



Contact:

## NEWS RELEASE

### SMIC Reports 2010 Second Quarter Results

*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.*

**Shanghai, China – August 10, 2010.** Semiconductor Manufacturing International Corporation (NYSE: SMI; SEHK: 981) (“SMIC” or the “Company”), one of the leading semiconductor foundries in the world, today announced its consolidated results of operations for the three months ended June 30, 2010.

#### Second Quarter 2010 Highlights:

- Revenue up by 8.4% to \$381.1 million in 2Q10 from \$351.7 million in 1Q10 and up by 42.5% compared to 2Q09.
- Gross margins improved to 15.6% in 2Q10 compared to 14.6% in 1Q10 primarily due to an increase in utilization

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remain aggressive in turning this company around, determined to sustain our competitiveness by meeting our customers' needs with excellence while balancing increasing scale with sustainable profitability."

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## Conference Call / Webcast Announcement

Date: Wednesday, August 11, 2010  
Time: 8:30 a.m. Shanghai time  
Dial-in numbers and pass code:

US	1-617-597-5342	(Pass code: SMIC)
HK	852-3002-1672	(Pass code: SMIC)

A live webcast of the 2010 second quarter announcement will be available at <http://www.smics.com> under the "Investor Relations" section, or at

URL: <http://phx.corporate-ir.net/playerlink.zhtml?c=176474&s=wm&e=3254288>.

An archived version of the webcast, along with an electronic copy of this news release will be available on the SMIC website for a period of 12 months following the webcast.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

Semiconductor Manufacturing International Corporation ("SMIC"; NYSE: SMI; SEHK: 981) is one of the leading semiconductor foundries in the world and the largest and most advanced foundry in Mainland China, providing integrated circuit (IC) foundry and technology services at 0.35-micron to 45/40-nanometer. Headquartered in Shanghai, China, SMIC has a 300mm wafer fabrication facility (fab) and three 200mm wafer fabs in its Shanghai mega-fab, two 300mm wafer fabs in its Beijing mega-fab, a 200mm wafer fab in Tianjin, a 200mm fab under construction in Shenzhen, and an in-house assembly and testing facility in Chengdu. SMIC also has customer service and marketing offices in the U.S., Europe, and Japan, and a representative office in Hong Kong. In addition, SMIC manages and operates a 200mm wafer fab in Chengdu owned by Cension Semiconductor Manufacturing Corporation, and a 300mm wafer fab in Wuhan owned by Wuhan Xinxin Semiconductor Manufacturing Corporation. 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 concerning our belief that we are on course to profitability, and statements under "Third Quarter 2010 Guidance" 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 cyclical and market conditions in the semiconductor industry, the downturn in the global economy and the impact on China's economy, intense competition, timely wafer acceptance by SMIC's customers, timely introduction of new technologies, SMIC's ability to capture growth opportunities in China, supply and demand for semiconductor foundry services, industry overcapacity, shortages in equipment, components and raw materials, orders or judgments from pending litigation,



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 annual report on 20-F filed with the SEC on June 29, 2010, especially in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections, and such other documents that SMIC may file with the SEC or The Hong Kong Stock Exchange Limited ("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 of Second Quarter 2010 Operating Results

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

	2Q10	1Q10	QoQ	2Q09	YoY
Revenue	381,142	351,724	8.4%	267,422	42.5%
Cost of sales	321,755	300,270	7.2%	280,319	14.8%
Gross profit (loss)	59,387	51,454	15.4%	(12,897)	-
Operating expenses	71,507	79,496	-10.0%	81,606	-12.4%
Loss from operations	(12,120)	(28,042)	-56.8%	(94,503)	-87.2%
Other income (expenses), net	101,812	(155,567)	-	(5,802)	-
Income tax credit	6,466	2,374	172.4%	2,880	124.5%
Net income (loss) after income taxes	96,158	(181,235)	-	(97,425)	-
Income (Loss) from equity investment	141	(455)	-	(482)	-
Net income (loss)	96,299	(181,690)	-	(97,907)	-
Accretion of interest to noncontrolling interest	(262)	(259)	1.2%	(262)	0.0%
Gain (Loss) attributable to Semiconductor Manufacturing International Corporation	96,037	(181,949)	-	(98,169)	-
Gross margin	15.6%	14.6%		-4.8%	
Operating margin	-3.2%	-8.0%		-35.3%	
Net income (loss) per ordinary share (basic) <sup>(1)</sup>	0.00	(0.01)		(0.00)	
Net income (loss) per ADS (basic)	0.21	(0.41)		(0.22)	
Net income (loss) per ordinary share (diluted) <sup>(1)</sup>	0.00	(0.01)		(0.00)	
Net income (loss) per ADS (diluted)	0.20	(0.41)		(0.22)	
Wafers shipped (in 8" wafers) <sup>(2)</sup>	496,766	455,010	9.2%	341,261	45.6%
Capacity utilization	94.3%	92.1%		75.4%	

*Note:*

*(1) Based on weighted average ordinary shares of 22,480 million (basic) and 24,534 million (diluted) in 2Q10, 22,397 million (basic) and 22,397 million (diluted) in 1Q10 and 22,352 million (basic) and 22,352 million (diluted) in 2Q09*

*(2) Including copper interconnects*

- Revenue increased to \$381.1 million in 2Q10, up 8.4% QoQ from \$351.7 million in 1Q10 due to a 9.2% increase in wafer shipments resulting largely from a change in the business model with our managed fabs, Xinxin in Wuhan and Cension in Chengdu. Under the revised



business model, customers are to sign foundry service agreements directly with SMIC, while the orders are outsourced to Xinxin and Cension. This model results in a change in revenue booking methodology from a commission model to a buy-and-resell model. Revenue from Xinxin and Cension totalled \$17.7 million, which was 4.6% of our total revenue.

- Cost of sales increased to \$321.8 million in 2Q10, up 7.2% QoQ from \$300.3 million in 1Q10.
- Gross profit of \$59.4 million in 2Q10, compared to a gross profit of \$51.5 million in 1Q10 and gross loss of \$12.9 million in 2Q09.
- Gross margins improved to 15.6% in 2Q10 from 14.6% in 1Q10 primarily due to an increase in utilization.
- Total operating expenses decreased to \$71.5 million in 2Q10 from \$79.5 million in 1Q10, a decrease of 10.0% QoQ driven by a decrease in G&A related expenses and an impairment loss of long-lived assets in 1Q10.
- R&D expenses decreased to \$43.3 million in 2Q10, down 0.6% QoQ from \$43.6 million in 1Q10.
- G&A expenses decreased to \$15.0 million in 2Q10 from \$17.6 million in 1Q10.
- Selling & marketing expenses increased to \$7.0 million in 2Q10, up 16.1% QoQ from \$6.0 million in 1Q10.



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## Analysis of Revenues

### Sales Analysis



### Capacity\*

Fab / (Wafer Size)	2Q10	1Q10
Shanghai Mega Fab (8")	84,000	84,000
Beijing Mega Fab (12")	46,125	46,800
Tianjin Fab (8")	33,000	34,300
Total monthly wafer fabrication capacity	163,125	165,100

Note:

\* Wafers per month at the end of the period in 8" equivalent wafers

### Shipment and Utilization

8" equivalent wafers	2Q10	1Q10	2Q09
Wafer shipments including copper interconnects	496,766	455,010	341,261
Utilization rate <sup>(1)</sup>	94.3%	92.1%	75.4%

Note:

(1) Capacity utilization based on total wafer out divided by estimated capacity

- Wafer shipments increased 9.2% QoQ to 496,766 units of 8-inch equivalent wafers in 2Q10 from 455,010 units of 8-inch equivalent wafers in 1Q10, and up 45.6% YoY from 341,261 8-inch equivalent wafers in 2Q09.



## **Detailed Financial Analysis**

### ***Gross Profit Analysis***

<i>Amounts in US\$ thousands</i>	<b>2Q10</b>	<b>1Q10</b>	<b>QoQ</b>	<b>2Q09</b>	<b>YoY</b>
Cost of sales	321,755	300,270	7.2%	280,319	14.8%
Depreciation	131,188	143,919	(8.8%)	146,763	(10.6%)
Other manufacturing costs	189,620	155,119	22.2%	132,541	43.1%
Share-based compensation	947	1,232	(23.1%)	1,015	(6.7%)
Gross profit (loss)	59,387	51,454	15.4%	(12,897)	-
Gross margin	15.6%	14.6%		(4.8%)	

- Cost of sales increased to \$321.8 million in 2Q10, up 7.2% QoQ from \$300.3 million in 1Q10 primarily due to increase in wafer shipments.
- Gross profit of \$59.4 million in 2Q10, compared to a gross profit of \$51.5 million in 1Q10 and gross loss of \$12.9 million in 2Q09.
- Gross margins improved to 15.6% in 2Q10 from 14.6% in 1Q10 primarily due to an increase in utilization.

### ***Operating Expense Analysis***

<i>Amounts in US\$ thousands</i>	<b>2Q10</b>	<b>1Q10</b>	<b>QoQ</b>	<b>2Q09</b>	<b>YoY</b>
Total operating expenses	71,507	79,496	(10.0%)	81,606	(12.4%)
Research and development	43,330	43,592	(0.6%)	48,450	(10.6%)
General and administrative	15,017	17,601	(14.7%)	17,196	(12.7%)
Selling and marketing	7,019	6,045	16.1%	6,905	1.7%
Amortization of intangible assets	6,686	6,886	(2.9%)	8,858	(24.5%)
(Gain) Loss from disposal of properties	(545)	233	-	197	-
Impairment loss of long-lived assets	-	5,138	-	-	-

- Total operating expenses decreased to \$71.5 million in 2Q10 from \$79.5 million in 1Q10, a decrease of 10.0% QoQ driven by a decrease in G&A related expenses and an impairment loss of long-lived assets in 1Q10.
- R&D expenses decreased to \$43.3 million in 2Q10, down 0.6% QoQ from \$43.6 million in 1Q10.
- G&A expenses decreased to \$15.0 million in 2Q10 from \$17.6 million in 1Q10.
- Selling & marketing expenses increased to \$7.0 million in 2Q10, up 16.1% QoQ from \$6.0 million in 1Q10.

### ***Other Income (Expenses)***

<i>Amounts in US\$ thousands</i>	<b>2Q10</b>	<b>1Q10</b>	<b>QoQ</b>	<b>2Q09</b>	<b>YoY</b>
Other income (expenses)	101,812	(155,567)	-	(5,802)	-
Interest income	879	878	0.1%	635	38.4%
Interest expense	(6,293)	(7,784)	(19.2%)	(8,386)	(25.0%)
Change in the fair value of commitment to issue shares and warrants	105,952	(146,561)	-	-	-
Foreign currency exchange (loss) gain	(3,164)	(3,241)	(2.4%)	219	-
Other, net	4,438	1,141	289.0%	1,730	156.5%

- Combined with the foreign exchange difference arising from operating activities, the Company recorded an overall foreign exchange gain of \$2.2 million in 2Q10 as compared to a foreign exchange loss of \$1.7 million in 1Q10.





- Other income of \$101.8 million in 2Q10 was mainly due to a change in the fair value of the commitment to grant shares and warrants, compared to an expense of \$155.6 million in 1Q10.

### **Depreciation and Amortization**

- Total depreciation and amortization in 2Q10 was \$164.9 million compared to \$174.7 million in 1Q10.

### **Liquidity**

<i>Amounts in US\$ thousands</i>	<b>2Q10</b>	<b>1Q10</b>
Cash and cash equivalents	506,547	523,208
Restricted cash	37,099	29,286
Accounts receivable	208,856	204,983
Inventories	203,901	194,604
Others	53,410	53,687
Total current assets	1,009,813	1,005,768
Accounts payable	254,967	237,075
Short-term borrowings	357,387	333,795
Current portion of long-term debt	275,294	204,442
Others	328,668	442,538
Total current liabilities	1,216,316	1,217,850
Cash Ratio	0.4x	0.4x
Quick Ratio	0.6x	0.6x
Current Ratio	0.8x	0.8x

### **Capital Structure**

<i>Amounts in US\$ thousands</i>	<b>2Q10</b>	<b>1Q10</b>
Cash and cash equivalents	506,547	523,208
Restricted cash	37,099	29,286
Current portion of promissory notes	54,164	59,163
Non-current portion of promissory notes	69,921	83,913
Short-term borrowings	357,387	333,795
Current portion of long-term debt	275,294	204,442
Long-term debt	365,027	515,876
Total debt	997,708	1,054,113
Total equity	1,717,011	1,618,038
Total debt to equity ratio	58.1%	65.1%



## Cash Flow

<i>Amounts in US\$ thousands</i>	<b>2Q10</b>	<b>1Q10</b>
Net cash from operating activities	167,495	153,316
Net cash from investing activities	(107,885)	(64,546)
Net cash from financing activities	(75,757)	(8,763)
Effect of exchange rate changes	(514)	(262)
Net change in cash	(16,661)	79,745

## Capex Summary

- Capital expenditures for 2Q10 were \$92 million.



## **Recent Highlights and Announcements**

- SMIC 65-nm Technology Successfully Moves to Volume Production (2010-08-03)
- Notification of Board Meeting (2010-07-29)
- SMIC and Virage Logic Extend Partnership to 40nm LL Process Technology (2010-07-22)
- Overseas Regulatory Announcement (2010-07-21)
- Completion of Placing of New Shares under General Mandate (2010-07-15)
- Placing of New Shares under General Mandate (1) Potential Subscription of New Shares under Special Mandate by Datang Telecom Technology & Industry Holdings Co., Ltd. And (2) Release of Datang from Lock-up Restriction; Non-exempt Connected Transactions; Pre-emptive Right of TSMC (2010-07-08)
- Potential Non-exempt Connected Transactions (1) Potential Exercise of Pre-emptive Right and Further Subscription by Datang and (2) Release of Datang from Lock-up Restriction; Pre-emptive Right of TSMC (2010-07-07)
- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (2010-06-29)
- Annual General Meeting held on June 3rd, 2010 Poll Results (2010-06-03)
- Grant of Options (2010-05-25)
- SMIC and Virage Logic Expand Partnership to Offer Virage Logic'S IP on SMIC'S 65nm II Process (2010-05-24)
- Synopsys Collaborates with SMIC to Deliver USB Logo-Certified DesignWare USB 2.0 nanoPHY in SMIC's 65 Nanometer LL Process Technology (2010-05-14)
- Closure of Register of Members (2010-05-12)
- SMIC Reports Results for The Three Months Ended March 31, 2010 (2010-05-11)
- 2009 Annual Report (2010-04-29)
- Circular - (1) Notice of AGM (2) Re-Election of Directors (3) Proposed General Mandates to Issue and Repurchase Shares (4) Proposed Special Mandate for Increasing The Limit on The Grant Of Equity Awards under The 2004 Equity Incentive Plan (5) Proposed Amendments to The 2004 Equity Incentive Plan (2010-04-29)
- Notification Letter and Change Request Form (2010-04-29)
- Notice of Annual General Meeting (2010-04-29)
- Notification of Board Meeting (2010-04-28)
- Announcement of 2009 Annual Results (2010-04-26)
- SMIC Issues Updates on First Quarter 2010 Financial Results and 2009 Annual Results (2010-04-19)
- Notification of Approval of the publication of 2009 Annual Results by the Board (2010-04-13)

*Please visit SMIC's website at [http://www.smics.com/website/enVersion/Press\\_Center/newsRelease.ftl](http://www.smics.com/website/enVersion/Press_Center/newsRelease.ftl) for further details regarding the recent announcements.*



Semiconductor Manufacturing International Corporation  
CONSOLIDATED BALANCE SHEETS  
(In US dollars, except share data)

	As of	
	June 30,2010	March 31,2010
	(Unaudited)	(Unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	506,547,279	523,207,927
Restricted cash	37,098,779	29,286,422
Accounts receivable, net of allowances		



Semiconductor Manufacturing International Corporation  
**CONSOLIDATED STATEMENT OF INCOME**  
(In US dollars, except share data)

	<b>For the three months ended</b>	
	<b>June 30,2010</b> <b>(Unaudited)</b>	<b>March 31,2010</b> <b>(Unaudited)</b>
Sales	381,142,152	351,724,012
Cost of sales	321,755,444	300,270,177
Gross profit	<b>59,386,708</b>	<b>51,453,835</b>
Operating expenses:		
Research and development	43,329,679	43,592,355
General and administrative	15,017,028	17,601,140
Selling and marketing	7,019,386	6,045,489
Amortization of acquired intangible assets	6,685,822	6,885,746
Impairment loss of long-lived assets	-	5,137,925
(Gain) loss from sale of equipment and other fixed assets	(545,040)	233,053
Total operating expenses, net	<b>71,506,875</b>	<b>79,495,708</b>
Loss from operations	(12,120,167)	(28,041,873)
Other income (expense):		
Interest income	879,279	877,711
Interest expense	(6,293,613)	(7,783,555)
Change in the fair value of commitment to issue shares and warrants	105,952,415	(146,561,217)
Foreign currency exchange loss	(3,164,049)	(3,241,001)
Other, net	4,437,675	1,140,502
Total other income (expense), net	<b>101,811,707</b>	<b>(155,567,560)</b>
Gain (loss) before income tax	89,691,540	(183,609,433)
Income tax benefit	6,466,243	2,374,552
Gain (loss) from equity investment	140,793	(455,261)
Net gain (loss)	<b>96,298,576</b>	<b>(181,690,142)</b>
Accretion of interest to noncontrolling interest	(261,781)	(258,904)
Gain (loss) attributable to Semiconductor Manufacturing International Corporation	<b>96,036,795</b>	<b>(181,949,046)</b>
Net gain (loss) per share attributable to Semiconductor Manufacturing International Corporation ordinary shareholders, basic	0.00	(0.01)
Net gain (loss) per share attributable to Semiconductor Manufacturing International Corporation ordinary shareholders, diluted	0.00	(0.01)
Net gain (loss) per ADS attributable to Semiconductor Manufacturing International Corporation ordinary shareholders, basic	0.21	(0.41)
Net gain (loss) per ADS attributable to Semiconductor Manufacturing International Corporation ordinary shareholders, diluted	0.20	(0.41)
Shares used in calculating basic gain (loss) per share	<b>22,480,222,740</b>	<b>22,396,835,456</b>
Shares used in calculating diluted gain (loss) per share	<b>24,533,730,903</b>	<b>22,396,835,456</b>



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

**For the three months ended**

	<b>June 30,2010</b>	<b>March 31,2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Operating activities</b>		
Net gain (loss)	96,298,576	(181,690,142)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Deferred tax	(8,468,268)	(4,326,783)
(Gain) loss from sale of equipment and other fixed assets	(545,040)	233,053
Depreciation and amortization	155,371,401	164,246,614
Amortization of acquired intangible assets	6,685,823	6,885,746
Share-based compensation	2,802,616	3,583,507
Non-cash interest expense on promissory note and long-term payable relating to license agreements	1,120,440	1,129,497
(Gain) loss from equity investment	(140,793)	455,261
Impairment loss of long-lived assets	-	5,137,925
Change in the fair value of commitment to acquire	(1,450,110)	(1,450,110)



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

<b>Net cash used in financing activities</b>	<u>(75,757,333)</u>	<u>(8,762,747)</u>
Effect of exchange rate changes	<u>(513,590)</u>	<u>(262,153)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(16,660,648)</b>	<b>79,745,413</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	523,207,927	443,462,514
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<u><b>506,547,279</b></u>	<u><b>523,207,927</b></u>