

ANNUAL REPORT 2011

Moving on to the next level



Princess Juliana
International Airport
Operating Company N.V.

1

OUR VISION

PJIAE, a regional leader in the provision of airport services, offering a world of experience to all its customers.



2



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

From a tiny US military airstrip in 1942, while World War II raged viciously on to an ultra-modern international airport in 70 years, through which pass an average of 1.6million people yearly, with approximately 200 scheduled and charter aircraft movements a day, from the Caribbean, Europe, North, Central and South America, Princess Juliana International Airport (SXM) has developed by leaps and bounds to make it one of the busiest in the region, served by 22 scheduled airlines and a dozen charters with direct service to some 33 destinations/cities world-wide.

The first commercial flight touched down at Princess Juliana International Airport on December, 3, 1943. It was a Royal Dutch Airlines, KLM flight, with a

“Kolibríe” aircraft. About half a century later, the world’s largest transport aircraft, the Antonov An-255, came calling with relief materials in 1995 following the devastation caused by Hurricane Luis. In between, even the now defunct Concorde, which at the time was the world’s fastest aircraft, landed on its runway long before this was extended to its current length of 2,300m (7,659ft). It is in fact, no cliché to say that the way the airport has gone is the way the island’s economy has developed. And just a couple of years shy of its 70th birthday, the Princess Juliana International Airport has not only been the gateway to this touristic paradise, but also the engine of its incredible economic growth.



REGIONAL HUB

SXM’s central and strategic geographic location has resulted in it becoming the primary hub in the Northeastern Caribbean, connecting St. Maarten/St. Martin and the surrounding islands, particularly Anguilla, Saba, St. Eustatius, St. Barths, Tortola, St. Kitts and Nevis to the rest of the world. The airport thus plays a pivotal role in the economic development of the sub-region, and its growing importance as a hub is reflected in the significant jump of 27.74 per cent in transfer passengers from the first 10 months of 2010 to the same period in 2011. This is among the reasons why strategic plans are being put in place to establish inter-island pre-clearance and additional immigration booths to meet the increasing needs of passengers.



AIRPORT KEY FIGURES

	2011	2010	2009	2008	2007
Statistics					
Passenger Movements	1,644,270	1,645,105	1,625,964	1,726,656	1,652,332
Aircraft Movements	60,314	60,870	62,627	71,936	74,769
Cargo & Mail movements	7,462	7,544	8,620	9,449	8,505
Destinations Served	34	33	32	31	29
Scheduled Airlines	21	22	21	20	20
Charters (average number per season)	12	12	13	13	12
Income statement					
Total Revenues	85,101,474	84,647,901	83,027,823	87,250,093	80,482,439
Total Expenses	81,322,922	80,817,679	78,412,215	84,163,070	78,321,407
Net Income	3,778,552	3,830,222	4,615,608	3,087,023	2,161,032
Balance Sheet					
Total Assets	272,669,650	289,688,573	296,344,652	326,005,681	344,199,039
Liabilities	170,855,890	191,653,455	202,139,755	246,970,630	268,431,053
Shareholders Equity	101,813,760	98,035,118	94,204,896	79,035,051	75,767,986
Personnel PJIAE as of Dec. 31st	271	266	266	270	271



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MESSAGE FROM THE MANAGING DIRECTOR

On July 1, 2011, I took over the reins as managing director of PJIAE with a great deal of pride and unwavering belief in our shared values, and with a very clear vision and objective for moving the airport on to the next level and in so doing achieve its full potential.

As a former member of the Supervisory Board of Directors for some seven years prior to my appointment, I was familiar with the workings of the airport and knew many of the staff. This has contributed to making my transition to PJIAE rather seamless. I am extremely proud to be able to join such a competent, dynamic and hardworking PJIAE team, whilst we continue to work together with every resource at our disposal to become an even more powerful driver of economic activity for St. Maarten in particular and the region at large.

2011 marked the first full year in which St. Maarten functioned as an “autonomous country within the Kingdom of the Netherlands” following the constitutional changes that came into effect on October 10, 2010. On this date, the Netherlands Antilles, which St. Maarten formed an integral part of as an “island territory,” ceased to exist, therefore, policy and economic decisions no longer have to be made in far away Curacao, but right here in St. Maarten.

The aviation industry is certainly an important one. It offers several benefits, including the creation of high-level jobs, a significant contribution to the overall economic growth of

countries, as well as of revenues to the national treasuries. It also offers transportation to passengers and moves freight in a fast and efficient manner across the globe. And its catalytic effect on tourism and international trade is without question.

However, the international environment for the industry was less than encouraging in 2011, especially with the euro-zone crisis, and its accompanying uncertainties, while some major carriers in the USA, for example, American Airline, were forced to file for bankruptcy.

It is against this international background that the performance of PJIAE in 2011 should be considered.

The year under review was, indeed, filled with rewards and challenges. One of the most important accomplishments in 2011 was PJIAE being named overall winner in the category South, Central America & the Caribbean at the Routes Americas conference, which ended on February 15 in Santo Domingo, Dominican Republic.

PJIAE was nominated for the award by airlines that service St. Maarten, based on its marketing activities, marketing research, its joint communication and awareness campaigns with third parties, and its innovative use of technologies or techniques to support airlines which were all highlighted in a required 1,000 word presentation.

An airport Performance Diagnostics (Quick Scan) was undertaken in the fall of 2011, which provided a quick assessment of many different aspects of the airport. It pointed out where improvements should be made based on how the airport compares to other airports of similar size and circumstances. It also determined where no adjustments were necessary at this time and can be used as a benchmark for future review of how the airport is progressing. The report and an update of the Strategic Business Plan confirmed some critical issues at PJIAE which include the following:

- The airport runway is in critical need of resurfacing otherwise PJIA's safety will be compromised with the inherent liability concerns;
- The airport apron can no longer accommodate additional aircraft during peak periods;
- The current Fuel Farm has limited storage capacity and is located in an area that obstructs apron use for general aviation aircraft;
- Labor costs are putting a squeeze on PJIAE financial results.
- The slump in major world economies such as in the USA and Europe is having a detrimental impact on leisure (tourism) and business travel;
- Other airports in the region are developing their infrastructure and aggressively going after commercial airline and general aviation business.

However, it is important to note that the Runway End Safety Areas, Runway Extension on RWY 09-27 (RESA) and the Diversion of the Airport Road at the Eastern Runway End, were completed.

Also, in our bid to rein in galloping energy costs, an energy efficiency study was carried out by KEMA Services Inc. during the latter part of 2011. The study would indicate possible solutions to conserving energy and reducing energy consumption in the future. Water and electricity made up 10.99% of the total operating costs in 2011, increasing substantially by 14.81% from 2010 to 2011, with a continuing upward trend.

Non-aeronautical revenues such as those derived from retail, food and beverage, car parking and other such sources can make a major contribution to the airport's financial results. Currently some 18.8% of PJIAE's total revenues come from this source while other airports throughout the world are achieving a 25-30% proportion from it. Strategies to increase such revenues at PJIAE will be undertaken. A non-aeronautical revenue study was commissioned during the final quarter of 2011 and the new strategy will be shared with the airport community.

A quick look at the financial results and other key figures shows that in 2011, PJIAE basically maintained the same level of performance as in the preceding year, with small percentage changes in total revenue (+0.54%), operating expense (+2.49%) and net profits (-1.35%). Even in passenger movement, the difference is very negligible, with only 500 fewer passengers using the airport in 2011 compared to 2010 with a total passenger movement of respectively 1,644,605 to 1,645,105. A similar picture emerges when we compare the aircraft movements for both years, however cargo and mail movements recorded a slight growth for both years.

What these figures show is that, in spite of the vagaries of the US economy, the expected recovery of which has been at best sluggish, and the financial crises in Europe, with an unprecedented spike in unemployment creating an uneasy political atmosphere, PJIAE has performed creditably by not allowing the international and regional climates to have any negative impact on the company, in any significant manner.

Such performance would have been impossible without the positive input of every staff member. It is because of the employees that we have PJIAE, and indeed, as I have always maintained, PJIAE is the employees. We have a highly professional cadre, which I am proud to lead, that is dedicated to the vision and mission of making the airport not just a regional benchmark as a hub, but also of transforming it into an airport city, offering a world of an experience to all our users.

I wish to also express my immense gratitude to the Management team and the Supervisory Board of Directors for their unwavering support, professionalism, and singular commitment to the goals we have set together. It is, indeed, gratifying to note that we are all focused on providing excellent facilities and services to all our customers while implementing strategic initiatives in order to increase traffic growth, drive commercial development and constantly raise the bar on our service.

There is no doubt that we are driven by the needs of our customers and we will continue to deliver an unforgettable positive experience centered around the comfort, convenience and proactive concern for the interests of all our stakeholders, particularly the passengers.

As a team, we are surely embarked on moving PJIAE on to the next level in the years ahead.

Regina LaBega
Managing Director



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EXECUTIVE SUMMARY

The constitutional reform that became effective on October 10, 2010 allowed St. Maarten to become “an autonomous country within the Kingdom of the Netherlands” and thus meant the dissolution of the Netherlands Antilles which it had formed an integral part of until that date. The new constitutional structure has resulted in a devolution of powers to St. Maarten where these were formerly concentrated in Curacao as the seat of the now defunct Netherlands Antilles. The year under review is the first full calendar year in which St. Maarten has operated under the new constitutional dispensation, although this has not meant a complete severance of ties with Curacao, as both “countries” still share a common Central Bank, among others.

Besides, the regional and global economy experienced a recession in 2009 with only a minor recovery and the possibility of a double dip recession in the near future. As the economy of St. Maarten relies to a great extent on tourism from the USA and Europe, recessionary times are not positive for the economic health of the island and PJIAE. Some of the impact has been mitigated by USA travelers substituting shorter-haul Caribbean trips for longer-haul vacations. Nevertheless, the economic downturn has had an impact on the volume of passengers visiting the island, although not as bad as many other destinations.

INDUSTRY OUTLOOK

According to an industry outlook presented by chief economist Brian Pearce at the 68th IATA Annual General Meeting, the aviation industry has been marked by persistently high jet fuel price, amid a weak economic growth environment. However, he pointed out that the high fuel price posed no problem when growth is strong. Nevertheless, growth has moved dangerously to the point where profit turns to loss. In spite of this difficult economic environment, cash flow performance has been rather robust, hanging around 10% of revenues except in Europe where it has been half of that. Strong asset utilization in passenger business is responsible for this good result in cash flow, achieved through a more disciplined approach to capacity.

Demand for air travel has been rising well above the average of 6%, while cargo has also shown an upward swing reaching 80% in the Middle East. Of course, the euro-zone crisis has dampened all predictions.

For the aviation industry, 2011 was, without doubt, marked by a weakened global business confidence in the face of a sputtering US economy, and a devastating financial crisis threatening to envelope several Euro-zone countries.

Against this background, PJIAE has been able to stabilize and solidify its performance in key areas to ensure a proper foundation from which to move on to the next level.

The turbulence the airline industry experienced in 2011 was in part manifested in American Airlines filing for Chapter 11. However, it is not expected that it will result in a reduction of its services to PJIA. Other USA carriers, such as JetBlue and Delta, were in a stronger financial position and the latter has indicated a possible increase in its operations at PJIA.

Also, whilst other Caribbean islands lost service from San Juan, JetBlue added daily service from Puerto Rico to PJIA and COPA Airlines provided for additional frequencies with its South America network hub in Panama. St. Maarten and the sub-region’s near future growth may come from Latin America where Brazil’s economy is relatively much stronger than those of North America and Europe.

There have also been developments in the direction of consolidation of the industry especially with the merger of United and Continental, Delta Airlines taking over Northwest and buying into GOL while closer to home, Caribbean Airlines and Air Jamaica merged; and WINAIR reduced its routes to four destinations.





QUICK SCAN

One of the results of the Quick Scan commissioned during the last quarter of 2011 was the need for the rehabilitation of the runway. This is scheduled to start in 2012. The project is essential to maintaining maximum safety conditions for our airline customers and passengers. The scan also indicated the need to relocate the fuel farm and increase the storage capacity for aviation fuel. We are currently still in the planning stage for the relocation of the fuel farm.

Another important point was to enhance the FBO business, i.e. the need to focus on the General Aviation sector. We have commissioned a Master Plan for the airport, which will look at the physical design as well as offer a traffic forecast that includes General Aviation and cargo. The development of the FBO business is part of this Master Plan. PJIA is still No. 2 in General Aviation in the region and one of our major objectives is to maintain this position and even grow it. This has synergy with tourism as it attracts upscale visitors that would impact the yachting industry and other sectors of the economy.

In addition, the Quick Scan indicated the need to improve the hub function of PJIA, especially for the islands for which we serve as a hub, such as St. Martin (North), Anguilla, St. Barths, Saba and St. Eustatius.

HUB FUNCTION

It is the intention to ensure that PJIA remains the leading international hub airport in the region. This we hope to accomplish by meeting the needs of customers in terms of what they expect from an international airport, keeping abreast of the technological trends, and improving our customer service. We want to make sure that the hub islands that we serve realize that PJIA is their airport too and therefore, they do not need to invest in another airport.

We will also be looking at immigration and customs pre-clearance for passengers, which would enhance the passenger experience, especially for our hub destinations. The idea is not only to stave off competition by solidifying our position as a hub for destinations in the Northeastern Caribbean, but also to expand into a regional hub for passengers bound for the rest of the Caribbean, originating particularly from the USA and Canada, South America (Brazil, Argentina, etc.) as well as Europe.

CARGO AND MAIL MOVEMENT

Contrary to the aircraft movements, cargo and mail movement has virtually remained flat, with the figure posted for 2011 (7.631) being only 87 more than that for 2010 (7,544) for a percentage increase of about 1.15%. The physical state of the cargo facility could no longer sustain the desired revenue growth of the organization. Bottlenecks posed operational constraints with regards to cargo in 2011, however, PJIAE is working toward realizing its strategic vision to become the regional hub for cargo.

FINANCIAL PERFORMANCE

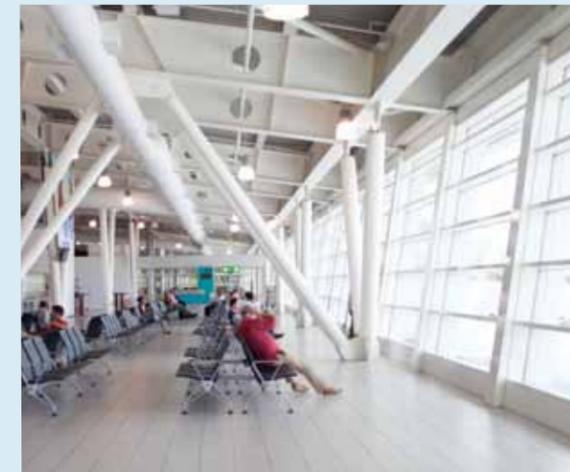
From 2009 to 2011, the value of PJIAE's total assets dropped slightly, while the total liabilities and provisions followed a similar direction. The total assets in 2009 were calculated at ANG296,344,652. This went down to ANG289,688,573 in 2010, a decrease of some 2.25%. The total assets fell to ANG272,669,649 in 2011 a drop of 5.87%. This means for the two years spanning 2009 to 2011, the total assets diminished by only 7.99%, not bad given the tough economic conditions under which PJIAE has had to operate.

With regards to the liabilities and provisions, these decreased from ANG202,139,755 in 2009 to ANG191,653,455 in 2010, or 5.19%, while the decrease was double that in 2011 10.85% for a value of ANG170,855,981.

The retained earnings have seen an upward movement from ANG88,804,896 in 2009 to ANG92,635,118 in 2010 while it climbed up to ANG96,413,670 in 2011. In other words, the retained earnings increased by almost the same percentage in the last two years, respectively 4.31% to 4.08%.

The total revenue generated in 2011 was ANG85,101,474, an increase of 5% over the preceding year when total revenue stood at ANG84,647,901. Nevertheless, net profit (ANG3,778,552) fell slightly by 1.35% compared to 2010 (ANG3,830,222) due mainly to higher operating expenses.

Given these figures, it can be safely concluded that PJIAE continues to remain in sound financial health, despite all the challenges it has had to face in recent years.



PASSENGER MOVEMENT

In terms of annual passenger traffic, the PJIAE total in 2009 was 5.83% below that of 2008 when it peaked at 1.7 million passengers, but there was some recovery in 2010 with passengers up by 1.18% and overall 2010 passenger volume hit the same level it had reached in 2006. In 2011, PJIAE had to overcome the adverse effects of a recession that has gripped the world for the past two years, and simultaneously plan for some key strategic initiatives. It still managed to maintain more or less the same passenger volume (1,644,605) as in the preceding year (1,645,105).

In addition, the airline industry has continued to evolve with some airlines seeking new destinations to serve, some going into bankruptcy protection and others consolidating their operations in code-sharing alliances.

Prospects for growth in the near future for St. Maarten and the sub-region may come from Latin America where the Brazilian economy is relatively much stronger than those of North America/Europe.

AIRCRAFT MOVEMENT

There was a slight drop from the 60,870 aircraft movements registered in 2010 to 60,314 in 2011. This represents a decrease of approximately 0.91%, and can therefore be considered negligible.



CORPORATE AFFAIRS

The most important news at the corporate level for PJIAE in 2011 was the appointment of Ms. Regina LaBega as managing director with effect from July 1. On that date, she took over from interim managing director, Larry Donker. The transition was smooth as Ms. LaBega is no stranger to the workings of PJIAE, having been one of the longest serving members of the Supervisory Board of Directors of the

company before her appointment to the executive position. She is the first female to head a government-owned statutory corporation in St. Maarten. Being a former director of the St. Maarten Tourist Bureau, Ms. LaBega understands perfectly well the synergy between the airport and tourism development. She literally hit the ground running, providing steady and inspired leadership as PJIAE moves on to the next level.



OTHER HIGHLIGHTS

Among the highlights of 2011 for PJIAE are:

Routes Americas Award

No doubt, among the most important accomplishments in 2011 was PJIAE coming out tops as the overall winner in the category South, Central America & the Caribbean at the Routes Americas conference, which ended on February 15 in Santo Domingo, The Dominican Republic.

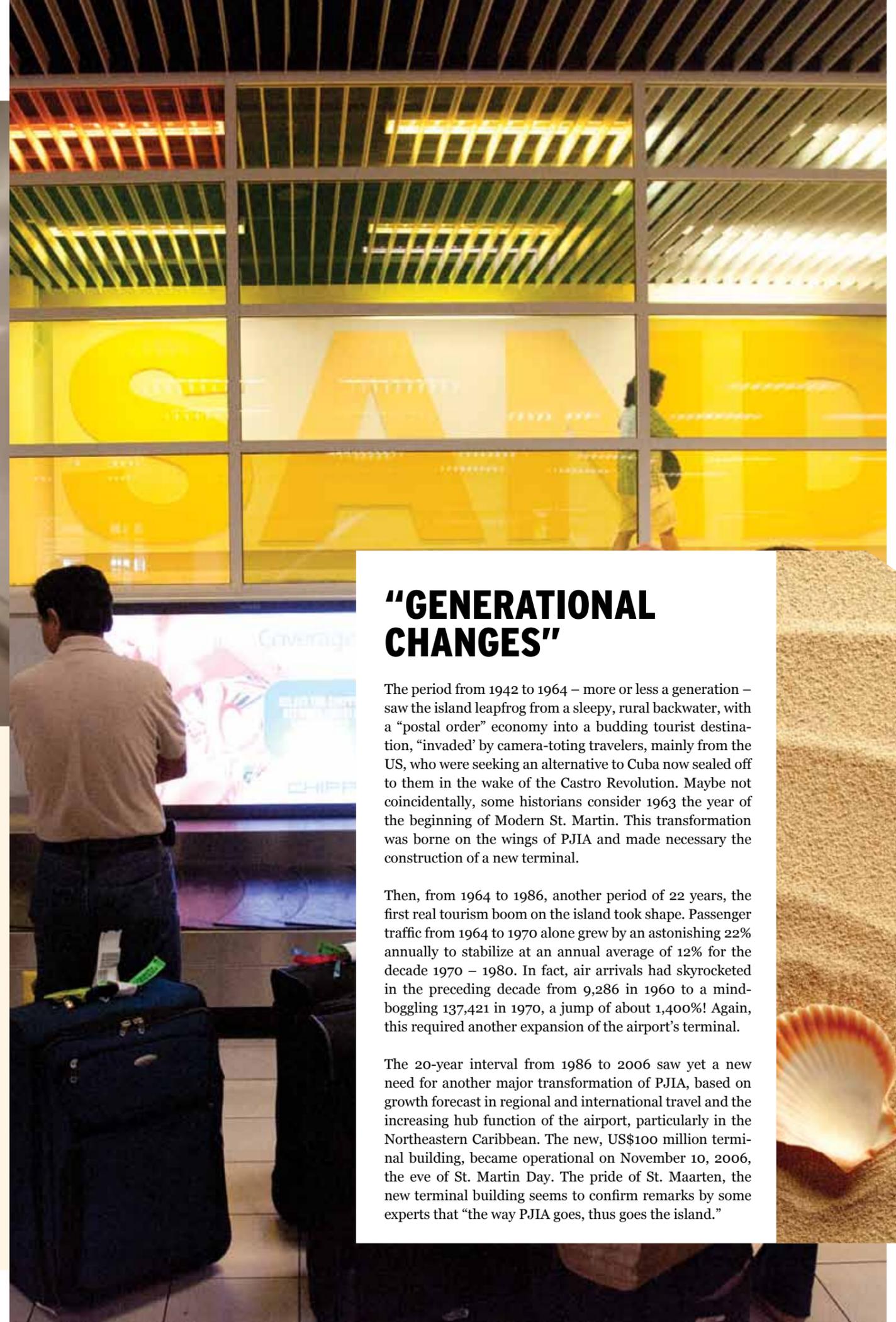
Nominated for the award by airlines that service St. Maarten, based on its marketing activities, marketing research, its joint communication and awareness campaigns with third parties, and its innovative use of technologies or techniques to support airlines, PJIAE had to make a 1,000 word presentation in which it highlighted all these activities. The presentation was well received.

New establishments - Two wheelchair service providers, namely Connor Wheelchair Services and Accessible Venture Transportation began operations at the airport in 2011.

New Routes - JetBlue commenced daily service to/from San Juan, Puerto Rico, (SJU) in November 2011, while Sunwing commenced year round service from Toronto and Montreal in September 2011.

Increased service - COPA Airlines increased its PTY service to four flights weekly in December of 2011.

Conferences - PJIAE attended several conferences, including the Routes Americas (February, 2011), Network USA (March, 2011.), World Routes (October 2011) and Network Latin America (December 2011).



COMPANY PROFILE

TERMINAL BUILDING

The first terminal building quickly became inadequate in view of the fast growing number of passengers that began to descend on the island, primarily in search of sun, sea, sand and a rejuvenating peace and quiet. Consequently, a new terminal building became necessary. This was built in 1964, the year that can be considered the beginning of the island's tourism boom. An operational Air Traffic Control Tower was built at the same time, while the runway angle was changed and the runway itself was extended for the first time.

Two decades later, 22 years to be exact, the terminal building was extended with the addition of new arrival and departure halls, as well as more aircraft parking space. In fact, the transformation of PJIA from a small airbase for the US military during World War II into an ultra-modern, world-class facility took place almost at intervals of 20 years. This can thus be described as "generational changes" which not only makes it the "gateway to Paradise" as it is sometimes called, but also cements its role as the major engine moving the island's tourism economy forward.

"GENERATIONAL CHANGES"

The period from 1942 to 1964 – more or less a generation – saw the island leapfrog from a sleepy, rural backwater, with a "postal order" economy into a budding tourist destination, "invaded" by camera-toting travelers, mainly from the US, who were seeking an alternative to Cuba now sealed off to them in the wake of the Castro Revolution. Maybe not coincidentally, some historians consider 1963 the year of the beginning of Modern St. Martin. This transformation was borne on the wings of PJIA and made necessary the construction of a new terminal.

Then, from 1964 to 1986, another period of 22 years, the first real tourism boom on the island took shape. Passenger traffic from 1964 to 1970 alone grew by an astonishing 22% annually to stabilize at an annual average of 12% for the decade 1970 – 1980. In fact, air arrivals had skyrocketed in the preceding decade from 9,286 in 1960 to a mind-boggling 137,421 in 1970, a jump of about 1,400%! Again, this required another expansion of the airport's terminal.

The 20-year interval from 1986 to 2006 saw yet a new need for another major transformation of PJIA, based on growth forecast in regional and international travel and the increasing hub function of the airport, particularly in the Northeastern Caribbean. The new, US\$100 million terminal building, became operational on November 10, 2006, the eve of St. Martin Day. The pride of St. Maarten, the new terminal building seems to confirm remarks by some experts that "the way PJIA goes, thus goes the island."



SAFETY

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 is surely top priority at PJIA. In fact, the safety record of the airport is among the best anywhere in the region and beyond, with no major aviation mishaps or accidents in its history.

Safety considerations led to the construction of a Runway End Safety Area (RESA) at the East end of the runway, in accordance with International Civil Aviation Organization (ICAO) requirements. This is aimed at minimizing the risk of damage to an aircraft undershooting or overrunning the runway.

“Safety is Job #1 for us at PJIAE,” stressed managing Director, Regina LaBega. “While our core business continues to be the airlines that use our facilities, our aim is to make PJIA a place where residents come to not only when they have to travel or see off friends and relatives, but also to enjoy all the amenities we offer,” she added.

In the last decade, PJIAE has implemented additional security procedures, personnel and screening equipment and security training programs. In addition, the Airport has adopted an

Aerodrome Manual in accordance with the Standards and Recommended Practices developed by the International Civil Aviation Organization (ICAO) and the national regulations of the Directorate of Civil Aviation Netherlands Antilles (“DCANA”). The Aerodrome Manual defines and outlines the procedures, rules and regulations necessary to ensure the highest safety and efficiency standards at the Airport. DCANA has evaluated and approved the Airport’s Aerodrome Manual in December 2003. The pertinent airport certificate was issued in May 2004 and was updated in July 2007.

Little wonder then that from small commuter airlines such as WINAIR and St. Barths Commuter, to regional airlines like LIAT, Insel Air and Caribbean Airlines, to all the major US airlines (from US Airways to Delta, Continental and American Airlines, etc.) as well as major Low Cost Carriers airlines such as Spirit, JetBlue and WestJet are making use of the ultra-modern PJIA facilities. Other major international airlines that fly to PJIA include KLM, Air France and Copa Airlines.

FACILITIES AND AMENITIES

Designed to handle about 2.5 million passengers annually, PJIA’s four-level, fully air-conditioned, and spacious modern terminal facilities span an area of 30,500m² and consist of 12 boarding gates, including four passenger loading jet bridges; 46 check-in positions all equipped with CUTE (Common Use Terminal Equipment) and eight CUSS kiosks or self-service check-in systems. The airport has a comfortable and spacious Departure Hall with 21 completely duty-free retail outlets, as well as five food and beverage outlets including three bars.

The Arrival Hall has three baggage carousels and Baggage Information Display System (BIDS) monitors.

Other facilities and services that PJIA offers include a Business Class Lounge, a Food Court with ample comfortable seating offering a wide range of culinary choices, and a full service restaurant.

PJIA offers banking services with two ATM machines in the check-in hall, one ATM in the Departure Hall and one drive-through ATM east of the meet and greet area.

Similarly, taxi and VIP services are readily available while car rental services are offered in the Arrival area.

Top of the Crop in General Aviation Services in the Caribbean

PJIA offers Aircraft Fueling, Ramp Handling Service, and General Aviation services for the private and corporate jet sector. In order to accommodate the tremendous growth in this sector, PJIA has a Fixed Base Operator (FBO) building complete with office space, private lounges and dedicated Customs. This has made PJIA one of the leading private jet destinations in the region, handling over 12,000 private jets annually. In fact, PJIA was recently ranked among the top two in the Caribbean in terms of private and corporate jet destinations.

AIR FREIGHT AND CARGO SERVICES

A separate, 2,000m² cargo facility exists in close proximity to the Terminal Building which was designed to handle 10,000 tons of cargo per year. Goods shipped by air include but are not limited to personal items, electronic products and even the first herring of the season from The Netherlands or the first Beaujolais bottles from France brought in timely enough to grace dinner tables at the island’s famous restaurants, luxury mansions or humble homes of the food and wine savvy people of St. Maarten/St. Martin.

FLAGS UP

At the end of December 2011, as if to put an exclamation mark on the old year and ring in the New Year, PJIA mounted 33 flags on light poles that arch around the lagoon-side road leading to the airport, starting with the St. Maarten flag in the area of WINAIR offices, and moving on up to the poles around the FBO facilities.

Flags representing islands of the now defunct Netherlands Antilles (St. Maarten, Saba, St. Eustatius, Aruba, Bonaire and Curacao), the hub islands (Anguilla, St. Barths), other Caribbean islands, destinations in Central and South America (e.g. Panama, Brazil, Argentina), the USA and Canada as well as Europe, now stand proudly, not as a mere decoration, but as a reminder of the international nature of the airport and the diverse origins of the people that use it.

“We want PJIA to exude warmth and friendliness from the time one approaches the airport to the moment of departure,” said managing director, Regina LaBega.

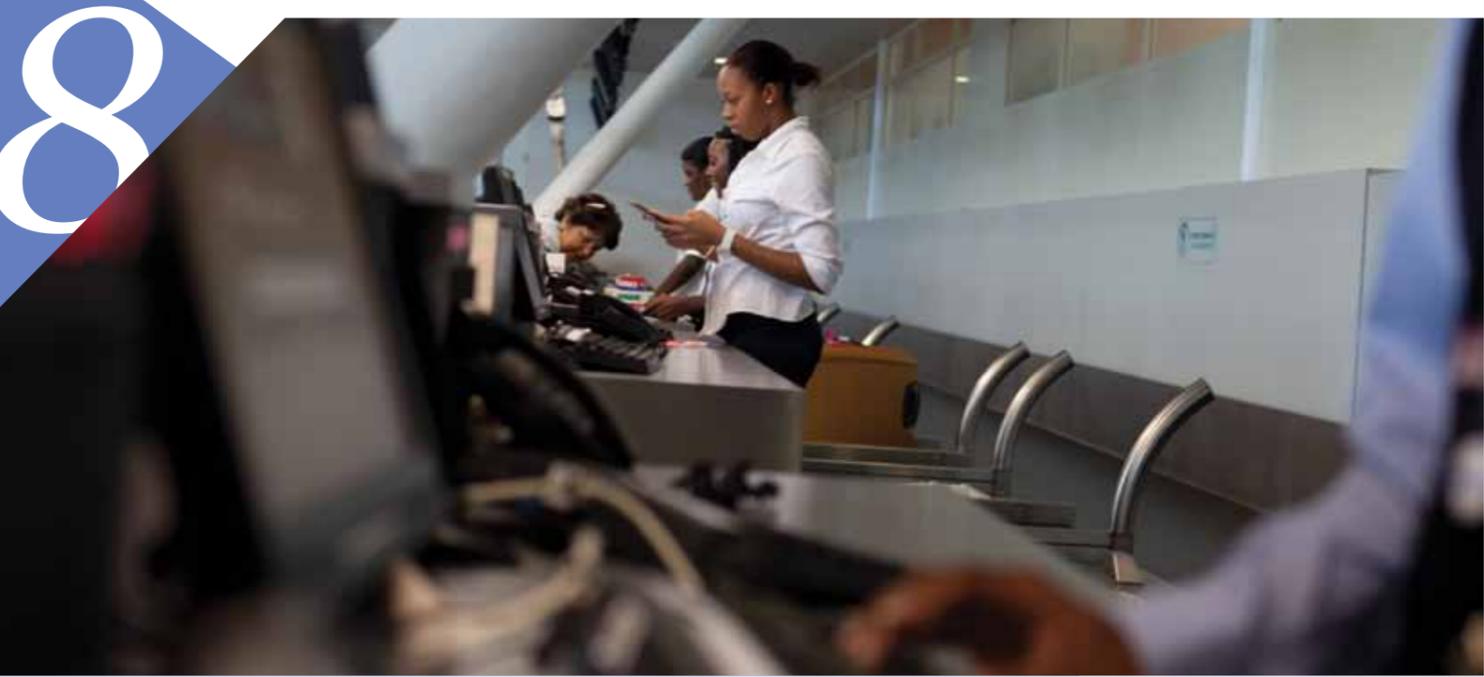
GOOD CORPORATE CITIZEN

The Princess Juliana International Airport Exploita-tiemaatschappij N.V. (PJIAE) is not only a strategic institution owned by the Government of St. Maarten, dedicated to upholding the principles of good corporate governance as stipulated in the Corporate Governance code, its philosophy also embraces the notion of good corporate citizen, not only in the sense of “giving back to the community” but more importantly in being actively involved in the social, educational, cultural, and sport-ing development of the island.

According to managing director Regina LaBega, “the idea is to make the people identify PJIA as their own, as an integral part of the development of the island, not only economically but in all other areas as well.”

“That is why we are not only major sponsors of educational, cultural, environmental, social, and sporting projects, we also encourage our entire staff – all 271 of them - to be actively involved in every meaningful initiative that will enhance the visitor experience and move the airport and the island to the next level,” LaBega said.

Dressing up the terminal building for Carnival, St. Martin Day, Christmas, et al, is only a visual manifestation of PJIAE’s commitment to highlighting these events to arriving visitors, as well as a means of transforming the atmosphere of the airport into a welcoming, festive environment, that lifts up the spirits of visitors, residents, and stakeholders and the employees that have to work there.



BUSINESS DEVELOPMENT REPORT 2011

8.1 PASSENGER MOVEMENTS

"In 2011, airlines flew 2.8 billion passengers and carried some 48 million metric tonnes of cargo. At many hubs, it's already a tight squeeze. Imagine the challenges when 5.9 billion people are expected to take to the air in 2030. Airports must expand in tandem with the demands of shippers and travelers. That means thinking of the demands of 2030 today."

Tony Tyler, Director General and CEO, IATA (Airport Development, The Airlines International Airport Development Supplement, June-July 2012)

According to preliminary figures compiled by the Airports Council International, Latin America and the Caribbean, (ACI-LAC), from reports submitted by airport operators, passenger traffic rose by 8.4% in the region in 2011. Domestic traffic increased by 9.6% while international passengers went up 6.9% compared to the preceding year.

Domestic passengers accounted for 29% of total traffic volume, while international passengers made up 61%. A breakdown of the total traffic showed the following: 9 major airports with 10mpa accounted for 41.5% of total traffic, and another 15 airports with 4-10 mpa represented 29% of the region's total traffic.

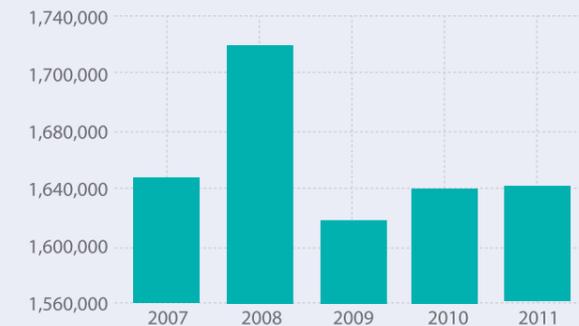
The LAC regional growth rate (8.4%), for a consecutive year was superior to the worldwide growth rate (4.9%), according to ACI World preliminary figures.

In the Annual Report for 2011, the Director General of ACI-LAC, Javier Martinez says: "LAC airports have consistently reported a higher annual rate in passenger traffic over the other regions, according to ACI traffic reports. To date, very positive growth rates have been forecast, including 8.5% for passengers traffic and 8.0% for cargo. This positive growth scenario is predicted to continue for the next 10-15 years."

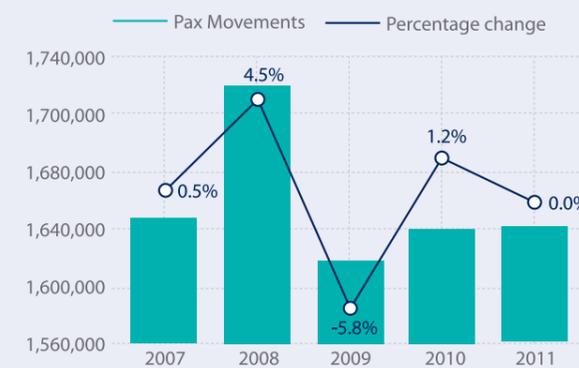
He further explained that "Economic indicators, in most of the countries of our region, are showing astonishing results. Along with these results, other factors, such as: the low maturity of domestic markets, potential for growth due to the geography of a country or the lack of efficient alternative modes of transport in the region have contributed to this growing scenario."

Princess Juliana International Airport registered a 13.91% increase in passenger traffic between 2002 and 2011. It had reached a record 1.7 million passengers in 2008. And then came the recession of 2009. In 2011, the world continued to witness an uncertain global economy, where some regions were more negatively affected than others. The volatility of the industry notwithstanding, PJIA did not fare badly as passenger volume only decreased by 4.75% since 2008, with the largest drop (-5.83%) coming in 2009. Compared to 2010, passenger volume at PJIA went down an infinitesimal -0.03% in 2011.

YEARLY PASSENGER MOVEMENT COMPARISON



YEARLY PASSENGER MOVEMENTS COMPARISON



The 1,645,105 and 1,644,605 passengers that passed through Princess Juliana Int'l Airport respectively in 2010 and 2011 can further be broken down as follows:

While the almost 5% drop in transit passengers in comparison to the preceding year could be an indication that airlines are possibly flying more directly to certain destinations, the

TABLE 4.1.1 Yearly Passenger Movement Comparison

	2010	2011	% Change
Total Deplanements (In-bound passengers)	729,945	733,072	0.43
International	597,870	586,805	-1.85
Domestic	62,666	61,850	-1.30
Transfer	87,689	103,852	18.43
Total Enplanements (Out-bound passengers)	748,225	752,507	0.57
Transit	166,935	159,026	-4.74
Total Passengers (In-Out-Transit)	1,645,105	1,644,605	-0.03

huge increase of 21.12% in transfer passengers in the same period points to the increasing importance of Princess Juliana Int'l Airport as a hub.

Only 3.71% of the total passenger volume in 2011 was carried by private (corporate and general aviation) aircraft. The vast majority (96.29%) was on commercial airlines.

Almost half of the passengers (48%) originated from the North American market (USA - 45.59% and Canada - 4.01%). About a third of the passengers come from the Caribbean (33.51%) while Europe accounts for 15.02% of the total passenger volume. Latin America has a 1.88% share.

The seasonality of the passenger traffic is evidenced in the fact that during the 3rd Quarter of 2011 there was a drop of some 2.88% in total passenger movement compared to the same period in 2010, while the 2nd Quarter in 2011 showed the highest growth rate of 2.09% and in 2010 it was the 1st Quarter that showed the highest growth rate of 4.20%.

QUARTERLY PASSENGER MOVEMENTS



This has to do with the fact that the "high" tourist season begins officially on December 15 and ends in March, coinciding with the Winter months in Europe and North America, while the 3rd Quarter corresponds to the Summer months (July - September) when the Caribbean is a less favored destination for tourists from those regions.



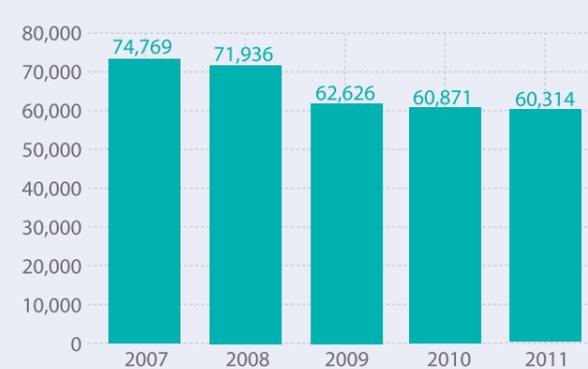
8.2 AIRCRAFT MOVEMENTS

There was a drop of -0.91% in the total aircraft operations (landed and take offs) in 2011 compared to the previous year. With 22 scheduled airlines and an average of 12 charter services, PJIA is well served by companies from the USA, Canada, Europe, Latin America and the Caribbean for a total of 34 destinations. In fact, PJIA ranks 5th in the Latin America and Caribbean region where it concerns international weekly non-stop departing frequencies.

YEARLY AIRCRAFT MOVEMENTS



QUARTERLY AIRCRAFT MOVEMENTS



The vast majority of the total enplaned passengers came on scheduled carriers (95.03%) with only 2.81% on charters and a combined 2.17% on private aircraft (corporate jet – 1.26%; general aviation – 0.91%).

American Airlines continued to be the top airline serving PJIA in 2011, with 17.09% of the total scheduled carrier passengers, despite reducing its operations here. Air France, KLM and Corsair – all three European based airlines – brought in a combined 98,332 passengers for a 13.75% share of the pie. The eight Caribbean-based airlines serving PJIA did much better, carrying a total of 260,661 passengers or some 36.45% of the total scheduled passengers. WINAIR and LIAT together accounted for 21.60% of this amount, out-performing the three European based airlines.

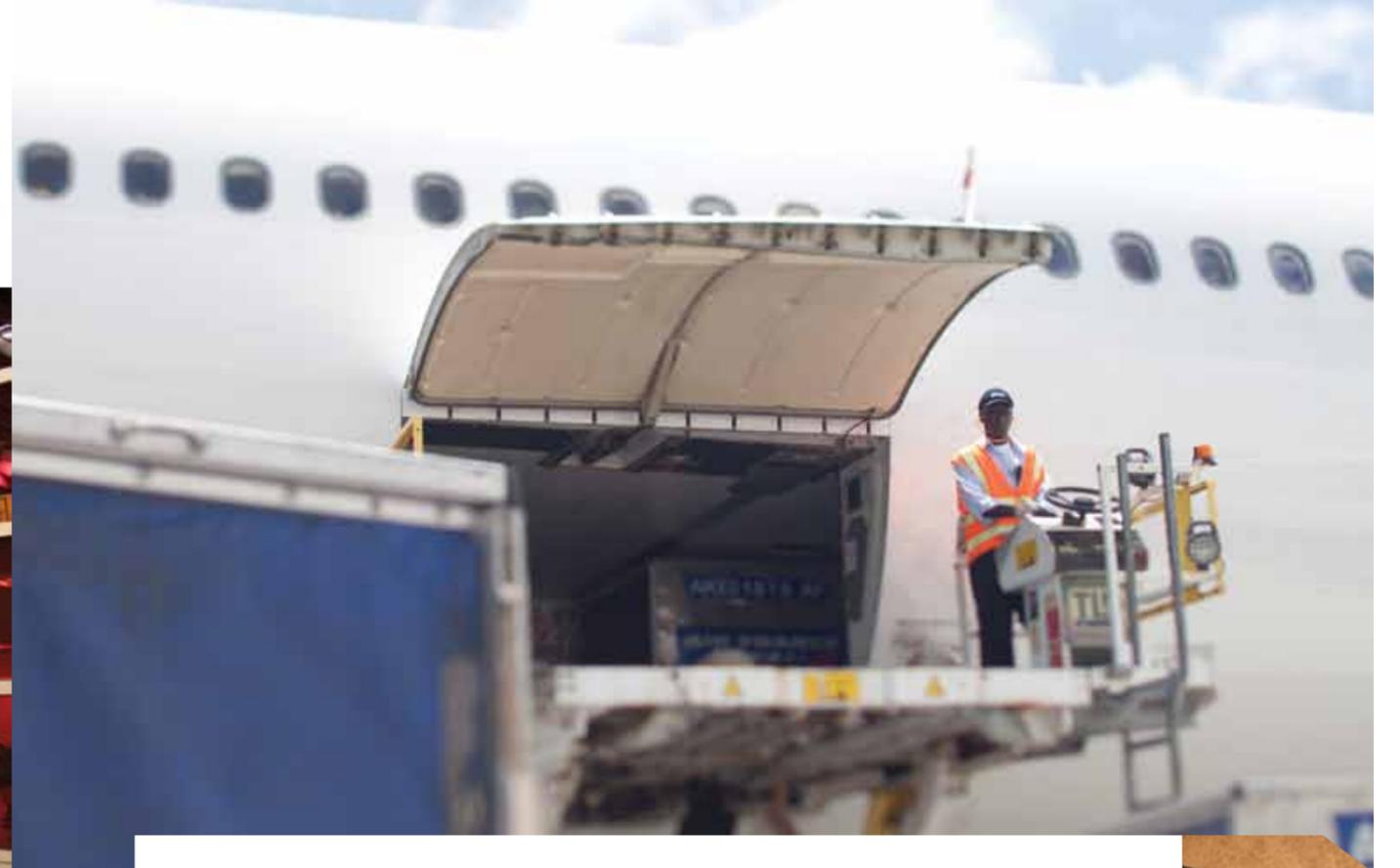
The other 6 US airlines brought in a combined total of 212,472 enplaned passengers representing 28.24% of the total. Canada's, WestJet carried 12,448 scheduled passengers or 1.74% of the total scheduled passengers with Air Canada offering charter service on a seasonal basis. COPA, the only Latin American based and scheduled airline currently servicing PJIA carried 8,980 passengers or 1.26% share of the pie. However, it only began service in 2011. Growth in the immediate future is likely to be from Latin America where the Brazilian economy remains strong. COPA, with its extensive South America network hub in Panama, is a perfectly placed engine that could fire up such growth.

TABLE 1

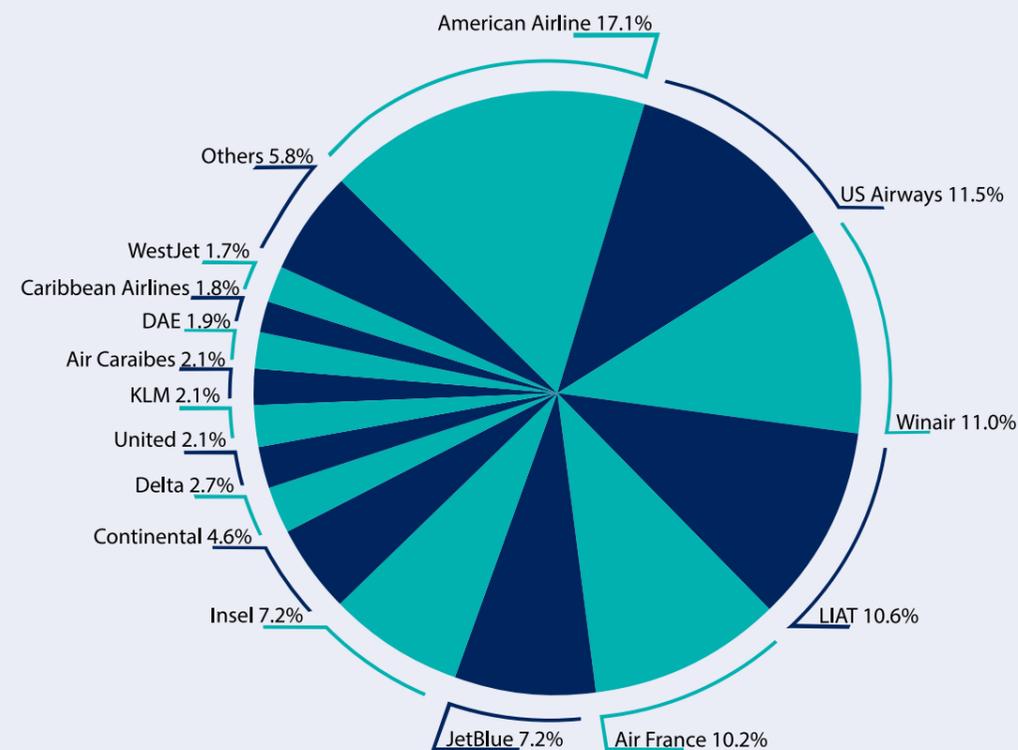
	Passengers 2011	% of Total
American	122,200	17.09%
US Airways	81,911	11.45%
Winair	78,979	11.04%
LIAT	75,474	10.55%
Air France	72,614	10.15%
JetBlue	54,670	7.65%
Insel	51,698	7.23%
Continental	33,076	4.63%
Delta	19,503	2.66%
United	15,161	2.12%
KLM	14,954	2.09%
Air Caraibes	14,674	2.05%
DAE	13,300	1.86%
Caribbean Airlines	12,970	1.81%
WestJet	12,448	1.74%
Corsair	10,764	1.51%
St. Barth Comm.	9,949	1.39%
Copa	8,980	1.26%
Spirit	8,601	1.20%
Windward Express	3,617	0.51%
Total	715,093	100.0%

TABLE 2: Destinations Served Directly from PJIA

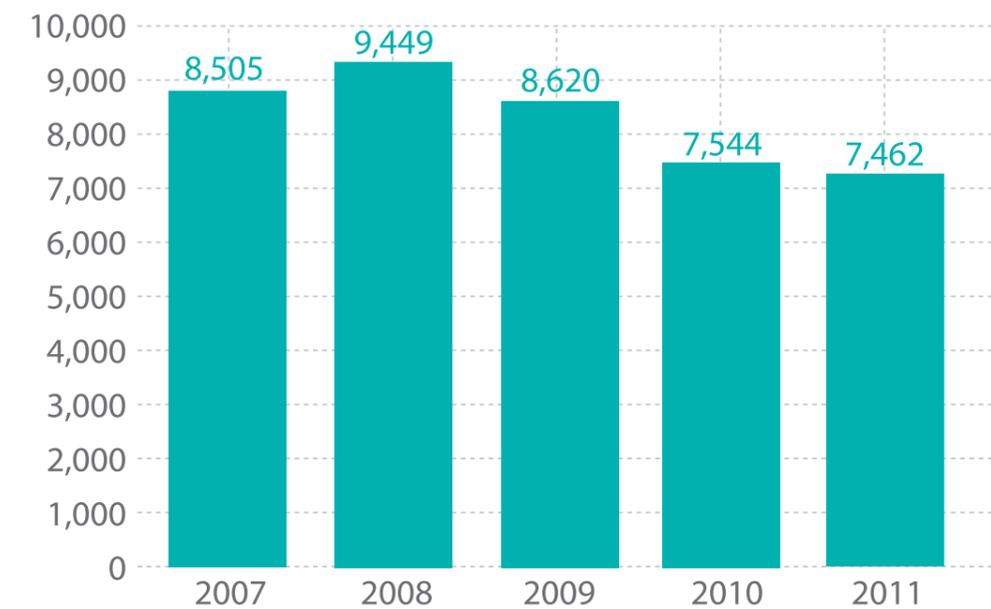
USA	Canada	Europe	Eastern Caribbean	Western Caribbean
Atlanta	Montreal	Amsterdam	Anguilla	Haiti
Boston	Toronto	Paris (CDG & ORY)	Antigua	Jamaica
Charlotte			Curacao	San Juan
Chicago			Dominica	Santo Domingo
Fort Lauderdale		Latin America	Guadeloupe	
Miami		Panama	Montserrat	
New York			Nevis	
Newark			Saba	
Philadelphia			St. Eustatius	
Washington			St. Croix	
			St. Kitts	
			St. Thomas	
			Tortola	
			Trinidad	



PASSENGER SHARE BY AIRLINE



YEARLY CARGO MOVEMENTS COMPARISON



8.3 CARGO AND MAIL MOVEMENTS

At a total of 7,631 tonnes in 2011, cargo movement at PJIA increased by 1.15% over the preceding year. In-bound cargo accounted for 6,054 tonnes in 2011, a decrease of -1.51% compared to 2010. However, out-bound cargo – a total of 1,577 tonnes in 2011 – showed an increase of 12.88% in comparison with the figures for 2010. Up to 87% of the in-bound cargo were imports from Europe, the USA and the rest of the Caribbean, while the out-bound cargo, mainly export of goods to the neighboring Caribbean islands, represents an interesting development that confirms St. Maarten's position as a shopping mecca for the rest of the Caribbean due mainly to its duty-free status.



GROWING THE BUSINESS

9.1 INTRODUCTION

According to the Latin American and Caribbean Air Transport Association (ALTA), its member airlines carried a total of 139.2 million passengers in 2011, an increase of 3.8% compared to the preceding year.

It said Air Traffic (Revenue Passenger Kilometers, RPK, that is the number of passengers carried times the distance traveled) rose by 5.1%, while capacity (or Available Seat Kilometers, ASK, which is the number of seats available for sale times the distance traveled) was up by 2.9% for a Passenger Load Factor, PLF (i.e. RPK divided by ASK) of 74.9% or 1.6 percentage points more than in 2010.

“The results as of December 31, 2011, clearly show the solid growth of the aviation industry in the Latin American and Caribbean Region,” says Alex de Gunten, ALTA’s Executive Director.

“Passenger traffic growth in the Region in the last five years, at 7.7%, has outpaced the global industry average of 3.8%.”

Freight ton kilometers (FTK) increased by 4.5% in 2011.

YEAR - TO - DATE			
	2011	2010	Change
Passengers	139,150,685	134,037,890	3.8%
RPK (millions)	209,570.4	199,380.4	5.1%
ASK (millions)	279,669.3	271,817.6	2.9%
PLF	74.9%	73.4%	1.6 pts.
FTK (thousands)	4,084,858	3,909,095	4.5%

Source: ALTA

The former Managing Director and CEO of IATA, Giovanni Bisignani in his “State of the Industry” address to the 67th Annual General Meeting of the organization last year in Singapore, summarized the last decade in the following terms:

“Terrorism, wars and revolutions. Pandemic fears, earthquakes and volcanoes. Failing economies and skyrocketing fuel prices. Over the last decade we have seen everything. Everything, except sustainable profits.



“2010 was the best year of the decade, with a profit of \$18 billion, but a pathetic margin of 3.2%. 2011 brought more shocks: from disasters in Japan, to unrest in the Middle East, and oil spiking above \$120 per barrel. A decade ago, we needed oil below \$25 just to break even. It is a tribute to every airline in this room, that we expect a \$4 billion profit at today’s oil prices.”

PJIAE has not been immune to all these external forces beyond its control. In addition, it has had to contend with an increasing competitive climate in which airports in the vicinity are investing heavily in upgrading their facilities in direct competition with PJIAE in an attempt to cut into its market share of passenger traffic as a destination and a regional hub. PJIAE is keeping a keen eye on these initiatives in order to maintain its edge.

BUSINESS STRATEGY

PJIAE’s strategic policy plan has been to place priority on operations, safety and security. Since 1999, resources have also been allocated to marketing and customer service. The Company has also emphasized and broadened its commercial activities in order to further promote and take advantage of market opportunities.

The importance of fostering a more commercially-oriented organization is fundamental to the Company’s financial success.

The broad underlying business philosophy and strategy is to provide a higher standard of service to customers, increase the overall use and return from commercial facilities, implement state of the art retailing concepts, generate incremental revenues and stimulate the local economy.

In essence, the Company’s objective is to be ahead of the competition and to be the regional leader. To achieve this,

PJIAE’s operations have been structured in order to meet the following objectives:

- i. to maintain the Company’s primary objective of safe and secure operations;
- ii. to achieve significant performance improvements;
- iii. to create a central focus for all commercial activities; and
- iv. to coordinate the overall airport program.

9.2 HUB FUNCTION

As a hub, PJIA caters primarily to Transit, Transfer and Stop-Over passengers, who are mainly interested in fast, efficient and pleasant immigration and security controls, quick baggage clearance, quick and easy transportation to and from their on-island accommodation and equally fast (re-) check-ins. Generally, what passengers look for in an airport is a welcoming atmosphere, no long queues and an ambience conducive to an enjoyable travel experience. The destination has an added advantage in that Customs Clearance is usually a short process upon arrival at Princess Juliana Int’l Airport.

PJIAE of course does not intend to rest on its laurels, but continues to do everything possible to retain its competitive edge. One of the initiatives it is pursuing is an inter-island pre-clearance which has the blessing of the Minister of Justice. This would allow for passengers who are in transit to the hub islands (Saba, St. Eustatius, Anguilla, St. Barths) to be pre-cleared in St. Maarten, hence making it unnecessary to go through the same procedure again upon arrival at their respective destinations. Details of how this process would be implemented are being discussed with the respective authorities.







CORPORATE STRUCTURE

PJIAE NV was established by notarial 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 Government of St. Maarten is therefore the Concessor, while the Holding Company is the Landlord and PJIAE the tenant, operator and concessionaire of the airport and all its facilities.

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

The Managing Director is assisted by 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 NV. 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 the so-called “arms length” policy in consonance with the principles of good corporate governance.

PJIAE has a lease agreement with the Holding Company (PJIAH NV) 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, known as the Airport Development Plan Phase 2 in the Strategic Business Plan of PJIAE as the Tenant 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, PJIAE does not receive nor depend on any direct injection of funds 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 is allowed to keep the Airport Departure Fee (ADF), which it collects on behalf of Government.

10.1 SUPERVISORY BOARD OF DIRECTORS 2011

There were some changes in the membership of the Supervisory Board of Directors in 2011.

On July 2, 2010 Ms. Melinda Hoeve, Ms. Regina LaBega, and Mr. Whitfield Vlaun were re-appointed to the Board. Ms. LaBega subsequently resigned from the Board in 2011 and on July 1, of the same year, she was appointed Managing Director of PJIAE.

Mr. Clarence Derby served as Vice-Chairperson from January 1, 2011 until July 31, 2011 when his term expired. He was re-appointed on August 15, 2011 as Chairperson.

Mr. Gary Matser was Chairperson From January 1, 2011 until July 31, 2011 and from August 1, 2011 until December 31, 2011 where he was appointed as Vice-chairperson.

At the end of 2011 the Supervisory Board consisted of the following members:

1. Mr. Clarence Derby, Chairperson. 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.
2. Mr. Marlon Gary Matser, Vice Chairperson. Mr. Matser is a businessman. He is owner and Managing Director of MGM Consulting N.V.
3. Ms. Melinda Hoeve, Secretary. Ms. Hoeve is an Attorney at Law and Partner in the law firm, Duncan, Brandon, Hoeve and Marica.
4. Mr. Whitfield Vlaun, Member. Mr. Vlaun is Senior Sales Manager at First Caribbean International Bank in St. Maarten.



Clarence Derby
Chairman



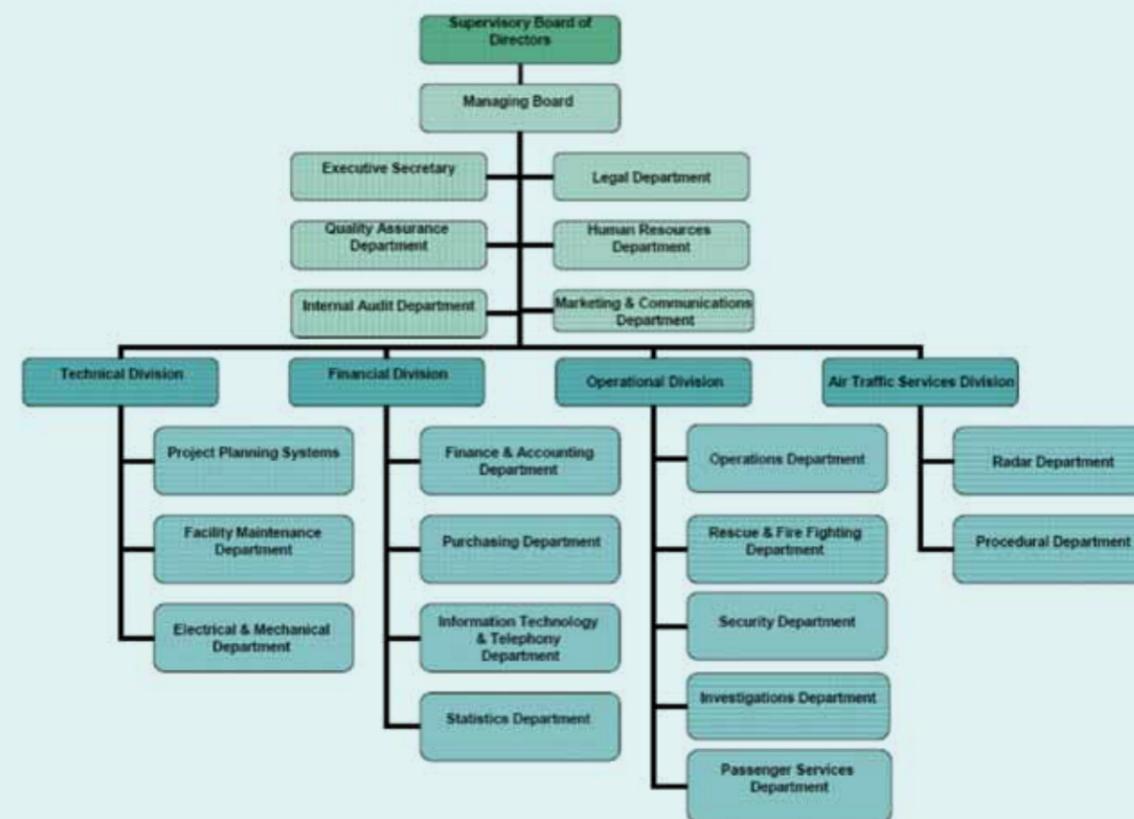
Gary Matser-Vice
Chairman



Melinda Hoeve Secretary



Whitfield Vlaun
Member





Dr. Shirley Pantophlet-Gregoria
Director of Financial Division



Larry Donker
Director of Operational Division



Mirto Breell
Director of Technical Division



Raul van Heyningen
Director of Air Traffic Services Division



Anastacio Baker
Manager of Quality Assurance Department



Derek Hilman
Manager of Project Planning and Systems Department



Henri Laurence
Manager of Statistics Department



Jerry Sprott
Manager of Security Department



Kalifa Hickinson
Manager of Marketing & Communications Department



Kendall Dupersoy
Manager of IIT Department



Ketty Paines
Manager of Passenger Services Department



Manilo Penijn
Manager of Rescue & Fire Fighting Department



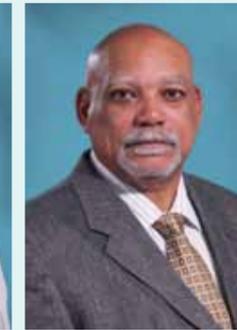
Michael Lake
Manager of Financial & Accounting Department



Michel Hyman
Manager of Operations Department



Norma Brill
Manager of Human Resources Department



Wayne Van Putten
Manager of Investigation Department



10.2 MANAGEMENT TEAM

The Management Team of PJIAE is headed by the Managing Director, Ms. Regina LaBega who is assisted in her duties by the following senior management staff:

1. Mr. Larry Donker, Director, Operations Division
2. Drs. Shirley Pantophlet-Gregoria, Director, Financial Division
3. Mr. Raul van Heyningen, Director, Air Traffic Services Division
4. Mr. Mirto Breell, Director, Technical Division

Within each division there are a number of departments headed by department managers.

The total number of employees at PJIAE was 271, with over a third of these being security personnel.

Regina M. LaBega, B.A., M.A., Managing Director

Ms. Regina LaBega was appointed Managing director of PJIAE on July 1, 2011. Ms. LaBega holds a master's degree from the Morgan State University, Baltimore, Maryland (USA) with a concentration in International Marketing.

From 1999-2011, Ms. LaBega held the position of Director of Tourism and served as a member on the Supervisory Board of Directors of PJIAE from 2003-2010.

Larry Donker, Director Operations Division

Mr. Larry Donker is the Director of the Operations Division of the Company, a post he assumed on July 1, 2007. In that capacity he supervises a team of department managers responsible for airport operations, security, and rescue and firefighting functions. He is responsible for the safe, secure and efficient operation of aircraft and flow of passengers at the airport facilities.

Mr. Donker holds a degree in Air Traffic Control from the ATC Training Centre in Curacao. He has been engaged in aviation-related industries for over 30 years and received training in airport operations and management at the Aviation Development & Training Institute of IATA in Montreal Canada.

Mr. Donker started working at the Airport in 1984 as an air traffic controller and has since held various positions in the PJIAE management team. He was the manager of operations for eleven years and the Director of the Technical Division for almost one year before assuming his current position.

Drs. Shirley Pantophlet-Gregoria, Director Financial Division

Drs. Shirley Pantophlet-Gregoria is the Director of the Financial Division of the Company, a post she assumed on January 1, 2005. In that capacity she supervises a team of department managers responsible for the Airport's financial administration, statistics, purchasing and information and telephone technology. She holds a Master's degree in business economics from the Catholic University of Brabant (University of Tilburg) in the Netherlands. Prior to assuming her current position with PJIAE, Drs. Pantophlet-Gregoria worked in the banking industry from 1989-2004.

Raul van Heyningen, Director, Air Traffic Services Division

Mr. Raul van Heyningen is the Director of the Air Traffic Service Division, a post he assumed on September 1, 2010. As Director he is, along with a team of department managers, responsible for the management of the Procedural and Radar Control in the Airport and for Flight Information Services. This area of responsibilities includes the airports of St. Eustatius, Saba, St. Barths, Grand Case and Anguilla. He is in charge of ensuring safe, orderly and expeditious handling of aircraft arriving, departing and overflying St. Maarten. He is also in charge of the administration of aeronautical information and the provision of rescue and alerting services.

Mr. van Heyningen graduated from the ICAO approved Air Traffic Training Center in Curacao. He was later certified as an On the Job Training Instructor, and certified Radar Controller. From June 2006 until he assumed his current position, he was Radar Manager at the Airport.

Mirto Breell, Director, Technical Division

Mr. Mirto Breell is the Director of the Technical Division of the Company, a post he assumed on October 1, 2007. In that capacity, he, along with a team of department managers, is responsible for the management of project, planning and control of systems, and for the electrical, mechanical and physical maintenance of the airport facilities. Mr. Breell started working at PJIAE in February 2004 as the manager of the Quality Assurance Department before assuming his current position. Mr. Breell has a Bachelor's degree in Aviation Management and Flight Technology from the Florida Institute of Technology, in the U.S. He has been engaged in aviation-related industries for over seventeen years. Prior to joining PJIAE, Mr. Breell flew for WINAIR as a commercial pilot for eleven years.



10.3 CORPORATE AFFAIRS

10.3.1 HUMAN RESOURCE DEPARTMENT

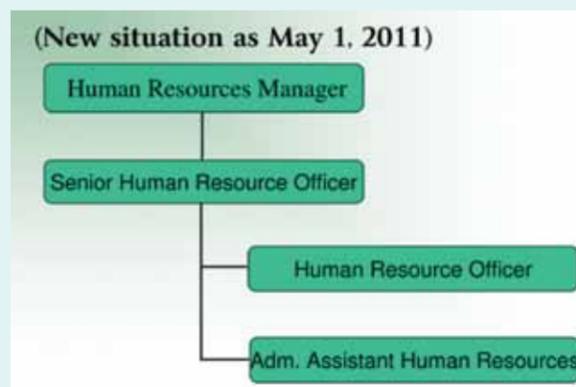
The Department is headed by Ms. Norma Brill.

Human resources are the people, including their knowledge, skills and abilities, within the organization, who perform the actual work of the organization. The Human Resource Department manages the effective use of the organization's human resources (or people) to improve its performance and to achieve its goals and objectives. The primary functions of human resource management are:

- Recruitment and Selection
- Human resource development (Training & Development)
- Compensation and benefits
- Safety and Health
- Key developments in 2011

1. In May 2011, the Human Resource Department came under new management and the structure of the department was changed, also adding one more person to the department. This was necessary in order to properly divide the responsibilities within the department and to ensure the effective functioning of the department.

2. To ensure adequate continued operations in the following departments, replacement personnel were recruited for the Air Traffic Services Division, Rescue and Fire-fighting Department, Security Department and Marketing & Communications Departments.



3. Recruitment of personnel for other departments, namely the Quality Assurance Department, Legal Department and Electrical and Mechanical Department, is still in progress.

4. A consultancy firm, Linkels & van Wilgen (now Linkels & Partners) was selected – at the prompting of the labour unions – to redesign and rewrite all job descriptions; to carry out a reclassification of all the functions in PJIAE and to adjust the salary scales accordingly. Given the fact that the current job descriptions are already 15 years old and do not adequately describe the function(s), it has become necessary to rewrite them according to present circumstances. Additionally, during this period that the job descriptions have been in place, there have been new functions added for which there were no job descriptions written at all, thus the need to have these done for all existing functions. The completion of this project is scheduled for the first quarter of 2012

5. The Organizational chart was redesigned to fall in line with the planned restructuring of the company and for adequate placement of personnel. The new job descriptions would be based on the new organizational structure.

6. CLA negotiations between the unions ABVO and WICSU were concluded in December 2011.

7. Negotiations for a new bus transportation service for employees were concluded and the contract was signed in November 2011.

Several other initiatives were still in progress at the time of this report. They include Re-evaluation of job functions and salaries (revision of job descriptions); organizing information sessions on the General Health Insurance Plan and the Pension Plan; finalizing the health Insurance Plan for Pensioners; setting up a Training Plan for employees for 2012 and developing a Human Resource Management System using Exact Synergy.

As at December 31, 2011, PJIAE had a workforce of 271, consisting of persons of varying ages, of which each age group has its specific needs and expectations from his or her job. PJIAE through the Human Resource Department must support that diversity by providing opportunities for training, development and advancement, while addressing suitable compensation packages.



10.3.2 OPERATIONS DIVISION

The Operations Division is headed by its Director, Mr. Larry Donker. The departments of, operations, security, rescue and fire-fighting and investigative and liaison departments all fall under the operations division.

Among the accomplishments of the Division during the year under review are the following:



Building Evacuation: (November 22) PJIAE Airport authority is required to comply with the procedures, guidelines and PJIAE Fire Safety Compliance document by staging a “Fire Safety and Building Evacuation Exercise.” Fire drills are held bi-annually to familiarize occupants with drill procedures and to make the drill a matter of established routine. Exit drills are needed so that occupants will know how to make an efficient and orderly escape. The drill successfully conducted in 2011.



Emergency Management Training: (June 23) This provided airport personnel, first responders, emergency managers, public health and service providers, volunteers, elected officials, private industry and others with the skills necessary to protect life and property through preparedness exercises in response to simulated, natural and/or man-made disaster scenarios. The exercises focus on the four phases of emergency management, which are mitigation (prevention), preparedness, response, and recovery. The goal of the exercise program is to improve the overall readiness and capabilities of emergency response by validating training, emergency plans, and procedures to identify

strengths and areas for improvement, demonstrate operational capabilities, and to prepare personnel to respond to real world incidents, regardless of the threat or hazard.



Wildlife Training: (July 25-27) PJIAE policy is to regard all wildlife on airports as potential hazards to airport and aircraft safety. Prevention of bird strikes begins at the airport, as the majority of bird strike incidents occur within the airport environment during the take-off, climb, final approach, and landing phases of flights. Birds are a serious hazard to modern aircraft, and this is taken seriously by PJIAE, which seeks to mitigate all foreseeable risks of accidents occurring at the airport, in compliance with the legal requirements contained in “Landbesluit Toezicht Luchtvaart: PB 2008 no.17 & Appendix CARNA Part 14. paragraph 9.4.” As such, wildlife training was conducted in 2011.



Royal Family Visit (November 3) PJIAE hosted a seamless and successful ceremony in collaboration with the National Organizing Committee (NOC) for the arrival of the Dutch Royal Family during its visit to St. Maarten following the island attaining country status within the Dutch Kingdom.



FOD Awareness: (June 2011) June was Foreign Object Debris/Damage Awareness Month. PJIAE FOD Awareness program is designed to increase employees' awareness of the causes and effects of Foreign Object Damage (FOD) to aircraft, people, and property. A FOD-conscious community is one that sets high standards to minimize damage caused by foreign objects. As in any process, employee involvement was the key to a successful program.



Radio Communication: (March 2011) Communication is essential and in emergency situations, a critical element to the successful managing of the emergency. PJIAE Operations Division purchased several radios to upgrade the present system. Having an adequate communication system network with off-airport agencies responding to emergencies is of vital importance.

FESTI R&FF Audit & Training: (March 21-25) PJIAE requested the Fire and Emergency Services Training Institute (FESTI) to conduct a review of the airport's Rescue and Fire-Fighting (R&FF) department. Recommendations for improvements in all areas were provided as part of a mandate of this review.



10.3.3 AIR TRAFFIC SERVICE DIVISION

Mr. Raul M. van Heyningen has been Director of the Air Traffic Service (ATS) Division since September 1, 2010.

Some of his responsibilities include among others, ensuring that Standards and Recommended Practices are adhered to; and that all navigational aids are properly maintained and upgraded to ensure accurate and safe guidance to the pilot in command of an aircraft.

The ATS facility is managed by Mr. Gregory Hassell (Manager of Tower and Flight Information Department) and MRD Mr. Lloyd Hinds (Manager of the Radar Department).

The Tower and Flight information office manager is responsible for ensuring a safe, orderly and expeditious flow of traffic within the PJIA TMA by means of procedural control and to ensure that the required aeronautical information is updated, recorded and disseminated.

The Radar Department is responsible for ensuring a safe, orderly and expeditious flow of traffic within the TMA with the aid of Radar Surveillance.

The department managers are responsible to the PJIAE ATS director for the proper day to day management of staff and air traffic services.

In order to provide safe, expeditious and orderly flow of traffic to the users of Princess Juliana International Airport and the surrounding islands of Saba, St. Eustatius,

St. Barthelemy and Anguilla, the managers ensure that controllers maintain their proficiency and competence at approved standards, and adhere to ICAO standards and recommended practices, while performing their duties.

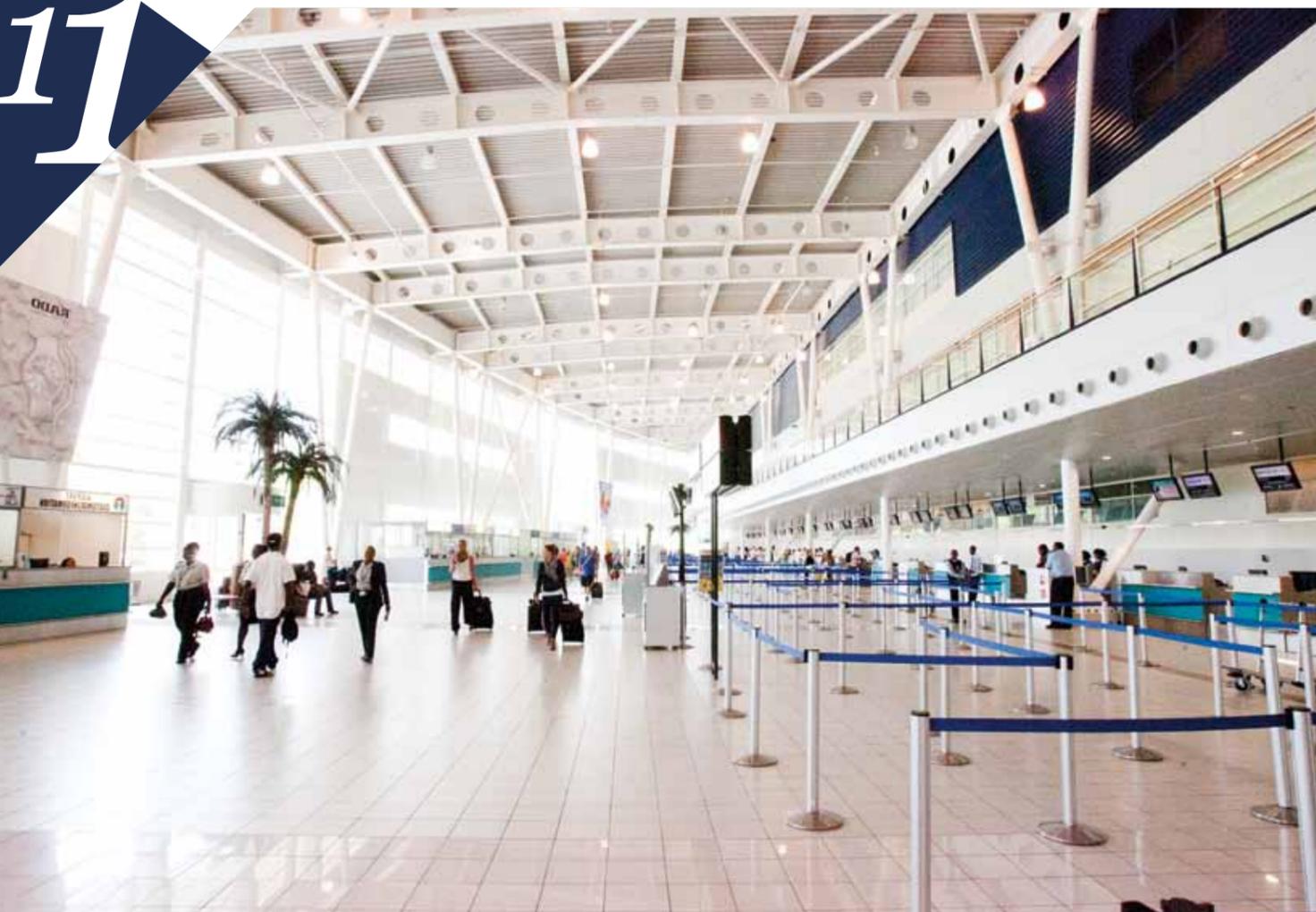
ATS Division Achievements in 2011

1. ICAO requirement of “English Language Proficiency.”
2. Implementation of a Voice and Data line between PJIA, St. Barthelemy and Grand Case airports.
3. Certified “On the Job Instructors” conducted their first on the job training with recent graduated student controllers and they were all certified as Air Traffic Controllers.

In 2011, the performance benchmark was to be better prepared to accommodate the high influx of corporate jet traffic avoiding any significant delays to regular scheduled commercial aviation during the winter season. This was accomplished by means of close coordination and planning within ATS, Operations and adjacent Air Traffic Service Units.

The challenges the Division faced during the year included:

- Developing better strategies in managing the yearly high density of traffic during the Winter season.
- Developing a plan of action to meet the new required ICAO flight plan format implementation.
- To research and prepare for the new AMHS system in order to ensure compliance with the new flight plan format.



FINANCIAL STATEMENTS

11.1 INTRODUCTION

According to Airports Council International (ACI), more than half of all airports posted losses in 2011. In a survey of 604 airports worldwide, which together handled 3.11 billion passengers or about 62% of the overall world traffic in 2010, the top line figures for the 2011 ACI Economics Survey revealed that 69% of the airports returned net losses for the 2010/2011 financial year. This is due to skyrocketing costs and also to the fact that many of the normal financing sources are no longer available in the current difficult economic climate. It is against this backdrop that the financial performance of PJIAE in 2011 can be considered satisfactory.

As already indicated, PJIAE is self-sustaining financially and has to manage its affairs in the best possible way to ensure the best possible results.

The company generated a gross total of ANG85,101,474, in 2011 which represents an increase of 0.54% over 2010 when total revenue stood at ANG84,647,901. However, in spite of this, the net profit (ANG3,778,553) remained virtually the same as in 2010 (ANG3,830,222) although it decreased very slightly by approximately 1.35%. This is due mainly to higher operating expenses, in particular soaring labor costs and increasing utility bills.

11.2 REPORT OF THE BOARD OF SUPERVISORY DIRECTORS

The Board of Supervisory Directors is pleased to present Princess Juliana International Airport Operating Company NV (PJIAE) 2011 Financial Statements as prepared by Management. The Financial Statements have been audited by the external auditors PriceWaterhouse Coopers, who gave an unqualified opinion regarding same. The Financial Statements have been authorized for issue by Management on June 8, 2012.

THE BOARD'S ACTIVITIES IN 2011

The year 2011 was a challenging one for the Board. The Board started the year with five members, but consisted of four members during the greater part of the year as Ms. LaBega resigned from the Board during the first months of the year.

As per July 1, 2011, Ms. Regina LaBega was appointed Managing Director of PJIAE and replaced Mr. Larry Donker who held the position of Interim Managing Director of PJIAE until then.

The Board continued to meet monthly to consider a broad range of policy issues relating to the activities of the airport. In the monthly meetings, Management of Princess Juliana International Airport Operating Company NV (PJIAE) gave a report on Operational, Air Traffic Control, Technical and Financial, Commercial, Human Resources and Legal issues. The Board of Supervisory Directors was also updated on a monthly basis by Management on the progress of the Capital Investments works in terms of compliance with the budget, the quality and the planning. During the first six months of the year, the Chairperson had also regular informal meetings with the then Interim Managing Director. The second half of the year was marked by meetings discussing strategies and a New Strategic Business Plan for the airport.

Every quarter, the Board received the Quarterly Management Financial Report for its own perusal, comments and direction. In these reports the actual results were analyzed and compared with the 2010 budget and audited figures for 2009.

The Board had regular discussions with Management concerning the strategy of the Company. The 2012 budget was discussed and approved and various investment decisions were approved in view of the successful operations of the New Terminal Building, inclusive a Quick Scan that was conducted at the airport aimed at identifying the Strength, Threats, Weaknesses and Opportunities of the airport.

Overall PJIAE managed to operate with a profit for the year 2011 as is reflected in the financial results of the Company and this despite difficult situations associated with the global financial and economic crises.

CORPORATE GOVERNANCE

The Supervisory Board acknowledges its responsibility for ensuring compliance with the Corporate Governance Code.

The Board herewith confirms that the Management has procedures in place designed to achieve compliance and the Board also confirms that Management has reviewed the effectiveness of the procedures.

The Board confirms that in its opinion Management has used all reasonable endeavors to secure the company's compliance.

Furthermore PJIAE external auditors PriceWaterhouse Coopers examined whether the Corporate Governance Report 2009 of PJIAE correctly presented the governance approach followed by the Managing and Supervisory Boards of PJIAE in accordance with the Corporate Governance Code issued by the Island Territory of St. Maarten in December 2009. This assurance report was finalized in August 2010 and concluded that the Corporate Governance Report 2009 of PJIAE, in all material respects, correctly presented the governance approach followed by the Managing and Supervisory Boards of PJIAE in accordance with the Corporate Governance Code issued by the Island Territory of St. Maarten in December 2009. The examination of the Corporate Governance Code report 2010/2011 of PJIAE had not been concluded at the time of this report.

THE BOARD'S ADVICE TO THE SHAREHOLDER

The Board of Supervisory Directors has the honor to submit the following proposals to the Shareholder:

- To approve and adopt the Financial Statements of the Company for the financial year January 1st through December 31st, 2011;
- To allocate the net profit of the year at ANG3,778,552 (after tax) to the Retained Earnings;
- To discharge Management and Board of Supervisory Directors of any and all responsibility and liability in respect of its management and supervisory duties for the year ended December 31st, 2011.

The Board would like to thank Mr. Larry Donker for his dedication and input during the first half of 2011 and welcomes Ms. Regina LaBega to the post of Managing Director as of the second half of the year.

In conclusion, the Board would like to take this opportunity to also thank the management, board and all employees of the Princess Juliana International Airport Operating Company N.V. for their professionalism, dedication and contribution during the year in review.

On behalf of the Board of Supervisory Directors
Clarence Derby, Chairman.

11.3 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

Reference number: JF/CR/67.600.3/39827

Report on the condensed financial statements

We have audited the financial statements of Princess Juliana International Airport Operating Company N.V., St. Maarten as of and for the year ended December 31, 2011, from which the accompanying condensed balance sheet and condensed income statement and selected notes (as set out on pages 45 - 51) were derived, in accordance with International Standards on Auditing. In our report dated June 8, 2012, we expressed an unmodified opinion on these financial statements.

Opinion with respect to the condensed financial statements

In our opinion, the accompanying condensed balance sheet as of December 31, 2011 and condensed income statement for the year then ended are consistent, in all material respects, with the financial statements from which it has been derived.

Emphasis of a matter

For a better understanding of the Company's financial position and the results of its operations for the period and of the scope of our audit, the condensed balance sheet and condensed income statement should be read in conjunction with the financial statements from which the condensed balance sheet and condensed income statement were derived and our report thereon.

St. Maarten, July 17, 2013
PricewaterhouseCoopers St. Maarten

Cees Rokx

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11.4 BALANCE SHEET

As of December 31 (in ANG)

	2011	2010 As Restated	1/1/10 As Restated
Assets			
Current assets and non-liquid accounts	50,651,855	59,113,791	55,829,428
Financial fixed assets	2,990,400	3,204,000	3,417,600
Tangible fixed assets	219,027,394	227,370,782	237,097,624
Total Assets	272,669,649	289,688,573	296,344,652
Liabilities			
Current liabilities	27,977,431	30,361,374	23,102,959
Long term liabilities	133,368,080	153,084,714	172,720,591
Provisions	9,510,470	8,207,367	6,316,205
Total Liabilities	170,855,981	191,653,455	202,139,755
Shareholder's Equity			
Share capital	200,000	200,000	200,000
Contributed surplus	5,200,000	5,200,000	5,200,000
Retained earnings	96,413,668	92,635,118	88,804,897
Total Shareholders' Equity	101,813,668	98,035,118	94,204,897
Total Liabilities and Shareholder's Equity	272,669,649	289,688,573	296,344,652

As at December 31, 2011, PJIAE's Balance Sheet showed an almost unnoticeable decrease in the value of the total assets of the company over the two preceding years, while in terms of liabilities and provisions, a similar picture also emerges.

The total assets in 2009 were calculated at ANG296,344,652. This dropped to ANG289,688,573 in 2010, a decrease of only 2.25%. The total assets fell to ANG272,669,649 in 2011 a reduction of only 5.87%. In other words, from 2009 to 2011, the total assets diminished by 7.99%, not bad given



the tough international financial and economic conditions under which PJIAE has had to operate.

As far as the liabilities and provisions are concerned, these decreased from ANG202,139,755 in 2009 to ANG191,653,455 in 2010, a reduction of 5.19%, while the percentage drop doubled in 2011 when they were estimated to be ANG170,855,981.

It is interesting to note also that the long term liabilities have progressively gone down from ANG172,720,591 in 2009 to ANG153,084,714 and then again to ANG133,368,080 in 2011, a reduction of 22.78% in just two years. The current liabilities registered a decrease of about 7.85% in one year, that is from ANG30,361,374 in 2010 to ANG27,977,431 in the year under review.

On the other hand, the retained earnings increased from ANG88,804,897 in 2009 to ANG92,635,118 in 2010 and moved up again in 2011 to ANG96,413,668. This means the retained earnings increased by more or less the same percentage (4%) in the last two years.

The total shareholder's equity maintained a similar upward trend. It increased from ANG94,204,897 in 2009 to ANG98,035,118 in 2010 and again to ANG101,813,668 in

2011. In percentage terms, it has increased by virtually the same percentage (4%) in the last couple of years.

PJIAE has two main sources of income: Aeronautical revenues and non-aeronautical revenues.

Income from aeronautical sources account for 80.42% of total PJIAE revenues while non-aeronautical sources make up the balance of 19.58%. In 2011, the airport posted ANG68,439,215 (\$38,021,786) from passenger and airline fees.

Passenger fees make up the bulk of PJIAE revenues representing some 62.24%, while airline charges account for the balance (18.19%). It should be noted, however, that since 2005, passenger and airline fees have not increased. That's a period of six years in which the aviation industry has experience serious upheavals that have severely cut into the profitability of airlines as well as airports.

In terms of non-aeronautical revenue sources these are derived mainly from rentals, fuel throughput, concessions, and contracts e.g. ground handling and car parking. These add up to 76.83% of total non-aeronautical revenues in 2011 and about 18.79% of overall revenues.

According to Jared Harckham, Vice President of the renowned consultancy group, ICF SH&E in a paper titled, "Airport

11.5 INCOME STATEMENT

For the year ended December 31, 2011 (ANG)

	2011	2010 As Restated
Revenues		
Aeronautical revenues	68,439,215	69,172,916
Non-aeronautical revenues	16,662,259	15,474,985
Total Revenues	85,101,474	84,647,901
Expenses		
Personnel expenses	23,829,133	22,237,213
General and administrative expenses	25,293,244	23,555,756
Depreciation	17,476,605	19,187,757
Total Operating Expenses	66,598,982	64,980,726
Operational Result	18,502,492	19,667,175
Financial Income & Expenses		
Finance cost - net	13,233,925	14,355,167
Income before taxes	5,268,567	5,312,008
Provision for deferred taxes	1,490,014	1,481,786
Net income for the year	3,778,553	3,830,222

Commercial Best Practices," he presented at the ACI-LAC CEO Conference held in Havana, Cuba from April 26, 2012, "Growth in Aeronautical Revenue is largely dependent on passenger throughput. Growth in Commercial Revenue is dependent on our own Imagination, Creativity and Innovation. Opportunities are endless as long as we put the passenger at the forefront of all our decisions."

This is precisely what PJIAE management is committed to doing.

EXPENDITURE

Personnel costs ate up the lion's share of the expense account of PJIAE in 2011. With 272 workers as of December 31, 2011, compared to 266 at the same period in 2010, there were only 6 additional staff placed on the payroll in one year. This is an increase of less than 2.26%. Yet Personnel expenses went up from ANG22,237,213 in 2010 to

ANG23,829,133 in 2011 for an increase of ANG1,591,920 or 7.16%. In fact, Personnel costs represented 48.51% of the operational costs or approximately a whopping one-third (35.78%) of the total operating cost in 2011.

General and Administrative costs were another significant item under the expenditure account, increasing from ANG23,555,756 in 2010 to ANG25,293,244 in 2011 or a percentage increase of 7.38%. Much of this is due to very high utility bills (electricity and water) and maintenance.

The total Operating Expense of ANG66,598,982 in 2011 versus ANG64,980,726 in 2010 results in a rise of ANG1,618,257 or a 2.49% increase.

However, as low as these percentage increases may seem, the cumulative effect in terms of actual figures is a financial burden PJIAE can ill-afford to carry, especially if we should add the cost of servicing the outstanding loan contracted for the construction of the new Terminal Building, at an annual interest rate of 8.25%. In 2011 alone this amounted to a net cost of ANG13,233,925 which can be considered rather high (about 19.87% of the total operating costs) compared to current costs of finance. As a consequence, PJIAE will naturally seek to renegotiate these financial charges.

The operating result for 2011 stood at ANG18,502,492 against the previous year's figure of ANG19,667,175. In other words, it was ANG1,164,684 or 5.92% less than in 2010.

In terms of net profit, the amount of ANG3,778,552 recorded for 2011 is, in fact, only ANG51,670 less than the amount of ANG3,830,222 posted for 2010 or a decrease of a paltry 1.35%.

It could therefore be said that PJIAE held its own, financially speaking, in 2011, through prudent financial husbandry, with no significant changes in its performance in comparison to the previous year.



11.6 ACCOUNTING POLICIES

11.6.1 GENERAL

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. 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.

In February 2001, PJIAE has entered into a lease agreement with its parent company Princess Juliana International Airport Holding Company N.V. (PJIAH), whereby PJIAE leases the Airport facility (premises) for the purpose of operating an international airport. The lease agreement calls for monthly lease payments in the amount of ANG47,800 for a duration of 25 years. The total annual lease payments amount to ANG573,600. The lease will automatically be renewed if the concession is extended or renewed. The lease will be terminated prior to its expiration date in the event the concession is revoked or cancelled in accordance with the relevant stipulations of the concession.

11.6.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS")

adopted by the International Accounting Standards Board (IASB), and the interpretations issued by the Standing Interpretations Committee of the IASB. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing these financial statements are reasonable; however actual results could differ from these estimates. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Assets and liabilities are stated at nominal value unless mentioned otherwise.

(a) New and amended standards adopted by PJIAE

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after January 1, 2011 that would be expected to have a material impact on PJIAE.

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

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 amortised 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 2013.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013.

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

Reporting Currency

Unless otherwise stated, all amounts in the financial statements are denominated in Netherlands Antillean Guilders (ANG).

Foreign Currencies

A significant volume of PJIAE's transactions is conducted in United States Dollars (USD). As of January 1, 2005, the exchange rate used between the ANG and the USD is fixed at 1.80 guilder per dollar, which approximates the official exchange rates.

Transactions in other foreign currencies have been converted into ANG at rates of exchange ruling at the dates of those transactions. The resulting exchange differences are charged to income. Assets and liabilities denominated in foreign currencies are translated to ANG at exchange rates ruling at balance sheet date.

Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost and include cash and other commercial paper with an original maturity of less than twelve months and bank overdrafts. Bank overdrafts are shown within borrowings within current liabilities on the balance sheet.

Restricted cash: in connection with the proceeds from the fixed rate notes, PJIAE maintains a 'debt service account'. This account is under the sole dominion of the Bank of New York.

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

All property and equipment are recorded at historical cost less depreciation.

Depreciation is calculated based on the straight-line method to write off the cost of each asset to their residual values over their estimated useful life.

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.

Deferred profit tax

Deferred profit tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. The principal temporary differences arise from the fiscal treatment of cessantia provision, the possibility to carry forward taxable losses and difference in the fiscal and commercial depreciation.

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 income statement 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.

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.

Comparatives

The comparative figures have been restated to reflect the change in the depreciable life of the new terminal building.



11.7 FINANCIAL RISK MANAGEMENT

Risk management structure

The Supervisory Board has the responsibility to oversee the overall risk management process within PJIAE.

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 such as the Internal Audit Department, 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

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

Foreign exchange rate

PJIAE operates domestically and is not considered to be significantly exposed to foreign currency exchange risk since most foreign transactions are concluded in USD, which currency is directly linked to the ANG.

Cash flow and fair value interest rate risk

PJIAE has interest bearing assets in the form of short term Certificates of Deposits with local banks at fixed interest rates.

Additionally, PJIAE has funds on restricted bank accounts (in connection with the borrowings). For these reasons, PJIAE's income and operating cash flows are substantially independent of changes in market interest rates.

Financial liabilities consist predominantly of a fixed rate bond loan.

Credit risk

PJIAE has some concentrations of credit risks. Credit risk arises from credit exposures to customers (outstanding receivables). As part of the risk control PJIAE assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. PJIAE provides a 30-day credit limit to customers. Sales to customers are settled in cash or bank transfers.

Fair value

The carrying amounts of PJIAE's financial assets and liabilities at the balance sheet dates approximated their fair value.

Liquidity risk

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, PJIAE aims to maintain flexibility in funding by keeping committed credit lines available.

11.7.1 TANGIBLE FIXED ASSETS

On October 25, 2006, the New Terminal Building (NTB) was officially opened and operational. The amount capitalized includes capitalized borrowing costs amounting to ANG21,792,968 which will be depreciated over the useful life of the NTB. Capitalized borrowing costs represent attributable costs associated with the attracting of the financing needed for the construction of the NTB and capitalized interest during the construction period.

11.7.2 SHAREHOLDER'S EQUITY

Share capital

The authorized share capital amounts to ANG1,000,000 divided into 1,000 shares of ANG1,000 each. Of this share capital 200 shares are issued and paid-up.

Contributed surplus

In 1998, PJIAE entered into a loan agreement with Nederlandse Participatiemaatschappij voor de Nederlandse Antillen (NPMNA). On March 5, 2008, OBNA purchased this loan from NPMNA in the amount of ANG6,300,000. At the same time, the Netherlands made available a grant in the amount of ANG5,200,000, which was designated as contributed surplus.

11.7.3 PASSENGER ACCOMMODATION FEE

Passenger accommodation fee is paid by passengers departing from St. Maarten by aircraft. The passenger accommodation fee for international destinations amounted to ANG54 (USD 30) since 2006. Passengers traveling to destinations within the former Netherlands Antilles are charged ANG18 (USD 10). Starting August 2006, transfer passengers pay a fee of ANG9 (USD 5).

Also included under passenger accommodation fee is the Airport Improvement Fee (AIF) charged to all departing passengers as of July 1, 2007 at a rate of ANG9 (USD 5) per departing passenger.

After October 10, 2010, the domestic fees to destinations within the former Netherlands Antilles remained unchanged.

By Island Decree of October 14, 1997 (operating concession), PJIAE received the right to operate the airport at St. Maarten. Same ordinance (as amended by decree of July 5, 2005 nr 667) also stipulates that landing and parking fees are established by PJIAE after approval from the Executive Council. Furthermore, PJIAE has to adhere to rules and regulations set by the Federal Aviation Department of the Netherlands Antilles or its successor and those of the International Civil Aviation Organization (I.C.A.O.) and provide adequate security and fire department services.

11.7.4 PASSENGER SCREENING FEE

Each airline is required to pay a screening fee for their enplaned passengers. The fee amounts to ANG16.83 per departing passenger (2010: ANG16.83).



CONCLUSION

While 2011 can be described as a year of further consolidation for PJIAE and of strengthening the foundation upon which to move on to the next level, 2012 can be viewed as a pivotal year for the company. Some of the critical issues that will arise during the year at PJIAE include the following:

- Major contracts will be up for renewal
- The airport runway is in critical need of resurfacing otherwise PJIA's safety will be compromised with the inherent liability concerns. This will have to be addressed in 2012.
- The airport apron can no longer accommodate additional aircraft during peak periods hence this also will have to be handled next year.
- The slump in major world economies such as in the USA and Europe is having a detrimental impact on leisure (tourism) and business travel, which would also have its effect on PJIAE in terms of passenger arrivals, and hence on the island's mainly tourism economy. We will have to devise ways to cushion this impact.
- Other airports in the region are developing their infrastructure and aggressively going after commercial airline and general aviation business. Consequently, PJIAE will be complacent, and will have to continue to do everything to stay ahead of the pack.

- Labour costs are putting a squeeze on PJIAE financial results. Revenue generating measures as well as greater efficiency to reduce costs will have to be implemented.

Against this background PJIAE is undertaking some key strategic initiatives, renegotiating contracts, addressing the runway rehabilitation issue, refinancing debt for lower interest rates, finalizing labour negotiations and planning for the future. This future – the next level we have to collectively move PJIAE to – will be as bright as long as we remain focused on innovative and creative solutions to the myriad of challenges we will continue to face. We, indeed, look forward to a very special and fulfilling year in all aspects.

It would be appropriate to end this report with the following quote from the June 2012 edition of "Airport Development", the Airlines' International Supplement of IATA: "Airport development is an issue for all aviation stakeholders. Airports of every size need investment to facilitate sustainable development. They must provide cost effective infrastructures that allow airlines to play their part in social and economic growth."





FACT SHEET: 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

PJIAE has installed 8 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 represents PJIAE'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 PJIAE 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, PJIAE 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 PJIA 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

Eastern Caribbean

Anguilla
Antigua
Curacao
Dominica
Guadeloupe
Nevis
Saba
St. Eustatius (Statia)
St. Croix
St. Kitts
St. Thomas
Tortola
Trinidad

Canada

Montreal
Toronto

Europe

Amsterdam
Paris (CDG & ORY)

Central America

Panama

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

SCHEDULED CARRIERS

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



**Princess Juliana
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