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## **NEWS RELEASE**

### **SMIC Reports 2008 First 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 – April 29, 2008.** 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, 2008.

#### **First Quarter 2008 Highlights:**

- Non-DRAM revenue increased by 5.5% QoQ to \$318.6 million from 4Q07 and increased by 25.6% YoY from 1Q07.
- Overall revenue, however, decreased to \$362.4 million in 1Q08, down 8.3% QoQ from 4Q07 and down 6.7% YoY from 1Q07 due to lower DRAM shipment quantity.
- DRAM as a proportion of total revenue fell to 12.1% in 1Q08 from 23.6% in 4Q07.
- Logic sales from 0.13 micron full-flow and 90 nanometer technology nodes have increased by 33.5% in 1Q08 QoQ.
- Gross margin was -9.0% in 1Q08 compared to 8.9% in 4Q07 primarily due to losses from the commodity DRAM business including a \$44.5 million additional loss provision taken against the remaining DRAM inventories.
- The Company recorded a net loss of \$119.1 million in 1Q08, including the reversal of \$20.5 million deferred income tax benefits recorded in 4Q07, as required under US GAAP, resulting in an adjusted net loss of \$19 million in 2007.
- Fully diluted EPS was (\$0.3205) per ADS.

During the first quarter of 2008, the Company reached an agreement with our customers to exit the commodity DRAM business. The Company considers this an indicator of impairment in regard to the long-lived assets of the Company’s Beijing facility in accordance with SFAS 144. As of the date of this announcement, the Company has engaged an external valuer and is in the process of evaluating whether or not such assets have been impaired. Any impairment loss, if so determined, would result in an additional non-cash charge to the Company’s net income for the first quarter of 2008.

Over a conference call, Dr. Richard Chang, Chief Executive Officer of SMIC, spoke with analysts about the quarterly results. “SMIC reported a quarterly loss of \$119.1 million, which includes an additional loss provision for DRAM inventory of about \$44.5 million, as well as the reversal of \$20.5 million deferred income tax benefits recorded in 4Q07. During the first quarter, management reached an agreement with our customers to exit the commodity DRAM business. This reduction of DRAM production and conversion of DRAM capacity into logic—which will continue throughout 2008—remains key to our strategy. As a result, SMIC made a concerted effort to reduce its DRAM foundry services by 53.0% from the previous quarter and 67.5% from the first quarter of 2007. At the same time, we increased logic shipments 6.2% quarter-on-quarter, and our 90-nm logic shipments surged 136.8% over the fourth quarter. As DRAM as a portion of our total revenue fell to 12.1% compared to 23.6% in the fourth quarter of 2007, our overall logic revenue gained 6.5% quarter-over-quarter and 25.6% year-over-year.





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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 concerning our expectation for second quarter 2008 revenue, our expectation for persistently strong demand in advanced technology nodes through the remainder of 2008, anticipated market demand for devices that consume logic ICs, our plan to enter process qualification for our 45-nm technology solution in 2009, SMIC's ability to grow and improve profitability in 2008, and statements under "Capex Summary" and "Second Quarter 2008 Guidance", 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 cyclicalities 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, orders or judgments from pending litigation, 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 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 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:



allegations of TSMC in the United States lawsuit, it filed on September 12, 2006, a cross-complaint against TSMC seeking, among other things, damages for TSMC's breach of contract and breach of implied covenant of good faith and fair dealing.

On November 16, 2006, the High Court in Beijing, th



## **Summary of First Quarter 2008 Operating Results**

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

	1Q08	4Q07	QoQ	1Q07	YoY
Revenue	362,369	395,254	-8.3%	388,284	-6.7%
Cost of sales	394,940	360,207	9.6%	351,345	12.4%
Gross profit	(32,571)	35,047	-	36,940	-
Operating expenses	64,377	57,389	12.2%	21,722	196.4%
(Loss) income from operations	(96,948)	(22,342)	333.9%	15,218	-
Other income (expenses), net	(3,596)	(1,655)	117.3%	(12,187)	-70.5%
Income tax (expenses) credit	(19,142)	23,100	-	5,964	-
Net (loss) income after income taxes	(119,685)	(897)	13242.8%	8,995	-
Minority interest	846	1,157	-26.9%	977	-13.4%
Loss from equity investment	(241)	(882)	-72.7%	(1,212)	-80.1%
(Loss) income attributable to holders of ordinary shares	(119,081)	(622)	19044.9%	8,760	-
Gross margin	-9.0%	8.9%		9.5%	
Operating margin	-26.8%	-5.7%		3.9%	
Net (loss) income per ordinary share - basic <sup>(1)</sup>	(0.0064)	(0.0000)		0.0005	
Net (loss) income per ADS – basic	(0.3205)	(0.0017)		0.0237	
Net (loss) income per ordinary share – diluted <sup>(1)</sup>	(0.0064)	(0.0000)		0.0005	
Net (loss) income per ADS – diluted	(0.3205)	(0.0017)		0.0234	
Wafers shipped (in 8" wafers) <sup>(2)</sup>	454,259	497,454	-8.7%	450,592	0.8%
Capacity utilization	92.1%	94.4%		86.2%	

*Note:*

<sup>(1)</sup> Based on weighted average ordinary shares of 18,579 million (basic) and 18,579 million (diluted) in 1Q08, 18,550 million (basic) and 18,550 million (diluted) in 4Q07 and 18,451 million (basic) and 18,706 million (diluted) in 1Q07

<sup>(2)</sup> Including copper interconnects

- Non-DRAM revenue increased by 5.5% QoQ to \$318.6 million from 4Q07 and increased by 25.6% YoY from 1Q07.
- Overall revenue, however, decreased to \$362.4 million in 1Q08, down 8.3% QoQ from \$395.3 million in 4Q07 and down 6.7% YoY from \$388.3 million in 1Q07 due to lower DRAM shipments.
- Cost of sales increased to \$394.9 million in 1Q08, up 9.6% QoQ from \$360.2 million in 4Q07, primarily due to a \$44.5 million additional loss provision taken against the remaining DRAM inventories.
- Gross profit decreased to \$(32.6) million in 1Q08, down QoQ from \$35.0 million in 4Q07 and down YoY from \$36.9 million in 1Q07.
- Gross margins decreased to -9.0% in 1Q08 from 8.9% in 4Q07 primarily due to losses from the commodity DRAM business.



- Total operating expenses increased to \$64.4 million in 1Q08 from \$57.4 million, an increase of 12.2% QoQ, primarily due to an increase in R&D expenses.
- R&D expenses increased to \$34.2 million in 1Q08, up 30.7% from \$26.2 million in 4Q07 primarily due to start up costs associated with the new 12-inch project in Shanghai.
- G&A expenses decreased to \$18.6 million in 1Q08 from \$18.8 million in 4Q07.
- Selling & marketing expenses decreased to \$4.9 million in 1Q08, down 14.1% QoQ from \$5.7 million in 4Q07 primarily due to a decrease in engineering material expenses associated with selling activities.



## Analysis of Revenues

Sales Analysis			
By Application	1Q08	4Q07	1Q07
Computer	12.8%	22.9%	33.0%
Communications	54.3%	47.4%	41.3%
Consumer	25.9%	22.7%	18.3%
Others	7.0%	7.0%	7.4%
By Service Type	1Q08	4Q07	1Q07
Logic <sup>(3)</sup>	78.4%	67.4%	58.2%
DRAM	12.1%	23.6%	34.7%
Management Services	2.5%	1.5%	3.2%
Mask Making, testing, others	7.0%	7.5%	3.9%
By Customer Type	1Q08	4Q07	1Q07
Fabless semiconductor companies	54.4%	49.3%	47.1%
Integrated device manufacturers (IDM)			





## **Detailed Financial Analysis**

### **Gross Profit Analysis**

<i>Amounts in US\$ thousands</i>	<b>1Q08</b>	<b>4Q07</b>	<b>QoQ</b>	<b>1Q07</b>	<b>YoY</b>
Cost of sales	394,940	360,207	9.6%	351,345	12.4%
Depreciation	159,715	161,232	-0.9%	185,707	-14.0%
Other manufacturing costs	227,731	190,671	19.4%	157,279	44.8%
Deferred cost amortization	5,886	5,886	-	5,886	-
Share-based compensation	1,608	2,418	-33.5%	2,473	-35.0%
Gross Profit	(32,571)	35,047	-	36,940	-
Gross Margin	-9.0%	8.9%	-	9.5%	-

- Cost of sales increased to \$394.9 million in 1Q08, up 9.6% QoQ from \$360.2 million in 4Q07, primarily due to a \$44.5 million additional loss provision taken against the remaining DRAM inventories.
- Gross profit decreased to \$(32.6) million in 1Q08, down QoQ from \$35.0 million in 4Q07 and down YoY from \$36.9 million in 1Q07.
- Gross margins decreased to -9.0% in 1Q08 from 8.9% in 4Q07 primarily due to losses from the commodity DRAM business.

### **Operating Expense Analysis**

<i>Amounts in US\$ thousands</i>	<b>1Q08</b>	<b>4Q07</b>	<b>QoQ</b>	<b>1Q07</b>	<b>YoY</b>
Total operating expenses	64,377	57,389	12.2%	21,722	196.4%
Research and development	34,233	26,201	30.7%	21,733	57.5%
General and administrative	18,606	18,820	-1.1%	17,087	8.9%
Selling and marketing	4,883	5,688	-14.1%	3,893	25.4%
Amortization of intangible assets	6,784	6,878	-1.4%	6,229	8.9%
Loss (Income) from disposal of properties	(130)	(198)	-34.3%	(27,220)	-99.5%

- Total operating expenses increased to \$64.4 million in 1Q08 from \$57.4 million, an increase of 12.2% QoQ, primarily due to an increase in R&D expenses.
- R&D expenses increased to \$34.2 million in 1Q08, up 30.7% from \$26.2 million primarily due to start up costs associated with the new 12-inch project in Shanghai.
- G&A expenses decreased to \$18.6 million in 1Q08 from \$18.8 million in 4Q07.
- Selling & marketing expenses decreased to \$4.9 million in 1Q08, down 14.1% QoQ from \$5.7 million in 4Q07 primarily due to a decrease in engineering material expenses associated with selling activities.



## Other Income (Expenses)

Amounts in US\$ thousands	1Q08	4Q07	QoQ	1Q07	YoY
Other income (expenses)	(3,596)	(1,655)	117.3%	(12,187)	-70.5%
Interest income	3,758	3,971	-5.4%	1,972	90.6%
Interest expense	(17,267)	(11,485)	50.3%	(15,003)	15.1%
Other, net	9,913	5,859	69.2%	844	1074.5%

- Other non-operating loss of \$3.6 million in 1Q08 as compared to a loss of \$1.7 million in 4Q07, primarily due to an increase in interest expense.
- Interest expense increased in 1Q08 relative to 4Q07 due to lower capitalized interest expense in 1Q08 and the receipt of government interest subsidy in 4Q07.
- The increase in Other, net is due to an increase in foreign exchange gain related to non-operating activities.

## Liquidity

Amounts in US\$ thousands	1Q08	4Q07
Cash and cash equivalents	506,320	469,284
Short term investments	29,474	7,638
Accounts receivable	283,932	298,388
Inventory	216,159	248,310
Others	59,036	51,682
Total current assets	1,094,921	1,075,302
Accounts payable	290,677	301,993
Short-term borrowings	137,470	107,000
Current portion of long-term debt	341,620	340,693
Others	181,054	180,504
Total current liabilities	950,821	930,190
Cash Ratio	0.5x	0.5x
Quick Ratio	0.9x	0.8x
Current Ratio	1.2x	1.2x



## Capital Structure

Amounts in US\$ thousands	1Q08	4Q07
Cash and cash equivalents	506,320	469,284
Short-term investment	29,474	7,638
Current portion of promissory note	29,493	29,242
Promissory note	51,495	51,057
Short-term borrowings	137,470	107,000
Current portion of long-term debt	341,620	340,693
Long-term debt	639,058	616,295
Total debt	1,118,148	1,063,988
Shareholders' equity	2,897,407	3,012,519
Total debt to equity ratio	38.6%	35.3%

## Cash Flow

Amounts in US\$ thousands	1Q08	4Q07
Net cash from operating activities	136,231	195,872
Net cash from investing activities	(153,727)	(266,780)
Net cash from financing activities	54,594	101,946
Net change in cash	37,036	31,022

- Net cash from operating activities decreased in 1Q08 due to higher operating losses and more payments made to materials suppliers in 1Q08.

## Capex Summary

- Capital expenditures for 1Q08 were \$136 million.
- Total planned capital expenditures for 2008 will be approximately \$700 million and will be adjusted based on market conditions.

## Second Quarter 2008 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 decrease 3% to 6% from 1Q08 while non-DRAM revenue expected to grow 3% to 6% from 1Q08.
- Operating expense as a percentage of revenue expected to be around 20%.
- Capital expenditure expected to be approximately \$160 million to \$200 million.



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## **Recent Highlights and Announcements**

- Announcement of 2007 Annual Results [2008-4-25]
- Unusual Movement In Share Trading Price [2008-4-15]
- Extension of Waiver of Qualified Accountant [2008-4-7]
- SMU Welcomes Three Alumni into Engineering Hall Of Leaders [2008-3-28]
- Latest Development [2008-3-24]
- SMIC Participates in SEMICON China 2008 [2008-3-18]
- SMIC Honored with SEMI China Corporate Social Contribution Award; Dr. Richard Chang Receives Industry Excellence and Contribution Award [2008-3-18]
- Synopsys and SMIC Deliver Enhanced 90-Nanometer Reference Flow to Reduce IC Design and Test Costs [2008-2-26]
- Dr. Richard Chang, President and CEO of SMIC, Named Semiconductor International's 2007 Person of the Year [2008-2-25]
- Further Announcement - Waiver application in respect of disclosure of information relating to Discloseable Transaction [2008-2-13]
- Further Delay In Despatch Of Circular In Relation To A Discloseable Transaction [2008-1-29]
- SMIC Reports 2007 Fourth Quarter Results [2008-1-24]

*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.*



Semiconductor Manufacturing International Corporation  
BALANCE SHEET  
(In US dollars)

	As of the end of	
	Mar 31, 2008 (unaudited)	December 31, 2007 (unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 506,320,313	\$ 469,284,013
Short term investments	29,473,900	7,637,870
Accounts receivable, net of allowances of \$4,084,646, \$ 4,492,090, at Mar. 31 2008 and Dec 31 2007, respectively	283,931,518	298,387,652
Inventories	216,159,019	248,309,765
Prepaid expense and other current assets	38,642,090	31,237,755
Receivable for sale of plant and equipment and other fixed assets	17,355,300	17,321,000
Assets held for sale	3,038,345	3,123,567
Total current assets	<b>1,094,920,485</b>	<b>1,075,301,622</b>
Land use rights, net	57,242,556	57,551,991
Plant and equipment, net	3,136,116,825	3,202,957,665
Acquired intangible assets, net	226,440,883	232,195,132
Deferred cost	64,750,835	70,637,275
Equity investment	9,655,431	9,896,398
Other long-term prepayments	2,893,411	2,988,404
Deferred tax assets	38,102,589	56,915,172
<b>TOTAL ASSETS</b>	<b>\$ 4,630,123,015</b>	<b>\$ 4,708,443,659</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	290,676,671	301,992,739
Accrued expenses and other current liabilities	151,044,251	150,109,963
Short-term borrowings	137,470,000	107,000,000
Current portion of promissory note	29,492,873	29,242,000
Current portion of long-term debt	341,620,480	340,692,788
Income tax payable	516,451	1,152,630
Total current liabilities	<b>950,820,726</b>	<b>930,190,120</b>
Long-term liabilities:		
Promissory note	51,495,193	51,057,163
Long-term debt	639,058,040	616,294,743
Long-term payables relating to license agreements	56,778,942	62,833,433
Deferred tax liabilities	464,837	604,770
Total long-term liabilities	<b>747,797,012</b>	<b>730,790,109</b>
Total liabilities	<b>\$ 1,698,617,738</b>	<b>\$ 1,660,980,229</b>
Minority interest	34,098,639	34,944,408
Stockholders' equity:		



Semiconductor Manufacturing International Corporation  
BALANCE SHEET  
(In US dollars)

Ordinary shares, \$0.0004 par value, 50,000,000,000 shares authorized, shares issued and outstanding 18,583,994,474 and 18,558,919,712 at Mar. 31 2008 and Dec 31 2007, respectively	7,433,598	7,423,568
Additional paid-in capital	3,317,395,859	3,313,375,972
Accumulated other comprehensive loss	(63,647)	(1,881)
Accumulated deficit	(427,359,172)	(308,278,637)
Total stockholders' equity	<b>2,897,406,638</b>	<b>3,012,519,022</b>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<b>\$ 4,630,123,015</b>	<b>\$ 4,708,443,659</b>



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

	<b>For the three months ended</b>	
	<b>Mar 31, 2008</b> <b>(unaudited)</b>	<b>Dec 31, 2007</b> <b>(unaudited)</b>
Sales	362,368,556	395,253,703
Cost of sales	394,939,583	360,206,661
Gross profit	<b>(32,571,027)</b>	<b>35,047,042</b>
Operating expenses:		
Research and development	34,232,685	26,201,351
General and administrative	18,605,813	18,820,136
Selling and marketing	4,883,475	5,687,731
Amortization of acquired intangible assets	6,784,250	6,877,899
Loss (income) from sale of plant and equipment and other fixed assets	(129,573)	(198,339)
Total operating expenses	<b>64,376,650</b>	<b>57,388,778</b>
Loss from operations	<b>(96,947,677)</b>	<b>(22,341,736)</b>
Other income (expenses):		
Interest income	3,758,119	3,970,874
Interest expense	(17,266,845)	(11,485,321)
Foreign currency exchange gain (loss)	10,317,302	4,613,449



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

**For the three months ended**



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

<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	469,284,013	438,262,051
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<u>506,320,313</u>	<u>469,284,013</u>