



Semiconductor Manufacturing International Corporation  
<http://www.smics.com>

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Pudong New Area  
Shanghai, 201203  
People's Republic of China

## 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 2006 first quarter results

#### Highlights

- Sales increased to \$351.1 million in 1Q06, up 5.4% from \$333.1 million in 4Q05.
- Operating loss decreased to \$6.0 million in 1Q06 from \$8.8 million in 4Q05.
- Net loss decreased to \$8.7 million in 1Q06 from \$15.0 million in 4Q05.
- Utilization rate increased to 95% in 1Q06 from 93% in 4Q05.
- Compared to 4Q05, wafer shipments increased 3.1% to 388,010 8-inch equivalent wafers.
- Capacity increased to 157,330 8-inch equivalent wafers per month in 1Q06 from 152,219 8-inch equivalent wafers per month in 4Q05.

**Shanghai, China – April 28, 2006.** 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, 2006. Sales increased 5.4% in the first quarter of 2006 to \$351.1 million from \$333.1 million in the prior quarter. The Company reported an increase in capacity to 157,330 8-inch equivalent wafers per month and a utilization rate of 95% in the first quarter of 2006. Operating loss decreased to \$6.0 million in the first quarter of 2006 compared to an operating loss of \$8.8 million in the fourth quarter of 2005. Net loss decreased to \$8.7 million in the first quarter of 2006 compared to a net loss of \$15.0 million in the fourth quarter of 2005.

“I am pleased to announce that our performance during the first quarter exceeded our expectations as quarterly revenues continued to increase to \$351 million during the first quarter helping to narrow our operating loss to \$6 million in the first quarter,” said Dr. Richard Chang.

“Our revenues from 0.13 micron and below technologies increased to 47% of total revenues in the first quarter. Revenues generated from 0.15 micron and 0.13 micron and below logic products as a percentage of our logic revenues significantly increased to 14.5% and 13.3% in the first quarter from 8.6% and 10.9% in the fourth quarter. We expect that these trends will continue as we have received a significant increase in 0.13 micron full flow orders and as we commence commercial production for our first 90 nanometer product.

The NAND flash development team has successfully taped out a 2-gigabit NAND flash product during the first quarter. The development remains on schedule to deliver the first engineering samples in June and we target commercial production of this product in the fourth quarter of 2006.

Our Chengdu project began commercial production during the first quarter allowing SMIC to now offer in-house turn-key IC manufacturing for our customers. In addition, our solar power module project is moving along nicely and continues to improve its energy conversion rate. This project is on schedule for starting commercial production in the second quarter of this year.

We believe that the execution of our business plans will lead to an increase in shareholder value.”



### **Conference call / Webcast announcement details**

Date: April 28, 2006

Time: 8:00 a.m. Shanghai time

Dial-in numbers and pass code: U.S. 1-617-614-2714 or HK 852-3002-1672 (Pass code: SMIC).

A live webcast of the 2006 first quarter 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.

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### **About SMIC**

Semiconductor Manufacturing International Corporation ("SMIC", NYSE: SMI and HKSE: 0.981.HK), headquartered in Shanghai, China, is an international company and one of the leading semiconductor foundries in the world, providing integrated circuit (IC) manufacturing at 0.35um to 90nm 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 the first quarter of 2005, SMIC commenced commercial production at its



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## Summary:

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

	1Q06	4Q05	QoQ	1Q05	YoY
Sales	351,138	333,052	5.4%	248,808	41.1%
Cost of sales	307,768	290,094	6.1%	233,696	31.7%
Gross profit	43,370	42,958	1.0%	15,112	187.0%
Operating expenses	49,335	51,756	-4.7%	37,086	33.0%
Loss from operations	(5,965)	(8,798)	-32.2%	(21,974)	-72.9%
Other income (expenses)	(8,865)	(5,852)	51.5%	(8,012)	10.6%
Income tax	14	152	-90.8%	9	60.5%
Net loss after					
Income taxes	(14,844)	(14,802)	0.3%	(29,995)	-50.5%
Minority interest	947	(176)	-	-	-
Cumulative effect of a change in accounting principle	5,154	-	-	-	-
Loss attributable to holders of ordinary shares	(8,743)	(14,978)	-41.6%	(29,995)	-70.9%
Gross margin	12.4%	12.9%		6.1%	
Operating margin	-1.7%	-2.6%		-8.8%	
Net loss per share – basic/diluted <sup>(1)</sup>	(\$0.0005)	(\$0.0008)		(\$0.0017)	
Net loss per ADS – basic/diluted	(\$0.0239)	(\$0.0410)		(\$0.0831)	
Wafers shipped (in 8" wafers) <sup>(2)</sup>	388,010	376,227	3.1%	284,912	36.2%
Logic ASP <sup>(3)</sup>	\$945	\$953	-0.8%	\$967	-2.3%
Blended ASP	\$862	\$855	0.8%	\$829	4.0%
Simplified ASP <sup>(4)</sup>	\$905	\$885	2.3%	\$873	3.7%
Capacity utilization	95%	93%		85%	

Note:

(1) Based on weighted average ordinary shares of 18,278 million in 1Q06, 18,251 million in 4Q05 and 18,054 million in 1Q05

(2) Including copper interconnects

(3) Excluding copper interconnects

(4) Total sales/total wafers shipped

- Sales increased to \$351.1 million in 1Q06, up 5.4% QoQ from \$333.1 million in 4Q05 and up 41.1% YoY from \$248.8 million in 1Q05. Key factors leading to these increases were the following:
  - increased 8-inch equivalent wafer shipments to 388,010, up 3.1% QoQ from 376,227 in 4Q05;
  - increased blended ASP by 0.8% QoQ; and
  - increased utilization rate to 95%.
- Cost of sales increased to \$307.8 million in 1Q06, up 6.1% QoQ from \$290.1 million in 4Q05, primarily due to increased wafer shipments and depreciation expenses.
- Gross profit increased to \$43.4 million in 1Q06, up 1.0% QoQ from \$43.0 million in 4Q05 and up 187.0% YoY from \$15.1 million in 1Q05.
- Gross margins decreased to 12.4% in 1Q06 from 12.9% in 4Q05.
- R&D expenses decreased to \$20.6 million in 1Q06, down 17.5% QoQ from \$25.0 million in 4Q05, primarily due to the receipt of subsidies for such activities.
- G&A expenses, including foreign exchange gains, increased to \$11.7 million in 1Q06, up 19.8% QoQ from \$9.8 million in 4Q05, primarily due to an increase in bad debt expense, personnel related expenses, and taxes.
- Selling & marketing expenses decreased to \$6.0 million in 1Q06, down 6.0% QoQ from \$6.3 million in 4Q05.
- Amortization of acquired intangible assets increased to \$11.0 million in 1Q06, up 3.6% QoQ from \$10.6 million in 4Q05.
- Loss from operations decreased to a loss of \$6.0 million in 1Q06, down 32.2% QoQ from \$8.8 million in 4Q05 and from a loss of \$22.0 million in 1Q05.
- Other non-operating loss of \$8.9 million in 1Q06, up 51.5% QoQ from a loss of \$5.9 million in 4Q05, primarily due to an increased share of loss of an affiliate company and a one-time fixed asset sale in the previous quarter.



- Interest expenses increased to \$12.2 million in 1Q06, up 3.5% QoQ from \$11.8 million in 4Q05, primarily due to higher interest rates.
- Net loss decreased to \$8.7 million, down 41.6% QoQ from a net loss of \$15.0 million in 4Q05 and down 70.9% from a net loss of \$30.0 million in 1Q05.
- The company recognized a one-time credit adjustment of \$5.2 million as cumulative effect of change in accounting principle regarding share-based compensation charges upon the adoption of SFAS 123R.



## 1. Analysis of revenues

<b>Sales analysis</b>					
<b><u>By Application</u></b>	<b><u>1Q06</u></b>	<b><u>4Q05</u></b>	<b><u>3Q05</u></b>	<b><u>2Q05</u></b>	<b><u>1Q05</u></b>
Computer	36.0%	34.8%	33.7%	39.8%	36.8%
Communications	45.8%	43.8%	39.8%	40.4%	44.5%
Consumer	13.3%	16.6%	22.8%	15.2%	13.6%
Others	4.9%	4.8%	3.7%	4.6%	5.1%
<b><u>By Device</u></b>	<b><u>1Q06</u></b>	<b><u>4Q05</u></b>	<b><u>3Q05</u></b>	<b><u>2Q05</u></b>	<b><u>1Q05</u></b>
Logic (including copper interconnect)	62.8%	65.3%	65.5%	58.9%	61.9%
DRAM <sup>(1)</sup>	32.4%	31.3%	31.0%	36.5%	33.0%
Other (mask making & probing, etc.)	4.8%	3.4%	3.5%	4.6%	5.1%
<b><u>By Customer Type</u></b>	<b><u>1Q06</u></b>	<b><u>4Q05</u></b>	<b><u>3Q05</u></b>	<b><u>2Q05</u></b>	<b><u>1Q05</u></b>
Fabless semiconductor companies	41.8%	43.2%	43.2%	42.2%	48.1%
Integrated device manufacturers (IDM)	52.8%	51.7%	52.8%	55.2%	49.6%
System companies and others	5.4%	5.1%	4.0%	2.6%	2.3%
<b><u>By Geography</u></b>	<b><u>1Q06</u></b>	<b><u>4Q05</u></b>	<b><u>3Q05</u></b>	<b><u>2Q05</u></b>	<b><u>1Q05</u></b>
North America	43.5%	39.2%	42.9%	40.8%	40.4%
Asia Pacific (ex. Japan)	21.3%	28.2%	25.7%	26.3%	26.9%
Japan	3.3%	3.6%	4.5%	6.0%	8.0%
Europe	31.9%	29.0%	26.9%	26.9%	24.7%
<b>Wafer revenue analysis</b>					
<b><u>By Technology (logic, DRAM &amp; copper interconnect only)</u></b>	<b><u>1Q06</u></b>	<b><u>4Q05</u></b>	<b><u>3Q05</u></b>	<b><u>2Q05</u></b>	<b><u>1Q05</u></b>
0.13μm and below	46.6%	42.9%	43.8%	44.5%	29.2%
0.15μm	8.7%	5.2%	2.7%	2.5%	12.5%
0.18μm	35.7%	42.3%	45.3%	40.7%	40.3%
0.25μm	1.6%	3.3%	3.1%	3.9%	4.6%
0.35μm	7.4%	6.3%	5.1%	8.4%	13.4%



**Capacity:**

<b>Fab / (Wafer Size)</b>	<b>1Q06<sup>(1)</sup></b>	<b>4Q05<sup>(1)</sup></b>
Fab 1 (8")	43,000	43,441
Fab 2 (8")	47,954	46,451
Fab 4 (12")	30,220	27,368
Fab 7 (8")	15,000	15,000
<b>Total monthly wafer fabrication capacity</b>	<b>136,174</b>	<b>132,260</b>
<b>Copper Interconnects:</b>		
Fab 3 (8")	21,156	19,959
<b>Total monthly copper interconnect capacity</b>	<b>21,156</b>	<b>19,959</b>

Note:

(1) Wafers per month at the end of the period in 8" wafers

- As of the end of 1Q06, monthly capacity increased to 157,330 8-inch equivalent wafers.

**Shipment and utilization:**

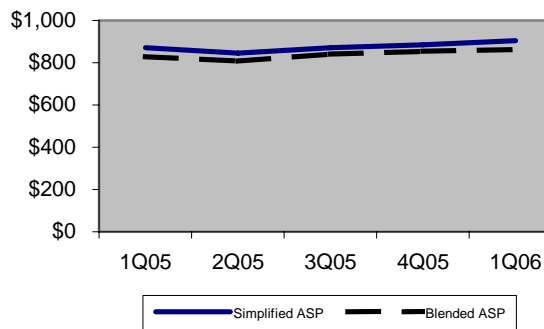
<b>8" wafers</b>	<b>1Q06</b>	<b>4Q05</b>	<b>3Q05</b>	<b>2Q05</b>	<b>1Q05</b>
Wafer shipments including copper interconnects	388,010	376,227	355,664	330,499	284,912
Utilization rate <sup>(1)</sup>	95%	93%	92%	87%	85%

Note:

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

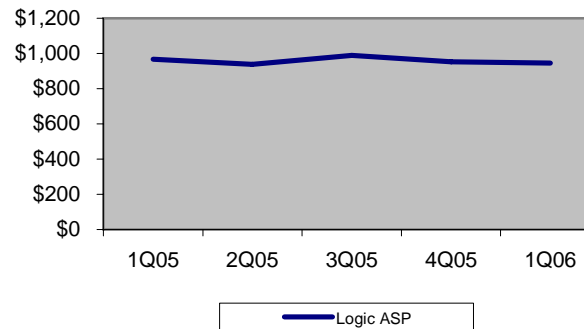
- Wafer shipments increased to 388,010 units of 8-inch equivalent wafers in 1Q06, up 3.1% QoQ from 376,227 units of 8-inch equivalent wafers in 4Q05, and up 36.2% YoY from 284,912 8-inch equivalent wafers in 1Q05.
- Utilization rate increased to 95%.

**Blended and simplified average selling price trend**



The blended and simplified ASP increased to \$862 and \$905 in 1Q06 from \$855 and \$885 in 4Q05 respectively, mainly due to stronger DRAM pricing environment.

**Logic average selling price trend (excluding 0.13µm copper interconnects)**



The logic ASP (excluding 0.13 µm copper interconnects) decreased to \$945 in 1Q06 from \$953 in 4Q05.



## **2. Detailed financial analysis**

### ***Gross profit analysis***

<i>Amounts in US\$ thousands</i>	<b><u>1Q06</u></b>	<b><u>4Q05</u></b>	<b><u>QoQ</u></b>	<b><u>1Q05</u></b>	<b><u>YoY</u></b>
Cost of sales	307,768	290,094	6.1%	233,696	31.7%
Depreciation	189,054	176,545	7.1%	145,307	30.1%
Other manufacturing costs	118,714	113,549	4.5%	88,389	34.3%
Gross Profit	43,370	42,958	1.0%	15,112	187.0%
Gross Margin	12.4%	12.9%		6.1%	

- Cost of sales increased to \$307.8 million in 1Q06, up 6.1% QoQ from \$290.1 million in 4Q05, primarily due to increased wafer shipments and depreciation expenses.
- Gross profit increased to \$43.4 million in 1Q06, up 1.0% QoQ from \$43.0 million in 4Q05 and up 187.0% YoY from \$15.1 million in 1Q05.
- Gross margins decreased to 12.4% in 1Q06 from 12.9% in 4Q05.

### ***Operating expense analysis***

<i>Amounts in US\$ thousands</i>	<b><u>1Q06</u></b>	<b><u>4Q05</u></b>	<b><u>QoQ</u></b>	<b><u>1Q05</u></b>	<b><u>YoY</u></b>
Total operating expenses	49,335	51,756	-4.7%	37,086	33.0%
Research and development	20,593	24,964	-17.5%	15,956	29.1%
General and administrative	11,749	9,803	19.8%	8,164	43.9%
Selling and marketing	5,970	6,349	-6.0%	3,097	92.7%
Amortization of acquired intangible assets	11,023	10,640	3.6%	9,869	11.7%

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### **3. Liquidity**

<i>Amounts in US\$ thousands</i>	<b><u>1Q06</u></b>	<b><u>4Q05</u></b>
Cash and cash equivalents	485,121	585,797



## Capital Structure

<i>Amounts in US\$ thousands</i>	<b>1Q06</b>	<b>4Q05</b>
Cash and cash equivalents	485,121	585,797
Short-term investment	3,525	13,796
Current portion of promissory note	29,493	29,242
Promissory note	104,140	103,254
Short-term borrowings	211,608	265,481
Current portion of long-term debt	246,081	246,081
Long-term debt	431,504	494,556
Total debt	889,193	1,006,118
Net cash	(534,180)	(539,021)
Shareholders' equity	3,019,086	3,026,099
Total debt to equity ratio	29.5%	33.3%

## 4. Cashflow & Capital Expenditure

<i>Amounts in US\$ thousands</i>	<b>1Q06</b>	<b>4Q05</b>
Net loss	(8,743)	(14,978)
Depreciation & amortization	210,595	201,358
Amortization of acquired intangible assets	11,024	10,640
Net change in cash	(100,676)	9,030

### Capital expenditure plans

- Capital expenditures for 1Q06 were \$225 million.
- Total planned capital expenditures for 2006 will be approximately \$1.1 billion and will be adjusted based on market conditions.

## 5. 2Q06 outlook

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 by 2% to 5% over 1Q06.
- Utilization rate expected to be approximately 93% to 95%.
- Gross margins expected to be roughly at the same levels as 1Q06.
- Operating expenses as a percentage of sales expected to be at the same levels as 1Q06.
- Non-operating interest expense expected to be approximately \$11 million.
- Capital expenditures expected to be approximately \$400 million to \$450 million.
- Depreciation and amortization expected to be approximately \$235 million to \$240 million.



## **6. Recent announcements**

- SMIC and CADENCE Deliver New Analog Mixed-Signal Reference Flow to Speed Fabless Chip Design [2006-04-13]
- Announcement of 2005 Annual Results [2006-03-29]
- SMIC Participates in SEMICON China 2006 [2006-03-21]
- SMIC and Hangzhou Sicomm to Jointly Offer RF Transmitter/Receiver Chip [2006-03-21]
- SMIC Receives Sony “Green Partner” Certificates [2006-03-17]
- Semiconductor Manufacturing International (Chengdu) Corporation Holds Grand Opening for Assembly and Testing Facility [2006-03-17]
- SMIC Signs Agreement with TTSilicon Ltd to Increase Support for its Fabless Semiconductors Customers in UK and Northern Europe [2006-03-14]
- Tensilica, Virage Logic and SMIC Partner to Provide Hard Macro Versions of Diamond Standard Processor Cores [2006-02-21]
- Clarification Announcement [2006-02-08]
- Resignation of Non-executive Director and Appointment of Non-executive Director [2006-02-07]
- SMIC reports 2005 fourth quarter results [2006-02-06]
- SMIC-Manufactured, Guoxin-Designed Chip Wins Technology Innovation Award [2006-01-18]
- SMIC and ARC International to Jointly Bring Configurable Processors to China [2006-01-09]
- SMIC Adopts Mentor Graphics’ Eldo Simulator to Analog Circuits for its 0.13-micron and Below Process Nodes [2006-01-06]
- Infineon and SMIC Extend Agreement into 90nm Manufacturing [2006-01-06]
- SMIC Extends NROM Technology License Agreement With SAIFUN [2006-01-04]

*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**  
**CONSOLIDATED BALANCE SHEET**  
(In US dollars)

	<b>March 31, 2006</b> (unaudited)	<b>December 31, 2005</b> (audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	485,120,565	585,796,887
Short term investments	3,525,210	13,795,859
Accounts receivable, net of allowances of \$3,155,788 and \$1,091,340, respectively	241,020,392	241,333,914
Inventories	196,584,559	191,237,636
Prepaid expense and other current assets	16,363,507	15,300,591
<b>Total current assets</b>	<b>942,614,233</b>	<b>1,047,464,887</b>
Land use rights, net	41,392,218	34,767,518
Plant and equipment, net	3,286,544,385	3,285,631,131
Acquired intangible assets, net	191,933,630	195,178,898
Long-term investment	16,762,335	17,820,890
Other non-current assets	2,342,957	2,552,407
<b>TOTAL ASSETS</b>	<b>4,481,589,758</b>	<b>4,583,415,731</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	286,884,436	262,318,432



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

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Sales	351,137,952	333,051,413
Cost of sales	307,767,802	290,093,917
<b>Gross profit</b>	<b>43,370,150</b>	<b>42,957,496</b>
Operating expenses:		
Research and development	20,592,655	24,963,969
General and administrative	11,748,899	9,803,070
Selling and marketing	5,970,146	6,348,944
Amortization of acquired intangible assets	11,023,590	10,639,905
<b>Total operating expenses</b>	<b>49,335,290</b>	<b>51,755,888</b>
<b>Loss from operations</b>	<b>(5,965,140)</b>	<b>(8,798,392)</b>
Other income (expenses):		
Interest income	4,595,384	4,119,974
Interest expense	(12,201,407)	(11,791,740)
Others, net	(200,656)	2,214,436
<b>Total other income (expenses), net</b>	<b>(7,806,679)</b>	<b>(5,457,330)</b>
<b>Net loss before income taxes</b>	<b>(13,771,819)</b>	<b>(14,255,722)</b>
Income tax	13,985	151,636
Minority interest	947,364	(175,970)
Share of loss of affiliate company	(1,058,555)	(395,013)
Cumulative effect of a change in accounting principle	5,153,986	-
<b>Net loss</b>	<b>(8,743,009)</b>	<b>(14,978,341)</b>
On the basis of net loss before accounting change per share, basic/diluted	(0.0008)	(0.0008)
Cumulative effect of a change in accounting principal per share, basic/diluted	0.0003	-
Net loss per share, basic/diluted	(0.0005)	(0.0008)
On the basis of net loss before accounting change per ADS	(0.0380)	(0.0410)
Cumulative effect of a change in accounting principal per ADS	0.0141	-
Net loss per ADS, basic/diluted (1)	(0.0239)	(0.0410)
Ordinary shares used in calculating basic/diluted income per ordinary share (in millions)	6	18,278

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

	<b>March 31, 2006</b>	<b>December 31, 2005</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Operating activities:</b>		
Loss attributable to holders of ordinary shares	(8,743,009)	(14,978,341)
Cumulative effect of a change in accounting principle	(5,153,986)	-
Net loss	(13,896,995)	(14,978,341)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Minority interest	(947,364)	175,970
Gain (loss) on disposal of plant and equipment	1,018	(1,776,513)
(Reversal of) Bad debt expense	-	807,249
Depreciation and amortization	210,595,208	201,358,428
Amortization of acquired intangible assets	11,023,590	10,639,905
Amortization of deferred stock compensation	6,164,767	6,485,294
Non-cash interest expense on promissory notes	1,465,312	2,037,607
Loss on long-term investment	1,058,555	519,284
Changes in operating assets and liabilities:		
Accounts receivable	313,522	(29,318,399)
Inventories	(5,346,923)	(8,387,032)
Prepaid expense and other current assets	(853,466)	(5,937,696)
Accounts payable	3,521,334	(5,242,931)
Accrued expenses and other current liabilities	(10,144,265)	17,817,242
Income tax payable	93,634	-
<b>Net cash provided by operating activities</b>	<b>203,047,927</b>	<b>174,200,067</b>
<b>Investing activities:</b>		
Purchases of plant and equipment	(197,518,652)	(208,688,953)
Purchases of acquired intangible assets	(1,439,000)	(3,749,999)
Purchase of short-term investments	-	(12,183,063)
Proceeds paid for long-term investment	-	-
Sale of short-term investments	10,250,212	3,983,468
Proceeds received from living quarter sales	-	7,948,629
Proceeds from disposal of fixed assets	1,167,914	2,630,000