



SMIC Q1 2020 Financial Presentation

HKSE: 981

OTCQX: SMICY

SMIC Investor Relations

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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.

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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.

1Q20 Financial Highlights

- **Revenue was \$905 million, a record high**

- Up 7.8% QoQ, compared to \$839 million in 4Q19
- Up 35.3% YoY, compared to \$669 million in 1Q19

- **Gross margin was 25.8%**

- Compared to 23.8% in 4Q19
- Compared to 18.2% in 1Q19

- **Profit attributable to SMIC was \$64 million**

- Compared to \$89 million in 4Q19
- Compared to \$12 million in 1Q19

- **\$5.3 billion cash on hand, including financial assets and excluding restricted cash**

- Compared to \$4.6 billion in 4Q19
- Compared to \$3.9 billion in 1Q19

Income Statement Highlights

(US\$ thousands)	1Q20	4Q19	QoQ	1Q19	YoY
Total Revenue	904,912	839,439	7.8%	668,899	35.3%
Gross Profit	233,585	199,416	17.1%	122,070	91.4%
Gross Margin	25.8%	23.8%	-	18.2%	-
Operating Expenses	(186,244)	(179,271)	3.9%	(97,625)	90.8%
<i>Research & Development⁽¹⁾</i>	<i>(166,486)</i>	<i>(169,871)</i>	<i>-2.0%</i>	<i>(150,272)</i>	<i>10.8%</i>
<i>General & Administrative</i>	<i>(74,231)</i>	<i>(77,157)</i>	<i>-3.8%</i>	<i>(43,148)</i>	<i>72.0%</i>
<i>Selling & Marketing</i>	<i>(5,841)</i>	<i>(5,273)</i>	<i>10.8%</i>	<i>(6,811)</i>	<i>-14.2%</i>
<i>Other operating income⁽¹⁾</i>	<i>59,212</i>	<i>70,649</i>	<i>-16.2%</i>	<i>103,684</i>	<i>-42.9%</i>
Profit (loss) from operations	47,341	20,145	135.0%	24,445	93.7%
Other income (expense), net	18,317	67,395	-72.8%	6,055	202.5%
Income tax benefit (expense)	(14,340)	(11,866)	20.8%	(6,123)	134.2%
Profit (loss) attributable to SMIC	64,164	88,735	-27.7%	12,272	422.8%
Non-controlling Interests	(12,846)	(13,061)	-1.6%	12,105	-
Earnings per ADS (Basic)	0.06	0.08		0.01	

- **Revenue** was \$904.9 million in 1Q20, an increase of 7.8% QoQ from \$839.4 million in 4Q19. Revenue increased in 1Q20 mainly due to the increase of wafer shipment in 1Q20.
- **R&D expenses** were \$166.5 million in 1Q20, compared to \$169.9 million in 4Q19.
- **Other operating income** was mainly due to government funding of \$59.3 million in 1Q20, compared to \$71.8 million in 4Q19.

(1) In 3Q19, the Group has changed its accounting policy regarding the presentation of certain government funding in consolidated statement of comprehensive income. Previously, certain government funding was deducted in reporting the related expense. To make the presentation more comparable to other companies in the foundry sector, the Group decided to present such government funding as income in the profit or loss under other operating income. Comparative figures have also been reclassified to conform to the current period presentation

Balance Sheet Highlights

(US\$ thousands)	As of	
	Mar 31, 2020	Dec 31, 2019
Cash and cash equivalent	1,663,808	2,238,840
Restricted Cash	721,977	804,547
Financial assets at fair value through profit or loss-current (1)	-	42,985
Financial assets at amortized cost (2)	3,619,729	2,276,370
Trade and other receivables	1,001,303	836,143
Inventories	616,688	628,885
Assets classified as held-for-sales	7,214	11,815
Other Assets	10,204,151	9,598,235
Total Assets	17,834,870	16,437,820
Borrowings-Current	916,346	562,833
Borrowings-Non-current	1,829,925	2,003,836
Lease Liabilities	314,639	247,732
Short-term notes	496,827	286,512
Medium-term notes	212,317	214,193
Convertible bonds	605,994	630,428
Bonds payable	596,457	-
Total Debt	4,972,505	3,945,534
Net Debt (3)	(311,032)	(612,661)
Total Liabilities	7,561,753	6,239,958
Total Equity	10,273,117	10,197,862
Total Debt/Equity Ratio (4)	48.4%	38.7%
Net debt/Equity Ratio (5)	-3.0%	-6.0%

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, total current financial assets

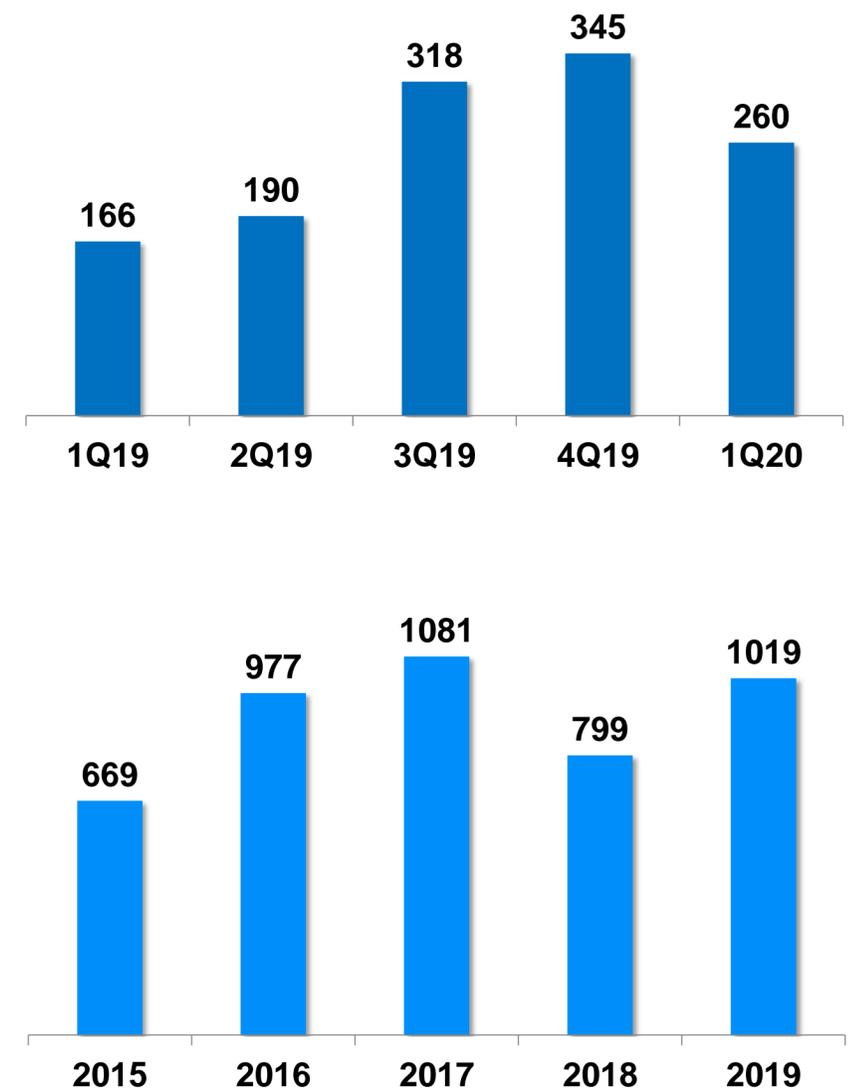
4. Total debt divided by equity

5. Net debt divided by equity.

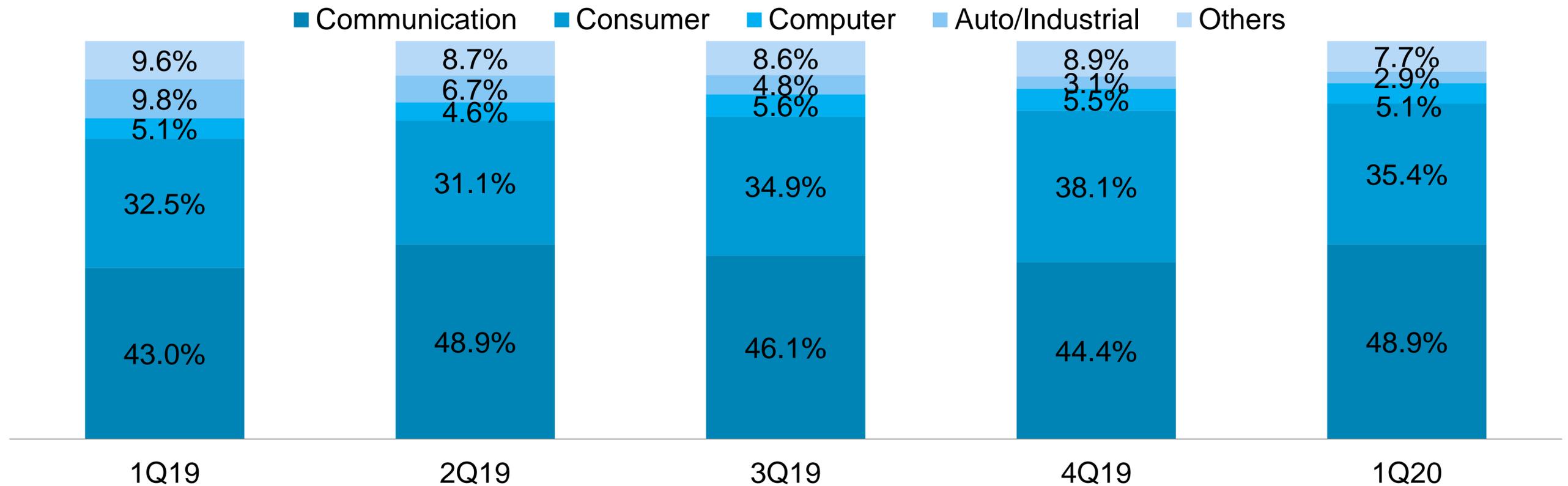
Cash Flow Highlights

<i>(US\$ thousands)</i>	For the three months ended	
	Mar 31, 2020	Dec 31, 2019
Cash and cash equivalent, beginning of period	2,238,840	1,182,479
Net cash from operating activities	259,829	345,037
Net cash used in investing activities	(1,816,977)	235,898
Net cash from (used in) financing activities	991,448	462,110
Net increase (decrease) in cash and cash equivalent	(575,032)	1,056,361
Cash and cash equivalent, end of period	1,663,808	2,238,840

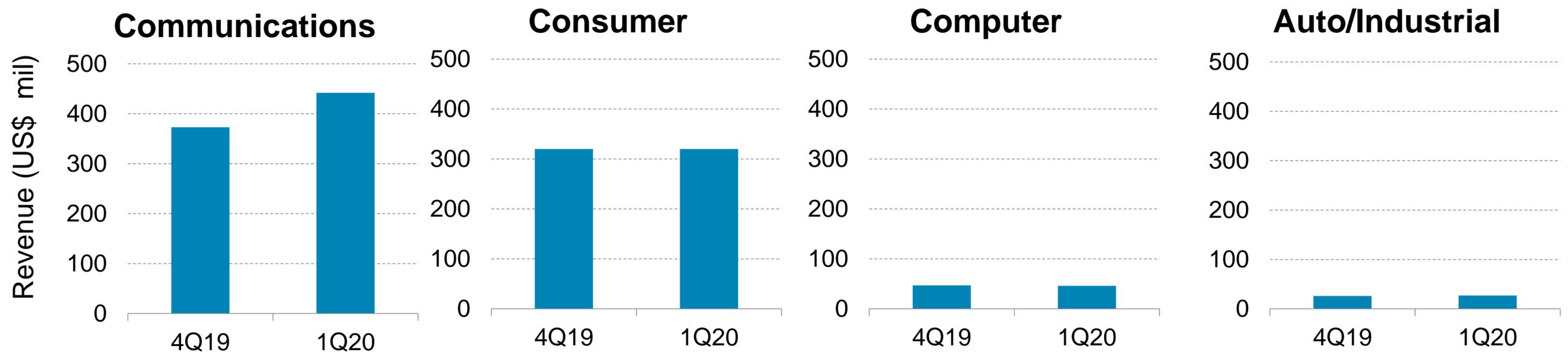
Cash Flow from Operations *(US\$ millions)*



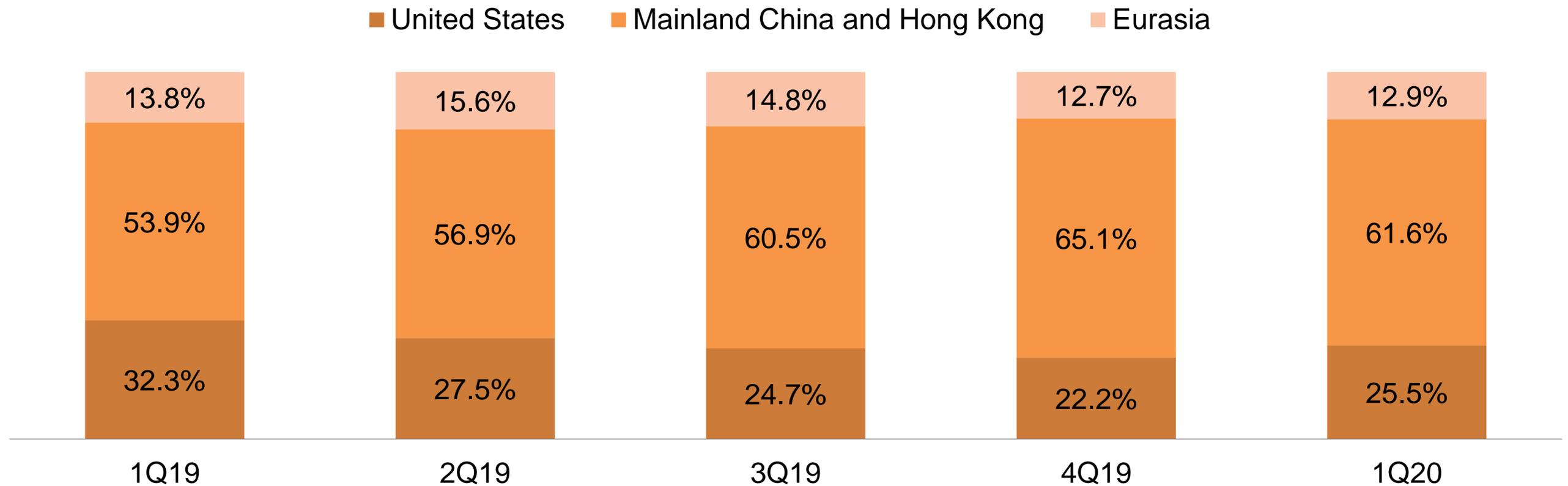
Total Revenue Breakdown by Application



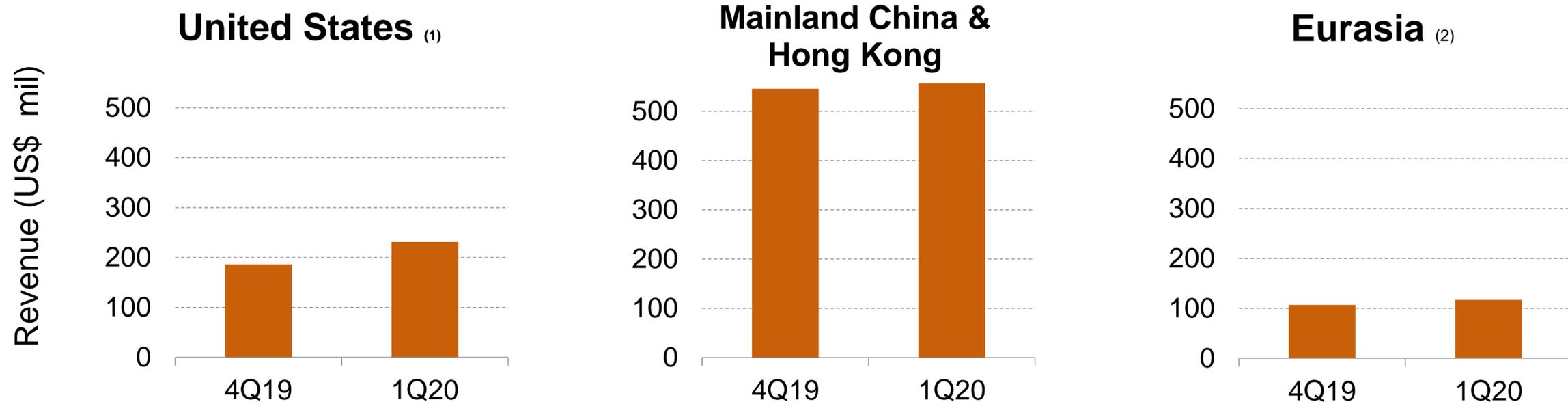
4Q19 vs. 1Q20



Total Revenue Breakdown by Geography



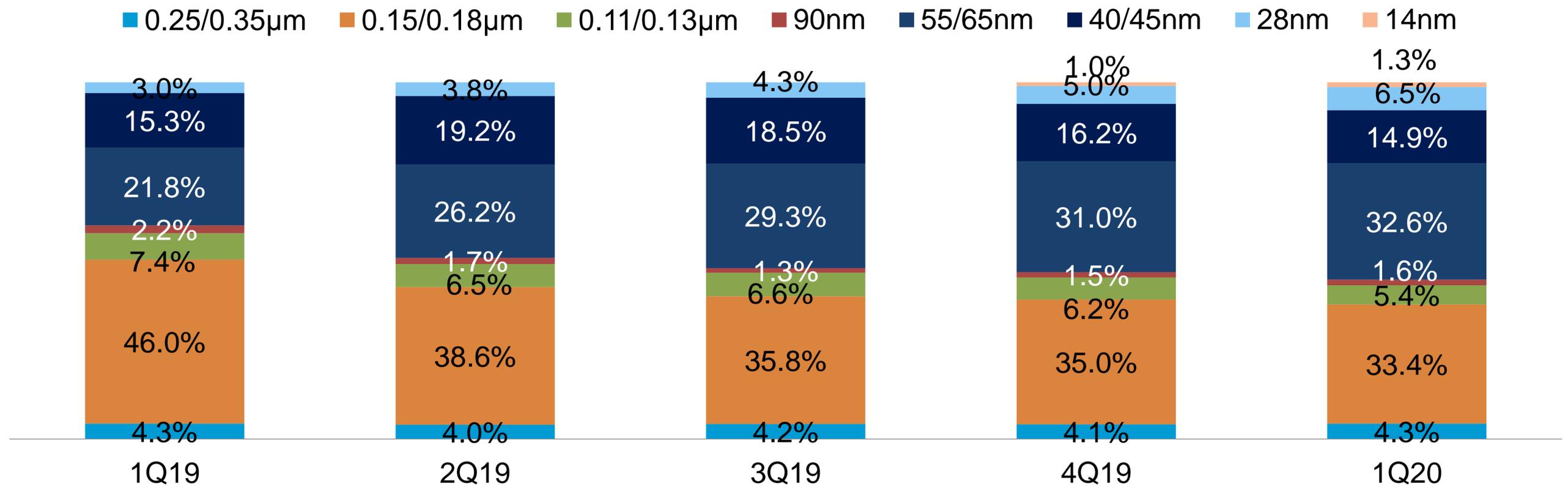
4Q19 vs. 1Q20



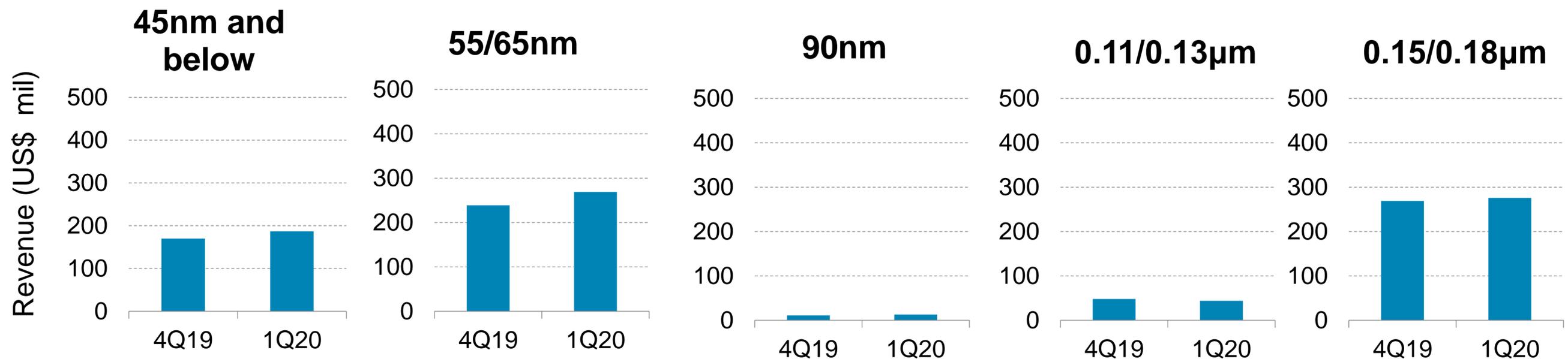
(1) Presenting the Revenue to those companies whose headquarters are in the United States, but ultimately selling and shipping the products to their global customers.

(2) Excluding Mainland China and Hong Kong.

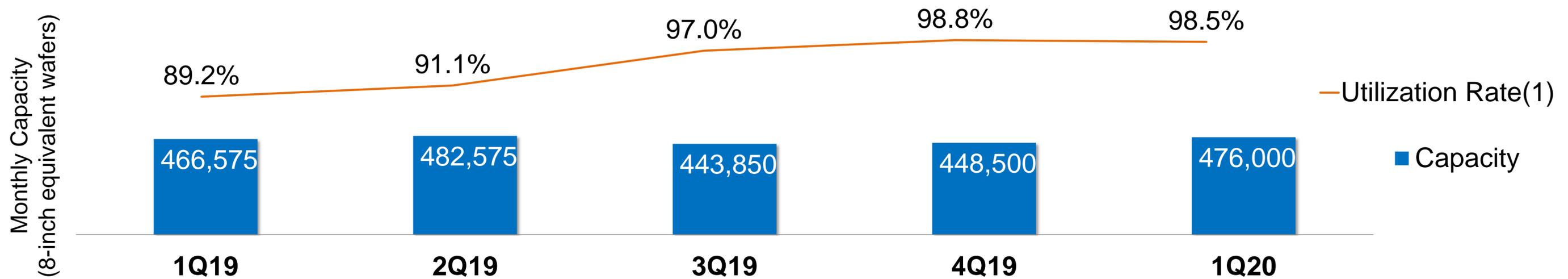
Wafer Revenue Breakdown by Technology



4Q19 vs. 1Q20



Capacity, Utilization and Shipment



	1Q19	2Q19	3Q19	4Q19	1Q20
Shanghai 200mm Fab	112,000	115,000	112,000	115,000	115,000
Shanghai 300mm Fab	10,000	8,000	8,000	2,000	2,000
Beijing 300mm Fab	47,000	50,000	50,000	52,000	52,000
Tianjin 200mm Fab	58,000	57,000	58,000	58,000	63,000
Shenzhen 200mmFab	45,000	50,000	52,000	55,000	55,000
Shenzhen 300mmFab	3,000	3,000	3,000	-	-
Majority-Owned Beijing 300mm Fab	33,000	36,000	37,600	41,000	50,000
Majority-Owned Shanghai 300mm Fab	-	-	-	3,000	4,000
Majority-Owned Avezzano 200mm Fab (2)	42,325	42,325	-	-	-
Monthly Capacity (8-inch equivalent wafers)	466,575	482,575	443,850	448,500	476,000
Wafer Shipments	1,089,502	1,284,451	1,315,443	1,339,400	1,406,714

(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

2Q 2020 Guidance and 2020 Capex Guidance

	2Q 2020 Guidance	2020 Capex ⁽²⁾
Revenue	+3% to +5% QoQ \$932 to \$950 million	
Gross Margin	26% to 28%	
Non-IFRS Operating Expenses ⁽¹⁾	\$240 to \$245 million	\$4.3B
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 \$3.2 billion to \$4.3 billion. The incremental capital expenditures are mainly for the equipment and facility in Shanghai 300mm fab and mature technology production lines.

Appendix

Results vs Original Guidance

	1Q 2020 Original Guidance	1Q 2020 Results
Revenue	+0 to 2% QoQ \$839 to \$856 million	7.8% QoQ \$905 million
Gross Margin	21% to 23%	25.8%
Non-IFRS Operating Expenses ⁽¹⁾	\$294 to \$300 million	\$ 239 million
Non-controlling interests	-\$17 to -\$19 million	\$13 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>	1Q19	2Q19	3Q19	4Q19	1Q20
Capex	440	908	190	492	777
Depreciation & Amortization	278	284	280	286	290

Thank You!

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