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Semiconductor Manufacturing International Corp. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

: [Operator Instructions]. Your first question comes from the line of Dan Heyler with Merrill Lynch. Please proceed.

Daniel Heyler - Merrill Lynch

Good morning, Richard.

Richard Ru-Gin Chang - Founder, President and Chief Executive Officer

Good morning, Dan.

Daniel Heyler - Merrill Lynch

I had a question on the profitability roadmap and revenue contribution from the other core businesses. So it seems though you have a lot of investment that are taking place here, and the joint venture strategy and exiting the DRAM strategy as well. When would you think you would be at a net breakeven level across the businesses and in a sustainable profitability structure?

Richard Ru-Gin Chang - Founder, President and Chief Executive Officer

Dan, thank you for the good question. We stopped the DRAM business on March 31st and immediately started the conversion of all the DRAM equipment into logics. So far based on our information about 75% of the incoming can be directly used for logic production. 25% of DRAM equipment needs modification. This takes some time, we estimate it may take us two quarters to completely convert all the DRAM commodity into logic production.

For Q2, Q3 still will be a little bit tougher for us. But from our own estimate starting in Q4 this year we should be able to be profitable. As I just reported our Shanghai fab has been profitable since 2004. Shanghai basically are all making a larger logic, more among DRAM. Now we also only do a very small amount of specialty DRAM in Shanghai. That makes us very profitable. Zhangjiang also stopped the DRAM and this year Zhangjiang is 100% logic and we observed the Zhangjiang fab also become profitable. That's why I reported to you that we will be no different, that once Beijing is converted into logic it will be profitable also. That will be completed, the conversion will be completed in Q4. So starting Q4 I expect the entire company will be profitable and from that end now, we believe there will be... going to be profitable.

Daniel Heyler - Merrill Lynch

Great, thank you and one quick follow-up on the Beijing fab. Maybe you could walk us through the products and the technology and this you will be converting to and whether or not that planning for the IBM technology will also be deployed at the Beijing fab?

Richard Ru-Gin Chang - Founder, President and Chief Executive Officer

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