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# NEWS RELEASE

## SMIC Reports 2018 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 Accounting Standards (IFRS).*

Shanghai, China August 9, 2018. Semiconductor Manufacturing International Corporation (NYSE: SMIC) (NYSE: 688995), a leading global semiconductor foundries in the world, today announced its consolidated results of operations for the three months ended June 30, 2018.

### Second Quarter 2018 Highlights

Revenue was \$890.7 million in 2Q18, an increase of 7.2% QoQ from \$831.0 million in 1Q18 and an increase of 18.6% YoY from \$751.2 million in 2Q17. Excluding the recognition of the Licensing Revenue, revenue was \$831.0 million in 2Q18, an increase of 15.8% QoQ from \$723.4 million in 1Q18 and an increase of 11.5% YoY from \$751.2 million in 2Q17.

Gross profit was \$217.8 million in 2Q18, compared to \$220.2 million in 1Q18 and \$194.1 million in 2Q17. Excluding the recognition of the Licensing Revenue, gross profit was \$165.0 million in 2Q18, compared to \$112.6 million in 1Q18 and \$194.1 million in 2Q17.

Gross margin was 24.5% in 2Q18, compared to 26.5% in 1Q18 and 25.8% in 2Q17. Excluding the recognition of the Licensing Revenue, gross margin was 19.7% in 2Q18, compared to 15.6% in 1Q18 and 25.8% in 2Q17.

### Third Quarter 2018 Guidance

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

Revenue to decrease by 4% to 6% QoQ. Excluding the technology licensing revenue recognized in 2Q18, revenue to be flat to up by 2% QoQ.

Gross margin to range from 19% to 21%.

Non-GAAP operating expenses, excluding the effect of employee bonus accrual, government funding, impairment loss of machinery and equipment, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters, to be approximately \$100 million to \$120 million.

in a period of transition and preparation. We are making encouraging progress in advancing our technology, building up our technology platforms, and forging partnerships. At the same time, we are on track to grow high-single digits annual revenue as demand and utilizations recovered in the second quarter. In the second quarter, our revenue from the China region when excluding the technology license revenue grew 14% sequentially and 38% year over year. As the preferred foundry partner in China, we are positioned to benefit from the growth opportunities of the China IC market.

We are pleased to say that we have achieved significant progress on our 14nm FinFET development. The R&D of our first version of FinFET technology is now ready for business engagement. In addition to our 28nm PolySiON and HKC, our HKC+ technology development is now complete. Our 28nm HKC continues to ramp up, as its yield meets industry benchmark. Moreover, we will continue to expand and enhance both our mature and advanced technology platforms to provide comprehensive and competitive services

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## Conference Call / Webcast Announcement

Date: August 10, 2018

Time: 8:30 a.m. Beijing time

Dial-in numbers and pass code:

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

The call will be webcast live with audio at [http://www.smics.com/en/site/company\\_activity](http://www.smics.com/en/site/company_activity) or <https://edge.media-server.com/m6/p/pmqqyy3p>.

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

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

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

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## Safe Harbor Statements

(Under the Private Securities Litigation Reform Act of 1995)

This press release contains, in addition to historical information, "forward-looking statements" within the meaning of the "safe harbor" provisions of the U.S. Private Securities Litigation Reform Act of 1995. These forward-looking statements, including statements under Third Quarter 2018 Guidance (see SMIC's 2018 Third Quarter Report), are based on SMIC's current assumptions, expectations and projections about future events. SMIC's Co-Chief Executive Officers are based on SMIC's current assumptions, expectations and projections about future events. SMIC uses words like "believe," "anticipate," "intend," "estimate," "expect," "project," "target" and similar expressions to identify forward looking statements, although not all forward-looking statements contain these words. These forward-looking statements are necessarily estimates reflecting the best judgment of SMIC's senior management and involve significant risks, both known and unknown, uncertainties and other factors that may cause SMIC's actual performance, financial condition or results of operations to be materially different from those suggested by the forward-looking statements including, among others, risks associated with cyclical and market conditions in the semiconductor industry, intense competition in the semiconductor industry, SMIC's reliance on a small number of customers, 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, financial stability in end markets, orders or judgments from pending litigation, intensive intellectual property litigation in semiconductor industry, general economic conditions and fluctuations in currency exchange rates.

In addition to the information contained in this press release, you should also consider the information contained in our other filings with the SEC, including our annual report on Form 20-F filed with the SEC on April 27, 2018, especially in the "Risk Factors" section and such other documents that we 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 our 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

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

SMIC believes that use of these non-GAAP financial measures facilitates

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

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

## **Summary of Second Quarter 2018 Operating Results**

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

	<b>2Q18</b>	<b>1Q18</b>	<b>QoQ</b>	<b>2Q17</b>	<b>YoY</b>
Revenue	890,713	831,044	7.2%	751,193	18.6%
Cost of sales	(672,880)	(610,868)	10.2%	(557,061)	

Gross profit was totally \$217.8 million in 2Q18, compared to \$220.2 million in 1Q18. Excluding the recognition of the Licensing Revenue, gross profit was \$165.0 million in 2Q18, compared to \$112.6 million in 1Q18.

Gross margin was 24.5% in 2Q18, compared to 26.5% in 1Q18. Excluding the recognition of

## Analysis of Revenue

<b>Revenue Analysis</b>			
<b>By Application</b>	<b>2Q18</b>	<b>1Q18</b>	<b>2Q17</b>
Computer	5.7%	6.8%	6.0%
Communications	40.3%	33.6%	43.7%
Consumer	37.1%	35.6%	37.4%
Auto/Industrial	7.4%	8.5%	8.1%
Others <sup>(3)</sup>	9.5%	15.5%	4.8%
<b>By Service Type</b>	<b>2Q18</b>	<b>1Q18</b>	<b>2Q17</b>
Wafers	90.0%	83.5%	96.8%

## **Capacity\***

Fab	2Q18	1Q18
Shanghai 200mm fab	108,000	109,000
Shanghai 300mm fab	38,250	38,250
Beijing 300mm fab	96,750	103,500
Tianjin 200mm fab	50,000	50,000
Shenzhen 200mm fab	35,000	35,000
Shenzhen 300mm fab	6,750	6,750
Majority-owned Beijing 300mm fab	72,000	65,250
Majority-owned Avezzano 200mm fab	42,325	40,000
Total monthly wafer fabrication capacity	449,075	447,750

Note:

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

Monthly capacity was 449,075 8-inch equivalent wafers in 2Q18 from 447,750 8-inch equivalent wafers in 1Q18, primarily because of a product-mix change in 2Q18.

## **Shipment and Utilization**

fers	2Q18	1Q18	QoQ	2Q17	YoY
Wafer shipments	1,258,336	1,083,630	16.1%	1,014,158	24.1%
Utilization rate <sup>(1)</sup>	94.1%	88.3%	-	85.7%	-

Note:

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

## **Detailed Financial Analysis**

### **Gross Profit Analysis**

Amounts in US\$ thousands	2Q18	1Q18	QoQ	2Q17	YoY
Cost of sales	672,880	610,868	10.2%	557,061	20.8%
Depreciation	211,284	195,171	8.3%	171,814	23.0%
Other manufacturing costs	460,440	414,874	11.0%	384,033	19.9%
Share-based compensation	1,156	823	40.5%	1,214	-4.8%
Gross profit	217,833	220,176	-1.1%	194,132	12.2%
Gross margin	24.5%	26.5%	-	25.8%	-

Cost of sales was \$672.9 million in 2Q18, an increase of 10.2% QoQ from \$610.9 million in 1Q18, mainly due to the increase in wafer shipment and product-mix change in 2Q18.

Depreciation within the cost of sales increased by 8.3% to \$211.3 million in 2Q18, compared to \$195.2 million in 1Q18.

Other manufacturing costs within the cost of sales increased by 11.0% to \$460.4 million in 2Q18, compared to \$414.9 million in 1Q18.

Gross profit was totally \$217.8 million in 2Q18, compared to \$220.2 million in 1Q18. Excluding



### Operating Expenses (Income) Analysis

<i>Amounts in US\$ thousands</i>	2Q18	1Q18	QoQ	2Q17	YoY
Operating expenses	198,697	177,914	11.7%	172,500	15.2%
Research and development, net	147,177	122,995	19.7%	111,158	32.4%
General and administrative	48,801	51,506	-5.3%	54,199	-10.0%
Selling and marketing	8,139	8,513	-4.4%	9,441	-13.8%
Other operating income	(5,420)	(5,100)	6.3%	(2,298)	135.9%

R&D expenses increased by \$24.2 million QoQ to \$147.2 million in 2Q18, compared to \$123.0 million in 1Q18. Excluding the funding of R&D contracts from the government, R&D expenses increased by \$22.1 million QoQ to \$164.1 million in 2Q18. The change was mainly due to higher level of R&D activities in 2Q18. Funding of R&D contracts from the government was \$19.0 million in 2Q18, compared to \$16.9 million in 1Q18.

### Other Income (Expense), Net

<i>Amounts in US\$ thousands</i>	2Q18	1Q18	QoQ	2Q17	YoY
Other income (expense), net	14,955	776	1827.2%	14,540	2.9%
Interest income	12,640	12,855	-1.7%	6,655	89.9%
Finance costs	(10,645)	(13,525)	-21.3%	(9,549)	11.5%
Foreign exchange gains or losses	10,490	(4,221)	-	(7,399)	-
Other gains or losses, net	4,375	2,324	88.3%	27,120	-83.9%
Share of (loss) gain of investment accounted for using equity method	(1,905)	3,343	-	(2,287)	-16.7%

Foreign exchange gains or losses were mainly due to the net impact of cash flow hedging and the depreciation of RMB against USD in 2Q18. Foreign monetary assets mainly consist of cash and cash equivalent and trade and other receivables in RMB. Foreign monetary liabilities mainly consist of borrowings, medium-term notes and trade and other payables in RMB.

The change in other gains or losses, net was mainly due to the higher net gain arising from financial instruments at fair value through profit or loss.

### ***Depreciation and Amortization***

<i>Amounts in US\$ thousands</i>	<b>2Q18</b>	<b>1Q18</b>	<b>QoQ</b>	<b>2Q17</b>	<b>YoY</b>
Depreciation and amortization	267,528	268,516	-0.4%	241,045	11.0%

### ***Liquidity*** Short

<i>Amounts in US\$ thousands</i>	<b>2Q18</b>	<b>1Q18</b>
Cash and cash equivalent	1,414,260	1,008,483
Restricted cash - current	349,974	311,550
Derivative financial instruments	8,931	17,441
Financial assets at fair value through profit or loss - current	60,412	105,693
Financial assets at amortised cost	1,235,633	1,165,930
Trade and other receivables	919,490	783,450
Prepayment and prepaid operating expenses	46,754	56,881
Inventories	697,021	699,820
Assets classified as held-for-sale	18,546	26,704
Total current assets	4,751,021	4,175,952
Current tax liabilities	6,065	16,405
Derivative financial instruments	2,541	11
Accrued liabilities	136,677	137,284
Deferred government funding	188,981	197,598
Medium-term notes - current	225,996	-
Short-term borrowings		

## Capital Structure

Amounts in US\$ thousands	2Q18	1Q18
Cash and cash equivalent	1,414,260	1,008,483
Financial assets at fair value through profit or loss - current <sup>(1)</sup>	60,412	105,693
Financial assets at amortised cost <sup>(2)</sup>	1,235,633	1,165,930
Short-term borrowings	781,134	523,434
Long-term borrowings	1,532,739	1,740,722
Medium-term notes	225,996	237,604
Convertible bonds	410,819	407,074
Corporate bonds	497,609	497,144
Total debt	3,448,297	3,405,978
Net debt <sup>(3)</sup>	737,992	1,125,872
Equity	7,614,756	6,789,028
Total debt to equity ratio <sup>(4)</sup>	45.3%	50.2%
Net debt to equity ratio <sup>(5)</sup>	9.7%	16.6%

Note:

- (1) Financial assets at fair value through profit or loss – current mainly contains financial products sold by bank.  
(2) Financial assets at amortised cost mainly contains bank deposits over 3 months.  
(3) Net debt is total debt minus cash and cash equivalent, financial assets at fair value through profit or loss and financial assets at amortised cost.  
(4) Total debt divided by equity.  
(5) Net debt divided by equity.

## Cash Flow

Amounts in US\$ thousands	2Q18	1Q18
Net cash from operating activities	110,731	94,684
Net cash used in investing activities	(647,929)	(963,712)
Net cash from financing activities	958,474	9,490
Effect of exchange rate changes	(15,499)	29,721
Net change in cash and cash equivalent	405,777	(829,817)

## Capex Summary

Capital expenditures were \$558.7 million in 2Q18, compared to \$322.2 million in 1Q18.

The planned 2018 capital expenditures for foundry operations are approximately \$2.3 billion, of which approximately \$1.3 billion are expected to be spent for the expansion of capacity in our majority-owned Beijing 300mm fab, Tianjin 200mm fab and Shanghai 300mm fab and approximately \$0.4 billion is mainly expected to be used for R&D equipment.

The planned 2018 capital expenditures for non-foundry operations are approximately \$136.7 million, mainly for the construction of employee s living quarters.

## **Recent Highlights and Announcements**

Revision of the Existing Annual Caps for Continuing Connected Transactions in Relation to Framework Agreement (2018-07-25)  
Change of Registered Office in the Cayman Islands (2018-07-25)  
2017 Corporate Social responsibility Report (2018-07-25)  
Centralised Fund Management Agreement and Framework Agreement with Semiconductor Manufacturing South China Corporation (2018-07-13)  
Notification of Board Meeting (2018-07-10)  
Connected Transaction in Relation to the Subscription of the Oriented Debt Financing Instrument (2018-07-06)  
List of Directors and Their Roles and Functions (2018-07-03)  
Resignation of Vice Chairman and Non-executive Director (2018-07-03)  
Poll Results of Extraordinary General Meeting Held on 22 June 2018 (2018-06-22)  
List of Directors and Their Roles and Functions (2018-06-22)  
(1)Poll Results of the Annual General Meeting Held on 22 June 2018 (2)Retirement of Independent Non-executive Directors and (3)Appointment of Independent Non-executive Directors, Chairman of Audit Committee, Member of Compensation Committee, Members of Nomination Committee and Member of Strategic Advisory Committee (2018-06-22)  
6th Anniversary of "SMIC Liver Transplant Program" - Cumulative Donation Exceeding RMB 21 Million and Over 350 Children Saved (2018-06-12)  
Closure of Register of Members (2018-06-01)  
(1)Grant of Share Options and (2) Non-exempt Connected Transactions- Proposed Grant of Restricted Share Units to Directors (2018-05-23)  
Grant of Options (2018-05-23)  
Circulars - Notification Letter and Request Form for Non-registered Shareholders (2018-05-21)  
Notice of Extraordinary General Meeting (2018-05-21)  
Notice of Annual General Meeting (2018-05-21)  
Circulars - Notification Letter for Registered Shareholders (2018-05-21)  
Circulars - (1) Non-exempt Connected Transactions the Datang Subscription and the China IC Fund Subscription and (2) Notice of Extraordinary General Meeting (2018-05-21)  
Form of Proxy for Use at the Extraordinary General Meeting to be Held on 22 June 2018 (2018-05-21)  
Form of Proxy for Use at the Annual General Meeting to be Held on 22 June 2018 (2018-05-21)  
Circulars - (1) Re-election of Directors (2) Proposed General Mandate to Issue and Repurchase Shares and (3) Notice of Annual General Meeting (2018-05-21)  
SMIC Reports Unaudited Results for the Three Months Ended March 31, 2018 (2018-05-09)  
Connected Transaction in Relation to Entering Into Partnership Agreement for the Establishment of IPV Capital Global Technology Fund (2018-05-03)  
Circulars - Notification Letter and Request Form for Non-registered Shareholders (2018-04-27)  
Circulars - Notification Letter for Registered Shareholders (2018-04-27)  
Circulars - Notification Letter and Change Request Form to Registered Holders (2018-04-27)  
Circulars - Letter and Reply Form to New Registered Shareholders - Election of Means of Receipt and Language of Corporate Communication (2018-04-27)  
2017 Annual Report (2018-04-27)  
Non-exempt Connected Transactions the Datang Subscription and the China IC Fund Subscription (2018-04-24)  
Notification of Board Meeting (2018-04-12)

*Please visit SMIC's website at <http://www.smics.com/en/site/news> and [http://www.smics.com/en/site/comapny\\_statutoryDocuments](http://www.smics.com/en/site/comapny_statutoryDocuments) for further details regarding the recent announcements.*

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

	For the three months ended	
	June 30, 2018 (Unaudited)	March 31, 2018 (Unaudited)
Revenue	890,713	831,044
Cost of sales	(672,880)	(610,868)
Gross profit	217,833	220,176
Research and development expenses, net	(147,177)	(122,995)
General and administration expenses	(48,801)	(51,506)
Sales and marketing expenses	(8,139)	(8,513)
Other operating income (expense), net	5,420	5,100
Operating expenses	(198,697)	(177,914)
Profit from operations	19,136	42,262
Other income (expense), net	14,955	776
Profit before tax	34,091	43,038
Income tax expense	(2,426)	(15,958)
<b>Profit for the period</b>	<b>31,665</b>	<b>27,080</b>
<b>Other comprehensive income (loss)</b>		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	(18,510)	18,384
Cash flow hedges	16,831	17,881
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains and losses on defined benefit plans	767	(39)
<b>Total comprehensive income for the period</b>	<b>30,753</b>	<b>63,306</b>
Profit (loss) for the period attributable to:		

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

*Note:*

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

	<b>For the three months ended</b>		
	<b>June 30, 2018</b>	<b>March 31, 2018</b>	<b>June 30, 2017</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Operating expenses	(198,697)	(177,914)	(172,500)
Employee bonus accrued	2,916	4,665	3,428
Government funding	(21,162)	(21,561)	(18,702)
Impairment loss of machinery and equipment	443	-	-
Loss on the disposal of machinery and equipment	890	497	989
Gain from the disposal of living quarters	(1,701)	(1,680)	(384)
<b>Non-GAAP operating expenses</b>	<b>(217,311)</b>	<b>(195,993)</b>	<b>(187,169)</b>

(2) EBITDA is defined as profit for the period excluding the impact of the finance cost, depreciation and amortization, and income tax benefit and expense. EBITDA margin is defined as EBITDA divided by revenue. SMIC uses EBITDA margin as a measure of operating performance; for planning purposes, including the preparation of the

business; to evaluate the board of directors concerning the , Although EBITDA is widely used by investors to items, such as net finance cost, income tax benefit and expense and depreciation and amortization that can vary substantially from company to company depending upon their respective financing structures and accounting policies, the book values of their assets, their capital structures and the methods by which their assets were acquired, EBITDA has limitations as an analytical tool, and reported un .+7 8 8 requirements for capital expenditures or other contractual commitments; it does not reflect changes in, or cash pital needs; it does not reflect finance cost; it does not reflect cash requirements for income taxes; that, although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and these measures do not reflect any 8 2 .( measures differently than SMIC does, limiting their usefulness as comparative measures.

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

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

	<b>For the three months ended</b>		
	<b>June 30, 2018</b> <b>(Unaudited)</b>	<b>March 31, 2018</b> <b>(Unaudited)</b>	<b>June 30, 2017</b> <b>(Unaudited)</b>
Profit for the period	31,665	27,080	33,316
Finance costs	10,645	13,525	9,549
Depreciation and amortization	267,528	268,516	241,045
Income tax expense	2,426	15,958	2,856
EBITDA	<u>312,264</u>	<u>325,079</u>	<u>286,766</u>
Profit margin	<u>3.6%</u>	<u>3.3%</u>	<u>4.4%</u>
EBITDA margin	<u>35.1%</u>	<u>39.1%</u>	<u>38.2%</u>

- (3) The new IFRS 9 standard, effective on January 1, 2018, addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. As the adoption of IFRS 9, the Group recognized the changes in value of available-for-sale instrument &+3 AFS from its reserve to retained earnings in 1Q18.
- (4) The new IFRS 15 standard, effective on January 1, 2018, establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The Group has performed a detailed assessment on the impact of the adoption of IFRS 15 and decided to adopt a modified retrospective approach. The changes of the accounting policies have no , Consolidated Statement of Profit or Loss.

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

	As of	
	June 30, 2018 (Unaudited)	March 31, 2018 (Unaudited)
<b>ASSETS</b>		
<i>Non-current assets</i>		
Property, plant and equipment	6,867,740	6,584,938
Land use right	92,084	92,621
Intangible assets	159,491	208,466
Investments in associates	879,593	786,799
Investments in joint ventures	19,645	27,261
Deferred tax assets	45,612	44,300
Financial assets at fair value through profit or loss	36,788	25,381
Derivative financial instruments	14,611	60,140
Restricted cash	8,528	13,826
Other assets	8,736	10,282
Total non-current assets	<u>8,132,828</u>	<u>7,854,014</u>
<i>Current assets</i>		
Inventories	697,021	699,820
Prepayment and prepaid operating expenses	46,754	56,881
Trade and other receivables	919,490	783,450
Financial assets at fair value through profit or loss	60,412	105,693
Financial assets at amortised cost	1,235,633	1,165,930
Derivative financial instruments	8,931	17,441
Restricted cash	349,974	311,550
Cash and cash equivalent	<u>1,414,260</u>	<u>1,008,483</u>
Assets classified as held-for-sale	4,732,475	4,149,248
Total current assets	<u>4,751,021</u>	<u>4,175,952</u>
<b>TOTAL ASSETS</b>	<b><u>12,883,849</u></b>	<b><u>12,029,966</u></b>
<b>EQUITY AND LIABILITIES</b>		
<i>Capital and reserves</i>		
Ordinary shares, \$0.004 par value, 10,000,000,000 shares authorized, 4,993,774,148 and 4,928,729,013 shares issued and outstanding at June 30, 2018 and March 31, 2018, respectively <sup>(2)</sup>	19,975	19,715
Share premium <sup>(2)</sup>	4,928,537	4,841,281
Reserves	143,017	143,990
Retained earnings	<u>283,869</u>	<u>232,919</u>
Equity attributable to owners of the Company	5,375,398	5,237,905
Perpetual subordinated convertible securities <sup>(3)</sup>	264,073	64,073
Non-controlling interests	<u>1,975,285</u>	<u>1,487,050</u>
Total equity	<u>7,614,756</u>	<u>6,789,028</u>
<i>Non-current liabilities</i>		
Borrowings	1,532,739	1,740,722
Convertible bonds	410,819	407,074
Bonds payable	497,609	497,144
Medium-term notes	-	237,604
Deferred tax liabilities	15,245	15,554
Deferred government funding	268,777	285,665
Derivative financial instruments	2,833	-
Other financial liabilities	12,393	13,041
Other liabilities	<u>126,339</u>	<u>124,249</u>
Total non-current liabilities	<u>2,866,754</u>	<u>3,321,053</u>
<i>Current liabilities</i>		
Trade and other payables	949,440	950,125
Contract liabilities	66,404	52,761
Borrowings	781,134	523,434
Medium-term notes	225,996	-
Deferred government funding	188,981	197,598
Accrued liabilities	136,677	137,284
Derivative financial instruments	2,541	11
Current tax liabilities	6,065	16,405
Other liabilities	<u>45,101</u>	<u>42,267</u>
Total current liabilities	<u>2,402,339</u>	<u>1,919,885</u>
Total liabilities	<u>5,269,093</u>	<u>5,240,938</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>12,883,849</u></b>	<b><u>12,029,966</u></b>



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

*Note:*

- (1) As the adoption of IFRS 9 and IFRS 15, the comparative figure as of March 31, 2018 in the Condensed Consolidated Statement of Financial Position has been revised to conform
- (2) On June 29, 2018, pursuant to the share subscription agreement between the Company, Datang Telecom Technology & Industry Holdings Co., Ltd. ( Datang ) and Datang Holdings (Hongkong) Investment Company Limited ( Datang HK ), the Company allotted and issued 61,526,473 shares of the Company, representing approximately 1.23% of the issued share capital of the Company as enlarged by the issue of the shares, at the price of HK\$10.65 per share. The proceeds of the placing are approximately HK\$655.3 million (approximately US\$83.5 million).
- (3) On June 29, 2018, pursuant to

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

	<u>For the three months ended</u>	
	<u>June 30, 2018</u>	<u>March 31, 2018</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Cash flow from operating activities</b>		
Profit for the period	31,665	27,080
Depreciation and amortization	267,528	268,516
Share of loss (gain) of investment accounted for using equity method	1,905	(3,343)
Increase in working capital and others		

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

*Note:*

- (1) As the adoption of IFRS 9 and IFRS 15, the comparative figure for the three months ended March 31, 2018 in the Condensed Consolidated Statement of Cash Flows presentation.
- (2) In 2Q18, the Group received a capital contribution of US\$524.0 million into the capital of the subsidiary, Semiconductor Manufacturing South China Corporation, from non-controlling interests shareholders.

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

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

Shanghai, August 9, 2018

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

**Executive Directors**

ZHOU Zixue (Chairman)  
ZHAO Haijun (Co-Chief Executive Officer)  
LIANG Mong Song (Co-Chief Executive Officer)  
GAO Yonggang (Chief Financial Officer and Joint Company Secretary)

**Non-executive Directors**

CHEN Shanzhi  
ZHOU Jie  
REN Kai  
LU Jun  
TONG Guohua

**Independent Non-executive Directors**

William Tudor BROWN  
CHIANG Shang-Yi  
CONG Jingsheng Jason  
LAU Lawrence Juen-Yee  
FAN Ren Da Anthony

\* For identification purposes only