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EDITED TRANSCRIPT

981.HK - Q2 2017 Semiconductor Manufacturing International Corp
Earnings Call

CORPORATE PARTICIPANTS

En-Ling Feng

Haijun Zhao

From a technology node perspective, 28-nanometer grew twelvefold year-on-year and 24.8% quarter-on-quarter. 0.13 micron nearly doubled

SMIC is in a state of growth, and by pursuing these 3 directions, we can more clearly consolidate, solidify our positions in the foundry markets as the preferred foundry partner in Mainland China.

Thus, SMIC continues to expand capacity in mature nodes and new nodes with the needs of our customers. This year, our CapEx remains unchanged. The incremental increase in capacity in 2017 compared to 2016 year-end for our 8-inch fabs includes Shanghai, adding 9.8k; Tianjin, adding 3.6k; Shenzhen, adding 2.k. For our 12-inch fabs, Beijing B1 adding 8.6k, Beijing joint venture add on 10k and Shenzhen, adding a mini-line of 3k.

To conclude, although the near-term outlook is not as seasonally expected, we work diligently to maintain our position as the foundry of choice in China. Through deepening cooperation with our customers, enhancing product quality, service and offerings, SMIC is in a great position to benefit from the broad-based growth in semiconductor markets. Together with SMIC team, we will work harder to contribute to long-term sustainable value and growth for you, our shareholders.

Thanks for your support. I will now hand the call back to En-Ling for the Q&A session of this call.

En-Ling Feng

Thank you, Haijun. I would now like to open up the call for Q&A. (Operator Instructions) Operator, please assist.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question comes from the line of Randy Abrams of Credit Suisse.

Randy Abrams - *Credit Suisse AG, Research Division - MD and Head of Taiwan Research in the Equity Research Department*

Yes, I wanted to ask the first question. If you could talk a bit more about what is driving the slower pickup in third quarter. You mentioned smartphone, but I'm just curious if it's just relating to the smartphone weakness. And if you could talk, looking past that you were targeting to backfill applications, if you could give an initial view for fourth quarter, considering the lower base product delay and strategy for backfill, maybe potential for things to start to pick up in fourth quarter.

Haijun Zhao - *Semiconductor Manufacturing International Corporation - CEO*

Haijun Zhao - *Semiconductor Manufacturing International Corporation - CEO*

We already say the revenue change really related to the markets, and one of the factors is the softening of the markets. Another thing that we also say that we did see the product transition from 40-nanometer to 28-nanometer. And that's true. We do see the recovery of these kind of applications also back to 40-nanometer. In the meantime, for 28-nanometer, we also got to pick up loadings. We already showed off the number in the forecast. We have the high single digits revenue from our 28-nanometer in the fourth quarters.

Randy Abrams

Steven C. Pelayo - *HSBC, Research Division* -

Haijun Zhao - *Semiconductor Manufacturing International Corp* Int5wd3683.5 10.52726 1 84.789 CEO Haijun Zhao

Haijun Zhao - *Semiconductor Manufacturing International Corporation - CEO*

Rex, thank you for the question. And just now we already mentioned the strategies, taking into consideration the challenges we have from Mainland China new wafer fabs and the competitors overseas. And actually, for so many years, overseas situation more likely the same; there won't be a

the planning. We have the forecast for additional requires on wafer quantities. And just now I mentioned that for the NOR flash, for the NAND flash,

Haijun Zhao

Haijun Zhao - *Semiconductor Manufacturing International Corporation - CEO*

I cannot give too much comments on the fourth quarter. But at this moment, we really saw the PO momentum picking up. And just now we say that the situation looks better than previous expectation.

Operator

Our next question is from Chris Yim of BOCOM International.

Seeching Yim - *BOCOM International Securities Limited, Research Division* -

like to be different number. But our number, when we really look at our HKC, that's the most competitive in the foundry area. In the performance, the die size reduction performance and the standby current dynamic power, we just match the most competitive.

Sebastian Hou

Gokul Hariharan - *JP Morgan Chase & Co, Research Division - Head of Taiwan Equity Research and Senior Tech Analyst*