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## SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION SMIC Reports First Quarter Results

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

*The consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").*

Shanghai, China –April 28, 2014. 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, 2014.

### First Quarter Highlights

- Revenue was \$451.1 million in 1Q14, a decrease of 8.3% quarter over quarter.
- Non-GAAP revenue excluding wafer shipments from Wuhan Xinxin was \$451.1 million in 1Q14, a decrease of 6.7 % quarter over quarter.
- Gross margin was 21.3% in 1Q14, compared to 18.9% in 4Q13.
- Non-GAAP gross margin excluding wafer shipments from Wuhan Xinxin was 21.3% in 1Q14, compared to 19.2% in 4Q13.
- Profit for the period attributable to SMIC was \$20.3 million in 1Q14, compared to \$14.7 million in 4Q13.

### Second Quarter Guidance

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

- Revenue is expected to be up from 12% to 15% quarter over quarter.
- Gross margin is expected to range from 22% to 24%.
- Non-GAAP operating expenses excluding the effect of employee bonus accrual, funding of R&D contracts from the government and gain from the disposal of living quarters are expected to range from \$89 million to \$93 million.

Dr. Tzu-Yin Chiu, SMIC's Chief Executive Officer and Executive Director, commented, " We are excited to see that our overall profitability has improved despite hitting a seasonal trough in the first quarter, which is our eighth consecutive profitable quarter. When comparing Q1 2014 to Q4 2013, gross margin increased 2.4 percentage points, profit from operations more than tripled, and profit attributable to SMIC grew 38%; meanwhile, our capital structure also improved as our debt to equity ratio decreased 6.7 percentage points.

We are happy to announce that we received our first 28nm tape-out from one of our customers and we continue to target pilot production for 28nm by the end of 2014, and ramp-up and revenue generation in 2015.

When looking at our differentiated products, we have made good progress in fingerprint sensor technology and CMOS-MEMS technology, which are both now in production.

We are also excited to announce that we have secured some used equipment for our Shenzhen fab, and we target 10-thousand-wafers-per-month capacity installed in Shenzhen by the end of this year and production in 2015.

We have improved our profitability and, as is reflected in our guidance, we believe we are positioned for a recovery in the second quarter, and we continue to be optimistic about the second half of this year."

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## **Conference Call Webcast Announcement**

Date: April 29, 2014

Time: 8:30 a.m. Shanghai time

Dial-in numbers and pass code:

China	400-620-8038	(Pass code: SMIC)
Hong Kong	852-2475-0994	(Pass code: SMIC)
Taiwan	886-2-2650-7825	(Pass code: SMIC)
United States, New York	1-845-675-0437	(Pass code: SMIC)

The call will be webcast live with audio at [http://www.smics.com/eng/investors/ir\\_presentations.php](http://www.smics.com/eng/investors/ir_presentations.php) or <http://www.media-server.com/m/p/n4r7ko87>.

An archived version of the webcast, along with an electronic 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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## **About MIC**

Semiconductor Manufacturing International Corporation ("SMIC"; NYSE: SMI; SEHK: 981) is one of the leading semiconductor foundries in the world and the largest and most advanced foundry in mainland China. SMIC provides integrated circuit (IC) foundry and technology services at 0.35-micron to 28-nanometer. Headquartered in Shanghai, China, SMIC has a 300mm wafer fabrication facility (fab) and a 200mm mega-fab in Shanghai; a 300mm mega-fab in Beijing with a joint-venture 300mm fab that is currently under construction; a 200mm fab in Tianjin; and a 200mm fab project under development in Shenzhen. SMIC also has marketing and customer service offices in the U.S., Europe, Japan, and Taiwan, and a representative office in Hong Kong.

For more information, please visit [www.smics.com](http://www.smics.com).

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### **Safe Harbor Statements**

(Under the Private Securities Litigation Reform Act of 1995)

This press release contains, 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, including statements under "Second Quarter 2014 Guidance" and the statements regarding our targeted timing of pilot production, ramp-up and revenue generation for 28nm technology, our targeted 10-thousand-wafers-per-month capacity in Shenzhen and the timing of the instalment of such capacity, our expected recovery in the second quarter 2014 and our optimism about the second half of 2014 are based on SMIC's current assumptions, expectations and projections about future events. SMIC uses words like "believe," "anticipate," "intend," "estimate," "expect," "project," "target" and similar expressions to identify forward-looking

## **About Non Generally Accepted Accounting Principles, Non GAAP Financial Measures**

To supplement SMIC's consolidated financial results presented in accordance with IFRS, SMIC uses in this press release measures of operating results that are adjusted to exclude wafer shipments from Wuhan Xinxin Semiconductor Manufacturing Corporation ("Wuhan Xinxin"), which SMIC began gradually phasing out in 3Q13. There were no wafer shipments from Wuhan Xinxin from 1Q14 onwards. This earnings release includes non-GAAP revenue, non-GAAP cost of sales, non-GAAP gross margin and non-GAAP operating expenses, which consists of total operating expenses as adjusted to exclude the effect of employee bonus accrual, funding of R&D contracts from the government and gain from the disposal of living quarters. It also includes second quarter 2014 guidance for non-GAAP operating expenses. The presentation of non-GAAP 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.

SMIC believes that use of these non-GAAP financial measures facilitates investors' and management's comparisons to SMIC's historical performance. The Company's management regularly uses these non-GAAP financial measures to understand, manage and evaluate the Company's business and make financial and operational decisions.

The accompanying table has more information and reconciliations of each non-GAAP financial measure to its most directly comparable GAAP financial measure. A reconciliation of non-GAAP guidance measures to corresponding

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A m o u n t s i n t h o u s a n d s e x c e p t f o r E P a n d o p e r a t i o n d a t a

	Q1 2014	Q4 2013	QoQ	Q1 2014	YoY
Revenue	451,083	491,797	-8.3%	501,609	-10.1%
Cost of sales	(354,965)	(398,858)	-11.0%	(403,321)	-12.0%
Gross profit	96,118	92,939	3.4%	98,288	-2.2%
Operating expenses	(66,533)	(84,840)	-21.6%	(46,967)	41.7%
Profit from operations	29,585	8,099	265.3%	51,321	-42.4%
Other income (expense), net	(9,189)	7,756	-	(8,273)	11.1%
Profit before tax	20,396	15,855	28.6%	43,048	-52.6%
Income tax expenses	(1,454)	(170)	755.3%	(2,536)	-42.7%
<b>Profit for the period</b>	--	--	20.8%	--	-53.2%
Other comprehensive income:					
Exchange differences on translating foreign operations	(1,095)	333	-	43	-
<b>Other comprehensive income</b>			11.4%		-56.0%
Profit for the period attributable to:					
Attributable to SMIC	20,261	14,681	38.0%	40,604	-50.1%
Non-controlling interests	(1,319)	1,004	-	(92)	1333.7%
<b>Profit for the period</b>	--	--	20.8%	--	-53.2%
Gross margin	21.3%	18.9%	-	19.6%	-
Earnings per ordinary share <sup>1</sup>					
Basic	0.00	0.00	-	0.00	-
Diluted	0.00	0.00	-	0.00	-
Earnings per ADS					
Basic	0.03	0.02	-	0.06	-
Diluted	0.03	0.02	-	0.06	-
Wafers shipped (in 8" equivalent wafers)	581,621	601,602	-3.3%	631,776	-7.9%
Capacity utilization	84.2%	87.4%	-	89.0%	-

**Note**

<sup>1</sup> Based on weighted average ordinary shares of 1 billion on basic and 1 billion on diluted in 1Q14 and 1 billion on basic and 1 billion on diluted in 4Q13 and 1.4 billion on basic and 1.4 billion on diluted in 1Q14. Based on total equivalent wafers output divided by estimated total quarterly capacity.

- Revenue decreased to \$451.1 million in 1Q14, down 8.3% QoQ from \$491.8 million in 4Q13, mainly because 1) a decrease of wafer shipments in 1Q14, 2) no revenue from Brite Semiconductor Corporation and its subsidiaries ("Brite") as the Company deconsolidated Brite due to loss of control on December 30, 2013. From 1Q14 onwards, there were no wafer shipments from Wuhan Xinxin.
- Cost of sales decreased to \$355.0 million in 1Q14, down 11.0% QoQ from \$398.9 million in 4Q13, mainly due to lower wafer shipments and lower provision for customer claim in 1Q14.
- Gross profit was \$96.1 million in 1Q14, an increase of 3.4% QoQ from \$92.9 million in 4Q13.
- Gross margin was 21.3% in 1Q14, up from 18.9% in 4Q13 primarily due to the following reasons: 1) a product mix change, 2) lower provision for customer claim and 3) improvement in the fab efficiency. The aforementioned impact was partially offset by lower fab utilization in 1Q14.
- Operating expenses decreased to \$66.5 million in 1Q14, a decrease of 21.6% QoQ from \$84.8 million in 4Q13, mainly due to the reasons stated in Operating Expenses (Income) Analysis below.

## Analysis of revenue

Revenue Analysis			
<b>By Application</b>			
Computer	3.0%	1.9%	1.3%
Communications	39.1%	39.8%	47.3%
Consumer	48.8%	48.3%	42.5%
Others	9.1%	10.0%	8.9%
<b>By Service type</b>			
Wafers	93.3%	93.2%	94.1%
Mask making, testing, others	6.7%	6.8%	5.9%
<b>By Customer type</b>			
Fabless semiconductor companies	89.0%	86.7%	88.7%
Integrated device manufacturers (IDM)	3.1%	6.0%	6.1%
System companies and others	7.9%	7.3%	5.2%
<b>By Geography</b>			
North America	46.6%	48.3%	51.4%
China <sup>(1)</sup>	40.6%	40.0%	38.6%
Eurasia <sup>(2)</sup>	12.8%	11.7%	10.0%
After revenue Analysis			
<b>By technology</b>			
40/45 nm	9.8%	16.3%	6.4%
55/65 nm	21.3%	21.1%	32.1%
90 nm	4.3%	3.5%	6.7%
0.13 μm	12.9%	12.2%	10.7%
0.15/0.18 μm	46.8%	41.5%	39.9%
0.25/0.35 μm	4.9%	545.9805	8 r5-7.97753(%)TJ ET Q q 3550 29348r

## Capacity

Fab / (Wafer Size)		
Shanghai Mega Fab (8")	94,000	90,000
Shanghai 12-inch Fab (12")	31,500	27,000
Beijing Mega Fab (12")	81,000	81,000
Tianjin Fab (8")	37,000	36,000
Total monthly wafer fabrication capacity	243,500	234,000

*Note*

equivalent wafers capacity calculated on a daily basis for comparison purposes

- Monthly capacity increased to 243,500 8-inch equivalent wafers in 1Q14 from 234,000 8-inch equivalent wafers in 4Q13, primarily due to the expansion of capacity in our Shanghai 12-inch fab as well as our Shanghai and Tianjin 8-inch fabs.

## Production and Utilization

Production / Utilization	Q4 2013	Q1 2014	Change	Q4 2013	Q1 2014	YoY
Production (equivalent wafers)	581,621	601,602	-3.3%	631,776	-7.9%	
Utilization rate <sup>(1)</sup>	84.2%	87.4%	-	89.0%	-	

*Note*

Utilization based on total equivalent wafers output divided by estimated total quarterly capacity

## Detailed Financial Analysis

### **Gross Profit Analysis**

Amounts in thousands	Q4 2013	Q1 2014	Change	Q4 2013	YoY
Cost of sales	354,965	398,858	-11.0%	403,321	-12.02973 42671/R10 9.36277

### **Operating Expenses (Income) Analysis**

Amounts in thousands					YoY
Operating expenses	66,533	84,840	-21.6%	46,967	41.7%
Research and development	36,653	46,256	-20.8%	24,758	48.0%
General and administrative	23,193	36,610	-36.6%	34,203	-32.2%
Selling and marketing	9,708	8,385	15.8%	8,254	17.6%
Other operating income	(3,021)	(6,411)	-52.9%	(20,248)	-85.1%

- R&D expenses decreased to \$36.7 million in 1Q14, compared to \$46.3 million in 4Q13. The decrease was primarily due to an increase in the fu

### Liquidity

Amounts in thousands		
Cash and bank balances	437,575	462,483
Restricted cash	120,338	147,625
Other financial assets	178,383	240,311
Trade and other receivables	361,536	379,361
Prepaid operating expenses	43,181	43,945
Inventories	294,375	286,251
Assets classified as held-for-sale	2,361	3,265
Total current assets	1,437,749	1,563,241
Current tax liabilities	161	158
Other financial liabilities	76	-
Accrued liabilities	114,463	127,593
Deferred government funding	24,431	26,349
Borrowings	313,191	390,547
Trade and other payables	401,041	393,890
Total current liabilities	853,363	938,537
Cash Ratio	0.5x	0.5x
Quick Ratio	1.3x	1.4x
Current Ratio	1.7x	1.7x

### Capital Structure

Amounts in thousands		
Cash and bank balances	437,575	462,483
Restricted cash	120,338	147,625
Other financial assets	178,383	240,311
Short-term borrowings	313,191	390,547
Long-term borrowings	512,075	600,975
Convertible bonds	182,149	180,563
Total debt	1,007,415	1,172,085
Equity	2,617,698	2,593,182
Total debt to equity ratio <sup>(1)</sup>	38.5%	45.2%

Note 10

(1) Total debt divided by equity. Total debt includes short-term and long-term borrowings and convertible bonds.

### **Cash Flow**

<i>Amounts in thousands</i>		
Net cash from operating activities	169,378	205,437
Net cash used in investing activities	(24,912)	(269,147)
Net cash (used in) from financing activities	(168,382)	52,749
Effect of exchange rate changes	(992)	(63)
Net change in cash	(24,908)	(11,024)

### **Capex Summary**

- Capital expenditures for 1Q14 were \$108.4 million.
- The planned 2014 capital expenditures for our foundry operations are raised to approximately \$1 billion from the previous \$880 million, of which the increase is for the acquisition of used equipment for our Shenzhen 8-inch fab. Out of the total capex of approximately \$1 billion, around \$570 million is for our new Beijing majority owned subsidiary, which is 55% funded by SMIC and 45% funded by the other shareholders of the subsidiary.
- In addition, as we stated last quarter, we also budgeted 2014 capital expenditures for non-foundry operations of approximately \$110 million mainly for the construction of living quarters. The Company plans to either rent out or sell these living quarter units to employees in the future.

## Recent Highlights and Announcements

- SMIC Kicks Off 6th Technology Workshop in Shanghai (2014-04-24)
- SMIC Appoints Hiroshi Ogawa as General Manager of SMIC Japan (2014-04-15)
- Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 (2014-04-14)
- Notification of Board Meeting (2014-04-14)
- Circulars - Letter and Reply Form to New Registered Shareholder - Election of Means of Receipt of Corporate Communication (2014-04-08)
- Circulars - Notification Letter and Request Form to Non-registered Holders (2014-04-08)
- Circulars - Notification Letter and Change Request Form to Registered Holders (2014-04-08)
- 2013 Annual Report (2014-04-07)
- SMIC Offers a Full Set of ESD Protection Service to Enhance the Whole Chip ESD Design for Customers (2014-03-25)
- SMIC Awarded Mirror Post "Outstanding Corporate Social Responsibility Award" (2014-03-24)
- CEVA, SMIC and Brite Semiconductor Partner to Provide Hard Macro Versions of CEVA DSP Cores and Platforms (2014-03-19)
- SMIC Attends SEMICON China 2014, Dr. Tzu-Yin Chiu Receives Outstanding EHS Achievement Award (2014-03-18)
- Announcement of 2013 Annual Results (2014-03-12)
- Notification of Approval of the Publication of 2013 Annual Results by the Board (2014-03-02)
- Establishment of an Investment Fund (2014-02-28)
- SMIC and JCET Establish a Joint Venture to Build China's Local IC Manufacturing Supply Chain (2014-02-20)
- Non-exempt Continuing Connected Transactions (2014-02-18)
- Poll Results of Extraordinary General Meeting Held on 17 February 2014 (2014-02-17)
- SMIC Reports Unaudited Results for the Three Months Ended December 31, 2013 (2014-02-17)
- Change of Chief Financial Officer (2014-02-17)
- ARM and SMIC Broaden IP Partnership with 28nm Process for Mobile and Consumer Applications (2014-02-09)
- Circulars - Notification Letter and Request Form to Non-registered Shareholders (2014-01-28)
- Circulars - Notification Letter to Registered Shareholders (2014-01-28)
- Notice of Extraordinary General Meeting (2014-01-28)
- Proxy Forms - Form of Proxy for Use at the Extraordinary General Meeting to be Held on 17 February 2014 (2014-01-28)
- Circulars - Non-exempt Connected Transactions (1) Pre-emptive Subscription of Bonds by Datang and Country Hill (2) Proposed Further Special Mandates to Issue Conversion Shares on Conversion of the Pre-emptive Bonds (3) Notice of Extraordinary General Meeting (2014-01-28)
- Notification of Board Meeting (2014-01-27)
- SMIC Unveils 28nm Readiness and MPW Milestone (2014-01-26)
- Dual-interface Financial IC Card Chip Based on SMIC's eEEPROM Platform Gains CC EAL4+ Certification (2014-01-22)
- "SMIC Liver Transplant Program for Children" Helps 18 Kids (2014-01-13)
- Delay in Despatch of Circular (2014-01-13)

Please visit SMIC's website at <http://www.smics.com.cn> for press releases and  
<http://www.smics.com.cn> for investors' information  
for further details regarding recent announcements

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

	<b>For the three months ended</b>	
	<b>March</b>	<b>December</b>
	<b>2019</b>	<b>2019</b>
Revenue	451,083	491,797
Cost of sales	(354,965)	(398,858)
Gross profit	96,118	92,939
Research and development expenses	(36,653)	(46,256)
General and administration expenses	(23,193)	(36,610)
Sales and marketing expenses	(9,708)	(8,385)
Other operating income	3,021	6,411
Operating expenses	(66,533)	(84,840)
Profit from operation	29,585	8,099
Other income (expense), net	(9,189)	7,756
Profit before tax	20,396	15,855
Income tax expense	(1,454)	(170)
<b>Profit for the period</b>	<b>18,942</b>	<b>15,685</b>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	(1,095)	333
<b>Other comprehensive income for the period</b>	<b>(1,095)</b>	<b>333</b>
Profit (loss) for the period attributable to:		
Owners of the Company	20,261	14,681
Non-controlling interests	(1,319)	1,004
Total comprehensive income (expense) for the period attributable to:		
Owners of the Company	19,166	15,014
Non-controlling interests	(1,319)	1,004
Earnings per share attributable to Semiconductor Manufacturing International Corporation ordinary shareholders		
Basic	0.00	0.00
Diluted	0.00	0.00
Earnings per ADS attributable to Semiconductor Manufacturing International Corporation ordinary ADS holders		
Basic	0.03	0.02
Diluted	0.03	0.02
<b>Basic earnings per share</b>	<b>0.00</b>	<b>0.00</b>
<b>Diluted earnings per share</b>	<b>0.00</b>	<b>0.00</b>
<b>Reconciliation of Non-GAAP Financial Measures to Comparable GAAP Measures<sup>(1)</sup></b>		
Non-GAAP revenue	451,083	483,597
Non-GAAP cost of sales	(354,965)	(390,879)
Non-GAAP gross margin	21.3%	19.2%
Non-GAAP operating expenses	(79,363)	(86,461)

**Notes**

(1) SMIC defines non-GAAP revenue, non-GAAP cost of sales and non-GAAP gross margin, which are non-GAAP financial measures, as revenue, cost of sales and gross margin, in each case excluding wafer shipments from Wuhan Xinxin. SMIC also defines non-GAAP operating expenses prepared on a forward-looking basis as a non-GAAP

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

measure in our next quarter's guidance, which is adjusted to exclude the effect of employee bonus accrual, funding of R&D contracts from the government and gain from the disposal of living quarters. SMIC reviews non-GAAP financial measures together with revenue, cost of sales, gross margin and operating expenses to understand, manage and evaluate its business and make financial and operational decisions. The Company also believes it is useful supplemental information for investors and analysts to assess its operating performance without the effect of wafer shipments from Wuhan Xinxin, which were not output through its production capacity. SMIC announced in March 2013 that it had ceased to manage and operate the 300mm wafer fab in Wuhan owned by Wuhan Xinxin, and began gradually phasing out wafer shipments from Wuhan Xinxin in 3Q13. There were no wafer shipments from Wuhan Xinxin from 1Q14 onwards. However, the use of non-GAAP financial measures has material limitations as an analytical tool. One of the limitations of using non-GAAP financial measures is that they do not include all items that impact our net profit for the period. In addition, because non-GAAP financial measures are not calculated in the same manner by all companies, they may not be comparable to other similar titled measures used by other companies. In light of the foregoing limitations, you should not

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

	As of	
	March 31, 2011	December 31, 2010
<b>ASSETS</b>		
<i>Non current assets</i>		
Property, plant and equipment	2,500,845	2,528,834
Prepaid land use right	137,296	136,725
Intangible assets	208,775	215,265
Investments in associates	29,997	29,200
Deferred tax assets	43,974	43,890
Other assets	7,666	6,237
Total non-current assets	2,928,553	2,960,151
<i>Current assets</i>		
Inventories	294,375	286,251
Prepaid operating expenses	43,181	43,945
Trade and other receivables	361,536	379,361
Other financial assets	178,383	240,311
Restricted cash	120,338	147,625
Cash and bank balances	437,575	462,483
	1,435,388	1,559,976
Assets classified as held-for-sale	2,361	3,265
Total current assets	1,437,749	1,563,241
<b>TOTAL ASSETS</b>	4,366,302	4,523,392

**EQUITY AND LIABILITIES**

*Capital and reserves*

Ordinary shares, \$0.0004 par value, 50,000,000,000 shares authorized,  
32,214,208,143

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

	For t e t ree	ont s ended
	Marc	Dece ber
	naud ted	naud ted
<b>Cas f ow fro operat n act v t es</b>		
Profit for the period	18,942	15,685
Depreciation and amortization	136,871	138,721
Share of profits of associates	(885)	(504)