SMIC Q4 2022
Financial Presentation
SEHK: 00981
SSE STAR MARKET: 688981
SMIC Investor Relations
Feb 2023
Forward-Looking Statements

This presentation contains, in addition to historical information, forward-looking statements. These forward-looking statements are based on SMIC’s current assumptions, expectations, beliefs, plans, objectives, and projections about future events or performance. SMIC uses words including but not limited to “believe”, “anticipate”, “intend”, “estimate”, “expect”, “project”, “target”, “going forward”, “continue”, “ought to”, “may”, “seek”, “should”, “plan”, “could”, “vision”, “goal”, “aim”, “aspire”, “objective”, “schedule”, “outlook” and other similar expressions to identify forward looking statements. 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, raw materials and software, 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 Stock Exchange of Hong Kong 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 possible or actual occurrence of unanticipated events after the date on which such statement is made, whether as a result of new information, future events or otherwise.


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 report.
4Q22 Financial Highlights (unaudited)

▪ Revenue was $1,621 million
  – Down 15.0% QoQ from $1,907 million in 3Q22
  – Up 2.6% YoY from $1,580 million in 4Q21

▪ Gross margin was 32.0%
  – Compared to 38.9% in 3Q22
  – Compared to 35.0% in 4Q21

▪ Profit from operations was $282 million
  – Compared to $478 million in 3Q22
  – Compared to $420 million in 4Q21

▪ Profit attributable to SMIC was $386 million
  – Compared to $471 million in 3Q22
  – Compared to $534 million in 4Q21

▪ EBITDA was $1,063 million
  – Compared to $1,192 million in 3Q22
  – Compared to $1,167 million in 4Q21
2022 Financial Highlights (unaudited)

- **Revenue was $7,273 million, record high**
  - Compared to $5,443 million in 2021

- **Gross margin was 38.0%, record high**
  - Compared to 30.8% in 2021

- **Profit from operations was $1,836 million**
  - Compared to $1,393 million in 2021

- **Profit attributable to SMIC was $1,818 million**
  - Compared to $1,702 million in 2021

- **EBITDA was $4,611 million**
  - Compared to $3,820 million in 2021
### Income Statement

<table>
<thead>
<tr>
<th>(US$ thousands)</th>
<th>4Q22</th>
<th>3Q22</th>
<th>QoQ</th>
<th>4Q21</th>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,621,270</td>
<td>1,906,956</td>
<td>-15.0%</td>
<td>1,580,059</td>
<td>2.6%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>518,689</td>
<td>742,216</td>
<td>-30.1%</td>
<td>552,783</td>
<td>-6.2%</td>
</tr>
<tr>
<td>Gross margin</td>
<td>32.0%</td>
<td>38.9%</td>
<td>35.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating income/expense</td>
<td>(236,343)</td>
<td>(264,297)</td>
<td>-10.6%</td>
<td>(132,669)</td>
<td>78.1%</td>
</tr>
<tr>
<td>Research &amp; development</td>
<td>(197,455)</td>
<td>(182,888)</td>
<td>8.0%</td>
<td>(172,105)</td>
<td>14.7%</td>
</tr>
<tr>
<td>General &amp; administrative</td>
<td>(127,338)</td>
<td>(152,671)</td>
<td>-16.6%</td>
<td>(104,097)</td>
<td>22.3%</td>
</tr>
<tr>
<td>Selling &amp; marketing</td>
<td>(7,850)</td>
<td>(7,357)</td>
<td>6.7%</td>
<td>(8,164)</td>
<td>-3.8%</td>
</tr>
<tr>
<td>Other operating income</td>
<td>96,917</td>
<td>78,706</td>
<td>23.1%</td>
<td>151,582</td>
<td>-36.1%</td>
</tr>
<tr>
<td>Profit from operations</td>
<td>282,346</td>
<td>477,919</td>
<td>-40.9%</td>
<td>420,114</td>
<td>-32.8%</td>
</tr>
<tr>
<td>Other income, net</td>
<td>136,777</td>
<td>106,666</td>
<td>28.2%</td>
<td>211,276</td>
<td>-35.3%</td>
</tr>
<tr>
<td>Income tax credit/expense</td>
<td>6,351</td>
<td>(10,211)</td>
<td>N/A</td>
<td>(53,037)</td>
<td>N/A</td>
</tr>
<tr>
<td>Profit (loss) attributable to SMIC</td>
<td>385,534</td>
<td>470,849</td>
<td>-18.1%</td>
<td>533,773</td>
<td>-27.8%</td>
</tr>
<tr>
<td>Profit (loss) attributable to Non-controlling interests</td>
<td>39,940</td>
<td>103,525</td>
<td>-61.4%</td>
<td>44,580</td>
<td>-10.4%</td>
</tr>
</tbody>
</table>

- **Revenue** was $1,621.3 million in 4Q22, a decrease of 15.0% QoQ from $1,907.0 million in 3Q22. The decline was mainly due to the decrease in capacity utilization and sales volume in 4Q22.

- **Gross margin** was 32.0% in 4Q22, compared to 38.9% in 3Q22 due to the decrease in capacity utilization and sales volume in 4Q22. **Research and development expenses** increased to $197.5 million in 4Q22 from $182.9 million in 3Q22. The change was primarily attributable to the higher level of R&D activities in 4Q22.

- **General and administrative expenses** decreased to $127.3 million in 4Q22 from $152.7 million in 3Q22. The change was mainly because a new majority-owned fab entered into production in 4Q22 and as a result, the start-up cost decreased in 4Q22.

- The change in **other operating income** was primarily caused by the change in the income recognized in relation to government funding and profit from disposal of fixed assets.
# Capital Structure

<table>
<thead>
<tr>
<th>(US$ thousands)</th>
<th>As of Dec 31, 2022</th>
<th>As of Sep 30, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>6,932,587</td>
<td>7,544,774</td>
</tr>
<tr>
<td>Restricted cash - current</td>
<td>676,937</td>
<td>663,631</td>
</tr>
<tr>
<td>Financial assets at fair value through profit or loss - current (1)</td>
<td>375,776</td>
<td>292,749</td>
</tr>
<tr>
<td>Financial assets at amortised cost (2)</td>
<td>10,676,151</td>
<td>9,917,224</td>
</tr>
<tr>
<td><strong>Total cash on hand</strong></td>
<td><strong>18,661,451</strong></td>
<td><strong>18,418,378</strong></td>
</tr>
<tr>
<td>Borrowings - current</td>
<td>1,268,218</td>
<td>967,705</td>
</tr>
<tr>
<td>Borrowings - non-current</td>
<td>6,718,304</td>
<td>6,277,993</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>109,531</td>
<td>128,735</td>
</tr>
<tr>
<td>Bonds payable</td>
<td>598,379</td>
<td>598,197</td>
</tr>
<tr>
<td><strong>Total debt</strong></td>
<td><strong>8,694,432</strong></td>
<td><strong>7,972,630</strong></td>
</tr>
<tr>
<td>Net debt (3)</td>
<td>(9,967,019)</td>
<td>(10,445,748)</td>
</tr>
<tr>
<td>Equity</td>
<td>28,961,421</td>
<td>27,919,123</td>
</tr>
<tr>
<td>Debt to equity ratio (4)</td>
<td>30.0%</td>
<td>28.6%</td>
</tr>
<tr>
<td>Net debt to equity ratio (5)</td>
<td>-34.4%</td>
<td>-37.4%</td>
</tr>
</tbody>
</table>

(1) Mainly contain structural deposits and monetary funds.
(2) Mainly contain bank deposits over 3 months.
(3) Total debt minus total cash on hand.
(4) Total debt divided by equity.
(5) Net debt divided by equity.
# Cash Flow

<table>
<thead>
<tr>
<th>(US$ thousands)</th>
<th>For the three months ended Dec 31, 2022</th>
<th>Sep 30, 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents, beginning of the period</td>
<td>7,544,774</td>
<td>8,634,495</td>
</tr>
<tr>
<td>Net cash generated from operating activities</td>
<td>563,308</td>
<td>1,069,149</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(2,419,975)</td>
<td>(3,024,132)</td>
</tr>
<tr>
<td>Net cash generated from financing activities</td>
<td>1,135,197</td>
<td>1,062,529</td>
</tr>
<tr>
<td>Net change in cash and cash equivalents</td>
<td>(612,187)</td>
<td>(1,089,721)</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of the period</td>
<td>6,932,587</td>
<td>7,544,774</td>
</tr>
</tbody>
</table>

### Net cash generated from operating activities (US$ millions)

<table>
<thead>
<tr>
<th></th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>799</td>
<td>1019</td>
<td>1660</td>
<td>3012</td>
<td>5348</td>
</tr>
<tr>
<td>2019</td>
<td>950</td>
<td>1593</td>
<td>2122</td>
<td>1069</td>
<td>563</td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(unaudited)
(1) Presenting the revenue to those companies whose headquarters are in this area, but ultimately selling and shipping the products to their global customers.
Wafer Revenue Analysis By Application

### Revenue (US$ millions)

- **Smart Phone**
  - 4Q22: 31.2%
  - 3Q22: 28.7%
  - 2Q22: 25.4%
  - 1Q22: 12.7%
  - 4Q21: 32.4%

- **Consumer Electronics**
  - 4Q22: 28.6%
  - 3Q22: 26.0%
  - 2Q22: 23.3%
  - 1Q22: 13.8%
  - 4Q21: 34.4%

- **Smart Home**
  - 4Q22: 21.6%
  - 3Q22: 23.3%
  - 2Q22: 23.8%
  - 1Q22: 16.2%
  - 4Q21: 23.1%

- **Others**
  - 4Q22: 10.8%
  - 3Q22: 14.9%
  - 2Q22: 16.2%
  - 1Q22: 23.1%
  - 4Q21: 12.7%

### Graphs

- **Bar Graph**
  - Revenue comparison for Smart Phone, Smart Home, Consumer Electronics, and Others from Q4 2021 to Q4 2022.

- **Pie Chart**
  - Breakdown of wafer revenue by application for each quarter from Q4 2021 to Q4 2022.
Wafer Revenue Analysis By Size

Revenue (US$ millions):
- 12" wafers
- 8" wafers

Comparison:
- 4Q21: 35.5% 64.5%
- 1Q22: 33.5% 66.5%
- 2Q22: 31.7% 68.3%
- 3Q22: 31.6% 68.4%
- 4Q22: 35.6% 64.4%

Revenue Growth:
- 12" wafers: 1,200 to 1,400
- 8" wafers: 400 to 500
### Capacity, Utilization and Shipment

<table>
<thead>
<tr>
<th></th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Wafer Shipments</strong></td>
<td>1,723,360</td>
<td>1,840,189</td>
<td>1,886,530</td>
<td>1,797,671</td>
<td>1,574,068</td>
</tr>
</tbody>
</table>

*Capacity utilization rate is reported based on total 8” equivalent wafers out divided by estimated total quarterly capacity.*
1Q 2023 Guidance

<table>
<thead>
<tr>
<th></th>
<th>1Q 2023 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>-10% to -12% QoQ</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>19% to 21%</td>
</tr>
</tbody>
</table>
## 2023 Guidance

<table>
<thead>
<tr>
<th></th>
<th>2023 Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>Decline by low-teens percentage year-over-year</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>Around 20%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>Increase by more than 20% year-over-year</td>
</tr>
<tr>
<td>Capex</td>
<td>Roughly flat compared to 2022</td>
</tr>
</tbody>
</table>
Appendix
## 4Q Results vs Guidance

<table>
<thead>
<tr>
<th></th>
<th>4Q 2022 Guidance</th>
<th>4Q 2022 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>-13% to -15% QoQ</td>
<td>-15.0% QoQ</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>30% to 32%</td>
<td>32.0%</td>
</tr>
</tbody>
</table>
## Capital Expenditures & Depreciation

<table>
<thead>
<tr>
<th></th>
<th>4Q21</th>
<th>1Q22</th>
<th>2Q22</th>
<th>3Q22</th>
<th>4Q22</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Capex</strong></td>
<td>2,130</td>
<td>869</td>
<td>1,672</td>
<td>1,822</td>
<td>1,987</td>
</tr>
<tr>
<td><strong>Depreciation &amp; Amortization</strong></td>
<td>508</td>
<td>534</td>
<td>557</td>
<td>576</td>
<td>604</td>
</tr>
</tbody>
</table>
Thank You!

Contact us: ir@smics.com