



2012 ANNUAL REPORT

The EXPERIENCE will move you



Princess Juliana
International Airport

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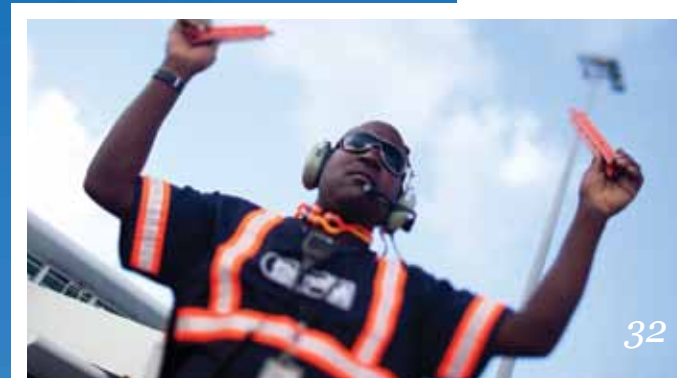
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OUR VISION *SXM Airport, a regional leader in the provision of airport services, offering a world of experience to all its customers.*

OUR MISSION *to be the regional leader in providing safe, secure, quality and profitable airport services that contribute to the general economic and tourism development of St. Maarten/St. Martin and the region we serve.*





BRIEF

HISTORICAL BACKGROUND

The Princess Juliana International Airport, SXM, will celebrate its 70th Anniversary in 2013, and the airport has no doubt come a very long way from those humble beginnings when it was a tiny airstrip used by the US military during World War II. Since the first KLM commercial flight landed on our runway on December 3, 1943 using a “Kolibríe” aircraft we have taken nothing but giant steps to become one of the safest, most secure, most exciting, award-winning modern international airports in the region, serving as a major hub in the Northeastern Caribbean. And we continue to do everything we possibly can to improve our services and give passengers using our facilities an experience that will move them.



Aerial view in 1974

The Terminal Building and its several transformations since 1943 may be seen as the symbol of the development of not only the airport, but also of the island’s tourism economy over the decades.

A new Terminal Building was constructed in 1964, to replace the original one as tourism began to take root on the island. The 1964 terminal was again replaced by another Terminal Building in 1986, as tourism peaked and passenger volumes skyrocketed. Twenty years later, in 2006, a brand new, US\$118.6 million ultra-modern Terminal Building was completed to cater to increased passenger traffic and the demands of the hub function of the airport.

All through its history, safety has always been priority number one, which is reflected in the enviable safety record of the airport. SXM is equipped with a state-of-the-art ATC Tower and Radar facility, Category 9 Fire and Rescue Service, and General Security and Centralized Pre-screening. Safety considerations also resulted in the construction of a Runway End Safety Area (RESA) at the East end of the runway, to meet International Civil Aviation Organization (ICAO) standards. This is aimed at minimizing the risk of damage to an aircraft undershooting or overrunning the runway.

The new Terminal Building is designed to handle an estimated 2.5 million passengers annually. Its four-level, fully air-conditioned, and spacious modern facilities span an area of 30,500m² and consist of 12 boarding gates, including 4 passenger loading bridges; 46 check-in positions all equipped with CUTE (Common use Terminal Equipment) and 12 CUSS kiosks or self-service check-in systems. With these and other amenities, our goal remains, to enhance customer satisfaction and ensure that the 1.7 million passengers that make use of our facilities each year have an experience that will move them.

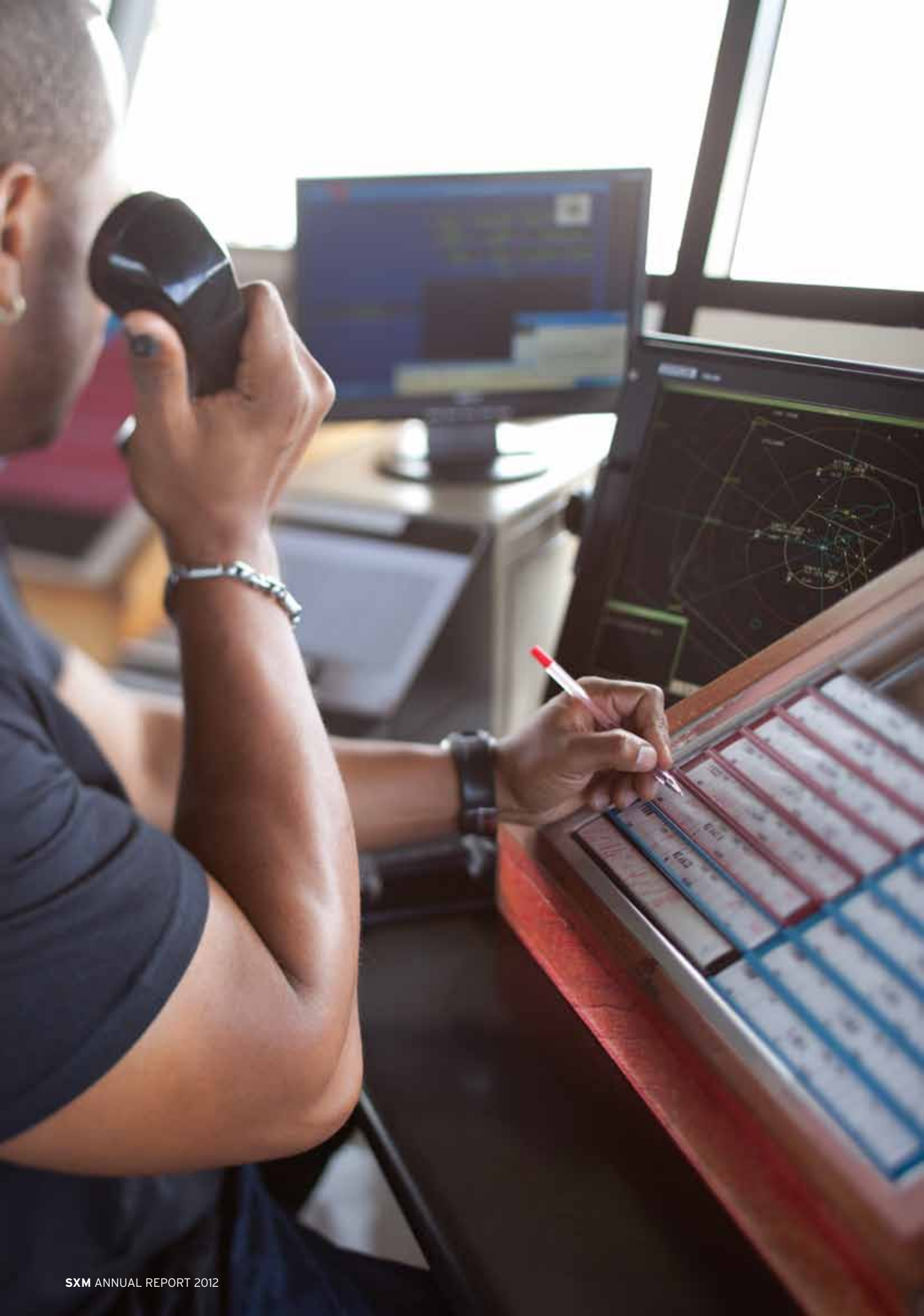
SXM is not only the pride of St. Maarten, but also the gateway to this side of Paradise, as de facto, we serve as the international airport for French St. Martin, Anguilla, St. Barths, Saba, and St. Eustatius. As a regional hub, we are also a major contributor to the economies of all these neighboring islands. With regards to the impact SXM has on the economy of St. Maarten itself, a study by the Central Bank of Curacao and St. Maarten estimates that the airport contributes a total of 7.5% to government revenue, 52% to total employment and 33% to the balance of payments. Being largely a tourism-based economy, it is no wonder that the performance of SXM is a good indicator of how the whole economy of the island performs.

When the first KLM flight, landed at Princess Juliana International Airport in 1943, nobody could have predicted that the island would have developed into one of the leading tourist destinations in the Caribbean; neither could anyone have forecast that the airport would have become such a powerful and reliable engine of sustainable economic growth for the island.



“SXM Airport is not only the pride of St. Maarten, but also the gateway to this side of Paradise, as de facto, we serve as the international airport for French St. Martin, Anguilla, St. Barths, Saba, and St. Eustatius.”

AIRPORT KEY FIGURES



	2012	2011	2010	2009	2008
STATISTICS					
Passenger Movements ¹	1,671,715	1,644,270	1,645,105	1,625,964	1,726,656
Aircraft Movements ^{2*}	58,909	60,314	60,870	62,627	71,936
Cargo & Mail movements [*]	7,245	7,462	7,544	8,620	9,449
Destinations Served	34	34	33	32	31
Scheduled Airlines	21	21	22	21	20
Charters (average number per season)	12	12	12	13	13
Income statement (loss) ³					
Total Revenues	87,645,879	85,101,474	84,647,901	83,027,823	87,250,093
Total Expenses	100,571,206	81,322,922	80,817,679	78,412,215	84,163,070
Net Income	(12,925,327)**	3,778,552	3,830,222	4,615,608	3,087,023
BALANCE SHEET					
Total Assets	367,369,453	273,990,437	289,688,573	296,344,652	326,005,681
Liabilities	278,481,110	172,176,767	191,653,455	202,139,755	246,970,630
Shareholders Equity	88,888,343	101,813,670	98,035,118	94,204,896	79,035,051
PERSONNEL PJIAE AS OF DEC. 31ST	278	271	266	266	270

* The numbers for previous years were adjusted for accuracy in this report.

** Includes non-recurring expenses of 18,279,00 ANG related to the December 2012 exchange offer to retire existing bond for the new \$142 million for bond issue.

¹ Includes transit passengers.

² Excludes overflying aircraft.

³ All figures in Netherlands Antilles Florins.

MESSAGE FROM THE MANAGING DIRECTOR

REGINA M. LABEGA

2012 will go down in history as a rather eventful year for us at the Princess Juliana International Airport Operating Company, PJIAE N.V. Despite the enormous challenges, both at home and abroad, the year can be described as one of intense activity on various fronts. The focus throughout the year was on revenue generating initiatives, renewal of contracts, financing, runway rehabilitation and long-term facility planning.

We can, indeed, safely say we delivered on key projects to improve our infrastructure and financial situation while continuing to offer the high level of service expected by our airline customers and passengers. We also continued to lay the foundation for our future growth through planning to ensure that our airport properly serves our airline and passenger customers, remains a major contributor to the economic development of our island, and maintains its role as the primary hub for neighboring islands such as Anguilla, St. Barths, Saba and St. Eustatius.

In spite of the devastating impact of Hurricane Sandy on the North Eastern Corridor of the United States - St. Maarten's main source market for tourists- and the uncertainties of the US and European economies, SXM still registered positive growth in passenger traffic in 2012. In fact, passenger traffic appears to have been unaffected by these developments, as the 5% increase in international enplaned passengers over 2011 demonstrates. With the exception of 2008, the year under review, 2012, recorded the best performance in passenger traffic in the last decade! Fees from this source of our revenue base accounted for 63% of total revenues and 78.5% of aeronautical funds. The other source of aeronautical revenues comes from fees applied to aircraft movements which accounted for 21.5% of aeronautical funds in 2012. The latter revenues were down by 2% in 2012 from the previous year because of fewer aircraft movements.

We updated our Strategic Business Plan in 2012, which identified the fact that fees had not been increased in some cases for as long as seven (7) years while inflation, which impacts PJIAE costs, increased by more than 20% over the same period. As a consequence, in November, 2012, we increased international passenger departure fees by 10%; transfer charges also by 10%



“With the exception of 2008, the year under review recorded the best performance in passenger movement in the last decade!”

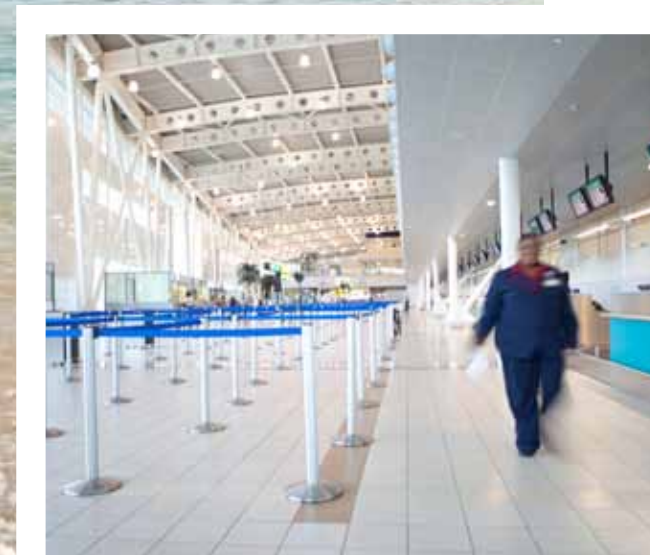
and screening fees by 7%. In addition, since the Netherland Antilles no longer exists, the special domestic departure fee for such travel was no longer appropriate and as a consequence, charges for such passengers were increased by 100% which was a large increase but still well below the rate applicable to other international travelers. The real impact of these revenue enhancing initiatives will be felt in 2013. While passenger fees were increased in 2012 due to a long interval without change, charges to airlines for landing fees were not increased because of more recent changes and in order to keep SXM fees in line with other relevant Caribbean airports.

A healthy passenger growth is expected to continue in 2013, but not at the same pace as in 2012. It is forecast that in 2013 enplaned passengers will increase by 2.5% and transfer passengers by 5% but with increased fees applicable for the full year of 2013, revenues are expected to be much higher in 2013 than in 2012.

NON-AERONAUTICAL REVENUES & CONTRACT RENEWAL

SXM Retail outlet contracts were to have expired in 2012 but were instead extended for one year until 2013 in order to allow sufficient time to renegotiate the contracts at a higher level of return to PJIAE and to redesign and renovate the retail area at the Departure Hall. Food & Beverage contracts will expire in 2014 and these were also renegotiated to increase the non-aeronautical revenues of SXM. A special study was undertaken in 2012 which is designed to create an exciting, innovative, operationally efficient, financially productive and comprehensive retail environment. This study forecasts that revenues from this source could increase by ANG 1.3 million by 2014.

Personnel costs remain the biggest item on the expenditure side. The PJIAE collective labor agreement officially expired on December 31, 2010 but was extended by mutual agreement for one more year until December 2011, due to negotiations that were in progress. A further extension was agreed into 2012 at which time a new CLA contract was signed. Personnel expenses went up by over ANG 3.6 million in 2012 versus 2011 mainly due to an increase in salaries and in the provision for jubilee bonuses in addition to an increase in pension costs.



MOODY'S RATING AND REFINANCING

Moody's Investors Service, one of the world's leading providers of credit ratings, research and risk analysis, assigned an initial Baa2 credit rating to the PJIAE senior secured bonds with a stable outlook in November, 2012. It is the first time that St. Maarten or any company on the island has been assigned an investment rating.

This paved the way for the refinancing of the outstanding bonds, which was successfully concluded towards the end of 2012 and resulted in a lowering of the interest rate from 8.25% in 2012 to 5.5% in 2013 and future years for outstanding debt as well as providing capital that will contribute towards expenditures required for new facilities.

FACILITIES: RUNWAY REHABILITATION PROJECT

The runway assessment in early 2012 concluded that re-pavement was necessary for flight and passenger safety reasons. The last resurfacing of the runway took place in 1997. Competitive bids for contractors to do the work were solicited, culminating in selection of the best option. Negotiations for the best price and quality of performance concluded during the last quarter of 2012. The contract for the rehabilitation of the runway in the amount of US\$19,457,699.86 was signed on November 20, 2012, between PJIAE N.V. and the joint venture, Janssen de Jong Caribbean B.V./N.V. Arubaanse Wegenbouw Maatschappij/Windwards Roads B.V. Runway repaving is expected to be complete before the end of 2013. As experienced in 2012 and identified in the 2012 Master Plan Update, the second most critical facilitation issue is the proper supply of aviation fuel. Several times during 2012, there were fuel shortages that caused disruption of flight operations. A new, larger capacity Fuel Farm is therefore required and needs to be relocated to an alternative location for safety reasons (it is currently too close to the runway) and other critically important use of this space.

The third most critical facility issue is the ramp space for aircraft parking, particularly during the peak period of the day when congestion results in limitations on any new flight operations.

Also identified in the updated master plan was the fact that a new taxiway will increase the airport's ability to accommodate additional aircraft landings.

A new FBO building and Rescue and Fire Fighting Building have also been identified as requiring relocation and construction, the latter to enhance revenues and stay competitive with other Caribbean

facilities and the former to ensure the proper facilities for the fire fighting and rescue function. There is considerable interdependency in the development of these facilities and as a result properties will be acquired in 2013 to enable these projects to be carried out.

REBRANDING

We embarked on re-branding the airport in order to stay current with the times and improve our competitive edge. We considered that it was time to take a fresh look at our relevancy to our consumers and the ever-changing marketplace. The whole re-branding project is aimed at re-positioning the Princess Juliana International Airport as a leading hub in the Caribbean and to promote our ultra-modern facilities and the quality of our services.

A new logo, along with a new website www.sxmairport.com that is simple to navigate and which offers real-time information on arriving and departing flights, are the main features of the new brand.

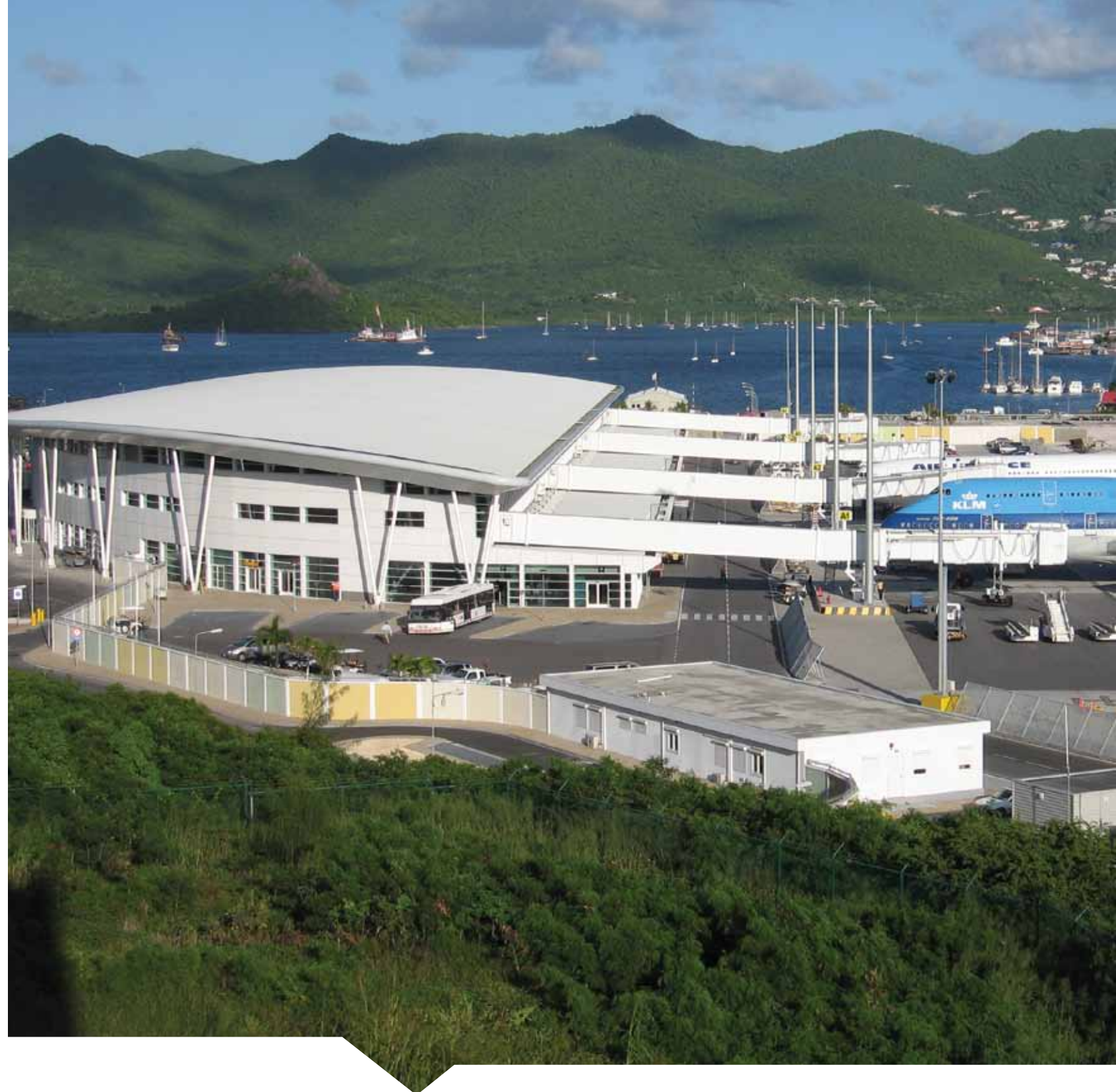
FINANCIAL RESULTS

Operating profits in 2012, at ANG 15.5 M, were down 16% from 2011 as new management came to grips with the financial situation and implemented initiatives in late 2012 that addressed revenue increases and cost reductions that will see a major financial improvement in the first full year of implementation, 2013.

Refinancing to reduce annual interest rates from 8.25% down to 5.5% for considerable savings in financing costs in future years required a one-time cash disbursement of ANG 18.3 M in 2012. This resulted in an overall net income loss of ANG 12.9 M in 2012 which will not reoccur in future years as the financing for future projects is now in place and revenue improvement measures have been adopted.

TEAMWORK

Team work was the key to our success in 2012. From the security guard to the management team; from the Supervisory Board of Directors to the Shareholder; everybody did their part and made an invaluable contribution to all our achievements in the year under review.



"It has been a distinct privilege and honor for me to work with a very professional and dedicated staff and look forward to the continued collaboration of all so that together, we can make PJIAE what we know it can be and what we want it to be: a model, progressive, viable and profitable company we can all be proud of; a leader in aviation in the Caribbean region." - REGINA M. LABEGA



02

EXECUTIVE SUMMARY

St. Maarten is geographically well-located in the Caribbean. Strategically, it serves as an airline hub for neighboring island destinations. It also has a sheltered sea port for boats that range from the smallest to the largest cruise vessels in the world. Also, the island is a leading tourist destination for visitors from all over the globe, primarily from North, South and Central America, the Caribbean and Europe.

As a connecting hub airport, SXM Airport has a competitive edge in the region over other Caribbean island hub airports because it is closer to islands such as Anguilla, St. Barths, Saba and St. Eustatius. In addition, SXM Airport has high frequency flight and ferry operations to these island destinations.

St. Maarten is not however without competition from other Caribbean destinations and airports and has remained steadfast and diligent with regards to its strategies, initiatives and facilities in order to maintain its market share and even increase this where possible.

A significant first step was taken in 2006 with the completion of a new state-of-the-art terminal building, expanded apron and car parking area all aimed at accommodating passenger growth at SXM. Today, given increasing competition and growth in the market place, SXM Airport needs major new facilities, some structures need relocation and acquisition of real estate property has become necessary for its future expansion needs in order to create an even more attractive airport experience that will move not only passengers, but all other stakeholders to consider SXM as a true leader in regional aviation.

SXM AIR TRAVEL MARKET

The air travel market for SXM consists of visitors (predominantly tourists), those visiting friends/relatives or business people living in St. Maarten or transferring through SXM as well as residents traveling from St. Maarten carried on commercial and general aviation aircraft.

- St. Maarten is predominantly a tourist destination with SXM catering to this traffic and also acting as a Hub for the Northeastern Caribbean, primarily the neighboring islands of Saba, St. Eustatius, Anguilla and St. Barths.
- In 2012, 1,671,715 passengers passed through SXM Airport.
- Overall, 85% of these passengers were visitors while residents of St. Maarten made up 15% of the total.

SXM is currently served by airlines from the US, Canada, Europe, Central and South America and the Caribbean. The latter based airlines provide air service throughout the region for origin/destination traffic and also feed traffic to and from the flights of the longer-haul airlines from outside the region. St. Maarten as a tourist destination has a seasonal with 49% of the airport's passengers travelling in the five winter months that make up 42% of the year, (between December and April).

PASSENGER OPERATIONS

There are four types of passenger operations at the airport:

- Scheduled services
- Charters
- Corporate jets
- General aviation

In 2012, the scheduled service component represented 95% of total passenger traffic at SXM.

- As a tourist destination, St. Maarten has to compete with other Caribbean islands for tourists from basically the same source markets, and as an airport Hub, SXM also faces competition from airports in the vicinity such as Antigua and St. Kitts.

PASSENGER MOVEMENTS 2012

GRAND TOTAL 1,671,715

TOTAL DEPLANED 758,433

TOTAL ENPLANED 799,745
Fee based Passenger

International 618,806

Domestic 59,889

Transfer 77,690

Departure fee 12,196

TRANSIT 144,699

AIRPORT METRICS 2012

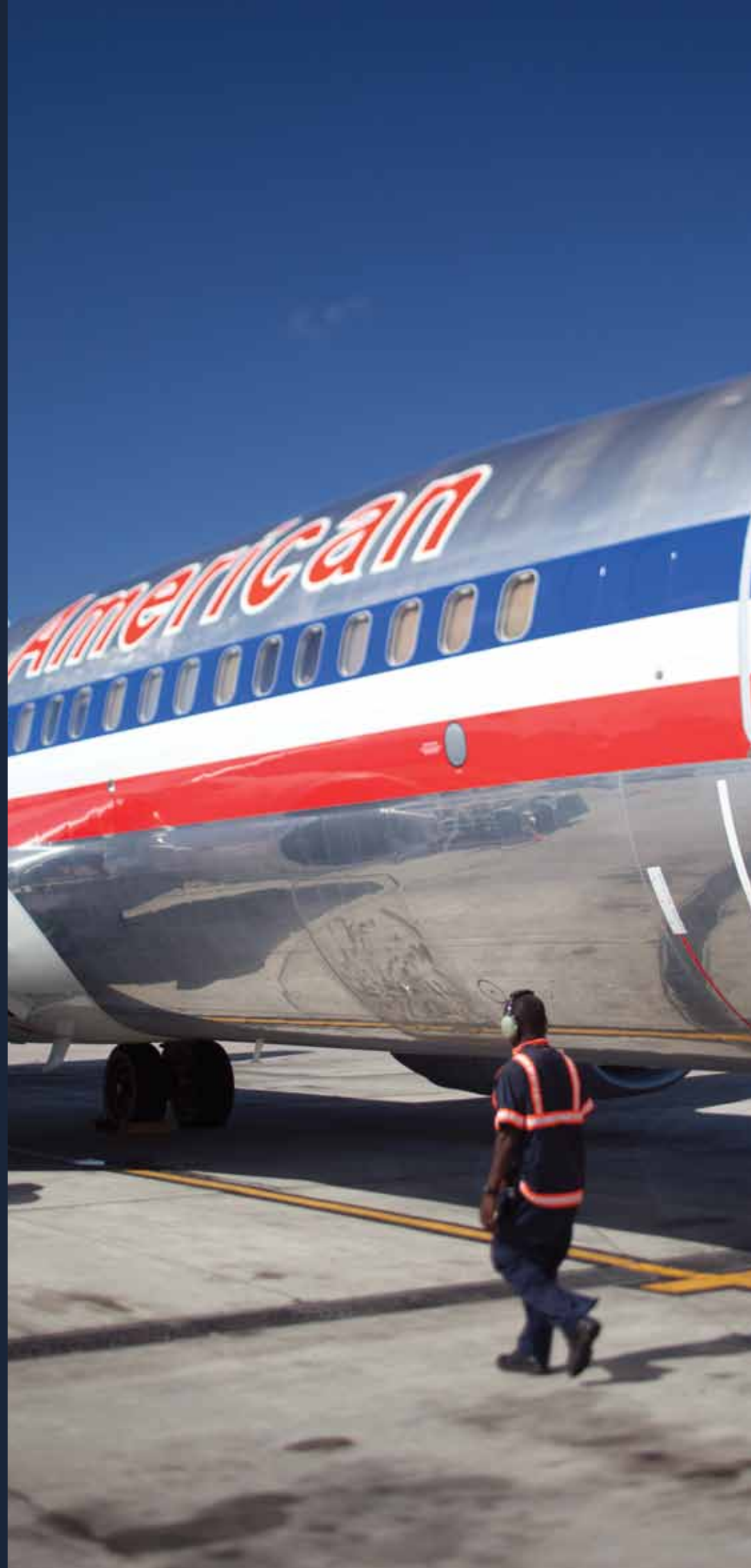
	NORTH AMERICA	EUROPE	CARIBBEAN	TOTAL
SXM*	11	2	10	23
SKB*	4	1	2	7
ANU*	5	4	5	14

* Number of Airlines

SXM Princess Juliana Int'l airport

SKB Robert L. Bradshaw Int'l Airport

ANU V.C. Bird Int'l Airport



SXM AND THE COMPETITION

There is no doubt that airports in the immediate vicinity of St. Maarten have been looking at and studying developments at SXM with a view to matching or even exceeding those developments, especially with regards to the new terminal building and seeking to increase their market share. In other words, SXM is not the only airport developing plans for growth and upgrading of its facilities.

- Antigua began work on a new multi-million dollar terminal building financed by the Exim Bank of China which is scheduled to open in December 2013. It is being constructed on a green field site adjacent to the current terminal. This will make the current terminal building available for possible use as a new FBO centre.
- St. Kitts recently introduced a new passenger processing system and has broken ground for a new FBO which will cater to mega yachts in the Caribbean region.

Lastly, Anguilla is interested in developing its FBO business.

SXM CARIBBEAN AIRPORT COMPETITORS

AIRPORT	PASSENGERS
San Juan	7,993,000
Aruba	2,089,000
Barbados	1,970,853
Curacao	1,741,900
St. Maarten	1,671,715
Antigua	872,000
St. Lucia	557,051
St. Kitts	262,250 (2011)

“As a tourist destination, St. Maarten has to compete with other Caribbean islands for tourists from basically the same source markets.”

MOODY'S RATING

In November 2012, Moody's Investor Service granted Princess Juliana International Airport a Baa2 rating with stable outlook on its senior secured bonds, making the airport the first such government-owned company on St. Maarten to be so rated. This was no doubt a huge vote of confidence in SXM, allowing it not only to refinance the old bonds at a much more favorable rate, but also to embark on a much-needed Capital Improvement Program.

Moody's took into account, “the airport's resilient enplanement trends through severe economic volatility, the diversification of air service providers, and the airport's role as a hub for connecting passengers to nearby tourist destinations in Anguilla and Saint Barthelemy.”

It noted that “enplanement levels have increased annually since 2009 and were minimally impacted by the global economic recession. Through FY 2011 the ten year compound growth in annual enplanements (CAGR) was 1.8%, but standard deviation of enplanement growth was 4.2%, well below that of other tourist and island destinations within Moody's rated airport portfolio.”

It said “additional credit strength comes from the relatively stable economy and institutional framework in Sint Maarten” as well as the critical role SXM plays in the island's mainly tourism-based economy.

CAPITAL IMPROVEMENT PROGRAM

To upgrade our facilities to meet the necessary international standards and to better serve all our stakeholders and enhance visitor experience, SXM has had to embark on a Capital Improvement Program, financed in part with the funds raised via our successful bond issue. The Program includes the following:

- Runway Rehabilitation
- Land Reclamation/Land acquisition
- Relocating Meteorological Building
- FBO/Rescue & Fire Fighting Facility
- Fuel Farm
- Renovation Cargo Building
- Technical Building
- New Commercial Strategy
- Beautification of the Roundabout

RUNWAY REHABILITATION

Background

The last resurfacing of the runway took place in 1997 and was executed by Windwards Roads B.V. As a consequence, rehabilitation of the runway is urgently required due to the deterioration of the asphalt surface after 15 years of use. It is customary to have a major resurfacing of the runway done every 15-20 years depending on the circumstances. If the runway is not regularly resurfaced it can become a potential safety issue as the integrity of the pavement surface breaks down.

In preparation for this runway rehabilitation, a topographical survey, a pavement investigation with core drilling and subsoil testing among other stringent internationally required studies were carried out.

Pre-Qualification

- On February 29, 2012 an invitation to prequalify was sent out to 10 contractors. These contractors were selected based on their experience carrying out asphalt and runway repair works in the Caribbean.
- On March 6, 2012, SXM Airport sent out a prequalification document to various companies that responded to the invitation letter. The documents were used to get updated information on work these companies did in the past 5 years. We were informed about their type of equipment, experience and company financial stability. This was necessary to expedite the tendering process to allow us to meet our October 2012 start deadline.

TENDER PROCESS AND CONTRACT SIGNING

Tenders were sent out on June 4, 2012. A Pre-bid meeting was held on June 27, 2012, while submittals were received on July 19, 2012. Following the bid evaluation, the contract for the rehabilitation of the runway at Princess Juliana International Airport (SXM) totaling US\$19,457,699.86 was signed on November 20, 2012, between PJIAE N.V. and the joint venture, Janssen de Jong Caribbean B.V./N.V. Arubaanse Wegenbouw Maatschappij/Windwards Roads B.V.

The signing of the contract signalled the start of the airport's Capital Investment Program which includes several other projects aimed at upgrading the facilities at SXM, improving service and thus allowing the airport to continue to remain in compliance with FAA requirements.

Work began at the end of November 2012 in terms of setup and preparation, with the actual physical runway work getting under way by mid-March 2013. The project is scheduled to be completed in October 2013.

All work on the runway will take place at night between 10:00pm and 6:00am when there are no aircraft operations and the airport is normally closed, hence there will be no effect on flight operations.

The entire length of the 2,300 meter (7,545ft) airport runway will be replaced with a fresh layer of asphalt and an asphalt overlay will be applied to correct the longitudinal profile of the runway, serving to significantly improve the structural integrity of the pavement construction. The project also includes the implementation of the required Runway End Safety Area (RESA) to the west. The runway threshold will be shifted 70 meters to the east to accommodate the RESA. The taxiway will be modified to allow larger commercial aircraft to have better access to the ramps and shorten the backtracking on the runway prior to take off.

In addition, the existing airfield ground lighting will be replaced with the more economical LED lights and an entirely new remote system will be installed in the control tower.

The rehabilitation project also includes the construction of a helipad for helicopters at the southeasterly end of the runway.

A project manager from the Netherlands Airport Consultants B.V. (NACO), Mr. Rob Noorman, has been contracted to supervise the project.

LAND ACQUISITION/RECLAMATION

Simpson Bay Lagoon

With air traffic increasing and international regulations for air traffic being reinforced, the airport facilities provided by Princess Juliana International Airport need to be extended.

- The new taxiway and aircraft parking aprons require the development of an approximately 12.3 ha (30 acres) land reclamation to be created in the lagoon, and the relocation of present businesses north of the Airport Road as well as the road itself.
- In order to obtain space for the development properties will have to be acquired.

FBO AND R&FF

There are new facilities needed in order for SXM to stay ahead of Caribbean airport competition and properly respond to the needs of the market. Otherwise, SXM will start to lose traffic to other destinations.

Such a development requires a new state-of-the-art FBO facility. To accommodate space for the new Fixed Base Operator (FBO), the existing government-owned Fire Brigade Station and the Airside Rescue and Fire Fighting Station (R&FF) have to be relocated. Also to comply with the standard regulations the R&FF has to be modified.

MET BUILDING

To create space for the new FBO, SXM has identified a new location for the Meteorological Building on the ridge next to our Air Traffic Control Facility.

This creates a better communication between the ATS and the Meteorological Services

PRESENT AND FUTURE FUEL FARM CAPACITY

The present Fuel Farm has a storage capacity of 3,000 barrels. (It is currently on the airport premises - airside - and will be relocated).

- The storage capacity in the new Fuel Farm will be increased to 15,000 barrels (with the long term objective of 25,000 barrels)
- SOL has recently finalized construction of its new tank of 25,000 barrels, which will provide SXM with 40,000 barrels storage capacity at the Sol Fuel Farm in Cay Bay (off premises)
- GB/Chevron plans to increase its storage capacity to 25,000 barrels (also off airport premises)

NEW CARGO BUILDING

Renovating the current cargo building would entail among others:

- Re-organization of office spaces, cargo storage and parking areas
- Upgrade and expansion of restrooms
- Additional Floor/Offices
- Adding a canteen
- Complying with Fire Department Regulations

NEW COMMERCIAL STRATEGY

According to the InterVistas study, aeronautical charges account for 81% of total PJIAE revenues with non-aeronautical funds being the residual (19%). This is below the average for airports of a similar size regionally and internationally.

The objectives of the new commercial strategy are therefore to:

- Create an exciting, innovative, operationally efficient, financially productive and comprehensive retail environment
- Enhance Image and Impression of SXM
- The Airport to reflect Island Pride and Beauty of St. Maarten through Sense of Place
- Increase Sales and Revenues

SXM is to embark on an improvement of the entire shopping area, with better layout, more beautiful décor and improved lighting which will make passengers more disposed to spend. For this to happen, a transition period is needed which was discussed with the concessionaires.

BEAUTIFICATION OF ROUNDABOUT

SXM is in the process of beautifying the Roundabout. The final design for the construction of the beautification has been submitted. SXM plans on erecting three statues of the Pelican bird. The Pelican is our national bird, and also is a symbol of flight. The roundabout is in a strategic location to highlight the island's cultural symbols, right at the entrance to SXM premises.

Several of these projects such as the runway rehabilitation, the new commercial strategy, the beautification of the roundabout, etc. are scheduled to be completed next year, while others will take longer to finalize. At the end of the day, however, the aim is to ensure that SXM remains at the cutting edge of the regional aviation industry and continue to maintain and even increase its market share.

“Moody’s Investors Service, one of the world’s leading provider of credit ratings, research and risk analysis, in November 2012, assigned SXM an initial Baa2 rating with stable outlook.”



03 2012 HIGHLIGHTS

3.1 / MOODY'S RATING

The year could not have ended on a higher and brighter note for SXM as Moody's Investors Service in November, assigned an initial Baa2 rating with a stable outlook to its senior secure bonds. The airport would thus become the first publicly owned entity in St. Maarten to be granted such a rating by a world-renowned credit rating institution.

"The bonds are being issued under an exchange offer of outstanding bonds and will also include new funds for use in advancing the airport's capital plan. Major projects contained in the plan include upgrades to the general aviation/ fixed based operation facilities, runway resurfacing, and improvements to taxiways," Moody's stated in a press release announcing the rating.

The Baa2 rating means the obligations are deemed to be "medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics," Moody's explained, while the numerical modifier "2" indicates "a mid-range ranking" within the generic rating category. Moody's had simultaneously assigned a sovereign rating of Baa1, with stable outlook to the government of St. Maarten.

US\$142 MILLION BOND ISSUE

This paved the way for SXM to issue a US\$142 million bond at a 5.5% interest rate which represented a significant reduction from the 8.25% interest rate on the previous loan that was refinanced through the bond issue, resulting a savings of about US\$10million. Underwritten by Nomura Investments,

the bonds were quickly oversubscribed, a reflection of investor confidence in SXM.

A major factor in Moody's decision was the airport's resilient passenger movement even in times of global economic volatility.

The rating also considered the fact that SXM is the only large scale airport on the island of Sint Maarten/Saint Martin, and that it plays a critical role in the island's predominantly tourism-based economy. Moody's also saw as major tourism draws the island's dual culture, large timeshare property stock, and close proximity to high-end tourist destinations, such as Anguilla and St. Barths, that lack sufficient international airport facilities of their own, in other words, the hub function of SXM.

In addition, the naturally formed bay in Sint Maarten offers an attractive docking spot for mega-yachts. The owners of the yachts access the island through general aviation facilities at SXM, Moody's noted.

Similarly, Moody's factored in the rating the favorable legal covenants and investor protections in the bond indenture. These include cash funded debt service reserve funds that cover three months debt service, and a closed loop of funds that does not allow dividends to be paid to the holding company, retaining all excess cash flow for airport purposes.



RUNWAY REHABILITATION PROJECT

The rating allowed SXM to embark on a much-needed Capital Investment Program, aimed at upgrading the facilities at the airport, improving service and thus allowing SXM to continue to maintain its competitive edge. The over US\$19 Million runway rehabilitation contract was signed on November 20, 2012, between SXM's Operating Company (PJIAE N.V.) and the joint venture, Janssen de Jong Caribbean B.V./N.V. Arubaanse Wegenbouw Maatschappij/Windwards Roads B.V. The project which started at the end of November is scheduled to be completed in October 2013.

The rehabilitation of the runway is urgently required due to the deterioration of the asphalt surface after 15 years of use. It is customary to have a major resurfacing of the runway done every 15-20 years depending on the circumstances. The last resurfacing of the runway took place in 1997.

All work on the runway will take place at night between 10:00pm and 6:00am when there are no aircraft operations and the airport is normally closed, hence there will be no effect on flight operations.

The entire length of the 2,300 meter (7,545ft) airport runway will be replaced with a fresh layer of asphalt and an asphalt overlay will be applied to correct the longitudinal profile of the runway, serving to significantly improve the structural integrity of the pavement construction.

project also includes the implementation of therequired Runway End Safety Area (RESA) to the west.



3.2 / NEW COMMERCIAL STRATEGY

One of the reasons SXM had such a successful bond issue was that it was able to show that it was taking serious steps to improve its financial performance by diversifying its revenue stream. During the first quarter of 2012, SXM had commissioned InterVISTAS Consulting Group to conduct a Non-Aeronautical Revenue Enhancement study. Based on the results of this study, as well as other market research, InterVISTAS, submitted a report on revenue enhancement opportunities with a focus on Food & Beverage and Retail.

The report concluded among other things that SXM's revenue from non-aeronautical sources was considerably below the industry standard in the region and internationally for an airport of its size.

It also pointed out that there is:

- Room for concessionaires to improve their financial performance
- Passenger confusion with regards to current product offerings and prices
- Significant unused space in the airside Food Beverage and Retail areas
- A lack of "sense of place"
- A need to introduce a new concession plan and retail strategy

In accordance with the recommendations of the study and following extensive consultations with the concessionaires, at various Facilitation Meetings, SXM plans to implement a two-phase, open, transparent and public tender process to introduce a new commercial strategy that would replace the current landlord-tenant relationship with the concessionaires with one of partnership. In other words, rather than pay rent for their retail or food & beverage stores as well as for the sitting area they use, concessionaires would only pay a concession fee that would vary depending on the category of the products they offer. This is similar to what is currently customary at various international airports.

The new commercial strategy is aimed at creating a win-win-win situation for all by:

- Increasing the sales volume of the concessionaires. In other words, the more passengers spend, the more the

concessionaires will make and consequently, the more SXM's revenue will increase.

- Reducing or even eliminating passenger confusion from product offering and pricing
- Improving the Food & Beverage and Retail space, particularly in its mix and lay-out.
- Creating a tempting airside lounge reflective of a St. Maarten "sense of place" (i.e. by effective use of culture, music, flavors, etc.) and
- Upgrading the airside Food & Beverage and Retail area with existing and/or new concessionaires.

The first phase was an Expression of Interest (EOI) or a Request for Qualification (RFQ) The conditions to qualify for the second phase of Request for Proposal (RFP) include that the applicants should be in good standing with regards to their financial obligations with PJIAE; that they should not be in litigation with PJIAE and have a minimum turnover which varies according to the concession package. Additional criteria were that applicants should present a Business Plan, a Marketing Plan, and show how many local staff they would be employing.

Since the contracts for all retail concessionaires expired in 2012, a one year extension was granted to all, regardless of their financial standing with SXM. This was to give them time to plan adequately so they could qualify to participate in the bidding process. The bidding process was open to any interested business.



3.3 / REBRANDING PROJECT

Re-branding is a universal phenomenon which is common among businesses all over the world.

Companies re-brand in order to remain relevant, keep abreast of the times, or to get an edge over the competition. Of course, others use re-branding as an effective marketing tool to erase negative images of the past that could affect their bottom-line. For SXM, however, the whole aim is to re-position the Princess Juliana International Airport as a leading hub in the Caribbean and to promote our ultra-modern facilities and the quality of our services.

Just as our new commercial strategy requires renovating and modernizing the airside Food & Beverage and Retail areas to give it a sense of place and make it more attractive and inviting for passengers, the rebranding of the Princess Juliana International Airport was considered necessary not just as a face-lift, but also as a corporate statement of taking the airport to a new level.

Branding is at the very core of an intrinsic intangible value investors attach to companies. According to Dr. Roger Sinclair, a global expert on brand valuation and brand equity practice, "A brand is a resource acquired by an enterprise that generates future economic benefits."

In fact, it could be said that we have begun to reap those "future economic benefits," especially if we consider that it was a strong belief in the re-branding efforts of Princess Juliana International Airport that tipped the scales in our favor for Moody's to grant us a rating of Baa2. This, in turn, facilitated the underwriting of the bond issue of US\$142

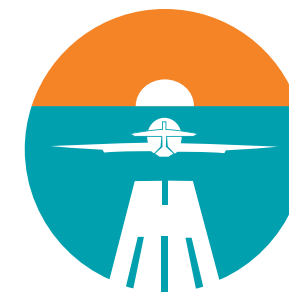
million by Nomura Securities International – one of the leading investment firms in the world. In fact, the bond issue was over-subscribed almost immediately, a clear indication of the confidence in the Princess Juliana International Airport brand.

We have taken this critical step in the development of our airport in part as a response to increasing competition in a fast-changing market.

The re-branding includes a new logo, a new e-mail address (e.g. johndoe@sxmairport.com) and a new website www.sxmairport.com which is simple to navigate and which offers real-time information on arriving and departing flights.

The new website also features user-generated YouTube videos in the "Spectacular Landings" section that show the world famous approach.

The logo was inspired by the IATA destination code of the airport – SXM. It is eye-catching and easy to identify and remember. The logo was chosen by Princess Juliana International Airport based on a comprehensive review of how other airports around the world are named and identified, for example, Los Angeles International Airport, LAX.



Before



After

WORLD ROUTES CONFERENCE IN ABU DHABI

The Managing Director, Regina LaBega, led the SXM team that joined the St. Maarten delegation to the World Routes Conference held in Abu Dhabi. The island delegation included officials of the Ministry of Tourism, Economic Affairs, Transport and Telecommunications, (TEATT), and the St. Maarten Tourist Bureau.

At the Strategy Summit of the Conference, it was revealed that with a 7% increase in passenger traffic in the first seven months of 2012 compared to the same period in 2011, the movement of passengers at the Princess Juliana International Airport, SXM, topped the world average of 6%, despite the global economic and financial challenges which affected the destination.

Many of the airlines servicing the island reported robust load factors, with Delta announcing an average of 90%, while Jet Blue also reported that the performance of its SJU - SXM route during the summer or slow period was better than anticipated. For its part, Air France relayed to the St. Maarten delegation that it is pleased with the route's performance, which recorded an average load factor of above 80%. SXM seized the opportunity to inform the airline about imminent changes to its fee structures.



PASSENGER ACCOMODATION FEES

2012

FEE	2012 NOV		2014		2019		2024		2029	
	USD	ANG	USD	ANG	USD	ANG	USD	ANG	USD	ANG
ADF International	33.00	59.40	36.00	64.80	39.00	70.20	42.00	75.60	45.00	81.00
ADF Former Domestic	20.00	36.00	22.00	73.20	24.00	36.00	26.00	46.80	28.00	50.40
ADF transfer	5.50	9.90	6.00	10.80	5.50	9.90	7.00	12.60	7.50	13.50
Passenger Screening fee	10.00	18.00	10.91	19.64	11.82	21.27	12.73	22.91	13.64	24.55
Airport Improvement fee	5.00	9.00	5.00	9.00	5.00	9.00	5.00	9.00	5.00	9.00

AIRLIFT

Delta Adds JFK to SXM Route

Attracting new airlines to SXM and opening up new routes continue to a core business strategy of SXM. In this regard, on Saturday, December 15, 2012, at the official start of the high tourist season, a St. Maarten delegation that included Special Projects Coordinator, Robert Brown, welcomed Delta's inaugural flight DL 331 from John F. Kennedy International Airport (JFK) to Princess Juliana International Airport (SXM).

The JFK –SXM service is in addition to the existing Monday, Wednesday and Friday flights of the airline from Atlanta. The new route offers customers more choice for travel as customers wanting to go to New York now have an additional late afternoon flight option on Saturdays.

Delta introduced the new and expanded service, which had been a few years in the making, due to an increased demand for more connections between New York and tourist destinations in the Caribbean.

JETBLUE

While reporting that its Boston service and San Juan route were performing well, JetBlue also reiterated that South Florida is a good potential market for strengthening its partnership with SXM. The company announced that the Fort Lauderdale (FLL) service could possibly commence in November, 2013.

GOL

The South American market has been a priority concern for SXM and in meetings with GOL, one of the major carriers from that region, the airline highlighted the fact that SXM is still on its radar. However, it stressed that marketing of the route was essential. GOL stated that the equipment is available and that it would use the Dominican Republic as a hub, similar to what COPA airline does with Panama. GOL and SXM also identified potential routes and vowed to continue the discussions.

COPA

COPA, another major South American airline servicing St. Maarten, indicated that it would be considering a reduction of its flights from four per week to two, although the first two months of the year started off well with an increase in passengers, because of the doubling of its frequency vis-a-vis 2011. This however fell off after that, and the reduction subsequently took place in December 2012. Part of the issue might be related to the cancellation of the St. Maarten marketing support that the airline needs.



RECORD NUMBER OF PRIVATE JETS AT SXM

With a record 102 private jets handled at SXM in one day during the peak traffic period (December/January), it is clear that the Princess Juliana International Airport is a leader in general aviation in the region.

“Every year there is an increase in requests to park private jets at Princess Juliana International Airport SXM, and this year has seen even more than last year, unfortunately due to limited space, we can only accommodate so much and no more,” said Michel Hyman, Operations Manager. The limited space has forced SXM “to be more creative, of course, without compromising safety and security, which are the main pillars of our operations.”

One of the main reasons for the increasing number of private jets calling at the airport is the fact that December is also the start of the yachting season. Many high profile guests would come in via private jets and subsequently board their yachts waiting at the Simpson Bay Lagoon. To continue to grow its market share of the General Aviation, SXM has plans to expand its current FBO facilities with the construction of an ultra-modern building and more parking space as part of its Capital Investment Program.

SAFETY

SXM Hosts Regional ICAO/FAA Workshop

SXM hosted a five-day ICAO/FAA Workshop for the Caribbean Region for the Certification of Aerodrome Inspectors. The Workshop started on June 11, 2012. Its main objectives were to train participants on how to carry out an airport inspection; preparations for the inspection, the various phases of the inspection, the post-inspection out-briefing and the post-inspection reporting or data entries and communication with the airport.

Of course, safety is at the core of airport inspection: safety of all airport users and of the facilities themselves. This involves everything that would make passenger movement seamless, less risky and contribute eventually to enhanced safety and security for the individual passengers and the airport community at large.

SXM takes the issue of safety and security very seriously. A large group of SXM staff took part in the workshop to ensure improved services and enhanced safety and security of all the users of the airport.

SXM was used as a “case study” of sorts with participants carrying out a simulated inspection during a field trip that formed part of the workshop.

JUNE IS FOD MONTH

The main objective of observing a “Foreign Objects and Debris” (FOD) awareness month is to enhance safety. About 400 people attended the

FOD Information and Training sessions in June, while over 100 participated in the FOD Walk during which participants removed foreign objects and debris which could pose safety hazards.

Participants included flight crews, mechanics, bus operators, fuel agents, cargo handlers, counter/gate agents, Security Officers, Managers/representatives of Airlines & Handlers and PJIAE Operations Team. They collected about 130 lbs of foreign objects and debris, 25lbs less than last year.

Continuous safety training, regular safety meetings and distribution of safety information/bulletins, etc, are among the ongoing programs at SXM to reduce FOD. The airport also intends to make a substantial investment in a new TYMCO (model 600) Regenerative Air Sweeper to assist the Operations Department in keeping the aprons clear of debris.

AVERTING AVIATION FUEL SHORTAGE

The shortage of aviation fuel that hit the island at the close of 2011 spilled into 2012 but by the middle of the year, measures taken by SXM and other stakeholders had yielded visible results. However, the long-term solution to this situation is to increase storage capacity.

To this end, SOL, a major supplier of aviation fuel, committed to building additional storage tanks at its Cay Bay facilities that would double its storage capacity to a combined 25,000 barrels. In addition, the planned relocation of SXM’s fuel farm to a location at the perimeter of the airport grounds will also result in increased storage capacity for fuel. It will also free up valuable ramp space and remove a potential safety hazard due to the fact that the current fuel farm is too close to the runway.

ENHANCING SXM’S HUB FUNCTION

The importance of SXM as a regional hub airport cannot be over-emphasized. As such, every effort is being made to enhance this position, in view of potential competition from airports such as the new one being built in Antigua and Barbuda.

To further solidify our position as the international airport for French St. Martin, Anguilla, and St. Barths, for example, we are relentlessly pursuing, in close cooperation with the Ministry of Justice, an immigration pre-clearance for passengers bound for these destinations.

We also hold regular consultations with stakeholders from these islands and involve them in the planning process of major improvement projects at SXM.



“Every year there is an increase in requests to park private jets at Princess Juliana International Airport (SXM), and this year has seen even more than last year”

04

BUSINESS DEVELOPMENT REPORT

4.1 / INTRODUCTION

According to IATA Chief Economist, Brian Pearce, "Growth can be facilitated or inhibited by infrastructure." He stressed "strong partnerships as the way forward with our value chain partners." This is easier in those fields where there is common interest, like safety. But it is also critical in areas of divergent interests, particularly with regards to fees.

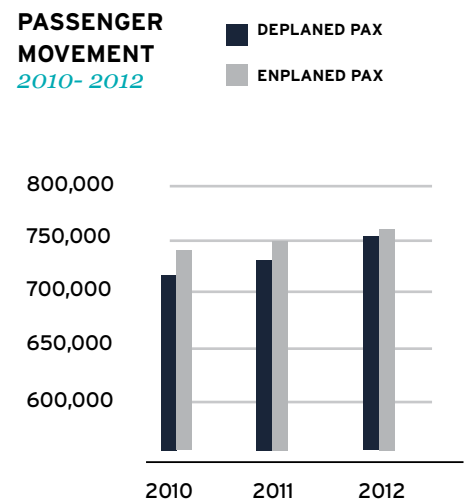
"Airline costs are airport revenues, so tension is to be expected," he further noted. "But if the airport has a clear understanding of our needs ... and invests in consultation with its customers (the airlines) to meet those needs with agreed costs, the results should be positive for both airlines and the airport," he added.

This is obviously the case with SXM and is among the reasons why 2012 was the second best year for SXM in terms of passenger volume over the last decade (2003 - 2012), only eclipsed by the volume in pre-recession 2008.

RELEVANT PASSENGERS NUMBERS

There are two basic types of airline passengers at SXM. Firstly, there are those using the terminal building, spending money at SXM Food & Beverage/Retail stores, paying airport fees of some sort and being serviced by airlines and/or PJIAE staff. Then there are those in transit at the airport, staying on the aircraft and not using the airport terminal at all. For the sake of this report, the relevant SXM passenger numbers are the former, those setting foot within the airport terminal and FBO facility.

On the basis of these relevant passenger numbers, 2012 was the second best year of the last decade for the airport, after 2008, which was just before the worldwide recession. The total number of passengers in 2012 (1,527,016) amounted to 98.4% of those in 2008 (1,551,407) and 2.8% more than the year preceding 2012, that is 2011 (1,485,984). The worldwide recession, particularly in the USA and Europe, resulted in the 2009 passenger volume dropping by 6.6% below the 2008 level. Since then, however, SXM has seen an increase of relevant passenger volumes relative to the previous year, in every year starting in 2010 at +2.0%, 2011 at +0.5% and last year, 2012, at +2.8%. Overall the increase in 2012, relative to 2009 was 5.4%.



REPORT DETAILS

This report describes the developments at SXM in terms of passengers including the components of the passenger total, how St. Maarten tourism arrivals in 2012 compared to those at other competing Caribbean islands, aircraft movements and cargo volumes over the last decade.

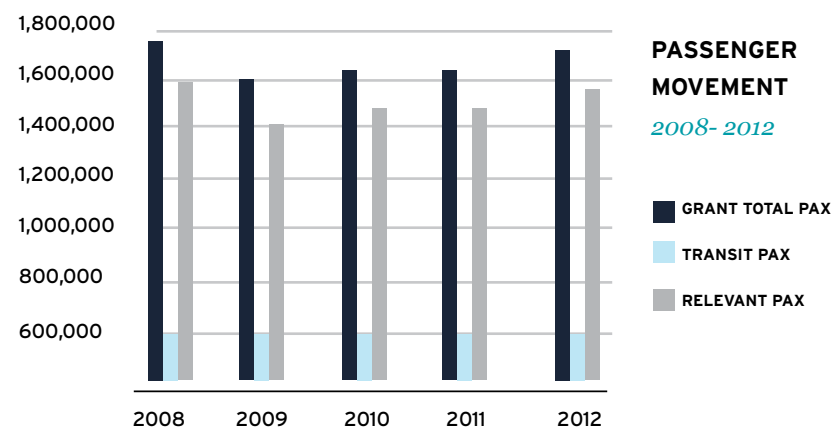
4.2 / PASSENGERS

Relevant Total Passenger Details

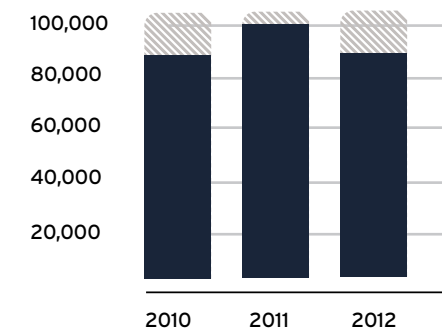
Since 2003, relevant passenger volumes at SXM have increased by 12.5% whereas the total, including transit passengers changed by 11%. The relevant passenger volume pattern shows a steady increase from 2003 (1,357,104) until 2008 (1,551,407), then the impact of the recession in 2009 resulted in a drop in traffic (1,448,984) but traffic picked up thereafter, with subsequent increases culminating in 2012 at 1,527,016.

TRANSIT PASSENGERS

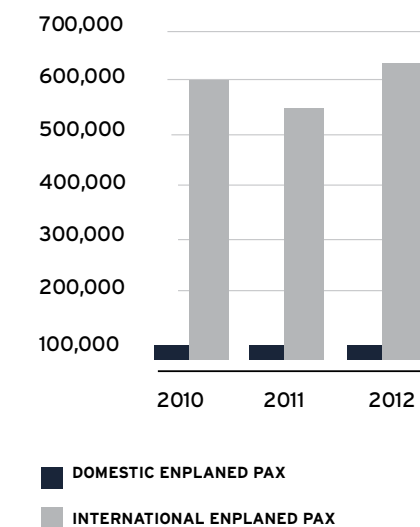
Although transit passengers are not included in this report as a measure of SXM performance, it is interesting to see the pattern of their volumes over the past decade. The volatility of transit passenger volumes is shown at the top of each annual bar in the bar chart below. As can be seen, at 168,493 in 2005, this volume was higher than the previous two years. But then in 2006, the total dropped by 18% (137,919), before increasing to 175,249 in pre-recession 2008. However, contrary to the negative recessionary impact on enplaned passengers, transit passengers increased by another 1.0% (176,980) in 2009 before progressively decreasing. The volume of transit passenger traffic in 2012 (144,699) was, in fact, the lowest in the decade, even falling below what it was in 2003 (147,891) but again this figure was not used to measure SXM performance, for the sake of this report.



TRANSFER PASSENGERS 2010-2012



DOMESTIC & INTERNATIONAL ENPLANED PASSENGERS 2010-2012



PASSENGER MOVEMENT TYPES

PASSENGER CATEGORIES

There are three types of passengers at SXM:

- Outbound passengers – enplaned
- Inbound passengers – deplaned
- Transfer passengers – those making a flight connection at SXM

ENPLANED PASSENGERS

The most important of these three are outbound, enplaned passengers who pay fees that make up some 60% of SXM's total revenues. The number of enplaned passengers in 2012 (768,583) was 13.4% higher than it was in 2003 (677,741), 1.9% lower than in 2008 (783,178) and 2.1% higher than 2011 (752,507). The progressive increases from 2009 (727,248) were +2.9% in 2010, +0.5% in 2011 and +2.1% in 2012.

DEPLANED PASSENGERS

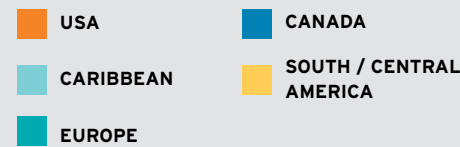
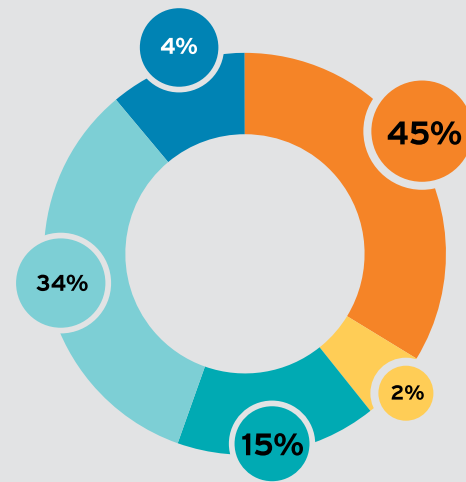
Deplaned passengers in 2012 (758,433) were 11.6% higher than they were in 2003 (679,363) and 3.5% more than in 2011 (733,072).

TRANSFER PASSENGERS

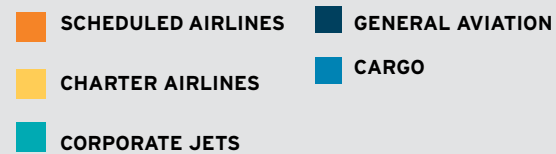
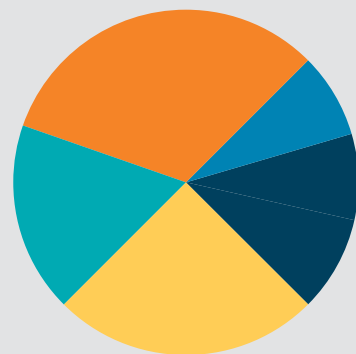
The definition of a transfer passenger changed in 2007 from a flight connection made within 24 hours (prior to 2007) to a connection made on the same day. Consequently, the measured number of transfer passengers dropped very significantly as many passengers were staying overnight in St. Maarten before making their flight connection the next day. The historical review of this type of traffic therefore is only meaningful from 2007 onwards.

The 2012 transfer passenger volume (77,690) was 16.6% lower than in 2007 (93,177) but 10.7% higher than it was in recession year of 2009 (70,190). However, transfer passenger volume in 2011 reached 90,141 meaning that 2012 was actually 13.8% less than in the previous year.

COMMERCIAL PASSENGER MARKETS 2012



AIRCRAFT TYPE OPERATED AT SXM 2012



ENPLANED PASSENGER COMPONENTS

International Enplaned Passengers

There are two types of enplaned passengers, international and domestic. The major growth in enplaned passengers over the decade, in terms of absolute passenger volumes, has been with international travelers, who have increased by 163,506 in the 10-year period. The 2012 total (618,808) is 36% higher than that of 2003 (455,302) with a +5.5% change relative to 2011 (586,805).

The 10-year comparison, however, is somewhat misleading as some international passengers prior to 2007 were classified as transfer passengers whereas in 2007 they became international passengers simply because of the change in the definition of a transfer passenger. Comparing 2012 to 2007 (607,215) shows an increase of a lesser amount, of +1.9%.

DOMESTIC ENPLANED PASSENGERS

Compared to 2007 (58,274), domestic passengers increased by 2.8% in 2012 (59,889) but were actually lower in 2012 than in 2011 (61,850) by 3.2%.

COMMERCIAL VS PRIVATE

In terms of how passengers arrived or departed at SXM, there are four types of aircraft involved in the process:

- Scheduled airlines
- Charter airlines
- Corporate Jets
- General Aviation

Scheduled and charter passengers are considered commercial airline passengers using the main terminal building whereas Corporate and General Aviation passengers are handled at the Fixed Base Operations or FBOs.

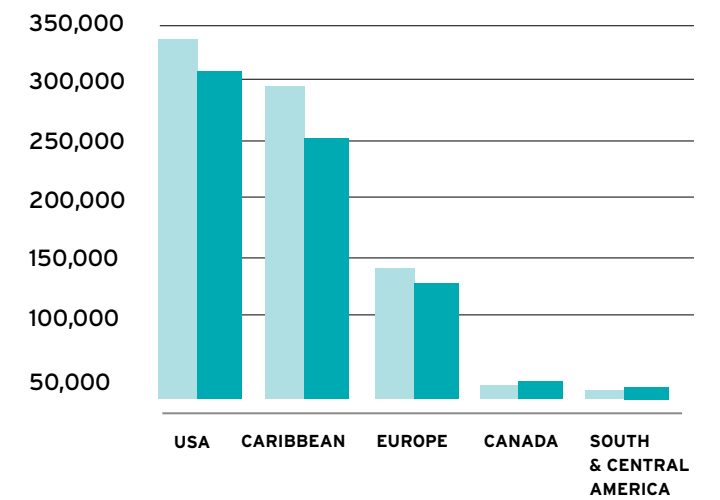
COMMERCIAL PASSENGER MARKETS

There are five market regions that contribute enplaned passenger traffic to SXM's total volume:

- United States
- Caribbean
- Europe
- Canada
- South/Central America

SXM OUTBOUND PASSENGERS

2007 & 2012



TOURIST ARRIVALS AT SELECTED CARIBBEAN ISLANDS 2012

CARIBBEAN ISLANDS	USA	CANADA	EUROPE	OTHER	TOTAL
Anguilla	41,795	3,291	7,223	12,389	64,698
Antigua	93,214	24,185	89,909	36,9618	246,926
Aruba	530,875	45,887	79,570	247,602	903,934
Curacao	61,496	9,707	173,857	174,561	419,621
Dominica	18,974	3,061	12,567	43,517	78,119
Puerto Rico	1,421,934	23,922	32,735	90,881	1,569,472
St. Lucia	115,065	37,709	93,390	60,637	306,801
St. Maarten	238,538	40,426	105,195	72,560	456,560
Total	2,521,891	188,188	594,447	741,765	4,046,291

- St. Maarten had the **THIRD HIGHEST** number of arriving tourists (456,720) after Puerto Rico (1,569,472) and Aruba (903,934).
- St. Maarten had the **SECOND HIGHEST** number of Canadian tourist arrivals (40,426) after Aruba (45,887).
- St. Maarten had the **SECOND HIGHEST** number of European tourist arrivals (105,196) after Curacao (173,852).
- Arrival Growth (Comment under the table) St. Maarten had the **THIRD HIGHEST** number of arriving tourists (456,720) after Puerto Rico (1,569,472) and Aruba (903,934).
- St. Maarten had the **SECOND HIGHEST** number of Canadian tourist arrivals (40,426) after Aruba (45,887).
- St. Maarten had the **SECOND HIGHEST** number of European tourist arrivals (105,196) after Curacao (173,852).

The United States market makes the largest contribution to SXM's passenger traffic (325,362) at a 41.9% share in 2007 followed by the Caribbean (317,997) at 41.0% and Europe (105,306) at 13.6%. Included in the Caribbean total are domestic passengers (58,274) that accounted for 18.3% of the Caribbean (317,997) total in 2007. Excluding the domestic passengers would mean that the Caribbean portion of the enplaned total would be 33.5%.

ST. MAARTEN TOURIST ARRIVALS

Competing Caribbean Islands

The Caribbean Tourism Organization (CTO) tracks arrival information for many Caribbean Islands. Seven such islands have been selected for comparison to St. Maarten as they seem most similar nature to St. Maarten. These islands include:

- Anguilla
- Antigua
- Aruba
- Curacao
- Dominica
- Puerto Rico
- St. Lucia

In terms of the distribution of St. Maarten visitors in 2012, the USA accounted for 52.2%, Europe 23.0%, Canada 8.9% and Other 15.9%.

The 2012 winter peak period in St. Maarten - January to April - had higher growth over the previous year at +9.4% than the off-peak part of the year (May to December) at +7.6%. One of the main reasons for the reduced growth in the off-peak period in 2012 was Hurricane Sandy's impact on St. Maarten's main source of tourists, the USA.



SEASONALITY

Total Enplaned Passenger Seasonality

The first quarter of the year (January – March) is obviously the peak period for SXM enplaned passengers. In the three-year period, 2010 to 2012, it became more accentuated as the first quarter proportion of the year's total grew from 20.5% of the annual total in 2010, to 27.8% in 2012.

The absolute number of first quarter enplaned passengers grew from 225,329 in 2010 to 245,571 in 2012, an 8.9% increase. Relative to 2011, the 2012 increase was 7.4%.

The three-year peak season increase of 8.9% exceeded the overall annual growth of total enplaned passengers of 2.7%. Furthermore, the first quarter peak passengers exceeded the lowest quarter total, the fourth, by 48.3%.

INTERNATIONAL ENPLANED PASSENGERS

International enplaned passengers contributed to the growth of the peak quarter (high season) in 2012. In 2010, the peak quarter accounted for 30.9% of the annual international enplaned passenger total, whereas in 2012 it was 32.4%. Furthermore, it was 23.7% above the average quarterly total in 2010 and grew to 29.5% in 2012.

In relationship to the lowest travelled quarter, the first was 52.4% higher in 2012.

Over the three year period, the first quarter international enplaned passenger volume increased by 8.3% while the total annual volume only increased by 3.5%.

DOMESTIC ENPLANED PASSENGERS

For domestic enplaned passengers, the peak quarter over the 2010 to 2012 period has been less consistent than the international enplaned passengers, with three different quarters representing the peak over this time frame. Also, the quarterly disparity between the peak quarter and average quarter is far less pronounced than for international passengers. For instance, in 2012 the domestic peak was only 6.7% above the annual quarterly average compared to the international at 29.5%. Overall, domestic passengers in 2012 were 4.4% less than they were in 2010.

TRANSFER PASSENGERS

Transfer passengers were chiefly responsible for the accentuated peak in total enplaned passengers in 2012 as first quarter volumes went from 7.5% of the average quarterly total in 2010 to 38.4% in 2012. Furthermore, the first quarter volume in 2012 was 63.3% higher than that of the lowest volume quarter, i.e. the fourth. This compares to 25.7% in 2010.

Over this period, transfer traffic increased by 4.4% in total while the first quarter peak saw an increase of 34.3%.



4.4%

traffic
increase



4.3 AIRCRAFT MOVEMENTS

TOTAL AIRCRAFT MOVEMENTS

In the decade from 2003 to 2012, the total number of aircraft movements at SXM peaked in 2006 at 79,014. After that, the annual total movements progressively declined to a level in 2012 of 58,909 or a 12.9% reduction from what it was in 2003 and 25.4% below what it was in the peak year, 2006. The decline is as a result of larger seat capacity aircraft being deployed by airlines as well as higher load factors as the number of passengers per flight increased from 23 in 2003 to 30 in 2012, a 30.4% increase.

This declining number of aircraft movements continued throughout the last three years with 2010 movements down 2.8% from 2009, 2011 down 0.9% from 2010 and 2012 down 2.3% from 2011 for an overall four year reduction of 5.9%.

The actual total number of aircraft movements at SXM in 2012 was 58,909 versus 67,638 in 2003, 71,936 in pre-recession 2009 and 60,314 in 2011.

SCHEDULED AIRCRAFT MOVEMENTS

Scheduled flights in 2012 represented 71.6% of the total number of flight movements but they were down from a 77.1% share in 2003 and 79.3% in the peak year of 2006. The declining number of scheduled flight movements followed similar but steeper decline than total movements with 2012 recording a drop of 19.1% below 2003 and 31.6% less than the peak of 2006.

GENERAL AVIATION AIRCRAFT MOVEMENTS

The second highest share of aircraft movements in 2012 was by General Aviation at 11.4% of the total movements. In this year, General Aviation movements were actually 14.0% higher than in 2003 but down 27.2% from its peak year of aircraft movements in 2008. Total General Aviation movements in 2012 were up by 7.6% over 2009, 6.0% over 2010 but down -12.4% from 2011. This could be attributed, in part, to the aviation fuel shortage experienced on the island during the peak period for private jets (December – March).

CORPORATE JET AIRCRAFT MOVEMENTS

The third highest number of aircraft movements was by corporate jet aircraft which represented a 10.8% share of total movements in 2012. Corporate aircraft movements were down slightly by 0.6% in 2012 relative to 2003 and down 16.3% relative to the peak year of 2005. From a four year perspective - 2009 to 2012 – there was a 15.9% increase in 2010 compared to 2009, 11.4% increase in 2011 relative to 2010 but a 7.3% decrease in 2012 compared to 2011.

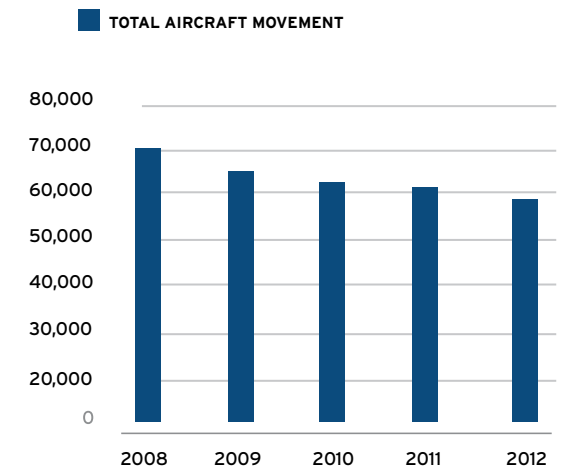
CARGO AIRCRAFT MOVEMENTS

Cargo aircraft movements at SXM in 2012 were up by 20.7% over what they were in 2003 and increased by 9.2% over 2011. Cargo's share of total aircraft movements in 2012 was 5.2%.

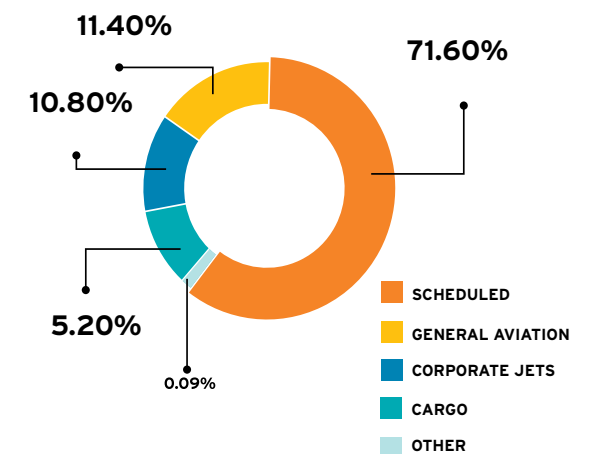
CHARTER AIRCRAFT MOVEMENTS

Charter aircraft flights are a very small proportion of the total movements at SXM (less than 0.9%). In 2012, such flights were 22.5% lower than in 2011 and 16.1% lower than 2003.

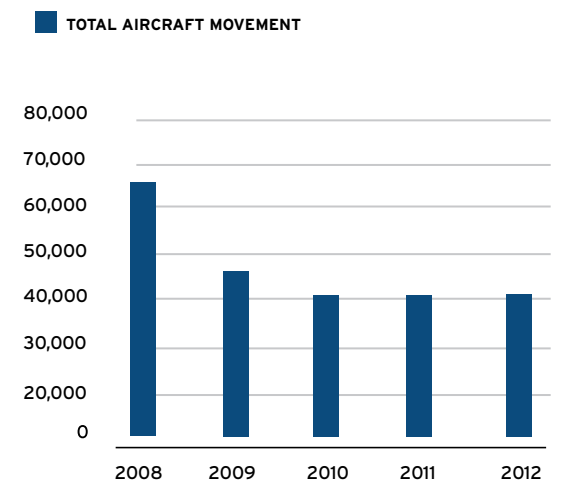
TOTAL AIRCRAFT MOVEMENT 2008 - 2012



TYPE OF AIRCRAFT MOVEMENT 2012



SCHEDULED AIRCRAFT MOVEMENT 2003-2012



4.4 CARGO MOVEMENTS

TOTAL CARGO

In 2012, total air cargo at SXM was down by 11.6% from what it was in 2003 and 23.3% from its peak in 2008, the year before the recession. In the recession year of 2009, it fell by 8.8% relative to the previous year and has fallen progressively since then. In 2012, it was 15.9% lower than in 2009, 4.0% lower than in 2010 and 5.0% less than in 2011.

INBOUND CARGO

Inbound cargo in 2012 represented 79.7% of total cargo but this was down from 86.0% in 2003, and from 81.5% in pre-recession year 2008, but up slightly, at 79.3%, relative to 2011. Inbound cargo in 2012 was the lowest it has been in the 10 year period, down by 18.2% from 2003, down 4.7% compared to 2011 and 25.8% when compared to its peak in 2005.

OUTBOUND CARGO

Outbound cargo has not fared as badly as inbound cargo but only represented 20.3% of total cargo in 2012. This cargo increased by 29.2% in 2012 relative to 2003 but was down by 15.7% relative to pre-recession 2008 and down relative to 2011 by 6.5%.

CARGO VOLUME RELATIVE TO CARGO FLIGHT MOVEMENTS

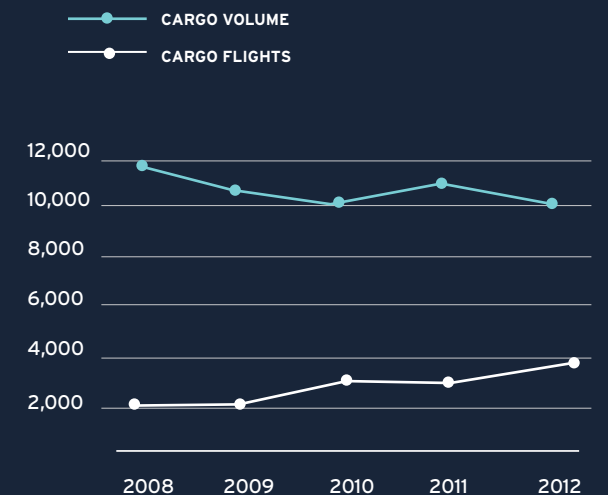
Since 2008, the year before the real recession hit in 2009, there were 2,214 cargo aircraft movements that carried a total of 9,449 tonnes of cargo. Since then, cargo flights have steadily increased every year while the tonnes of cargo shipped has continuously decreased (with the exception of 2011 when there was a very slight increase of 1.1%). This means that either smaller sized air cargo aircraft were being deployed or there was a general decline in cargo demand or a combination of both.



SXM AIR CARGO 2012



CARGO VOLUME RELATIVE TO CARGO FLIGHT MOVEMENT 2008 -2012



GOVERNANCE

5.1 / SXM & CORPORATE SOCIAL RESPONSIBILITY

As a government-owned, strategic institution, the Princess Juliana International Airport Exploitiemaatschappij N.V. (PJIAE N.V.) is not only committed to upholding the principles of good corporate governance as enshrined in the Corporate Governance Code, but it also, as a matter of policy, takes its corporate social responsibility very seriously. This means not only being a so-called good corporate citizen in the sense of “giving back to the community” but more importantly it means being actively involved in the social, educational, cultural, and sporting development of the island.

The impact of the airport on the economy of the island has been independently established by the Central Bank of Curacao and St. Maarten (CBCS). According to a recent study it conducted, the Central Bank asserts that the Princess Juliana International Airport and its users account for a total impact of 60% of St. Maarten’s GDP. In its computation, the CBCS does not seem, however, to have included the direct and indirect contributions that SXM makes to social, sporting, environmental, cultural and educational organizations.

“Our philosophy is based on empowering our youth, assisting with the propagation and preservation of our cultural heritage, actively supporting conservation, upgrading of our environment and generally making the people identify with and take ownership of their airport,” said Managing Director Regina LaBega.

“That is also why we encourage our entire staff to be actively involved in every meaningful initiative that adds value to the experience of our visitors and residents alike and portray the airport as a major partner in the development of the island,” LaBega said.

The themed decoration of the Terminal Building for Carnival, Valentine’s Day, St. Martin Day, Christmas, et al, reflects SXM’s commitment to highlighting these events to arriving visitors, as well as a means of creating a welcoming, festive environment, that is uplifting to the spirit and serves as a foretaste of what the visitor could expect once they enter the island.

5.1.1 / SUPPORT FOR EDUCATION & SPORTS

Adoption of Prins Willem Alexander School

With regards to education, for example, SXM has “adopted” the Prins Willem Alexander School. However, SXM believes very strongly that the only school for special needs students on the island should not, in addition to its unique requirements, be treated as an “adopted child”. Rather, according to SXM managing director, Regina LaBega, the airport seeks to establish a structural relationship with PWAS which will not be confined to simply giving out financial aid, as important as this is, but also involve non-financial assistance. “We see ourselves as a benefactor or rather as a fairy god-mother committed to offering PWAS all the help it needs to achieve its goal of providing meaningful and effective education to our special needs students,” she said. It is a long-term, structural support system SXM has taken on with respect to the school that affects every aspect of the students’ lives.

SUPPORT FOR CHARLOTTE BROOKSON ACADEMY FOR THE PERFORMING ARTS

SXM was a significant contributor as a Bronze sponsor to the Charlotte Brookson Academy for the Performing Arts, which opened in August as an “experimental” school for secondary education, and is modeled after the Charter Schools in the US. The school has a special curriculum that not only focuses on academic subjects but also the performing arts, including music, and dance, which carry the same weight as the academic subjects. The school also has an extended period that goes until 5:00 PM, which means students stay in school for longer hours, where they are served breakfast and lunch and have supervised homework.



“Our philosophy is based on empowering our youth, assisting with the propagation and preservation of our cultural heritage, actively supporting the conservation and upgrading of our environment and generally making the people identify with and take ownership of their airport” - REGINA LEBEGA

BON VOYAGE

Our commitment to education is, however, not limited to our adoption of PWAS. SXM continues to support worthy initiatives presented by educational institutions and this year, began what is expected to become an annual send-off event, themed “Bon Voyage”, for St. Maarten students bound for The Netherlands to further their studies.

Their departure, each year, has been characterized by emotional and tearful scenes at the airport. SXM believes, nevertheless, that it should not be all sobs and tears and decided to partner with Domino's Pizza to inject a sense of joy and purpose into the atmosphere. With popular DJ's on hand to entertain the departing students, gift items and pizza were distributed to them, while the traditional speeches to encourage them were delivered by the Prime Minister, the Minister of Education and the managing director of SXM.



SPORTS

There is no doubt that Sports is vital to the healthy development of any nation. SXM is convinced of the many benefits that accrue from sports and thus embraces the policy of “charity begins at home” in terms of assisting employee sporting groups and organizations.

5.1.2 SUPPORT FOR CULTURE, CARNIVAL & REGATTA

CULTURE

Culture is not only an expression of our identity as a people, but also a platform from which to project who we are to the world. Preserving our historical heritage as part of our cultural patrimony is, of course, central to SXM's policy in this regard. As a result, in response to a request from the Emilio Wilson Historical and Cultural Foundation, SXM did not hesitate to support the restoration of the Cook House at the Emilio Wilson Park.

CARNIVAL

There is no denying the fact that Carnival is the most important event on the cultural calendar. In 2012, not only did SXM dress up for the 44th annual Carnival celebrations, but also got into full carnival mood with a carnival-inspired décor in key areas of the facility, carnival music piped through the PA system and four live revelers welcoming arriving passengers right at the jet bridges. The Food Court, the Check-in and the Meet and Greet areas as well as the four jet bridges were decorated with Carnival themes to create a festive atmosphere. In addition, a stand-still parade and photo op area was set up in the open space.

HEINEKEN REGATTA

There is no doubt that one of the most important sporting events on the island is the annual Heineken Regatta. It could be said that the Regatta “starts” at SXM which it helps promote to arriving and departing passengers on the exterior walls of the Terminal Building as well as inside the Arrival and Departure Halls. In 2012, an information booth was placed at the Arrival Hall area next to the Reception Office.

The regatta is a major sporting event held under the now well-known theme of ‘Serious Fun’ and SXM Airport is happy to highlight the event. SXM has no doubt been a steady wind behind the sails of the regatta which has become one of the foremost events of its kind in the region.



“Carnival is our main cultural event and in recognition of this, SXM teamed up with the St. Maarten Carnival Development Foundation, SCDF, to re-create the carnival experience at the airport”

5.1.3 / ENVIRONMENTAL AWARENESS

BLUE FLAG COMPANY

When SXM signed on to become a Blue Flag company, it was not because it was the trendy thing to do. Rather, it was due to our strong belief in the greening and/or re-greening of our island. Our lush green hills are not only a beauty to behold but also a symbol of life, of peace and serenity that has inspired poets from all corners of the world.

As a good corporate citizen, SXM believes that sustainable development and environmental responsibility are not necessarily two opposite poles. As a matter of fact, they are the two sides of the same coin and thus can and should be complementary, especially in this day and age of global warming.

With global air traffic increasing at an average rate of 4-5% annually, environmental concerns are becoming more and more a priority.

SXM takes these concerns very seriously and thus, commissioned an Environmental Impact Study before embarking on its runway rehabilitation project.

LED LIGHTS

SXM has decided to use LED lights on the runway not only as an energy saving measure, but also as a means of reducing our carbon footprint. Similarly, the revolving doors at the entrance to the Terminal Building have been replaced with sliding doors to reduce the amount of air-conditioning lost and thereby also contribute to a reduction of air pollution, while saving costs.

TREE PLANTING

Trees are man's best friend. At least, that is how aviation pioneer, Frank Lloyd Wright, sees them. "The best friend on earth of man is the tree: when we use the tree respectfully and economically we have one of the greatest resources of the earth," he famously said.

Using the tree "respectfully and economically" implies planting trees to replenish the ones we use, and to replace the ones we cut down.

The impact of deforestation on the economies of some developing countries is well known. SXM believes that we owe it to future generations to ensure that we do not destroy the very essence of their economic and even spiritual sustenance.

"This is why we make it our duty to support the efforts of Nature Foundation and other environmental groups in creating more awareness about conservation and preservation of our environment," Regina LaBega said.



"As a good corporate citizen, SXM believes that sustainable development and environmental responsibility are not necessarily two opposite poles"

CORPORATE STRUCTURE

The Princess Juliana International Airport Operating Company (PJIAE, N.V.) is fully owned by the Princess Juliana International Airport Holding Company N.V. (PJIAH), which in turn is owned 100% by the Government of St. Maarten.

PJIAE N.V. was established by Notary Deed of September 13, 1996, with the purpose of managing and operating the Princess Juliana International Airport of St. Maarten. The then Government of the island territory of St. Maarten granted the company a concession for an initial period of 20 years as per Island Decree number 2031, of October 14, 1997. Seven years later, the government via Island Decree number 638, of May 27, 2004 extended the concession by an additional eight years until January 2, 2025. The concession was once again extended in 2012 for another 15 years, thus facilitating the company's Moody's rating.

The Government of St. Maarten is the Concessor, while the Holding Company is the Landlord with PJIAE N.V. being the tenant, operator and concessionaire of the airport and all its facilities.

MANAGEMENT

PJIAE N.V. is managed by a Managing Director, as established in the Articles of Incorporation of the company. A Supervisory Board of Directors consisting of at least three and a maximum of seven members, including the chairperson, has the statutory duty of supervising the Managing Director.

The Managing Director is assisted by the four Division Directors and several Department Managers along with their respective specialized department staff in the management of the company.

The Managing Director and the members of the Supervisory Board are appointed by the Holding Company, PJIAH NV as the sole Shareholder of PJIAE N.V. The Supervisory Board meets regularly with the Managing Director to review strategic policy matters and business and financial performance.

This organizational structure allows government to implement its "arms length" policy in accordance with the principles of good corporate governance. In other words, this means that

neither the Supervisory Board of Directors, nor the Shareholder Representative, or any other instance for that matter, get involved in the day-to-day operations of SXM.

PJIAE N.V. has a lease agreement with the Holding Company (PJIAH N.V.) for the commercial use of the airport facilities (including buildings, etc.). The lease expires either 10 years after the final settlement of all outstanding debts incurred with regards to the financing of the extension of the airport, referred to as the Airport Development Plan Phase 2 in the Strategic Business Plan of PJIAE N.V. dated March 2, 2000, or 25 years with effect from the date of the signing of the lease agreement, whichever is later.

Unlike other similar airport companies in the region and elsewhere, PJIAE does not receive nor depend on any direct subsidy from Government. The airport operates as a self-sufficient company deriving its revenues from both aeronautical and non-aeronautical sources to cover its annual operating costs and finance charges. However, under the current terms, PJIAE N.V. is permitted to keep the Airport Departure Fee (ADF), which it collects on behalf of Government.

On the other hand, the company is fully responsible for the Air Traffic Service, a department that usually falls under government's jurisdiction in other countries. Similarly, it is also in charge of Security and Security personnel at SXM, a responsibility that normally belongs to government in other places.

In addition, government agencies such as Immigration and Customs do not pay for the use of offices at the airport, which is another direct contribution to government.



CLARENCE DERBY
CHAIRMAN



MARLON GARY MATSER
VICE CHAIRMAN



MELINDA HOEVE
SECRETARY



WHITFIELD VLAUN
MEMBER



CLEVELAND BERESFORD
MEMBER

6.1 / SUPERVISORY BOARD OF DIRECTORS

There was one change to the membership of the Supervisory Board of Directors in 2012, as Mr. Cleaveland Beresford became a member on April 1, 2012.

At the end of 2012, the Supervisory Board consisted of the following members:

- **MR. CLARENCE DERBY, CHAIRMAN**
Mr. Derby is the Senior Vice President and General Manager at Sun Resorts, the owners of Mullet Bay. He is also General Manager of the Towers at Mullet Bay.
- **MR. MARLON GARY MATSER, VICE CHAIRMAN. VICE CHAIRPERSON.**
Mr. Matser is a businessman. He is owner and Managing Director of MGM Consulting N.V.
- **MS. MELINDA HOEVE, SECRETARY.**
Ms. Hoeve is an Attorney at Law and Partner in the law firm, Duncan, Brandon, Hoeve and Marica.
- **MR. WHITFIELD VLAUN, MEMBER.**
Mr. Vlaun is Senior Sales Manager at First Caribbean International Bank in St. Maarten.
- **MR. CLEVELAND BERESFORD, MEMBER**
Mr. Beresford is the Managing Director of CBI consultants and services N.V., consultant for ICWI, Captive Insurance Manager, and Insurance Manager for setting up the TOR and bidding process for Government properties. Mr. Beresford is also a commercial aviation pilot.



DRS. SHIRLEY PANTOPHLET-GREGORIA
Director of Financial Division



LARRY DONKER
Director of Operations Division



RAUL VAN HEYNINGEN
Director of Air Traffic Services Division



MIRTO BREELL
Director of Technical Division



ANASTACIO BAKER
Manager of Quality Assurance Department



KALIFA HICKINSON
Manager of Marketing & Communications Department



KETTY PAINES
Manager of Passenger Services Department



BENSON RICHARDSON
Acting Manager of ITT Department



MANILO PENIJN
Manager of Rescue & Fire Fighting Department



DEREK HILMAN
Manager of Project Planning and Systems Control Department



HENRI LAURENCE
Manager of Statistics Department



JERRY SPROTT
Manager of Security Department



MICHAEL LAKE
Manager of Financial & Accounting Department



MICHEL HYMAN
Manager of Operations Department



NORMA BRILL
Manager of Human Resources Department



WAYNE VAN PUTTEN
Manager of Investigation Department



LLOYD HINDS
Manager of Radar Control Department



EVANS MARSHAM
Manager of Purchasing Department



JOYCE YORK
Executive Secretary



JUSTINIEN JOE
Manager of Facility Maintenance & Housekeeping Department



DENNISCIO BOASMAN
Manager of Electrical & Mechanical Department



SANDY OFFRINGA
Legal Officer

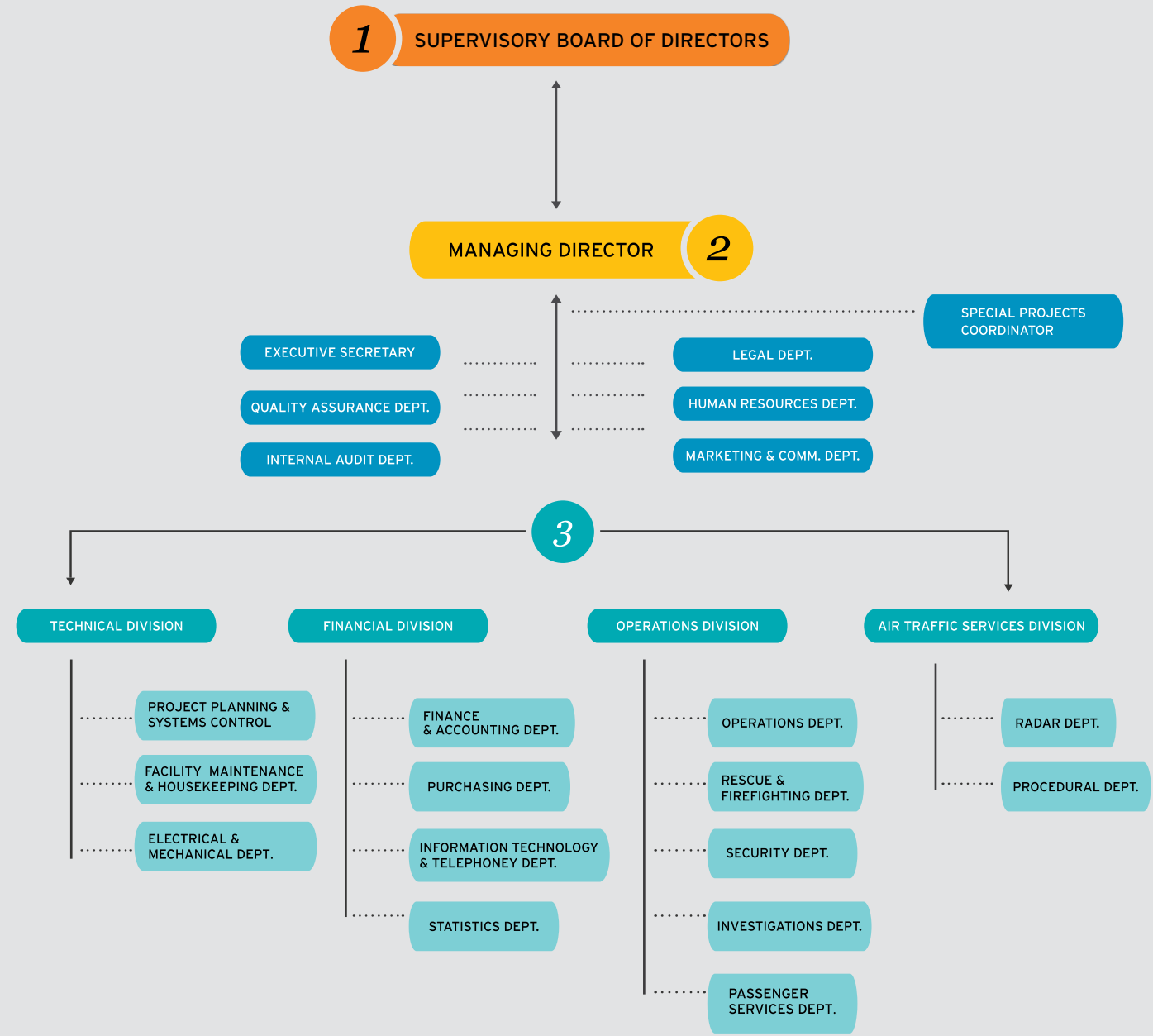


GREGORY HASSELL
Manager of Procedural Control Department



ROBERT BROWN
Specials Projects Coordinator

6.2 MANAGEMENT TEAM



6.3 CORPORATE AFFAIRS

6.3.1 / DIVISION OF OPERATIONS

This division is central to the operations of the airport. Its director is charged with ensuring that business operations are efficient in terms of using as few resources as needed, and effective in terms of meeting customer and safety requirements. Furthermore, the director is responsible for fostering a community with one goal and with each individual knowing what they are expected to contribute towards our overall mission.

The Division consists of four Departments: Operations, Security, Rescue and Fire Fighting (R&FF) and Passenger Services.

The Operations Department is charged with delivering, maintaining and improving on quality day to day operational service within a safe and secure environment, and improving on airport capacity, while the Security Department is responsible for the protection and safeguarding of passengers, crew, ground personnel, the general public and facilities established at the airport against acts of unlawful interference perpetrated on the ground or in flight. Another security objective is to work towards achieving safety and security standards in a manner that is friendly, fair and efficient.

The primary objective of the Rescue & Fire Fighting Department is to save lives in the event of an aircraft emergency; facilitate and permit rescue operations to proceed smoothly; maintain or improve on current levels of service and improve firefighting effectiveness while stabilizing or reducing costs of that service and its associated equipment.

The Passenger Services Department's main function is to deliver exceptional customer experience to business and leisure passengers in comfortable surroundings.

Safety, security, and Rescue and Fire Fighting are all certification requirements for SXM.

In general terms, the strategic objective of all the departments in the operations division is to ensure, improve and adjust responsiveness to the evolving demands and services of the airport and aviation industry and be a model for tenant service, security, efficiency, safety and effectiveness.

OPERATIONS DEPARTMENT

The Operations Department set out to achieve the following goals in 2012:

- Enhancing Capacity and efficiency
- Maintain and improve current safety levels
- Enhance airport capacity
- Reduce Costs

Capacity enhancement was achieved through scheduled and coordinated operational improvements.

- **IMPROVE TERMINAL BUILDING SEATING:** Efforts were made to improve seating particularly for the elderly and those with physical challenges.
- **ACQUIRE FOD BINS - FOD Sweeper:** All airports are required to have an FOD (foreign objects and debris) program in place, which covers FOD training of all personnel, equipment used to ensure a FOD free environment and associated facilities to encourage an FOD-free environment. These were acquired in 2012.
- **SITA CUTE KIOSK:** Installation of CUTE Kiosk machines as planned in coordination with the airlines. The system is functioning well and providing beneficial use to the airlines as specified in the contract terms. The project entailed renewing all equipment at the gates, including computers, bag readers, etc.



SECURITY DEPARTMENT

The main objectives of the Security Department in 2012 were:

CCTV UPGRADE AND PERSONNEL CERTIFICATION:

Technology and personnel upgrade go hand-in-hand and therefore the Security department worked towards completing the purchase and upgrade of the CCTV system. This would resolve two issues, which are: adequate coverage on areas of concern and reduction in man power requirement.

All security personnel were upgraded to ensure certification in 2012. They were offered Check-point training and Excellence in screening techniques to comply with certification requirements.

COMPUTER-BASED TRAINING, CONVEYOR BELT MODIFICATION AND SCREENING POINT EFFICIENCY:

Besides ensuring passenger, tenant and visitor security, "Passenger efficiency" is a very important factor. In order for security not to become a hindrance to the travelling community, we must also focus on customer service, and work cooperatively to enhance the speed and ease of security checks. The Security Department's goal remains to ensure that the many layers of the travel process are as friendly, fair, swift and secure as possible. Achieving this requires leadership that makes clear to front-line employees that they are expected to do their job in a respectful, courteous manner that respects the dignity of each individual traveler.

WALK THROUGH METAL DETECTORS:

The newer model equipments are made to optimize the throughput of passengers at the check-point area. Effective airside security relies heavily on the integrated application of physical barriers, identification and access control systems, surveillance or detection equipment, the implementation of security procedures, and efficient use of resources.

Overall, the completion of all employee certification, manning of the Screening Point and system configuration, were among the main achievements of the Security Department in 2012.

R&FF DEPARTMENT

For this Department, the goals in 2012 included:

- **NFPA training:** By way of strategic planning, and performance management, we aimed to complete the department's structural change, set up and maintain the NFPA standards throughout the organization with the long-term vision of continuous improvement.
- **Overall cost reduction:** Plans included improving current levels of service and firefighting effectiveness while stabilizing or reducing costs of that service and its associated equipment. For example, the purchasing of portable extinguishers opened the opportunity to reduce costs by reducing fuel consumption.

In 2012 R&FF met its departmental goals and worked continually towards an airport that provides an atmosphere and services that touch our passengers and visitors personally and emotionally; in other words, an airport where "the experience will move you." Simply put, happy people spend more than unhappy people. SXM therefore tries to anticipate the needs of passengers and visitors and strives to fulfill those needs. A great facility creates an atmosphere of engagement with everyone who uses it; it enhances the entire air travel experience.



6.3.2 DIVISION OF AIR TRAFFIC SERVICE

The division's main function is to manage the safe, secure and efficient overall operation of Air Traffic Service within the Princess Juliana International Airport's area of responsibility. This entails among other aspects:

- Maintaining the required equipment
- Ensuring staff is properly trained and certified
- Ensuring the department is adequately staffed
- Emphasizing the standards and recommended practices of ICAO, as well as the company guidelines and regulations
- Developing policy within the division and ensuring said policies are adhered to
- Ensuring that the division is kept abreast of current developments and trends in aviation for the overall advancement of ATS

The goals set for 2012 included:

- Training of ATS personnel in order to meet staffing requirements
- Introducing the Automated Message Handling System and Raytheon Automation software upgrade
- Certification of in-house ATS instructors allowing PJIAE to offset ATS Training costs and eventually generating revenue
- ATS laid the groundwork for the development of an ATS Training Academy that will eventually be incorporated into the overall training program of PJIAE for internal and external training requirements

Among the achievements of the Division during the year under review are:

- Meeting the ICAO deadline for the implementation and training of personnel for the New Flight Plan that went into effect in November of 2012
- Training of personnel in Basic ATC Course.
- Certification of three ATS instructors and three ATS on the Job Training Instructors
- Research was carried out on intended investments in equipment which would eventually reduce the workload of staff and improve safety and efficiency

These were accomplished through planning and researching the information from several providers ahead of time that allowed us to make the best decision regarding the investment and meeting the deadlines for implementation.

Cooperation between management, supervisors and staff proved to be a vital to our success. Although staffing was at a minimum level, the operation continued in a safe and efficient manner.

Air Traffic Service is one of the many important areas of SXM Airport. Consequently, having qualified staff for a safe and secure operation is vital.

Similarly, with SXM's goal of expansion and being the leading hub for the Northeastern Caribbean, emphasis must be placed on the quality of service the company provides.

The investments in equipment will enable the ATS division realize the company's goal of being a regional leader in aviation in line with worldwide trends and developments.

The intended purchase of a flight simulator will also offer ATS the opportunity to provide its own comprehensive training and attract external contracts for training.

One of the chief challenges the ATS division faced in 2012 was continuing the required training of personnel while at the same time, providing uninterrupted service to the users. However, as is well-known, being prepared and planning ahead of time is the key element in accomplishing goals. A major lesson learned throughout this process was that the financial consequences associated with the implementation of many ATS projects can be costly.

For the coming year, the division has set numerous goals, which include the continued training of staff, completing interconnectivity with adjacent ATS Units, introduction of a paperless system for air traffic control, and upgrading of radar equipment.

The division will collaborate with other Divisions in establishing a Training Center for all types of training on a national and international level. This will lead to generating additional revenue for the company since course participants would have to pay for the training. Preparations will continue for the establishment of this Training Academy focusing on the requirements of ICAO (Train-air Plus Status).

We intend to accomplish these goals by utilizing the newly certified instructors in order to cut training costs and generate revenue. Offsetting this cost would allow ATS to have greater flexibility where upgrading and replacing required equipment is concerned.

6.3.3 TECHNICAL DIVISION

The Technical Division, headed by its Director, is responsible for all aspects relating to the technical activities at Princess Juliana International Airport, SXM. The three departments within the division are involved in but are not limited to the following activities:

- **THE FACILITY MAINTENANCE DEPARTMENT (FMD)** is charged with the daily maintenance, repairs, upkeep and cleaning of SXM facilities and supervision of third party cleaning contractors.
- **THE ELECTRICAL & MECHANICAL DEPARTMENT (EMD)** is responsible for the maintenance, repairs and upkeep of the electrical, mechanical and electronically designed machinery and installations on the airport premises.
- **THE PLANNING, PROJECTS & SYSTEMS CONTROL DEPARTMENT (PPS)** is charged with the planning and supervision of projects as well as the control, monitoring and auditing of the various systems at the airport. The department carries various disciplines namely electrical, mechanical, architectural and civil.

GOALS

Some of the main goals of the division during the year under review were to:

- Finalize the runway rehabilitation tender docs and start the project
- Replace the revolving doors with curved sliding doors
- Carry out an Environmental Impact Study

ACCOMPLISHMENTS

Four major accomplishments impacting the expansion vision of the airport were recorded in 2012. These are:

- Implementation of Runway Resurfacing Project
- Updating of the Master Plan
- Ensuring an Environmental Impact Study was carried out
- Concluding appraisals of properties around the airport

Other notable accomplishments included:

- The installation of Immigration Counters upon the request of the Ministry of Justice in compliance with the Franco-Dutch Treaty.
- Relocating the Sewage Pit to outside the terminal building resulting in better accessibility for maintenance activities.
- Replacing the revolving doors with Curved Sliding Doors, thus reducing the maintenance of the doors, increasing traffic flow and lowering energy costs.
- The replacement of the INERGEN cylinders at the Air Traffic Control Facility to ensure adequate fire protection
- Revamping Airlines' Electricity infrastructure

The runway rehabilitation project was extremely important. The rehabilitation of the runway was required at this time after 15 years of use. It is customary to have a major resurfacing of a runway every 15 - 20 years. If the runways are not regularly resurfaced this can become a potential safety issue as the integrity of the pavement surface would break down. The entire 2300-meter (7545ft) length of the airport runway will be replaced with a fresh layer of asphalt, serving to significantly improve the structural integrity and correcting the longitudinal profile of the runway. The last resurfacing of the runway took place in 1997. The project also includes the implementation of the required Runway End Safety Area (RESA) to the east. The runway threshold will be moved 70 meters to the east.

Updating the Master Plan included a traffic forecast and land use plan. These reports are important for the airport's planned growth. The land use plan will be used as a guide for locations where airport facilities can be constructed. It addressed new proposed locations for the Fuel Farm, FBO facility, Technical Building, Taxiways, and the bypass east with extended aircraft parking facilities on reclaimed land.

The Environmental Impact Study will play an essential role in PJIAE's future expansion plans along the North side of the runway. These plans include the construction of a by-pass to the northeast and expansion of the Terminal Building and parking lot as outlined in the Master Plan. These construction projects require the reclamation of a substantial portion of the Simpson Bay lagoon. The study will identify the impact these developments could have on lagoon environment.

Finally, appraisals of properties were necessary as PJIAE needed to acquire some of the properties to the north of the airport to accommodate the airport's expansion plans.

These projects make up the required groundwork and are essential components in the expansion vision of the airport. They offer tangible information on how the airport needs to move forward with the expansion plans.

CHALLENGES

Many unforeseen maintenance issues challenged the division throughout the year. A major review of the working methods of some departments was undertaken and a more structured approach was implemented.

LOOKING AHEAD

Consequently, looking forward to 2013, the Technical Division has as its main goal, to implement a more robust preventive maintenance program with high emphasis on documentation. The Division intends to achieve these goals by upgrading its E-Synergy logging software program so it can be used to manage the preventive maintenance that is being done. Similarly, we will implement energy saving initiatives throughout the airport building and assist with the initiative to implement alternative energy solutions at the airport.



6.3.4 HUMAN RESOURCES DEPARTMENT

FUNCTIONS

Human Resource Management (HRM) refers to the activities of the Human Resource Department, which is responsible for the personnel objectives and policies of the organization. The HR Department is therefore responsible for establishing and implementing strategies and policies for the human resource of the company – its employees. While the traditional approach to human resource management focused on record keeping and administrative tasks, the strategic approach to human resource management focuses on the future of the company, keeping its future needs and requirements in mind. The HR department therefore plays a major role in helping the company meet its strategic objectives by trying to determine how human resources can be used more effectively to improve the company's competitive position.

The HR strategic functions include planning for recruitment, selection, the welfare of employees, their training, development, retention and designing the most effective ways of putting these ideas into practice, in alignment with the company's strategic goals.

HRM functions also deal with issues related to: compensation, performance management, organization development, safety, wellness, benefits, employee motivation, communication and administration.

OBJECTIVES

- Ensure that training and development opportunities are available to all employees
- Ensure that every employee is treated fairly concerning all human resource matters
- Develop and encourage personnel united interest in the success of the organization
- Ensure that each department has an adequate supply of qualified manpower
- Ensure effective utilization of personnel

HR STRATEGIES

- Develop and implement procedures and policies to improve the efficiency and effectiveness of the HR Administration
- Increase the use of technology, by implementing an HRM System, which will improve task flows and diminish paper use
- Assist managers of other departments with some HR functions, so that the operational aspects of HR policies are carried out effectively
- Implement a training plan for qualifying employees

PERSONNEL

PJIAE has seen an increase in personnel of 31% over a period of ten years, from 2003 through 2012. The number of personnel in 2003 totaled to 213, while in 2012 this number grew to 278. The biggest spike in personnel came with the move to the new terminal building in 2006. As a result of its new systems, technology and operating procedures, the new terminal building demanded additional personnel to operate it effectively. Personnel grew from 218 in 2005 to 271 in 2006, an increase of 24.3%. In the last seven years since 2006, the personnel numbers showed a steady wave of ups and downs, increasing or decreasing no more than 2.2% each year, except in 2011 and 2012, where an increase of 3% was recorded in both years. The largest number of personnel is in the Operations Division under Security.

Major accomplishments in 2012

- Completion of new salary scales and finalization of the initial phase of the job reclassification project. This was carried out by Linkels & Partners, HR Consultants based in Bonaire.
- Training of all management/supervisory personnel in 'Managing Change'. This training was conducted by SkillPath, a training, development and coaching company, based in Kansas, USA.



- ATC personnel completed their training in Air Traffic Control in Trinidad and upon return, were able to start the on-the-job part of the training to eventually upon completion of the practical training receive their license as certified Air Traffic Controllers.

In keeping with the organization's mission to be the regional leader in providing quality airport services, having a talented, skilled pool of workers only helps the company to achieve and maintain its competitive advantage.

In this fiercely competitive environment, one of the effective ways to be better than the rest is to develop and improve the workforce. It is our goal to continue to develop a skilled work force capable of effectively carrying out their duties and anticipating and reacting to the ever-changing aviation environment.

Furthermore, training and development improves individual performance, which ultimately improves corporate performance in providing the quality of service, which makes PJIAE stand out.

CHALLENGES

Current economic conditions have put pressure on the organization to rethink priorities and review its personnel expenses. As a result, the HR Department has had to function on a tighter budget, which has affected particularly the training budget.

SUMMARY

The HR Department provides a variety of services to Other departments

- Employees of the organization
- The organization as a whole

The department is also tasked with detailed arrangements of other personnel activities, such as employee recognition programs, employee social events etc. The company organizes at least two (2) social events per year for its employees and their families. These are done in an effort to encourage togetherness and unity among employees, but also to show appreciation to employees for their work and commitment to the company.

While it is the primary responsibility of the HR Department to look after the people in an organization, everyone in a managerial/supervisory role has to perform certain HR functions. The HR Department provides assistance to these departments by issuing policies, regulations and/or guidelines and by helping them to implement improvements.

6.3.5

QUALITY ASSURANCE DEPARTMENT

The Quality Assurance Department (QAD) is charged with the responsibility of designing, developing, monitoring, maintaining, and managing SXM Airport's Safety Management System (SMS) and Training programs. The department is divided into two units: Safety and Training. The Safety unit is responsible for the effective management of and ensuring compliance with the SMS program. The Training unit is responsible for ensuring that new employees are knowledgeable of the safety requirements of the SMS program as soon as possible and that recurrent training is provided where appropriate for effective compliance with this program.

The Quality Assurance Department's audit process provides assurance to managers that activities within their areas of responsibility are being conducted at the highest safety level possible. SXM Airport maintains an aviation safety audit program in an effort to verify compliance with the SMS program, documented industry safety standards, and to determine the effectiveness of the overall safety program. It also demonstrates to all employees that management is taking safety very seriously. The main objective of the audits is to improve the level of service while ensuring compliance with international and regional aviation regulations.

It is very important that we constantly test ourselves in order to maintain the position of being the regional leader in providing safe, secure, quality and profitable aircraft service as mentioned in our mission statement.



MAJOR ACCOMPLISHMENTS IN 2012

Safety Conference

On April 18, 2012, the Quality Assurance Department hosted a conference titled "Growing the air transport business with a focus on safety." The guest speaker was Mr. Michael Nicolaas of the International Civil Aviation Organization (ICAO). The conference was officially opened by the honorable Minister of Tourism, Economic Affairs, Traffic and Telecommunication, Mr. Franklin Meyers who stressed the importance of having these safety seminars, and added that without safety at our airport, we would not be attracting the amount of passengers that we currently do.

A total of 85 persons attended this seminar, including delegates from Nevis, Saba, St. Eustatius and Saint Martin. The feedback from the attendees was very positive. The goal of bringing Mr. Nicolaas as guest speaker was met and even exceeded expectations.

Mr. Nicolaas divided his presentation into three (3) modules, each module addressing a specific issue in aviation safety. These were:

- Safety Visions
- Global Aviation Safety Issues
- Business and Safety Commitments

Mr. Nicolaas first discussed the various civil aviation stakeholders, who they are, what they represent, what each of their safety visions and goals are, and what they are doing to achieve those visions and goals. These civil aviation stakeholders include but are not limited to: ICAO, IATA, IFALPA, and IFATCA.

He then addressed several issues that are affecting aviation safety on a global level. He discussed critical elements included in ICAO's State Safety Program (SSP). He also discussed the management dilemma concerning safety and profitability, what are the acceptable levels of safety, and the Universal Safety Oversight Audit Program (USOAP).

Finally, he spoke about the importance of continued commitment of all persons involved directly or indirectly in aviation safety. He touched briefly on how important management's role is in fostering aviation safety because safety starts at the top and that management's role in this regard should be a more visible one.

FIRE TRAINING SESSION

On April 27 the quality assurance department assisted with the hosting of Fire Extinguisher training to all staff.

The information acquired in this training session proved to be both essential and beneficial for operational knowledge of fire extinguishers and general fire safety in and around the airport environment.



ISLAND AIRPORT SAFETY COMMITTEE CONFERENCE

From November 5 to 9, the quality assurance department hosted the 7th Annual Island Airport Safety Committee (IASC) conference. Guest speaker at this conference was Mr. Nabil Pieters, Chairman of the Islands Airport Safety Committee. Mr. Pieters identified Passion, Commitment and Teamwork as the three most important factors for success. The objective of the conference each year is to share safety information and audit the host airport, the findings of which are then presented to management with recommendations for improvements from the committee. This type of audit prepares the host airport for other external audits from regulating bodies such as ICAO and FAA.

Other achievements in 2012 include the completion of the Audit report on Airside operations as well as on Screening procedures and Covert Alarm. The quality assurance department also completed the follow up Audit on ARFF Maintenance and Personnel Development while we assisted in hosting the ICAO/ FAA Airport Certification Workshop held from June 11-15.



07 FINANCIAL STATEMENTS

7.1 / REPORT OF THE BOARD OF SUPERVISORY DIRECTORS

The Supervisory Board of Directors recognizes that 2012 was a unique year for PJIAE and a challenging year for PJIAE staff in dealing with various issues that arose during the year.

Firstly, the condition of the runway was determined to be dangerously below standards and a critical safety issue involving substantial liability risk if an accident were to occur due to its condition. Repaving the surface was absolutely necessary. Secondly, our financial cost of capital, based on a 2004 Bond issue at 8.25% was draining our resources and cash flow. Thirdly, fuel shortages were causing major disruption of flight operations and loss of goodwill with our airline clients. Fourthly, other Caribbean airports were and are aggressively going after our business and if we stand still without developing the required new facilities and infrastructure our traffic will fall and leave us with reduced revenues and financial results. As an example, during the peak season there was a severe shortage of gates and ramp space which almost cost us the air services of a key Central/South America airline customer. More apron space is needed and taxiways to increase our ability to properly handle current business let alone provide slots for new services.

To solve all these issues required a major refinancing exercise which we successfully concluded by the end of the year.

At the same time PJIAE management re-examined the airport's situation in the form of a Strategic Business Plan Update that provided over 30 key policy objectives to enhance our financial performance, improve efficiencies and develop improved customer service. One such policy objective was the realignment

of our fee structure which had not been modified, in some cases, for up to seven years during which time St. Maarten inflation had increased by over 20%. The year also saw the expiration of some key contracts both for personnel and for retail concessions.

Action was taken on all these fronts but with refinancing that resulted in a 3% reduction in our interest rates came a one-off hit to our net income in the form of retirement expenses for the old Bond. As well, operating income fell below the level of 2011 as our redress to a new, overdue collective personnel agreement, in the form of fee increases, could not be introduced in enough time to offset the cost increases.

However, the actions taken in 2012 will carry forward for a full year in 2013 and result in improved financial performance. And, we are well on our way to address facility development to meet the needs of the future and be competitive with our aggressively competitive Caribbean airport rivals.

The financial statements for 2012 were prepared by Management and were approved by all five members of the Board of Supervisory Directors.

The Board of Supervisory Directors recommends that the General Meeting of Shareholders approves the financial statements for 2012.

On behalf of the Supervisory Board of Directors,

Clarence Derby

Chairman.

June 6, 2013

7.2 / INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the Shareholders and
Supervisory Board of Directors of
Princess Juliana International Airport Operating Company N.V.
Simpson Bay, St. Maarten

REPORT ON THE SUMMARY FINANCIAL STATEMENTS

The accompanying summary financial statements, which comprise the summary balance sheet as at December 31, 2012 and the summary income statement for the year then ended and related notes are derived from the audited financial statements of Princess Juliana International Airport Operating Company N.V., St. Maarten for the year ended December 31, 2012. We expressed an unmodified audit opinion on those financial statements in our report dated June 6, 2013. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of Princess Juliana International Airport Operating Company N.V.

MANAGEMENT'S RESPONSIBILITY FOR THE SUMMARY FINANCIAL STATEMENTS

Management is responsible for the preparation of a summary of the audited financial statements on the basis described in section 7.5.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, 'Engagements to Report on Summary Financial Statements'.

OPINION

In our opinion, the summary financial statements derived from the audited financial statements of Princess Juliana International Airport Operating Company N.V. for the year ended December 31, 2012 are consistent, in all material respects, with those financial statements, on the basis described in section 7.5.

St. Maarten, October 31, 2013

PricewaterhouseCoopers St. Maarten

Cees Rokx

7.3 BALANCE SHEET

As of December 31 (in ANG)

	2012	2011
Assets		
Current assets and non-liquid accounts	153,721,078	51,972,643
Financial fixed assets	2,776,800	2,990,400
Tangible fixed assets	210,871,575	219,027,394
Total Assets	367,369,453	273,990,437
Liabilities		
Current liabilities	24,223,422	29,298,217
Long-term liabilities	244,769,100	133,368,080
Provisions	9,488,588	9,510,470
Total Liabilities	278,481,110	172,176,767
Shareholder's Equity		
Share capital	200,000	200,000
Contributed surplus	5,200,000	5,200,000
Retained earnings	83,488,343	96,413,670
Total Shareholders' Equity	88,888,343	101,813,670
Total Liabilities and Shareholder's Equity	367,369,453	273,990,437

7.4 INCOME STATEMENT

As of December 31 (in ANG)

	2012	2011
Revenues		
Aeronautical revenues	70,748,722	68,439,215
Non-aeronautical revenues	16,897,157	16,662,259
Total Revenues	87,645,879	85,101,474
Expenses		
Personnel expenses	27,472,932	23,829,133
General and administrative expenses	25,248,783	25,293,245
Depreciation	19,425,170	17,476,605
Total Operating Expenses	72,146,885	66,598,983
Operational Result	15,498,994	18,502,491
Financial Income & Expenses		
Finance cost - net	29,809,789	13,233,925
Income before taxes	(14,310,795)	5,268,566
Provision for deferred taxes	1,385,468	1,490,014
Net income for the year	(12,925,327)	3,778,552

7.5 NOTES TO THE FINANCIAL STATEMENTS

INTRODUCTION

The summary of financial statements includes a condensed balance sheet, income statement and selected notes derived from the 2012 financial statements of PJIAE N.V.

Only those general notes that management deems necessary for understanding of the condensed financial information presented have been included.

GENERAL INFORMATION

The Princess Juliana International Airport Operating Company N.V. ('PJIAE') was incorporated on September 13, 1996 on St. Maarten, (formerly St. Maarten, Netherlands Antilles) and is registered at the Chamber of Commerce St. Maarten under number 9660. PJIAE is situated at the Airport Boulevard #99 in Simpson Bay.

On January 13, 1997, the Council of Ministers (formerly Island Council) of St. Maarten granted a concession to PJIAE, retroactively to January 3, 1997 to operate the airport. The concession was initially given for a period of 20 years ending January 2, 2017. In May 2004, the concession was extended by 8 years, thus ending on January 2, 2025. On September 21, 2012, the concession agreement was further extended up to January 3, 2030. The concession can be revoked if PJIAE does not adhere to the regulations of the concession agreement. The concession will cease to exist in case of bankruptcy, or if PJIAE goes into a moratorium.

The Company is a wholly-owned subsidiary of Princess Juliana International Airport Holding Company N.V. (PJIAH). PJIAH is fully owned by the Government of St. Maarten.

These financial statements have been authorized for issue by the Board of Supervisory Directors on June 6, 2013.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in a separate note to the financial statements.

(a) New and Amended Standards Adopted by PJIAE

There are no new IFRS or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2012 that would be expected to have a material impact on the Company.

(b) New standards, amendments & interpretations issued but not effective for the financial year beginning on or after January 1, 2011 and not early adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except the following set out below:

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Company is yet to assess the full impact of IFRS 13.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. The classification

depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

FUNCTIONAL & PRESENTATION CURRENCY

These financial statements are presented in Netherlands Antillean Guilders (ANG), which is the Company's functional and presentation currency.

FOREIGN CURRENCY DENOMINATED TRANSACTIONS

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income. The exchange rate between the United States Dollars (USD) and ANG is fixed at 1.80 guilder per dollar, which approximates the official exchange rates.

FINANCIAL ASSETS

The Company classifies its financial assets in the following categories: at fair value through profit or loss (FVPL), loans and receivables, held-to-maturity (HTM) and available-for-sale (AFS). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company has no financial assets at FVPL, HTM investments and AFS securities as of December 31, 2012 and 2011.

LOANS & RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise 'cash and cash equivalents', 'short-term bank deposits', 'restricted cash accounts', 'accounts receivables' and 'loan receivables' in the statement of financial position.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, cash in banks and other short-term highly liquid investments with original maturities of three months or less, which are subject to insignificant risk of change in value. Restricted cash are reserve accounts maintained by the Company in connection with its existing long-term loans.

ACCOUNTS RECEIVABLE

Accounts receivable are earned at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off when identified.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost less accumulated depreciation and impairment losses, if any. Maintenance, repairs and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is charged to income.

BORROWINGS/LONG TERM LIABILITIES

Borrowings are recognized initially at the proceeds received, excluding transaction costs incurred. In subsequent periods, borrowings are stated at amortized cost. Any difference between proceeds and the redemption value is recognized in the income statement over the period of the borrowings.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates. Borrowing or long-term liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing borrowing or liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

During development of the new airport terminal in 2006, PJIAE undertook financing that involved very high interest rates as interest at that period of the decade was very high but the airport needed the funds to build a long overdue new terminal. In 2012, recognizing the need to raise additional capital for important developments at the airport and to take advantage of lower current interest rates, PJIAE Management undertook a successful new refinancing initiative. Bonds that were costing 8.25% in interest were retired in exchange for fixed rate senior secured notes at 5.5% with US\$142,645,000 in new capital secured to buy back the old bonds and to use for important capital improvement projects. As part of the bond retirement was a one-time ANG 18,279,000 for extinguishing the old notes which negatively impacted PJIAE's 2012 net income. All of the collateral including the Debt Service Reserve Account 8.25% Fixed Rate Notes was transferred to the 5.50% Fixed Rate Notes.

On December 20, 2012, after consummation of the Exchange Offer and offering of New Notes (see above), PJIAE extinguished the Existing Notes with carrying value of ANG 120,981,905. The difference between the carrying value of the Existing Notes and fair value of New Notes exchanged and consideration paid amounting to ANG 18,278,694 has to be recognized as loss on extinguishment or tender premium of Existing Notes in accordance with IFRS; however, this event does not impact PJIAE's debt service coverage ratio which was maintained during the year.

BORROWING COSTS

All other borrowing costs are recognized in profit or loss in the period in which they are incurred. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

REVENUE RECOGNITION

Revenue is recognized upon performance of services.

EMPLOYEE BENEFITS

PJIAE operates a defined contribution pension plan for the majority of its employees, the assets of which are held in a trustee-administered fund. The pension plan is funded by payments from employees and PJIAE. PJIAE's contribution to the pension plan is charged to the profit or loss in the period to which the contribution relates. The employer contributes 9% and the employee 3% of the pension calculation basis. PJIAE also contributes to the civil servant pension plan (a defined benefit plan) for a small number of its employees who are former civil servants. (plan) for a small number of its employees who are former civil servants.

Furthermore, PJIAE grants jubilee bonuses after a certain number of service years. This bonus scheme has been provided for on a discounted value basis using the projected unit credit method. Actuarial gains and losses are recognized immediately through profit or loss and all past service cost are recognized immediately.

INCOME TAX

Income tax expense comprises current and deferred tax. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the country where the Company operate and generate taxable income. Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

RELATED PARTY RELATIONSHIP & TRANSACTIONS

Related party relationship exists when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between and/or among entities and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

CRITICAL ACCOUNTING ESTIMATES & ASSUMPTIONS

Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

PROVISION FOR DOUBTFUL ACCOUNTS

Provision for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of provision is based on past collection experience and other factors that may affect collectibility. An evaluation of the receivables, designed to identify potential charges to the provision, is performed on a continuous basis throughout the year. Management evaluates specific accounts of customers who are unable to meet their financial obligations.

ESTIMATED USEFUL LIVES OF PROPERTY & EQUIPMENT

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use.



IMPAIRMENT OF PROPERTY & EQUIPMENT

The Company's property and equipment is carried at cost less accumulated depreciation. The carrying value is reviewed and assessed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

PROVISION FOR JUBILEE BONUS

The determination of the Company's obligation and cost for jubilee bonus is dependent on the selection of certain assumptions determined by management. Those assumptions include discount rates and rates of future salary increase.

CAPITAL & FINANCIAL RISK MANAGEMENT*Risk management structure*

The Supervisory Board has the responsibility to oversee the overall risk management process within the Company. The Managing Board of Directors is ultimately responsible for managing and controlling risks.

As part of the risk management programs, there are separate independent bodies responsible for identification and assessment of risks. The line directors and managers are responsible for the implementation of the risk management policies and procedures.

FINANCIAL RISK FACTORS

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including foreign currency risk, cash flow and fair value interest rate risk). In addition business risks, such as changes in the environment, technology and industry are monitored and controlled through the Company's strategic planning process. The Company's overall risk management program focuses on minimalisation of potential adverse effects on the financial performance of the Company.

CREDIT RISK

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to the Company. Credit risk arises from cash and cash equivalents, restricted cash, accounts receivable, loan receivable and other receivables. As part of the risk control, the Company assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Company provides a 30-day credit limit to customers. Sales to customers are settled in cash or bank transfers.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and the ability of funding through an adequate amount of committed credit facilities. Due to the dynamics of the business, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

FOREIGN EXCHANGE RISK

The Company operates domestically and is not considered to be significantly exposed to foreign currency exchange risk as the transactions are mostly in USD. There is a fixed exchange rate between USD and ANG of 1.80.

**CASH FLOW AND FAIR VALUE
INTEREST RATE RISK**

Cash flow interest rate risk is the risk that future cash flows will fluctuate because of changes in market interest rates, while fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

As the Company has no significant interest-bearing asset except for its short-term deposits, the Company's income and operating cash flows substantially independent of changes in market interest rates. The Company's interest rate risk arises from long-term borrowings. Borrowings at fixed rates exposed the Company to fair value interest rate risk.

**FAIR VALUE OF FINANCIAL ASSETS
& FINANCIAL LIABILITIES**

The carrying amounts of cash and cash equivalents, accounts receivables, current restricted cash, current loan receivable, other receivable, accounts payable and accrued expenses approximate their fair values due to the short-term maturities.

The estimated fair value of non-current restricted cash, long-term loan receivable and long-term liabilities represents the discounted amount of estimated future cash flows expected to be received or paid. Expected cash flows are discounted at current market rates to determine fair value.

**CAPITAL MANAGEMENT**

The objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Supervisory Board of Directors monitors the return on capital, which the Company defines as net operating income divided by total shareholder's equity.

The Company also monitors its compliance with the loan covenant from its existing long-term liabilities which includes debt service coverage ratio, current ratio and interest coverage ratio.

Total capital is calculated as the sum of share capital, contributed surplus and retained earnings as shown in the statement of financial position. There were no changes in the Company's approach to capital management during the year.

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CONCLUSION

If 2012 can be described as a year of “sowing”, of laying solid foundations, 2013 will no doubt be a year of “harvesting”, a year of building upon the foundation laid down in the previous year. Several of the initiatives and projects begun in 2012 will begin to yield fruit in the new year. Among these are, of course, the refinancing, update of our fee structure and rehabilitation of the runway, scheduled to be completed in the fourth quarter of 2013. Also of significance is the new retail strategy with the renovation of the retail area and renegotiation of contracts for concessionaires which is expected to increase non-aeronautical revenues of the airport and substantially improve the travel experience of passengers.

From a financial perspective, the refinancing achieved with the bond issue of US\$142 million, thanks to the Moody’s rating of Baa2 PJIAE obtained in 2012, will not only facilitate the execution of our capital improvement projects,

but will also impact positively on our financial performance in 2013 as the loan was obtained at a much more favorable rate of 5.5% (against the previous 8.25%), resulting in a saving of about US\$10 million for the airport.

Similarly, the increased fees and new commercial strategy will also begin to be felt positively in our financial returns in 2013.

The rebranding of the airport is an initiative we are sure will reposition SXM in the very competitive market in which it operates and set the tone for the celebration of the airport’s 70th anniversary.

While we can look back on the year 2012 as one of intense and impressive achievements, 2013 promises to be one of improved financial results, implementation of development plans and further building upon the success we achieved during the year under review.





AIRPORT STATISTICS

GEOGRAPHICAL LOCATION SIMPSON BAY, ST. MAARTEN

Longitude 63.1 / Latitude 18.3
Airport area: 642,415 m²

RUNWAY

Identification numbers: No. 10/28
Length: 2300 m
Width: 45 m
Capacity: 36-40 movements per hour
Runway End Safety Areas (RESA)

APRON

Main: 72,500 m²
General aviation: 5,000 m²
General aviation cargo: 7000 m²

TERMINAL

Area: 30,500 m²
Design capacity: 2,5 mln passengers annual
Check-in counters: 46 outfitted with Common Use Terminal Equipment (CUTE)
Boarding gates: 13
Passenger Boarding Bridges: 4
Transfer desks: 8

Immigration booths: 10
Emigration booths: 5
FBO facility

CARGO TERMINAL

Area: 2,000 m²
Capacity: 5 tonne per m² annual

PARKING LOT

Public parking lot: 383 lots
Employee parking lot: 290 lots

NAVIGATION AIDS

NDB, VOR/DME, LOC/BCN
Opening hours: 07:00 - 22:00 hours

SELF SERVICE CHECK-IN

SXM has installed 12 Common Use Self-Service (CUSS) kiosks to ease passenger flow, and is the first airport in the direct vicinity of St. Maarten to bring this technology online. This development represent SXM's aim at remaining in the forefront of the aviation industry in our region. The CUSS kiosks allow passengers to perform automatic check-in, which cuts check-in time by more than half for passengers with checked luggage and offers an even quicker option for those without. This allows SXM to accommodate the extra flow of travelers during peak hours by reducing facility congestion and enabling better use of check-in positions and gates. By introducing CUSS kiosks, SXM is providing faster check-in for our passengers and also reducing queues at check-in desks. The aviation industry has welcomed airport self-service check-in kiosks, as they improve passenger processing and customer service.

OUR TRAFFIC

Some 34 direct destinations/cities are serviced from SXM with onward connections to many other cities in the US, Canada, Caribbean, Central America and Europe.

USA

Atlanta
Boston
Charlotte
Chicago
Fort Lauderdale
Miami
New York
Newark
Philadelphia
Washington

CANADA

Montreal
Toronto

EUROPE

Amsterdam
Paris (CDG & ORY)

CENTRAL AMERICA

Panama

SCHEDULED CARRIERS

SXM is served by 22 scheduled carriers, along with numerous other charter airlines and corporate jets.

Air Canada	Dutch Antilles Express (DAE)
Air Caraibes	Insel Air
Air Transat	JetBlue
Air France	KLM
American Airlines	LIAT
BVI Airways	Spirit Airlines
Caribbean Airlines	St. Barths Commuter
Continental Airlines	United Airlines
Copa Airlines	US Airways
Corsair	Winair
Delta Airlines	Windward Express Airways





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