



Semiconductor Manufacturing International Corporation  
Public Company

Zhongguo  
Pudong New Area  
No. 1  
People's Republic of China

NEWS RELEASE

Accruals reported in the December 2004 financial statements are based on the reported December 2004 financial statements. AAP

SMIC reports 2004 fourth quarter results

Highlights

- Sales increased to \$291.8 million in 4Q04, up 6.2% from \$274.9 million in 3Q04.
- Compared to 3Q04, wafer shipments increased 15.2% to 303,796 8-inch wafers.
- Capacity increased to 120,417 8-inch wafer equivalents per month.
- SMIC settles litigation with Taiwan Semiconductor Manufacturing Company Limited

Shanghai, China – March 29, 2005 – Semiconductor Manufacturing International Corporation (NYSE: SMIC) (SMIC) (the “Company”) (one of the leading semiconductor foundries in the world) today announced consolidated results of operations for the quarter ended December 31, 2004. Sales increased 6.2% for the quarter of 2004 over 2003 from \$274.9 million in the prior quarter to \$291.8 million in the quarter ended December 31, 2004. The order of orders decreased for the quarter of 2004 over 2003 from 303,796 8-inch wafer equivalents in the prior quarter to 263,796 8-inch wafer equivalents in the quarter ended December 31, 2004. The capacity of the Company increased for the quarter of 2004 by 15.2% from 104,796 8-inch wafer equivalents in the prior quarter to 120,417 8-inch wafer equivalents in the quarter ended December 31, 2004. The Company also announced that it has settled its litigation with Taiwan Semiconductor Manufacturing Company Limited (TSMC) in December 2004.



**Conference call / Webcast announcement details**

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**About SMIC**

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**Safe harbor statements**

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**Investor Contacts:**

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## 4Q04 Summary:

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

|                              | <u>4Q04</u> | <u>3Q04</u> | <u>QoQ</u> | <u>4Q03</u> | <u>YoY</u> |
|------------------------------|-------------|-------------|------------|-------------|------------|
| e                            | 9 4         | 4 9         |            | 4 04        | ●          |
| Co of e                      |             | ●           | ●          | 4           | ●          |
| ro prof. o                   | 9 ▼         | ●           |            | 0 4         | 9          |
| Oper .nge pen e              | ● ▼         | 9 9         | ▼          | 0 9         |            |
| nc o e o fro oper .on        |             | 4 ▼         |            | 4           |            |
| O er .nc o e e pen e         |             | 9           |            | ●           | 9 ▼ 4      |
| Ne .nc o e o f er            |             |             |            |             |            |
| .nc o e e                    |             | 9 4         |            | ● ▼▼        |            |
| Dee ed d .dend on preference |             |             |            |             |            |
| re                           | ●           | ●           |            |             | ●●●        |
| nc o e r. nc                 |             |             |            |             |            |



- Other non operating income of 4 million in 2014, up from 0 of 2013. In 2014, primarily due to foreign exchange gain of 4 million resulting from non operating currency exchange from financing or net interest income for contract related to foreign currency exchange rate.
- Net foreign exchange gain of 0 million in 2014, compared to foreign exchange loss of 1 million generated in 2013, mainly due to foreign exchange gain of 4 million resulting from non operating currency exchange from financing or net interest income for contract related to foreign currency exchange rate.
- Net income of foreign currency decreased 0 of 2014, down from gain of 9 million in 2013, and from gain of 9 million in 2014.



## 1. Analysis of revenues

| Sales analysis  |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|
| <u>By Application</u>   | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> | <u>4Q03</u> |
| Copper  |             | ●           |             |             | ▼           |
| Conductor   |             | ▼           | ▲           | ●           |             |
| Connector   | ●           | ▼           | ▼           | ▼           | ▲           |
| Other   | ▲9          | ▼           | ▼           | ▼           | ▲●          |
| <u>By Device</u>  | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> | <u>4Q03</u> |
| Logic including copper interconnect                               | ▼●▲         | ▼▼          | ▼●          | ▼▲          | ▼▲          |
| DRAM <sup>(1)</sup>   | ▲           | ▼▲9         | ▼           | ●           | ▲9          |
| Other including product   | ▲           |             | ▼           |             |             |
| <u>By Customer Type</u>   | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> | <u>4Q03</u> |
| Enterprise and consumer   | ●           |             |             |             | ●           |
| Embedded device manufacturer                                      | ▲▼          |             | ▲           | ▲●          | ▼           |
| Enterprise and other  | ▲           | ▲           | ▲9          | ▲▲          | ▼           |
| <u>By Geography</u>   | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> | <u>4Q03</u> |
| North America   | ▲9          | ▲           | ▲▲●         | ▲▲          |             |
| Asia Pacific and Japan  | ▲           |             |             | ▼           |             |
| Europe  |             |             |             |             | ▲9▼         |
| Wafer revenue analysis  |             |             |             |             |             |
| <u>By Technology (logic, DRAM &amp; copper interconnect only)</u> | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> | <u>4Q03</u> |
| ●   |             | ▲9          | ▲9          | ●           | ●▲          |
| ●   | ▲9          |             |             | ▲▲▼         | ▼           |
| ●   |             | ▲           | ▲           | ▲▲▲         | ▼▲▼         |
| ●   | ●           | ▲           |             |             | ●▼          |
| ●   | ▼           |             | ▲9          |             |             |
| <u>By Logic Only<sup>(2)</sup></u>                                | <u>4Q04</u> | <u>3Q04</u> | <u>2Q04</u> | <u>1Q04</u> | <u>4Q03</u> |
| ●   | ▲           |             | ●9          | ●●          | ●●          |
| ●   |             | ▲           | ▲           | ▲▲          | ▲           |
| ●   |             |             | ●           |             | ▲           |
| ●   |             |             |             | ●           | ▲           |
| ●   | ▼▲          |             | ▲           |             | ▲           |

Note:

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

(2) Excluding 0.13 μm copper interconnects

- Percentage of revenue from logic including copper interconnect decreased 0.4% of revenue in 4Q04 compared to 0.4% in 3Q04.
- Percentage of revenue generated from Asia Pacific and Japan increased 0.4% in 4Q04 compared to 0.4% in 3Q04.
- Percentage of revenue from Europe decreased 0.4% of revenue in 4Q04 compared to 0.4% in 3Q04.



**Capacity:**

| Fab / (Wafer Size)       | 4Q04 <sup>(1)</sup> | 3Q04 <sup>(1)</sup> |
|--------------------------|---------------------|---------------------|
| 8" wafer fab capacity    | 4                   | 4                   |
| 12" wafer fab capacity   | 4                   | 4                   |
| 16" wafer fab capacity   | 4                   | 4                   |
| 200mm wafer fab capacity | 4                   | 4                   |
| 300mm wafer fab capacity | 4                   | 4                   |
| Copper Interconnects:    |                     |                     |
| 8" wafer fab capacity    | 4                   | 4                   |
| 12" wafer fab capacity   | 4                   | 4                   |
| 16" wafer fab capacity   | 4                   | 4                   |
| 200mm wafer fab capacity | 4                   | 4                   |
| 300mm wafer fab capacity | 4                   | 4                   |

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

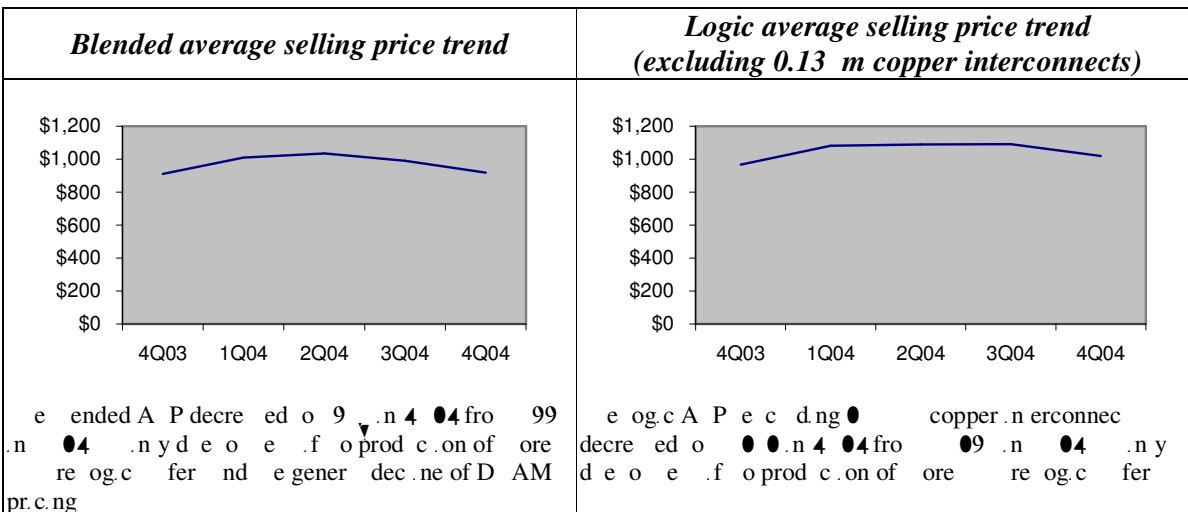
- At the end of 4Q04, capacity increased to 4.4 million wafers per month.

**Shipment and utilization:**

| 8" wafers                           | 4Q04 | 3Q04 | 2Q04 | 1Q04 | 4Q03 |
|-------------------------------------|------|------|------|------|------|
| Shipment                            | 0.9  | 0.4  | 0.4  | 0.4  | 0.4  |
| Capacity utilization <sup>(1)</sup> | 99   | 99   | 99   | 99   | 99   |

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

- Shipment increased to 0.9 million wafers per month in 4Q04 from 0.4 million wafers per month in 3Q04 and 0.4 million wafers per month in 2Q04.
- Capacity utilization decreased to 99% in 4Q04.





## 2. Detailed financial analysis

### Gross profit analysis

| Amounts in \$ thousands   | 4Q04 | 3Q04 | QoQ | 4Q03 | YoY |
|---------------------------|------|------|-----|------|-----|
| Cost of sales             | 0    | 0    | 0   | 4    | 0   |
| Depreciation              | 0    | 0    | 0   | 9    | 0   |
| Other non-financing costs | 0    | 94   | 0   | 0    | 0   |
| Gross profit              | 9    | 0    | 0   | 0    | 9   |
| Gross margin              | 0    | 4    | 0   | 0    | 0   |

- Cost of sales increased to \$0 million in 4Q04 from \$0 million in 3Q04 primarily due to the increase in ferrous pig iron and increased depreciation expense in inventory charge rate of deceleration in steel price.
- Gross profit decreased to \$9 million in 4Q04 down from \$0 million in 3Q04 and \$9 million from \$0 million in 4Q03.
- Gross margin decreased to 0% in 4Q04 from 4% in 3Q04 primarily due to the increase in depreciation and other non-financing costs of the general decline in D-AM pricing and increase in unit production.

### Operating expense analysis

| Amounts in \$ thousands                    | 4Q04 | 3Q04 | QoQ | 4Q03 | YoY |
|--|------|------|-----|------|-----|
| Cost of operations                         | 0    | 99   | 0   | 09   | 0   |
| Research and development                   | 40   | 0    | 0   | 94   | 94  |
| General and administrative                 | 44   | 99   | 49  | 9    | 0   |
| Logistics expense                          | 0    | 0    | 0   | 0    | 0   |
| Amortization of deferred acquisition costs | 9    | 4    | 0   | 0    | 0   |

- Cost of operations increased to \$0 million in 4Q04 primarily due to the increase in depreciation and YoY from \$99 million in 3Q04.
- Research and development expense increased to \$40 million in 4Q04 primarily due to the increase in research and development cost for non-recruting R&D projects. Being R&D project, increase in depreciation expense.
- General and administrative expense increased to \$44 million in 4Q04 from \$99 million in 3Q04 primarily due to the increase in general and administrative expense of \$49 million from \$0 million in 3Q04 primarily due to the increase in cost of research and development of the core product or core technology.
- Logistics expense increased to \$0 million in 4Q04 primarily due to the increase in cost of logistics from \$9 million in 3Q04.

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- Other non operating income of 4 million in 4Q04 decreased primarily due to foreign exchange gain of 1 million on revaluation of non operating assets resulting from financial revaluation in connection with the revaluation of the consolidated other non operating income

### 3. Liquidity

| Amounts in \$ thousands             | 4Q04 | 3Q04 |
|-------------------------------------|------|------|
| Change in cash and cash equivalents | 0    | 9    |
| Operating activities                | 0    | 9    |
| Accounts receivable                 | 9    |      |
| Inventory                           | 44   | 4    |
| Other                               | 4    |      |
| Operating activities                | 9    | 9    |
| Accounts payable                    | 4    | 4    |
| Change in portion of long term debt | 9    | 9    |
| Other                               | 4    | 4    |
| Operating activities                | 0    | 9    |
| Change in cash                      | 0    | 0    |
| Change in cash                      |      | 4    |

- Change in cash and cash equivalents decreased to 0 million from 9 million primarily due to operating activities

### Receivable/Inventory days outstanding trends







### Capital Structure

| Amounts in \$ thousands           | 4Q04 | 3Q04 |
|-----------------------------------|------|------|
| Current liabilities               | 0    | 9    |
| Other liabilities                 | 0    | 9    |
| Other borrowings                  | 9    | 0    |
| Current portion of long term debt | 9    | 9    |
| Long term debt                    | 44   | 44   |
| Other debt                        | 4    | 4    |
| Net                               | 99   | 4    |
| Other equity                      | 0    | 9    |
| Other equity                      | 4    | 4    |

- Other liabilities increased 0.4 million from 0.4 million prior year due to additional other borrowings
- Other debt increased 0.4 million from 0.4 million

### 4. Cashflow & Capex

| Amounts in \$ thousands              | 4Q04 | 3Q04 |
|--------------------------------------|------|------|
| Income from operations               | 9    | 4    |
| Depreciation and amortization        | 4    | 0    |
| Provision for doubtful accounts      | 4    | 0    |
| Amortization of capitalized interest | 4    | 0    |
| Net change                           | 4    | 4    |

### Capex plans

- Capex spend for 0.4 million
- Planned capex spend for 0.2 million primarily on new and expanded operations

### 5. 1Q05 guidance

- Operating expenses expected to decrease year over year
- Amortization expected to be approximately 0.2 million
- Bad debt expense expected to decrease year over year
- Provision for doubtful accounts expected to be 0.2 million
- Operating expense as a percentage of revenue expected to be 4.0%
- Capex spend of approximately 0.2 million
- Depreciation and amortization of approximately 0.2 million
- Deferred stock compensation charge of approximately 0.2 million of which approximately 0.4 million is expected to be recognized over the period ending 12/31/05

### 6. Recent announcements

- MCA completed L9000 by Management Certification 0.2
- MCA and Core\*Core signed Cooperation Agreement 0.2
- MCA received EM CONCA 0.2
- MCA completed One Stop Offering for Bidding process 0.2



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- MC report or r r e e e e 00 0
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*Please visit SMIC's website <http://www.smics.com> for further details regarding the above announcements.*

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**Semiconductor Manufacturing International Corporation**  
**CONSOLIDATED BALANCE SHEET**  
(In US dollars)

|   | As of the end of               |                                   |
|---|--------------------------------|-----------------------------------|
|   | December 31, 2004<br>(audited) | September 30, 2004<br>(unaudited) |
| <b>ASSETS</b>   |                                |                                   |
| Current assets:   |                                |                                   |
| Cash and cash equivalents   | 607,172,570                    | 950,164,909                       |
| Accounts receivable, net of allowances of \$1,105,165 and \$1,211,681 | 20,364,000                     | 20,823,320                        |
| Prepaid expenses and other current assets                             | 1,947,700                      | 12,842,994                        |
| Assets held for sale  | 34,875,320                     | 1,831,972                         |
| <b>Total current assets</b>   | <b>664,357,790</b>             | <b>985,663,295</b>                |
| Land use rights, net  | 34,830,167                     | 38,187,774                        |
| Plant and equipment   | 1,705,221,305                  | 1,609,340,793                     |
| Accumulated depreciation  | (162,127,180)                  | (170,210,199)                     |
| <b>Total non-current assets</b>                                       | <b>1,577,924,192</b>           | <b>1,477,328,368</b>              |
| <b>Total assets</b>   | <b>2,242,281,982</b>           | <b>2,462,991,663</b>              |
| Current liabilities:  |                                |                                   |
| Accounts payable  | 191,986,372                    | 191,983,707                       |
| Current portion of long-term debt                                     | 152,000                        | -                                 |
| Income tax payable  | 730,320,536                    | 604,084,156                       |
| <b>Total current liabilities</b>                                      | <b>1,074,306,908</b>           | <b>1,196,067,863</b>              |
| <b>Total liabilities</b>  | <b>1,074,306,908</b>           | <b>1,196,067,863</b>              |
| <b>Total equity</b>   | <b>1,167,975,074</b>           | <b>1,266,923,800</b>              |



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

For the three months ended

|   |   | December 31, 2004   | September 30, 2004  |
|---|---|---------------------|---------------------|
|   |   | (unaudited)         | (unaudited)         |
| 225                                       | Sales   | 291,841,924         | 274,897,567         |
| 928                                       | Cost of sales   | 229,573,732         | 199,163,633         |
| 528                                       | Cost of sales - Amortization of deferred stock compensation | 3,151,575           | 3,223,562           |
| 9,769                                     | <b>Gross Profit</b>   | <b>59,116,617</b>   | <b>72,510,372</b>   |
| <b>Operating expenses</b>                 |   |                     |                     |
| 20,688,265                                | Research and development                                    | 27,406,568          | 27,406,568          |
| 3,831,441                                 | General and administrative                                  | 25,476,267          | 25,476,267          |
| 1,899,002                                 | Selling and marketing                                       | 2,543,654           | 2,543,654           |
| -   | Litigation settlement                                       | 23,153,105          | 23,153,105          |
| 2,442,449                                 | Amortization of deferred stock compensation                 | 3,075,196           | 3,075,196           |
| 29,861,157                                | <b>Total operating expense</b>                              | <b>82,504,780</b>   | <b>82,504,780</b>   |
| 1,165                                     | <b>Income from operations</b>                               | <b>(23,388,163)</b> | <b>(10,000,000)</b> |
| <b>Other income (expenses)</b>            |   |                     |                     |
| 63,727                                    | Interest income   | 3,107,173           | 3,107,173           |
| 80,725                                    | Interest expense  | (3,614,187)         | (3,614,187)         |
| 75,193                                    | Others, net   | (2,687,195)         | (2,687,195)         |
| 8,200                                     | <b>Total other income (expenses), net</b>                   | <b>(3,194,209)</b>  | <b>(3,194,209)</b>  |
| 1,173                                     | <b>Net income (loss) before income tax</b>                  | <b>(26,582,372)</b> | <b>(13,194,209)</b> |
| 1,173                                     | Income tax  | 1,173               | 1,173               |
| 1,173                                     | <b>Net income (loss)</b>                                    | <b>(25,409,200)</b> | <b>(12,021,036)</b> |
| <b>Operating income (loss) by segment</b> |   |                     |                     |
| 1,173                                     | General and administrative                                  | 1,173               | 1,173               |
| 1,175,503                                 | Research and development                                    | 1,346,112           | 1,346,112           |
| 2,289,305                                 | General and administrative                                  | 1,667,791           | 1,667,791           |
| 460,378                                   | Selling and marketing                                       | 539,681             | 539,681             |
| 1,173                                     | Amortization of deferred stock compensation                 | 3,075,196           | 3,075,196           |
| 1,173                                     | Litigation settlement                                       | 23,153,105          | 23,153,105          |
| 1,173                                     | Interest income   | 3,107,173           | 3,107,173           |
| 1,173                                     | Interest expense  | (3,614,187)         | (3,614,187)         |
| 1,173                                     | Others, net   | (2,687,195)         | (2,687,195)         |
| 1,173                                     | <b>Total operating income (loss)</b>                        | <b>(26,582,372)</b> | <b>(13,194,209)</b> |
| 1,173                                     | Income tax  | 1,173               | 1,173               |
| 1,173                                     | <b>Net income (loss)</b>                                    | <b>(25,409,200)</b> | <b>(12,021,036)</b> |



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

|  | For the three months ended       |                                   |
|--|----------------------------------|-----------------------------------|
|  | December 31, 2004<br>(unaudited) | September 30, 2004<br>(unaudited) |
| <b>Operating activities:</b>   |                                  |                                   |
| Income (loss) attributable to holders of ordinary shares                                       | (11,216,007)                     | 39,343,294                        |
| Deemed dividends on preference shares  | -                                | -                                 |
| Net income   | (11,216,007)                     | 39,343,294                        |
| Adjustments to reconcile net income to net cash provided<br>by (used in) operating activities: |                                  |                                   |
| 231 Gain (loss) on disposal of plant and equipment   | (69,916)                         | (486)                             |
| 855 Bad debt expense   | 683,484                          | 64                                |
| 39,970 Depreciation and amortization   | 148,271,100                      | 127,225,000                       |
| Amortization of intangible assets  | -                                | 4,091,723                         |
| Amortization of deferred stock compensation  | -                                | 7,076,366                         |
| Changes in operating assets and liabilities:   |                                  |                                   |
| (55,592,431) Accounts receivable   |                                  | 17,363,354                        |
| (21,194,466) Inventories   |                                  | (9,260,846)                       |
| 115,508 Prepaid expense and other current assets   |                                  | (5,852,079)                       |
| 8,805,298 Accounts payable   |                                  | 5,603,223                         |
| Other operating assets and liabilities   |                                  | (1,120,000)                       |
| Net cash provided by operating activities  | 130,299,402                      | 174,207,329                       |
| Investing activities:  |                                  |                                   |
| Capital expenditures   | (1,000,000)                      | (1,000,000)                       |
| Acquisition of intangible assets   | (1,000,000)                      | (1,000,000)                       |
| Net cash used in investing activities  | (2,000,000)                      | (2,000,000)                       |
| Financing activities:  |                                  |                                   |
| Proceeds from the issuance of ordinary shares  | -                                | -                                 |
| Proceeds from the issuance of preference shares  | -                                | -                                 |
| Net cash provided by financing activities  | -                                | -                                 |
| Net change in cash and cash equivalents  | 128,299,402                      | 172,207,329                       |
| Cash and cash equivalents at the beginning of the period                                       | 100,000,000                      | 100,000,000                       |
| Cash and cash equivalents at the end of the period   | 228,299,402                      | 272,207,329                       |