



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

18 Zhangjiang Road  
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 2005 fourth quarter results

#### Highlights

- Sales increased to \$333.1 million in 4Q05, up 7.5% from \$310.0 million in 3Q05.
- Capacity increased to 152,219 8-inch equivalent wafers per month.
- Utilization rate increased to 93% in 4Q05 from 92% in 3Q05.
- Gross margins were 12.9% in 4Q05 up from 8.2% in 3Q05.
- Net loss decreased to \$15.0 million in 4Q05 from \$26.1 million in 3Q05.
- Compared to 3Q05, wafer shipments increased 5.8% to 376,227 8-inch equivalent wafers.

**Shanghai, China – February 6, 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 December 31, 2005. Sales increased 7.5% in the fourth quarter of 2005 to \$333.1 million from \$310.0 million in the prior quarter. The Company reported an increase in capacity to 152,219 8-inch equivalent wafers per month and a utilization rate of 93% in the fourth quarter of 2005. Gross margins were 12.9% in the fourth quarter of 2005 compared to 8.2% in the third quarter of 2005. Net loss decreased to \$15.0 million in the fourth quarter of 2005 compared to a net loss of \$26.1 million in the third quarter of 2005. Compared to the third quarter of 2005, wafer shipments increased 5.8% to 376,227 8-inch wafers in the fourth quarter of 2005.

“We continue to receive strong orders from our broad customer base across leading edge and mainstream technology nodes,” said Dr. Richard Chang, President and Chief Executive Officer of SMIC. “As a result, our revenues and the average selling price of our wafers increased during the fourth quarter.

We continue to generate strong cash flows from operations. We generated \$174 million in cash from our operations during the fourth quarter and \$648 million in 2005. With almost \$600 million of available cash on hand and over \$600 million in available credit facilities, including the recently completed \$105 million loan facility guaranteed by Atradius Dutch State Business N.V. of Amsterdam, we will continue to expand our capacity at our existing sites. Our 2006 capital expenditure budget will be approximately \$1.1 billion, which will be scalable depending on market conditions. In addition, we will pursue alternative opportunities to expand our capacity through the use of strategic alliances.

During the fourth quarter, we commenced commercial production for nine new customers, two of whom are among the top fabless companies in the world. We also taped out nineteen new products, of which over half are products for Mainland China customers. Our Mainland China

joint venture projects continue to progress on schedule. Specifically, our testing and assembly project in Chengdu began pilot production in December 2005 and is ramping up quickly. We anticipate that starting in the first quarter of 2006, we will offer in-house turn-key manufacturing services in China. In addition, our joint venture with Toppan to manufacture on-chip color filters and micro lenses began pilot production in December 2005 and is currently under qualification. ”



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

Date: February 7, 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 2005 fourth 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, SEHK: 0981.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



**Investor Contacts:**

Jimmy Lai  
Investor Relations Department  
Tel: 86-21-5080-2000, ext. 16088  
Fax: 86-21-5080-3619

Calvin Lau  
Investor Relations Department  
Tel: 86-21-5080-2000, ext. 16693  
Fax: 86-21-5080-3619  
Mobile: 852-9435-2603  
Mobile: 86-13636468590



**Summary:**

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

	<u>4Q05</u>	<u>3Q05</u>	<u>QoQ</u>
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- Other non-operating loss of \$5.9 million in 4Q05, up 4.5% QoQ from a loss of \$5.6 million in 3Q05.
- Interest expenses increased to \$11.8 million in 4Q05, up 14.1% QoQ from \$10.3 million in 3Q05, primarily due to the increase in cost of borrowing.
- Net foreign exchange loss of \$0.7 million based on a foreign exchange loss of \$0.6 million in G&A and a foreign exchange loss of \$0.1 million relating to a non-operating activities resulting from financing or investment transactions (i.e. forward contracts) classified as other income (expenses). The total net foreign exchange gain for 2005 was \$1.8 million.
- Net loss decreased to \$15.0 million, down 42.6% QoQ from \$26.1 million in 3Q05 and up 33.5% from a net loss of \$11.2 million in 4Q04.



## 1. Analysis of revenues

<b>Sales analysis</b>					
<b>By Application</b>	<b>4Q05</b>	<b>3Q05</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>
Computer	34.8%	33.7%	39.8%	36.8%	26.8%
Communications	43.8%	39.8%	40.4%	44.5%	58.1%
Consumer	16.6%	22.8%	15.2%	13.6%	10.2%
Others	4.8%	3.7%	4.6%	5.1%	4.9%
<b>By Device</b>	<b>4Q05</b>	<b>3Q05</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>
Logic (including copper interconnect)	65.3%	65.5%	58.9%	61.9%	75.1%
DRAM <sup>(1)</sup>	31.3%	31.0%	36.5%	33.0%	20.4%
Other (mask making & probing, etc.)	3.4%	3.5%	4.6%	5.1%	4.5%
<b>By Customer Type</b>	<b>4Q05</b>	<b>3Q05</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>
Fabless semiconductor companies	43.2%	43.2%	42.2%	48.1%	50.2%
Integrated device manufacturers (IDM)	51.7%	52.8%	55.2%	49.6%	47.5%
System companies and others	5.1%	4.0%	2.6%	2.3%	2.3%
<b>By Geography</b>	<b>4Q05</b>	<b>3Q05</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>
North America	39.2%	42.9%	40.8%	40.4%	34.9%
Asia Pacific (ex. Japan)	28.2%	25.7%	26.3%	26.9%	43.5%
Japan	3.6%	4.5%	6.0%	8.0%	8.8%
Europe	29.0%	26.9%	26.9%	24.7%	12.8%
<b>Wafer revenue analysis</b>					
<b>% Revenues by Technology (logic, DRAM &amp; copper interconnects only) of Total Wafer Revenues</b>	<b>4Q05</b>	<b>3Q05</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>
0.13μm	42.9%	43.8%	44.5%	29.2%	13.8%
0.15μm	5.2%	2.7%	2.5%	12.5%	14.9%
0.18μm	42.3%	45.3%	40.7%	40.3%	33.6%
0.25μm	3.3%	3.1%	3.9%	4.6%	6.0%
0.35μm	6.3%	5.1%	8.4%	13.4%	31.7%
<b>% Revenues by Technology of Logic Only Revenues<sup>(1)</sup></b>	<b>4Q05</b>	<b>3Q05</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>
0.13μm <sup>(2)</sup>	10.9%	14.7%	12.6%	5.4%	2.4%
0.15μm	8.6%	5.3%	4.8%	2.2%	5.3%
0.18μm	65.3%	67.4%	59.4%	59.8%	38.2%
0.25μm	4.8%	4.0%	7.1%	7.1%	7.8%
0.35μm	10.4%	8.6%	16.1%	25.5%	46.3%

Note:

(1) Excluding 0.13μm copper interconnects

(2) Represents revenues generated from manufacturing full flow wafers

- Sales from the communications products segment grew faster than other applications in 4Q05 compared to 3Q05.
- Percentage of sales generated from Asia Pacific (ex. Japan) and European customers in 4Q05 increased to 28.2% and 29.0%, as compared to 25.7% and 26.9% in 3Q05, respectively.
- Percentage of wafer revenues from 0.18μm and below technologies decreased to 90.4% of sales in 4Q05, as compared with 91.8% in 3Q05, and increased from 62.3% in 4Q04.
- Percentage of logic only wafer revenues from 0.18μm and below technologies decreased to 84.8% of sales in 4Q05, as compared with 87.4% in 3Q05 and 45.9% in 4Q04.



**Capacity:**

<b>Fab / (Wafer Size)</b>	<b>4Q05<sup>(1)</sup></b>	<b>3Q05<sup>(1)</sup></b>
Fab 1 (8")	43,441	43,000
Fab 2 (8")	46,451	44,378
Fab 4 (12")	27,368	21,605
Fab 7 (8")	15,000	15,000
Total monthly wafer fabrication capacity	132,260	123,983
<b>Copper Interconnects:</b>		
Fab 3 (8")	19,959	19,205
Total monthly copper interconnect capacity	19,959	19,205

Note:

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

- As of the end of 4Q05, monthly capacity increased to 152,219 8-inch equivalent wafers.

**Shipment and utilization:**

<b>8" wafers</b>	<b>4Q05</b>	<b>3Q05</b>	<b>2Q05</b>	<b>1Q05</b>	<b>4Q04</b>
Wafer shipments including copper interconnects	376,227	355,664	330,499	284,912	303,796
Utilization rate <sup>(1)</sup>	93%	92%	87%	85%	95%

Note:

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

- Wafer shipments increased to 376,227 units of 8-inch equivalent wafers in 4Q05, up 5.8% QoQ from 35N



## 2. Detailed financial analysis

### Gross profit analysis

<i>Amounts in US\$ thousands</i>	<b>4Q05</b>	<b>3Q05</b>	<b>QoQ</b>	<b>4Q04</b>	<b>YoY</b>
Cost of sales	290,094	284,686	1.9%	231,293	25.4%
Depreciation	176,545	167,919	5.1%	130,839	34.9%
Other manufacturing costs	113,549	116,767	-2.8%	100,454	13.0%
Gross Profit	42,958	25,273	70.0%	60,549	-29.1%
Gross Margin	12.9%	8.2%		20.7%	

- Cost of sales increased to \$290.1 million in 4Q05, up 1.9% QoQ from \$284.7 million in 3Q05, primarily due to an increase in wafer shipments.
- Gross profit increased to \$43.0 million in 4Q05, up 70.0% QoQ from \$25.3 million in 3Q05 and down 29.1% YoY from \$60.5 million in 4Q04.
- Gross margins increased to 12.9% in 4Q05 from 8.2% in 3Q05, primarily due to a higher blended ASP and a lower inventory write down.

### Operating expense analysis

<i>Amounts in US\$ thousands</i>	<b>4Q05</b>	<b>3Q05</b>	<b>QoQ</b>	<b>4Q04</b>	<b>YoY</b>
Total operating expenses	51,756	46,219	12.0%	83,937	-38.3%
Research and development	23,747	19,230	23.5%	24,747	-4.0%
General and administrative	8,122	9,122	-11.0%	25,476	-68.1%
Selling and marketing	5,699	4,072	40.0%	2,544	124.1%
Litigation settlement	-	-	-	23,153	-
Amortization of intangible assets	10,640	10,660	-0.2%	4,092	160.0%
Amortization of deferred stock compensation	3,548	3,135	13.2%	3,925	-9.6%

- Total operating expenses were \$51.8 million in 4Q05, an increase of 12.0% QoQ from \$46.2 million in 3Q05.
- R&D expenses increased to \$23.7 million in 4Q05, up 23.5% QoQ from \$19.2 million in 3Q05, primarily due to manufacturing process technology development costs.
- G&A expenses including foreign exchange decreased to \$8.1 million in 4Q05, down 11.0% QoQ from \$9.1 million in 3Q05, primarily due to a decrease in legal fees.
- Selling & marketing expenses increased to \$5.7 million in 4Q05, up 40.0% QoQ from \$4.1 million in 3Q05, primarily due to an increase in engineering material expenses associated with sales activities.
- Amortization of acquired intangible assets representing amortization expenses associated with the acquisition of intangible assets, decreased to \$10.6 million in 4Q05, down 0.2% QoQ from \$10.7 million in 3Q05.

### Other income (expenses)

<i>Amounts in US\$ thousands</i>	<b>4Q05</b>	<b>3Q05</b>	<b>QoQ</b>	<b>4Q04</b>
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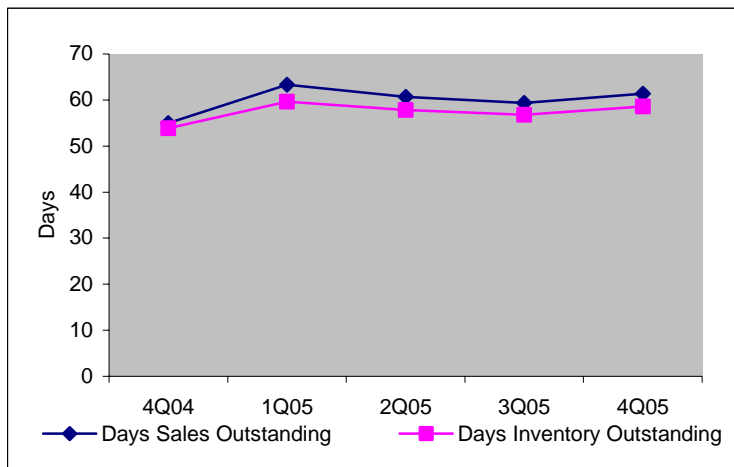


- Interest expenses increased to \$11.8 million in 4Q05, up 14.1% QoQ from \$10.3 million in 3Q05, primarily due to the increase in cost of borrowing.

### **3. Liquidity**

<i>Amounts in US\$ thousands</i>	<b>4Q05</b>	<b>3Q05</b>
Cash and cash equivalents	585,797	576,767
Short term investments	13,796	5,582
Accounts receivable	241,334	212,823
Inventory	191,238	182,851
Others	15,300	12,582
Total current assets	1,047,465	990,605
Accounts payable	262,318	259,797
Short-term borrowings	265,481	266,589
Current portion of long-term debt	246,081	246,081
Others	122,158	113,154
Total current liabilities	896,038	885,621
Cash Ratio	0.7x	0.7x
Quick Ratio	0.9x	0.9x
Current Ratio	1.2x	1.1x

### ***Receivable/Inventory days outstanding trends***





## Capital Structure

<i>Amounts in US\$ thousands</i>	<b>4Q05</b>	<b>3Q05</b>
Cash and cash equivalents	585,797	576,767
Short-term investment	13,796	5,582
Current portion of promissory note	29,242	19,578
Promissory note	103,254	116,749
Short-term borrowings	265,481	266,589
Current portion of long-term debt	246,081	246,081
Long-term debt	494,556	444,566
Total debt	1,006,118	957,236
Net cash	(539,021)	(511,214)
Shareholders' equity	3,026,099	3,034,237
Total debt to equity ratio	33.2%	31.5%

## **4. Cashflow & Capex**

<i>Amounts in US\$ thousands</i>	<b>4Q05</b>	<b>3Q05</b>
Net loss	(14,978)	(26,115)
Depreciat		



## **6. Recent announcements**

- 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 for 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]
- SMIC Announces LDO Linear Voltage Regulator IP Series [2005-12-21]
- SMIC Obtains Euro 85 Million Long Term Credit Facility [2005-12-14]
- SMIC starts volume production of 0.18um Color-VGA CMOS Image Sensor (CIS) wafers [2005-12-07]
- SMIC Announces Availability of 0.18um EEPROM Process Technology and EEPROM IP Design Platform [2005-12-02]
- Change of Address of Principal Place of Business [2005-12-01]
- SMIC and Magma Announce RTL-to-GDSII Reference Design Flow for 0.13-Micron SoCs [2005-11-15]
- SMIC starts volume production of LCOS backplane wafers for 1080P Rear Projection HDTV market [2005-11-11]
- SMIC reports 2005 third quarter results [2005-10-28]
- VeriSilicon and SMIC Jointly Announce Standard Design Platform for SMIC's Advanced 0.13-micron CMOS Process Technology [2005-10-28]
- SMIC Holds 2005 Technology Symposium in Shenzhen [2005-10-13]
- SMIC and CYIT Successfully Manufacture 0.13um 3G Handset Chips [2005-10-12]
- SMIC Enters into Joint Development Effort with Luminescent for its 65nm and Below Process Nodes [2005-10-06]

*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)**

	As of the end of	
	December 31, 2005	September 30, 2005
	(unaudited)	(unaudited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	585,796,887	576,766,591
Short term investments	13,795,859	5,581,511
Accounts receivable, net of allowances of \$1,091,340 and \$284,091, respectively	241,333,914	212,822,764
Inventories	191,237,636	182,850,604
Prepaid expense and other current assets	15,300,591	12,583,729
Total current assets	<b>1,047,464,887</b>	<b>990,605,199</b>
Land use rights, net	34,767,518	38,136,980
Plant and equ		



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

	<b>For the three months ended</b>	
	<b>December 31, 2005</b>	<b>September 30, 2005</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Sales	333,051,413	309,959,083
Cost of sales	287,156,674	281,908,983
Cost of sales - Amortization of deferred stock compensation	2,937,243	2,777,550
<b>Gross profit</b>	<b>42,957,496</b>	<b>25,272,550</b>
Operating expenses:		
Research and development	23,746,620	19,229,715
General and administrative	8,121,786	9,121,980
Selling and marketing	5,699,526	4,071,957
Amortization of acquired intangible assets	10,639,905	10,660,670
Amortization of deferred stock compensation*	3,548,051	3,134,817
<b>Total operating expenses</b>	<b>51,755,888</b>	<b>46,219,139</b>
<b>Loss from operations</b>	<b>(8,798,392)</b>	<b>(20,946,589)</b>
Other income (expenses):		
Interest income	4,119,974	3,277,964
Interest expense	(11,791,740)	(10,333,503)
Others, net	2,214,436	1,453,794
<b>Total other income (expenses), net</b>	<b>(5,457,330)</b>	<b>(5,601,745)</b>
Share of loss of affiliate company	(395,013)	-
<b>Net loss before income taxes</b>	<b>(14,650,735)</b>	<b>(26,548,334)</b>
Income tax	151,636	6,068
Minority interest	(175,970)	438,934
<b>Net loss</b>	<b>(14,978,341)</b>	<b>(26,115,468)</b>
Deemed dividends on preference shares	-	-
<b>Loss attributable to holders of ordinary shares</b>	<b>(14,978,341)</b>	<b>(26,115,468)</b>
Loss per share, basic	(0.0008)	(0.0014)
Loss per ADS, basic (1)	(0.0410)	(0.0718)
Loss per share, diluted	(0.0008)	(0.0014)
Loss per ADS, diluted (1)	(0.0410)	(0.0718)
Ordinary shares used in calculating basic income per ordinary share (in millions)	18,251	18,180
Ordinary shares used in calculating diluted income per ordinary share (in millions)	18,251	18,180

\*Amortization of deferred stock compensation related to:

Research



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

	<b>For the three months ended</b>	
	<b>December 31, 2005</b>	<b>September 30, 2005</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Operating activities:</b>		
Loss attributable to holders of ordinary shares	(14,978,341)	(26,115,468)
Deemed dividends on preference shares	-	-
Net loss	(14,978,341)	(26,115,468)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Minority interest	175,970	(438,934)
Gain (loss) on disposal of plant and equipment	(1,776,513)	(1,245,543)
(Reversal of) Bad debt expense	807,249	174,729
Depreciation and amortization	201,358,428	192,347,054
Amortization of acquired intangible assets	10,639,905	10,660,671
Amortization of deferred stock compensation	6,485,294	5,912,367
Non-cash interest expense on promissory notes	2,037,607	1,033,022
Loss on long-term investment	519,284	784,556
Changes in operating assets and liabilities:		
Accounts receivable	(29,318,399)	(16,865,479)
Inventories	(8,387,032)	(6,348,289)
Prepaid expense and other current assets	(5,937,696)	2,864,683
Accounts payable	(5,242,931)	24,244,703
Accrued expenses and other current liabilities	17,817,242	12,330,949
<b>Net cash provided by operating activities</b>	<b>174,200,067</b>	<b>199,339,021</b>
<b>Investing activities:</b>		
Purchases of plant and equipment	(208,688,953)	(188,180,850)
Purchases of acquired intangible assets	(3,749,999)	(2,663,628)
Purchase of short-term investments	(12,183,063)	(5,217,982)
Proceeds paid for long-term investment	-	(9,600,000)
Sale of short-term investments	3,983,468	2,412,898
Proceeds received from living quarter sales	7,948,629	4,614,394
Proceeds from disposal of fixed assets	2,630,000	-
<b>Net cash used in investing activities</b>	<b>(210,059,918)</b>	<b>(198,635,168)</b>
<b>Financing activities:</b>		
Proceeds from short-term borrowings	64,320,752	91,918,751
Proceeds from long-term debt	49,909,022	74,985,000
Repayment of long-term debt	-	(124,769,718)
Repayment of promissory notes	(5,000,000)	-
Repayment of short-term borrowings	(65,347,912)	(49,330,000)
Proceeds from exercise of employee stock options	762,710	561,806
Collection of notes receivables from employees	247,137	40,492
Proceeds from government grant	-	6,456,486
<b>Net cash provided by financing activities</b>	<b>44,891,709</b>	<b>(137,183)</b>
Effect of foreign exchange rate changes	(1,562)	(92,258)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>9,030,296</b>	<b>474,412</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<b>576,766,591</b>	<b>576,292,179</b>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<b>585,796,887</b>	<b>576,766,591</b>