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www.smics.com

18 Zhangjiang Road  
Pudong New Area  
Shanghai,  
People's Republic of China

All currency figures stated in this report are in US Dollars.  
The financial statement amounts in this report are determined in accordance with US GAAP.

SMIC reports 2004 first quarter results

Highlights

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Sales increased to \$186.9 million, up 28.9% from 4Q03.  
Operating profit increased to \$26.8 million, up 481.3% from 4Q03.  
Net income increased to \$27.5 million, up 152.4% from 4Q03.  
Wafer shipments increased 13.8% to 174,325 8-inch wafers; blended average selling price increased by 10.8% to \$1008.  
Successful completion of the Company's initial public offering on both the New York Stock Exchange and the Hong Kong Stock Exchange, raising \$1,017 million.

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. 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 March 31, 2004. Sales increased 28.9% in the first quarter of 2004 to \$186.9 million from \$145.0 million in the prior quarter. Operating profit increased 481.3% in the first quarter of 2004 to \$26.8 million from \$4.6 million in the prior quarter. Recurring net income increased 152.4% in the first quarter of 2004 to \$27.5 million from \$10.9 million in the prior quarter. Gross profit margin increased to 32.2% in the first quarter of 2004 from 21.2% in the prior quarter.



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Date: April 26, 2004

Time: 8 p.m. Shanghai time

Dial-in numbers and access codes: U.S. 1-617-801-9715 (Pass code: 32233010) or HK 852-800-963-844 (Pass code: 32233010).

A live webcast of the 1Q 2004 results announcement will be available at [www.smics.com](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 An archived version of the webcast, along with a soft copy of this news release will be available on the SMIC website for a period of 12 months following the webcast.

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SMIC (NYSE: SMI, SEHK: 0981.HK) is one of the leading semiconductor foundries in the world. As a foundry, SMIC provides integrated circuit (IC) manufacturing at 0.35-micron to 0.13-micron technologies. Established in April 2000, SMIC, a Cayman Islands company, operates three 8-inch wafer fabrication facilities in the Zhangjiang High-Tech Park in Shanghai, and an 8-inch wafer fabrication facility in Tianjin, China. In addition, SMIC is currently constructing 12-inch wafer fabrication facilities in Beijing, China. SMIC's Fab 1 was named one of two "Top Fabs of the Year 2003" by Semiconductor International, a leading industry publication in May 2003. In addition to IC manufacturing, SMIC provides customers with a full range of services, including design services, mask manufacturing and wafer probe test. For more information, please visit [www.smics.com](http://www.smics.com).

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(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 cyclical 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, and its registration statement on Form A-1 as filed with the Stock Exchange of Hong Kong (SEHK) on March 8, 2004, 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, (n:)10.1(7)-1cch stri7gn7e3.61436 0 T



Amounts in US\$ thousands, except for EPS

	<u>1Q04</u>	<u>4Q03</u>	<u>QoQ</u>	<u>1Q03</u>	<u>YoY</u>
Sales	186,937	145,047	28.9%	38,442	386.3%
Gross profit	60,156	30,714	95.9%	(25,053)	-
Operating expenses	(33,313)	(26,097)	27.7%	(13,279)	150.9%
Operating profit	26,843	4,617	481.3%	(38,332)	-
Other income	609	6,260	(90.3%)	280	117.5%
Net income <sup>(1)</sup>	27,452	10,877	152.4%	(38,052)	-
Deemed dividend	(18,839)	(2,531)	644.4%	0	-
Net income attributable to holders of ordinary shares	8,613	8,346	3.2%	(38,052)	-
Gross profit margin	32.2%	21.2%		(65.2%)	
Operating margin	14.4%	3.2%		(99.7%)	
Basic EPS – per ordinary share <sup>(2)</sup>	\$0.0033	\$0.0867		(\$0.4434)	
Basic EPS – per ADS <sup>(3)</sup>	\$0.1630	\$4.3334		(\$22.1718)	
Diluted EPS – per ordinary share <sup>(4)</sup>	\$0.0005	\$0.0005		(\$0.4434)	
Diluted EPS – per ADS <sup>(5)</sup>	\$0.0273	\$0.0268		(\$22.1718)	
Wafers shipped (in 8” wafers) <sup>(6)</sup>	174,325	153,125	13.8%	74,596	133.7%
Blended ASP	\$1,008	\$910	10.8%	\$494	104.0%
Logic ASP <sup>(7)</sup>	\$1,081	\$967	11.8%	\$635	70.2%
Capacity utilisation	99%	97%		88%	

Note:

(1) prior to deemed dividend charge of \$18.8 million

(2) Based on 1Q04 net income excluding dividends, basis EPS per ordinary share is \$0.0104. 4Q03, basic EPS per ordinary share is \$0.1130.

(3) Based on 1Q04 net income excluding dividends, basis EPS per ADS is \$0.5197. 4Q03, basic EPS per ADS is \$5.6480.

(4) Based on 1Q04 net income excluding dividends, diluted EPS per ordinary share is \$0.0017. 4Q03, basic EPS per ordinary share is \$0.0007.

(5) Based on 1Q04 net income excluding dividends, diluted EPS per ADS is \$0.0869. 4Q03, basic EPS per ADS is \$0.0349.

(6) including copper interconnects

(7) excluding copper interconnects

Sales increased to \$186.9 million, up 28.9% QoQ from \$145.0 million in 4Q03 and 386.3% YoY from \$38.4 million in 1Q03. The key factors leading to these increases were the following:

- increased capacity to 65,420 8-inch wafers as of the end of 1Q04;
- increased wafer shipments to 174,325, up 13.8% QoQ from 153,125 in 4Q03;
- higher utilization rate of 99%; and
- increased ASP to \$1,008, up 10.8% from \$910 in 4Q03, due to the shift in product mix towards higher priced wafers.

Gross profit increased to \$60.2 million, up 95.9% QoQ from \$30.7 million in 4Q03 and from \$(25.1) million in 1Q03. Gross profit margin increased to 32.2% in 1Q04 from 21.2% in 4Q03.

R&D expenditures increased to \$16.5 million, up 77.1% QoQ from \$9.3 million, due primarily to the non-recurring start-up cost associated with Fab 7 (Tianjin).

G&A expenses decreased to \$10.7 million, down 12.8% from \$12.3 million due primarily to foreign exchange movements.



Computer	25.1%	26.7%	33.3%	49.8%	71.6%
Communications	56.0%	55.8%	48.2%	32.5%	14.5%
Consumer	12.7%	13.5%	11.7%	11.3%	9.7%
Others	6.2%	4.0%	6.8%	6.4%	4.2%
0.13μm	10.1%	10.4%	15.0%	13.5%	4.6%
0.15μm	15.7%	17.5%	10.0%	0.0%	0.0%
0.18μm	44.4%	34.7%	19.7%	10.5%	2.7%
0.25μm	8.3%	10.6%	33.7%	57.4%	82.5%
0.35μm	21.5%	26.8%	21.6%	18.6%	10.2%
0.13μm	0.0%	0.0%	0.0%	0.0%	0.0%
0.15μm	4.4%	1.9%	0.3%	0.1%	0.0%
0.18μm	58.5%	52.9%	40.3%	33.3%	13.7%
0.25μm	5.0%	3.4%	15.1%	7.6%	35.5%
0.35μm	32.1%	41.8%	44.3%	59.0%	50.8%
Logic (including copper interconnect only)	72.4%	71.6%	60.0%	43.3%	23.6%
Memory	21.6%	24.5%	34.0%	53.0%	72.2%
Other (mask making & probing)	6.0%	3.9%	6.0%	3.7%	4.2%
Fabless semiconductor companies	36.6%	30.8%	31.1%	38.2%	48.9%
Integrated device manufacturers (IDM)	54.0%	62.7%	49.2%	29.9%	8.2%
System companies and Others	9.4%	6.5%	19.7%	31.9%	42.9%
North America	41.4%	36.2%	38.8%	39.6%	26.6%
Taiwan	13.3%	9.5%	24.8%	42.1%	67.2%
South Korea	12.2%	17.7%	11.4%	10.4%	0.7%
Japan	16.3%	15.5%	13.3%	4.2%	2.7%
Europe	15.1%	19.7%	9.7%	1.6%	0.1%
Asia Pacific (ex. Japan, S. Korea and Taiwan)	1.7%	1.4%	2.0%	2.1%	2.7%

Note:

(1) excluding 0.13μm copper interconnects

Sales from the communications segment grew faster than other applications in 1Q04 compared to 4Q03.

Percentage of sales from logic wafers, including copper interconnects, increased to 72.4 % of sales in 1Q04, as compared to 71.6% in 4Q03 and 23.6% in 1Q03.

Percentage of sales from 0.18μm and below technologies increased to 70.2% of sales in 1Q04, as compared with 62.6% in 4Q03 and 7.3% in 1Q03.

Fabless companies accounted for 36.6% of sales in 1Q04, as compared to 30.8% in 4Q03.

Percentage of sales generated from North American customers increased to 41.4% in 1Q04, as compared to 36.2% in 4Q03. Sales generated from Taiwanese and Japanese customers increased to 13.3% and 16.3% in 1Q04, as compared to 9.5% and 15.5% in 4Q03, respectively.





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***Gross profit analysis***

*Amounts in US\$ thousands*

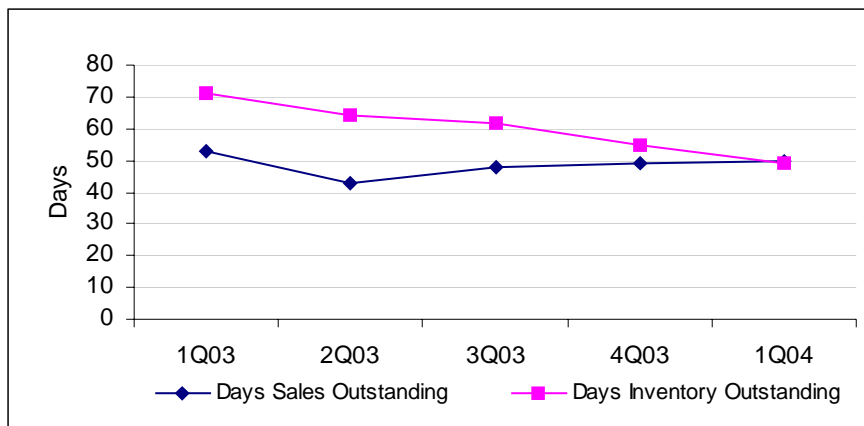
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<i>Amounts in US\$ thousands</i>		
Cash and cash equivalents	1,373,072	445,276
Short term investments	27,306	27,165
Accounts receivable	116,812	90,539
Inventory	85,479	69,924
Others	50,383	47,978
Total current assets	1,653,052	680,882
Accounts payable	390,071	211,762
Current portion of long-term debt	95,992	0
Others	88,951	113,669
Total current liabilities	575,014	325,431
Cash Ratio	2.4x	1.4x
Quick Ratio	2.7x	1.9x
Current Ratio	2.9x	2.1x

Cash and cash equivalents increased to \$1,373.1 million from \$445.3 million, primarily due to the receipt of the net proceeds from the initial public offering. The cash ratio remains healthy at 2.4x.

### ***Receivable/Inventory Days trends***



Inventory turnover continued to improve, with the number of days for inventory outstanding decreasing to 49 days in 1Q04 from 55 days in 4Q03.

### ***Capital Structure***

<i>Amounts in US\$ thousands</i>		
Cash and cash equivalents	1,373,072	445,276
Short-term investment	27,306	27,165
Current portion of long-term debt	95,992	0
Long-term debt	397,898	479,961
Total debt	493,890	479,961
Net cash	906,488	(7,520)
Shareholders' equity	2,894,431	1,485,115
Total debt to equity ratio	17.1%	32.3%

Total debt increased to \$493.9 million in 1Q04 compared with \$480.0 million in 4Q03.

Total debt-to-equity ratio improved to 17.1% in 1Q04 from 32.3% in 4Q03.







**Semiconductor Manufacturing International Corporation**  
**CONSOLIDATED BALANCE SHEETS**

(In US Dollars)

For the three months ended	
Mar. 31, 2004 (unaudited)	Dec. 31, 2003
1,373,072,249	445,276,334
27,306,329	27,164,603
116,812,161	90,538,517
85,479,153	69,923,879
17,792,517	15,387,319
32,589,744	32,591,363
<b>1,653,052,153</b>	<b>680,882,015</b>
34,975,122	41,935,460
2,115,338,834	1,523,564,055
60,973,178	41,120,465
3,004,297	3,004,724
<b>3,867,343,584</b>	<b>2,290,506,719</b>

95,991,558	-
-	15,000,000
390,071,430	211,762,334
-	27,018,043
37,972,810	38,351,407
50,978,423	33,298,915
<b>575,014,221</b>	<b>325,430,699</b>
397,898,517	479,960,575
<b>397,898,517</b>	<b>479,960,575</b>
<b>972,912,738</b>	<b>805,391,274</b>

7,280,694	9,703
-	381,990

Series A convertible preferred stock, \$0.0004 par value, 1,000,000,000 shares authorized and outstanding 219,499,674 in 2002 and nil on March 31, 2004

Series A-1 convertible preferred stock, \$0.0004 par value, 42,373,000 authorized, ending 42,373,000 in 2002 and nil on March 31, 2004

Series A-2 convertible preferred stock, \$0.0004 par value, 50,000,000 authorized, ending 2,350,000 in 2003 and nil on March 31, 2004

Series B convertible preferred share, \$0.0004 par value, 215,285,714 authorized, ending 181,718,858 in 2003 and nil on March 31, 2004

Series C convertible preferred shares, \$0.0004 par value, 122,142,857 authorized, ending 7,142,857 in 2003 and nil on March 31, 2004

124,920	37,839,931	Warrants
3,291,984,495	1,835,907,420	Additional paid-in capital
(93,000,000)	(105,420,031)	Subscription receivable
(34,160,683)	(36,026,073)	Notes receivable from stockholders
254,625	199,827	Accumulated other comprehensive income
(198,677,634)	(207,290,355)	Accumulated deficit
<b>2,894,430,846</b>	<b>1,485,115,445</b>	Total stockholders' equity
<b>3,867,343,584</b>	<b>2,290,506,719</b>	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

**Balance sheet**

**ASSETS**

**Current assets:**

Cash and cash equivalents  
Short-term investments  
Accounts receivable, net of allowances of \$76,435 on March 31, 2004 and \$114,473 on December 31, 2003  
Inventories  
Prepaid expense and other current assets  
Assets held for sales

**Total current assets**

Land use rights, net  
Property, plant and equipment, net  
Acquired intangible assets, net  
Investments held to maturity

**TOTAL ASSETS**

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**Current liabilities:**

Current portion of long-term debt  
Redeemable convertible promissory note  
Accounts payable  
Note payable to stockholder  
Deposits received from stockholders  
Accrued expenses and other current liabilities

**Total current liabilities**

**Long-term liabilities:**

Long-term debt

**Total long-term liabilities**

**Total liabilities**

**Commitments**

**Stockholders' equity:**

Common stock, \$0.0004 par value, 50,000,000,000 shares authorized, shares issued and outstanding 242,595,000 in 2003 and 18,201,735,490 on March 31, 2004

Series A convertible preferred stock, \$0.0004 par value, 1,000,000,000 shares authorized, shares issued and outstanding 954,977,374 in 2003 and nil on March 31, 2004

Series A-1 non-convertible preferred stock, \$0.00001 par value, 1,000,000,000 shares authorized, shares issued and outstanding 2,195 on March 31, 2004

Series A-2 convertible preferred shares, \$0.0004 par value, 42,373,000 authorized, ending 42,373,000 in 2002 and nil on March 31, 2004

Series B convertible preferred shares, \$0.0004 par value, 50,000,000 authorized, ending 2,350,000 in 2003 and nil on March 31, 2004

Series C convertible preferred shares, \$0.0004 par value, 215,285,714 authorized, ending 181,718,858 in 2003 and nil on March 31, 2004

Series D convertible preferred shares, \$0.0004 par value, 122,142,857 authorized, ending 7,142,857 in 2003 and nil on March 31, 2004



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

	<b>For the three months ended</b>	
	<b>Mar. 31, 2004</b>	<b>Dec. 31, 2003</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Sales	186,936,986	145,047,669
Cost of sales	(124,115,756)	(112,547,691)
Cost of sales - Amortization of deferred stock compensation	(2,665,247)	(1,785,845)
Gross profit (loss)	<b>60,155,983</b>	<b>30,714,133</b>
Operating expenses:		
Research and development	(16,539,866)	(9,340,842)
General and administrative expenses	(10,687,939)	(12,251,115)
Selling and marketing expenses	(1,746,901)	(2,269,596)
Amortization of deferred stock compensation *	(4,338,052)	(2,234,743)
Total operating expense	<b>(33,312,758)</b>	<b>(26,096,296)</b>
Income (loss) from operating	<b>26,843,225</b>	<b>4,617,837</b>
Other income (expenses):		
Interest income	1,483,715	2,982,930
Interest expense	(2,743,377)	(925,647)
Other, net	1,868,584	4,203,136
Provision for income taxes		
Net income (loss)	<b>27,452,147</b>	<b>10,878,256</b>
Deemed dividends on preference shares (1)	(18,839,426)	(2,530,728)
Net income(loss) attributable to ordinary shareholders	<b>8,612,721</b>	<b>8,347,528</b>
Net income (loss) per share, basic	0.0033	0.0867
Net income (loss) per ADS, basic (2)	0.1630	4.3340
Net income (loss) per share, diluted	0.0005	0.0005
Net income (loss) per ADS, diluted (2)	0.0273	0.0268
Shares used in calculating basic net income(loss) per share (in millions)	2,641	96
Shares used in calculating diluted net income(loss) per share (in millions)	15,793	15,566
* Amortization of deferred stock compensation related to:		
Research and development	1,315,047	947,181
Selling and marketing expenses	628,341	836,871
General and administrative expenses	2,394,664	450,691
	<b>4,338,052</b>	<b>2,234,743</b>

(1) Deemed dividends, which are non-cash and non-recurring expense items, represent the differences between the sale and conversion prices of warrants to purchase Series D convertible preference shares the Company issued in 1Q04 and their respective fair market values. The warrants expired upon the closing of the initial public offering of the Company.

(2) 1 ADS equals 50 ordinary shares.



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

	<b>For the three months ended</b>		
	<b>Mar. 31, 2004</b>	<b>Dec. 31, 2003</b>	
	<b>(unaudited)</b>	<b>(unaudited)</b>	
<b>Operating activities</b>			
Income (loss) attributable to holders of ordinary shares		8,612,721	8,347,528
	<b>27,452,147</b>	<b>10,878,256</b>	Net income (loss)
			Adjustments to reconcile net income to net cash provided by (used in) operating activities:
	(198,351)	-	Gain on disposal of plant and equipment
	(38,038)	(308,660)	Bad debt expense
	84,263,652	68,897,694	Depreciation and amortization
	-	397,381	Non-cash interest expense
	3,237,098	1,040,958	Amortization of acquired intangible assets
	7,003,300	4,020,588	Amortization of deferred stock compensation
reference shares	-	2,707,201	Stock compensation from Series C convertible preference shares
			Changes in operating assets and liabilities:
	(26,235,606)	(22,881,736)	Accounts receivable
	(15,555,274)	(325,708)	Inventories
assets	(1,218,597)	(2,061,024)	Prepaid expenses and other current assets
	13,125,287	2,841,578	Accounts payable
liabilities	17,367,340	(1,121,709)	Accrued expenses and other liabilities
<b>Operating activities</b>	<b>109,202,958</b>	<b>64,084,819</b>	<b>Net cash provided by (used in) operating activities</b>
<b>Investing activities</b>			
Investment	(225,979,371)	(163,869,785)	Purchase of property, plant and equipment
Investment	-	(705,000)	Purchase of acquired intangible assets
	(2,093,043)	(5,020,216)	Purchase of short-term investments
	427	-	Purchase of long-term investments
	2,017,960	-	Sale of short-term investments
sales	445,071	4,562,934	Proceeds received for assets held for sale
equipment	38,057	-	Proceeds from disposal of plant and equipment
<b>Investing activities</b>	<b>(225,570,899)</b>	<b>(165,032,067)</b>	<b>Net cash used in investing activities</b>
<b>Financing activities</b>			
Proceeds	-	(33,624,510)	Proceeds from short-term borrowing
holder for land use rights	(13,658,773)	-	Repayment of note payable to stockholders
	13,929,500	-	Proceeds from long-term debt
promissory note	(15,000,000)	-	Repayment of redeemable convertible preference shares
shares	1,017,051,336	-	Proceeds from issuance of ordinary shares
convertible preference shares	-	92,690,468	Proceeds from issuance Series C convertible preference shares
convertible preference shares	29,975,000	-	Proceeds from issuance of Series D convertible preference shares
stock options	1,840,682	601,636	Proceeds from exercise of employee stock options
	12,420,031	79,969	Collection of subscription receivables
stockholders	(378,597)	7,582,960	Change in deposit received from stockholders
cost	(1,403,478)	-	Payments for ordinary shares issuance cost
	(600,000)	-	Payment for Series C issuance cost
<b>Financing activities</b>	<b>1,044,175,701</b>	<b>67,330,523</b>	<b>Net cash provided by financing activities</b>
	(11,845)	20,125	Effect of exchange rate changes
<b>Net change in cash and cash equivalents</b>	<b>927,795,915</b>	<b>(33,596,600)</b>	<b>Net decrease in cash and cash equivalents</b>
(10/1/2003)	445,276,334	478,872,934	Cash and cash equivalent - 1/1/2004
4(12/31/2003)	1,373,072,249	445,276,334	Cash and cash equivalent - 3/31/2004