



NEWS RELEASE

SMIC Reports 2017 Fourth 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

Shanghai, China February 8, 2018. Semiconductor Manufacturing International Corporation (NYSE: **SMIC**), one of the leading semiconductor foundries in the world, today announced its consolidated results of operations for the three months ended December 31, 2017.

Fourth Quarter 2017 Highlights

Revenue was \$787.2 million in 4Q17, an increase of 2.3% QoQ from \$769.7 million in 3Q17 and a decrease of 3.4% YoY from \$814.8 million in 4Q16.

Gross profit was \$148.5 million in 4Q17, compared to \$177.3 million in 3Q17 and \$246.0 million in 4Q16.

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back at 2017, we increased annual revenue 6.4% YoY, in line with the foundry industry growth rate. We also successfully ramped up our 28nm technology portfolio and have seen more than 10% revenue contribution in the fourth quarter of 2017. Meanwhile, we have continued to enrich our technology offerings to diversify our revenue streams; for example, our auto and industrial revenue doubled in 2017 compared to 2016.

About SMIC

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 on process nodes from 0.35 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 200mm fab in Shanghai; a 300mm fab and a 200mm fab in Shenzhen; a 300mm fab and a majority

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

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, gain or loss on the disposal of machinery and equipment and gain from the disposal of living quarters. This earnings release also includes first quarter 2018 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, gain or loss on the disposal of machinery and equipment 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.

SMIC believes that use of these non-GAAP financial measures facilitates invest Group 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 because the effect of these adjustment items excluded for the purpose of non-GAAP operating expenses guidance are subject to some unpredictable conditions that cannot be estimated with reasonable certainty.

Summary of Fourth Quarter 2017 Operating Results

Amounts in US\$ thousands, except for EPS and operating data 61 555.07 45.6 11.52 ref3.Qq242.21 543.55 56.4 11.5

	4Q17	3Q17	QoQ	4Q16	YoY
Revenue	787,174	769,723	2.3%	814,802	-3.4%
Cost of sales	(638,678)	(592,426)	7.8%	(568,790)	12.3%
Gross profit	148,496	177,297	-16.2%	246,012	-39.6%
Operating expenses	(145,323)	(154,592)	-6.0%	(196,994)	-26.2%
Profit from operations	3,173	22,705	-86.0%	49,018	-93.5%
Other income (expense), net	(6,086)	7,290	-	473	-
(Loss) profit before tax	(2,913)	29,995	-	49,491	-
Income tax benefit	1,217	595	104.5%	8,547	-85.8%
(Loss) profit for the period	(1,696)	30,590	-	58,038	-
Other comprehensive income (loss):					
Exchange differences on translating foreign operations	8,458	5,686	48.8%	(11,250)	-
Change in value of available-for-sale financial assets	(67)	(455)	-85.3%	617	-
Cash flow hedges	(595)	5,620	-	(34,912)	-98.3%

Gross profit was \$148.5 million in 4Q17, a decrease of 16.2% QoQ from \$177.3 million in 3Q17.

Gross margin was 18.9% in 4Q17, as compared to 23.0% in 3Q17, primarily due to a product-mix change in 4Q17.

Operating expenses were \$145.3 million in 4Q17, a decrease of 6.0% QoQ from \$154.6 million in 3Q17, mainly due to the reasons stated in Operating Expenses (Income) Analysis below.

Other income (expense), net was \$6.1 million loss in 4Q17, as compared to \$7.3 million gain in 3Q17. The change was mainly due to the reasons stated in Other Income (Expense), Net below.

Share of other comprehensive income of joint ventures accounted for using equity method was \$11.8 million in 4Q17, compared to \$5.9 million in 3Q17. The amount was recognized as the Group's share of the change in value of available-for-sale financial assets of the joint ventures, which are all unlisted companies invested indirectly through China IC Capital Co., Ltd (a wholly-owned investment fund company of the Company).

Non-controlling Interests were \$49.4 million losses in 4Q17, as compared to \$4.7 million gains in 3Q17, mainly due to the allocation of the annual advanced technology R&D expenses to Semiconductor Manufacturing North China (Beijing) Corporation (- owned subsidiary in Beijing) in 4Q17.

Analysis of Revenue

Revenue Analysis			
By Application	4Q17	3Q17	4Q16
Computer	6.6%	5.8%	3.9%
Communications	42.5%	45.3%	44.3%
Consumer	37.6%	37.0%	37.4%
Auto/Industrial	8.8%	8.1%	7.0%
Others	4.5%	3.8%	7.4%
By Service Type	4Q17	3Q17	4Q16
Wafers	99.7%	98.4%	96.4%
Mask making, testing, others	0.3%	1.6%	3.6%
By Geography	4Q17	3Q17	4Q16
North America	38.1%	41.9%	33.2%
China ⁽¹⁾	51.3%	45.7%	47.8%
Eurasia ⁽²⁾	10.6%	12.4%	19.0%
Wafer Revenue Analysis			
By Technology	4Q17	3Q17	4Q16
28 nm	11.3%	8.8%	3.5%
40/45 nm	23.6%	20.6%	23.6%
55/65 nm	16.0%	20.2%	19.8%
90 nm	1.8%	1.4%	1.6%
0.11/0.13 μm	6.3%	8.1%	14.8%
0.15/0.18 μm	37.8%	37.8%	34.2%
0.25/0.35 μm	3.2%	3.1%	2.5%

Note:

(1) Including Hong Kong, but excluding Taiwan

(2) Excluding China and Hong Kong

Capacity*

Fab	4Q17	3Q17
Shanghai 200mm Fab	109,000	114,000
Shanghai 300mm Fab	38,250	40,500
Beijing 300mm Fab	103,500	112,500
Tianjin 200mm Fab	50,000	47,000
Shenzhen 200mm Fab	30,000	32,075
Shenzhen 300mm Fab	6,750	-
Majority-Owned Beijing 300mm Fab	65,250	61,875
Majority-Owned Avezzano 200mm Fab	40,000	40,000
Total monthly wafer fabrication capacity	442,750	447,950

Note:

*

ers, calculated on a 30-day basis for comparison purposes

Monthly capacity decreased to 442,750 8-inch equivalent wafers in 4Q17 from 447,950 8-inch equivalent wafers in 3Q17, primarily because of a product-mix change in 4Q17.

Shipment and Utilization

	4Q17	3Q17	QoQ	4Q16	YoY
Wafer shipments	1,124,821	1,076,039	4.5%	1,096,011	2.6%
Utilization rate ⁽¹⁾	85.8%	83.9%	-	96.5%	-

Note:

(1) Based on total equivalent wafers out divided by estimated total quarterly capacity.

Detailed Financial Analysis

Gross Profit Analysis

Amounts in US\$ thousands	4Q17	3Q17	QoQ	4Q16	YoY
Cost of sales	638,678	592,426	7.8%	568,790	12.3%
Depreciation	210,385	178,302	18.0%	159,778	31.7%
Other manufacturing costs	427,262	413,089	3.4%	407,870	4.8%
Share-based compensation	1,031	1,035	-0.4%	1,142	-9.7%
Gross profit	148,496	177,297	-16.2%	246,012	-39.6%

Operating Expenses (Income) Analysis

Amounts in US\$ thousands	4Q17	3Q17	QoQ	4Q16	YoY
Operating expenses	145,323	154,592	-6.0%	196,994	-26.2%
Research and development, net	101,300	106,848	-5.2%	118,325	-15.1%
General and administrative	58,201	46,104	26.2%	46,104	26.2%
Selling and marketing	6,393	9,580	-33.3%	9,580	-33.3%
Other operating (income) loss	(6,070)	8,648	-144.5%	8,648	-144.5%

R&D expenses decreased QoQ to \$101.3 million in 4Q17, compared to \$106.8 million in 3Q17. The decrease was mainly due to the expiration of R&D contracts from the government, R&D expenses increased QoQ to \$135.1 million in 4Q17. The change was mainly due to higher R&D activities in 4Q17. Funding of R&D contracts from the government was \$135.1 million in 4Q17, compared to \$106.8 million in 3Q17.

Other Income (Expense), Net

Amounts in US\$ thousands	4Q17	3Q17	QoQ	4Q16	YoY
Other income (expense), net	(6,086)	7,290	-	473	-
Interest income	8,297	6,545	26.8%	4,674	77.5%
Finance costs	(9,420)	12,906	-	(9,253)	1.8%
Foreign exchange gains or losses	9,192	(11,685)	-	481	1811.0%
Other gains or losses, net	(11,132)	(1,657)	571.8%	5,984	-
Share of (loss) profit of investment using equity method	(3,023)	1,181	-	(1,413)	113.9%

The change in finance costs was mainly due to the interest subsidies received from the government in 3Q17 and no interest subsidies in 4Q17.

Depreciation and Amortization

<i>Amounts in US\$ thousands</i>	4Q17	3Q17	QoQ	4Q16	YoY
Depreciation and amortization	251,741	243,196	3.5%	215,586	16.8%

Liquidity

<i>Amounts in US\$ thousands</i>	4Q17	3Q17
Cash and cash equivalent	1,838,300	1,119,149
Restricted cash	336,043	339,596
Other financial assets current ⁽¹⁾	683,812	607,258
Trade and other receivables	616,308	609,849
Prepayment and prepaid operating expenses	34,371	37,545
Inventories	622,679	625,283
Assets classified as held-for-sale	37,471	38,942
Total current assets	4,168,984	3,377,622
Current tax liabilities	270	780
Other financial liabilities	744	-
Accrued liabilities	180,912	170,735
Deferred government funding	193,158	178,293
Short-term Borrowings	440,608	437,375
Trade and other payables	1,050,460	1,019,153
Other liabilities	40,627	-
Total current liabilities	1,906,779	1,806,336
Cash Ratio ⁽²⁾	1.0x	0.6x
Quick Ratio ⁽³⁾	1.9x	1.5x
Current Ratio ⁽⁴⁾	2.2x	1.9x

Note:

(1) Other financial assets current mainly contains financial products sold by bank and bank deposits over 3 months.

(2) Cash and cash equivalent divided by total current liabilities.

(3) Current assets excluding inventories divided by total current liabilities

(4) Total current assets divided by total current liabilities.

Recent Highlights and Announcements

Discloseable Transaction and Connected Transaction Proposed Capital Contribution and Deemed Disposal of Equity Interest in SMSC (2018-1-30)
Notification of Board Meeting (2018-1-18)
Notice of Extraordinary General Meeting (2018-1-17)
Closure of Register of Members (2018-1-17)
Circulars - Notification Letter for Registered Shareholders (2018-1-17)
Circulars - Notification Letter and Request Form for Non-registered Shareholders (2018-1-17)
Form of Proxy for Use at the Extraordinary General Meeting to be Held on 8 February 2018 (2018-1-17)
Circulars (1) Discloseable and Continuing Connected Transactions in Relation to Framework Agreement and (2) Notice of Extraordinary General Meeting (2018-1-17)
Connected Transaction Disposal of Assets (2018-1-2)
Non-exempt Connected Transactions - Exercise of Pre-emptive Rights and Additional Subscriptions by Datang and China IC Fund (2017-12-15)
Completion of the Issue of US\$65 Million Perpetual Subordinated Convertible Securities (2017-12-15)
-Accelerated Silicon Product (2017-12-13)
Continuing Connected Transactions and Discloseable Transactions in Relation to Framework Agreement (2017-12-07)
Completion of Placing of New Shares under General Mandate (2017-12-06)
(1) Placing of New Shares under General Mandate (2) Proposed Issue of US\$65 Million Perpetual Subordinated Convertible Securities (3) Pre-emptive Right of Datang (4) Pre-emptive Right of China IC Fund and (5) Pre-emptive Right of Country Hill (2017-11-29)
Potential Non-exempt Connected Transactions - Potential Exercise of Pre-emptive Rights by Datang and China IC Fund (2017-11-28)
SMIC Reports Unaudited Results for the Three Months Ended September 30, 2017 (2017-11-14)
Invensas DBI Technology Now Available at SMIC (2017-11-08)
Notification of Board Meeting (2017-10-24)
List of Directors and Their Roles and Functions (2017-10-16)
Appointment of Co-Chief Executive Officer and Executive Directors (2017-10-16)
ACTT's Complete IoT Solution Now Available on SMIC 55nm eFlash Platform (2017-10-10)

*http://www.smics.com/eng/press/press_releases.php and
http://www.smics.com/eng/investors/ir_filings.php
for further details regarding the recent announcements.*

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

	For the three months ended	
	December 31, 2017	September 30, 2017
	(Unaudited)	(Unaudited)
Revenue	787,174	769,723
Cost of sales	(638,678)	(592,426)
Gross profit	<u>148,496</u>	<u>177,297</u>
Research and development expenses, net	(101,300)	(106,848)
General and administration expenses	(58,201)	(46,104)
Sales and marketing expenses	(6,393)	(9,587)
Other operating income (expense), net	<u>20,571</u>	<u>7,947</u>
Operating expenses	<u>(145,323)</u>	<u>(154,592)</u>
Profit from operations	3,173	22,705
Other income (expense), net	<u>(6,086)</u>	<u>7,290</u>
(Loss) profit before tax	(2,913)	29,995
Income tax benefit	<u>1,217</u>	<u>595</u>
(Loss) profit for the period	<u>(1,696)</u>	<u>30,590</u>
Other comprehensive income (loss)		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translating foreign operations	8,458	5,686
Change in value of available-for-sale financial assets	(67)	(455)
Cash flow hedges	(595)	5,620
Share of other comprehensive income of joint ventures accounted for using the equity method ⁽³⁾	<u>11,755</u>	<u>5,891</u>
<i>Items that will not be reclassified to profit or loss</i>		
Actuarial gains and losses on defined benefit plans	<u>(556)</u>	<u>32</u>
Total comprehensive income for the period	17,299	47,364
Profit (loss) for the period attributable to:		

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

Note:

- (1) Non-GAAP operating expenses are defined as operating expenses adjusted to exclude the effect of employee bonus accrual, government funding,

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

The following table sets forth the reconciliation of EBITDA and EBITDA margin to their most directly comparable financial measures presented in accordance with IFRS, for the periods indicated.

	For the three months ended		
	December 31, 2017 (Unaudited)	September 30, 2017 (Unaudited)	December 31, 2016 (Unaudited)
(Loss) profit for the period	(1,696)	30,590	58,038
Finance costs	9,420	(12,906)	9,253
Depreciation and amortization	251,741	243,196	215,586
Income tax benefit	(1,217)	(595)	(8,547)
EBITDA	<u>258,248</u>	<u>260,285</u>	<u>274,330</u>
Profit margin	<u>-0.2%</u>	<u>4.0%</u>	<u>7.1%</u>
EBITDA margin	<u>32.8%</u>	<u>33.8%</u>	<u>33.7%</u>

(3) please refer to Note (4) on Page 5 and the analysis on Page 6.

For further details,

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

	As of	
	December 31, 2017 (Unaudited)	September 30, 2017 (Unaudited)
ASSETS		
<i>Non-current assets</i>		
Property, plant and equipment	6,523,403	6,289,743
Land use right	97,477	98,040
Intangible assets	219,944	228,072
Investments in associates	758,241	740,931
Investments in joint ventures ⁽²⁾	31,681	20,907
Deferred tax assets	44,875	42,027
Other financial assets	17,598	10,448
Restricted cash	13,438	13,228
Other assets	42,810	33,359
Total non-current assets	<u>7,749,467</u>	<u>7,476,755</u>
<i>Current assets</i>		
Inventories	622,679	625,283
Prepayment and prepaid operating expenses	34,371	37,545
Trade and other receivables	616,308	609,849
Other financial assets	683,812	607,258
Restricted cash	336,043	339,596
Cash and cash equivalent	1,838,300	1,119,149
	<u>4,131,513</u>	<u>3,338,680</u>
Assets classified as held-for-sale	37,471	38,942
Total current assets	<u>4,168,984</u>	<u>3,377,622</u>
TOTAL ASSETS	<u>11,918,451</u>	<u>10,854,377</u>
EQUITY AND LIABILITIES		
<i>Capital and reserves</i>		
Ordinary shares, \$0.004 par value, 10,000,000,000 shares authorized, 4,916,106,889 and 4,651,624,748 shares issued and outstanding at December 31, 2017 and September 30, 2017, respectively ⁽¹⁾	19,664	18,606
Share premium ⁽¹⁾	4,827,619	4,475,807
Reserves ⁽²⁾	134,669	119,791
Retained earnings	187,008	131,961
Equity attributable to owners of the Company	<u>5,168,960</u>	<u>4,746,165</u>
Perpetual subordinated convertible securities ⁽³⁾	64,073	-
Non-controlling interests	1,488,302	1,250,264
Total equity	<u>6,721,335</u>	<u>5,996,429</u>
<i>Non-current liabilities</i>		
Borrowings	1,743,939	1,573,150
Convertible bonds	403,329	406,357
Bonds payable	496,689	496,234
Medium-term notes	228,483	224,755
Deferred tax liabilities	16,412	13,280
Deferred government funding	299,749	291,894
Other financial liabilities	1,919	15,633
Other liabilities ⁽⁴⁾	99,817	30,309
Total non-current liabilities	<u>3,290,337</u>	<u>3,051,612</u>
<i>Current liabilities</i>		
Trade and other payables	1,050,460	1,019,153
Borrowings	440,608	437,375
Deferred government funding	193,158	178,293
Accrued liabilities	180,912	170,735

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

Note:

- (1) On December 6, 2017, pursuant to the terms and conditions of the placing agreement entered by the Company and joint placing agents, the Company allotted and issued 241,418,625 placing shares, representing approximately 4.92% of the issued share capital of the Company as enlarged by the issue of the placing shares, to not less than six independent placees at the price of HK\$10.65 per placing share. The gross proceeds of the placing are approximately HK\$2.57 billion (approximately US\$329.1 million) and the net proceeds of the placing (after deduction of fees, commissions and expenses) are approximately HK\$2.55 billion (approximately US\$326.4 million).

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

	<u>For the three months ended</u>	
	<u>December 31, 2017</u>	<u>September 30, 2017</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Cash flow from operating activities		
(Loss) profit for the		

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

Note:

- (1) In 3Q17, there were seven financing arrangements in total consideration of US\$410.8 million entered into by the Group with Xincheng Leasing (Tianjin) Co., Ltd, Xindian Leasing (Tianjin) Co., Ltd and Xinlu Leasing (Tianjin) Co., Ltd. (the three leasing companies are wholly-owned subsidiaries of Sino IC Leasing Co., Ltd., an associate of the Group) respectively, in the form of a sale and leaseback transaction with a repurchase option. A batch of production equipment of the Group was sold and leased back under these financing arrangements. 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 transactions have been accounted for a disposal of property, plant and equipment followed with an operating lease.

