

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION

*

**(Incorporated in the Cayman Islands with limited liability)
(STOCK CODE: 00981)**

SMIC REPORTS UNAUDITED RESULTS FOR THE THREE MONTHS ENDED JUNE 30, 2021

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

- **Revenue was \$1,344.1 million in 2Q21, an increase of 21.8% QoQ from \$1,103.6 million in 1Q21, and 43.2% YoY from \$938.5 million in 2Q20.**
- **Gross profit was \$405.0 million in 2Q21, an increase of 61.9% QoQ from \$250.1 million in 1Q21, and 62.9% YoY from \$248.6 million in 2Q20.**
- **Gross margin was 30.1% in 2Q21, compared to 22.7% in 1Q21 and 26.5% in 2Q20.**

Set out below is a copy of the full text of the release by the Company and its subsidiaries (the Group) on August 5, 2021, in relation to its unaudited results for the three months ended June 30, 2021.

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

Shanghai, China August 5, 2021 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, 2021.

* For identification purposes only

Third Quarter 2021 Guidance

The following statements are forward looking statements based on current expectations and involved risks and uncertainties. The Company expects (in according with IFRS):

- Revenue to increase by 2% to 4% QoQ.
- Gross margin to range from 32% to 34%.

Dr. Gao Yonggang, Chief Financial Officer of SMIC commented:

\$ \$ \$ \$ \$ ter than expected in the second quarter. Revenue in the second quarter was \$1,344 million, an increase of 21.8% quarter over quarter and an increase of 43.2% year over year. Gross margin was 30.1%, up 7.4 percentage points quarter over quarter, and up 3.6 percentage points year over year.

Revenue in the third quarter is expected to grow 2% to 4% sequentially, and gross margin is expected to range from 32% to 34%. Based on the first-half results and the second-half outlook, and under the uncertain assumption of a relatively stable external environment, we now raise our annual revenue growth target and gross margin target to be around 30% respectively. The adverse impact of advanced technology to the company's overall gross margin is expected to decrease to around 5 percentage points, due to depreciation and amortization allocated to more output.

The company still faces impact brought by the Entity List, and there are still uncertainties with our expectations in indicators. We will do our best to solve the problems, to ensure operation continuity and improve performance, for a better return to our shareholders.

Dr. Haijun Zhao and Dr. Liang Mong Song, Co-CEOs of SMIC commented:

Since being placed on the Entity List last year, SMIC has been proceeding forward through difficult circumstances, and the entire company has been working hard. In terms of operation continuity, we are actively working with our suppliers to ensure that our commitments to customers are met, and the risks of uncertainty of mature technology is further reduced. In terms of capacity expansion, its progress is rolling out as planned. However, uncontrollable factors such as license approvals, supply chain tightness, and logistics impacted by the epidemic have also inevitably affected the equipment arrival times. The company will make every effort to optimize the internal procurement process and speed up the efficiency of capacity installation, in order to shorten the procurement cycle as much as possible and reach production as soon as possible.

We understand that people have high expectations for SMIC, but there is no shortcut or leaping forward in the semiconductor manufacturing industry. We will take one step at a time, grasp our own advantages in specific market segments, improve our core competitiveness and enhance customer satisfaction.

Conference Call / Webcast Announcement

Date: Friday, August 6, 2021

Time: 8:30 A.M. (China Standard Time)

WEBCAST

The call will be webcast live at:

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

or <https://edge.media-server.com/mmc/p/s68yswyb>

CONFERENCE CALL

Please register in advance for the conference call at:

<http://apac.directeventreg.com/registration/event/3785105>

REPLAY

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

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

In addition to the information contained in this release, you should also consider the information contained in our other filings with The Stock Exchange of Hong Kong Limited (SEHK) and Shanghai Stock Exchange (SSE) from time to time. 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 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 release. Except as required by applicable laws, SMIC undertakes no obligation and does not intend to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the possible or actual occurrence of unanticipated events after the date on which such statement is made, whether as a result of new information, future events or otherwise.

About Non-International Financial Reporting Standards (non-IFRS) Financial Measures

\$ \$ \$ \$ al results presented in accordance with IFRS, SMIC uses the presentation of non-IFRS financial measures, including EBITDA, EBITDA margin and non-IFRS operating expenses in this release. The presentation of non-IFRS 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. These non-IFRS 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-IFRS financial measures may be different from similarly-titled non-IFRS financial measures used by other companies.

SMIC believes that use of these non-IFRS 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-IFRS financial measure to its most directly comparable IFRS financial measure.

Summary of Second Quarter 2021 Operating Results

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

	2Q21	1Q21	QoQ	2Q20	YoY
Revenue	1,344,102	1,103,649	21.8%	938,463	43.2%
Cost of sales	(939,090)	(853,535)	10.0%	(689,874)	36.1%
Gross profit	405,012	250,114	61.9%	248,589	62.9%
Operating income (expenses)	132,751	(125,473)	N/A	(183,923)	N/A
Profit from operations	537,763	124,641	331.4%	64,666	731.6%
Other income, net	142,666	16,859	746.2%	76,999	85.3%
Profit before tax	680,429	141,500	380.9%	141,665	380.3%
Income tax credit (expense)	27,673	(25,573)	N/A	(16,029)	N/A
Profit for the period	708,102	115,927	510.8%	125,636	463.6%
Other comprehensive income:					
Exchange differences on translating foreign operations	19,624	(4,272)	N/A	(4,941)	N/A
Cash flow hedges	(5,216)	8,541	N/A	(14,577)	N/A
Total comprehensive income for the period	722,510	120,196	501.1%	106,118	580.9%
Profit (loss) for the period attributable to:					
Owners of the Company	687,803	158,876	332.9%	137,969	398.5%
Non-controlling interests	20,299	(42,949)	N/A	(12,333)	N/A
Profit for the period	708,102	115,927	510.8%	125,636	463.6%
Gross margin	30.1%	22.7%		26.5%	
Earnings per ordinary share ⁽¹⁾					
Basic	\$0.09	\$0.02		\$0.03	
Diluted	\$0.09	\$0.02		\$0.02	
\$ \$ \$ \$ \$	1,745,194	1,558,893	12.0%	1,435,591	21.6%
Capacity utilization ⁽²⁾	100.4%	98.7%		98.6%	

Note:

(1) Based on weighted average ordinary shares of 7,900 million (basic) and 7,924 million (diluted) in 2Q21, 7,884 million (basic) and 7,924 million (diluted) in 1Q21, and 5,337 million (basic) and 6,006 million (diluted) in 2Q20.

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

- Revenue was \$1,344.1 million in 2Q21, an increase of 21.8% QoQ from \$1,103.6 million in 1Q21. Revenue increased mainly due to the increase in wafer shipment and average selling price in 2Q21.
- Cost of sales was \$939.1

Analysis of Revenue

Revenue Analysis			
By Geography	2Q21	1Q21	2Q20
North America ⁽¹⁾	23.3%	27.7%	21.6%
Chinese Mainland and Hong Kong, China	62.9%	55.6%	66.1%
Eurasia ⁽²⁾	13.8%	16.7%	12.3%
By Service Type	2Q21	1Q21	2Q20
Wafers	91.7%	91.2%	90.9%
Others	8.3%	8.8%	9.1%
Wafer Revenue Analysis			
By Application	2Q21	1Q21	2Q20
Smart Phone	31.6%	35.2%	46.7%
Smart Home	12.4%	13.9%	16.4%
Consumer Electronics	25.1%	20.4%	17.2%
Others	30.9%	30.5%	19.7%
By Technology	2Q21	1Q21	2Q20
FinFET/28 nm	14.5%	6.9%	9.1%
40/45 nm	14.9%	16.3%	15.4%
55/65 nm	29.9%	32.8%	30.0%
90 nm	3.2%	4.1%	2.8%
0.11/0.13 μ m	5.9%	6.0%	5.4%
0.15/0.18 μ m	28.4%	30.3%	33.0%
0.25/0.35 μ m	3.2%	3.6%	4.3%

Note:

- (1) Presenting the revenue to those companies whose headquarters are in the United States, but ultimately selling and shipping the products to their global customers.
- (2) Excluding Chinese Mainland and Hong Kong, China.

Capacity

- Monthly capacity increased to 561,500 8-inch equivalent wafers in 2Q21 from 540,750 8-inch equivalent wafers in 1Q21, primarily due to the capacity expansion in 200mm fabs in 2Q21.

Shipment and Utilization

	2Q21	1Q21	QoQ	2Q20	YoY
Wafer shipments	1,745,194	1,558,893	12.0%	1,435,591	21.6%
Utilization rate ⁽¹⁾	100.4%	98.7%		98.6%	

Note:

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

Detailed Financial Analysis

Gross Profit

Amounts in US\$ thousands	2Q21	1Q21	QoQ	2Q20	YoY
Cost of sales	939,090	853,535	10.0%	689,874	36.1%
Depreciation and amortization	346,050	279,883	23.6%	210,976	64.0%
Other manufacturing costs	593,040	573,652	3.4%	478,898	23.8%
Gross profit	405,012	250,114	61.9%	248,589	62.9%
Gross margin	30.1%	22.7%		26.5%	

- Cost of sales was \$939.1 million in 2Q21, compared to \$853.5 million in 1Q21. Cost of sales increased mainly due to the increase in wafer shipment in 2Q21.

Depreciation and Amortization

Amounts in US\$ thousands	2Q21	1Q21	QoQ	2Q20	YoY
Depreciation and amortization	461,617	419,669	10.0%	305,734	51.0%

Operating (Income) Expenses

Amounts in US\$ thousands	2Q21	1Q21	QoQ	2Q20	YoY
Operating (income) expenses	(132,751)	125,473	N/A	183,923	N/A
Research and development expenses	143,052	156,273	-8.5%	157,999	-9.5%
General and administrative expenses	51,132	48,803	4.8%	59,381	-13.9%
Selling and marketing expenses	6,537	5,495	19.0%	5,072	28.9%
Net impairment losses recognized on financial assets	3	203	-98.5%	1,924	-99.8%
Other operating income, net	(333,475)	(85,301)	290.9%	(40,453)	724.4%

- Research and development expenses decreased by 8.5% to \$143.1 million in 2Q21, compared to \$156.3 million in 1Q21. The change was mainly caused by the decrease of R&D activities in 2Q21.
- The change in other operating income, net was mainly due to the net proceeds of \$231.4 million from the disposal of a subsidiary in 2Q21. The income recognized in relation to government funding was \$81.3 million in 2Q21, compared to \$86.3 million in 1Q21.

Other Income (Expenses), Net

Amounts in US\$ thousands	2Q21	1Q21	QoQ	2Q20	YoY
Other income, net	142,666	16,859	746.2%	76,999	85.3%
Interest income	53,705	53,509	0.4%	36,069	48.9%
Finance costs	(34,111)	(21,731)	57.0%	(18,220)	87.2%
Foreign exchange gains (losses)	3,578	(2,150)	N/A	1,890	89.3%
Other gains, net	18,764	2,643	610.0%	27,789	-32.5%
Share of gain (loss) of investment accounted for using equity method	100,730	(15,412)	N/A	29,471	241.8%

- Foreign exchange gains (losses) were mainly due to the net impact of cash flow hedging and the differences arising from currency conversion in 2Q21. 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 increase in other gains, net in 2Q21 was mainly caused by the increase in the gain on the fair value change of the investments in equity securities recognized as financial assets at fair value through profit or loss.
- The change in share of gain (loss) of investment accounted for using equity method was due to the gain on the investments in associates in 2Q21. Certain associates of the Group are investment funds with a number of investment portfolios. The gain on the equity investment of associates was a result of the fair value change of the portfolios and the increase in the operating profit of certain associates in 2Q21.

Liquidity

Amounts in US\$ thousands	2Q21	1Q21
Inventories	973,004	889,832
Prepayment and prepaid operating expenses	61,140	73,331
Trade and other receivables	996,076	886,486
Financial assets at fair value through profit or loss	7,219	
Financial assets at amortized cost	4,628,937	2,734,618
Derivative financial instruments	25,363	15,123
Restricted cash	218,564	308,356
Cash and cash equivalent	7,179,067	9,014,492
Assets classified as held-for-sale	22,755	23,604
Total current assets	14,112,125	13,948,663
Trade and other payables	1,423,673	
Contract liabilities	783,830	
Borrowings	399,358	464,723
Lease liabilities	107,797	95,296
Medium-term notes	232,082	228,198
Deferred government funding	230,578	256,596

Accrued4.974(o)-9(w)11(i)-6(ng)4(s)]TJnBT/

Capital Structure

Amounts in US\$ thousands	2Q21	1Q21
Cash and cash equivalent	7,179,067	9,014,492
Restricted cash - Current	218,564	308,356
Financial assets at fair value through profit or loss - Current ⁽¹⁾	7,219	2,821
Financial assets at amortized cost ⁽²⁾	8,046,641	5,002,770
Total cash on hand	15,451,491	14,328,439
Borrowings - Current	399,358	464,723
Borrowings - Non-current	4,544,524	4,288,825
Lease liabilities	261,764	221,563
Medium-term notes	232,082	228,198
Convertible bonds	1,957	1,947
Bonds payable	597,312	597,138
Total debt	6,036,997	5,802,394
Net debt ⁽³⁾	(9,414,494)	(8,526,045)
Equity	22,781,631	22,185,247
Total debt to equity ratio ⁽⁴⁾	26.5%	26.2%
Net debt to equity ratio ⁽⁵⁾	-41.3%	-38.4%

Note:

(1) Mainly contain structural deposits.

(2) Mainly contain bank deposits over 3 months.

(3) Total debt minus total cash on hand.

(4) Total debt divided by equity.

(5) Net debt divided by equity.

Cash Flow

Amounts in US\$ thousands	2Q21	1Q21
Net cash from operating activities	1,039,344	463,637
Net cash used in investing activities	(3,048,407)	(1,055,939)
Net cash from financing activities	140,165	(215,873)
Effect of exchange rate changes	33,473	(3,870)
Net change in cash and cash equivalent	(1,835,425)	(812,045)

Capex Summary

- Capital expenditures were \$770.8 million in 2Q21, compared to \$534.1 million in 1Q21.
- The planned 2021 capital expenditures are approximately \$4.3 billion, the majority of which is for mature technology capacity expansion, and the remaining is for advanced technology, the infrastructure of the new Beijing joint-venture project and others.

Recent Highlights and Announcements

- 2020 Corporate Social Responsibility Report 2021-07-26
- Announcement on Adjusting Relevant Issues of Restricted Shares Incentive Plan of 2021 on Science and Technology Innovation Board and Announcement on Initially Granting Restricted Shares to Incentive Objects 2021-07-20
- Announcement on Listing and Floating of Shares with Sales Limit in Strategic Allotment of Initial Public Offering 2021-07-08
- Advance Announcement on Performance Press in Second Quarter of 2021 2021-07-06
- Notification of Board Meeting 2021-07-06
- Announcement on Resignation of Core Technician 2021-07-05
- Poll Results of the 2021 First Extraordinary General Meeting Held on 25 June 2021 2021-06-25
- Poll Results of the Annual General Meeting Held on 25 June 2021 and Change of Auditors 2021-06-25
- Closure of Register of Members 2021-06-07
- Form Of Proxy For Use At The 2021 First Extraordinary General Meeting To Be Held On 25 June 2021 2021-06-07
- Notice of the 2021 First Extraordinary General Meeting 2021-06-07
- Circular-(1) Proposed Adoption of the 2021 Star Market Restricted Share Incentive Scheme (2) Proposed Issue of New RMB Shares under the 2021 Star Market Restricted Share Incentive Scheme pursuant to Specific Mandate (3) Connected Transaction - Proposed Issue of New RMB Shares to Connected Persons under the 2021 Star Market Restricted Share Incentive Scheme pursuant to Specific Mandate and (4) Notice of the 2021 First Extraordinary General Meeting 2021-06-07
- Grant of Share Options and (2) Non-Exempt Connected Transactions - Proposed Grant of Restricted Share Units 2021-06-01
- Grant of Options 2021-06-01
- Closure of Register of Members 2021-05-25
- Notice of Annual General Meeting 2021-05-25
- Form of Proxy for use at the Annual General Meeting to be Held on 25 June 2021 2021-05-25
- Circular-(1) Resignation of Core Technician (2) Proposed Issue of New RMB Shares (3) Proposed Appointment of Auditors (4) Proposal on Distribution for the Year 2020 and (5) Notice of Annual General Meeting 2021-05-25
- Proposed Annual General Meeting of 2021 (1) Proposed Issue of New RMB Shares (2) Proposed Issue of New Rmb Shares Under The Restricted Share Incentive Scheme Pursuant To Specific Mandate (3) Connected Transaction -

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, 2021	March 31, 2021
	(Unaudited)	(Unaudited)
Revenue	1,344,102	1,103,649
Cost of sales	(939,090)	(853,535)
Gross profit	405,012	250,114
Research and development expenses	(143,052)	(156,273)
General and administration expenses	(51,132)	(48,803)
Sales and marketing expenses	(6,537)	(5,495)
Net impairment losses recognized on financial assets	(3)	(203)
Other operating income, net	333,475	85,301
Operating income (expenses)	132,751	(125,473)
Profit from operations	537,763	124,641
Other income, net	142,666	16,859
Profit before tax	680,429	141,500
Income tax credit (expense)	27,673	(25,573)
Profit for the period	708,102	115,927

Other comprehensive income:
Item that may be reclassified

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

Note:

- (1) Non-IFRS operating expenses are defined as operating expenses adjusted to exclude the effect of items listed in the following table. SMIC reviews non-IFRS operating expenses together with operating expenses to uW* nt3operating TJ

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

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

As of

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

	As of	
	June 30, 2021 (Unaudited)	March 31, 2021 (Unaudited)
EQUITY AND LIABILITIES		
<i>Capital and reserves</i>		
Ordinary shares	31,604	31,597
Share premium	13,832,049	13,828,951
Reserves	92,599	

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

	For the three months ended	
	June 30, 2021 (Unaudited)	March 31, 2021 (Unaudited)
Cash flow from operating activities:		
Profit for the period	708,102	115,927
Depreciation and amortization	461,617	419,669
Share of (gain) loss of investment accounted for using equity method	(100,730)	15,412
Changes in working capital and others	(29,645)	(87,371)
Net cash from operating activities	1,039,344	463,637
Cash flow from investing activities:		
Payments to acquire financial assets at fair value through profit or loss	(22,716)	(2,440)
Proceeds from sale of financial assets at fair value through profit or loss	10,760	112,909
Payments to acquire financial assets at amortized cost	(3,714,530)	(1,679,787)
Proceeds from maturity of financial assets at amortized cost	794,235	1,271,215
Payments for property, plant and equipment	(675,430)	(690,011)
Proceeds from disposal of property, plant and equipment and assets classified as held-for-sale	192,760	7,941
Payments for intangible assets	(2,616)	(3,666)
Payments for land use right	-	(98,739)
Proceeds from disposal of subsidiaries	340,222	-
Payments for investment of joint ventures and associates	(40,867)	(9,902)
Proceeds from disposal of joint ventures and associates	2,636	1,567

