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## **NEWS RELEASE**

### **SMIC Reports 2018 Third Quarter Results**

*All currency figures stated in this report are in US Dollars unless stated otherwise.*

*The consolidated financial statements are prepared in accordance with International Financial  
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Shanghai, China November 7, 2018. Semiconductor Manufacturing International Corporation semiconductor  
foundries in the world, today announced its consolidated results of operations for the three months  
ended September 30, 2018.

#### **Third Quarter 2018 Highlights**

Revenue was \$850.7 million in 3Q18, compared to \$890.7 million (\$837.9 million, excluding technology licensing revenue) in 2Q18 and \$769.7 million in 3Q17.

Gross profit was \$174.5 million in 3Q18, compared to \$217.8 million (\$165.0 million, excluding technology licensing revenue) in 2Q18 and \$177.3 million in 3Q17.

Gross margin was 20.5% in 3Q18, compared to 24.5% (19.7%, excluding technology licensing revenue) in 2Q18 and 23.0% in 3Q17.

#### **Fourth Quarter 2018 Guidance**

The following statements are forward looking statements based on current expectations and involved risks and uncertainty. The  
Company expects:

Revenue to decrease by 7% to 9% QoQ.

Gross margin to range from 15% to 17%.

Non-GAAP operating expenses, excluding the effect of employee bonus accrual, government funding, impairment loss of machinery and equipment, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters, to range from \$226 million to \$230 million.

Non-controlling interests of our majority-owned subsidiaries to range from positive \$20 million to positive \$22 million (losses to be borne by non-controlling interests).

support of our customers and the efforts of our colleagues, our third quarter performance was in line with guidance. When excluding revenue from technology licensing, revenue from our China region continued to grow 40% year over year, and 5% quarter over quarter. Wireless communications, power management and fingerprint IC applications were the major growth drivers. Looking at the full year, our annual revenue target remains unchanged.

Looking at the fourth quarter, although the industry has entered a period of seasonal adjustment, we continue to carry out customer engagement and verification on our advanced technology platforms, so as to gather strength for future growth.

Throughout this year, many changes have taken place both in the industry and market. At present, the most important task for SMIC is to seize the opportunities in the market and in new applications, and actively enhance the quality of products and customer service. In terms of technology research and development, we will continue to put in our utmost effort to focus on the planning and development of mainstream and advanced technology platforms, and maintain long-term and stable

our customers, employees and shareholders, we will ben  
IC market.

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## Conference Call / Webcast Announcement

Date: November 8, 2018

Time: 8:30 a.m. Beijing time

Dial-in numbers and pass code:

China	+86 400-620-8038	(Pass code: SMIC)
Hong Kong	+852 3018-6771	(Pass code: SMIC)
Taiwan	+886 2-5572-3895	(Pass code: SMIC)
United States, New York	+1 845-675-0437	(Pass code: SMIC)

The call will be webcast live with audio at [http://www.smics.com/en/site/company\\_activity](http://www.smics.com/en/site/company_activity) or <https://edge.media-server.com/m6/p/gmynvsjs>

An archived version of the webcast, along with an electronic copy of this news release will be available on the SMIC website for a period of 12 months following the webcast.

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## About SMIC

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coverage, and most comprehensive in semiconductor manufacturing services. SMIC provides integrated circuit (IC) foundry and technology services on process nodes from 0.35 micron to 28 nanometer. Headquartered in Shanghai, China, SMIC has an international manufacturing and service base. In China, SMIC has a 300mm wafer fabrication facility (fab) and a 200mm fab in Shanghai; a 300mm fab and a majority-owned 300mm fab for advanced nodes in Beijing; 200mm fabs in Tianjin and Shenzhen; and a majority-owned joint-venture 300mm bumping facility in Jiangyin; additionally, in Italy SMIC has a majority-owned 200mm fab. SMIC also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan, and a representative office in Hong Kong.

For more information, please visit [www.smics.com](http://www.smics.com).

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## Safe Harbor Statements

(Under the Private Securities Litigation Reform Act of 1995)

This press release contains, in addition to historical information, "forward-looking statements" within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements, including statements under Fourth Quarter 2018 Guidance  
e Co-Chief Executive Officers are based on SMIC's current assumptions, expectations and projections about future events. SMIC uses words like "believe," "anticipate," "intend," "estimate," "expect," "project," "target" and similar expressions to identify forward looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessarily estimates reflecting the best 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 cyclicity and market conditions in the semiconductor industry, intense competition in the semiconductor industry, SMIC's reliance on a small number of

## **About Non-Generally Accepted Accounting Principles ( non-GAAP ) Financial Measures**

To supplement

in this press release non-GAAP measures of operating results that are adjusted to exclude finance cost, depreciation and amortization, income tax benefits and expenses, the effect of employee bonus accrual, government funding, impairment loss of machinery and equipment, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters. This earnings release also includes fourth quarter 2018 guidance for non-GAAP operating expenses. The presentation of non-GAAP financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. This earnings release includes EBITDA, EBITDA margin and non-GAAP operating expenses which consist of total operating expenses as adjusted to exclude the effect of employee bonus accrual, government funding, impairment loss of machinery and equipment, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters. These non-GAAP financial measures are not calculated or presented in accordance with, and are not alternatives or substitutes for financial measures prepared in accordance with IFRS, and should be read only in conjunction with the Group's financial measures prepared in accordance with IFRS. The Group's non-GAAP financial measures may be different from similarly-titled non-GAAP financial measures used by other companies.

SMIC believes that use of these non-

Group

uses these non-GAAP financial measures to understand, manage and evaluate the Group's business and make financial and operational decisions.

The accompanying table has more information and reconciliations of each non-GAAP financial measure to its most directly comparable GAAP financial measure. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis because the effect of these adjustment items excluded for the purpose of non-GAAP operating expenses guidance are subject to some unpredictable conditions that cannot be estimated with reasonable certainty.

## Summary of Third Quarter 2018 Operating Results

*Amounts in US\$ thousands, except for EPS and operating data*

	<b>3Q18</b>	<b>2Q18</b>	<b>QoQ</b>	<b>3Q17</b>	<b>YoY</b>
Revenue	850,662	890,713	-4.5%	769,723	10.5%
Cost of sales	(676,119)	(672,880)	0.5%	(592,426)	14.1%
Gross profit	174,543	217,833	-19.9%	177,297	-1.6%
Operating expenses	(180,371)	(198,697)	-9.2%	(154,592)	16.7%
(Loss) profit from operations	(5,828)	19,136	-	22,705	-
Other income (expense), net	17,843	14,955	19.3%	7,290	144.8%
Profit before tax	12,015	34,091	-64.8%	29,995	-59.9%
Income tax (expense) benefit	(4,424)	(2,426)	82.4%	595	-
<b>Profit for the period</b>	<b>7,591</b>	<b>31,665</b>	-76.0%	<b>30,590</b>	-75.2%
Other comprehensive income (loss):					
Exchange differences on translating foreign operations	(28,192)	(18,510)	52.3%	5,686	-
Change in value of available-for-sale financial assets					

Gross margin was 20.5% in 3Q18, compared to 24.5% (19.7%, excluding technology licensing revenue) in 2Q18.

Operating expenses were \$180.4 million in 3Q18, a decrease of 9.2% QoQ from \$198.7 million in 2Q18, mainly due to the reasons stated in Operating Expenses (Income) Analysis below.

Other income (expense), net was \$17.8 million gain in 3Q18, as compared to \$15.0 million gain in 2Q18. The change was mainly due to the reasons stated in Other Income (Expense), Net below.

Exchange differences on translating foreign operations were \$28.2 million loss in 3Q18 and \$18.5 million loss in 2Q18. The change was mainly due to the translation difference from the subsidiaries and associates using RMB as the functional currency caused by the depreciation of RMB against USD.

## Analysis of Revenue

<b>Revenue Analysis</b>			
<b>By Application</b>	<b>3Q18</b>	<b>2Q18</b>	<b>3Q17</b>
Computer	7.5%	5.7%	5.8%
Communications	46.3%	40.3%	45.3%
Consumer	32.5%	37.1%	37.0%
Auto/Industrial	7.5%	7.4%	8.1%
Others	6.2%	9.5%	3.8%
<b>By Service Type</b>	<b>3Q18</b>	<b>2Q18</b>	<b>3Q17</b>
Wafers	94.4%	90.0%	98.4%
Mask making, testing, others	5.6%	10.0%	1.6%
<b>By Geography</b>	<b>3Q18</b>	<b>2Q18</b>	<b>3Q17</b>
North America <sup>(1)</sup>	33.0%	33.0%	41.9%
China <sup>(2)</sup>	57.9%	58.6%	45.7%
Eurasia <sup>(3)</sup>	9.1%	8.4%	12.4%
<b>Wafer Revenue Analysis</b>			
<b>By Technology</b>	<b>3Q18</b>	<b>2Q18</b>	<b>3Q17</b>
28 nm	7.1%	8.6%	8.8%
40/45 nm	18.7%	17.5%	20.6%
55/65 nm	21.0%	24.2%	20.2%
90 nm	1.4%	1.2%	1.4%
0.11/0.13 $\mu$ m	8.7%	7.6%	8.1%
0.15/0.18 $\mu$ m	39.5%	37.1%	37.8%
0.25/0.35 $\mu$ m	3.6%	3.8%	3.1%

Note:

(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) Including Hong Kong, but excluding Taiwan

(3) Excluding China and Hong Kong

## **Capacity\***

Fab	3Q18	2Q18
Shanghai 200mm fab	106,000	108,000
Shanghai 300mm fab	33,750	38,250
Beijing 300mm fab	94,500	96,750
Tianjin 200mm fab	53,000	50,000
Shenzhen 200mm fab	40,300	35,000
Shenzhen 300mm fab	6,750	6,750
Majority-owned Beijing 300mm fab	74,250	72,000
Majority-owned Avezzano 200mm fab	42,325	42,325
Total monthly wafer fabrication capacity	450,875	449,075

Note:

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, calculated on a 30-day basis for comparison purposes

Monthly capacity was 450,875 8-inch equivalent wafers in 3Q18 from 449,075 8-inch equivalent wafers in 2Q18.

## **Shipment and Utilization**

2	3Q18	2Q18	QoQ	3Q17	YoY
Wafer shipments	1,315,007	1,258,336	4.5%	1,076,039	22.2%
Utilization rate <sup>(1)</sup>	94.7%	94.1%	-	83.9%	-

Note:

(1) Based on total equivalent wafers out divided by estimated total quarterly capacity.

## **Detailed Financial Analysis**

### **Gross Profit Analysis**

Amounts in US\$ thousands	3Q18	2Q18	QoQ	3Q17	YoY
Cost of sales	676,119	672,880	0.5%	592,426	14.1%
Depreciation	208,335	211,284	-1.4%	178,302	16.8%
Other manufacturing costs	466,887	460,440	1.4%	413,089	13.0%
Share-based compensation	897	1,156	-22.4%	1,035	-13.3%
Gross profit	174,543	217,833	-19.9%	177,297	-1.6%
Gross margin	20.5%	24.5%	-	23.0%	-

Cost of sales was \$676.1 million in 3Q18, compared to \$672.9 million in 2Q18.

Depreciation within the cost of sales decreased by 1.4% to \$208.3 million in 3Q18, compared to \$211.3 million in 2Q18.

Other manufacturing costs within the cost of sales increased by 1.4% to \$466.9 million in 3Q18, compared to \$460.4 million in 2Q18.

Gross profit was \$174.5 million in 3Q18, compared to \$217.8 million (\$165.0 million, excluding technology licensing revenue) in 2Q18.

Gross margin was 20.5% in 3Q18, compared to 24.5% (19.7%, excluding technology licensing revenue) in 2Q18.



### **Operating Expenses (Income) Analysis**

<i>Amounts in US\$ thousands</i>	<b>3Q18</b>	<b>2Q18</b>	<b>QoQ</b>	<b>3Q17</b>	<b>YoY</b>
Operating expenses	180,371	198,697	-9.2%	154,592	16.7%
Research and development, net	152,968	147,177	3.9%	106,848	43.2%
General and administrative	50,535	48,801	3.6%	46,104	9.6%
Selling and marketing	6,102	8,139	-25.0%	9,587	-36.4%
Other operating income	(29,234)	(5,420)	439.4%	(7,947)	267.9%

R&D expenses increased by \$5.8 million QoQ to \$153.0 million in 3Q18, compared to \$147.2 million in 2Q18. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$6.1 million QoQ to \$172.3 million in 3Q18. The change was mainly due to higher level of R&D activities in 3Q18. Funding of R&D contracts from the government was \$19.3 million in 3Q18, compared to \$19.0 million in 2Q18.

The increase in other operating income was mainly due to 1) an increase in government funding received in 3Q18 and 2) higher gain on the disposal of equipment and living quarters in 3Q18.

### **Other Income (Expense), Net**

<i>Amounts in US\$ thousands</i>	<b>3Q18</b>	<b>2Q18</b>	<b>QoQ</b>	<b>3Q17</b>	<b>YoY</b>
Other income (expense), net	17,843	14,955	19.3%	7,290	144.8%
Interest income					

### **Depreciation and Amortization**

<i>Amounts in US\$ thousands</i>	<b>3Q18</b>	<b>2Q18</b>	<b>QoQ</b>	<b>3Q17</b>	<b>YoY</b>
Depreciation and amortization	259,076	267,528	-3.2%	243,196	6.5%

### **Liquidity**

<i>Amounts in US\$ thousands</i>	<b>3Q18</b>	<b>2Q18</b>
Cash and cash equivalent	822,619	1,414,260
Restricted cash - current	586,086	349,974
Derivative financial instruments	4,834	8,931
Financial assets at fair value through profit or loss - current	47,945	60,412
Financial assets at amortized cost	2,082,233	1,235,633
Trade and other receivables	926,317	919,490
Prepayment and prepaid operating expenses	40,255	46,754
Inventories	697,964	697,021
Assets classified as held-for-sale	12,912	18,546
Total current assets	5,221,165	4,751,021
Current tax liabilities	7,664	6,065
Derivative financial instruments	18,797	2,541
Accrued liabilities	146,628	136,677
Deferred government funding	227,816	188,981
Medium-term notes - current	217,554	225,996
Short-term borrowings	728,097	781,134
Contract liabilities	57,845	66,404
Trade and other payables	1,050,283	949,440
Other liabilities	32,188	45,101
Total current liabilities	2,486,872	2,402,339
Cash Ratio <sup>(1)</sup>	0.3x	0.6x
Quick Ratio <sup>(2)</sup>	1.8x	1.7x
Current Ratio <sup>(3)</sup>	2.1x	2.0x

Note:

(1) Cash and cash equivalent divided by total current liabilities.

(2) Current assets excluding inventories divided by total current liabilities

(3) Total current assets divided by total current liabilities.

### **Capital Structure**

<i>Amounts in US\$ thousands</i>	<b>3Q18</b>	<b>2Q18</b>
Cash and cash equivalent	822,619	1,414,260
Financial assets at fair value through profit or loss - current <sup>(1)</sup>	47,945	60,412
Financial assets at amortized cost <sup>(2)</sup>	2,082,233	1,235,633
Short-term borrowings	728,097	781,134
Long-term borrowings	1,465,548	1,532,739
Medium-term notes	217,554	225,996
Convertible bonds	414,706	410,819
Corporate bonds	498,075	497,609
Total debt	3,323,980	3,448,297
Net debt <sup>(3)</sup>	371,183	737,992
Equity	7,968,663	7,614,756
Total debt to equity ratio <sup>(4)</sup>	41.7%	45.3%
Net debt to equity ratio <sup>(5)</sup>	4.7%	9.7%

Note:

(1) Mainly contains financial products sold by 5

## **Recent Highlights and Announcements**

Voluntary Announcement - Clarification on Recent False Media Reports (2018-10-25)  
Form of Proxy for Use at the Extraordinary General Meeting to be Held on 7 November 2018 (2018-10-19)  
Circulars - (1) Continuing Connected Transactions in relation to Framework Agreement and (2) Continuing Connected Transactions in relation to Centralised Fund Management Agreement and (3) Connected Transaction in relation to Proposed Grant of Restricted Share Units to a Former Independent Non-Executive Director, a Non-Executive Director and an Independent Nonexecutive Director and (4) Notice of Extraordinary General Meeting (2018-10-19)  
Notification of Board Meeting (2018-10-10)  
Further Announcement in relation to the Centralised Fund Management Agreement and Framework Agreement with Semiconductor Manufacturing South China Corporation (2018-09-19)  
Next Day Disclosure Return (2018-09-19)  
(1) Grant of Share Options and (2) Non-Exempt Connected Transactions - Proposed Grant of Restricted Share Units to Directors (2018-09-13)  
Circulars - Notification Letter and Request Form for Non-registered Shareholders (2018-09-11)  
Circulars - Notification Letter for Registered Shareholders (2018-09-11)  
Circulars - Notification Letter and Change Request Form to registered holders (2018-09-11)  
Circulars - Letter and Reply Form to New Registered Shareholders - Election of Means of Receipt and Language of Corporate Communication (2018-09-11)  
2018 Interim Report (2018-09-11)  
Voluntary Announcement Subscription of Shares in JCET (2018-08-31)  
Announcement of Unaudited Interim Results for the Six Months Ended June 30, 2018 (2018-08-30)  
Notification of Board Meeting (2018-08-16)  
Clarification Announcement (2018-08-16)  
Connected Transaction Capital ContribU7(em)-io (a)14(m)-3(tDeg)-7(i)5(o)-9(po5tr)-13(on)4( oEr)-2qinubU7(er)-14

Semiconductor Manufacturing International Corporation  
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
(In US\$ thousands except share data)

	<b>For the three months ended</b>	
	<b>September 30, 2018</b>	<b>June 30, 2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	850,662	890,713
Cost of sales	(676,119)	(672,880)
Gross profit	174,543	

Semiconductor Manufacturing International Corporation  
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
(In US\$ thousands except share data)

*Note:*

- (1) Non-GAAP operating expenses are defined as operating expenses adjusted to exclude the effect of employee bonus accrual, government funding, impairment loss of machinery and equipment, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters. SMIC reviews non-GAAP operating expenses together with operating expenses to understand, manage and evaluate its business and make financial and operational decisions. The Group also believes it is useful supplemental information for investors and analysts to assess its operating performance. However, the use of non-GAAP financial measures has material limitations as an analytical tool. One of the limitations of using non-GAAP financial measures is that they do not include all items that impact our net profit for the period. In addition, because non-GAAP financial measures are not calculated in the same manner by all companies, they may not be comparable to other similarly

Semiconductor Manufacturing International Corporation  
**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
(In US\$ thousands except share data)

The following table sets forth the reconciliation of EBITDA and EBITDA margin to their most directly comparable financial measures presented in accordance with IFRS, for the periods indicated.

	<b>For the three months ended</b>		
	<b>September 30, 2018</b> <b>(Unaudited)</b>	<b>June 30, 2018</b> <b>(Unaudited)</b>	<b>September 30, 2017</b> <b>(Unaudited)</b>
Profit for the period	7,591	31,665	30,590
Finance costs	(8,212)	10,645	(12,906)
Depreciation and amortization	259,076	267,528	243,196
Income tax expense (benefit)	4,424	2,426	(595)
EBITDA	<u>262,879</u>	<u>312,264</u>	<u>260,285</u>
Profit margin	<u>0.9%</u>	<u>3.6%</u>	<u>4.0%</u>
EBITDA margin	<u>30.9%</u>	<u>35.1%</u>	<u>33.8%</u>

Semiconductor Manufacturing International Corporation  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(In US\$ thousands)

	<b>As of</b>	
	<b>September 30, 2018 (Unaudited)</b>	<b>June 30, 2018 (Unaudited)</b>
<b>ASSETS</b>		
<i>Non-current assets</i>		
Property, plant and equipment	6,835,004	6,867,740
Land use right	91,548	92,084
Intangible assets	144,444	159,491
Investments in associates	943,228	879,593
Investments in joint ventures	17,932	19,645
Deferred tax assets	45,809	45,612
Financial assets at fair value through profit or loss	43,645	36,788
Derivative financial instruments	4,970	14,611
Restricted cash	8,468	8,528
Other assets	11,484	8,736
Total non-current assets	8,146,532	8,132,828
<i>Current assets</i>		
Inventories	697,964	697,021
Prepayment and prepaid operating expenses	40,255	46,754
Trade and other receivables	926,317	919,490
Financial assets at fair value through profit or loss	47,945	60,412
Financial assets at amortized cost	2,082,233	1,235,633
Derivative financial instruments	4,834	



Semiconductor Manufacturing International Corporation  
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(In US\$ thousands)

*Note:*

- (1) On April 23, 2018, the Company entered into the share subscription agreement with China Integrated Circuit Industry investment Fund Co., Ltd wholly-owned by China IC Fund), pursuant to which, on and subject to the terms of the share subscription agreement, the Company conditionally agreed to issue, and China IC Fund, through Xinxin HK, conditionally agreed to subscribe for 57,054,901 shares of the Company at the price of HK\$10.65 per share. On August 29, 2018, the Company completed the issue of 57,054,901 shares in the principal amount of HK\$607.6 million (approximately US\$77.4 million) pursuant to the share subscription agreement.
- (2) subscription agreement with China IC Fund and Xinxin HK, pursuant to which, on and subject to the terms of the PSCS subscription agreement, the Company conditionally agreed to issue, and China IC Fund, through Xinxin HK, conditionally agreed to subscribe for PSCS in an aggregate principal amount of US\$300.0 million with an initial conversion price of HK\$12.78 per share). On August 29, 2018, the Company completed the issue of the PSCS in the principal amount of US\$300.0 million. Assuming full conversion of the PSCS at the initial conversion price of HK\$12.78 per share, the PSCS will be convertible into 183,178,403 shares of the Company.
- (3) On September 27, 2018, the company repurchased 7,291,000 ordinary shares on-market. The buy-back was approved by shareholders at the annual general meeting on June 22, 2018. The ordinary shares were acquired at an average price of HK\$8.32 per share, with prices ranging from HK\$8.27 to HK\$8.36. The total cost of HK\$60.8 million (approximately US\$7.8 million) was deducted from the shareholder equity. In September, the Company has prepaid US\$20.0 million to the securities company for repurchasing ordinary shares.

Semiconductor Manufacturing International Corporation  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In US\$ thousands)

	<b>For the three months ended</b>	
	<b>September 30, 2018</b>	<b>June 30, 2018</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Cash flow from operating activities</b>		
Profit for the period	7,591	31,665
Depreciation and amortization	259,076	267,528
Share of loss of investment accounted for using equity method	1,616	1,905
Increase in working capital and others	(51,796)	(190,367)
<b>Net cash from operating activities</b>	<b>216,487</b>	<b>110,731</b>
<b>Cash flow from investing activities:</b>		
Payments to acquire financial assets at fair value through profit or loss	(31,964)	(41,434)
Proceeds from sale of financial assets at fair value through profit or loss	34,030	129,191
Payments to acquire financial assets at amortized cost	(1,020,098)	(1,605,503)
Proceeds from sale of financial assets at amortized cost	194,622	1,492,470
Payments for property, plant and equipment	(477,782)	(534,454)
Net proceeds after netting off land appreciation tax from disposal of property, plant and equipment and assets classified as held for sale <sup>(1)</sup>	312,507	13,925
Payments for intangible assets	(4,582)	(408)
Net cash outflow for deconsolidation of subsidiaries	-	(5,549)
Payment to acquire joint ventures and associates	(104,610)	(96,928)
Proceeds from disposal of associate	4,404	-
Distributions received from joint venture and associates	7,405	761
<b>Net cash used in investing activities</b>	<b>(1,086,068)</b>	<b>(647,929)</b>
<b>Cash flow from financing activities:</b>		
Proceeds from borrowings	57,490	245,361
Repayment of borrowings	(107,864)	(95,418)
Proceeds from issuance of shares	77,407	83,502
Proceeds from issuance of perpetual subordinated convertible securities	300,000	200,000
Distribution paid to perpetual subordinated convertible securities holders	-	(650)
Proceeds from exercise of employee stock options	1,771	1,729
Proceeds from non-controlling interests capital contribution	-	523,950
Payments to acquire treasury shares	(20,002)	-
<b>Net cash from financing activities</b>	<b>308,802</b>	<b>958,474</b>
<b>Effects of exchange rate changes on the balance of cash held in foreign currencies</b>	<b>(30,862)</b>	<b>(15,499)</b>
<b>Net (decrease) increase in cash and cash equivalent</b>	<b>(591,641)</b>	<b>405,777</b>
Cash and cash equivalent, beginning of period	1,414,260	1,008,483
<b>Cash and cash equivalent, end of period</b>	<b>822,619</b>	<b>1,414,260</b>

Semiconductor Manufacturing International Corporation  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(In US\$ thousands)

*Note:*

- (1) In July 2018, there were four arrangements in consideration of US\$306.8 million entered into by the Group with Xinhe Leasing (Tianjin) Co., Ltd. (a wholly-owned subsidiary of Sino IC Leasing) in the form of a sale and leaseback transaction with a repurchase option. A batch of production equipment of the Group was sold and leased back under the arrangements. As the repurchase prices were set at the expected fair value and the Group is not reasonably certain that it will exercise the repurchase options, the above transactions were accounted as gain of US\$7.4 million from the disposal of property, plant and equipment followed with an operating lease.

By order of the Board  
**Semiconductor Manufacturing International Corporation**  
Dr. Gao Yonggang  
Executive Director, Chief Financial Officer and Joint Company Secretary

Shanghai, November 7, 2018

As at the date of this announcement, the directors of the Company are:

**Executive Directors**

ZHOU Zixue (Chairman)

ZHAO Haijun (Co-Chief Executive Officer)

LIANG Mong Song (Co-Chief Executive Officer)

GAO Yonggang (Chief Financial Officer and Joint Company Secretary)

**Non-executive Directors**

CHEN Shanzhi

ZHOU Jie

REN Kai

LU Jun

TONG Guohua

**Independent Non-executive Directors**

William Tudor BROWN

CHIANG Shang-Yi

CONG Jingsheng Jason

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

\* For identification purposes only