



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

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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 2004 fourth quarter results

Highlights

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- **Sales increased to \$291.8 million in 4Q04, up 6.2% from \$274.9 million in 3Q04.**
 - **Compared to 3Q04, wafer shipments increased 15.2% to 303,796 8-inch wafers.**
 - **Capacity increased to 120,417 8-inch wafer equivalents per month.**
 - **SMIC settles litigation with Taiwan Semiconductor Manufacturing Company Limited**
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Shanghai, China – March 29, 2005. 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, 2004. Sales increased 6.2% in the fourth quarter of 2004 to \$291.8 million from \$274.9 million in the prior quarter.

Income (loss) attributable to holders of ordinary shares decreased in the fourth quarter of 2004 to a loss of \$11.2 million from income of \$39.3 million in the prior quarter. Income attributable to holders of ordinary shares in the fourth quarter of 2004, excluding the incurrence of an expense of \$23.2 million relating to the settlement of our litigation with Taiwan Semiconductor Manufacturing Company Limited (“TSMC”), would have been \$11.9 million.



Conference call / Webcast announcement details

Date: March 29, 2005

Time: 8:00 a.m. Shanghai time

Dial-in numbers and access codes: U.S. 1-617-614-3943 or HK 852-3002-1672 (Pass code: SMIC).

A live webcast of the 2004 fourth quarter and full year results 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 An archived version of the webcast, along with a soft copy of this news release will be available on the SMIC website for a period of 12 months following the webcast.

About SMIC

SMIC (NYSE: SMI, SEHK: 0981.HK) is one of the leading semiconductor foundries in the world, providing integrated circuit (IC) manufacturing at 0.35-micron to 0.13-micron 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 addition, SMIC recently commenced commercial production at its 12-inch wafer fabrication facility in Beijing. SMIC maintains customer service and marketing offices in the U.S., Europe, and Japan. As part of its dedication towards providing high-quality services, SMIC strives to comply with or exceed international standards and has achieved ISO9001, ISO/TS16949, OHSAS18001, and ISO14001 certifications. For more information, please visit <http://www.smics.com>.

Safe harbor statements

(Under the Private Securities Litigation Reform Act of 1995)

This press release may contain, 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 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 cyclical 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, 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 registration statement on Form F-1, as amended, filed with the SEC on March 11, 2004, especially in the "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" sections, and its registration statement on Form A-1 as filed with the Stock Exchange of Hong Kong (SEHK) on March 8, 2004, 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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4Q04 Summary:

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

	<u>4Q04</u>	<u>3Q04</u>	<u>QoQ</u>	<u>4Q03</u>	<u>YoY</u>
Sales	291,842	274,897	6.2%	145,047	101.2%
Cost of sales	232,725	202,387	15.0%	114,333	103.5%
Gross profit (loss)	59,117	72,510	-18.5%	30,714	92.5%
Operating expenses	82,505	29,972	175.3%	26,096	216.2%
Income (loss) from operations	(23,388)	42,538	-	4,617	-
Other income (expenses)	12,358	(3,195)	-	6,260	97.4%
Net income (loss) after income taxes	(11,216)	39,343	-	10,877	-
Deemed dividend on preference shares	0	0	-	(2,531)	-100.0%
Income attributable to holders of ordinary shares	(11,216)	39,343	-	8,346	-
Gross margin	20.3%	26.4%		21.2%	
Operating margin	-8.0%	15.5%		3.2%	
Basic EPS – per ordinary share ⁽¹⁾	(\$0.0006)	\$0.0022		\$0.0867	
Basic EPS – per ADS	(\$0.0311)	\$0.1095		\$4.3334	
Diluted EPS – per ordinary share	(\$0.0006)	\$0.0022		\$0.0005	
Diluted EPS – per ADS	(\$0.0311)	\$0.1079		\$0.0268	
Wafers shipped (in 8” wafers) ⁽²⁾	303,796	263,808	15.2%	153,125	98.4%
Blended ASP	\$917	\$991	-7.5%	\$910	0.8%
Logic ASP ⁽³⁾	\$1,020	\$1,091	-6.5%	\$967	5.5%
Capacity utilization	95%	99%		97%	

Note:

(1) Based on weighted average ordinary shares of 18,006 million in 4Q04, 17,897 million in 3Q04 and 96 million in 4Q03

(2) Including copper interconnects

(3) Excluding copper interconnects

- Sales increased to \$291.8 million in 4Q04, up 6.2% QoQ from \$274.9 million in 3Q04 and 101.2% YoY from \$145.0 million in 4Q03. Key factors leading to these increases were the following:
 - increased capacity to 120,417 8-inch wafers as of the end of 4Q04;
 - increased wafer shipments to 303,796, up 15.2% QoQ from 263,808 in 3Q04; and
 - high utilization rate of 95%.
- Cost of sales increased to \$232.7 million in 4Q04 from \$202.4 million in 3Q04, primarily due to the increased wafer shipments and increased depreciation expenses, as well as an inventory charge as a result of declining estimated market value.
- Gross profit decreased to \$59.1 million in 4Q04, down 18.5% QoQ from \$72.5 million in 3Q04 and up 92.5% YoY from \$30.7 million in 4Q03.
- Gross margins decreased to 20.3% in 4Q04 from 26.4% in 3Q04, primarily due to an increase in depreciation and a lower blended ASP, which was a result of both the general decline in DRAM pricing and an increase in 0.35µm production.
- Research and development expenses increased to \$27.4 million in 4Q04, up 32.5% QoQ from \$20.7 million in 3Q04, primarily due to 90nm research and development activities, non-recurring start up costs associated with Fab 4 (Beijing) rampup, and an increase in depreciation expenses.
- General and administrative expenses, excluding foreign exchange, increased to \$14.2 million in 4Q04 from \$10.3 million in 3Q04, primarily due to legal expenses relating to the litigation with TSMC.
- General and administrative expenses, including foreign exchange, increased to \$25.5 million in 4Q04, up 564.9% QoQ from \$3.8 million in 3Q04, primarily due to a foreign exchange loss of \$11.3 million in 4Q04 relating to operating activities, i.e. accounts payable or accounts receivable.
- Selling and marketing expenses increased to \$2.5 million in 4Q04, up 33.9% QoQ from \$1.9 million in 3Q04, primarily due to an increase in engineering material costs relating to sales activities.
- Litigation settlement of \$23.2 million recorded as an expense in 4Q04.
- Income (loss) from operations decreased to a loss of \$23.4 million in 4Q04, down from a gain of \$42.5 million in 3Q04 and down from a gain of \$4.6 million in 4Q03.



- Other non-operating income of \$12.4 million in 4Q04, up from a loss of \$3.2 million in 3Q04 primarily due to a foreign exchange gain of \$13.3 million relating to non-operating activities resulting from financing or investment transactions, i.e. forward contracts are classified as other income (expenses).
- Net foreign exchange gain of \$2.0 million based on a foreign exchange loss of \$11.3 million in general and administration and a foreign exchange gain of \$13.3 million relating to non-operating activities resulting from financing or investment transactions classified as other income (expenses).
- Net income (loss) after income taxes decreased to a loss of \$11.2 million, down from a gain of \$39.3 million in 3Q04 and from a gain of \$10.9 million in 4Q03.



1. Analysis of revenues

Sales analysis					
By Application	4Q04	3Q04	2Q04	1Q04	4Q03
Computer	26.8%	20.5%	22.5%	25.1%	26.7%
Communications	58.1%	57.2%	54.3%	56.0%	55.8%
Consumer	10.2%	17.1%	17.1%	12.7%	13.5%
Others	4.9%	5.2%	6.1%	6.2%	4.0%
By Device	4Q04	3Q04	2Q04	1Q04	4Q03
Logic (including copper interconnect)	75.1%	77.6%	73.5%	72.4%	71.6%
DRAM ⁽¹⁾	20.4%	17.5%	20.8%	21.6%	24.5%
Other (mask making & probing, etc.)	4.5%	4.9%	5.7%	6.0%	3.9%
By Customer Type	4Q04	3Q04	2Q04	1Q04	4Q03
Fabless semiconductor companies	50.2%	35.3%	36.1%	36.6%	30.8%
Integrated device manufacturers (IDM)	47.5%	56.3%	54.8%	54.0%	62.7%
System companies and others	2.3%	8.4%	9.1%	9.4%	6.5%
By Geography	4Q04	3Q04	2Q04	1Q04	4Q03
North America	34.9%	41.8%	44.0%	41.4%	36.2%
Asia Pacific (ex. Japan)	43.5%	31.5%	26.5%	27.2%	28.6%
Japan	8.8%	15.6%	16.2%	16.3%	15.5%
Europe	12.8%	11.1%	13.3%	15.1%	19.7%
Wafer revenue analysis					
By Technology (logic, DRAM & copper interconnect only)	4Q04	3Q04	2Q04	1Q04	4Q03
0.13μm	13.8%	11.9%	9.9%	10.1%	10.4%
0.15μm	14.9%	13.2%	13.3%	15.7%	17.5%
0.18μm	33.6%	46.2%	48.6%	44.4%	34.7%
0.25μm	6.0%	6.4%	8.3%	8.3%	10.6%
0.35μm	31.7%	22.3%	19.9%	21.5%	26.8%
By Logic Only⁽²⁾	4Q04	3Q04	2Q04	1Q04	4Q03
0.13μm	2.4%	1.8%	0.9%	0.0%	0.0%
0.15μm	5.3%	4.6%	3.9%	4.4%	1.9%
0.18μm	38.2%	56.2%	63.0%	58.5%	52.9%
0.25μm	7.8%	6.1%	3.1%	5.0%	3.4%
0.35μm	46.3%	31.3%	29.1%	32.1%	41.8%

Note:

(1) Previously referred to as "Memory" however, all historical reported figures in this category have consisted of only DRAM devices

(2) Excluding 0.13μm copper interconnects

- Sales from the computer products segment grew faster than other applications in 4Q04 compared to 3Q04.
- Percentage of sales from logic wafers, including copper interconnects, decreased to 75.1% of sales in 4Q04, as compared to 77.6% in 3Q04.
- Fabless companies increased to 50.2% of sales in 4Q04, as compared to 35.3% in 3Q04.
- Percentage of sales generated from Asia Pacific (excluding Japan) customers increased to 43.5% in 4Q04, as compared to 31.5% in 3Q04.
- Percentage of wafer revenues from 0.18μm and below technologies decreased to 62.3% of sales in 4Q04, as compared with 71.3% in 3Q04.



Capacity:

Fab / (Wafer Size)	4Q04⁽¹⁾	3Q04⁽¹⁾
Fab 1 (8")	45,536	38,820
Fab 2 (8")	35,870	34,824
Fab 4 (12")	7,027	-
Fab 7 (8")	14,182	10,322
Total monthly wafer fabrication capacity	102,615	83,966
Copper Interconnects:		
Fab 3 (8")	17,802	15,077
Total monthly copper interconnect capacity	17,802	15,077

Note:

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

- As of the end of 4Q04, monthly capacity increased to 120,417 8-inch wafer equivalents.

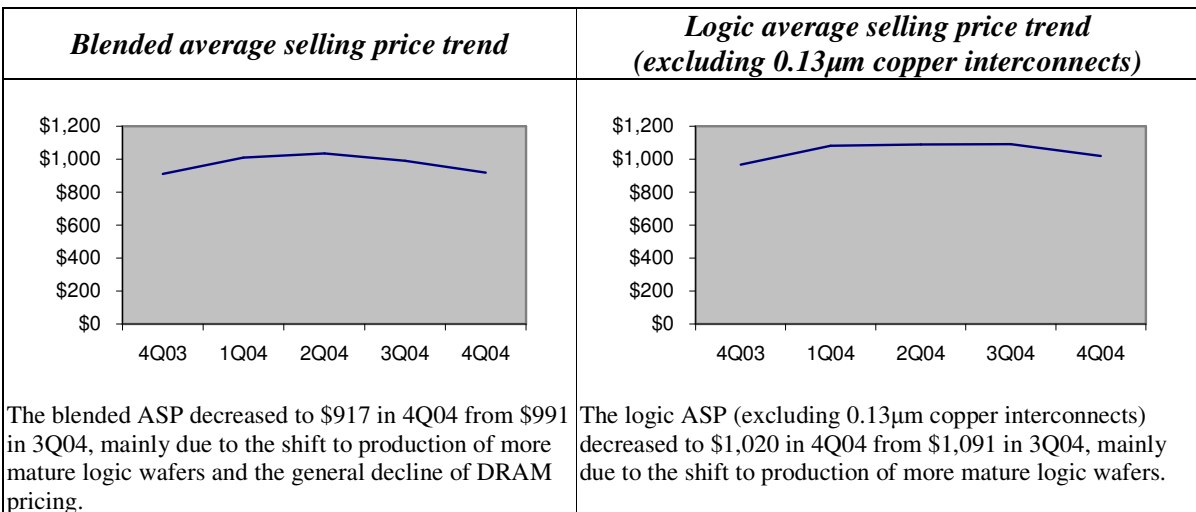
Shipment and utilization:

8" wafers	4Q04	3Q04	2Q04	1Q04	4Q03
Wafer shipments including copper interconnects	303,796	263,808	201,534	174,325	153,125
Utilization rate ⁽¹⁾	95%	99%	99%	99%	97%

Note:

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

- Wafer shipments increased to 303,796 units of 8-inch equivalent wafers in 4Q04, up 15.2% QoQ from 263,808 units of 8-inch wafers in 3Q04, and up 98.4% YoY from 153,125 8-inch wafers in 4Q03.
- Utilization rate decreased to 95% in 4Q04.





2. Detailed financial analysis

Gross profit analysis

Amounts in \$ thousands	4Q04	3Q04	QoQ	4Q03	YoY
Cost of sales	232,725	202,387	15.0%	114,333	103.5%
Depreciation	130,839	108,254	20.9%	51,957	151.8%
Other manufacturing costs	101,886	94,173	8.2%	63,377	63.3%
Gross profit	59,117	72,510	-18.5%	30,714	92.5%
Gross margin	20.3%	26.4%		21.2%	

- Cost of sales increased to \$232.7 million in 4Q04 from \$202.4 million in 3Q04, primarily due to the increased wafer shipments and increased depreciation expenses, as well as an inventory charge as a result of declining estimated market value.
- Gross profit decreased to \$59.1 million in 4Q04, down 18.5% QoQ from \$72.5 million in 3Q04 and up 92.5% from \$30.7 million in 4Q03.
- Gross margins decreased to 20.3% in 4Q04 from 26.4% QoQ in 3Q04, primarily due to an increase in depreciation and a lower blended ASP, which was a result of both the general decline in DRAM pricing and an increase in 0.35 μ m production.

Operating expense analysis

Amounts in \$ thousands	4Q04	3Q04	QoQ	4Q03	YoY
Total operating expenses	82,505	29,972	175.3%	26,096	216.2%
Research and development	27,407	20,688	32.5%	9,341	193.4%
General and administrative	25,476	3,831	564.9%	12,251	108.0%
Selling and marketing	2,544	1,899	33.9%	2,269	12.1%
Litigation settlement	23,153	-	-	-	-
Amortization of deferred stock compensation	3,925	3,554	10.5%	2,235	75.6%

- Total operating expenses increased to \$82.5 million in 4Q04, up 175.3% QoQ from \$30.0 million in 3Q04 and 216.2% YoY from \$26.1 million in 4Q03.
- Research and development expenses increased to \$27.4 million in 4Q04, up 32.5% QoQ from \$20.7 million in 3Q04, primarily due to 90nm research and development activities, non-recurring start up costs associated with Fab 4 (Beijing) rampup, and an increase in depreciation expenses.
- General and administrative expenses, excluding foreign exchange, increased to \$14.2 million in 4Q04 from \$10.3 million in 3Q04, primarily due to legal expenses relating to the litigation with TSMC.
- General and administrative expenses, including foreign exchange, increased to \$25.5 million in 4Q04, up 564.9% QoQ from \$3.8 million in 3Q04, primarily due to a foreign exchange loss of \$11.3 million in 4Q04 relating to operating activities, i.e. accounts payable or accounts receivable.
- Selling and marketing expenses increased to \$2.5 million in 4Q04, up 33.9% QoQ from \$1.9 million in 3Q04, primarily due to an increase in engineering material costs relating to sales activities.
- Litigation settlement of \$23.2 million recorded as an expense in 4Q04.

Other income (expenses)

Amounts in \$ thousands	4Q04	3Q04	QoQ	4Q03	YoY
Other income (expenses)	12,358	(3,195)	-	6,260	97.4%
Interest income	3,264	3,106	5.0%	2,983	9.4%
Interest expense	(4,581)	(3,614)	26.7%	(926)	394.9%
Other, net	13,675	(2,687)	-	4,203	225.4%
Deemed dividends on preference shares	0	0	-	(2,531)	-100.0%



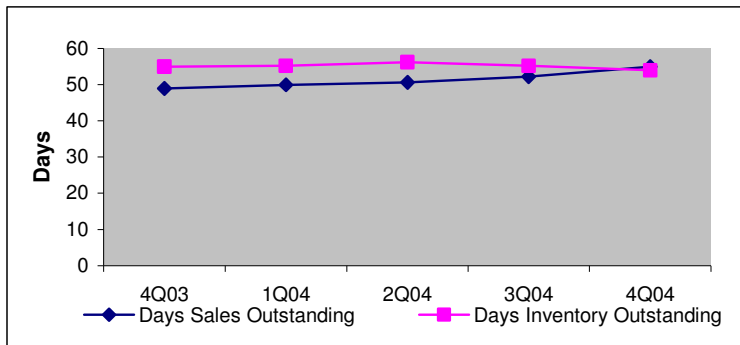
- Other non-operating income of \$12.4 million in 4Q04 due primarily to a foreign exchange gain of \$13.3 million relating to non-operating activities resulting from financing or investment transactions (i.e. forward contracts) classified as other income (expenses).

3. Liquidity

<i>Amounts in \$ thousands</i>	4Q04	3Q04
Cash and cash equivalents	607,173	950,165
Short term investments	20,364	90,823
Accounts receivable	169,188	187,235
Inventory	144,018	134,757
Others	14,675	33,371
Total current assets	955,418	1,396,351
Accounts payable	364,334	717,756
Current portion of long-term debt	191,986	191,984
Others	174,010	85,245
Total current liabilities	730,330	994,985
Cash Ratio	0.8x	1.0x
Quick Ratio	1.1x	1.3x
Current Ratio	1.3x	1.4x

- Cash and cash equivalents decreased to \$607.2 million from \$950.2 million, primarily due to capital expenditure purchases.

Receivable/Inventory days outstanding trends





Capital Structure

Amounts in \$ thousands	4Q04	3Q04
Cash and cash equivalents	607,173	950,165
Short-term investment	20,364	90,823
Short-term borrowings	91,000	20,000
Current portion of long-term debt	191,986	191,984
Long-term debt	544,462	544,454
Total debt	827,448	756,438
Net cash	(199,911)	284,550
Shareholders' equity	3,109,484	3,112,912
Total debt to equity ratio	26.6%	24.3%

- Total debt increased to \$827.4 million in 4Q04 compared with \$756.4 million in 3Q04, primarily due to additional short-term borrowings.
- Total debt-to-equity ratio increased to 26.6% in 4Q04 from 24.3% in 3Q04.

4. Cashflow & Capex

Amounts in \$ thousands	4Q04	3Q04
Income (loss) attributable to holders of ordinary shares	(11,216)	39,343
Depreciation & amortization	148,271	122,636
Purchases of plant and equipment	(643,069)	(617,011)
Amortization of acquired intangible assets	4,092	3,508
Net change in cash	(342,992)	(248,428)

Capex plans

- Capital expenditures for 2004 were \$2 billion.
- Planned capital expenditures for 2005 are approximately \$1 billion and will be adjusted based on market conditions.

5. 1Q05 guidance

- Wafer shipments expected to decrease by 5% to 7%.
- Utilization expected to be at approximately 85%.
- Blended ASP QoQ expected to decrease by 11% to 13%.
- Gross margins expected in the low single digits.
- Operating expense as a percentage of sales in the range of 14% to 15%.
- Capital expenditures of approximately \$350-360 million.
- Depreciation and amortization of approximately \$170-180 million.
- Deferred stock compensation charge of approximately \$7 million, of which approximately \$4 million will be charged to operating expenses and \$3 million in cost of sales.

6. Recent announcements

- SMIC Achieves TL9000 Quality Management Certification [2005-03-21]
- SMIC and C*Core Sign Cooperation Agreement [2005-03-17]
- SMIC Featured in SEMICON China 2005 [2005-03-15]
- SMIC Expands Its One-Stop Offerings Through Wafer Bumping Services [2005-03-04]



- QQ Technology and SMIC-BJ Sign an MOU of Partnership [2005-02-28]
- SMIC reports Fourth Quarter Revenue Results [2005-01-31]
- SMIC Settles Litigation with Taiwan Semiconductor Manufacturing Company Limited [2005-01-30]
- SMIC Updates Guidance For 2004 Fourth Quarter [2004-12-22]
- Shanghai Fangtek and SMIC Sign a Strategic Partnership Agreement [2004-12-09]
- VeriSilicon Provided Backend Design Service for COMMIT 3G TD-SCDMA Chip, Achieved First Silicon Success [2004-12-08]

Please visit SMIC's website <http://www.smics.com> for further details regarding the above announcements.



SMIC Financials

Semiconductor Manufacturing International Corporation
CONSOLIDATED BALANCE SHEET
(In US dollars)

	As of the end of	
	December 31, 2004 (audited)	September 30, 2004 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	607,172,570	950,164,909
Short term investments	20,364,184	90,823,297
Accounts receivable, net of allowances of \$1,105,165 and \$421,681 respectively	169,188,287	187,235,125
Inventories	144,017,852	134,757,006
Prepaid expense and other current assets	12,842,994	8,495,044
Assets held for sale	1,831,972	24,875,320
Total current assets	955,417,859	1,396,350,701
Land use rights, net	39,197,774	34,630,167
Plant and equipment	4,084,340,793	3,785,221,468
Accumulated depreciation	(772,416,194)	(623,572,186)
Plant and equipment, net	3,311,924,599	3,161,649,282
Acquired intangible assets, net	77,735,299	59,720,325
TOTAL ASSETS	4,384,275,531	4,652,350,475
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	364,333,613	717,756,459
Accrued expenses and other current liabilities	82,857,551	65,244,711
Short-term borrowings	91,000,000	20,000,000
Current portion of long-term debt	191,986,372	191,983,707
Income tax payable	152,000	-
Total current liabilities	730,329,536	994,984,877
Long-term liabilities:		
Long-term debt	544,462,074	544,453,946
Total long-term liabilities	544,462,074	544,453,946
Total liabilities	1,274,791,610	1,539,438,823
Commitments		
Stockholders' equity:		
Ordinary shares, \$0.0004 par value, 50,000,000,000 shares authorized, shares issued and outstanding 18,232,179,139 and 18,228,120,120 respectively	7,292,872	7,291,249
Warrants	32,387	50,297
Additional paid-in capital	3,289,724,885	3,291,017,646
Notes receivable from stockholders	(391,375)	(876,911)
Accumulated other comprehensive income	387,776	776,915
Deferred stock compensation	(51,177,675)	(60,178,603)
Accumulated deficit	(136,384,949)	(125,168,942)
Total stockholders' equity	3,109,483,921	3,112,911,651
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	4,384,275,531	4,652,350,474



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

	For the three months ended	
	December 31, 2004	September 30, 2004
	(unaudited)	(unaudited)
Sales	291,841,924	274,897,225
Cost of sales	229,573,732	199,163,928
Cost of sales - Amortization of deferred stock compensation	3,151,575	3,223,528
Gross profit	59,116,617	72,509,769
Operating expenses:		
Research and development	27,406,568	20,688,265
General and administrative	25,476,267	3,831,441
Selling and marketing	2,543,654	1,899,002
Litigation settlement	23,153,105	-
Amortization of deferred stock compensation*	3,925,186	3,553,558
Total operating expense	82,504,780	29,972,266
Income from operations	(23,388,163)	42,537,503
Other income (expenses):		
Interest income	3,263,727	3,107,173
Interest expense	(4,580,725)	(3,614,187)
Others, net	13,675,198	(2,687,195)
Total other income (expenses), net	12,358,200	(3,194,209)
Net income (loss) before income taxes	(11,029,963)	39,343,294
Income tax - current	186,044	-
Net income (loss)	(11,216,007)	39,343,294
Deemed dividends on preference shares	-	-
Income (loss) attributable to holders of ordinary shares	(11,216,007)	39,343,294
Income (loss) per share, basic	(0.0006)	0.0022
Income (loss) per ADS, basic (1)	(0.0311)	0.1095
Income (loss) per share, diluted	(0.0006)	0.0022
Income (loss) per ADS, diluted (1)	(0.0311)	0.1079
Shares used in calculating basic income per share (in millions)	18,006	17,961
Shares used in calculating diluted income per share (in millions)	18,006	18,225
*Amortization of deferred stock compensation related to:		
Research and development	1,175,503	1,346,112
General and administrative	2,289,305	1,667,791
Selling and marketing	460,378	539,655
Total	3,925,186	3,553,558

(1) 1 ADS equals 50 ordinary shares.



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

	For the three months ended	
	December 31, 2004	September 30, 2004
	(unaudited)	(unaudited)
Operating activities:		
Income (loss) attributable to holders of ordinary shares	(11,216,007)	39,343,294
Deemed dividends on preference shares	-	-
Net income	(11,216,007)	39,343,294
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Gain (loss) on disposal of plant and equipment	(69,916)	(486,231)
Bad debt expense	683,484	64,855
Depreciation and amortization	148,271,100	122,635,996
Amortization of acquired intangible assets	4,091,723	3,507,555
Amortization of deferred stock compensation	7,076,761	6,777,086
Changes in operating assets and liabilities:		
Accounts receivable	17,363,354	(55,592,431)
Inventories	(9,260,846)	(21,194,466)
Prepaid expense and other current assets	(5,852,079)	115,508
Accounts payable	5,602,323	8,805,299
Income tax payable	152,000	-
Accrued expenses and other current liabilities	1,312,002	15,264,958
Net cash provided by operating activities	158,153,899	119,241,423
Investing activities:		
Purchases of plant and equipment	(643,069,258)	(617,011,320)
Purchases of acquired intangible assets	(3,967,841)	(728,529)
Sale of short-term investments	69,933,387	-
Proceeds received for assets held for sale	3,158,817	3,025,118
Proceeds from disposal of plant and equipment	868,000	52,196
Net cash used in investing activities	(573,076,895)	(614,662,535)
Financing activities:		
Proceeds from short-term borrowings	71,010,793	20,000,000
Proceeds from long-term debt	-	226,480,618
Proceeds from exercise of employee stock options	297,743	495,772
Collection of notes receivables from employees	485,536	-
Net cash provided by financing activities	71,794,072	246,976,390
Effect of foreign exchange rate changes	136,585	17,208
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(342,992,339)	(248,427,514)
CASH AND CASH EQUIVALENTS, beginning of period	950,164,909	1,198,592,423
CASH AND CASH EQUIVALENTS, end of period	607,172,570	950,164,909