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SEMICONDUCTOR MANUFACTURING INTERNATIONAL CORPORATION
中芯國際集成電路製造有限公司*
(Incorporated in the Cayman Islands with limited liability)
(STOCK CODE: 0981)

SMIC REPORTS UNAUDITED RESULTS FOR THE THREE MONTHS ENDED MARCH 31, 2017

- Revenue was \$793.1 million in 1Q17, a decrease of 2.7% QoQ from \$814.8 million in 4Q16 and an increase of 25.0% YoY from \$634.3 million in 1Q16.
- Gross profit was \$220.8 million in 1Q17, compared to \$246.0 million in 4Q16 and \$153.8 million in 1Q16.
- Gross margin was 27.8% in 1Q17, compared to 30.2% in 4Q16 and 24.2% in 1Q16.
- Net profit for the period attributable to SMIC was \$69.8 million in 1Q17, as compared to

Dr Haijun Zhao, MICR Chief Executive Officer, commented, Our team delivered a good quarter with year on year growth, improved operating income, and strong EBI/DA in Q2. Revenue grew 8% year over year, representing a sequential decline of 2%. Operating profit grew 15% YoY and 5% QoQ. EBI/DA was a record high of 24% in Q2, an increase of 4% YoY and 4% QoQ and representing an EBI/DA margin of 4%.

In the first half of 2020, we are confronting the challenges of customer changes in market positioning, seasonal inventory adjustments, and overall muted handset market growth in China; however, we have actively pursued new incremental revenue from a variety of customers and markets to mitigate the impact of such headwinds. We believe we are in a great position, both strategically and financially to weather this cyclical downturn and are positioned to benefit from some exciting future trends, including automotive, industrial, internet of things, and others.

Our 28nm is ramping up and reached 5% of wafer revenue in Q2, representing a growth of 15% QoQ. We continue to work with our customers on 28nm new tape outs for a diverse set of applications. 55nm wafer revenue sequentially grew 2% YoY and 5% QoQ. We continue to ramp 28nm, 55nm and numerous products on 16nm and from a device perspective, we are pursuing growth in areas in which we are seeing meaningful demand such as NOR flash, RF connectivity, Power IC, and others. P

Conference Call / Webcast Announcement

Date: May 15, 2020

About SMIC

Semiconductor Manufacturing International Corporation ("SMIC" NY EMI EHK) 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 on process nodes from 5 micron to 28 nanometer. Headquartered in Shanghai, China, SMIC has an international manufacturing and service base. In China, SMIC has a 300mm wafer fabrication facility ("fab") and a 280mm fab in Shanghai, a 300mm fab and a majority owned 300mm fab for advanced nodes in Beijing, 280mm fabs in Tianjin and Shenzhen and a majority owned joint venture building facility in Jiangyin. Additionally, in Italy SMIC has a majority owned 280mm fab. 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.

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 Private Securities Litigation Reform Act of 1995. These forward looking statements, including statements under Second Quarter 2012 Guidance, CapEx outlook and the statements contained in the quotes of our CEO are based on

About Non-Generally Accepted Accounting Principles (“Non-GAAP”) Financial Measures

To supplement MIC’s consolidated financial results presented in accordance with IFRS, MIC uses in this press release non GAAP measures of operating results that are adjusted to exclude finance cost, depreciation and amortization, income tax benefits and expenses, the effect of employee bonus accrual, government funding and gain from the disposal of living quarters. This earnings release also includes second quarter 2020 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. This earnings release includes EBITDA, EBITDA margin and non GAAP operating expenses which consist of total operating expenses as adjusted to exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters. These non GAAP financial measures are not calculated or presented in accordance with, and are not alternatives or substitutes for financial measures prepared in accordance with IFRS, and should be read only in conjunction with the Group’s financial measures prepared in accordance with IFRS. The Group’s non GAAP financial measures may be different from similarly titled non GAAP financial measures used by other companies.

MIC believes that use of these non GAAP financial measures facilitates investors’ and management’s comparisons to MIC’s historical performance. The Group’s management regularly uses these non GAAP financial measures to understand, manage and evaluate the Group’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 GAAP measures is not available on a forward looking basis.

Summary of First Quarter 2017 Operating Results

Amounts in US thousands, except for EPS and operating data

	1Q17	4Q16	QoQ	1Q16	YoY
Revenue	4,225	4,222	2	4,222	8
Cost of sales	2,222	2,222		2,222	
Gross profit	2,003	2,000	2	2,000	4
Operating expenses	4,444	4,444	2	4,444	
Profit from operations		4,444	5		
Other income (expense), net	2	4		2	
Profit before tax	5,555	4,444	4	5,555	2
Income tax expense benefit	2	54		2	
Profit for the period	64,213	58,038		51,762	4
Other comprehensive income (expense)					
Exchange differences on translating foreign operations	2	2		2	
Change in value of available-for-sale financial assets	2			2	
Cash flow hedges	2	2		2	
Actuarial gains and losses on defined benefit plans	2	4		2	
Others					
Total comprehensive income for the period	90,616	13,931	55	50,967	
Profit for the period attributable to:					
MIC		4	2	4	
Non controlling interests	2	2		2	4
Profit for the period	64,213	58,038		51,762	4
Gross margin	2	2		2	
Earnings per ordinary share ¹					
Basic	2	2		2	
Diluted		2			
Earnings per ADS ²					
Basic		2			
Diluted					
Wafers shipped (in millions of equivalent wafers)	5	5		5	
Capacity utilization ³		5			

Note:

¹ Based on weighted average ordinary shares of 4,483 million basic and 5,064 million diluted in 1Q17, 4.23 million basic and 5,055 million diluted in 4Q16, and 4.20 million basic and 4,635 million diluted in 1Q16. The basic and diluted earnings per share for 1Q16 have been adjusted to reflect the impact of the share consolidation, on the basis that every ten ordinary shares of par value of 0.0004 each consolidated into one consolidated share of par value of 0.004 each, which was accounted for as a reverse stock split effective on December 7, 2016 "Share Consolidation"

² Each ADS represents 5 ordinary shares.

³ Based on total equivalent wafers out divided by estimated total quarterly capacity.

- Revenue decreased by 2 QoQ from 4 billion in 4Q to 4 billion in 1Q, mainly due to a product mix change in 1Q and the headwinds described in our CEO's quotes above
- Cost of sales was 2 billion in 1Q, up QoQ from 2 billion in 4Q
- Gross profit was 2 billion in 1Q, a decrease of 2 QoQ from 2 billion in 4Q
- Gross margin was 2 in 1Q, as compared to 2 in 4Q due to lower fab utilization
- Operating expenses were 4.4 billion in 1Q, a decrease of 2.2 QoQ from 6.6 billion in 4Q, mainly due to the reasons stated in Operating Expenses and Income Analysis below

- Other income expense, net was 2 million loss in Q , as compared to 5 million gain in 4Q. The change was mainly due to the reasons stated in Other Income Expense, Net below.
- Income tax expense was 1 million in Q , as compared to income tax benefit of 5 million in 4Q. The change in income tax benefit expense was mainly due to the recognition of deferred tax asset for deductible temporary differences in 4Q.
- Exchange differences on translating foreign operations were 2 million gain in Q and

Analysis of Revenue

Revenue Analysis			
By Application	1Q17	4Q16	1Q16
Computer	4	4	4
Communications	45	44	5
Consumer	4		54
Auto/Industrial			2
Others	4		
By Service Type	1Q17	4Q16	1Q16
Manufacturing		4	5
Maintenance, testing, others			4
By Geography	1Q17	4Q16	1Q16
North America	4	2	24
China ^x	4	4	42
Eurasia ^{x2}	5		24
Wafer Revenue Analysis			
By Technology	1Q17	4Q16	1Q16
28nm	5	5	4
40nm	2	2	
55nm	22		2
Other	54	4	
300mm		42	45
200mm	2	2	4

Note

1 Including Hong Kong, but excluding Taiwan

2 Excluding China and Hong Kong

Capacity*

Fab		1Q17	4Q16
hanghai 2	Fab	,	,

Operating Expenses (Income) Analysis

Amounts in US thousands	1Q17	4Q16	QoQ	1Q16	YoY
Operating expenses	4,4	, 4	2 2	,	
Research and development, net	, 5	, 5		5,4	5
General and administrative	, 4	, 4	5	2,4 2	4
Impairment and other	, 5	,	4 2	,	
Other operating income (expense)	(X)4, 4	, 4		(X), 4	5 5

- Research and development expenses decreased by 5 million QoQ to 4 million in 1Q17, compared to 9 million in 4Q16. Excluding the funding of R D contracts from the government, R D expenses decreased by 2 million QoQ to 2 million in 1Q17. The change was mainly due to higher level of R D activities in 4Q16. Funding of R D contracts from the government was 4 million in 1Q17, compared to 22 million in 4Q16.
- General and administrative expenses decreased by 5 million to 4 million in 1Q17, compared to 9 million in 4Q16. The change was mainly due to a decrease in accrued employee bonus in 1Q17.
- The change in other operating income (expense) was mainly due to government funding received in 1Q17 and 2 million arising from the disposal of equipment in 4Q16.

Other Income (Expense), Net

Amounts in US thousands	1Q17	4Q16	QoQ	1Q16	YoY
Other income (expense), net	(X) 2	4		(X),	
Interest income	5,5	4, 4		,	222 2
Finance costs	(X), 5	(X), 5	2 2	(X),55	2
Foreign exchange gains or losses	(X)2 2	4		(X), 2	45
Other gains or losses, net	2	5, 4		, 4	4 4
Share of loss of investment using equity method	(X),	(X),4	2	(X),5 2	2

- The decrease in other gains or losses, net was mainly due to the gain in the fair value recognized in relating to the put option in 4Q16, which was granted by Jiangsu Changjiang Electronics Technology Co., Ltd. (JCEP), to the Group to sell the shares of Suzhou Changjiang Electric Xin'e Investment Co., Ltd. (Changjiang Xin'eP) to JCE, pursuant to an investment exit agreement entered into by JCEP subsidiary of MIC, JCE and Jiangsu Xinchao Technology Group Co., Ltd. (Xinchao) substantial shareholder of JCE.
- The change in share of loss of investment using equity method was mainly due to an increase of the loss attributable to Changjiang Xin'e.

Depreciation and Amortization

<i>Amounts in US thousands</i>	1Q17	4Q16	QoQ	1Q16	YoY
Depreciation and amortization	25,4	25,5	2	5,4	4,4

The increase in depreciation and amortization in Q was primarily due to an increase in the capacity of our majority owned Beijing fab and Shanghai fab

Liquidity

Amounts in US thousands

1

Capital Structure

Amounts in US thousands	1Q17	4Q16
Cash and cash equivalent	55,24	52,
Restricted cash - current	2,	,
Restricted cash - non current	,2	,2,
Other financial assets ¹	55,4	,54
Short term borrowings	24,	2,4
Long term borrowings	,42	,2,54
Short term notes	,	,4
Medium term notes	2,2	24,52
Convertible bonds - current		,4
Convertible bonds - non current	,	,5,2
Corporate bonds	45,44	44,
Total debt	52,4	,5,2
Net debt ²	52,4	,2
Equity	5,	5,4,22
Total debt to equity ratio ³	4	5
Net debt to equity ratio ⁴		

Note

- 1 Other financial assets mainly contain financial products sold by bank and bank deposits over 3 months.
- 2 Net debt is total debt minus cash and cash equivalent, and other financial assets.
- 3 Total debt divided by equity.
- 4 Net debt divided by equity.

Convertible bonds - current decreased to zero at the end of Q from 4 million at the end of 4Q. The change was because the bondholders of the bunch of convertible bonds due 2018 exercised their conversion options to fully convert the outstanding Bonds into the MICB ordinary shares in Q.

Cash Flow

Amounts in US thousands	1Q17	4Q16
Net cash from operating activities	4,2	45,5
Net cash used in investing activities	(4,2)	(2,)
Net cash from financing activities	5,2	2,
Effect of exchange rate changes	25	(X),4
Net change in cash and cash equivalent	(X),	4,5

Capex Summary

- Capita expenditures were 2 million in Q, compared to 4 million in 4Q.
- The planned 2017 capita expenditures for foundry operations are approximately 2 billion, of which approximately 1 billion is expected to be spent for the expansion of capacity in our majority owned Beijing fab.
- The planned 2017 capita expenditures for non foundry operations are approximately 1 billion, mainly for the construction of employee quarters.

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thousands except share data

	For the three months ended	
	March 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)
Revenue	4, 2	4, 2
Cost of sa es	(X) 2, 2	(X) 2, 2
Gross profit	2, 0	2, 0
Research and deve op ent expenses, net	(X) 3, 5	(X) 3, 5
Genera and ad inistration expenses	(X) 4, 4	(X) 4, 4
sa es and ar eting expenses	(X) 5, 5	(X) 5, 5
Other operating inco e expense , net	4, 4	(X) 4, 4
Operating expenses	(X) 4, 4	(X) 4, 4
Profit fro operations	2, 0	2, 0
Other inco e expense , net	(X) 2, 2	4, 4
Profit before tax	5, 5	4, 4
Inco e tax expense benefit	(X) 2, 2	5, 5
Profit for the period	64,213	58,038
Other comprehensive income		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on trans ating foreign operations	2, 2	(X) 3, 3
Change in va ue of avai ab e for sa e financia assets	(X) 3, 3	2, 2
Cash f ow hedges ⁴	4, 2	(X) 4, 2
<i>Items that will not be reclassified to profit or loss</i>		
Actuaria gains and osses on defined benefit p ans	2, 2	4, 4
Total comprehensive income for the period	90,616	13,931
Profit for the period attributab e to		
Owners of the Co pany	4, 4	4, 4
Non contro ing interests	(X) 5, 5	(X) 5, 5
	64,213	58,038
ota co prehensive inco e for the period attributab e to		
Owners of the Co pany	2, 2	5, 5
Non contro ing interests	(X) 4, 4	(X) 4, 4
	90,616	13,931

Earnings per share attributab e to e iconductor Manufacturing

Non GAAP operating expenses are defined as operating expenses adjusted to exclude the effect of employee bonus accrual, government funding and gain from the disposal of living quarters. MIC reviews non GAAP operating expenses together with operating expenses to understand, manage and evaluate its business and make financial and operational decisions. The Group also believes it is useful supplemental information for investors and analysts to assess its operating performance. However, the use of non GAAP financial measures has certain limitations as an analytical tool. One of the limitations of using non GAAP financial measures is that they do not include adjustments 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 similarly titled measures used by other companies. In light of the foregoing limitations, you should not consider the non GAAP operating expenses in isolation from or as an alternative to operating expenses prepared in accordance with IFRS.

The following table sets forth the reconciliation of the non GAAP operating expenses to its most directly comparable financial measure presented in accordance with IFRS, for the periods indicated.

	For the three months ended		
	March 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)	March 31, 2016 (Unaudited)
Operating expenses	\$4,4	\$, 4	\$,
Employee bonus accrual	-	2,44	5,42
Government funding	\$2,5	\$2,5	\$,
Gain from the disposal of living quarters	\$,	\$, 4	\$,
Non GAAP operating expenses	<u>\$4,5</u>	<u>\$, 2</u>	<u>\$ 2,2</u>

EBITDA is defined as profit for the period excluding the impact of the finance cost, depreciation and amortization, and income tax benefit and expense. EBITDA margin is defined as EBITDA divided by revenue. MIC uses EBITDA margin as a measure of operating performance for planning purposes, including the preparation of the Group's annual operating budget to allocate resources to enhance the financial performance of the Group's business, to evaluate the effectiveness of the Group's business strategies and in communications with MIC's board of directors concerning the Group's financial performance. Although EBITDA is widely used by investors to measure a company's operating performance without regard to items, such as net finance cost, income tax benefit and expense and depreciation and amortization that can vary substantially from company to company depending upon their respective financing structures and accounting policies, the book values of their assets, their capital structures and the methods by which their assets were acquired, EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of the Group's results of operations as reported under IFRS. One of these limitations is that it does not reflect the Group's capital expenditures or future requirements for capital expenditures or other contractual commitments; it does not reflect changes in, or cash requirements for, the Group's working capital needs; it does not reflect finance cost; it does not reflect cash requirements for income taxes; that, although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and these replacement

- ✖ For the purpose of hedging against the foreign exchange risk relating to the RMB denominated liabilities including bank loans, short term notes and medium term notes, the Group entered into cross currency swap contracts with a term fully matching the repayment schedule of these RMB denominated liabilities. These cross currency swap contracts were designated as hedging instrument of cash flow hedges since 4Q. The effective portion of changes in fair value of the cross currency swap contracts is recognized in other comprehensive income, which are reclassified to profit or loss in the period when the RMB denominated liabilities affect profit or loss in response to foreign exchange fluctuation.

e iconductor Manufacturing Internationa Corporation
CONDENSED CONSOLIDATED BALANCE SHEET OF FINANCIAL POSITION
in thousands

	As of	
	March 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)
ASSETS		
<i>Non-current assets</i>		
Property, plant and equipment	5,500	5,500
Land use right	-	2
Intangible assets	4,500	4,500
Investments in associates	2,400	4,000
Investments in joint ventures	4,400	4,500
Deferred tax assets	4,000	4,500
Derivative financial instrument	-	2,400
Restricted cash	-	2,000
Other assets	4,400	4,500
total non-current assets	<u>25,500</u>	<u>34,500</u>
<i>Current assets</i>		
Inventories	5,000	4,400
Prepayment and prepaid operating expenses	5,000	2,400
Trade and other receivables	5,200	4,500
Other financial assets	5,500	5,400
Restricted cash	2,000	-
Cash and cash equivalent	5,500	2,000
Assets classified as held for sale	-	5,000
total current assets	<u>25,200</u>	<u>25,500</u>
TOTAL ASSETS	<u>10,362,115</u>	<u>10,115,278</u>
EQUITY AND LIABILITIES		
<i>Capital and reserves</i>		
Ordinary shares, 4 par value, 5,000,000 shares authorized, 4,400,000 and 4,500,000 shares issued and outstanding at March 31, 2017 and December 31, 2016, respectively	5,000	5,000
Share premium	5,000	4,500
Reserves	-	5,000
Accumulated deficit	(4,500)	(4,500)
Equity attributable to owners of the Company	<u>4,400</u>	<u>4,500</u>
Noncontrolling interests	2,400	5,500
total equity	<u>5,000</u>	<u>5,400</u>
<i>Non-current liabilities</i>		
Borrowings	-	2,500
Convertible bonds	-	5,000
Bonds payable	4,500	4,400
Medium term notes	2,000	24,500
Deferred tax liabilities	5,000	5,000
Deferred government funding	8,000	2,500
Other financial liabilities	4,500	4,000
Other liabilities	-	4,000
total non-current liabilities	<u>2,000</u>	<u>2,500</u>
<i>Current liabilities</i>		
Trade and other payables	-	4,500
Borrowings	24,000	2,000
Short term notes	-	4,000
Convertible bonds	-	4,000
Deferred government funding	2,000	2,000
Accrued liabilities	5,000	2,400
Other financial liabilities	2,000	4,000
Current tax liabilities	5,000	4,000
total current liabilities	<u>34,500</u>	<u>34,500</u>
total liabilities	<u>4,400</u>	<u>4,500</u>
TOTAL EQUITY AND LIABILITIES	<u>10,362,115</u>	<u>10,115,278</u>

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in thousands

	For the three months ended	
	March 31, 2017 (Unaudited)	December 31, 2016 (Unaudited)
Cash flow from operating activities		
Profit for the period	4, 2	5, 5
Depreciation and amortization	25, 4	25, 5
Share of loss of invest ment using equity method	5, 5	, 4
Changes in working capita and others	(X) 5, 5	, 4
Net cash from operating activities	146,923	405,516
Cash flow from investing activities:		
Pay ments for property, plant and equip ment	(X) 5, 45	(X) 5, 5 2
Pay ments for intangible assets	(X) , 5	(X) 5, 2
Net proceeds after netting off and appreciation tax from disposa of property, plant and equip ment and assets classifed as held for sale	54, 5	5, 4
Changes in restricted cash relating to investing activities	5, 4 2	, 4
Pay ments to acquire financial assets	(X) 4, 5	(X) , 2
Proceeds on sale of financial assets	22, 4	4, 4
Pay ment to acquire long term invest ment	(X) , 5	
Net cash used in investing activities	(848,870)	(128,199)
Cash flow from financing activities:		
Proceeds from borrowings	5 2 2	2, 22
Repayment of borrowings	(X) 22, 24	(X) 5, 5
Proceeds from exercise of employee stock options	2	, 5
Proceeds from non controlling interest capita contribution		5, 54
Net cash from financing activities	125,920	231,016
Effects of exchange rate changes on the balance of cash held in foreign currencies	2 5	(X) , 4
Net increase in cash and cash equivalent	(573,968)	491,259
Cash and cash equivalent, beginning of period	2,126,011	1,634,752
Cash and cash equivalent, end of period	1,552,043	2,126,011

semiconductor Manufacturing International Corporation
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
in thousands

Note 4

X In Q3, the amount included in the income statement of net proceeds under three leasing contracts entered into by the Group with IC Leasing Xianjin Co., Ltd., wholly owned subsidiary of IC Leasing Co., Ltd, an associate of the Group in the form of a sale and leaseback transaction with a repurchase option. The subject sold and leased back under the leasing contract is a batch of production equipment of the Group. As the repurchase prices are set at the expected fair value and the Group is not reasonably certain that it will exercise the repurchase options, the above transaction have been accounted for disposal of property, plant and equipment followed with an operating lease.

As at the date of this announcement, the directors of the Company are

Executive Directors

Zhou Zixue, Chairman

Gao Yonggang, Chief Financial Officer

Non-executive Directors

Wu Zu Yin Chiu, Vice Chairman

Chen Hanzhi

Zhou Jie

Ren Kai

Lu Jun

Wong Guohua

Independent Non-executive Directors

Lip Buan

William Tudor Brown

Carsten I Hua Chang

Changyi Chiang

Jason Jingsheng Cong

By order of the Board

Semiconductor Manufacturing International Corporation

Dr Haijun Zhao

Chief Executive Officer

Shanghai, PRC

May 2, 2020

For identification purposes only