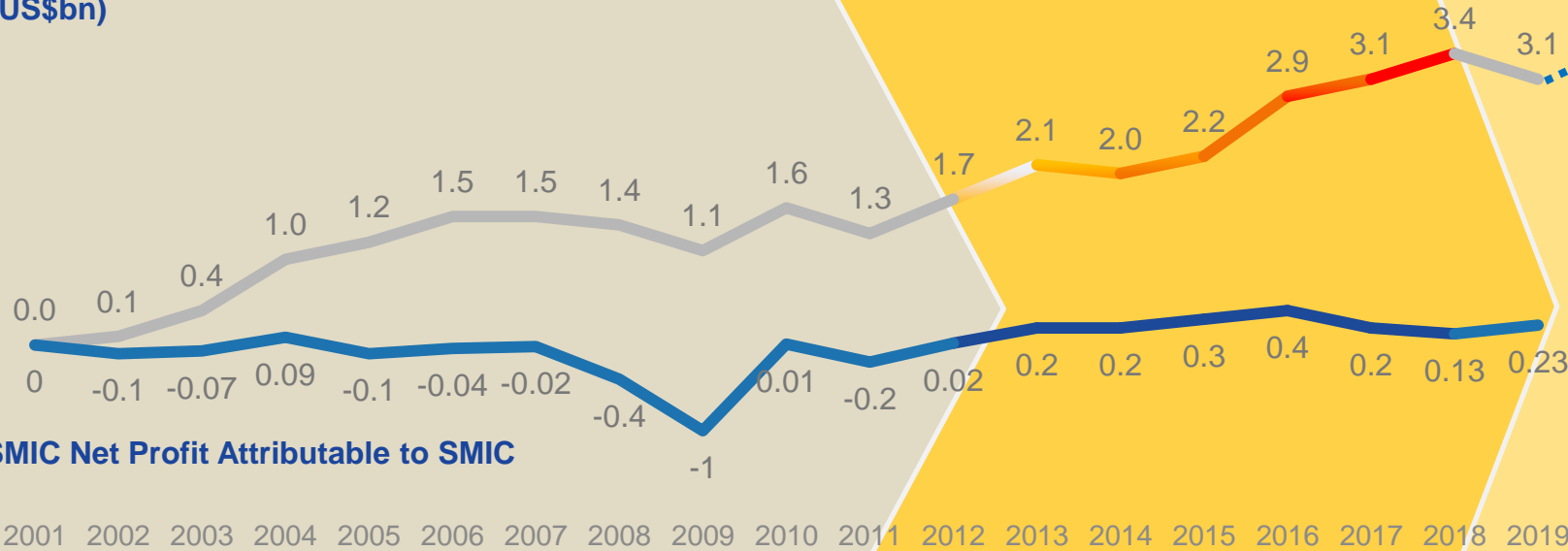
BECOMING FUNDAMENTALLY SOLID, RETURNING TO STRONG GROWTH

Early Establishment

Turnaround

New Phase of Growth

SMIC Annual Revenue (US\$bn)



SMIC Net Profit Attributable to SMIC

Foundry of Choice in China

Aiming to:

be a world-class, mainstream foundry



accelerate technology development



maintain leadership in key platforms and strategic partnerships



SMIC FAMILY OF IC MANUFACTURING

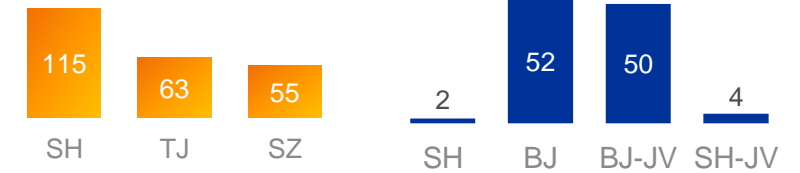
China-Based, Global-Reach



476K TOTAL 8" EQUIV WPM 1Q20-end

233K 8" wpm

108K 12" wpm



New Fabs

Shanghai JV 12"

Tianjin 8"

Expansion Conditions:

- Market and customer demand
- Technological readiness
- Majority-owned advanced JV fab, 14nm and below
- Partnership with China IC fund and Shanghai IC fund
- Targeting to be the World's Largest Integrated 8-inch IC Production Line

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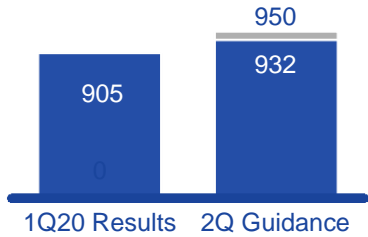


**IV.
Strategies for
Growth**

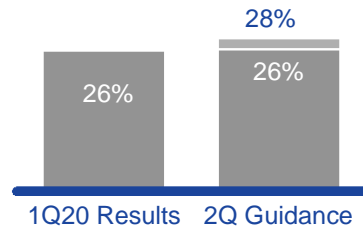
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FINANCIAL SUMMARY

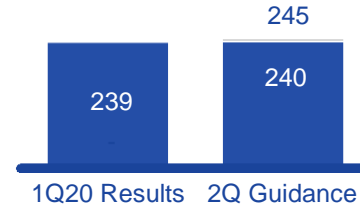
Revenue (US\$mm)



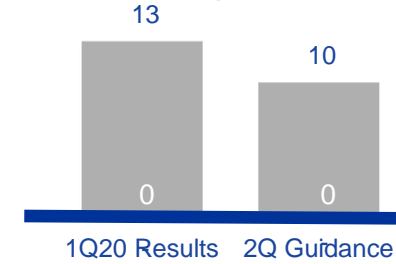
Gross Margin



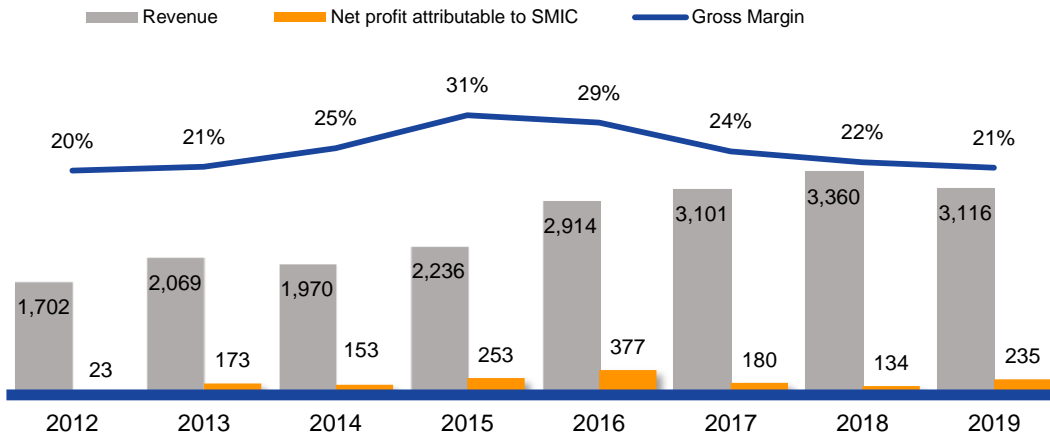
Non-IFRS Opex (US\$mm)



Non-controlling interests (US\$mm)

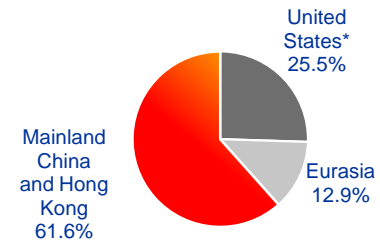


Revenue and Profitability (US\$mm)

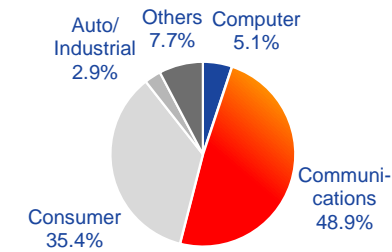


Diversified Revenue Sources – 1Q20

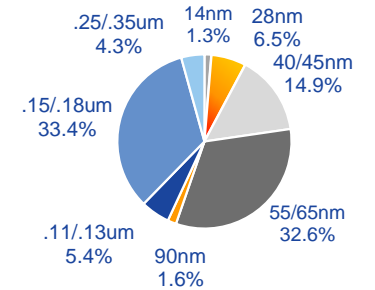
Revenue by Geography



Revenue by Application



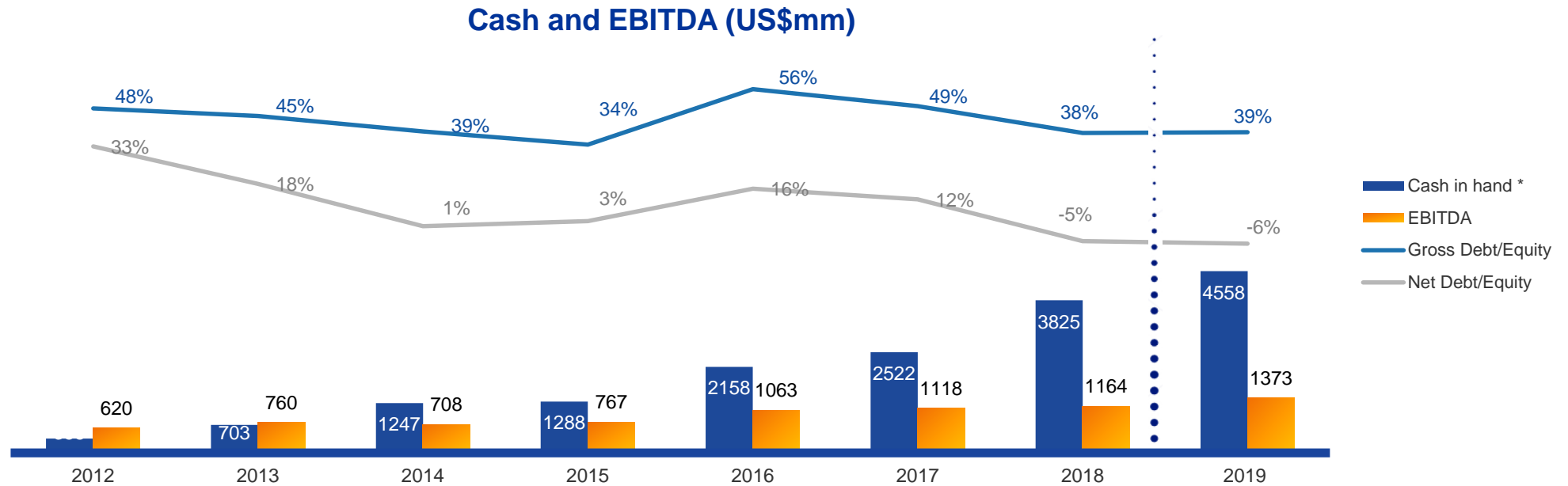
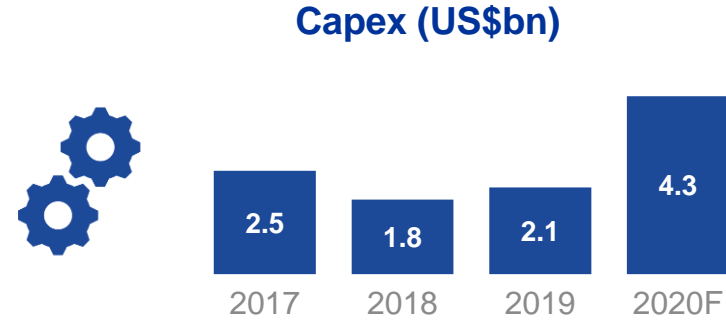
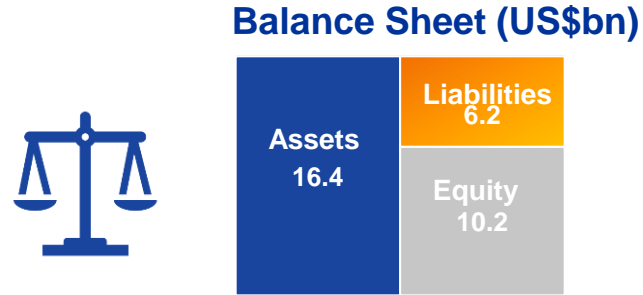
Wafer Revenue by Technology



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

Note: All figures before 2013 are based on US GAAP, and all figures after 2013 are based on IFRS

CAPEX, EBITDA, AND CASH LEVELS

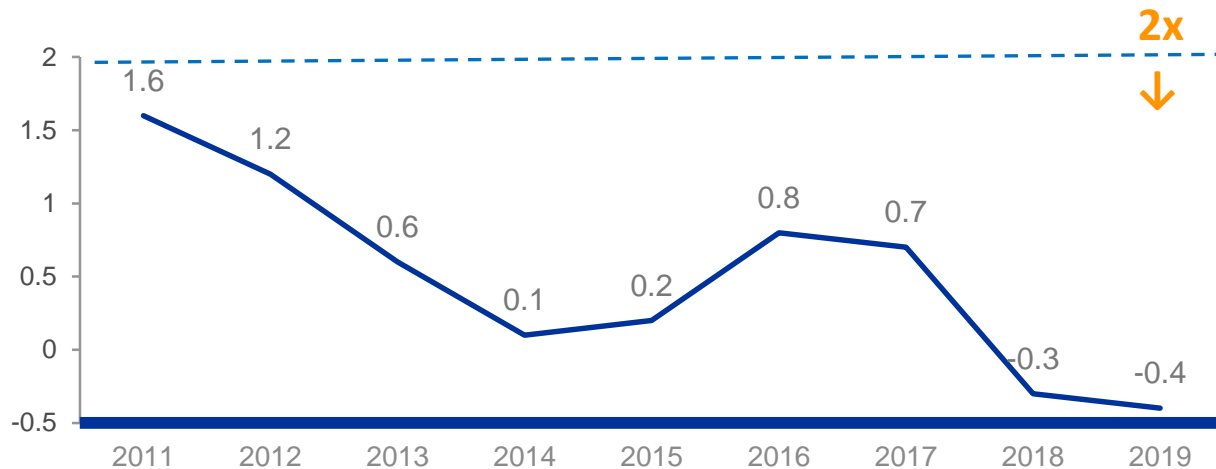


* Cash in hand includes cash and cash equivalent, plus current financial assets, excluding restricted cash.

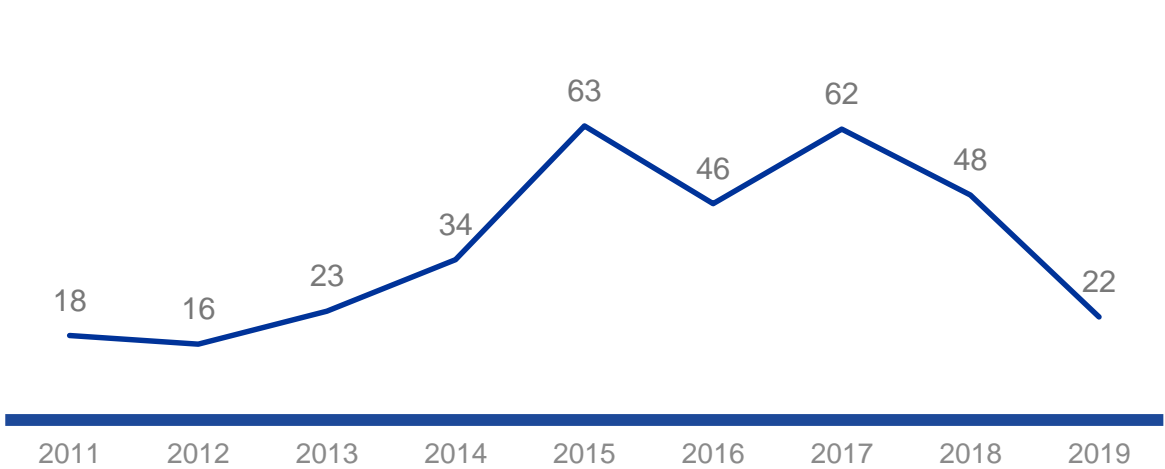
INVESTMENT GRADE CREDIT RATING

- ✓ S&P **investment grade** BBB- long-term corporate credit rating since Oct 2013
- ✓ Moody's **investment grade** Baa3 corporate credit rating in Oct 2015
- ✓ China Chengxin International Credit Rating Agency's **triple A rating** in Nov 2015
- ✓ Committed to **Net Debt/EBITDA less than 2x** to maintain rating

Net Debt/EBITDA



EBITDA/Finance Costs



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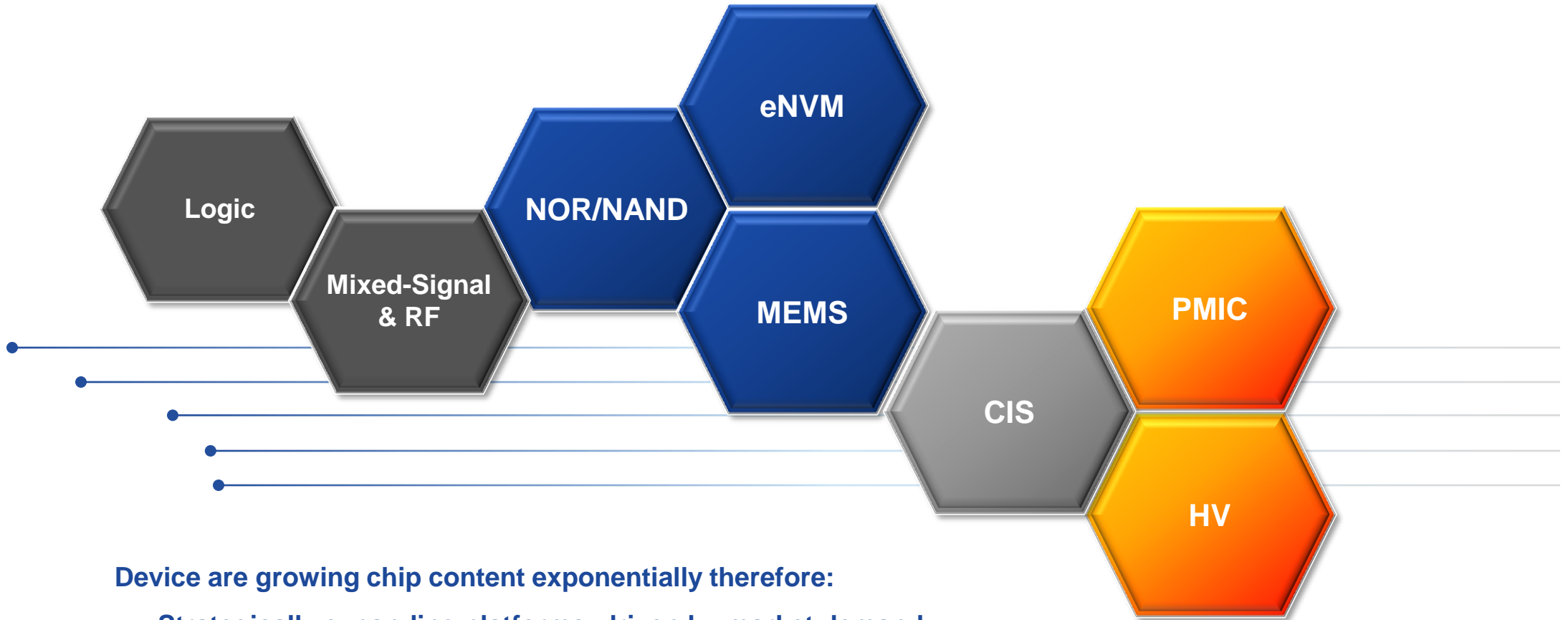
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PLATFORM STRATEGY DRIVING DIVERSIFIED GROWTH AND LOADING

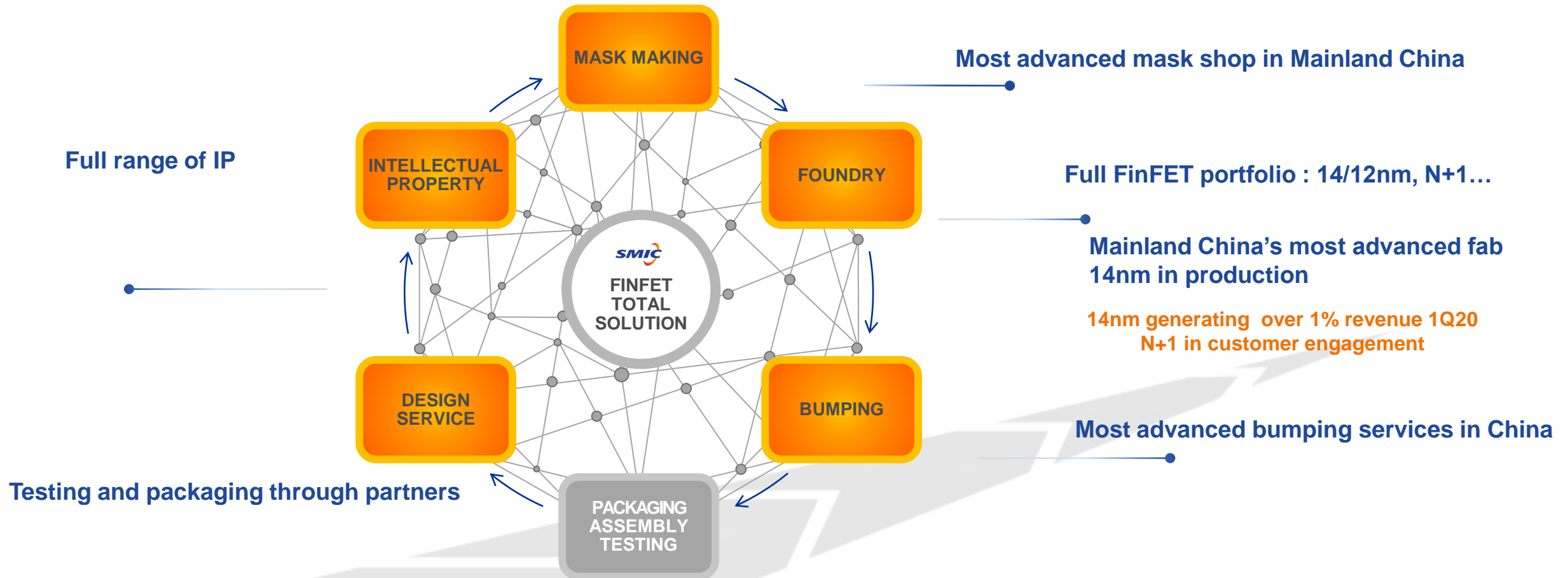


Device are growing chip content exponentially therefore:

- Strategically expanding platforms, driven by market demand
- Continuously innovating product platforms to drive growth
- Maintaining leadership in CIS, PMIC, and others

NEW FINFET ERA WITH TOTAL SOLUTION STRATEGY

FINFET TOTAL SOLUTION TO ENABLE LONG-TERM COMMITMENT



BUSINESS OPPORTUNITIES



To **best serve customers**, SMIC is expanding its FinFET product portfolio with **various applications** under development



Smartphones



Smart TV & STB



HPC



Networking



Connectivity



Automotive

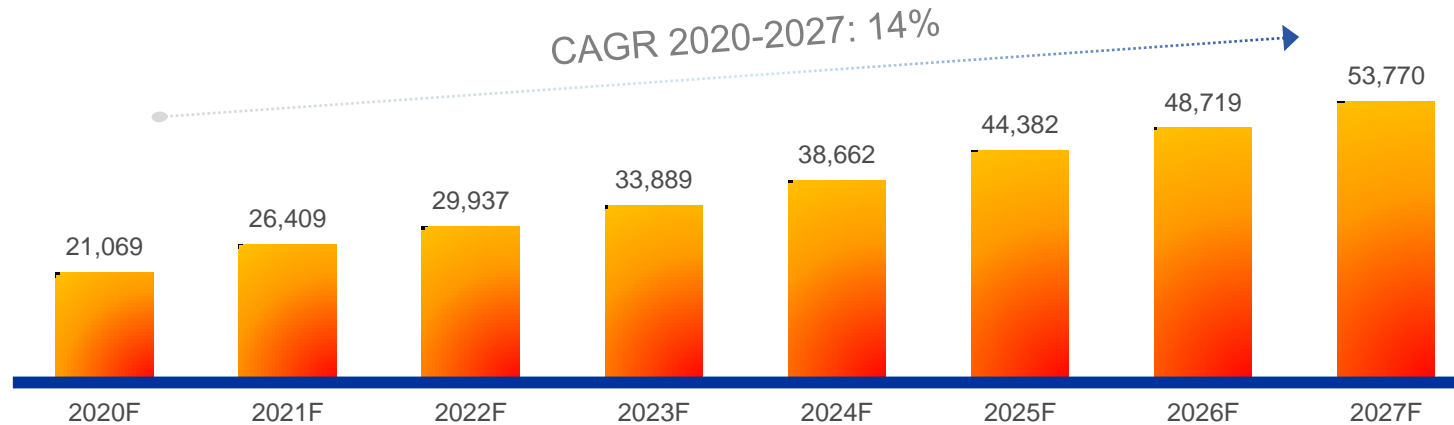


AI



IoT

FINFET MARKET REVENUE: 14NM AND BELOW FORECAST (US\$MN)



Source: SMIC analysis with 3rd party reference data, 1Q20

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AIMING TO BE A WORLD-CLASS FOUNDRY

Execution

- *Mature tech platforms solid. Mature fabs full.*
- *Advanced tech FinFET developed, >1% wafer rev, and ramping up*

Technology

- *14nm in production*
- *N+1 in customer engagement*
- *Accelerating advanced technology*
- *Competitiveness on differentiated platforms*
- *Full-service FinFET offerings*



Financial

- *Investment-grade credit rating*
- *\$5.3bn cash on hand at the end of 1Q20*
- *\$1.4bn EBITDA in 2019*
- *JV partnerships for new advanced fabs*

Positioning

- *Largest and most advanced foundry in Mainland China*
- *Preferred partner in the China semi ecosystem*

Thank You

Contact us: ir@smics.com