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EDITED TRANSCRIPT

981.HK - Q4 2016 Semiconductor Manufacturing International Corp
Earnings Call

CORPORATE PARTICIPANTS

En-Ling Feng *Semiconductor Manufacturing International Corporation - VP of IR*

T.Y. Chiu *Semiconductor Manufacturing International Corporation - CEO*

Yonggang Gao *Semiconductor Manufacturing International Corporation - CFO*

Gareth Kung *Semiconductor Manufacturing International Corporation - EVP of Investment and Strategic Business*

For a more complete discussion of the risks and uncertainties that could impact our future operating results and financial condition, please see our filings and submissions with the US Securities and Exchange Commission and the Hong Kong Stock Exchange Limited, including our annual report, our Form 20-F, filed on April 25, 2016.

Yonggang Gao - *Semiconductor Manufacturing International Corporation - CFO*

Thank you, T.Y. Greetings to all our listeners. First I will now highlight our 2016 full year unaudited results, which are based on the summation of our audited quarterly results for the year of 2016 and our fourth quarter 2016 results and we give our first quarter of 2017 guidance.

Revenue in 2016 was \$3.6 billion, a 20% increase over 2015, with gross margin in 2016 of 29.2% compared to 30.5% in 2015. Profit before tax

-- I know you like to guide excluding those things, but could you talk a bit about including those things? What kind of expectations you have for those in the first quarter, as well as 2017?

Gareth Kung - *Semiconductor Manufacturing International Corporation - EVP of Investment and Strategic Business*

Steven Pelayo - *HSBC - Analyst*

-- \$6 million to \$8 million per quarter. Okay.

Gareth Kung - *Semiconductor Manufacturing International Corporation - EVP of Investment and Strategic Business*

Yes, that's right.

Steven Pelayo - *HSBC - Analyst*

Okay, excellent. Alright, I'll get back in the queue, thank you.

Operator

Roland Shu, Citigroup.

Roland Shu - *Citigroup - Analyst*

Roland Shu - *Citigroup* - Analyst

Leping Huang - *CICC* - Analyst

Sebastian Hou - CLSA - Analyst

Okay, so in terms of your revenue guidance for 28-nano about you account for a high-single digit by the end of this year, can we assume that most of that, or nearly all of that, will be PolySiON?

T.Y. Chiu - Semiconductor Manufacturing International Corporation - CEO

I think there will be -- a significant portion will be PolySiON. But we are targeting some high K revenue.

Sebastian Hou - CLSA - Analyst

Okay. And in terms of your position, what do you compare yourself in terms of performance, pricing, versus the other foundries who are offering 28-nanometers for years?

T.Y. Chiu - Semiconductor Manufacturing International Corporation - CEO

Competitive.

Sebastian Hou - CLSA - Analyst

Competitive on performance and pricing or performance --

T.Y. Chiu - Semiconductor Manufacturing International Corporation - CEO

Both.

Sebastian Hou - CLSA - Analyst

Gareth Kung - *Semiconductor Manufacturing International Corporation* -

Gareth Kung - *Semiconductor Manufacturing International Corporation - EVP of Investment and Strategic Business*

We are now, as mentioned earlier, we are targeting low teens % to mid-teens % R&D spending. And in terms of the OpEx spending, in terms of

