

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C
CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. October 28, 2021
Date of Report
2. SEC Identification No.: 91447
3. BIR Tax Identification No.: 000-190-324-000
4. SEMIRARA MINING AND POWER CORPORATION
Exact name of issuer as specified in its charter
5. Philippines
Province, country or other jurisdiction of incorporation
6. (SEC Use Only)
Industry Classification Code:
7. 2/F DMCI Plaza, 2281 Chino Roces Avenue, Makati City
Address of principal office
- Postal Code: 1231
8. (632) 888-3000/3055 Fax No. (632) 888-3955
Issuer's telephone number, including area code
9. N.A.
Former name or former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock</u> <u>(Outstanding)</u>
Common Shares	4,250,547,620
11. Indicate the item numbers reported herein: Item 9.

The Board of Directors reviewed and approved the Corporation's consolidated financial statements for the period ended September 30, 2021, as follows:

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS
OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL
CONDITION AS OF AND FOR THE PERIOD ENDED SEPTEMBER 30, 2021
AND 2020**

September 30, 2021 (Unaudited) vs September 30, 2020 (Unaudited)

I. RESULTS OF OPERATIONS

The table below summarizes the performance of Semirara Mining and Power Corporation (SMPC) and its subsidiaries, SEM-Calaca Power Corporation (SCPC) and Southwest Luzon Power Generation Corporation (SLPGC), collectively referred to as "the Group" for the period ended September 30, 2021 and 2020.

- SMPC is the only vertically-integrated power producer in the country that mines its own fuel. The largest domestic coal producer, it supplies affordable fuel to power plants, cement factories and other industrial facilities across

the Philippines. It also exports coal to China, Japan, South Korea and other nearby markets.

- SCPC and SLPGC generate baseload power for the Luzon-Visayas grid. Both supply electricity through bilateral contract quantity (BCQ) and the wholesale electricity spot market (WESM).

In Php Millions except EPS	July to September (Q3)			January to September (9M)		
	2021	2020	Change	2021	2020	Change
SMPC	3,149	45	6898%	7,894	1,801	338%
SCPC	660	585	13%	1,349	1,310	3%
SLPGC	197	123	60%	1,175	(180)	753%
Others	6	(3)	300%	9	(3)	400%

Core Net Income	4,012	750	435%	10,427	2,928	256%
Nonrecurring Items	-	-	0%	(133)	61	-318%
Reported Net Income	4,012	750	435%	10,294	2,989	244%
EPS (reported)	0.94	0.18	435%	2.42	0.70	244%

Q3 2021 vs Q3 2020 Consolidated Highlights

- The SMPC Group recognized a 435-percent increase in consolidated net income from P750 million to P4.01 billion, its highest-ever quarterly net income for the period. This translated to an earnings per share of P0.94, more than 5 times of last year.

The surge in earnings was mainly due to the double-digit rise in Semirara coal sales and average selling price (ASP), as the strong rebound in post-pandemic economic activities, low inventory, production disruptions and stockpiling for the coming winter season widened the global supply and demand gap for coal.

- The power segment showed some improvement with contributions from SCPC and SLPGC rising 13% and 60%, respectively, because of higher ASP.
- Overall, the coal segment accounted for 78% of third-quarter net earnings, followed by SCPC (17%) and SLPGC (5%).

9M 2021 vs 9M 2020 Consolidated Highlights

- Consolidated net income soared by 244% from P2.99 billion to P10.29 billion, exceeding the Group's pre-pandemic annual net income of P9.7 billion. Consequently, earnings per share expanded three-fold to P2.42.

Stable coal production and reduced internal usage amid a tight market allowed the Group to take advantage of accelerating China demand, record-high coal prices and the weak peso. However, this was tempered by the prolonged forced shutdown of SCPC Unit 2 and higher replacement power purchases.

- Excluding a non-recurring loss of P133 million this year mainly from the deferred tax remeasurement due to the effectivity of the CREATE Law and a one-time gain of P61 million from a financial contract, consolidated core net income shot up by 256% from P2.99 billion to P10.43 billion.
- Nine-month net income came mostly from the coal segment (77%) while SCPC and SLPGC contributed 12% and 11%, respectively.

Q3 2021 vs Q3 2020 Segment Performance

Coal

Standalone coal revenues climbed by 160% from P4.19 billion to P10.88 billion while its net income soared by 748% from P428 million to P3.63 billion.

Net of intercompany eliminations, it recognized a 6898-percent upturn in net income from P45 million to P3.15 billion. Its exceptional earnings performance was due to the combined effect of the following:

- **Record-high prices.** Global supply disruptions and the looming energy crunch in China, India and Europe pushed Newcastle coal prices to record-high levels, closing the quarter at USD181.12. As a result, Semirara coal ASP spiked by 82% from P1,558/MT to P2,831/MT.
- **Higher sales volume.** Coal shipments expanded by 44% from 2.7 million metric tons (MMT) to 3.9 MMT. The 50-percent drop in coal shipments to own power plants and Q3 beginning inventory of 1.8 MMT allowed the Group to more than double (108%) its exports to 2.7 MMT despite a marked decline in coal production.
- **Lower production and inventory.** Production dropped by 39% from 3.3 MMT to 2.0 MMT as heavy rains affected the water seepage management efforts in Molave pit. Aggregate (actual) strip ratio rose to 17.5 from 12.7 during the same period last year. At the end of the quarter, high-grade coal inventory stood at 100,000 MT, a 97-percent drop from 3.4 MMT during the same period last year.

Power

The power segment performance was dragged down by higher plant outages in Q3 2021. Total power sales fell by 34% to 1,032 GWh as three of the four SMPC plants were down for various periods during the quarter. Improved market conditions due to demand recovery to pre-pandemic level has served as a cushion from the full impact of lower plant availability.

SCPC standalone revenues contracted by 6% from P2.64 billion to P2.48 billion. Prior to eliminations, it recorded a net loss of P44 million compared to a net income of P205 million the year before. Net of intercompany eliminations of its coal purchases from SMPC, its net income contribution grew by 13% from P585 million to P660 million. Its third quarter bottom line was due to the combined effect of the following:

- **Reduced plant availability.** Overall plant availability slumped by 52% from 98% to 47%. Unit 1 incurred an 11-day outage in July 25 while Unit 2 was on a forced outage which started last December 3. Unit 2 synchronized to the grid on September 19.
- **Lower output.** Gross generation tumbled by 59% from 1,133 GWh to 466 GWh as a result of the plant outages and occasional derated operations of both units.
- **Weaker sales volume.** Sales volume contracted by 47% from 1,051 GWh to 552 GWh on lower plant availability. BCQ sales accounted for 75% of total sales volume. Meanwhile, spot market sales dropped 82% from 735 GWh to 134 GWh due to lower output and fulfillment of contracted capacity.
- **Improved sales price.** Overall ASP jumped by 79% from P2.51/KWh to P4.50/KWh on higher fuel cost (for BCQ) and WESM spot prices. As of September 30, 2021, half of its contracted capacity (340.45MW) has fuel pass-through provisions.
- **Higher replacement power purchases.** With lower plant availability and higher WESM spot prices, replacement power purchases reached P311 million from P1 million the prior year.

SLPGC standalone revenues grew by 18% from P1.48 billion to P1.74 billion while its standalone net earnings went up by 44% from P124 million to P179 million. Net of intercompany eliminations, SLPGC net income grew by 60% from P123 million to P197 million. Its performance for the quarter was largely the result of the following:

- **Reduced plant availability.** Overall plant availability declined by 7% from 67% to 62% due to the 75-day extended planned outage of its Unit 1.
- **Lower output.** Gross generation fell by 6% from 434 GWh to 407 GWh mainly due to the protracted shutdown of its Unit 1.
- **Weak sales volume.** Sales volume dropped by 6% from 512 GWh to 480 GWh on lower plant availability. The bulk of its sales (94%) went to BCQs due to its high contracted capacity (223.9MW out of 300MW dependable capacity).
- **Improved sales price.** ASP increased by 26% from P2.89/KWh to P3.63/KWh. The 403-percent upswing in WESM spot prices (P9.25/KWh vs

P1.84/KWh) helped offset the 10-percent decline in BCQ prices (P3.24/KWh vs P3.61/KWh).

- **Higher replacement power purchase.** Lower plant availability combined with higher contracted capacity and WESM spot prices led to a 71-percent increase in replacement power purchases, which amounted to P530 million compared to P310 million last year.

CAPEX

Group capex reached P3.6 billion from January to September 2021, a 12-percent decline year-on-year as the final phase of the Life Extension Program of SCPC has been completed last year.

The bulk of the spending (69%) went to the re-fleeting and water seepage management programs of the coal segment. The rest was spent on power plant maintenance. See table below for detailed breakdown.

In Php billions	9M 2021	9M 2020	Change
Coal	2.5	1.3	92%
SCPC	0.7	2.4	-71%
SLPGC	0.4	0.3	33%
Total	3.6	4.1	-12%

Market Outlook

Coal

The Q3 coal price surge is due to the record low stockpile and all-time high demand from China and Europe, which are both boosting their supply in time for the winter season. Lower renewable power output and planned closures of nuclear reactors in Europe, China and India stockpiles and supply shocks due to extreme weather and logistical disruptions have also contributed to the exceptional rise in demand.

These factors led to record-setting growths in the Newcastle (NEWC) and Indonesian coal (ICI4) indices. The three-month average NEWC jumped by 225% from USD51.51 to USD167.52 while ICI4 leaped 204% from USD23.94 to USD72.81 during the period.

SMPC sees the NEWC peaking at around USD253 in October. It also anticipates that prices will remain elevated until early next year (Q1 2022) given the global energy crunch, China's coal market interventions and scaled-up production of more foreign miners.

Robust winter season demand in the fourth quarter could also lead to NEWC averaging about USD209.80, a 212-percent upswing from USD67.35 last year. Full-year average (2021F) is projected to expand by 138% from USD60.40 to USD143.80

Power

Average Q3 electricity spot prices stabilized by 18% from its Q2 level (from P5.84/KWh to P4.77/KWh) as more capacity returned to the grid after the extended outage of several plants. Year-on-year, average spot prices jumped by 95% from P2.44/KWh to P4.77/KWh, as demand recovered from strict COVID-19 quarantine restrictions.

SMPC expects spot prices to further soften in Q4 to P3.19/KWh with the completion of the Malampaya plant maintenance shutdown and lower electricity consumption because of the cool weather season.

Full-year average (2021F) is projected to grow by 84% to P4.18/KWh from the actual average of P2.27/KWh in 2020.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer : Semirara Mining and Power Corporation

Signature and Title : 
JOHN R. SADULLO
VP-Legal & Corporate Secretary

Date : October 28, 2021