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## **NEWS RELEASE**

### **SMIC Reports 2007 Second Quarter Results**

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

**Shanghai, China – July 26, 2007.** 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 June 30, 2007.

#### **Second Quarter 2007 Highlights:**

- **Revenue increased by 3.7% over 2Q06 to \$374.8 million, but decreased by 3.5% from \$388.3 million in 1Q07.**
- **Gross margins were 10.3% in 2Q07 compared to 9.5% in 1Q07.**
- **Net loss of \$2.1 million in 2Q07, compared to a net income of \$8.8 million in 1Q07.**
- **Fully diluted EPS was (\$0.0056) per ADS.**
- **Contribution from 90nm production increased to 22.0% of wafer revenue in 2Q07 compared to 14.4% in 1Q07.**

Commenting on the results, Dr. Richard Chang, Chief Executive Officer of SMIC stated, “SMIC continued to expand its foundry business in the second quarter of 2007. The Company posted increasing revenues year-on-year, but declining revenues quarter-on-quarter due to difficult pricing pressures in the DRAM market.

Looking at the recent market trends, mobile phone applications continue to grow in demand as well as in variety. We also see strong foundry demand for power management ICs and consumer applications such as personal multimedia players an





Investors should consider the information contained in SMIC's filings with the U.S. Securities and Exchange Commission (SEC), including its annual report on 20-F, as amended, filed with the SEC on June 29, 2007, 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, which speak only as of the date stated, or if no date is stated, as of the date of this press release. Except as 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.

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## **Material Litigation**

Recent TSMC Legal Developments:

On August 25, 2006, TSMC filed a lawsuit against the Company and certain subsidiaries (SMIC (Shanghai), SMIC (Beijing) and SMIC (Americas)) in the Superior Court of the State of California, County of Alameda for alleged breach of the Settlement Agreement, alleged breach of promissory notes and alleged trade secret misappropriation by the Company. TSMC seeks, among other things, damages, injunctive relief, attorneys' fees, and the acceleration of the remaining payments outstanding under the Settlement Agreement.

In the present litigation, TSMC alleges that the Company has incorporated TSMC trade secrets in the manufacture of the Company's 0.13-micron or smaller process products. TSMC further alleges that as a result of this claimed breach, TSMC's patent I



## Summary of Second Quarter 2007 Operating Results

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

	2Q07	1Q07	QoQ	2Q06 <sup>(3)</sup>	YoY
Revenue	374,829	388,284	-3.5%	361,446	3.7%
Cost of sales	336,339	351,345	-4.3%	318,116	5.7%
Gross profit	38,490	36,940	4.2%	43,330	-11.2%
Operating expenses	47,113	21,722	116.9%	50,624	-6.9%
Income (Loss) from operations	(8,623)	15,218	-	(7,293)	18.2%
Other income (expenses), net	6,085	(12,187)	-	(10,007)	-
Income tax credit	1,621	5,964	-72.8%	18,892	-91.4%
Net income (loss) after income taxes	(917)	8,995	-	1,591	-
Minority interest	(137)	977	-	768	-
Share of loss of affiliate company	(1,001)	(1,212)	-17.4%	(1,002)	-0.1%
Income (loss) attributable to holders of ordinary shares	(2,054)	8,760	-	1,356	-
Gross margin	10.3%	9.5%		12.0%	
Operating margin	-2.3%	3.9%		-2.0%	
Net income (loss) per ordinary share - basic <sup>(1)</sup>	(0.0001)	0.0005		0.0001	
Net income (loss) per ADS – basic	(0.0056)	0.0237		0.0001	
Net income (loss) per ordinary share – diluted <sup>(1)</sup>	(0.0001)	0.0005		0.0001	
Net income (loss) per ADS – diluted	(0.0056)	0.0234		0.0001	
Wafers shipped (in 8" wafers) <sup>(2)</sup>	443,445	450,592	-1.6%	388,498	14.1%
Capacity utilization	88.9%	86.2%		93.5%	

Note:

(1) Based on weighted average ordinary shares of 18,477 million (basic) and 18,477 million (diluted) in 2Q07, 18,451 million (basic) and 18,705 million (diluted) in 1Q07, and 18,303 million (basic) and 18,729 million (diluted) in 2Q06

(2) Including copper interconnects

(3) As restated

- Revenue decreased to \$374.8 million in 2Q07, down 3.5% QoQ from \$388.3 million in 1Q07 and up 3.7% YoY from \$361.4 million in 2Q06. The decrease in revenue is primarily due to the downturn in the DRAM market.
- Cost of sales decreased to \$336.3 million in 2Q07, down 4.3% QoQ from \$351.3 million in 1Q07, primarily due to higher utilization and lower depreciation expenses.
- Gross profit increased to \$38.5 million in 2Q07, up 4.2% QoQ from \$36.9 million in 1Q07 and down 11.2% YoY from \$43.3 million in 2Q06.
- Gross margins increased to 10.3% in 2Q07 from 9.5% in 1Q07 primarily due to higher utilization and lower depreciation expenses.
- Total operating expenses increased to \$47.1 million in 2Q07 from \$21.7 million, an increase of 116.9% QoQ, primarily due to income from sale of plant and equipment that was recorded in 1Q07. Excluding the sale of plant of equipment, total operating expenses fell by 1.1% in 2Q07 as compared to 1Q07.
- R&D expenses increased to \$23.2 million in 2Q07, up 6.7% from \$21.7 million due to the R&D cost relating to the new 12-inch project in Shanghai.
- G&A expenses decreased to \$14.7 million in 2Q07 from \$17.1 million in 1Q07 primarily due to foreign exchange gain arising from operating activities.
- Selling & marketing expenses increased to \$4.2 million in 2Q07, up 8.8% QoQ from \$3.9 million in 1Q07.



## Analysis of Revenue

<b>Sales Analysis</b>			
<b>By Application</b>	<b>2Q07</b>	<b>1Q07</b>	<b>2Q06</b>
Computer	25.2%	33.0%	30.6%
Communications	40.7%	41.3%	46.2%
Consumer	24.3%	18.3%	18.6%
Others	9.8%	7.4%	4.6%
<b>By Service Type</b>	<b>2Q07</b>	<b>1Q07</b>	<b>2Q06</b>
Logic <sup>(3)</sup>	61.8%	58.2%	66.6%
DRAM	28.9%	34.7%	28.8%
Management services	3.2%	3.2%	0.2%
Mask making, testing, others	6.1%	3.9%	4.4%
<b>By Customer Type</b>	<b>2Q07</b>	<b>1Q07</b>	<b>2Q06</b>
Fabless semiconductor companies	43.8%	47.1%	49.8%
Integrated device manufacturers (IDM)	42.3%	43.2%	41.9%
System companies and others	13.9%	9.7%	8.3%
<b>By Geography</b>	<b>2Q07</b>	<b>1Q07</b>	<b>2Q06</b>
North America	39.6%	40.6%	46.7%
Asia Pacific (ex. Japan)	29.1%	24.2%	20.9%
Japan	8.9%	9.9%	4.9%
Europe	22.4%	25.2%	27.5%
<b>Wafer Revenue Analysis</b>			
<b>By Technology (logic, DRAM &amp; copper interconnect only)</b>	<b>2Q07</b>	<b>1Q07</b>	<b>2Q06</b>
0.09μm	22.0%	14.4%	0.9%
0.13μm	33.0%	38.1%	46.6%
0.15μm	1.2%	2.9%	4.7%
0.18μm	30.8%	34.1%	38.0%
0.25μm	0.7%	0.7%	2.0%
0.35μm	12.3%	9.8%	7.8%
<b>By Technology (Logic Only)<sup>(1)</sup></b>	<b>2Q07</b>	<b>1Q07</b>	<b>2Q06</b>
0.09μm	15.3%	10.0%	0.2%
0.13μm <sup>(2)</sup>	19.0%	17.6%	22.3%
0.15μm	1.9%	4.7%	7.2%
0.18μm	43.6%	50.1%	55.8%
0.25μm	0.9%	1.0%	2.5%
0.35μm	19.3%	16.6%	12.0%

Note:

(1) Excluding 0.13μm copper interconnects

(2) Represents revenues generated from manufacturing full flow wafers

(3) Including 0.13μm copper interconnects



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## Capacity

Fab / (Wafer Size)	2Q07*	1Q07*
Shanghai Mega Fab (8")		



## Detailed Financial Analysis

### **Gross Profit Analysis**

<i>Amounts in US\$ thousands</i>	<b>2Q07</b>	<b>1Q07</b>	<b>QoQ</b>	<b>2Q06</b>	<b>YoY</b>
Cost of sales	336,339	351,345	-4.3%	318,116	5.7%
Depreciation	159,154	185,707	-14.3%	188,663	-15.6%
Other manufacturing costs	168,408	157,279	7.1%	120,552	39.7%
Deferred cost amortization	5,886	5,886	-	5,886	-
Share-based compensation	2,891	2,473	16.9%	3,015	-4.1%
Gross Profit	38,491	36,940	4.2%	43,330	-11.2%
Gross Margin	10.3%	9.5%	-	12.0%	-

- Cost of sales decreased to \$336.3 million in 2Q07, down 4.3% QoQ from \$351.3 million in 1Q07, primarily due to higher utilization and lower depreciation expenses.
- Gross profit increased to \$38.5 million in 2Q07, up 4.2% QoQ from \$36.9 million in 1Q07 and down 11.2% YoY from \$43.3 million in 2Q06.
- Gross margins increased to 10.3% in 2Q07 from 9.5% in 1Q07 primarily due to higher utilization and lower depreciation expenses.

### **Operating Expense Analysis**

<i>Amounts in US\$ thousands</i>	<b>2Q07</b>	<b>1Q07</b>	<b>QoQ</b>	<b>2Q06</b>	<b>YoY</b>
Total operating expenses	47,113	21,722	116.9%	50,624	-6.9%
Research and development	23,194	21,733	6.7%	24,345	-4.7%
General and administrative	14,746	17,087	-13.7%	16,837	-12.4%
Selling and marketing	4,234	3,893	8.8%	3,918	8.1%
Amortization of intangible assets	6,213	6,229	-0.3%	6,040	2.9%
Income from disposal of properties	(1,274)				



## Other Income (Expenses)

<i>Amounts in US\$ thousands</i>	2Q07	1Q07	QoQ	2Q06	YoY
Other income (expenses)	6,085	(12,187)	-	(10,007)	-
Interest income	2,679	1,972	35.9%	4,039	-33.7%
Interest expense	3,343	(15,003)	-	(12,214)	-
Other, net	63	844	-92.5%	(1,832)	-

- Other non-operating gain of \$6.1 million in 2Q07 as compared to a loss of \$12.2 million in 1Q07, primarily due to government interest subsidies received in conjunction with the ramp-up of the 12-inch fabs.

## Liquidity

<i>Amounts in US\$ thousands</i>	2Q07	1Q07
Cash and cash equivalents	372,449	341,704
Short term investments	73,080	79,830
Accounts receivable	300,379	288,027
Inventory	237,966	237,619
Others	125,413	128,080
Total current assets	1,109,287	1,075,260
Accounts payable	483,925	237,135
Short-term borrowings	108,000	43,000
Current portion of long-term debt	290,533	170,839
Others	124,086	138,758
Total current liabilities	1,006,544	589,732
Cash Ratio	0.4x	0.6x
Quick Ratio	0.7x	1.2x
Current Ratio	1.1x	1.8x

- Accounts payable increase primarily due to advanced equipment purchases for 12-inch fabs.



## Capital Structure

<i>Amounts in US\$ thousands</i>	<b>2Q07</b>	<b>1Q07</b>
Cash and cash equivalents	372,449	341,704
Short-term investment	73,080	79,830
Current portion of promissory note	29,242	29,493
Promissory note	64,443	78,267
Short-term borrowings	108,000	43,000
Current portion of long-term debt	290,533	170,839
Long-term debt	574,564	719,697
Total debt	973,097	933,536
Shareholders' equity	3,027,635	3,022,697
Total debt to equity ratio	32.1%	30.9%

## Cash Flow

<i>Amounts in US\$ thousands</i>	<b>2Q07</b>	<b>1Q07</b>
Net cash provided by operating activities	151,803	180,684
Net cash used in investing activities	(145,605)	(176,288)
Net cash provided by/used in financing activities	24,593	(26,331)
Net change in cash	30,745	(21,916)

## Capex Summary

- Capital expenditures for 2Q07 were \$370 million.
- Total planned capital expenditures for 2007 will be approximately \$720 million and will be adjusted based on market conditions.

## Third Quarter 2007 Guidance

The following statements are forward looking statements which are based on current expectation and which involve risks and uncertainties, some of which are set forth under "Safe Harbor Statements" above.

- Revenues expected to increase 2% to 5% from the second quarter.
- Depreciation and amortization expected to be approximately \$190 million to \$195 million.
- Capital expenditures expected to be approximately \$150 million to \$200 million.
- Operating expense as a percentage of sales expected to be in the mid-teens.



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## **Recent Highlights and Announcements**

- Saifun Acquires 90nm Process Know-How from SMIC [2007-07-02]
- Annual General Meeting Held on 23<sup>rd</sup> May, 2007 Poll Results [2007-05-25]
- SMIC Participates in Signing Ceremony between U.S. and Chinese Companies and U.S. - China Hi-Tech Cooperation Forum [2007-05-10]
- Notice of Annual General Meeting [2007-04-30]
- SMIC Reports 2007 First Quarter Results [2007-04-27]

*Please visit SMIC's website at  
[http://www.smics.com/website/enVersion/Press\\_Center/pressRelease.jsp](http://www.smics.com/website/enVersion/Press_Center/pressRelease.jsp)  
for further details regarding the recent announcements.*

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**SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**(In US dollars)**

	<b>June 30, 2007</b> <b>(unaudited)</b>	<b>March 31, 2007</b> <b>(unaudited)</b>
Sales	374,829,258	388,284,436



**SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
(In US dollars)

	For the three months ended	
	June 30, 2007 (Unaudited)	March 31, 2007 (Unaudited)
<b>Operating activities</b>		
Net income (loss)	(2,054,195)	8,760,374
<b>Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:</b>		
Minority interest	136,518	(976,527)
Gain on disposal of plant and equipment	(2,469,694)	(27,220,665)
Depreciation and amortization	175,187,932	173,370,422
Amortization of acquired intangible assets	6,213,171	6,228,615
Share-based compensation	6,005,899	4,996,846
Non cash interest expense on promissory notes	1,195,552	1,207,020
Loss from equity investment	1,001,034	1,211,553
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable, net	(12,352,703)	(35,841,556)
Inventories	(346,549)	37,559,483
Prepaid expense and other current assets	(52,120)	8,328,367
Accounts payable	(4,132,746)	(6,657,095)
Accrued expenses and other current liabilities	(14,740,560)	18,951,309
Other long term liabilities	-	(3,333,333)
Income tax payable	(46,650)	133,654
Deferred tax assets	(1,679,557)	(6,070,017)
Deferred tax liabilities	(62,328)	35,782
<b>Net cash provided by operating activities</b>	<b>151,803,004</b>	<b>180,684,232</b>
<b>Investing activities:</b>		
Purchase of plant and equipment	(159,994,428)	(157,728,647)
Proceeds from disposal of plant and equipment	9,121,739	1,823,994
Proceeds received from sale of assets held for sale	2,501,868	3,963,708
Purchases of acquired intangible assets	(3,984,011)	(2,468,200)
Purchase of short-term investments	(15,006,035)	(48,838,238)
Sale of short-term investments	21,756,260	26,959,039
<b>Net cash used in investing activities</b>	<b>(145,604,607)</b>	<b>(176,288,344)</b>
<b>Financing activities:</b>		
Proceeds from short-term borrowing	105,000,000	2,000,000
Proceeds from long-term debt	-	168,165
Repayment of promissory notes	(15,000,000)	-
Repayment of long-term debt	(25,438,892)	-
Repayment of short-term debt	(40,000,000)	(30,000,000)
Proceeds from exercise of employee stock options	1,031,855	1,500,918
Repurchase of redeemable preference shares	(1,000,000)	-
<b>Net cash provided by (used in) financing activities</b>	<b>24,592,963</b>	<b>(26,330,917)</b>
Effect of exchange rate changes	(46,154)	19,187
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>30,745,206</b>	<b>(21,915,842)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>341,703,889</b>	<b>363,619,731</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>372,449,095</b>	<b>341,703,889</b>