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**Semiconductor Manufacturing International Corporation**  
<http://www.smics.com>

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Pudong New Area  
Shanghai, 201203  
People's Republic of China

## News Release

All currency figures stated in this report are in US Dollars unless stated otherwise.  
The financial statement amounts in this report are determined in accordance with US GAAP.

### **SMIC reports 2005 first quarter results**

#### **Highlights**

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- Sales of \$248.8 million in 1Q05, down 14.7% from \$291.8 million in 4Q04.
  - Capacity increased to 131,172 8-inch equivalent wafers per month.
  - Utilization rate of 85% in 1Q05 from 95% in 4Q04.
  - Gross margins of 3.4% in 1Q05 from 20.3% in 4Q04.
  - Net loss of \$30.0 million in 1Q05 compared to a loss of \$11.2 million in 4Q04.
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Shanghai, China – April 29, 2005. Semiconductor Manufacturing International Corporation (NYSE: SMI;



## **Conference call / Webcast announcement details**

Date: April 29, 2005

Time: 8:00 a.m. Shanghai time

Dial-in numbers and pass code: U.S. 1-617-786-4501 or HK 852-3002-1672 (Pass code: SMIC).

A live webcast of the 2005 first quarter announcement will be available at <http://www.smics.com> under the "Investor Relations" section. An archived version of the webcast, along with a soft copy of this news release will be available on the SMIC website for a period of 12 months following the webcast.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**

SMIC (NYSE: SMI, SEHK: 0981.HK) is one of the leading semiconductor foundries in the world, providing integrated circuit (IC) manufacturing at 0.35-micron to 0.11-micron and finer line technologies to customers worldwide. Established in 2000, SMIC has four 8-inch wafer fabrication facilities in volume production in Shanghai and Tianjin. In the first quarter of 2005, SMIC commenced commercial production at its 12-inch wafer fabrication facility in Beijing. SMIC also maintains customer service and marketing offices in the U.S., Europe, and Japan, and a representative office in Hong Kong. As part of its dedication towards providing high-quality services, SMIC strives to comply with or exceed international standards and has achieved ISO9001, ISO/TS16949, OHSAS18001, TL9000, and ISO14001 certifications. For additional information, please visit <http://www.smics.com/>.

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## **Safe harbor statements**

(Under the Private Securities Litigation Reform Act of 1995)

This press release may contain, 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 are based on SMIC's current assumptions, expectations and projections about future events. SMIC uses words like "believe," "anticipate," "intend," "estimate," "expect," "project" 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, 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 and financial stability in end markets.

Investors should consider the information contained in SMIC's filings with the U.S. Securities and Exchange Commission (SEC), including its registration statement on Form F-1, as amended, filed with the SEC on March 11, 2004, especially in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections, and its registration statement on Form A-1 as filed with the Stock Exchange of Hong Kong (SEHK) on March 8, 2004, and such other documents that SMIC may file with the SEC or SEHK from time to time, including on Form 6-K. Other unknown or unpredictable factors also could have material adverse effects on SMIC's future results, performance or achievements. In light of these risks, uncertainties, assumptions and factors, the forward-looking events discussed in this press release may not occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date stated, or if no date is stated, as of the date of this press release.

Except as required by law, SMIC undertakes no obligation and does not intend to update any forward-looking statement, whether as a result of new information, future events or otherwise.

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## Summary:

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

	<u>1Q05</u>	<u>4Q04</u>	<u>QoQ</u>	<u>1Q04</u>	<u>YoY</u>
Sales	248,808	291,842	-14.7%	186,937	33.1%
Cost of sales	240,277	232,725	3.2%	126,781	89.5%
Gross profit	8,531	59,117	-85.6%	60,156	-85.8%
Operating expenses	30,505	82,505	-63.0%	33,313	-8.4%
Income (loss) from operations	(21,974)	(23,388)	6.0%	26,843	-
Other income (expenses)	(8,012)	12,358	-	609	-
Net income (loss) after income taxes	(29,995)	(11,216)	-167.4%	27,452	-
Deemed dividend on preference shares	-	-	-	(18,839)	-
Income (loss) attributable to holders of ordinary shares	(29,995)	(11,216)	-167.4%	8,613	-
Gross margin	3.4%	20.3%		32.2%	
Operating margin	-8.8%	-8.0%		14.4%	
Basic EPS – per ordinary share <sup>(1)</sup>	(\$0.0017)	(\$0.0006)		\$0.0033	
Basic EPS – per ADS	(\$0.0831)	(\$0.0311)		\$0.1630	
Diluted EPS – per ordinary share	(\$0.0017)	(\$0.0006)		\$0.0005	
Diluted EPS – per ADS	(\$0.0831)	(\$0.0311)		\$0.0273	
Wafers shipped (in 8” wafers) <sup>(2)</sup>	284,912	303,796	-6.2%	174,325	63.4%
Blended ASP	\$829	\$917	-9.6%	\$1,008	-17.8%
Logic ASP <sup>(3)</sup>	\$967	\$1,020	-5.2%	\$1,081	-10.5%
Capacity utilization	85%	95%		99%	

Note:

(1) Based on weighted average ordinary shares of 18,054 million in 1Q05, 18,006 million in 4Q04 and 2,641 million in 1Q04

(2) Including copper interconnects

(3) Excluding copper interconnects

- Sales decreased to \$248.8 million in 1Q05, down 14.7% QoQ from \$291.8 million in 4Q04 and up 33.1% YoY from \$186.9 million in 1Q04. Key factors leading to these decreases were the following:
  - decreased 8-inch equivalent wafer shipments to 284,912, down 6.2% QoQ from 303,796 in 4Q04; and
  - decreased blended ASP of \$829, down 9.6% QoQ from \$917.
- Cost of sales increased to \$240.3 million in 1Q05 from \$232.7 million in 4Q04, primarily due to the increase in depreciation expenses and an inventory write-down as a result of declining estimated market value of approximately \$8.9 million in 1Q05 compared to \$3.8 million in 4Q04.
- Gross profit decreased to \$8.5 million in 1Q05, down 85.6% QoQ from \$59.1 million in 4Q04 and down 85.8% YoY from \$60.2 million in 1Q04.
- Gross margins decreased to 3.4% in 1Q05 from 20.3% in 4Q04, primarily due to the decrease in wafer production, the increase in depreciation expenses, and a lower blended ASP, which was the result of the DRAM pricing declines and industry softness.
- R&D expenses decreased to \$17.9 million in 1Q05, down 34.6% QoQ from \$27.4 million in 4Q04, primarily due to non-recurring start up costs associated with Fab 4 (Beijing) being classified as research and development in 4Q04. Those R&D expenses have subsequently been classified in cost of sales upon commencement of Fab 4 commercial production in 1Q05.
- G&A expenses decreased to \$6.6 million in 1Q05, down 74.1% QoQ from \$25.5 million in 4Q04, primarily due to foreign exchange gains of \$3.6 million in 1Q05 compared to losses of \$11.3 million in 4Q04 relating to operating activities, and decreases in legal fees and bad debt provision.
- Income (loss) from operations improved to a loss of \$22.0 million in 1Q05 from a loss of \$23.4 million in 4Q04 and decreased from a gain of \$26.8 million in 1Q04.
- Other non-operating income (loss) decreased to a loss of \$8.0 million in 1Q05 from gains of \$12.4 million in 4Q04, primarily due to foreign exchange losses of \$2.3 million in 1Q05 compared to gains of \$13.3 million in 4Q04 relating to non-operating activities resulting from financing or investment transactions, and the increase in interest expenses of \$3.1 million to \$7.7 million in 1Q05 from \$4.6 million in 4Q04.



- Net foreign exchange gain of \$1.3 million based on foreign exchange gains of \$3.6 million in G&A and foreign exchange losses of \$2.3 million relating to non-operating activities resulting from financing or investment transactions (i.e. forward contracts) classified as other income (expenses).
- Net loss of \$30.0 million compared to a loss of \$11.2 million in 4Q04 and a gain of \$27.5 million in 1Q04.

## **1. Analysis of revenues**

<b>Sales analysis</b>					
<b><u>By Application</u></b>	<b><u>1Q05</u></b>	<b><u>4Q04</u></b>	<b><u>3Q04</u></b>	<b><u>2Q04</u></b>	<b><u>1Q04</u></b>
Computer	36.8%	26.8%	20.5%	22.5%	25.1%
Communications	44.5%	58.1%	57.2%	54.3%	56.0%
Consumer	13.6%	10.2%	17.1%	17.1%	12.7%
Others	5.1%	4.9%	5.2%	6.1%	6.2%
<b><u>By Device</u></b>	<b><u>1Q05</u></b>	<b><u>4Q04</u></b>	<b><u>3Q04</u></b>	<b><u>2Q04</u></b>	<b><u>1Q04</u></b>
Logic (including copper interconnect)	61.9%	75.1%	77.6%	73.5%	72.4%
DRAM <sup>(1)</sup>	33.0%	20.4%	17.5%	20.8%	21.6%
Other (mask making & probing, etc.)	5.1%	4.5%	4.9%	5.7%	6.0%
<b><u>By Customer Type</u></b>	<b><u>1Q05</u></b>	<b><u>4Q04</u></b>	<b><u>3Q04</u></b>	<b><u>2Q04</u></b>	<b><u>1Q04</u></b>
Fabless semiconductor companies	48.1%	50.2%	35.3%	36.1%	36.6%
Integrated device manufacturers (IDM)	49.6%	47.5%	56.3%	54.8%	54.0%
System companies and others	2.3%	2.3%	8.4%	9.1%	9.4%
<b><u>By Geography</u></b>	<b><u>1Q05</u></b>	<b><u>4Q04</u></b>	<b><u>3Q04</u></b>	<b><u>2Q04</u></b>	<b><u>1Q04</u></b>
North America	40.4%	34.9%	41.8%	44.0%	41.4%
Asia Pacific (ex. Japan)	26.9%	43.5%	31.5%	26.5%	27.2%
Japan	8.0%	8.8%	15.6%	16.2%	16.3%
Europe	24.7%	12.8%	11.1%	13.3%	15.1%
<b>Wafer revenue analysis</b>					



**Capacity:**

<b>Fab / (Wafer Size)</b>	<b>1Q05<sup>(1)</sup></b>	<b>4Q04<sup>(1)</sup></b>
Fab 1 (8")	45,731	45,536
Fab 2 (8")	40,000	35,870
Fab 4 (12")	10,220	7,027
Fab 7 (8")	16,221	14,182
Total m		



## **2. Detailed financial analysis**

### ***Gross profit analysis***

<i>Amounts in US\$ thousands, except percentages</i>	<b><u>1Q05</u></b>	<b><u>4Q04</u></b>	<b><u>QoQ</u></b>	<b><u>1Q04</u></b>	<b><u>YoY</u></b>
Cost of sales	240,277	232,725	3.2%	126,781	89.5%
Depreciation	145,307	130,839	11.1%	64,423	125.6%
Other manufacturing costs	94,970	101,886	-6.8%	62,358	52.3%
Gross profit	8,531	59,117	-85.6%	60,156	-85.8%
Gross margin	3.4%	20.3%			



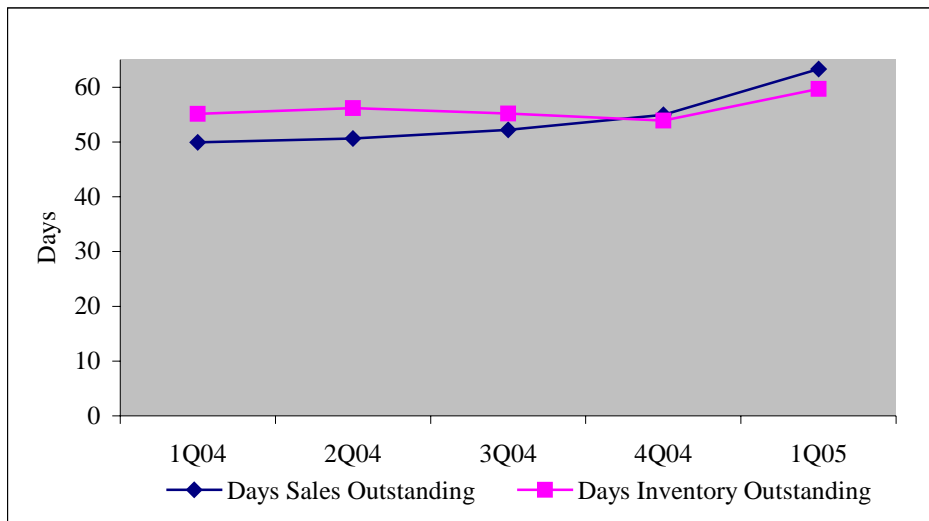
- Other non-operating income (loss) decreased to a loss of \$8.0 million in 1Q05 from gains of \$12.4 million in 4Q04, primarily due to foreign exchange losses of \$2.3 million in 1Q05 compared to gains of \$13.3 million in 4Q04 relating to non-operating activities resulting from financing or investment transactions, and the increase in interest expenses of \$3.1 million to \$7.7 million in 1Q05 from \$4.6 million in 4Q04.

### 3. Liquidity

<i>Amounts in US\$ thousands, except ratios</i>	<b>1Q05</b>	<b>4Q04</b>
Cash and cash equivalents	438,802	607,173
Short term investments	10,349	20,364
Accounts receivable	180,878	169,188
Inventory	174,525	144,018
Others	8,565	14,675
Total current assets	813,119	955,418
Accounts payable	333,442	364,334
Current portion of long-term debt	228,625	191,986
Others	222,371	174,010
Total current liabilities	784,438	730,330
Cash Ratio	0.6x	0.8x
Quick Ratio	0.8x	1.1x
Current Ratio	1.0x	1.3x

- Cash and cash equivalents decreased to \$438.8 million from \$607.2 million, primarily due to capital expenditure purchases.

#### *Receivable/Inventory days outstanding trends*





## Capital Structure

<i>Amounts in US\$ thousands, except percentages</i>	<b>1Q05</b>	<b>4Q04</b>
Cash and cash equivalents	438,802	607,173
Short-term investment	10,349	20,364
Current portion of promissory note	4,833	-
Promissory note	129,310	-
Short-term borrowings	133,499	91,000
Current portion of long-term debt	228,625	191,986
Long-term debt	411,824	544,462
Total debt	773,948	827,448
Net cash	(458,940)	(199,911)
Shareholders' equity	3,086,256	3,109,484
Total debt to equity ratio	25.1%	26.6%

- Total debt decreased to \$773.9 million in 1Q05 compared with \$827.4 million in 4Q04, primarily due to the repayment on the long-term debt.
- Total debt-to-equity ratio decreased to 25.1% in 1Q05 from 26.6% in 4Q04.

## 4. Cashflow & Capex

<i>Amounts in US\$ thousands</i>	<b>1Q05</b>	<b>4Q04</b>
Net loss	(29,995)	(11,216)
Depreciation & amortization	166,243	148,271
Amortization of acquired intangible assets	9,869	4,092
Purchases of plant and equipment	(248,495)	(643,069)
Net change in cash	(168,371)	(342,992)

### Capex plans

- Capital expenditures for 1Q05 were \$343 million, which includes the acquisition of intangible assets.
- Planned capital expenditures for 2005 are approximately \$1 billion and will be adjusted based on market conditions.

## 5. 2Q05 guidance

- Wafer shipments expected to increase by approximately 16-18%.
- Utilization expected to increase to approximately 86-87%.
- Blended ASP QoQ expected to decrease by a low single digit percentage point.
- Percentage of sales from logic wafers including copper interconnects expected to decrease by approximately 5%.
- Gross margins expected to decrease slightly.
- Operating expense as a percentage of sales expected to be in the mid teens.
- Non-operating interest expenses expected to increase to approximately \$10 million, primarily due to additional long-term debt facilities.
- Capital expenditures of approximately \$230-250 million.
- Depreciation and amortization of approximately \$190-200 million.
- Deferred compensation charge of approximately \$7 million, of which \$4 million will be charged to operating expenses and \$3 million in cost of sales.





## **6. Recent announcements**

- SMIC and Dolphin Integration Partner to Offer Microprocessor Core for 0.35 micron EEPROM Process [2005-04-26]
- SMIC and ISSI-Shanghai Have Jointly Developed a High Reliability EEPROM Technology for Automotive Electronics Market [2005-04-08]
- SMIC issues Notice of Annual General Meeting [2005-04-06]
- SMIC announces clarification of newspaper reports [2005-04-04]
- SMIC announces Proposed Continuing Connected Transactions [2005-04-04]
- SMIC reports Fourth Quarter Results [2005-03-29]
- SMIC report announcement of 2004 Annual Results [2005-03-29]
- Chief Financial Officer and Qualified Accountant [2005-03-29]
- SMIC achieves TL9000 Quality Management certification [2005-03-21]
- SMIC and C\*Core Sign Cooperation Agreement [2005-03-17]
- SMIC Featured in SEMICON China 2005 [2005-03-15]
- Postponement of meeting of Board of Directors [2005-03-15]
- SMIC Expands Its One-Stop Offerings Through Wafer Bumping Services [2005-03-04]
- Unusual movement of trading volume [2005-03-02]
- QQ Technology and SMIC-BJ Sign an MOU of Partnership [2005-02-28]
- SMIC reports revenue results for the three months ended December 31, 2004 [2005-01-31]
- SMIC Settles Litigation with Taiwan Semiconductor Manufacturing Corporation [2005-01-31]

*Please visit SMIC's website <http://www.smics.com> for further details regarding the above announcements.*

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SMIC Financials

Semiconductor Manufacturing International Corporation  
CONSOLIDATED BALANCE SHEET  
(In US dollars)

	As of the end of	
	March 31, 2005	December 31, 2004
	(unaudited)	(audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	438,801,533	607,172,570
Short term investments	10,349,390	20,364,184
Accounts receivable, net of allowances of \$342,768 and \$1,105,165 respectively	180,877,544	169,188,287
Inventories	174,525,252	144,017,852
Prepaid expense and other current assets	6,732,846	12,842,994
Assets held for sale	1,831,972	1,831,972
Total current assets	<b>813,118,537</b>	<b>955,417,859</b>
Land use rights, net	38,976,538	39,197,774
Plant and equipment, net	3,354,240,115	3,311,924,599
Acquired intangible assets, net	202,682,671	77,735,299
Long-term investment	2,810,309	-
<b>TOTAL ASSETS</b>	<b>4,411,828,170</b>	<b>4,384,275,531</b>
<b>LI</b>		



**Semiconductor Manufacturing International Corporation**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**(In US dollars)**

	For the three months ended	
	March 31, 2005 (unaudited)	December 31, 2004 (unaudited)
Sales	248,808,088	291,841,924
Cost of sales	237,103,387	229,573,732
Cost of sales - Amortization of deferred stock compensation	3,173,661	3,151,575
<b>Gross profit</b>	<b>8,531,040</b>	<b>59,116,617</b>
Operating expenses:		
Research and development	17,933,336	27,406,568
General and administrative	6,591,065	25,476,267
Selling and marketing	2,493,753	2,543,654
Litigation settlement	-	23,153,105
Amortization of deferred stock compensation*	3,486,827	3,925,186
<b>Total operating expense</b>	<b>30,504,981</b>	<b>82,504,780</b>
<b>Loss from operations</b>	<b>(21,973,941)</b>	<b>(23,388,163)</b>
Other income (expenses):		
Interest income	1,928,135	3,263,727
Interest expense	(7,688,304)	(4,580,725)
Others, net	(2,252,173)	13,675,198
<b>Total other income</b>		



**Semiconductor Manufacturing International Corporation**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In US dollars)

	<b>March 31, 2005</b>	<b>December 31, 2004</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Operating activities:</b>		
Loss attributable to holders of ordinary shares	(29,994,997)	(11,216,007)
Deemed dividends on preference shares	-	-
Net loss	(29,994,997)	(11,216,007)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain (loss) on disposal of plant and equipment	(3,434)	(69,916)
(Reversal of) Bad debt expense	(762,397)	683,484
Depreciation and amortization	166,242,887	148,271,100
Amortization of acquired intangible assets	9,868,813	4,091,723
Amortization of deferred stock compensation	6,660,488	7,076,761
Non-cash interest expense on promissory notes	1,173,682	-
Loss on long-term investment	69,691	-
Changes in operating assets and liabilities:		
Accounts receivable	(10,926,860)	17,363,354
Inventories	(30,507,400)	(9,260,846)
Prepaid expense and other current assets	5,873,806	(5,852,079)
Accounts payable	8,296,980	5,602,323
Income tax payable	(152,000)	152,000
Accrued expenses and other current liabilities	13,982,097	1,312,002
<b>Net cash provided by operating activities</b>	<b>139,821,356</b>	<b>158,153,899</b>
<b>Investing activities:</b>		
Purchases of plant and equipment	(248,495,009)	(643,069,258)
Purchases of acquired intangible assets	(2,400,500)	(3,967,844)