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SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

中芯國際集成電路製造有限公司*

(Incorporated in the Cayman Islands with limited liability)

(STOCK CODE: 00981)

SMIC REPORTS UNAUDITED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2023

The consolidated financial information is prepared and presented in accordance with International Financial Reporting Standards ("IFRS"), unless otherwise stated below.

- **Revenue was \$1,560.4 million in 2Q23, compared to \$1,462.3 million in 1Q23, and \$1,903.2 million in 2Q22.**
- **Gross profit was \$316.5 million in 2Q23, compared to \$304.7 million in 1Q23, and \$750.5 million in 2Q22.**
- **Gross margin was 20.3% in 2Q23, compared to 20.8% in 1Q23 and 39.4% in 2Q22.**

Set out below is a copy of the full text of the release by the Company and its subsidiaries (the "Group") on August 10, 2023, in relation to its unaudited results for the three months ended June 30, 2023.

All currency figures stated in this report are in US Dollars unless stated otherwise.

Shanghai, China – August 10, 2023 – Semiconductor Manufacturing International Corporation (SEHK: 00981; SSE STAR MARKET: 688981) ("SMIC", the "Company" or "we"), one of the leading semiconductor foundries in the world, today announced its consolidated results of operations for the three months ended June 30, 2023.

* For identification purposes only

The following statements are forward looking statements based on current expectations and involved risks and uncertainties.

Third Quarter 2023 Guidance

The Company expects (in accordance with IFRS):

- Revenue to increase by 3% to 5% QoQ.
- Gross margin to range from 18% to 20%.

The Management Comments

In the second quarter of 2023, the Company's revenue increased by 6.7% sequentially to \$1.56 billion, and gross margin declined 0.5 percentage points to 20.3%. The capacity demand of 12-inch were relatively full, while the customer demand of 8-inch were weak. The utilization rate for 8-inch was lower than 12-inch, but still better than the industry average.

Third quarter's revenue is expected to grow by 3%-5% sequentially, and gross margin is expected to be in the range of 18%-20%. Shipments are expected to continue to increase in the third quarter, meanwhile, the depreciation will also continue to increase. The Company's revenue in the second half of the year is expected to be better than that in the first half.

We will continue to strengthen our technology R&D and platform development, verify new products quickly, arrange the supporting capacity as soon as possible, and fully prepare for the next round of growth cycle.

Conference Call / Webcast Announcement

Date: Friday, August 11, 2023

Time: 8:30 A.M. - 9:30 A.M.

WEBCAST

The call will be webcast live at:

<https://edge.media-server.com/mmc/p/bpmmcrkk>

CONFERENCE CALL

Please register in advance for the conference call at:

<https://register.vevent.com/register/BI3f07d2f157614c628c463c26f4cea116>

REPLAY

Recording will be available 1 hour after the event and it will be archived for 12 months.

https://www.smics.com/en/site/company_financialSummary

About SMIC

Semiconductor Manufacturing International Corporation (SEHK: 00981; SSE STAR MARKET: 688981) and its subsidiaries is one of the leading foundries in the world and is the front runner in manufacturing capability, manufacturing scale, and comprehensive service in the Chinese Mainland. SMIC Group provides semiconductor foundry and technology services to global customers on 0.35 micron to FinFET process node technologies. Headquartered in Shanghai, China, SMIC Group has an international manufacturing and service base, with three 8-inch wafer fabrication facilities ("fabs") and four 12-inch fabs in Shanghai, Beijing, Tianjin and Shenzhen, and three 12-inch fabs under construction in Shanghai, Beijing and Tianjin. SMIC Group also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan, China, and a representative office in Hong Kong, China.

For more information, please visit www.smics.com.

Forward-Looking Statements

This release contains, in addition to historical information, forward-looking statements. These forward-looking statements are based on SMIC's current assumptions, expectations, beliefs, plans, objectives, and projections about future events or performance. SMIC uses words including but not limited to "believe", "anticipate", "intend", "estimate", "expect", "project", "target", "going forward", "continue", "ought to", "may", "seek", "should", "plan", "could", "vision", "goal", "aim", "aspire", "objective", "schedule", "outlook" and other similar expressions to identify forward looking statements. These forward-looking statements are estimates made by SMIC's senior management based on their best judgment 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 cyclicalities and market conditions in the semiconductor industry, intense competition in the semiconductor industry, 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, shortages in equipment, parts, raw materials, software and their service supports, orders or judgments from pending litigation, intellectual property litigation in the semiconductor industry, general economic conditions, fluctuations in currency exchange rates and the risk of geopolitics.

Summary of Second Quarter 2023 Operating Results

Amounts in US\$ thousands, except for earnings per share and operating data

| | 2Q23 | 1Q23 | QoQ | 2Q22 | YoY |
|--|------|------|-----|------|-----|
|--|------|------|-----|------|-----|

Analysis of Revenue

| Revenue Analysis | | | |
|-----------------------------------|-------------|-------------|-------------|
| By Geography⁽¹⁾ | 2Q23 | 1Q23 | 2Q22 |
| China | 79.6% | 75.5% | 76.7% |
| America | 17.6% | 19.6% | 18.9% |
| Eurasia | 2.8% | 4.9% | 4.4% |
| By Service Type | 2Q23 | 1Q23 | 2Q22 |
| Wafers | 90.5% | 92.1% | 94.1% |
| Others | 9.5% | 7.9% | 5.9% |
| Wafer Revenue Analysis | | | |
| By Application | 2Q23 | 1Q23 | 2Q22 |
| Smart Phone | 26.8% | 23.5% | 25.4% |
| Internet of Things | 11.9% | 16.6% | 18.1% |
| Consumer Electronics | 26.5% | 26.7% | 28.6% |
| Others | 34.8% | 33.2% | 27.9% |
| By Size | 2Q23 | 1Q23 | 2Q22 |
| 8" wafers | 25.3% | 28.1% | 31.7% |
| 12" wafers | 74.7% | 71.9% | 68.3% |

Note:

(1) Presenting the revenue to those companies whose headquarters are in this area, but ultimately selling and shipping the products to their global customers.

Capacity

- Monthly capacity increased to 754,250 8" equivalent wafers in 2Q23 from 732,250 8" equivalent wafers in 1Q23.

Shipment and Utilization

| 3 | 2Q23 | 1Q23 | QoQ | 2Q22 | YoY |
|---------------------------------|-------------|-------------|------------|-------------|------------|
| Wafer shipments | 1,403,121 | 1,251,715 | 12.1% | 1,886,530 | -25.6% |
| Utilization rate ⁽¹⁾ | 78.3% | 68.1% | | 97.1% | |

Note:

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

Capex Summary

- Capital expenditure was \$ 1,731.5 million in 2Q23, compared to \$1,258.6 million in 1Q23.

Detailed Financial Analysis

Gross Profit

| <i>Amounts in US\$ thousands</i> | 2Q23 | 1Q23 | QoQ | 2Q22 | YoY |
|----------------------------------|-------------|-------------|------------|-------------|------------|
| Cost of sales | 1,243,896 | 1,157,619 | 7.5% | 1,152,676 | 7.9% |
| Depreciation and amortisation | 526,817 | 476,454 | 10.6% | 415,142 | 26.9% |
| Other manufacturing costs | 717,079 | 681,165 | 5.3% | 737,534 | -2.8% |
| Gross profit | 316,500 | 304,669 | 3.9% | 750,488 | -57.8% |
| Gross margin | 20.3% | 20.8% | | 39.4% | |

Depreciation and Amortisation

| <i>Amounts in US\$ thousands</i> | 2Q23 | 1Q23 | QoQ | 2Q22 | YoY |
|----------------------------------|-------------|-------------|------------|-------------|------------|
| Depreciation and amortisation | 656,452 | 631,497 | 4.0% | 557,339 | 17.8% |

Operating Expenses/(Income)

| <i>Amounts in US\$ thousands</i> | 2Q23 | 1Q23 | QoQ | 2Q22 | YoY |
|--|-------------|-------------|------------|-------------|------------|
| Operating expenses | 236,702 | 221,386 | 6.9% | 211,045 | 12.2% |
| Research and development expenses | 177,633 | 167,668 | 5.9% | 187,484 | -5.3% |
| General and administrative expenses | 106,436 | 99,877 | 6.6% | 119,130 | -10.7% |
| Selling and marketing expenses | 9,307 | 8,053 | 15.6% | 9,497 | -2.0% |
| Impairment losses on financial assets, net | (414) | 644 | N/A | 313 | N/A |
| Other operating income | (56,260) | (54,856) | 2.6% | (105,379) | -46.6% |

- Research and development expenses increased to \$177.6 million in 2Q23 from \$167.7 million in 1Q23. The change was primarily due to an increase in R&D activities in 2Q23.
- General and administrative expenses increased to \$106.4 million in 2Q23 from \$99.9 million in 1Q23. The change was mainly due to the increased start-up cost associated with the new fabs in 2Q23.

Other Income, Net

| <i>Amounts in US\$ thousands</i> | 2Q23 | 1Q23 | QoQ | 2Q22 | YoY |
|---|-------------|-------------|------------|-------------|------------|
| Other income, net | 415,946 | 192,627 | 115.9% | 96,804 | 329.7% |
| Interest income | 192,612 | 179,347 | 7.4% | 74,688 | 157.9% |
| Finance costs | (48,384) | (44,003) | 10.0% | (26,407) | 83.2% |
| Foreign exchange (loss)/gain | (4,744) | 2,104 | N/A | 7,009 | N/A |
| Other gains, net | 242,597 | 24,612 | 885.7% | 6,691 | 3,525.7% |
| Share of profits and losses of joint venture and associates | 33,865 | 30,567 | 10.8% | 34,823 | -2.8% |

- The change in other gains, net in 2Q23 was primarily caused by the change in the fair value of the investments in securities recognised as financial assets at fair value through profit or loss, and the passive dilution gain caused by the change in equity in an associate.

EBITDA

| <i>Amounts in US\$ thousands</i> | 2Q23 | 1Q23 | 2Q22 |
|----------------------------------|------------------|----------------|------------------|
| Profit for the period | 464,171 | 267,120 | 629,073 |
| Finance costs | 48,384 | 44,003 | 26,407 |
| Depreciation and amortisation | 656,452 | 631,497 | 557,339 |
| Income tax expense | 31,573 | 8,790 | 7,174 |
| EBITDA | 1,200,580 | 951,410 | 1,219,993 |
| Profit margin | 29.7% | 18.3% | 33.1% |
| EBITDA margin | 76.9% | 65.1% | 64.1% |

Liquidity

| <i>Amounts in US\$ thousands</i> | 2Q23 | 1Q23 |
|---|-------------------|-------------------|
| Inventories | 2,345,303 | 2,115,572 |
| Prepayment and prepaid operating expenses | 106,718 | 117,955 |
| Trade and other receivables | 1,044,726 | 1,114,978 |
| Financial assets at fair value through profit or loss | 102,571 | 405,426 |
| Financial assets at amortised cost | 4,491,898 | 4,087,495 |
| Derivative financial instruments | 124,097 | 29,020 |
| Restricted cash | 388,837 | 512,687 |
| Cash and cash equivalents | 7,559,268 | 8,703,465 |
| Assets classified as held-for-sale | 22,030 | 22,030 |
| Total current assets | 16,185,448 | 17,108,628 |
| Trade and other payables | 3,176,360 | 3,106,847 |
| Contract liabilities | 2,007,618 | 2,082,915 |
| Borrowings | 2,327,861 | 1,787,053 |
| Lease liabilities | 38,920 | 45,247 |
| Deferred government funding | 190,075 | 136,831 |
| Accrued liabilities | 281,755 | 255,529 |
| Derivative financial instruments | 105,501 | 54,364 |
| Current tax liabilities | 19,676 | 5,078 |
| Total current liabilities | 8,147,766 | 7,473,864 |
| Cash ratio ⁽¹⁾ | 0.9 | 1.2 |
| Quick ratio ⁽²⁾ | 1.7 | 2.0 |
| Current ratio ⁽³⁾ | 2.0 | 2.3 |

Notes:

(1) Cash and cash equivalent divided by total current liabilities.

(2) Current assets excluding inventories divided by total current liabilities.

(3) Total current assets divided by total current liabilities.

Capital Structure

| <i>Amounts in US\$ thousands</i> | 2Q23 | 1Q23 |
|--|-------------------|-------------------|
| Cash and cash equivalents | 7,559,268 | 8,703,465 |
| Restricted cash | 388,837 | 512,687 |
| Financial assets at fair value through profit or loss - current ⁽¹⁾ | 102,571 | 405,426 |
| Financial assets at amortised cost ⁽²⁾ | 10,287,903 | 9,632,629 |
| Total cash on hand | 18,338,579 | 19,254,207 |
| Borrowings - current | 2,327,861 | 1,787,053 |
| Borrowings - non-current | 6,653,113 | 6,872,271 |
| Lease liabilities | | 94,924 |
| Bonds payable | 598,744 | 598,561 |
| Total debt | 9,661,319 | 9,352,809 |

Recent Highlights and Announcements

- Announcement on Meeting Vesting Conditions in 2nd Vesting Period of Initially Granted Part and 1st Vesting Period of Reserved Granted Part under 2021 STAR Market Restricted Shares Incentive Scheme, Announcement on Canceling Some Restricted Share under 2021 STAR Market Restricted Share Incentive Scheme (2023-7-21)
- List of Directors and their Roles and Functions (2023-7-17)
- Resignation of Chairman of the Board and Executive Director, Appointment of Chairman of the Board and Change of Authorised Representative (2023-7-17)
- Advance Announcement on Performance Meeting in 2nd Quarter of 2023 (2023-7-11)
- Notification of Board Meeting (2023-7-11)
- Policy Governing the Procedures for the Holding of Board Meetings and Policy Governing the Procedures for the Holding of General Meetings (2023-6-28)
- Amended and Restated Memorandum and Articles of Association (2023-6-28)
- Poll Results of the Annual General Meeting held on 28 June 2023 (2023-6-28)
- Closure of Register of Members (2023-6-1)
- Form of Proxy for Use at the Annual General Meeting to be held on 28 June 2023 (2023-6-1)
- Notice of Annual General Meeting (2023-6-1)
- Circular of the Annual General Meeting to be held on 28 June 2023 (2023-6-1)
- Amendments of Memorandum and Articles of Association of the Company (2023-5-11)
- SMIC Reports Unaudited Results for the Three Months Ended March 31, 2023 (2023-5-11)
- List of Directors and their Roles and Functions (2023-5-11)
- Resignation of Non-executive Director and Appointment of Executive Director (2023-5-11)
- 2022 Annual Report (2023-4-20)
- Advance Announcement on Performance Meeting in 1st Quarter of 2023 (2023-4-13)
- Notification of Board Meeting (2023-4-12)
- Connected Transaction RSU Grant (2023-4-2)

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<https://www.smics.com/en/site/news> and
https://www.smics.com/en/site/company_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)

| | For the three months ended | |
|---|-----------------------------------|-----------------------|
| | June 30, 2023 | March 31, 2023 |
| | (Unaudited) | (Unaudited) |
| Revenue | 1,560,396 | 1,462,288 |
| Cost of sales | (1,243,896) | (1,157,619) |
| Gross profit | 316,500 | 304,669 |
| Research and development expenses | (177,633) | (167,668) |
| Selling and marketing expenses | (9,307) | (8,053) |
| General and administration expenses | (106,436) | (99,877) |
| Impairment losses on financial assets, net | 414 | (644) |
| Other operating income | 56,260 | 54,856 |
| Operating expenses | (236,702) | (221,386) |
| Profit from operations | 79,798 | 83,283 |
| Other income, net | 415,946 | 192,627 |
| Profit before tax | 495,744 | 275,910 |
| Income tax expense | (31,573) | (8,790) |
| Profit for the period | 464,171 | 267,120 |
| Other comprehensive income: | | |
| <i>Items that may be reclassified to profit or loss in subsequent periods</i> | | |
| Exchange differences on translating foreign operations | (90,148) | 18,635 |
| Cash flow hedges | (12,037) | (23,159) |
| Total comprehensive income for the period | 361,986 | 262,596 |
| Profit for the period attributable to: | | |
| Owners of the Company | 402,762 | 231,102 |
| Non-controlling interests | 61,409 | 36,018 |
| | 464,171 | 267,120 |
| Total comprehensive income for the period attributable to: | | |
| Owners of the Company | 300,577 | 226,578 |
| Non-controlling interests | 61,409 | 36,018 |
| | 361,986 | 262,596 |

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

| | As of | |
|-------------------------------|---------------|----------------|
| | June 30, 2023 | March 31, 2023 |
| | (Unaudited) | (Unaudited) |
| ASSETS | | |
| <i>Non-current assets</i> | | |
| Property, plant and equipment | 20,593,730 | |

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

| | As of | |
|-------------------------------|----------------------|-----------------------|
| | June 30, 2023 | March 31, 2023 |
| | (Unaudited) | (Unaudited) |
| EQUITY AND LIABILITIES | | |
| <i>Capital and reserves</i> | | |
| Ordinary shares | 31,704 | 31,673 |
| Share premium | 13,989,821 | 13,973,757 |
| Other reserves | 307,265 | 389,605 |
| Retained earnings | | |

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

| | For the three months ended | |
|--|------------------------------|-------------------------------|
| | June 30, 2023 (Unaudited) | March 31, 2023 (Unaudited) |
| Operating activities: | | |
| Profit for the period | 464,171 | 267,120 |
| Depreciation and amortisation | 656,452 | 631,497 |
| Share of profits and losses of joint venture and associates | (33,865) | (30,567) |
| Other gains, net | (242,597) | (24,612) |
| Changes in working capital and others | (47,976) | (41,918) |
| Net cash generated from operating activities | 796,185 | 801,520 |
| Investing activities: | | |
| Payments to acquire financial assets at fair value through profit or loss | (368,751) | (674,719) |
| Proceeds from sale of financial assets at fair value through profit or loss | 385,684 | 633,959 |
| Payments to acquire financial assets at amortised cost | (3,126,449) | (1,013,049) |
| Proceeds from maturity of financial assets at amortised cost | 2,440,088 | 2,349,039 |
| Payments for property, plant and equipment | (1,732,373) | (1,327,401) |
| Proceeds from disposal of property, plant and equipment and assets classified as held-for-sale | 5 | 105 |
| Payments for intangible assets | (60) | (517) |
| Payments for land-use right | - | (275) |
| Capital injection in associates | (60,681) | (49,371) |
| Proceeds from sale of equity interests in joint venture and associates | 78,378 | 22,109 |
| Distributions received from joint venture and associates | 177 | 284 |
| Proceeds from settlement of derivative financial instruments | 35,903 | 82,447 |
| Net cash (used in)/generated from investing activities | (2,348,079) | 22,611 |
| Financing activities: | | |
| Proceeds from borrowings | 922,219 | 1,736,738 |
| Repayments of borrowings | (212,788) | (1,129,819) |
| Principal elements of lease payments | (14,685) | (14,512) |
| Proceeds from issue of shares under stock incentive plans | 6,323 | 2,547 |
| Capital injection from non-controlling interests | - | 331,420 |
| Proceeds from/(payments for) settlement of derivative financial instruments | 2,857 | (5,510) |
| Net cash generated from financing activities | 703,926 | 920,864 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | (296,229) | 25,883 |
| Net (decrease)/increase in cash and cash equivalents | (1,144,197) | 1,770,878 |
| Cash and cash equivalents, beginning of the period | 8,703,465 | 6,932,587 |
| Cash and cash equivalents, end of the period | 7,559,268 | 8,703,465 |

By order of the Board
Semiconductor Manufacturing International Corporation
Company Secretary / Board Secretary
Guo Guangli

Shanghai, August 10, 2023

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

Executive Director

LIU Xunfeng

Non-executive Directors

LU Guoqing

CHEN Shanzhi

YANG Lumin

Independent Non-executive Directors

LAU Lawrence Juen-Yee

FAN Ren Da Anthony

LIU Ming

WU Hanming