

Semiconductor Manufacturing International Corporation

SMIC Q3 2016 Financial Presentation

NYSE: SMI HKSE: 981

SMIC Investor Relations

Nov 2016



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Under the Private Securities Litigation Reform Act of 1995

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About Non-Generally Accepted Accounting Principles (“Non-GAAP”) Financial Measures

During this presentation, references to financial measures of SMIC will include references to non-GAAP financial measures, including non-GAAP operating expenses and adjusted EBITDA margin. For an explanation to the most directly comparable GAAP financial measures, see today’s earnings release.



3Q16 Financial Highlights

- **Revenue was \$774.8 million, a record high**
 - Compared to \$690.2 million in 2Q16
 - Compared to \$569.9 million in 3Q15
 - 7th continuous growth quarter

- **Gross profit was \$232.1 million, a record high**
 - Compared to \$217.8 million in 2Q16
 - Compared to \$182.4 million in 3Q15

- **Gross margin was 30.0%**
 - Compared to 31.6% in 2Q16
 - Compared to 32.0% in 3Q15

- **Profit attributable to SMIC was \$113.6 million, a record high**
 - Compared to \$97.6 million in 2Q16
 - Compared to \$82.6 million in 3Q15
 - 18th consecutive profitable quarter
 - 1st quarter to exceed \$100 million

- **ROE was 11.4%, on a quarterly basis**
 - Compared to 10.2% in 2Q16
 - Compared to 9.3% in 3Q15

Income Statement Highlights

(US\$ thousands)	3Q16	2Q16	QoQ	3Q15	YoY
Total Revenue	774,845	690,221	12.3%	569,854	36.0%
Gross Profit	232,103	217,814	6.6%	182,351	27.3%
Gross Margin	30.0%	31.6%	-	32.0%	-
Operating Expenses	(123,471)	(102,394)	20.6%	(108,125)	14.2%
<i>Research & Development, net</i>	<i>(81,898)</i>	<i>(64,526)</i>	<i>26.9%</i>	<i>(62,381)</i>	<i>31.3%</i>
<i>General & Administrative</i>	<i>(35,449)</i>	<i>(33,496)</i>	<i>5.8%</i>	<i>(51,387)</i>	<i>-31.0%</i>
<i>Selling & Marketing</i>	<i>(8,009)</i>	<i>(8,228)</i>	<i>-2.7%</i>	<i>(11,154)</i>	<i>-28.2%</i>
<i>Other operating income (expense)</i>	<i>1,885</i>	<i>3,856</i>	<i>-51.1%</i>	<i>16,797</i>	<i>-88.8%</i>
Profit from operations	108,632	115,420	-5.9%	74,226	46.4%
Other income (expense), net	4,471	(20,632)	-	(3,459)	-
Income tax benefit (expense)	(960)	(297)	223.2%	(1,793)	-46.5%
Profit attributable to SMIC	113,561	97,643	16.3%	82,626	37.4%
Non-controlling Interests	(1,418)	(3,152)	-55.0%	(13,652)	-89.6%
Earnings per ADS (Basic)	0.13	0.12	-	0.10	-

- **Revenue** increased by 12.3% QoQ from \$690.2 million in 2Q16 to \$774.8 million in 3Q16 mainly due to 1) an increase in wafer shipments in 3Q16 and 2) the revenue contributed from the acquisition of Lfoundry.
- **Gross margin** was 30.0% in 3Q16, as compared to 31.6% in 2Q16. The change was mainly due to 1) the receipt of insurance compensation in 2Q16 and 2) the acquisition of LFoundry in 3Q16.
- **R&D expenses** increased by \$17.4 million QoQ to \$81.9 million in 3Q16, compared to \$64.5 million in 2Q16. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$15.0 million QoQ to \$91.5 million in 3Q16. The change was mainly due to higher level of R&D activities in 3Q16. Funding of R&D contracts from the government was \$9.6 million in 3Q16, compared to \$12.0 million in 2Q16.

Balance Sheet Highlights

(US\$ thousands)

As of

	Sept 30, 2016	June 30, 2016
Cash and cash equivalent	1,634,752	1,586,671
Restricted Cash	493,031	228,381
Other financial assets (1)	141,082	303,721
Trade and other receivables	754,140	657,406
Inventories	459,299	404,265
Assets classified as held-for-sales	53,379	57,333
Other Assets	6,472,698	5,830,504
Total Assets	10,008,381	9,068,281
Short-term borrowings	66,655	91,375
Long-term borrowings	1,240,343	1,232,457
Shor-term notes	89,955	90,465
Medium-term notes	222,911	223,996
Convertible bonds	794,395	399,416
Corporate bonds	494,474	494,048
Total Debt	2,908,733	2,531,757
Net Debt (2)	1,132,899	641,365
Total Liabilities	4,692,825	4,094,840
Total Equity	5,315,556	4,973,441
Total Debt/Equity Ratio(3)	54.7%	50.9%
Net debt/Equity Ratio(4)	21.3%	12.9%

(1) Other financial assets mainly contain financial products sold by bank and bank deposits over 3 months

(2) Net debt is total debt minus cash and cash equivalent, and other financial assets

(3) Total debt divided by equity

(4) Net debt divided by equity.



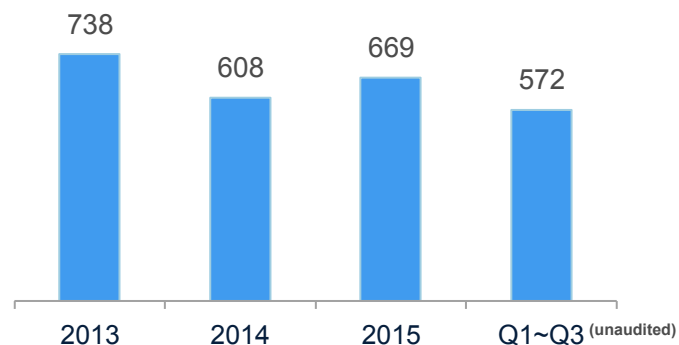
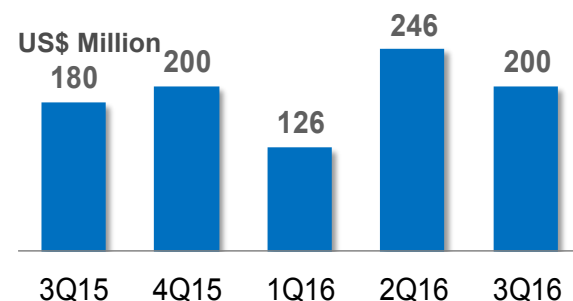
Cash Flow Highlights

(US\$ thousands)

For the three months ended

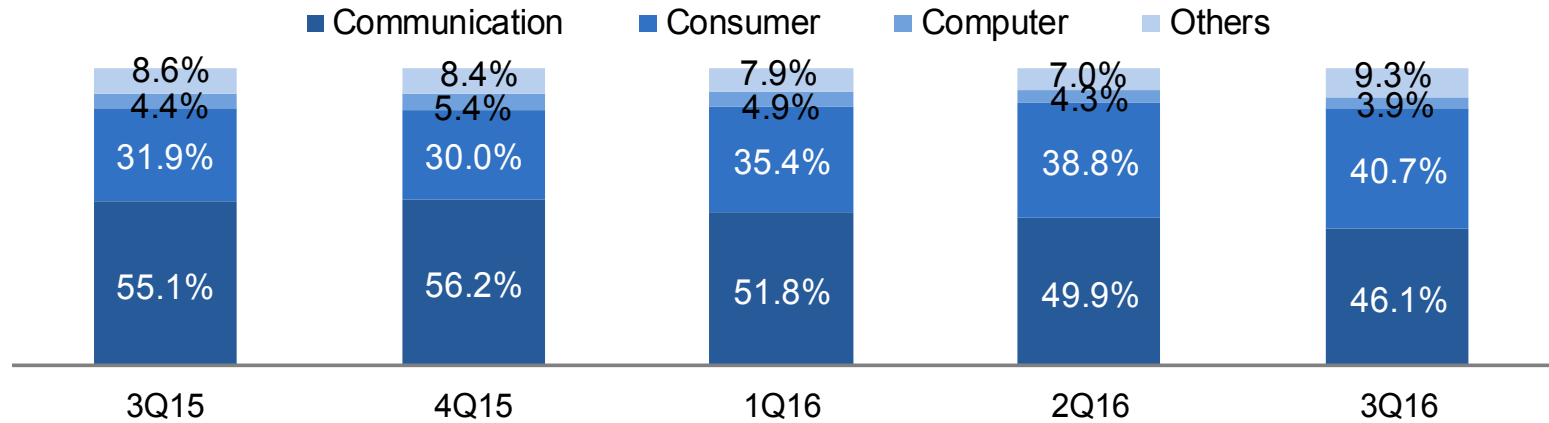
	Sept 30, 2016	June 30, 2016
Cash and cash equivalent, beginning of period	1,586,671	1,034,955
Net cash from operating activities	199,532	245,764
Net cash used in investing activities	(687,808)	(1,211,425)
Net cash from (used in) financing activities	539,193	1,521,195
Net increase (decrease) in cash and cash equivalent	48,081	551,716
Cash and cash equivalent, end of period	1,634,752	1,586,671

Cash Flow from Operations

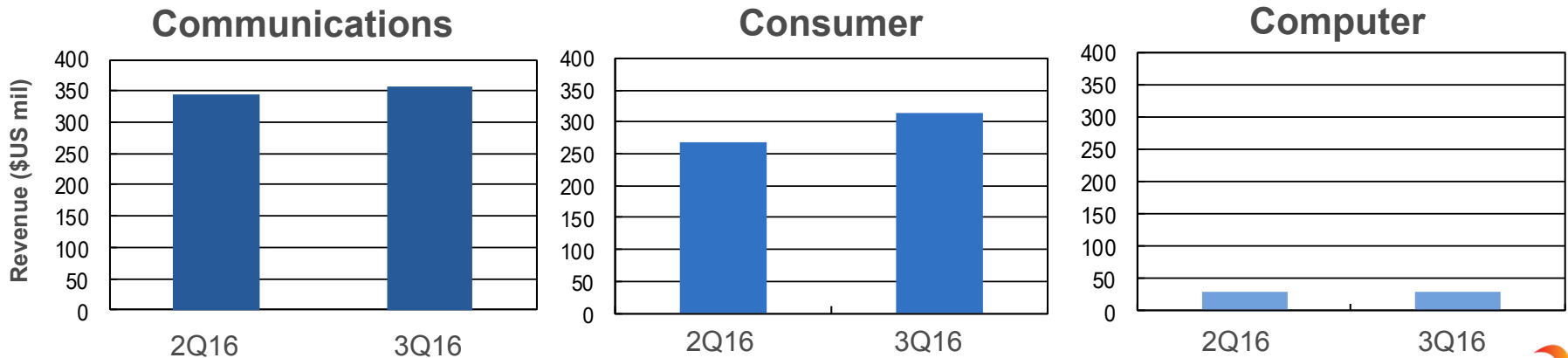




Total Revenue Breakdown by Applications

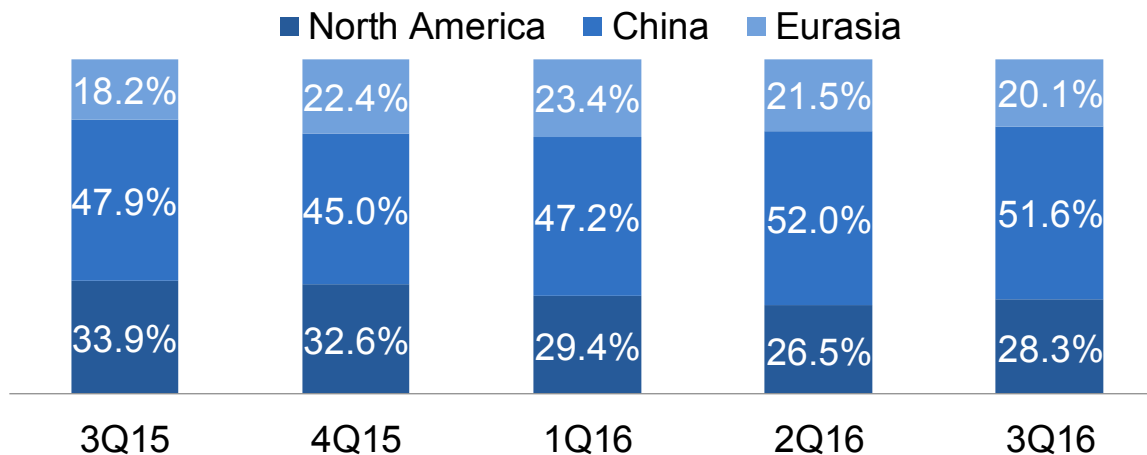


3Q 16 vs. 2Q 16



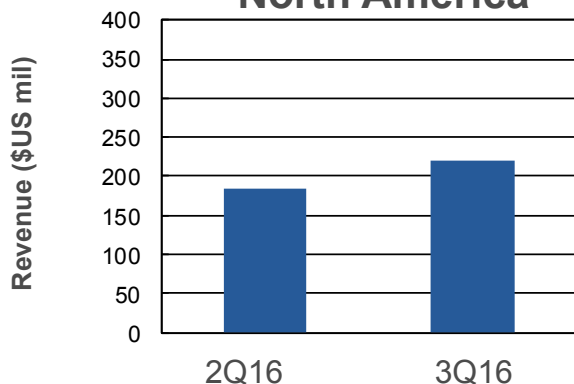


Total Revenue Breakdown by Geography

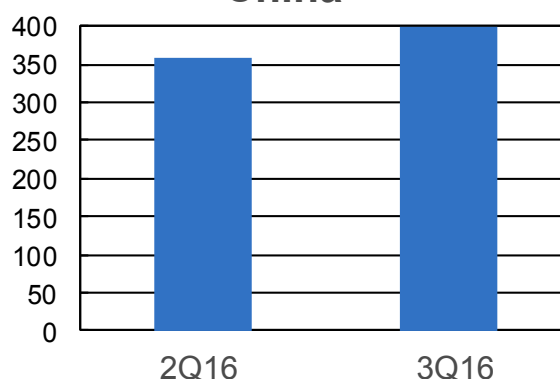


3Q 16 vs. 2Q 16

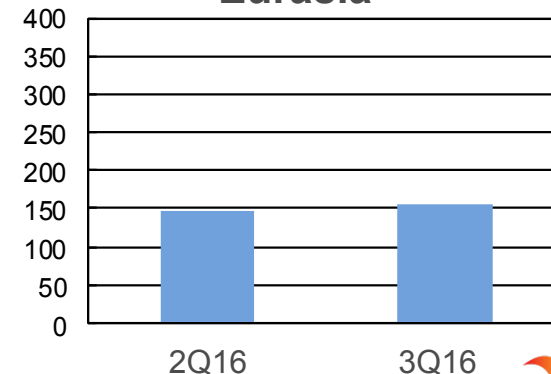
North America



China

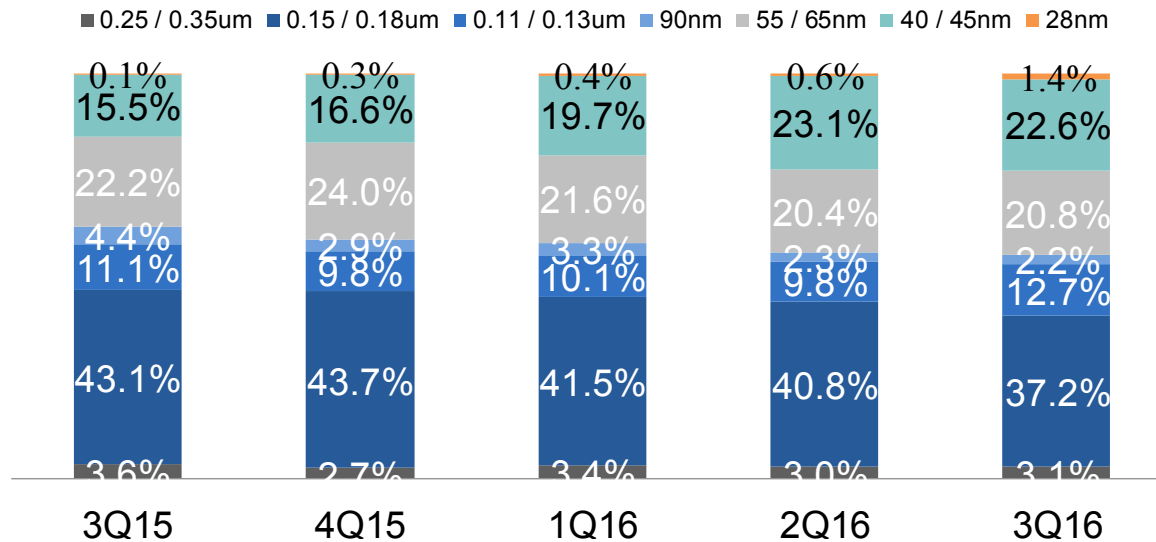


Eurasia



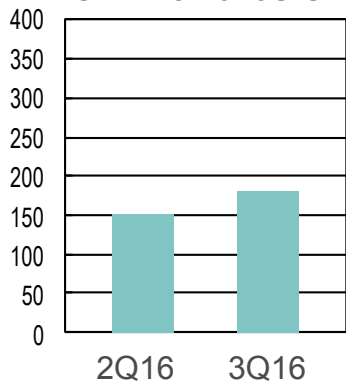


Wafer Revenue Breakdown by Technology

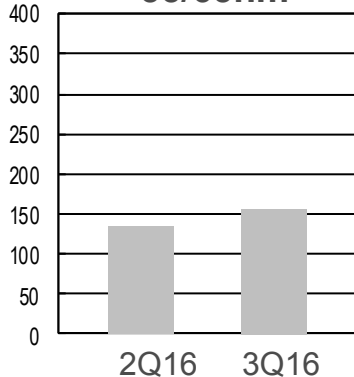


3Q 16 vs. 2Q 16

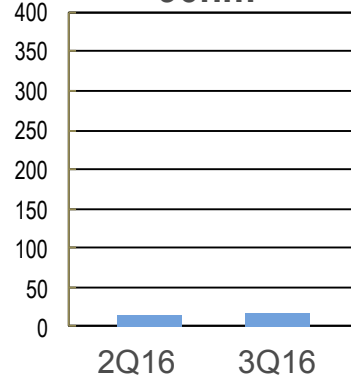
45nm and below



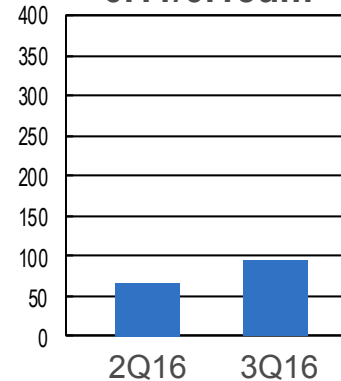
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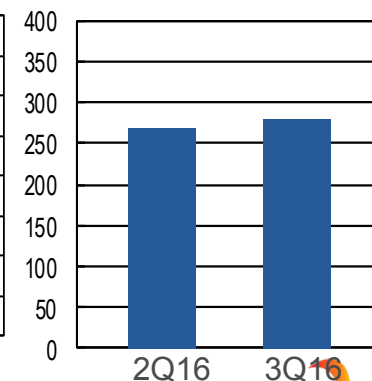
90nm



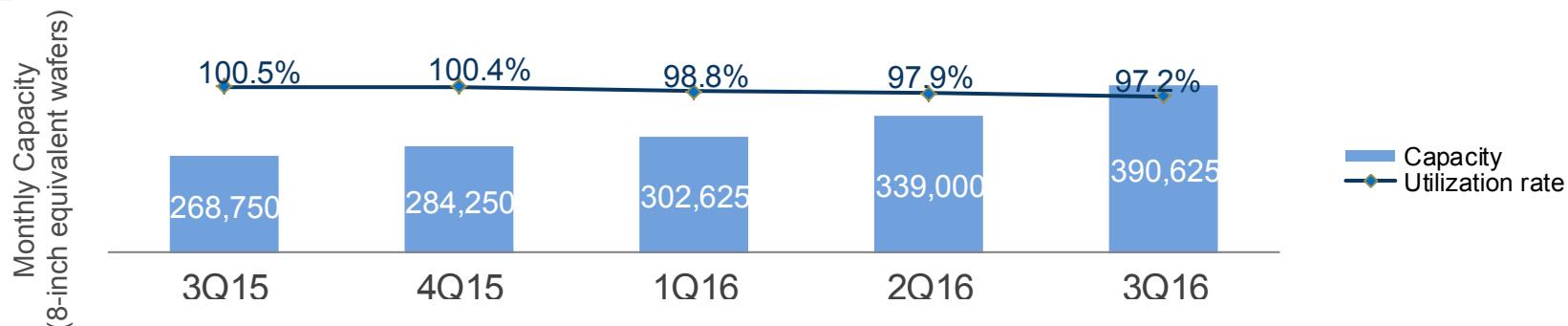
0.11/0.13um



0.15 / 18 um



Capacity, Utilization and Shipment



	3Q15	4Q15	1Q16	2Q16	3Q16
Shanghai Mega Fab (8")	100,000	100,000	101,000	106,000	107,000
Shanghai 12-inch Fab (12")	14,000	14,000	15,500	20,000	20,000
Beijing Mega Fab (12")	37,000	37,000	37,000	37,000	39,000
Tianjin Fab (8")	43,000	43,000	42,000	45,000	45,000
Shenzhen Fab (8")	11,000	13,000	19,000	26,000	31,000
Beijing Majority-Owned Fab (12") ⁽¹⁾		6,000	10,000	15,000	15,500
Monthly Capacity (8-inch equivalent wafers)	268,750	284,250	302,625	339,000	390,625
Wafer Shipments	771,201	820,904	868,309	934,861	1,058,504
Utilization Rate ⁽²⁾	100.5%	100.4%	98.8%	97.9%	97.2%

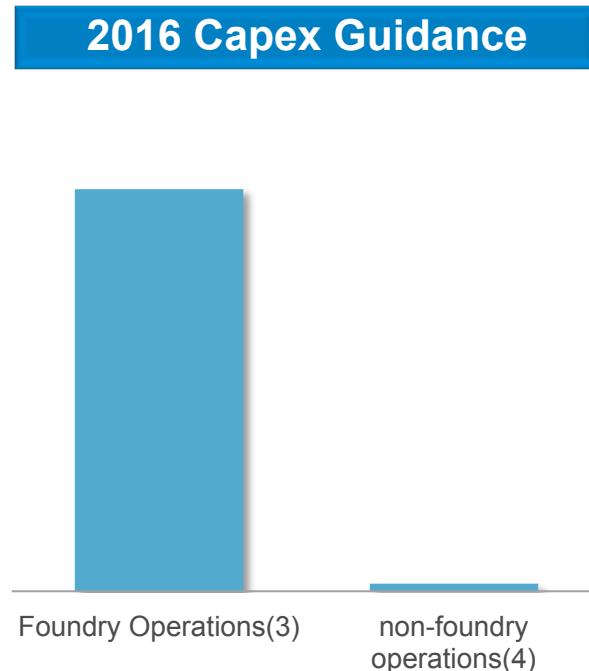
(1) Our Beijing majority-owned 12-inch fab entered into mass production in 4Q15

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



4Q 2016 Guidance and 2016 Capex Guidance

	4Q 2016 Guidance
Revenue	+5% to +7% QoQ \$814 to \$829 million
Gross Margin	28% to 30%
Non-GAAP Operating Expenses ⁽¹⁾	\$179 to \$184 million
Non-controlling interests ⁽²⁾	\$37 to \$39 million



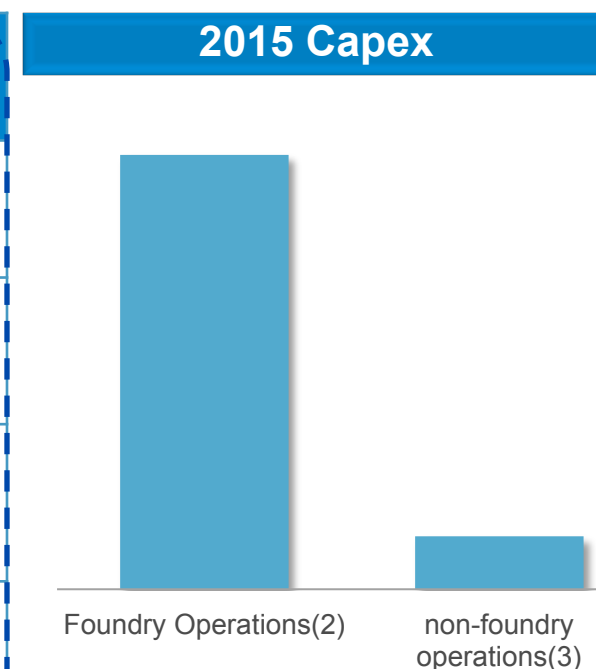
- (1) Exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters
- (2) Non-controlling interests of our majority-owned subsidiaries to range from positive \$37 million to positive \$39 million (losses to be borne by non-controlling interests).
- (3) The planned 2016 capital expenditures for foundry operations are approximately \$2.6 billion, an increase from \$2.5 billion based on the earlier estimate in 2Q16. The increase is mainly for the acquisition of used equipment for Shenzhen new 12-inch fab.
- (4) The planned 2016 capital expenditures for non-foundry operations are approximately \$50 million, mainly for the construction of living quarters.



Appendix

Results Vs Original Guidance

	3Q 2016 Guidance	3Q 2016 Results
Revenue	+8% to +11% QoQ	+12.3% QoQ
Gross Margin	28% to 30%	30.0%
Non-GAAP Operating Expenses (1)	\$140 to \$145 million	\$121 million
Non-controlling interests	\$4 to \$6 million	\$1.4 million



(1) Exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters

(2) The 2015 capital expenditures for foundry operations were \$1,400.5 million, which mainly included 1) the capital expansion in the 12-inch fab of Semiconductor Manufacturing North China (Beijing) Corporation (“SMNC”, the Company’s majority-owned subsidiary in Beijing), the 12-inch fab in Shanghai and the new 8-inch fab in Shenzhen, and 2) research and development equipment, mask shops and intellectual property acquisition.

(3) The 2015 capital expenditures for non-foundry operations were \$172.2 million, which mainly included 1) the construction of living quarters and 2) the acquisition of head quarter building in Shanghai

Capital Expenditures & Depreciation

<i>(US\$ millions)</i>	3Q15	4Q15	1Q16	2Q16	3Q16
Capex	315	745	751	792	671
Depreciation & Amortization	130	143	160	169	186



Thank you

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