



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

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Shanghai, 201203  
People's Republic of China

## NEWS RELEASE

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

### **SMIC reports 2005 second quarter results**

#### **Highlights**

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- **Sales increased to \$279.5 million in 2Q05, up 12.3% from \$248.8 million in 1Q05.**
  - **Capacity increased to 139,025 8-inch equivalent wafers per month.**
  - **Utilization rate increased to 87% in 2Q05 from 85% in 1Q05.**
  - **Compared to 1Q05, wafer shipments increased 16.0% to 330,499 8-inch equivalent wafers.**
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**Shanghai, China – July 29, 2005.** 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, 2005. Sales increased 12.3% in the second quarter of 2005 to \$279.5 million from \$248.8 million in the prior quarter. The Company reported an increase in capacity to 139,025 8-inch equivalent wafers per month and a utilization rate of 87% in the second quarter of 2005. Net loss increased to \$40.4 million in the second quarter of 2005 compared to a loss of \$30.0 million in the first quarter of 2005.

“The second quarter of 2005 marked what we believe to be the trough of this current semiconductor cycle,” said Dr. Richard Chang, President and Chief Executive Officer of SMIC. “During this period, our financial performance was consistent with our expectations. Despite the general weakness in the semiconductor industry as a whole and in particular the foundry sector, we continued to increase our revenues during the second quarter of 2005. Based on the demand forecasts provided by our customers, we believe that the second half of 2005 will be a period of financial growth and improvement and have increased our projected capital expenditure budget to \$1.1 billion for 2005. With the semiconductor industry gearing up for a rebound in the second half of the year, we have secured an additional \$600 million in financing which we believe, together with our expected cashflow from operations, will be sufficient to cover our funding requirements for 2005 and into 2006.

During the quarter we added 20 new customers, over half of which came from Mainland China. We are pleased to see continuous progress from our customers in China.

On the technology front, our first customer products at 90nm are currently under qualification and remain on-schedule. Further along the technology roadmap, we are now developing our 65nm technology process flow in our 300mm fabs.

Today we are pleased to announce two separate projects. The first relates to a partnership which SMIC has formed with Saifun Semiconductors, Ltd. to license Saifun’s NROM® technology for the production of flash memory-based products. Our new flash-memory strategy will enable us to meet the increasing demand for flash-based products in the consumer electronics and telecommunication sectors.

The second project relates to the wafer reclamation project in Shanghai to produce solar power modules. We will start facility installation in the third quarter and anticipate equipment move-in during the fourth quarter.

In addition to our core foundry business, we will continue to look for ways to increase shareholder value and maximize our position as the leading foundry in China.”



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

Date: July 29, 2005

Time: 8:00 a.m. Shanghai time

Dial-in numbers and pass code: U.S. 1-617-614-2714 or HK 852-3002-1672 (Pass code: SMIC)

A live webcast of the 2005 second 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, its registration statement on Form A-1 as filed with the Stock Exchange of Hong Kong (SEHK) on March 8, 2004, its annual report on Form 20-F, filed with the SEC on June 28, 2005 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 per share, per ADS, percentages and operating data

	2Q05	1Q05	QoQ	2Q04	YoY
Sales	279,500	248,808	12.3%	220,988	26.5%
Cost of sales	273,111	233,696	16.9%	158,247	72.6%
Gross profit	6,389	15,112	-57.7%	62,741	-89.8%
Operating expenses	38,469	37,086	3.7%	26,351	46.0%
Income (loss) from operations	(32,081)	(21,974)	46.0%	36,390	-
Other income (expenses)	(8,234)	(8,012)	2.8%	(2,225)	270.1%
Income tax	118	9	1259.3%	-	-
Net income (loss) after income taxes	(40,433)	(29,995)	34.8%	34,165	-218.4%
Minority interest	(12)	-	-	-	-
Income (loss) attributable to holders of ordinary shares	(40,445)	(29,995)	34.8%	34,165	-
Gross margin	2.3%	6.1%		28.4%	
Operating margin	-11.5%	-8.8%		16.5%	
Basic EPS – per ordinary share <sup>(1)</sup>	(\$0.0022)	(\$0.0017)		\$0.0019	
Basic EPS – per ADS	(\$0.1113)	(\$0.0831)		\$0.0955	
Diluted EPS – per ordinary share	(\$0.0022)	(\$0.0017)		\$0.0019	
Diluted EPS – per ADS	(\$0.1113)	(\$0.0831)		\$0.0941	
Wafers shipped (in 8” wafers) <sup>(2)</sup>	330,499	284,912	16.0%	201,534	64.0%
Blended ASP	\$807	\$829	-2.7%	\$1,034	-22.0%
Logic ASP <sup>(3)</sup>	\$938	\$967	-3.0%	\$1,089	-13.9%
Capacity utilization	87%	85%		99%	

Note:

(1) Based on weighted average ordinary shares of 18,169 million in 2Q05, 18,054 million in 1Q05 and 17,897 million in 2Q04

(2) Including copper interconnects

(3) Excluding copper interconnects

- Sales increased to \$279.5 million in 2Q05, up 12.3% QoQ from \$248.8 million in 1Q05 and up 26.5% YoY from \$221.0 million in 2Q04. Key factors leading to these increases were the following:
  - increased capacity to 139,025 8-inch equivalent wafers;
  - increased 8-inch equivalent wafer shipments to 330,499, up 16.0% QoQ from 284,912 in 1Q05; and
  - increased utilization rate to 87%.
- The Company has retroactively reclassified certain expenses to disclose financial performance in a manner consistent with the practices of other high-tech companies. All figures presented herein have given effect, where applicable, to this reclassification. Amortization expenses, largely related to the patent cross-license agreement relating to the settlement of the litigation and other license agreements, previously classified in Cost of sales and Research and development have been reclassified into a single line item, Amortization of intangible assets under operating expenses. The impact of the reclassification of expenses in 1Q05 resulted in a decrease in Cost of sales of \$6.6 million, a decrease in Research and development expenses of \$3.3 million and an increase in Amortization of intangible assets expenses of \$9.9 million.
- After giving effect to the reclassification, Cost of sales increased to \$273.1 million in 2Q05, up 16.9% QoQ from \$233.7 million in 1Q05, primarily due to the increase in wafer shipments and depreciation expenses.
- Gross profit decreased to \$6.4 million in 2Q05, down 57.7% QoQ from \$15.1 million in 1Q05.
- After giving effect to the reclassification, Gross margins decreased to 2.3% in 2Q05 from 6.1% in 1Q05, primarily due to the increase in depreciation expenses and a lower blended ASP, which was the result of a decline in pricing of DRAM products and general industry softness.
- After giving effect to the reclassification, Research and development increased to \$16.3 million in 2Q05, up 11.6% QoQ from \$14.6 million in 1Q05, primarily due to 90nm and 65nm research and development activities.
- General and administrative expenses including foreign exchange decreased to \$5.4 million in 2Q05, down 18.1% QoQ from \$6.6 million in 1Q05, primarily due to a decrease in legal fees.



- Selling and marketing expenses increased to \$3.0 million in 2Q05, up 20.8% QoQ from \$2.5 million in 1Q05, primarily due to an increase in engineering materials associated with sales activities.
- Amortization of intangible assets as a result of the new classification was \$10.1 million in 2Q05, up 2.2% QoQ from \$9.9 million in 1Q05.
- Loss from operations was \$32.1 million in 2Q05 from a loss from operations of \$22.0 million in 1Q05.
- Other non-operating loss increased to \$8.2 million in 2Q05 from a loss of \$8.0 million in 1Q05, primarily due to an increase in interest expense.
- Interest expense increased to \$9.0 million in 2Q05, up 16.7% QoQ from \$7.7 million in 1Q05, primarily due to the increase in bank borrowings.
- Net foreign exchange gain of \$0.9 million based on a foreign exchange gain of \$2.5 million in General and administrative expenses and a foreign exchange loss of \$1.6 million relating to non-operating activities resulting from financing or investment transactions (i.e. forward contracts) classified as other income (expenses).
- Net loss of \$40.4 million in 2Q05 from a loss of \$30.0 million in 1Q05.



## 1. Analysis of revenues

<b>Sales analysis</b>					
<b>By Application</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>	<b>3Q04</b>	<b>2Q04</b>
Computer	39.8%	36.8%	26.8%	20.5%	22.5%
Communications	40.4%	44.5%	58.1%	57.2%	54.3%
Consumer	15.2%	13.6%	10.2%	17.1%	17.1%
Others	4.6%	5.1%	4.9%	5.2%	6.1%
<b>By Device</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>	<b>3Q04</b>	<b>2Q04</b>
Logic (including copper interconnect)	58.9%	61.9%	75.1%	77.6%	73.5%
DRAM <sup>(1)</sup>	36.5%	33.0%	20.4%	17.5%	20.8%
Other (mask making & probing, etc.)	4.6%	5.1%	4.5%	4.9%	5.7%
<b>By Customer Type</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>	<b>3Q04</b>	<b>2Q04</b>
Fabless semiconductor companies	42.2%	48.1%	50.2%	35.3%	36.1%
Integrated device manufacturers (IDM)	55.2%	49.6%	47.5%	56.3%	54.8%
System companies and others	2.6%	2.3%	2.3%	8.4%	9.1%
<b>By Geography</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>	<b>3Q04</b>	<b>2Q04</b>
North America	40.8%	40.4%	34.9%	41.8%	44.0%
Asia Pacific (ex. Japan)	26.3%	26.9%	43.5%	31.5%	26.5%
Japan	6.0%	8.0%	8.8%	15.6%	16.2%
Europe	26.9%	24.7%	12.8%	11.1%	13.3%
<b>Wafer revenue analysis</b>					
<b>By Technology (logic, DRAM &amp; copper interconnect only)</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>	<b>3Q04</b>	<b>2Q04</b>
0.13μm	44.5%	29.2%	13.8%	11.9%	9.9%
0.15μm	2.5%	12.5%	14.9%	13.2%	13.3%
0.18μm	40.7%	40.3%	33.6%	46.2%	48.6%
0.25μm	3.9%	4.6%	6.0%	6.4%	8.3%
0.35μm	8.4%	13.4%	31.7%	22.3%	19.9%
<b>By Logic Only<sup>(2)</sup></b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>	<b>3Q04</b>	<b>2Q04</b>
0.13μm	12.6%	5.4%	2.4%	1.8%	0.9%
0.15μm	4.8%	2.2%	5.3%	4.6%	3.9%
0.18μm	59.4%	59.8%	38.2%	56.2%	63.0%
0.25μm	7.1%	7.1%	7.8%	6.1%	3.1%
0.35μm	16.1%	25.5%	46.3%	31.3%	29.1%

Note:

(1) Previously referred to as "Memory". However, all historical reported figures in this category have consisted of only DRAM devices

(2) Excluding 0.13μm copper interconnects

- Percentage of sales generated from European customers grew the most during the period, increasing to 26.9% in 2Q05 from 24.7% in 1Q05.
- Percentage of wafer revenues from 0.18μm and below technologies increased to 87.7% of sales in 2Q05, as compared with 82.0% in 1Q05 and 71.8% in 2Q04.
- Percentage of logic only wafer revenues from 0.18μm and below technologies increased to 76.8% of logic only sales in 2Q05, as compared with 67.4% in 1Q05 and 67.8% in 2Q04.
- Percentage of logic only wafer revenues from 0.13μm increased to 12.6% of logic only sales in 2Q05 from 5.4% in 1Q05. Percentage of logic only wafer revenues from 0.35μm decreased to 16.1% of logic only sales in 2Q05 from 25.5% in 1Q05.



### Capacity:

<b>Fab / (Wafer Size)</b>	<b>2Q05<sup>(1)</sup></b>	<b>1Q05<sup>(1)</sup></b>
Fab 1 (8")	45,000	45,731
Fab 2 (8")	43,045	40,000
Fab 4 (12")	16,787	10,220
Fab 7 (8")	15,000	16,221
Total monthly wafer fabrication capacity	119,832	112,172
<b>Copper Interconnects:</b>		
Fab 3 (8")	19,193	19,000
Total monthly copper interconnect capacity	19,193	19,000

Note:

(1) Wafers per month at the end of the period in 8" equivalent wafers

- As of the end of 2Q05, monthly capacity, based on the product mix, increased to 139,025 8-inch equivalent wafers.

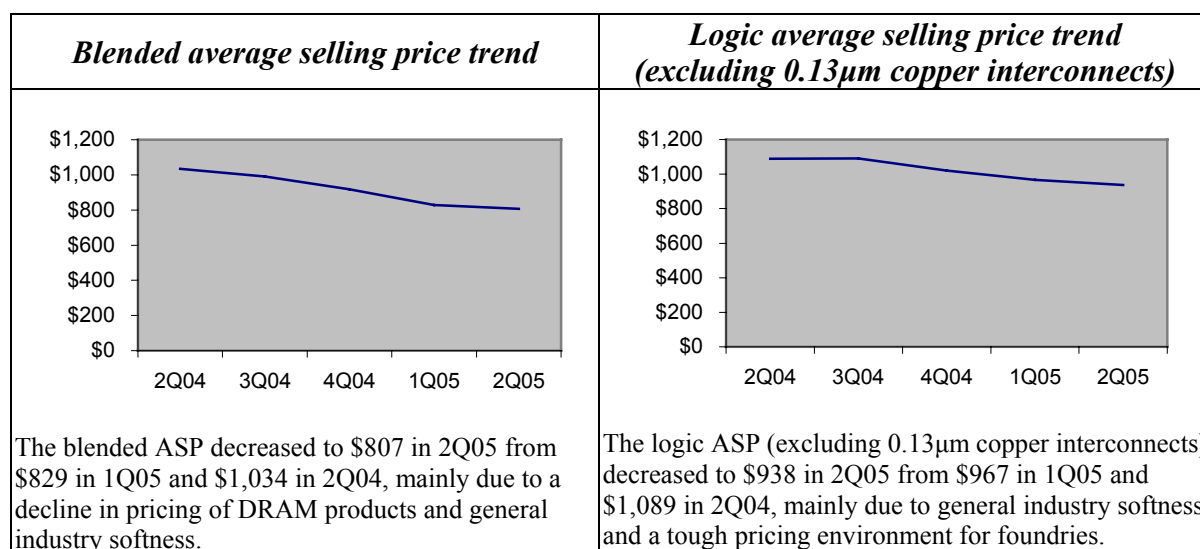
### Shipment and utilization:

<b>8" wafers</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>	<b>3Q04</b>	<b>2Q04</b>
Wafer shipments including copper interconnects	330,499	284,912	303,796	263,808	201,534
Utilization rate <sup>(1)</sup>	87%	85%	95%	99%	99%

Note:

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

- Wafer shipments increased to 330,499 units of 8-inch equivalent wafers in 2Q05, up 16.0% QoQ from 284,912 units of 8-inch equivalent wafers in 1Q05, and up 64.0% YoY from 201,534 8-inch equivalent wafers in 2Q04.
- Utilization rate increased to 87%.





## 2. Detailed financial analysis

### Gross profit analysis

<i>Amounts in US\$ thousands</i>	<u>2Q05</u>	<u>1Q05</u>	<u>QoQ</u>	<u>2Q04</u>	<u>YoY</u>
Cost of sales	273,111	233,696	16.9%	158,247	72.6%
Depreciation	171,216	145,307	17.8%	83,990	103.9%
Other manufacturing costs	101,895	88,389	15.3%	74,257	37.2%
Gross profit	6,389	15,112	-57.7%	62,741	-89.8%
Gross margin	2.3%	6.1%		28.4%	

- After giving effect to the reclassification, Cost of sales increased to \$273.1 million in 2Q05, up 16.9% QoQ from \$233.7 million in 1Q05, primarily due to the increase in wafer shipments and depreciation expenses.
- Gross profit decreased to \$6.4 million in 2Q05, down 57.7% QoQ from \$15.1 million in 1Q05.
- After giving effect to the reclassification, Gross margins decreased to 2.3% in 2Q05 from 6.1% in 1Q05, primarily due to the increase in depreciation expenses and a lower blended ASP, which was the result of a decline in pricing of DRAM products and general industry softness.

### Operating expense analysis

<i>Amounts in US\$ thousands</i>	<u>2Q05</u>	<u>1Q05</u>	<u>QoQ</u>	<u>2Q04</u>	<u>YoY</u>
Total operating expenses	38,469	37,086	3.7%	26,351	46.0%
Research and development	16,344	14,646	11.6%	11,261	45.1%
General and administrative	5,397	6,591	-18.1%	6,019	-10.3%
Selling and marketing	3,012	2,494	20.8%	1,940	55.3%
Amortization of intangible assets	10,082	9,869	2.2%	3,532	185.5%
Amortization of deferred stock compensation	3,634	3,487	4.2%	3,599	1.0%

- Total operating expenses increased to \$38.5 million in 2Q05, up 3.7% QoQ from \$37.1 million in 1Q05.
- After giving effect to the reclassification, Research and development expenses increased to \$16.3 million in 2Q05, up 11.6% QoQ from \$14.6 million in 1Q05, primarily due to 90nm and 65nm research and development activities.
- General and administrative expenses including foreign exchange decreased to \$5.4 million in 2Q05, down 18.1% QoQ from \$6.6 million in 1Q05, primarily due to a decrease in legal fees.
- Selling and marketing expenses increased to \$3.0 million in 2Q05, up 20.8% QoQ from \$2.5 million in 1Q05, primarily due to an increase in engineering materials associated with sales activities.
- Amortization of intangible assets as a result of the new classification was \$10.1 million in 2Q05, up 2.2% QoQ from \$9.9 million in 1Q05.

### Other income (expenses)

<i>Amounts in US\$ thousands</i>	<u>2Q05</u>	<u>1Q05</u>	<u>QoQ</u>	<u>2Q04</u>	<u>YoY</u>
Other income (expenses)	(8,234)	(8,012)	2.8%	(2,225)	270.1%
Interest income	2,030	1,928	5.3%	2,733	-25.7%
Interest expense	(8,971)	(7,688)	16.7%	(2,760)	225.1%
Other, net	(1,293)	(2,252)	-42.6%	(2,198)	-41.1%



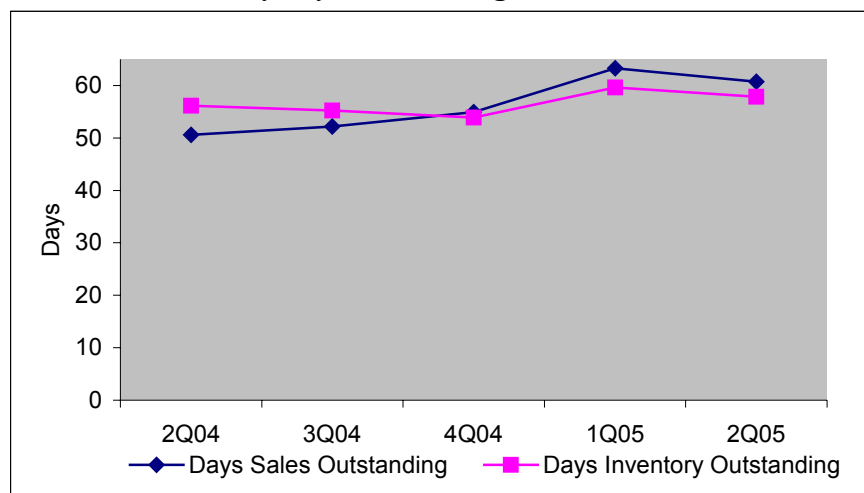
- Other non-operating loss increased to \$8.2 million in 2Q05 from a loss of \$8.0 million in 1Q05, primarily due to an increase in interest expense.
- Interest expense increased to \$9.0 million in 2Q05, up 16.7% QoQ from \$7.7 million in 1Q05, primarily due to the increase in bank borrowings.

### **3. Liquidity**

<i>Amounts in US\$ thousands</i>	<b><u>2Q05</u></b>	<b><u>1Q05</u></b>
Cash and cash equivalents	576,292	438,802
Short term investments	2,768	10,349
Accounts receivable	196,132	180,878
Inventory	176,502	174,525
Others	16,397	8,565
Total current assets	968,091	813,119
Accounts payable	249,595	333,442
Short-term borrowings	224,000	133,499
Current portion of long-term debt	228,625	228,625
Others	96,746	88,872
Total current liabilities	798,966	784,438
Cash Ratio	0.7x	0.6x
Quick Ratio	1.0x	0.8x
Current Ratio	1.2x	1.0x

- Cash and cash equivalents increased to \$576.3 million from \$438.8 million, primarily due to the increase in bank borrowings.

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







## Capital Structure

<i>Amounts in US\$ thousands</i>	<b>2Q05</b>	<b>1Q05</b>
Cash and cash equivalents	576,292	438,802
Short-term investment	2,768	10,349
Current portion of promissory note	19,090	4,833
Promissory note	116,204	129,310
Short-term borrowings	224,000	133,499
Current portion of long-term debt	228,625	228,625
Long-term debt	511,807	411,824
Total debt	964,432	773,948
Net cash	(520,666)	(458,940)
Shareholders' equity	3,053,111	3,086,256
Total debt to equity ratio	31.6%	25.1%

- Total debt increased to \$964.4 million in 2Q05 compared with \$773.9 million in 1Q05, primarily due to the increase in bank borrowings.
- Total debt-to-equity ratio increased to 31.6% in 2Q05 from 25.1% in 1Q05.

## 4. Cashflow & Capex

<i>Amounts in US\$ thousands</i>	<b>2Q05</b>	<b>1Q05</b>
Net loss	(40,445)	(29,995)
Depreciation and amortization	185,978	166,243
Amortization of acquired intangible assets	10,082	9,869
Net change in cash	137,491	(168,371)

## Capex plans

- Capital expenditures for 2Q05 and 1H05 were \$141.3 million and \$484.4 million, respectively.
- Planned capital expenditures for 2005 have been increased to approximately \$1.1 billion and will be adjusted based on market conditions.

## 5. 3Q05 guidance

- Wafer shipments expected to increase by 7.5%-9.5%.
- Utilization expected to increase to the range of 90-93%.
- Blended ASP expected to increase by 8%-10%.
- Gross margins expected to increase to the range of 12%-15%.
- Operating expenses as a percentage of sales expected to be in the mid-teens.
- Amortization of intangible assets expected to be approximately \$11 million.
- Other expenses expected to be approximately \$10 million.
- Capital expenditures expected to be in the range of \$200-240 million.
- Depreciation and amortization expected to be in the range of \$200-210 million.



- Amortization of deferred stock compensation charge expected to be approximately \$7 million, of which \$4 million will be charged to operating expenses and \$3 million to cost of sales.

## **6. Recent announcements**

- SMIC Licenses SAIFUN NROM® Technology to Expand its Semiconductor Business [2005-07-28]
- Change of Chairman [2005-07-28]
- SMIC and SYNOPSYS Announce Reference Design Flow 2.0 [2005-07-20]
- SMIC and Magma Forge Design Service Partnership to Offer Integrated RTL-to-GDSII Design Solution and Services for Nanometer Processes [2005-06-28]
- SMIC Adds New Design Kit for its 0.18µm CMOS Process for Use with Agilent Technologies' EDA Software [2005-06-09]
- SMIC Beijing Secures Financing for Expansion [2005-05-26]
- SMIC ARM926EJ Processor Chip Successfully Validated [2005-05-25]
- Annual General Meeting held on May 6, 2005 Poll Results [2005-05-06]
- SMIC and UTAC to Establish Semiconductor Assembly and Testing Facility in China [2005-05-03]
- SMIC Reports 2005 First Quarter Results [2005-04-29]
- Qualified Accountant Waiver [2005-04-29]
- SMIC Joins ARM Connected Community [2005-04-27]

*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	
	June 30, 2005 (unaudited)	March 31, 2005 (unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	576,292,179	438,801,533
Short term investments	2,768,085	10,349,390
Accounts receivable, net of allowances of \$109,362 and \$342,768 respectively	196,132,014	180,877,544
Inventories	176,502,315	174,525,252
Prepaid expense and other current assets	14,564,660	6,732,846
Assets held for sale	1,831,972	1,831,972
<b>Total current assets</b>	<b>968,091,225</b>	<b>813,118,537</b>
Land use rights, net	38,758,108	38,976,538
Plant and equipment, net	3,309,941,020	3,354,240,115
Acquired intangible assets, net	192,817,289	202,682,671
Long-term investment	9,524,730	2,810,309
<b>TOTAL ASSETS</b>	<b>4,519,132,372</b>	<b>4,411,828,170</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	249,594,589	333,442,304
Accrued expenses and other current liabilities	77,655,608	84,038,636
Short-term borrowings	224,000,435	133,498,761
Current portion of promissory note	19,090,094	4,833,421
Current portion of long-term debt	228,625,170	228,625,170
<b>Total current liabilities</b>	<b>798,965,896</b>	<b>784,438,292</b>
Long-term liabilities:		
Promissory note	116,203,745	129,309,552
Long-term debt	511,806,547	411,824,480
<b>Total long-term liabilities</b>	<b>628,010,292</b>	<b>541,134,032</b>
<b>Total liabilities</b>	<b>1,426,976,188</b>	<b>1,325,572,324</b>
Commitments		
Minority interest	39,044,852	-
Stockholders' equity:		
Ordinary shares, \$0.0004 par value, 50,000,000,000 shares authorized, shares issued and outstanding 18,246,615,105 and 18,233,297,823 respectively	7,298,647	7,293,320
Warrants	32,387	32,387
Additional paid-in capital	3,289,932,622	3,289,197,990
Notes receivable from stockholders	(287,629)	(339,157)
Accumulated other comprehensive income	67,782	245,959
Deferred stock compensation	(37,107,243)	(43,794,707)
Accumulated deficit	(206,825,234)	(166,379,946)
<b>Total stockholders' equity</b>	<b>3,053,111,332</b>	<b>3,086,255,846</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>4,519,132,372</b>	<b>4,411,828,170</b>



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

	For the three months ended	
	June 30, 2005 (unaudited)	March 31, 2005 (unaudited)
Sales	279,500,151	248,808,088
Cost of sales	270,068,286	230,522,130
Cost of sales - Amortization of deferred stock compensation	3,043,259	3,173,661
<b>Gross profit</b>	<b>6,388,606</b>	<b>15,112,297</b>
Operating expenses:		
Research and development	16,343,815	14,645,779
General and administrative	5,396,571	6,591,065
Selling and marketing	3,012,598	2,493,753
Amortization of intangible assets	10,081,688	9,868,813
Amortization of deferred stock compensation*	3,634,441	3,486,827
<b>Total operating expense</b>	<b>38,469,113</b>	<b>37,086,238</b>
<b>Loss from operations</b>	<b>(32,080,507)</b>	<b>(21,973,941)</b>
Other income (expenses):		
Interest income	2,029,899	1,928,135
Interest expense	(8,970,776)	(7,688,304)
Others, net	(1,293,508)	(2,252,173)
<b>Total other income (expenses), net</b>	<b>(8,234,385)</b>	<b>(8,012,342)</b>
<b>Net loss before income taxes</b>	<b>(40,314,892)</b>	<b>(29,986,283)</b>
Income tax	118,449	8,714
Minority interest	(11,947)	-
<b>Net loss</b>	<b>(40,445,288)</b>	<b>(29,994,997)</b>
Deemed dividends on preference shares	-	-
<b>Loss attributable to holders of ordinary shares</b>	<b>(40,445,288)</b>	<b>(29,994,997)</b>
Loss per share, basic	(0.0022)	(0.0017)
Loss per ADS, basic (1)	(0.1113)	(0.0831)
Loss per share, diluted	(0.0022)	(0.0017)
Loss per ADS, diluted (1)	(0.1113)	(0.0831)
Ordinary shares used in calculating basic income per ordinary share (in millions)	18,169	18,054
Ordinary shares used in calculating diluted income per ordinary share (in millions)	18,169	18,054
*Amortization of deferred stock compensation related to:		
Research and development	1,246,376	1,309,708
General and administrative	1,810,959	1,573,391
Selling and marketing	577,106	603,728
<b>Total</b>	<b>3,634,441</b>	<b>3,486,827</b>

(1) 1 ADS equals 50 ordinary shares.



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

	For the three months ended	
	June 30, 2005 (unaudited)	March 31, 2005 (unaudited)
<b>Operating activities:</b>		
Loss attributable to holders of ordinary shares	(40,445,288)	(29,994,997)
Deemed dividends on preference shares	-	-
Net loss	(40,445,288)	(29,994,997)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Minority interest	11,947	-
Gain (loss) on disposal of plant and equipment	23,609	(3,434)
(Reversal of) Bad debt expense	(233,406)	(762,397)
Depreciation and amortization	185,977,726	166,242,887
Amortization of acquired intangible assets	10,081,688	9,868,813
Amortization of deferred stock compensation	6,677,700	6,660,488
Non-cash interest expense on promissory notes	1,150,866	1,173,682
Loss on long-term investment	5,579	69,691
Changes in operating assets and liabilities:		
Accounts receivable	(15,021,064)	(10,926,860)
Inventories	(1,977,063)	(30,507,400)
Prepaid expense and other current assets	(7,684,704)	5,873,806
Accounts payable	(872,935)	8,296,980
Income tax payable	-	(152,000)
Accrued expenses and other current liabilities	(2,661,260)	13,982,097
<b>Net cash provided by operating activities</b>	<b>135,033,395</b>	<b>139,821,356</b>
<b>Investing activities:</b>		
Purchases of plant and equipment	(227,154,585)	(248,495,009)
Purchases of acquired intangible assets	(2,353,756)	(2,400,500)
Purchase of short-term investments	(2,416,480)	-
Proceeds paid for long-term investment	(6,720,000)	(2,880,000)
Sale of short-term investments	10,000,000	9,932,932
Proceeds received for assets held for sale	1,111,677	1,878,435
Proceeds from disposal of plant and equipment	-	1,089
<b>Net cash used in investing activities</b>	<b>(227,533,144)</b>	<b>(241,963,053)</b>
<b>Financing activities:</b>		
Proceeds from short-term borrowings	145,540,347	28,475,559
Proceeds from long-term debt	99,943,394	92,498,781
Repayment of promissory notes	-	(25,000,000)
Repayment of long-term debt	-	(124,474,375)
Repayment of short-term debt	(55,000,000)	(50,000,000)
Proceeds from exercise of employee stock options	777,415	196,032
Collection of notes receivables from employees	51,529	52,218
Proceeds from minority interest shareholders	39,000,025	12,082,400
<b>Net cash provided by financing activities</b>	<b>230,312,710</b>	<b>(66,169,385)</b>
Effect of foreign exchange rate changes	(322,315)	(59,955)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>137,490,646</b>	<b>(168,371,037)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>438,801,533</b>	<b>607,172,570</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>576,292,179</b>	<b>438,801,533</b>