
NEWS RELEASE

SMIC Reports 2015 Second 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 Reporting Standards (“IFRS”).

Shanghai, China –August 11, 2015. 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, 2015.

Second Quarter 2015 Highlights

Dr. Tzu-Yin Chiu, SMIC's Chief Executive Officer and Executive Director, commented, "SMIC has achieved two quarters of consecutive growth in 2015 and we are guiding an additional quarter of growth for the third quarter. With some customers undergoing inventory adjustments, SMIC has successfully ramped up new products keeping our fabs well utilized.

The second quarter of 2015 was our best quarter to date with record-high revenue of \$546.6 million and gross margin of 32.3%. In the second quarter shipments and utilization exceeded our expectations, resulting in 7.2% quarter over quarter revenue growth. We achieved a profit attributable to SMIC of \$76.7 million, an increase of 38.3% quarter over quarter and 35.0% year over year.

Our China revenue share has continued to increase in the past quarters and in Q2 China-region revenue contributed more than half our revenue for the first time. SMIC is in a key position as the largest and most advanced foundry in China to capture the many opportunities stemming from China."

Conference Call / Webcast Announcement

Date: August 12, 2015

Time: 8:30 a.m. Shanghai 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 2-2650-7825	(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/eng/investors/ir_presentations.php or <http://edge.media-server.com/m/p/ijmh7wth>.

An archived version of the webcast, along with an electronic copy of this news release will be available on the SMIC website for a period of 12 months following the webcast.

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. SMIC provides integrated circuit (IC) foundry and technology services at 0.35-micron to 28-nanometer. Headquartered in Shanghai, China, SMIC has a 300mm wafer fabrication facility (fab) and a 200mm mega-fab in Shanghai; a 300mm mega-fab and a second majority owned 300mm fab under development for advance nodes in Beijing; and 200mm fabs in Tianjin and Shenzhen. 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.

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 "Third Quarter 2015 Guidance", "CapEx Summary" and the statements contained in the quotes of our CEO regarding our expectations for our growth and opportunities in China 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 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 the cyclical nature of the semiconductor industry, changes in demand for our products, competition in our markets, our reliance on a small number of customers, orders or judgments from pending litigation, intensive intellectual property lawsuits in semiconductor industry 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 April 28, 2015, especially the consolidated financial statements, and such other documents that SMIC may file with the SEC or The Hong Kong Stock Exchange Limited ("SEHK") from time to time, including current reports 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 may be 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.

About Non-Generally Accepted Accounting Principles (“Non-GAAP”) Financial Measures

To supplement SMIC’s consolidated financial results presented in accordance with IFRS, SMIC uses in this press release non-GAAP operating expenses which consist of total operating expenses as adjusted to exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters. This earnings release also includes third quarter 2015 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.

SMIC believes that use of these non-GAAP financial measures facilitates investors’ and management’s comparisons to SMIC’s historical performance. The Group’s management regularly 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.

Summary of Second Quarter 2015 Operating Results

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

	2Q15	1Q15	QoQ	2Q14	YoY
Revenue	546,615	509,798	7.2%	511,344	6.9%
Cost of sales	(370,210)	(359,871)	2.9%	(368,291)	0.5%
Gross profit	176,405	149,927	17.7%	143,053	23.3%
Operating expenses	(115,728)	(104,423)	10.8%	(84,861)	36.4%
Profit from operations	60,677	45,504	33.3%	58,192	4.3%
Other income (expense), net	11,943	6,125	95.0%	(1,105)	-
Profit before tax	72,620	51,629	40.7%	57,087	27.2%
Income tax (expense) benefit	(924)	(54)	1611.1%	93	-
Profit for the period	71,696	51,575	39.0%	57,180	25.4%
Other comprehensive income:					
Exchange differences on translating foreign operations	397	(400)	-	(858)	-
Change in value of available-for-sale financial assets	(1,006)	1,451	-	-	-
Total comprehensive income for the period	71,087	52,626	35.1%	56,322	26.2%
Profit for the period attributable to:					
SMIC	76,704	55,477	38.3%	56,801	35.0%
Non-controlling interests	(5,008)	(3,902)	28.3%	379	-
Profit for the period	71,696	51,575	39.0%	57,180	25.4%
Gross margin	32.3%	29.4%	-	28.0%	-
Earnings per ordinary share ⁽¹⁾					
Basic	0.00	0.00		0.00	
Diluted	0.00	0.00		0.00	
Earnings per ADS ⁽²⁾					
Basic	0.10	0.08		0.09	
Diluted	0.10	0.07		0.08	
Wafers shipped (in 8" equivalent wafers)	731,730	692,131	5.7%	648,764	12.8%
Capacity utilization ⁽³⁾	102.1%	99.7%	-	94.6%	-

Note:

(1) Based on weighted average ordinary shares of 37,192 million (basic) and 41,572 million (diluted) in 2Q15, 35,877 million (basic) and 40,181 million (diluted) in 1Q15, and 32,766 million (basic) and 35,291 million (diluted) in 2Q14.

(2) Each ADS represents 50 ordinary shares.

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

- Revenue increased 7.2% QoQ from \$509.8 million in 1Q15 to \$546.6 million in 2Q15 mainly because of an increase of wafer shipments in 2Q15.
- Cost of sales was \$370.2 million in 2Q15, up 2.9% QoQ from \$359.9 million in 1Q15.
- Gross profit was \$176.4 million in 2Q15, an increase of 17.7% QoQ from \$149.9 million in 1Q15.
- Gross margin was 32.3% in 2Q15, up from 29.4% in 1Q15, primarily due to an increase in fab utilization in 2Q15.
- Operating expenses were \$115.7 million in 2Q15, an increase of 10.8% QoQ from \$104.4 million in 1Q15, mainly due to the reasons stated in Operating Expenses (Income) Analysis below.

Analysis of Revenue

Revenue Analysis			
By Application	2Q15	1Q15	2Q14
Computer	4.5%	3.6%	2.8%
Communications	49.4%	44.2%	41.4%
Consumer	37.7%	46.3%	48.0%
Others	8.4%	5.9%	7.8%
By Service Type	2Q15	1Q15	2Q14
Wafers	95.4%	96.3%	95.4%
Mask making, testing, others	4.6%	3.7%	4.6%
By Customer Type	2Q15	1Q15	2Q14
Fabless semiconductor companies	72.7%	81.3%	85.2%
Integrated device manufacturers (IDM)	2.7%	2.5%	3.0%
System companies and others	24.6%	16.2%	11.8%
By Geography	2Q15	1Q15	2Q14
North America	32.0%	41.1%	42.0%
China ⁽¹⁾	51.1%	47.0%	44.4%
Eurasia ⁽²⁾	16.9%	11.9%	13.6%
Wafer Revenue Analysis			
By Technology	2Q15	1Q15	2Q14
40/45 nm	15.3%	16.0%	13.2%
55/65 nm	25.2%	26.1%	26.3%
90 nm	4.8%	4.6%	3.4%
0.13 μm	10.9%	10.2%	12.1%
0.15/0.18 μm	39.9%	39.7%	40.2%
0.25/0.35 μm	3.9%	3.4%	4.8%

Note:

(1) Including Hong Kong, but excluding Taiwan

(2) Excluding China and Hong Kong

Capacity*

Fab / (Wafer Size)	2Q15	1Q15
Shanghai Mega Fab (8")	99,000	97,000
Shanghai 12-inch Fab (12")	31,500	31,500
Beijing Mega Fab (12")	83,250	81,000
Tianjin Fab (8")	42,000	42,000
Total monthly wafer fabrication capacity**	255,750	251,500

Note:

* Wafers per month at the end of the period in 8" equivalent wafers, calculated on a 30-day basis for comparison purposes

**Our new 8-inch fab in Shenzhen and 12-inch fab in Beijing have reached an installed capacity of 10,000 and 600 wafers per month but not entered into mass production at the end of 2Q15.

- Monthly capacity increased to 255,750 8-inch equivalent wafers in 2Q15 from 251,500 8-inch equivalent wafers in 1Q15, primarily due to an increase of fab efficiency in our Shanghai 8-inch fab and Beijing 12-inch fab.

Shipment and Utilization

8" equivalent wafers	2Q15	1Q15	QoQ	2Q14	YoY
Wafer shipments	731,730	692,131	5.7%	648,764	12.8%
Utilization rate ⁽¹⁾	102.1%	99.7%	-	94.6%	-

Note:

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

Detailed Financial Analysis

Gross Profit Analysis

Amounts in US\$ thousands	2Q15	1Q15	QoQ	2Q14	YoY
Cost of sales	370,210	359,871	2.9%	368,291	0.5%
Depreciation	95,942	100,929	-4.9%	106,236	-9.7%
Other manufacturing costs	272,552	257,708	5.8%	260,365	4.7%
Share-based compensation	1,716	1,234	39.1%	1,690	1.5%
Gross profit	176,405	149,927	17.7%	143,053	23.3%
Gross margin	32.3%	29.4%	-	28.0%	-

- Cost of sales was \$370.2 million in 2Q15, up 2.9% QoQ from \$359.9 million in 1Q15.
- Depreciation within the cost of sales decreased 4.9% to \$95.9 million in 2Q15, compared to \$100.9 million in 1Q15. The decrease was mainly due to an increase of utilization in our 12-inch fab in 2Q15.
- Other manufacturing costs within the cost of sales increased 5.8% to \$272.6 million in 2Q15, compared to \$257.7 million in 1Q15.
- Gross profit was \$176.4 million in 2Q15, an increase of 17.7% QoQ from \$149.9 million in 1Q15.
- Gross margin was 32.3% in 2Q15, up from 29.4% in 1Q15, primarily due to an increase in fab utilization in 2Q15.

Operating Expenses (Income) Analysis

<i>Amounts in US\$ thousands</i>	2Q15	1Q15	QoQ	2Q14	YoY
Operating expenses	115,728	104,423	10.8%	84,861	36.4%
Research and development, net	55,202	53,453	3.3%	45,080	22.5%
General and administrative	52,051	42,486	22.5%	35,528	46.5%
Selling and marketing	9,159	9,205	-0.5%	9,018	1.6%
Other operating income	(684)	(721)	-5.1%	(4,765)	-85.6%

- R&D expenses increased to \$55.2 million in 2Q15, compared to \$53.5 million in 1Q15. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$6.8 million QoQ to \$65.6 million in 2Q15. Funding of R&D contracts from the government was \$10.4 million in 2Q15, compared to \$5.3 million in 1Q15.
- General and administrative expenses increased to \$52.1 million in 2Q15, up 22.5% QoQ from \$42.5 million in 1Q15, mainly because of 1) the expansion expenses relating to the two new fab projects – the 8-inch fab in Shenzhen and the 12-inch fab in Beijing and 2) accrued employee bonus increased in 2Q15.

Other Income (expense), Net

<i>Amounts in US\$ thousands</i>	2Q15	1Q15	QoQ	2Q14	YoY
Other income (expense), net	11,943	6,125	95.0%	(1,105)	-
Interest income	956	1,369	-30.2%	3,021	-68.4%
Finance costs	(2,416)	(5,010)	-51.8%	(8,231)	-70.6%
Foreign exchange gains or losses	4,960	120	4033.3%	(1,860)	-
Other gains or losses, net	8,592	9,621	-10.7%	5,399	59.1%
Share of profits of associates	(149)	25	-	566	-

- The change in finance costs was due to 1) the Group's repayment of some bank borrowings in 1Q15 and 2) more interest expense was capitalized as part of the costs of assets under construction in 2Q15.
- The change in foreign exchange gains or losses was mainly due to an appreciation of RMB against USD in 2Q15. Foreign monetary assets mainly consist of cash and cash equivalent and accounts receivables in RMB. And foreign monetary liabilities mainly consist of loans, accounts payables and other payables in RMB. The Group is in net foreign monetary asset position.

Depreciation and Amortization

<i>Amounts in US\$ thousands</i>	2Q15	1Q15	QoQ	2Q14	YoY
Depreciation and amortization	124,911	125,461	-0.4%	138,463	-9.8%

Liquidity

Amounts in US\$ thousands	2Q15	1Q15
Cash and cash equivalent	766,165	402,378
Restricted cash	105,791	229,500
Other financial assets ⁽¹⁾	568,886	586,047
Trade and other receivables	489,675	454,383
Prepayment and prepaid operating expenses	37,507	38,969
Inventories	365,332	340,889
Total current assets	2,333,356	2,052,166
Current tax liabilities	412	33
Accrued liabilities	132,714	124,711
Deferred government funding	62,368	65,200
Short-term Borrowings	119,727	192,775
Trade and other payables	863,210	699,467
Total current liabilities	1,178,431	1,082,186
Cash Ratio ⁽²⁾	0.7x	0.4x
Quick Ratio ⁽³⁾	1.7x	1.6x
Current Ratio ⁽⁴⁾	2.0x	1.9x

Note:

- (1) Other financial assets contain financial products sold by bank and bank deposit over 3 months.
(2) Cash and cash equivalent divided by total current liabilities.
(3) Current assets excluding inventories divided by total current liabilities
(4) Total current assets divided by total current liabilities.

Capital Structure

Amounts in US\$ thousands	2Q15	1Q15
Cash and cash equivalent	766,165	402,378
Restricted cash	105,791	229,500
Other financial assets ⁽¹⁾	568,886	586,047
Short-term borrowings	119,727	192,775
Long-term borrowings	85,484	39,087
Convertible bonds	385,947	382,668
Corporate bonds	492,383	491,976
Total debt	1,083,541	1,106,506
Net debt ⁽²⁾	(251,510)	118,081
Equity	3,846,024	3,364,264
Total debt to equity ratio ⁽³⁾	28.2%	32.9%
Net debt to equity ratio ⁽⁴⁾	N/A ⁽⁵⁾	3.5%

Note:

- (1) Other financial assets contain financial products sold by bank and bank deposit over 3 months.
(2) Net debt is total debt minus cash and cash equivalent, and other financial assets.
(3) Total debt divided by equity.
(4) Net debt divided by equity.
(5) The ratio was not applicable due to the negative net debt in 2Q15.

Cash and cash equivalent increased to \$766.2 million in 2Q15 from \$402.4 million in 1Q15 primarily because of the closing of the private placement of 4,700,000,000 ordinary shares to China Integrated Circuit Industry Investment Fund Co., Ltd. in 2Q15.

Cash Flow

<i>Amounts in US\$ thousands</i>	2Q15	1Q15
Net cash from operating activities	154,577	134,273
Net cash used in investing activities	(170,372)	(148,888)
Net cash from (used in) financing activities	379,423	(185,819)
Effect of exchange rate changes	159	(224)
Net change in cash and cash equivalent	363,787	(200,658)

Capex Summary

- Capital expenditures for 2Q15 were \$367.6 million.
- The planned 2015 capital expenditures for foundry operations are approximately \$1.5 billion.
- The planned 2015 capital expenditures for non-foundry operations, mainly for the construction of living quarters, are approximately \$150 million. The Group plans to rent out or sell these living quarter units to employees in the future.

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

	For the three months ended	
	June 30, 2015	March 31, 2015
	(Unaudited)	(Unaudited)
Revenue	546,615	509,798
Cost of sales	<u>(370,210)</u>	<u>(359,871)</u>
Gross profit	176,405	149,927
Research and development expenses, net	(55,202)	(53,453)
General and administration expenses	(52,051)	(42,486)
Sales and marketing expenses	(9,159)	(9,205)
Other operating income	684	721
Operating expenses	<u>(115,728)</u>	<u>(104,423)</u>
Profit from operation	60,677	45,504
Other income, net	11,943	6,125
Profit before tax	72,620	51,629
Income tax expense	<u>(924)</u>	<u>(54)</u>
Profit for the period	<u>71,696</u>	<u>51,575</u>
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	397	(400)
Change in value of available-for-sale financial assets	<u>(1,006)</u>	<u>1,451</u>
Total comprehensive income for the period	<u>71,087</u>	<u>52,626</u>
Profit for the period attributable to:		
Owners of the Company	76,704	55,477
Non-controlling interests	<u>(5,008)</u>	<u>(3,902)</u>
	<u>71,696</u>	<u>51,575</u>
Total comprehensive income for the period attributable to:		
Owners of the Company	76,090	56,528
Non-controlling interests	<u>(5,003)</u>	<u>(3,902)</u>
	<u>71,087</u>	<u>52,626</u>
Earnings per share attributable to Semiconductor Manufacturing International Corporation ordinary shareholders		
Basic	0.00	0.00
Diluted	0.00	0.00
Earnings per ADS attributable to Semiconductor Manufacturing International Corporation ordinary ADS holders		
Basic	0.10	0.08
Diluted	0.10	0.07
Shares used in calculating basic earnings per share	37,191,800,114	35,876,740,022
Shares used in calculating diluted earnings per share	<u>41,571,630,732</u>	<u>40,180,857,955</u>

Reconciliations of Non-GAAP Financial Measures to Comparable GAAP Measures⁽¹⁾

Non-GAAP operating expenses	<u>(110,901)</u>	<u>(99,669)</u>
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Note:

(1) Non-GAAP operating expenses are defined as operating expenses adjusted to exclude the effect of employee bonus accrual, government funding 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

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

manner by all companies, they may not be comparable to other similarly titled measures used by other companies. In light of the foregoing limitations, you should not consider the non-GAAP operating expenses in isolation from or as an alternative to operating expenses prepared in accordance with IFRS.

The following table sets forth the reconciliation of the non-GAAP operating expenses to its most direc

	As of	
	June 30, 2015	March 31, 2015
	(Unaudited)	(Unaudited)
ASSETS		
<i>Non-current assets</i>		
Property, plant and equipment	3,252,963	3,017,149
Prepaid land use right	143,220	134,655
Intangible assets	202,488	206,562
Investments in associates	160,744	57,520
Investments in joint ventures	14,594	-
Deferred tax assets	44,701	44,529
Other assets	12,957	28,582
Total non-current assets	<u>3,831,667</u>	<u>3,488,997</u>
<i>Current assets</i>		

Semiconductor Manufacturing International Corporation
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three months ended

June 30, 2015

March 31, 2015

(Unaudited)

(Unaudited)

Cash flow from operating activities

Profit for the period

71,696

51,575