

The Port Authority of New York and New Jersey

Condensed Consolidated Financial Statements as of
and for the Six-Month Period Ended June 30, 2015
(Unaudited)

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

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THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015 (UNAUDITED)

1. OVERVIEW OF THE FINANCIAL STATEMENTS

The following is an overview of the financial activities of the Port Authority of New York and New Jersey (The Port Authority) and its component units as of and for the six-month period ended June 30, 2015. This overview is intended to serve as an introduction to the unaudited condensed consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and should be read in conjunction with the Port Authority's audited financial statements and appended note disclosures for the Year ended December 31, 2014.

The unaudited financial results for the six-month period ended June 30, 2015 contained in these schedules are not necessarily indicative of the results for the annual period ending December 31, 2015.

Management's Discussion and Analysis

Management's Discussion and Analysis provides an assessment of how the Port Authority's financial position has changed and identifies the factors that, in management's view, significantly affected the Port Authority's overall financial position.

The Condensed Consolidated Financial Statements

The Statements of Net Position provide information about the nature and amounts of investments in resources (assets) and the obligations to the Port Authority's (liabilities), with the difference between the two reported as Net Position (equity).

The Statements of Revenues, Expenses and Changes in Net Position show how the Port Authority's overall net position changed during the six-month period ended June 30, 2015 and 2014.

The Statements of Cash Flows provide information about the Port Authority's cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financings, and investing activities for the six-month period ended June 30, 2015 and 2014.

2. FINANCIAL REPORTING ENTITY

The Port Authority of New York and New Jersey was created in 1921 by Compact between the States of New York and New Jersey with the consent of the United States Congress. The Compact envisions the Port Authority as being financially self-sustaining. As such, the agency must raise the funds necessary for the improvement, construction or acquisition of its facilities and their operation primarily upon the basis of its own credit. Cash derived from Port Authority operations and other cash received may be disbursed only for specific purposes in accordance with provisions of various statutes and agreements with holders of its obligations and others. The costs of providing facilities and services to the general public on a continuing basis are recovered primarily from operating revenue sources, including rentals, tolls, fares, aviation and port fees, and other charges for the use of, and privileges at certain of the Port Authority's facilities.

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3. BASIS OF ACCOUNTING

The Port Authority's activities are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses are accounted for in an enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

The Port Authority follows accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

The preparation of the condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. Such estimates and assumptions are subject to various uncertainties, the occurrence of which may cause differences between those estimates and assumptions and actual results.

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* in June 2012 that is effective for audited financial statements for periods beginning after June 15, 2014. The objective of this statement is to improve the information provided in government financial reports about pension benefits provided to employees. Management is evaluating the impact the adoption of GASB Statement No. 68 will have on its audited financial statements for the year ending December 31, 2015 and currently does not expect the adoption of GASB Statement No. 68 will have a material impact on the Port Authority's overall net position.

4. FINANCIAL STATEMENT COMPARISON FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015

Net Position (Equity)

The Port Authority's overall net position (equity) totaled \$15.1 billion at June 30, 2015, an increase of \$345 million from December 31, 2014. This increase for the first six months of 2015 is comprised of income from operations of \$365 million and a loss from non-operating activities of (\$20) million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015 (UNAUDITED)

Description	June 30, 2015	June 30, 2014	Variance
	(In thousands)		
Gross operating revenues	\$ 2,331,482	\$ 2,165,118	\$ 166,364
Operating expenses	(1,407,819)	(1,388,600)	(19,219)
Depreciation and amortization	(558,190)	(479,559)	(78,631)
Net revenue related to Superstorm Sandy	41	23,037	(22,996)
Income from operations	365,514	319,996	45,518
Financial income	24,765	23,640	1,125
Interest expense	(447,722)	(298,202)	(149,520)
Grants & other	37,024	36,177	847
Capital contributions and Passenger Facility Charges (PFCs)	365,865	445,167	(79,302)
Income/(Loss) from non-operating activities	(20,068)	206,782	(226,850)
Increase in net position	\$ 345,446	\$ 526,778	\$ (181,332)

Income from Operations:

The Port Authority generated \$366 million in income from operations in the first six months of 2015, comprised of gross operating revenues of \$2.3 billion offset by operating expenses and depreciation of \$2.0 billion.

Gross operating revenues of \$2.3 billion increased \$166 million or 7.7% from the same period in 2014. Rental revenues increased \$74 million or 12% primarily due to an increase in fixed and percentage rentals at Aviation facilities and the commencement of certain World Trade Center (WTC) commercial operations in November 2014. Toll revenue generated at the Port Authority's six vehicular crossings increased \$64 million largely attributed to scheduled increases in toll rates that became effective in December 2014 and a 1.1% increase in overall vehicular traffic. PATH fare revenue increased \$8 million primarily due to scheduled increases in PATH fares that became effective on October 1, 2014 and a 1.9% increase in ridership levels.

Operating expenses of \$1.4 billion increased \$19 million or 1.4% from the same period in 2014 primarily due to a \$50 million increase in WTC operating expenses, related to the commencement of certain commercial operating activities at the WTC site in November 2014. Offsetting these amounts was a \$27 million decrease in Aviation related operating expenses, mainly due to lower payments to third party contractors, lower electricity costs and lower self-insured public liability loss reserves. In addition, there was a \$22 million decrease in total public safety expenses as the addition of new officers in 2014 contributed to a reduction in overtime.

Depreciation and amortization of \$558 million increased \$79 million or 16.4% from the same period of 2014 resulting from the impact of transferring \$6.9 billion of capital investment to completed construction in the fourth quarter of 2014. These capital assets, which are primarily related to elements of the WTC that became ready for their intended use, are now being depreciated over their estimated useful life.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015 (UNAUDITED)

Income/ (Loss) from Non-Operating Activities:

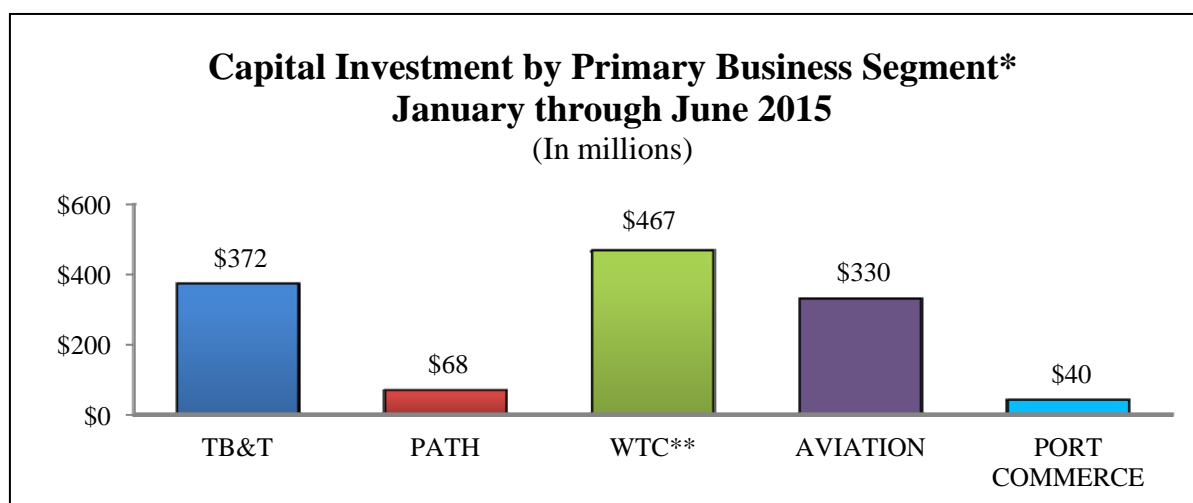
Income/ (Loss) from non-operating activities of (\$20) million decreased \$227 million from the same six month period of 2014. This decrease is primarily due to an \$86 million decrease in capital contributions, primarily related to the redevelopment of the WTC site and a \$150 million increase in interest expense related to Port Authority debt obligations, including New York Liberty Development Corporation's revenue bonds issued in 2011 related to the 4 WTC project. The increase in interest expense allocated to operations is largely due to lower interest being allocated to capital construction projects in progress, due to the completion of a significant amount of capital projects, particularly at the WTC site. Offsetting these decreases was an increase of approximately \$6.7 million in Passenger Facility Charges at Aviation facilities.

Assets:

Port Authority assets totaled \$42.4 billion at June 30, 2015, an increase of \$825 million from December 31, 2014. This overall increase is primarily due to:

Facilities, net, including contributed capital amounts of \$31.5 billion at June 30, 2015, increased \$751 million from December 2014, due to the Port Authority's continued capital investment in its facilities as outlined in the 2014-2023 ten-year capital plan. For additional information related to the Port Authority's current ten-year capital plan, please refer to Port Authority's website at: <http://www.panynj.gov/corporate-information/pdf/2014-public-capital-plan.pdf>.

The following chart depicts capital investment in Port Authority facilities of \$1.3 billion, including contributed capital for the first six months of 2015, summarized by primary business segment.



*Excludes Development, Ferry and Regional facilities capital investment of approximately \$5m.

**Capital Investment includes WTC Transportation HUB.

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MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015 (UNAUDITED)

Cash (including restricted amounts) balances totaled \$1.9 billion at June 30, 2015, a net increase of \$56 million from December 2014. Cash flows provided by operations of \$828 million were used to fund financing and construction activities of \$772 million.

Cash flows from operations, including \$19 million received in connection with the retail components of the WTC, totaled \$828 million in the first six months of 2015, a decrease of \$559 million when compared to the same six month period of 2014. This decrease is primarily attributable to a \$597 million year to year decrease in up-front payments received in connection with the Port Authority's transfer of its interests in the retail components of the WTC. Amounts received in connection with this transfer will be used to fund future capital investment.

Port Authority Investments of \$3.5 billion, excluding PAICE restricted investments, increased \$19 million primarily due to increases related to changes in the fair market value of purchased securities and the purchase of additional investments with available funds.

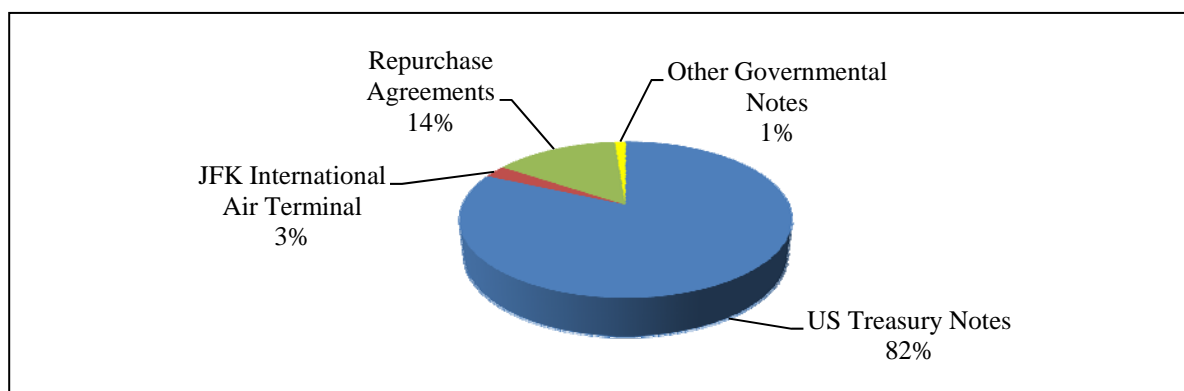
Port Authority Investments, at fair value

Investment Type*	at June 30, 2015 (In thousands)	Weighted Average Maturity (In days)
US Treasury Notes	\$2,897,518	605
JFK International Air Terminal	92,716	3,808
Repurchase Agreements	510,357	4
Other governmental notes	45,821	413
Total Investments**	\$ 3,546,412	
Portfolio Weighted Average Maturity (in days)		600

*Excludes \$1.8 billion of Collateralized Bank Accounts, which are classified as cash equivalents.

**Excludes accrued interest receivable amounts of \$6.6 million.

Port Authority Investments Asset Allocation:



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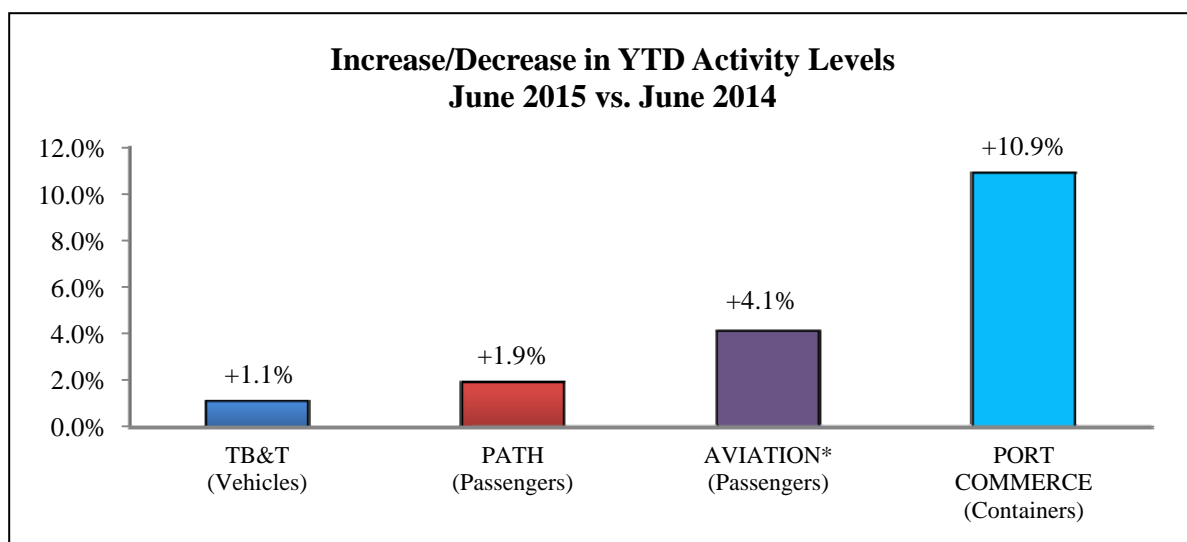
MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015 (UNAUDITED)

Liabilities:

Liabilities totaled \$27.4 billion at June 30, 2015, an increase of \$460 million from December 31, 2014. This overall increase was primarily due to the issuance \$569 million of consolidated bonds for purposes of funding capital construction offset by a net decrease in accounts payable.

5. FACILITY TRAFFIC



*Excludes Atlantic City International Airport passenger activity.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION – UNAUDITED*

	JUNE 30, 2015	DEC. 31, 2014
	(In thousands)	
Assets		
Facilities, net	\$ 31,524,928	\$ 30,773,475
Cash, including restricted amounts	1,901,488	1,845,491
Port Authority investments	3,553,009	3,533,877
PAICE restricted investments	180,663	182,585
Receivables, including restricted amounts	552,497	539,608
Amounts receivable - Special Project Bonds projects	1,514,606	1,513,892
Amounts receivable - Tower 4 Liberty Bonds	1,247,779	1,248,085
Unamortized costs for regional programs	315,480	342,987
Other assets	1,628,913	1,614,054
Total assets	<u>42,419,363</u>	<u>41,594,054</u>
Deferred outflows of resources		
Loss on debt refundings	103,362	108,447
Total deferred outflows of resources	<u>103,362</u>	<u>108,447</u>
Liabilities		
Bonds and other asset financing obligations	21,383,774	20,807,655
Amounts payable - Special Project Bonds projects	1,514,606	1,513,892
Amounts payable - Tower 4 Liberty Bonds	1,247,779	1,248,085
Accounts payable	1,109,990	1,289,162
Accrued payroll, pension and other employee benefits	617,974	595,284
Unearned income related to WTC Retail	660,976	645,485
Other liabilities	845,537	821,477
Total liabilities	<u>27,380,636</u>	<u>26,921,040</u>
Deferred inflows of resources		
Gain on debt refundings	22,103	6,921
Total deferred inflows of resources	<u>22,103</u>	<u>6,921</u>
Net position	<u>\$ 15,119,986</u>	<u>\$ 14,774,540</u>

**CONDENSED CONSOLIDATED STATEMENTS OF REVENUES,
EXPENSES AND CHANGES IN NET POSITION – UNAUDITED***

	SIX-MONTHS ENDED JUNE 30, 2015	2014
	(In thousands)	
Gross operating revenues	\$ 2,331,482	\$ 2,165,118
Operating expenses	(1,407,819)	(1,388,600)
Depreciation and amortization	(558,190)	(479,559)
Net revenue related to Superstorm Sandy	41	23,037
Income from operations	<u>365,514</u>	<u>319,996</u>
Non-operating expenses, net	(385,933)	(238,385)
Capital contributions and PFC's	365,865	445,167
Income/(Loss) from non-operating activities	<u>(20,068)</u>	<u>206,782</u>
Increase in net position	<u>\$ 345,446</u>	<u>\$ 526,778</u>
Net position, January 1	<u>14,774,540</u>	<u>13,728,327</u>
Net position, June 30	<u>\$ 15,119,986</u>	<u>\$ 14,255,105</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED*

	JUNE 30, 2015	JUNE 30, 2014
	(In thousands)	
Net cash provided by operating activities**	\$ 828,066	\$1,387,382
Net cash (used for) noncapital financing activities	(39,530)	(16,397)
Net cash (used for)/provided by capital and related financing activities	(741,100)	(334,467)
Net cash provided by/(used for) investing activities	<u>8,561</u>	<u>(943,619)</u>
Net increase in cash	55,997	92,899
Cash at beginning of year	<u>1,845,491</u>	<u>2,400,109</u>
Cash at June 30	<u><u>\$ 1,901,488</u></u>	<u><u>\$2,493,008</u></u>

* The unaudited Condensed Consolidated Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows have been prepared, subject to audit, adjustment and reconciliation, solely for general information purposes, in accordance with accounting principles generally accepted in the United States of America. This unaudited condensed financial information should be read in conjunction with the Consolidated Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2014.

** Amounts include \$19.4 million received in 2015 and \$616.5 million received in 2014, respectively, related to the transfer of the Port Authority's interests in the retail components of the WTC.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION ON PORT AUTHORITY OPERATIONS - UNAUDITED

(In thousands)

Six-month period ended June 30, 2015

	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income/(Loss) from Operations	Grants & Other Expenses *	Capital Contributions and PFC's	Increase/ (Decrease) in Net Position
Tunnels, Bridges, and Terminals	\$ 761,706	\$ 243,449	\$ 79,895	\$ 438,362	\$ 48,234	\$ 1,132	\$ 391,260
PATH	88,255	193,263	87,034	(192,042)	57,144	107,761	(141,425)
Aviation	1,242,984	766,004	209,644	267,336	113,753	144,875	298,458
Port Commerce	135,853	77,662	44,434	13,757	46,659	1,674	(31,228)
World Trade Center	88,581	119,051	93,114	(123,584)	95,434	110,423	(108,595)
Other**	14,103	8,390	44,069	(38,356)	24,709	-	(63,065)
Net Revenue related to Superstorm Sandy	-	-	-	41	-	-	41
Increase in net position	\$2,331,482	\$1,407,819	\$558,190	\$ 365,514	\$ 385,933	\$365,865	\$ 345,446

Six-month period ended June 30, 2014

	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income/(Loss) from Operations	Grants & Other Expenses *	Capital Contributions and PFC's	Increase/ (Decrease) in Net Position
Tunnels, Bridges, and Terminals	\$ 696,268	\$ 244,348	\$ 85,975	\$ 365,945	\$ 36,290	\$ 1,621	\$ 331,276
PATH	80,483	189,841	82,685	(192,043)	21,093	115,584	(97,552)
Aviation	1,217,256	792,540	207,795	216,921	96,485	153,232	273,668
Port Commerce	124,409	79,783	42,524	2,102	37,256	153	(35,001)
World Trade Center	30,836	68,598	15,031	(52,793)	21,029	174,577	100,755
Other**	15,866	13,490	45,549	(43,173)	26,232	-	(69,405)
Net Revenue related to Superstorm Sandy	-	-	-	23,037	-	-	23,037
Increase in net position	\$2,165,118	\$1,388,600	\$ 479,559	\$ 319,996	\$238,385	\$445,167	\$ 526,778

* Amounts include allocated net interest expense (interest expense less financial income), payments received in connection with the New York Liberty Development Corporation's bonds issued for the Four WTC project, grants in connection with operating activities, pass-through grant program payments; and gain or loss related to the disposition of assets, if any.

** Includes Development, Regional, Ferry Transportation and Access to the Regions Core Facilities; and PA Insurance Captive Entity, LLC.

Note: These unaudited schedules related to Port Authority Operations have been prepared, subject to audit, adjustment and reconciliation, solely for general information purpose, in accordance with accounting principles generally accepted in the United States of America. This unaudited financial information should be read in conjunction with the Consolidated Financial Statements of The Port Authority of New York and New Jersey, and its component units (collectively the Port Authority) and the accompanying note disclosures and schedules for the year ended December 31, 2014.