

COVER SHEET

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SEC Registration Number

S E M I R A R A M I N I N G A N D P O W E R  
C O R P O R A T I O N

(Company's Full Name)

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2 2 8 1 D O N C H I N O R O C E S A V E N U E  
M A K A T I C I T Y

(Business Address: No. Street City/Town/Province)

John R. Sadullo  
(Contact Person)

(632) 888-3000/3055  
(Company Telephone Number)

1 2 3 1  
(Fiscal Year)

1 7 - C  
(Form Type)

Month Day  
(Annual Meeting)

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings  
Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

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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. **August 2, 2022**  
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
- 1231**  
Postal Code
8. **(632) 888-3000**  
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>
<b>Common Shares</b>	<b>4,250,547,620</b>
11. Indicate the item numbers reported herein: **Item 9.**

The Board of Directors at its meeting held today, August 2, 2022, reviewed and approved the Corporation's unaudited consolidated financial statements for the period ended June 30, 2022, as follows:

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF CONSOLIDATED OPERATIONS AND CONSOLIDATED FINANCIAL CONDITION AS OF AND FOR THE PERIOD ENDED JUNE 30, 2022 AND 2021**

June 30, 2022 (Unaudited) vs June 30, 2021 (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 June 30, 2022 and 2021.

- SMPC is the only vertically-integrated power generator 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, South Korea, Vietnam 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	April to June (Q2)			January to June (H1)		
	2022	2021	Change	2022	2021	Change
SMPC	8,982	3,070	193%	21,999	4,744	364%
SCPC	1,049	685	53%	2,753	690	299%
SLPGC	742	358	107%	1,049	978	7%
Others	4	(3)	233%	3	3	0%

<b>Core Net Income</b>	<b>10,777</b>	<b>4,110</b>	<b>162%</b>	<b>25,804</b>	<b>6,415</b>	<b>302%</b>
Nonrecurring Items	-	(133)	-100%	-	(133)	-100%
<b>Reported Net Income</b>	<b>10,777</b>	<b>3,977</b>	<b>171%</b>	<b>25,804</b>	<b>6,282</b>	<b>311%</b>
<b>EPS (reported)</b>	<b>2.54</b>	<b>0.94</b>	<b>171%</b>	<b>6.07</b>	<b>1.48</b>	<b>311%</b>

### Q2 2022 vs Q2 2021 Consolidated Highlights

- The SMPC Group recorded a net income of P10.78 billion, more than double (171%) from P3.98 billion last year. This translated to an earnings per share of P2.54. Its best-ever Q2 performance was attributable to higher selling prices for coal and spot electricity.

Coal index prices surged as extreme weather conditions in Australia and EU bans on Russian coal and gas upended global supply. Meanwhile, coal consumption rose as several countries switched from gas to coal plants to meet [higher cooling requirements](#) amid prolonged, severe heat waves.

WESM prices improved on high fuel costs, tight supply and recovering demand as Metro Manila remained under Alert Level 1.

- Coal segment bottom line nearly tripled (193%) while SCPC and SLPGC boosted their contributions by 53% and 107%, respectively.
- Overall, the coal segment accounted for 83% of the Group net income, followed by SCPC (10%) and SLPGC (7%).

### H1 2022 vs H1 2021 Consolidated Highlights

- The Group's semestral earnings jumped fourfold (311%) from P6.28 billion to an all-time high of P25.80 billion. This translated to an earnings per share of P6.07 and a return on equity of 47% over the six-month period.
- Coal and SCPC contributions grew four times (364% and 299%), while SLPGC contribution rose by 7%.
- 85% of the Group net income came from coal, followed by SCPC (11%) and SLPGC (4%).
- Overall financial position improved as current ratio improved from 1.85x to 2.98x, debt ratio dropped from 0.57x to 0.41x and BVPS expanded by 43% from 10.73 to 15.30.
- Cash balances stood at an all-time high level of P25.7 billion even after royalty payments (P8.8 billion), capex (P2.5 billion), debt servicing (P2.1 billion) and dividend payout (P6.2 billion)

### Q1 2022 vs Q1 2021 Segment Performance

## Coal

Standalone coal revenues climbed by 65% from P11.78 billion to P19.46 billion while net income soared by 171% from P3.63 billion to P9.83 billion. Both top and bottom lines are the highest for the Q2 period.

Net of intercompany eliminations, coal contribution advanced nearly threefold (195%) from P3.04 billion to P8.98 billion. The exceptional segment performance was largely due to the following:

- **Record high selling prices.** Semirara coal average selling prices (ASP) surged by 126% from P2,393 per metric ton to a record high of P5,399/MT owing to higher index prices. Quarterly average Newcastle price (NEWC) expanded three times (246%) from USD 109.0 to USD 376.8, while Indonesian Coal Index 4 (ICI4) improved by 64% from USD 54.2 to USD 89.0. Newcastle coal prices peaked at USD 436.1 during the week of May 20.
- **Favorable foreign exchange rate.** Average USD/Php exchange rate spiked by 10% from USD1:P48.3 to USD1:P52.3.
- **Muted cash cost growth.** Cash costs grew slower than topline as lower shipments moderated the impact of higher fuel cost. Fuel costs accounted for 50% of COS (vs 32% in Q2 2021).
- **Wider profit margins.** Standalone net profit margins soared from 31% to 50% on the back of higher revenues and stronger US Dollar.

The segment also reported the following operational highlights:

- **Reduced production.** Production declined by 21% from 4.3 million metric tons (MMT) to 3.4 MMT on higher rainfall and strip ratio, which accelerated from 9.8 to 11.7 mainly due to simultaneous activities in East Block 4 and South Block 5 (new area) in Molave mine. Projected 2022 full year average strip ratio remains at 10.79.
- **Lower shipments.** Total coal sales dropped by 25% from 4.9 million metric tons (MMT) to 3.7 MMT as exports dropped by 44% from 3.2 MMT to 1.8 MMT. Shipments to China, Semirara coal's biggest foreign market, plunged by 69% from 2.8 MMT to 0.9 MMT owing to its COVID-19 lockdowns and pivot to Russian coal.
- **Higher coal inventory.** High-grade coal inventory expanded by 50% from 1.0 MMT to 1.5 MMT on lower Q2 shipments and strong Q1 production.

## Power

The power segment delivered a 91-percent growth in net income after intercompany eliminations, from P940 million to P1.79 billion. Its strong performance was due to higher selling prices, ample uncontracted capacity and rising fuel costs, which softened the grid's supply-demand margins. To elaborate:

- **Higher plant availability.** Overall plant availability rose by 8% from 60% to 65%, mainly driven by SLPGC.
- **Stable gross generation.** Total gross generation grew by 1% from 971 GWh to 984 GWh on higher SLPGC generation tempered by lower SCPC output.
- **Large uncontracted capacity.** At the end of Q1 2022, 65% of the group's running dependable capacity (540MW) was uncontracted, which translated to a total spot exposure of nearly 350MW in Q2.
- **Strong pivot to spot.** While total power sales dropped by 9% from 987 GWh to 900 GWh, bulk (56%) of it went to the spot market. As a result, spot electricity sales volume soared by

188% from 176 GWh to 507 GWh. Conversely, BCQ sales dropped by 52% from 811 GWh to 393 GWh.

- **Elevated selling prices.** Overall ASP expanded by 29% from P4.11/KWh to P5.30/KWh, driven by higher spot sales volume whose ASP grew by 1% from P6.87/KWh to P6.91/KWh.
- **Softening supply-demand margins.** Average actual demand grew by 4% from 10,763 MW to 11,176MW, while average supply expanded by 16% from 11,436MW to 13,244MW as new baseload capacity entered the grid. Average spot prices climbed by 13% from P5.84/KWh to P6.58/KWh on the back of rising fuel costs.
- **Price cap implementation.** The currently imposed secondary price cap is at P6.245/KWh, following recurrent price spikes within 72 hours. The price cap moderated the possible upside of the segment's spot exposure.
- **Lower replacement power purchases.** Total spot purchases declined by 60% from P617 million to P245 million. The segment was a net seller to the market by 474GWh (vs 81 GWh in Q2 2021)

**SCPC standalone** revenues rose by 34% from P2.01 billion to P2.69 billion. Solid topline growth and improved margins translated to a fourfold recovery (362%) in net income from P152 million to P702 million.

Net of intercompany eliminations, net income contribution from SCPC expanded by 81% from P581 million to P1.05 billion. Its performance was due to the combined effect of the following:

- **Reduced plant availability and generation.** Plant availability dropped by 4% from 45% to 43% owing to a 12-day outage of Unit 1 (versus 10 days in Q2 2021). Unit 1 had a forced outage from April 9 to 20 while Unit 2 has been offline since November 18, 2021 due to a defective generator stator.
- **Lower contracted capacity.** As of June 30, 2022, 40.45MW of 540MW dependable capacity (including Unit 2) is contracted; 51% of contracted capacity does not have fuel passthrough.
- **Higher spot sales.** While total power sales contracted by 13% from 468 GWh to 409 GWh, majority of it (89%) was sold to the spot market, a marked contrast from last year wherein 85% was sold via BCQ.
- **Better selling prices.** Overall ASP surged by 53% from P4.30/KWh to P6.58/KWh on higher spot sales. Average spot selling prices grew by 2% from P6.78/KWh to P6.91/KWh, while average BCQ selling prices rose by 2% from P3.85/KWh to P3.94/KWh.
- **Minimal replacement power purchases.** To meet BCQ sales during Unit 1's 12-day forced outage, the company purchased 69 GWh of replacement power, a 64-percent upturn from 42 GWh. Overall, the plant was a net market seller at 353 GWh (vs 60 GWh in Q2 2021)

**SLPGC standalone** revenues was flattish (1%) at P2.08 billion from P2.05 billion, while its reported net income expanded by 44% from P345 million to P498 million.

Net of intercompany eliminations, SLPGC net income doubled (107%) from P359 million to P742 million. Its quarterly performance resulted from the following:

- **Higher plant availability tempered by derated capacity.** Overall plant availability improved from 75% to 87% owing to lower outage days (23 days vs 46 days in Q2 2021); however, average capacity declined from 288 MW to 285 MW on occasional deration of Unit 2 due to clogging.
- **Higher generation.** Gross generation expanded by 15% from 476 GWh to 549 GWh owing to higher plant availability.

- **Lower sales.** Power sales dropped by 5% from 519 GWh to 491 GWh. Bulk of the sales (71%) went to BCQs (169.9MW out of 300MW dependable capacity as of June 30, 2022). Excluding sales from its 2x25MW gas turbines (GT) last year (13 GWh), power sales only declined by 3%.
- **Absence of gas turbine sales.** Gas turbine 1 and 2 sold to the spot market last year and went on outage on January 22 and February 10, 2022, respectively. Excluding GT sales last year, Q2 standalone revenues grew by 14% from P1.82 billion to P2.08 billion.
- **Higher selling prices.** Overall ASP climbed by 7% from P3.94/KWh to P4.23/KWh largely due to higher spot sales. BCQ sales dropped from 80% to 71%, which allowed the plants to sell more to the spot market. BCQ and spot ASPs dropped by 2% (P3.13/KWh vs P3.19/KWh) and 1% (P6.89/KWh vs P6.93/KWh), respectively.
- **Lower replacement power costs.** Replacement power purchases declined by 69% from P575 million to P176 million on fewer plant outage days and contracted capacity. The company remained a net seller to the market at 121 GWh (vs 21 GWh in Q2 2021).
- **Improved margins.** EBITDA and standalone net profit margins grew to 41% and 24%, respectively, as COS-cash costs dropped by 22% from P1.15 billion to P894 million on lower replacement power purchases.

## CAPEX

Group capex dropped by 17% from P3.0 billion to P2.5 billion on lower coal segment spending.

In Php billions	H1 2022	H1 2021	Change
Coal	1.7	2.3	-26%
SCPC	0.5	0.5	0%
SLPGC	0.4	0.2	100%
<b>Total</b>	<b>2.5</b>	<b>3.0</b>	<b>-17%</b>

Bulk (79%) of the planned capex will go to the coal segment's maintenance heavy equipment refueling, water seepage management programs and construction of a 30MW power plant in the second half. The new power plant will support the dewatering activities for Molave, Narra and future mine sites.

SCPC and SLPGC capex are intended for their planned maintenance activities.

In Php billions	2022F	2021	Change
Coal	7.0	2.5	61%
SCPC	1.1	0.8	-73%
SLPGC	0.8	0.6	32%
<b>Total</b>	<b>8.9</b>	<b>3.9</b>	<b>-22%</b>

## Market Review and Outlook

### Coal

Global demand is expected to remain strong with the full effect of the EU ban on Russian coal on August 22, and on the assumption that the Chinese economy recovers as expected in the second semester. Providing added lift is rising natural gas prices, which has been prompting many countries to switch from gas to coal.

In Q2 alone, average NEWC surged by 246% from \$109.0 to \$376.8 while ICI4 jumped 64% from \$54.2 to \$89.0. For the first semester, NEWC rose by 224% from \$98.8 to \$320.3, while ICI4 climbed by 79% from \$47.8 to \$85.7. NEWC and ICI4 indices closed the period at \$390 and \$86.18, respectively.

For the full-year, SMPC expects average NEWC (2022F) to expand by 172% from \$137.30 in 2021 to \$373.4 on the back of supply disruptions and heightened consumption with the onset of the winter season.

It also expects wider gaps between NEWC and ICI4 indices for the rest of the year due to coal quality variance and policy interventions by Australia, China and Indonesia.

#### Power

Growth was more pronounced in the first half of 2022 as average WESM spot prices surged by 50% from P4.38/kWh to P6.56/kWh, despite second quarter prices increasing by only 13%, from P5.84/kWh to P6.58/kWh.

The increase in prices is mainly due to the increase in electricity demand owing to the loosening quarantine restrictions in the National Capital Region. The uptrend is also driven by higher fuel costs triggered by the Russia-Ukraine war and limited new baseload capacity. Notwithstanding, higher spot prices were tempered due to the implementation of the WESM secondary price cap of P6.245/kWh.

The power segment projects full-year average (2022F) WESM spot prices to grow at around 35% from P4.83/kWh to about P6.50/kWh. Prices are also expected to rise to around P7.40/kWh by H1 2023 due to the continuing increase in electricity demand and the limited additional baseload capacity entering the market.

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#### **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 : August 2, 2022