

${\bf Semiconductor\ Manufacturing\ International\ Corporation}$

www.smics.com

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NEWS RELEASE

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.

SMIC reports 2004 third quarter results

Highlights

- Sales increased to \$274.9 million in 3Q04, up 24.4% from \$221.0 million in 2Q04.
- Income from operations increased to \$42.5 million in 3Q04, up 16.9% from \$36.4 million in 2Q04.
- Income attributable to holders of ordinary shares increased to \$39.3 million in 3Q04, up 15.2% from \$34.2 million in 2Q04.
- Compared to 2Q04, wafer shipments increased 30.9% to 263,808 8-inch wafers.
- **Basic EPS \$0.0022 (HKD\$0.0170**⁽¹⁾) per ordinary share and \$0.1095 per ADS; diluted EPS \$0.0022 (HKD\$0.0170⁽¹⁾) per ordinary share and \$0.1079 per ADS.

Shanghai, China – October 28, 2004. 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 September 30, 2004. Sales increased 24.4% in the third quarter of 2004 to \$274.9 million from \$221.0 million in the prior quarter. Income from operations increased 16.9% in the third quarter of 2004 to \$42.5 million from \$36.4 million in the prior quarter.

The Company reported income attributable to holders of ordinary shares increased 15.2% in the third quarter of 2004 to \$39.3 million from \$34.2 million in the prior quarter, or \$0.0022 per ordinary share and \$0.1095 per ADS (on a fully diluted basis, \$0.0022 per ordinary share, and \$0.1079 per ADS).

"We are pleased to report continued growth through the third quarter of 2004," said Dr. Richard Chang, President and Chief Executive Officer of SMIC. "During the third quarter of 2004, the Asia Pacific region showed particular strength with the Greater China region accounting for 6.6% of total sales. New and existing customers contributed to our strong third quarter fab utilization of 99%. We received relatively strong orders from our customers across all market segments, and in particular the communications products market segment. On September 25, 2004, we commemorated the grand opening of Fab 4, which is China's first 12-inch wafer fab facility. While ramp up of Fab 4 remains on schedule as planned with mass production set for the fourth quarter of 2004, we will continue expansion based on market demands. We believe that as we continue to execute our business plans and reach technological milestones that, in the interests of our shareholders, we are laying a solid foundation for future growth and development."

Conference call / Webcast announcement details

Date: October 28, 2004 Time: 8:00 p.m. Shanghai time

Dial-in numbers and access codes: U.S. 1-617-847-8711 or HK 852-3002-1672 (Pass codes: SMIC).

A live webcast of the third quarter results announcement will be available at 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.

About SMIC

SMIC (NYSE: SMI, SEHK: 0981.HK) is one of the leading semiconductor foundries in the world, providing integrated circuit (IC) manufacturing at 0.35-micron to 0.13-micron and finer line technologies to customers worldwide. Established in 2000, SMIC has four 8-inch wafer fabrication facilities in volume production in Shanghai and Tianjin. In addition, SMIC recently commenced pilot production at its 12-inch wafer fabrication facility in Beijing. SMIC maintains customer service and marketing offices in the U.S., Europe, and Japan. As part of its dedication towards providing high-quality services, SMIC strives to comply with or exceed international standards and has achieved ISO9001, ISO/TS16949, OHSAS18001, and ISO14001 certifications. For more information, please visit http://www.smics.com/.

Safe harbor statements

(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 cyclicality 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, 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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Summary:

Amounts in US\$ thousands, except for EPS

Amounts in OS\$ inousanas, except for EFS					
	<u>3Q04</u>	<u>2Q04</u>	QoQ	<u>3Q03</u>	<u>YoY</u>
Sales	274,897	220,988	24.4%	107,141	156.6%
Cost of sales	(202,387)	(159,507)	26.9%	(96,768)	109.1%
	` ' '	` ' '		` ' '	
Gross profit (loss)	72,510	61,481	17.9%	10,373	599.0%
Operating expenses	(29,972)	(25,091)	19.5%	(21,502)	39.4%
Income (loss) from operations	42,538	36,390	16.9%	(11,129)	-
Other income (expenses)	(3,195)	(2,225)	43.6%	2,673	-
Net income (loss)	39,343	34,165	15.2%	(8,456)	
Deemed dividend on preference					
Shares	-	-	_	(34,586)	-
Income (loss) attributable to holders of				` ' '	
ordinary shares	39,343	34,165	15.2%	(43,042)	-
Gross profit margin	26.4%	27.8%		9.7%	
Operating margin	15.5%	16.5%		-10.4%	
Basic EPS – per ordinary share ⁽¹⁾	\$0.0022	\$0.0019		(\$0.4625)	
Basic EPS – per ADS	\$0.1095	\$0.0955		(\$23.1237)	
Diluted EPS – per ordinary share	\$0.0022	\$0.0019		(\$0.4624)	
Diluted EPS – per ADS	\$0.1079	\$0.0941		(\$23.1237)	
Wafers shipped (in 8" wafers) ⁽²⁾	263,808	201,534	30.9%	130,780	101.7%
Blended ASP	\$991	\$1,034	-4.2%	\$771	28.5%
Logic ASP ⁽³⁾	\$1,091	\$1,089	0.2%	\$883	23.6%

1. Analysis of revenues

Sales analysis					
By Application	<u>3Q04</u>	<u>2Q04</u>	<u>1004</u>	<u>4Q03</u>	<u>3Q03</u>
Computer	20.5%	22.5%	25.1%	26.7%	33.3%
Communications	57.2%	54.3%	56.0%	55.8%	48.2%
Consumer	17.1%	17.1%	12.7%	13.5%	11.7%
Others	5.2%	6.1%	6.2%	4.0%	6.8%
By Device	3Q04	2Q04	1Q04	4Q03	3Q03
Logic (including copper interconnect)	77.6%	73.5%	72.4%	71.6%	60.0%
Memory	17.5%	20.8%	21.6%	24.5%	34.0%
Other (mask making & probing)	4.9%	5.7%	6.0%	3.9%	6.0%
By Customer Type	3Q04	2Q04	1Q04	4003	3Q03

Capacity:

wafers per month at the end of the period in 8" wafers

Fab / (Wafer Size)	<u>3Q04</u>	<u>2Q04</u>
Fab 1 (8")	38,820	33,675
Fab 2 (8")	34,824	31,098
Fab 7 (8")	10,322	6,000
Total monthly wafer fabrication capacity	83,966	70,773
Copper Interconnects:		
Fab 3 (8")	15,077	10,099
Total monthly copper interconnect capacity	15,077	10,099

• As of the end of 3Q04, monthly capacity increased to 99,043 wafers, as the Company continued to ramp up Fabs 1, 2, 3, and 7.

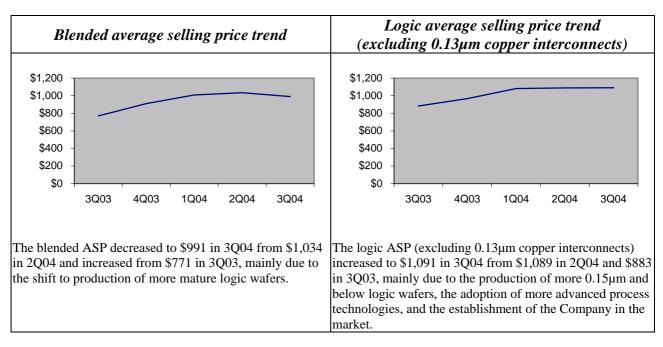
Shipment and utilization:

<u>3Q04</u>	<u>2Q04</u>	<u>1Q04</u>	<u>4Q03</u>	<u>3Q03</u>
263,808	201,534	174,325	153,125	130,780
99%	99%	99%	97%	93%
	263,808	263,808 201,534	263,808 201,534 174,325	263,808 201,534 174,325 153,125

Note:

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

- Wafer shipments increased to 263,808 units of 8-inch wafers in 3Q04 up 30.9% QoQ from 201,534 units of 8-inch wafers in 2Q04, and up 101.7% YoY from 130,780 8-inch wafers in 3Q03.
- The utilization rate remained at 99%.



2. Detailed financial analysis

Gross profit analysis

Amounts in US\$ thousands	<u>3Q04</u>	<u>2Q04</u>	QoQ	<u>3Q03</u>	<u>YoY</u>
Cost of sales Depreciation	(202,387) (108,214)	(159,507)	26.9%	(96,768)	109.1%

3. Liquidity

Amounts in US\$ thousands	<u>3Q04</u>	<u>2Q04</u>
Cash and cash equivalents	950,165	1,198,592
Short term investments	90,823	90,464
Accounts receivable	187,235	131,708
Inventory	134,757	113,563
Others	33,371	40,459
Total current assets	1,396,351	1,574,786
Accounts payable	717,756	699,587
Current portion of long-term debt	191,984	95,992
Others	85,245	54,443

Total curren

4. Cashflow & Capex

Amounts in US\$ thousands	<u>3Q04</u>	<u>2Q04</u>
Net income Depreciation & amortization	39,343 122,636	34,165 101,790
Amortization of acquired intangible assets	3,508	3,532
Net change in cash	(248,428)	(174,480)

Capex plans

Planned capital expenditures for 2004 increased to approximately \$2,000 million.

5. 4Q04 outlook and guidance

- Wafer shipments expected to increase by 15-20%.
- Utilization to expected to be in the mid to high 90%s.
- Blended ASP expected to decline by 5-7%.
- Percentage of sales from 0.18μm and below, including copper interconnects, expected to decrease by a mid single digit percentage point.
- Gross margins expected to be remain similar to 3Q04.
- Operating expenses as a percentage of sales expected to increase to mid to high teens.
- Capital expenditures of approximately \$350-400 million.
- Depreciation and amortization of approximately \$150-160 million.
- Deferred compensation charge of approximately \$7 million, of which approximately \$4 million will be charged to operating expenses and \$3 million in cost of sales.

6. Recent announcements

- Unusual Price and Volume Movement and Articles Regarding the Production of 90nm Chips [2004-10-10]
- Statement in the Form as Prescribed in Rules 13.10 Note (2) of the Listing Rules [2004-10-07]
- Announcement Pursuant to Rules 2.07A and 2.07B [2004-09-30]

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

	As of the end of		
	September 30, 2004	June 30, 2004	
	(unaudited)	(unaudited)	
ASSETS	•		
Current assets:			
Cash and cash equivalents	950,164,909	1,198,592,423	
Short term investments	90,823,297	90,463,911	
Accounts receivable, net off allowances of \$421,681 and \$356,826 respectively	187,235,125	131,707,549	
Inventories	134,757,006	113,562,540	
Prepaid expense and other current assets	8,495,044	7,867,504	
Assets held for sale	24,875,320	32,591,632	
Total current assets	1,396,350,701	1,574,785,559	
Land use rights, net	34,630,167	34,803,658	
Plant and equipment	3,785,221,468	3,159,564,426	
Accumulated depreciation	(623,572,186)	(501,436,777)	
Plant and equipment, net	3,161,649,282	2,658,127,649	
Acquired intangible assets, net	59,720,325	61,777,449	
TOTAL ASSETS	4,652,350,474	4,329,494,315	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:	***		
Short-term borrowings	20,000,000	-	
Current portion of long-term debt	191,983,707	95,991,900	
Accounts payable	717,756,459	699,586,755	
Accrued expenses and other current liabilities	65,244,711	54,443,275	
Total current liabilities	994,984,877	850,021,930	
Long-term liabilities:			
Long-term debt	544,453,946	413,965,135	
Total long-term liabilities	544,453,946	413,965,135	
Total liabilities	1,539,438,823	1,263,987,065	
Commitments			
Stockholders' equity:			
Ordinary shares \$0.0004 par value, 50,000,000,000 shares authorized, shares issued			
and outstanding 18,228,120,120 and 18,224,817,010 respectively	7,291,249	7,289,927	
Warrants	50,297	124,920	
Additional paid-in capital	3,291,017,646	3,294,693,501	
Notes receivable from stockholders	(876,911)	(1,891,580)	
Accumulated other comprehensive income	776,915	400,320	
Deferred stock compensation	(60,178,603)	(70,597,602)	
Accumulated deficit	(125,168,942)	(164,512,236)	
Total stockholders' equity	3,112,911,651	3,065,507,250	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	4,652,350,474	4,329,494,315	
	-		



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

	For the three months ended		
	September 30, 2004	June 30,2004	
	(unaudited)	(unaudited)	
Sales	274,897,225	220,988,561	
Cost of sales	(199,163,928)	(156,952,228)	
Cost of sales - Amortization of deferred stock compensation	(3,223,528)	(2,554,781)	
Gross profit	72,509,769	61,481,552	
Operating expenses:			
Research and development	(20,688,265)	(13,532,637)	
General and administrative	(3,831,441)	(6,019,392)	
Selling and marketing	(1,899,002)	(1,940,035)	
Amortization of deferred stock compensation*	(3,553,558)	(3,599,151)	
Total operating expense	(29,972,266)	(25,091,215)	
Income from operations	42,537,503	36,390,337	
Other income (expenses):			
Interest income	3,107,173	2,732,629	
Interest expense	(3,614,187)	(2,759,605)	
Others, net	(2,687,195)	(2,197,963)	
Total other income, net	(3,194,209)	(2,224,939)	
Net income	39,343,294	34,165,398	
Deemed dividends on preference shares	-	-	
Income attributable to holders of ordinary shares	39,343,294	34,165,398	
Net income per ordinary share, basic	0.0022	0.0019	
Net income per ADS, basic (1)	0.1095	0.0955	
Net income per ordinary share, diluted	0.0022	0.0019	
Net income per ADS, diluted (1)	0.1079	0.0941	
Shares used in calculating basic net income per ordinary share (in millions)	17,961	17,897	
Shares used in calculating diluted net income per ordinary share (in millions)	18,225	18,147	
*Amortization of deferred stock compensation related to:			
Research and development	1,346,112	1,301,740	
•	1,667,791	1,671,587	
General and administrative expenses	* *		
Selling and marketing	539,655	625,824	

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

	For the three months ended		
	September 30, 2004	June 30,2004	
	(unaudited)	(unaudited)	
Operating activities:			
Income attributable to holders of ordinary shares	39,343,294	34,165,398	
Deemed dividends on preference shares	-	-	
Net income	39,343,294	34,165,398	
Adjustments to reconcile net income to net cash provided			
by operating activities:			
Gain (loss) on disposal of plant and equipment	(486,231)	20,676	
Bad debt expense	64,855	280,391	
Depreciation and amortization	122,635,996	101,789,774	
Amortization of acquired intangible assets	3,507,555	3,531,649	
Amortization of deferred stock compensation	6,777,086	6,153,932	
Changes in operating assets and liabilities:			
Accounts receivable	(55,592,431)	(15,175,779)	
Inventories	(21,194,466)	(28,083,387)	
Prepaid expense and other current assets	115,508	10,148,004	
Accounts payable	8,805,299	21,703,089	
Accrued expenses and other current liabilities	15,264,958	7,876	
Net cash provided by operating activities	119,241,423	134,541,623	
Investing activities:			
Purchases of plant and equipment	(617,011,320)	(351,833,464)	
Purchases of aquired intangible assets	(728,529)	(2,611,626)	
Purchase of short-term investments	<u>-</u>	(64,132,303)	
Sale of short-term investments	-	1,005,977	
Sale of investments held to maturity	-	3,004,297	
Proceeds received for assets held for sale	3,025,118	1,530,794	
Proceeds from disposal of plant and equipment	52,196	440,078	
Net cash used in investing activities	(614,662,535)	(412,596,247)	
Financing activities:			
Proceeds from long-term debt	226,480,618	16,066,960	
Proceeds from short-term debt	20,000,000	-	
Proceeds from exercise of employee stock option	495,772	32,166,207	
Collection of subscription receivables	-	93,000,000	
Change in deposit received from stockholders	-	(37,772,810)	
Net cash provided by financing activities	246,976,390	103,460,357	
Effect of foreign exchange rate changes	17,208	114,441	
NET INCREASE (DECREASE) IN CASH AND CASH			
EQUIVALENTS	(248,427,514)	(174,479,826)	
CASH AND CASH EQUIVALENTS, beginning of period	1,198,592,423	1,373,072,249	
CASH AND CASH EQUIVALENTS, end of period	950,164,909	1,198,592,423	