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MMC ADDS SENAI INTERNATIONAL AIRPORT TO LOGISTICS PORTFOLIO

Kuala Lumpur, Friday, 20 March 2009: MMC Corporation Bhd’s (MMC) shareholders today approved the acquisition of Senai Airport Terminal Services Sdn Bhd (SATS) by a majority of 97%, thus expanding its logistics business, in line with its vision to become a global utilities and logistics group. On completion, the acquisition will result in MMC owning 100% equity interest in SATS.

The acquisition of SATS will enable MMC to widen its involvement in the transport and logistics business into the area of air logistics, in addition to the company’s existing port operations and land-based logistics business. This will allow MMC to offer its customers an integrated logistics solution and multi-modal connectivity via its sea, land, air transportation and logistics business. MMC CEO Malaysia Hasni Harun said “This acquisition will enable MMC to exploit SATS’s potential in becoming a regional cargo and logistics hub under a Free Zone flagship which would be synergistic to the business and prospects of our transport & logistics division. Senai airport is also well-positioned to benefit from the growth potential of Iskandar Malaysia.”

MMC will pay RM1.7 billion in cash for SATS comprising RM580 million for Senai International Airport and RM1.12 billion for SATS’s 2,718 acres of freehold land slated for development as an Airport City. The acquisition of SATS would be a strategic fit for MMC as the airport and the land provide the group with an added competitive advantage in the transport and logistics sector, one of MMC’s three core businesses. With this acquisition, MMC will own the only privatised airport in the country and this acquisition will create value to the Group’s transport and logistics business.
Hasni said, “We are acquiring SATS now at an early stage of its growth cycle. The price MMC is paying for the airport operations translates to RM395 per passenger, which is 55% lower than the average price transacted for airports of RM870 per passenger for the past three years.”

SATS handled 1.46 million passengers in 2008, a 10% growth over the 1.32 million passengers it handled in 2007, and expects continuing growth attributable to increasing traffic mainly driven by Iskandar Malaysia. The airport is currently served by major airlines providing wide connectivity to regional airports within three to four hours’ flight time.

Senai Airport is currently undergoing an expansion plan which includes extending its runway from 3,354 metres to 3,800 metres, which will accommodate fully-loaded long haul cargo flights. An Aero-Mall is also being built, which will add 6,500 sq metres of new outlet space, bringing the total outlet space to 8,500 sq metres, to cater for the growing population residing within easy access of the airport. The Aero-Mall is scheduled to be completed in the first quarter of 2010. The airport also has a cargo capacity of 80,000 tonnes per annum and offers bonded warehouse and warehousing facilities. The transformed Senai Airport will be a complete cargo and logistics hub providing a comprehensive range of aviation, cargo, logistics and passenger facilities.

SATS also owns 2,718 acres of freehold land in the adjoining area which will be developed into an Airport City. Approximately 76% of the proposed Senai Airport City’s gross land area totaling 2,066 acres will be developed into a Cargo and Logistics Hub and High-Tech Industrial Park, and has been granted Free Zone status, offering incentives such as investment tax allowance and pioneer status. With an integrated logistics network for sea-air-land movement and direct connectivity with Senai airport, the Port of Tanjung Pelepas (PTP), Johor Port, North-South Expressway, Senai-Desaru Expressway and the Second Link, coupled with a strategic location within Iskandar Malaysia, the proposed Senai Airport City offers a value proposition that is second to none to potential investors and is well-placed to command a premium over competitors.
The proposed Senai Airport City is located at the southern fringe of the Senai International Airport and is surrounded by completed mixed residential and industrial estates. The 77-km Senai-Desaru Expressway, currently under construction, runs across the land hence improving accessibility and reducing travelling time by as much as 40% to Pasir Gudang and the eastern part of Johor. Work on the proposed Senai Airport City, with a gross development value of approximately RM10 billion, will commence this year and is scheduled to be completed by 2020.

The development land acquired for the proposed Senai Airport City, valued at RM16.88 psf, offers potential appreciation in the long-term and is markedly lower than land in the surrounding area. In comparison, last September MMC leased 123.5 acres of its proposed Petrochemical and Maritime Center, located opposite PTP, to a subsidiary of Vitol Terminals BV, the world’s leading oil terminal operator, at RM20 psf. According to Ho Chin Soon Research, land prices at Nusajaya range between RM30 to RM35 psf (60 years/freehold), PTP from RM20 to RM25 psf (30 to 48-year lease), Tg Langsat from RM18 to RM20 psf (60-year lease) and Pasir Gudang from RM16 to RM18 psf.

Iskandar Malaysia is targeted to achieve a minimum 8% growth per annum until 2025, and the logistics sector is one of nine pillars identified to drive its economic growth going forward. Correlating this to MMC’s acquisition, Hasni said, “The logistics sector offers MMC great potential to move up the value chain and be developed as a regional logistics hub by leveraging on existing readiness and inter-linkages. SATS is a key component to these inter-linkages and, together with PTP and Johor Port, is a key driver for Iskandar Malaysia.”
From a shareholder’s perspective, Hasni said, “This acquisition would be earnings accretive in the long term and will contribute sustainable future earnings for the Group in the transport & logistics sector, one of the core pillars of MMC.” SATS is well-placed to benefit from the fast growth of services driven by market liberalisation, rise in LCC traffic, and increase in point-to-point services.

Hasni added, “MMC’s acquisition of SATS is commercially viable and is in the long term interests of the Group and its stakeholders.”

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About MMC

MMC Corporation Bhd is a utilities and infrastructure group with interests in Transport & Logistics, Energy & Utilities, and Engineering & Construction.

Within Malaysia, MMC’s key businesses include the Port of Tanjung Pelepas (Malaysia’s largest container terminal), Johor Port (Malaysia’s leading multi-purpose port), Malakoff (Malaysia’s largest independent power producer) and Gas Malaysia (Peninsular Malaysia’s sole supplier of natural gas to the non-power sector). MMC is also undertaking the RM12.485 billion double tracking railway project between Ipoh and Padang Besar, Malaysia’s largest infrastructure project. Through Zelan, MMC has interests in IJM, one of Malaysia’s premier construction companies, and Zelan Construction, a specialist contractor for power plants.

On the international front, MMC International is focusing on the utilities and logistics sectors globally, particularly in the Middle East. MMC is the joint master developer of the US$30 billion Jazan Economic City in Saudi Arabia with the Saudi Binladin Group, and has an equity interest in the third container terminal project at Jeddah Port. MMC also has equity interests in the 900 MW and 1,030,000 m3/day Shuaibah independent water and power plant project in Saudi Arabia, a 200,000 m3/day water desalination plant in Algeria, the Central Electricity Generation Company in Jordan and the Dhofar Power Company in Oman.
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