

The Port Authority of New York and New Jersey

Condensed Consolidated Financial Statements as of and for the
Three-Month Period Ended March 31, 2016 (Unaudited)

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

TABLE OF CONTENTS

	Page
MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)	1-8
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (Unaudited)	
Condensed Consolidated Statements of Net Position	9
Condensed Consolidated Statements of Revenues, Expenses and Changes in Net Position	9
Condensed Consolidated Statements of Cash Flows	10
CONSOLIDATED FINANCIAL INFORMATION ON PORT AUTHORITY FACILITIES, AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (Unaudited)	11

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (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 three-month period ended March 31, 2016. 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, 2015.

The unaudited financial results for the three-month period ended March 31, 2016 contained in these schedules are not necessarily indicative of the results for the annual period ending December 31, 2016.

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 three-month period ended March 31, 2016 and March 31, 2015.

The Statements of Cash Flows provide information about the Port Authority's cash receipts, cash payments, and net changes in cash resulting from operating activities, non-capital financing activities, capital and related financing activities, and investing activities for the three-month period ended March 31, 2016 and March 31, 2015.

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.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)

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.

4. FINANCIAL STATEMENT COMPARISON FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016

Net Position (Equity)

The Port Authority's overall net position (equity) totaled \$15.8 billion at March 31, 2016, an increase of \$300 million from December 31, 2015. This increase is comprised of income from operations of \$227 million and income from non-operating activities of \$73 million.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)

	March 31, 2016	March 31, 2015	Variance
		(In thousands)	
Gross operating revenues	\$ 1,212,710	\$ 1,119,637	\$ 93,073
Operating expenses	(690,478)	(725,488)	35,010
Depreciation and Amortization	(295,034)	(273,026)	(22,008)
Net revenue related to Superstorm Sandy	-	41	(41)
Income from operations	227,198	121,164	106,034
Financial income	19,124	18,315	809
Interest expense, net*	(227,061)	(210,290)	(16,771)
Grants and other non-operating (expenses)/ revenues	25,776	24,376	1,400
Capital contributions and Passenger Facility Charges (PFCs)	255,043	209,508	45,535
Income from non-operating activities	72,882	41,909	30,973
Increase in net position	\$ 300,080	\$ 163,073	\$ 137,007

*Net of reimbursements received by the Port Authority related to Tower 4 Liberty Bond debt service payments.

Income from Operations:

The Port Authority generated \$227 million in income from operations in the first three months of 2016, comprised of gross operating revenues of \$1.2 billion offset by operating expenses and depreciation of \$986 million.

Gross operating revenues of \$1.2 billion increased \$93 million or 8.3% from the same three-month period in 2015. Toll revenue at the Port Authority's six (6) vehicular crossings increased \$49 million or 13.8% primarily due to scheduled increases in tolling rates that became effective in December 2015, which represents the final scheduled toll increase approved in 2011, and an overall increase in vehicular traffic of 6.3%. Rental revenue increased \$27 million primarily due to increases in fixed and percentage rentals at One World Trade Center (WTC), One WTC Observation Deck, which opened to the public in 2015, and Aviation facilities. Port Authority Trans-Hudson Corporation (PATH) fares increased \$3.3 million primarily due to an 8.4% increase in passenger activity.

Operating expenses of \$690 million decreased \$35 million or 4.8% from the same three-month period in 2015. Decreases in operating expenses were achieved at Tunnels Bridges and Terminals (TB&T), Aviation, Port Commerce and Development Facilities primarily due to a \$18 million decrease in employee compensation, contractor payments and materials related to snow and ice removal activities due to less severe winter weather conditions through the first quarter of 2016 compared to the same period in 2015, a \$11 million decrease in electrical, natural gas and fuel oil consumption due to milder weather conditions and lower billing rates, and a \$11 million decrease in self-insured public liability and construction insurance loss reserves.

Depreciation and amortization of \$295 million increased \$22 million or 8.1% from the same period of 2015 resulting from completion of \$3.4 billion of capital project components in 2015 and an additional \$586 million in the first quarter of 2016. These capital infrastructure assets, primarily located at WTC, TB&T, and Aviation Facilities are ready for their intended use and are depreciated over their estimated useful life.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)

Income from Non-Operating Activities:

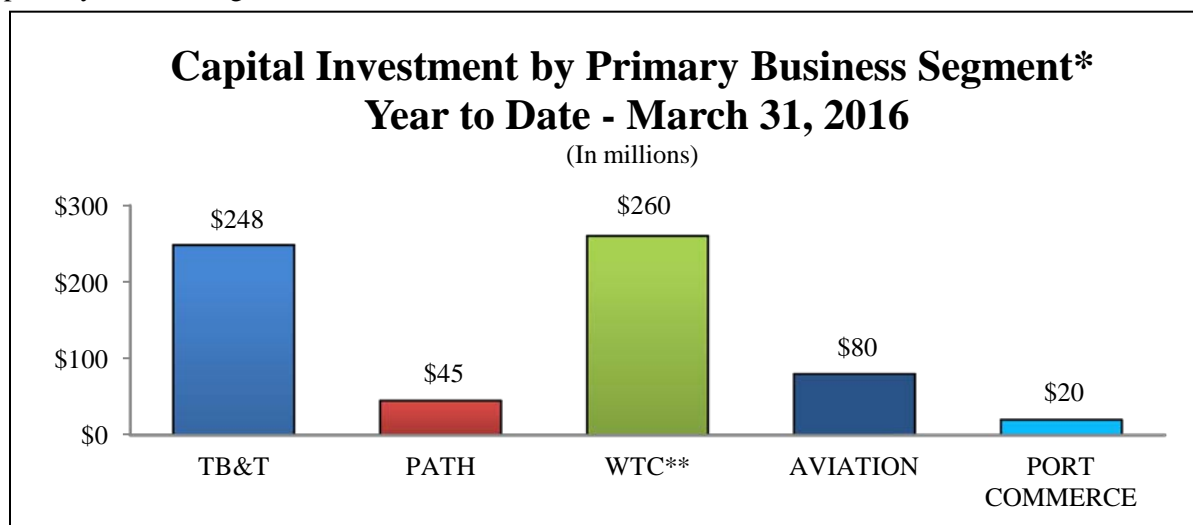
Income from non-operating activities of \$73 million increased \$31 million or 74% from the same three-month period of 2015. This increase is primarily due to a \$39 million increase in Contributions in aid of constructions from third parties, primarily related to the redevelopment of the WTC site and a \$6 million increase in Passenger Facility Charges at Aviation facilities related to increased passenger activity. Offsetting these increases in capital contributions was a \$17 million increase in interest expense related to Port Authority capital asset financing obligations from the same three-month period of 2015, primarily due to a decrease in the overall amount of WTC, TB&T and Aviation related capital construction projects under construction and thereby eligible for capitalized interest allocations.

Assets:

Port Authority assets totaled \$44.5 billion at March 31, 2016, an increase of \$171 million from December 31, 2015. This overall increase is primarily due to:

Facilities, net, including contributed capital amounts totaled \$33 billion at March 31, 2016, an increase of approximately \$374 million from December 2015. This net increase was primarily due to the Port Authority's continued capital investment in its operating 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 \$653 million, including contributed capital amounts from third parties for the first three months of 2016, summarized by primary business segment.



*Excludes Regional Facilities and Programs, Development Facilities and Ferry Transportation Facilities.

**Capital Investment includes capital investment related to the WTC Transportation Hub.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)

Cash (including restricted amounts) balances totaled \$1.2 billion at March 31, 2016, a net decrease of \$104 million from December 2015. This overall decrease in cash was primarily due to the January 2016 refunding of \$335.9 million of consolidated bonds that were refunded with consolidated bond proceeds received in October 2015 and \$498 million in payments related to the construction of capital assets. Offsetting these decreases was an increase in cash provided by operations of \$551 million and a \$165 million increase related to investing activities.

Port Authority Investments of \$4.9 billion, excluding Port Authority Insurance Captive Entity (PAICE) restricted investments, decreased \$116 million primarily due to the maturity of investments.

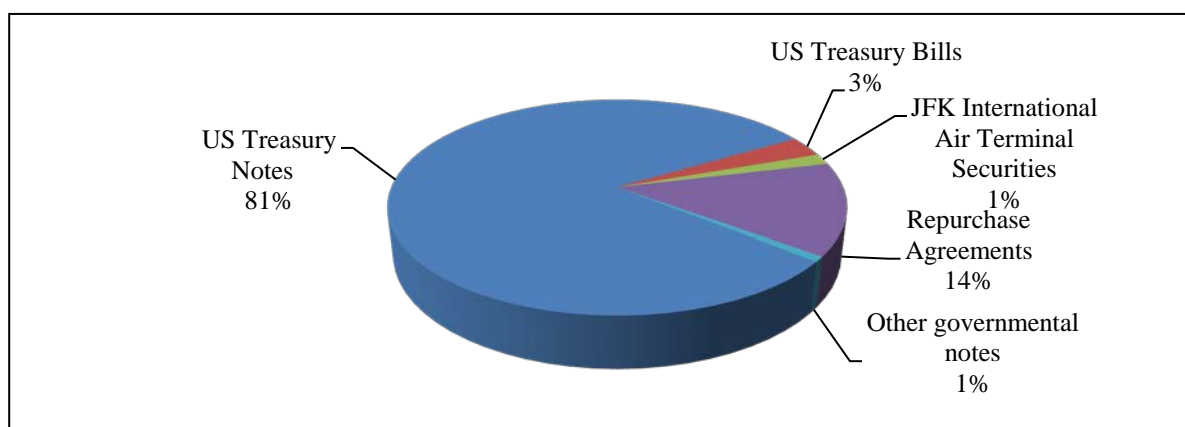
Port Authority Investments, at fair value

Investment Type*	at March 31, 2016 (In thousands)	Weighted Average Maturity (In days)
United States Treasury Notes	\$ 3,948,115	451
United States Treasury Bills	150,332	99
JFK International Air Terminal LLC obligations	79,718	3,533
Repurchase Agreements	677,316	6
Other governmental notes	37,851	239
Total Investments**	\$ 4,893,332	
Portfolio Weighted Average Maturity (in days)		427

*Excludes \$1.0 billion of Collateralized Bank Accounts that are classified as cash equivalents and approximately \$995 million in investments that are on deposit in a restricted trust dedicated to Other Postemployment Employee Benefits (OPEB).

**Excludes accrued interest receivable amounts of \$9.8 million.

Port Authority Investments Asset Allocation:



THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)

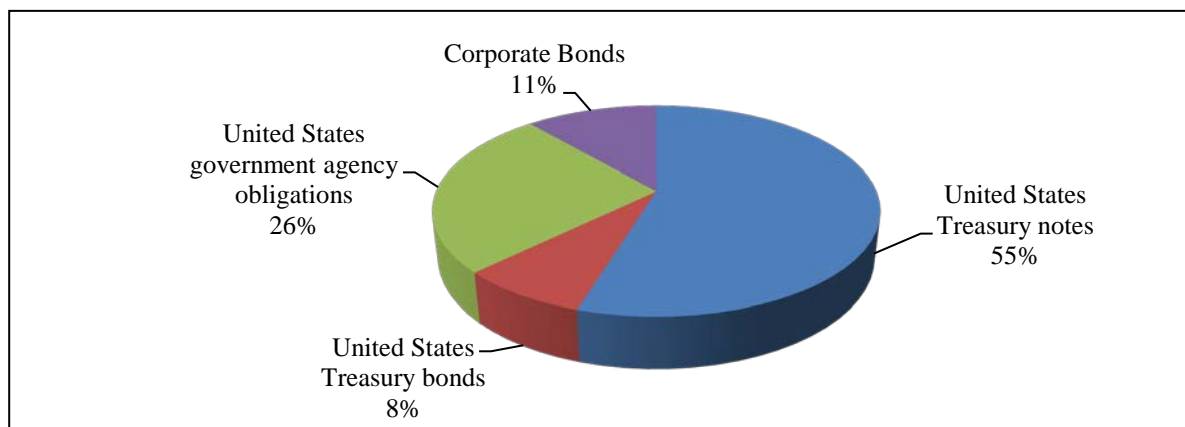
Port Authority Insurance Captive Entity investments of \$164 million, decreased \$21 million from December 31, 2015 primarily due the maturity of United States securities that have not been reinvested as of March 31st.

PAICE Investments, at fair value

Investment Type	at March 31, 2016 (In thousands)	Weighted Average Maturity (In days)
United States Treasury notes	\$89,175	646
United States Treasury bonds	12,972	802
United States government agency obligations	42,181	640
Corporate Bonds	18,485	893
Total Investments*	\$162,813	
Portfolio weighted average maturity (In days)		685

*Excludes accrued interest receivable of \$866 thousand.

PAICE Investments Asset Allocation:



Liabilities:

Port Authority liabilities totaled \$28.9 billion at March 31, 2016, a decrease of \$137 million from December 31, 2015. This decrease was primarily due to the refunding of \$335.9 million of consolidated bonds in January 2016. Offsetting this amount was a \$90 million increase in accrued interest related to outstanding debt obligations primarily due to the timing of scheduled debt service payments, and a \$62 million increase in accrued payroll and other employee benefits due to the timing related to scheduled pay periods.

Included in total liabilities are Port Authority bonds and other asset financing obligations totaling \$23.9 billion at March 31, 2016. A summary of outstanding bonds and other asset financing obligations follows:

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)

Bonds and Other Financing Obligations*

	Opening Balance Dec. 31, 2015	Issued/ Accrued	Refunded/ Retired	Ending Balance Mar. 31, 2016
	(In millions)			
Consolidated Bonds and Notes	\$ 21,020	\$ -	\$ 336	\$ 20,684
Commercial Paper Notes	426	447	419	454
Variable Rate Master Notes	78	-	-	78
Fund for Regional				
Development Buy-Out Obligation	254	-	21	233
MOTBY Obligation	44	-	-	44
Goethals Bridge Replacement				
Obligation	431	31	-	462
Tower 4 Liberty Bonds	1,225	-	-	1,225
Subtotal-Principal	\$ 23,478	\$ 478	\$ 776	\$ 23,180
Add: Unamortized premium/(discount)	790	-	13	777
Total	\$ 24,268	\$ 478	\$ 789	\$ 23,957

*Excludes amounts payable associated with Special Project Bond projects of \$1.4 billion.

Listed below is a summary of credit ratings assigned to outstanding debt obligations of the Port Authority. All ratings for outstanding obligations in the first quarter of 2016 remained the same when compared to December 2015. During the first quarter of 2016, Standard and Poor's (S&P), Fitch Ratings and Moody's Investors Service considered the Port Authority's outlook stable.

Obligation	S&P	Fitch Ratings	Moody's Investors Service
Consolidated Bonds	AA-	AA-	Aa3
Commercial Paper	A-1+	F1+	P-1

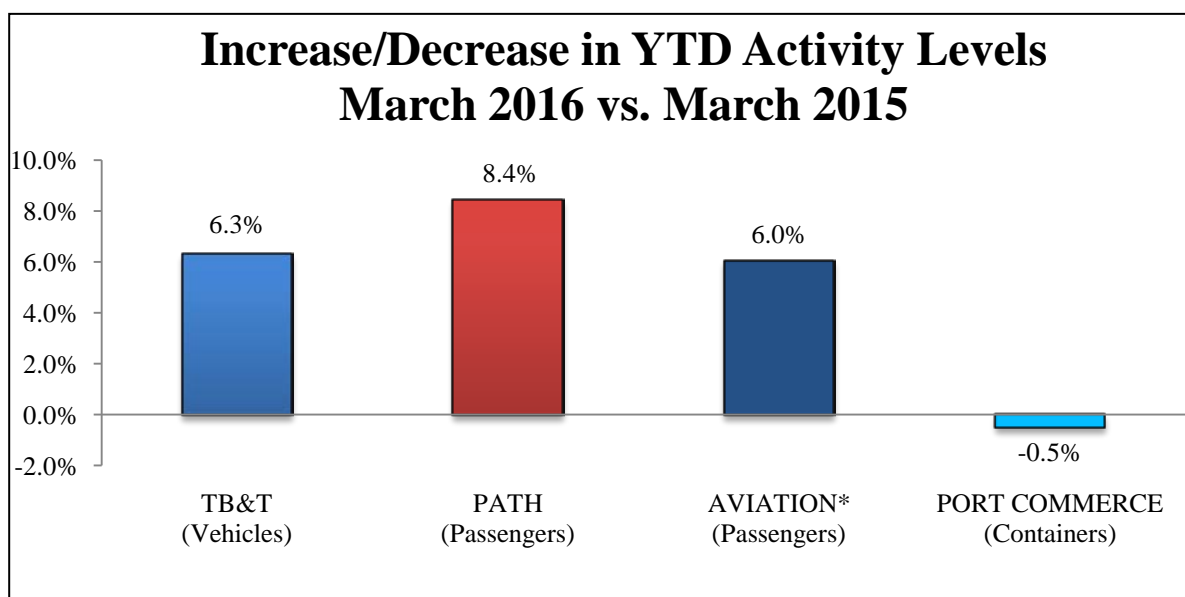
Each rating reflects only the view of the ratings service issuing such rating and is not a recommendation by such ratings service to purchase, sell or hold any maturity of Port Authority obligations or as to market price or suitability of any maturity of the obligations for a particular investor. An explanation of the significance of a rating may be obtained from the ratings service issuing such rating. There is no assurance that any rating will continue for any period of time or that it will not be revised or withdrawn. A revision or withdrawal of a rating may have an effect on market price.

THE PORT AUTHORITY OF NEW YORK AND NEW JERSEY

MANAGEMENT'S DISCUSSION AND ANALYSIS

AS OF AND FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2016 (UNAUDITED)

5. FACILITY TRAFFIC



*Excludes Atlantic City International Airport passenger activity.

CONDENSED CONSOLIDATED STATEMENTS OF NET POSITION – UNAUDITED*

	MARCH 31, 2016	DECEMBER 31, 2015
	(In thousands)	
Assets		
Facilities, net	\$ 33,040,506	\$ 32,666,774
Cash, including restricted amounts	1,243,681	1,347,698
Port Authority investments	4,903,151	5,019,418
PAICE restricted investments	163,679	184,633
Receivables, including restricted amounts	642,268	560,290
Amounts receivable - Special Project Bonds projects	1,436,176	1,435,940
Amounts receivable - Tower 4 Liberty Bonds	1,247,320	1,247,473
Unamortized costs for regional programs	264,683	280,874
Other assets	1,577,398	1,605,142
Total assets	<u>44,518,862</u>	<u>44,348,242</u>
Deferred outflows of resources		
Loss on debt refundings	89,468	97,337
Pension related amounts	155,259	155,259
Total deferred outflows of resources	<u>244,727</u>	<u>252,596</u>
Liabilities		
Bonds and other asset financing obligations	22,709,816	23,020,394
Amounts payable - Special Project Bonds projects	1,436,176	1,435,940
Amounts payable - Tower 4 Liberty Bonds	1,247,320	1,247,473
Accounts payable	1,072,972	1,071,047
Accrued payroll, pension and other employee benefits	730,031	666,468
Unearned income related to WTC Retail	702,654	704,697
Accrued interest and other liabilities	1,006,245	896,174
Total liabilities	<u>28,905,214</u>	<u>29,042,193</u>
Deferred inflows of resources		
Gain on debt refundings	21,177	21,527
Pension related amounts	7,555	7,555
Total deferred inflows of resources	<u>28,732</u>	<u>29,082</u>
Net position	<u>\$ 15,829,643</u>	<u>\$ 15,529,563</u>

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

	THREE-MONTHS ENDED MARCH 31, 2016	2015
	(In thousands)	
Gross operating revenues	\$ 1,212,710	\$ 1,119,637
Operating expenses	(690,478)	(725,488)
Depreciation and amortization	(295,034)	(273,026)
Net revenue related to Superstorm Sandy	-	41
Income from operations	<u>227,198</u>	<u>121,164</u>
Non-operating expenses, net	(182,161)	(167,599)
Capital contributions and PFC's	255,043	209,508
Income/(Loss) from non-operating activities	<u>72,882</u>	<u>41,909</u>
Increase in net position	<u>\$ 300,080</u>	<u>\$ 163,073</u>
Net position, January 1	<u>15,529,563</u>	<u>14,774,540</u>
Net position, March 31	<u>\$ 15,829,643</u>	<u>\$ 14,937,613</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS – UNAUDITED*

	THREE-MONTHS ENDED MARCH 31,	
	2016	2015
	(In thousands)	
Net cash provided by operating activities	\$ 550,716	\$ 373,776
Net cash (used for) noncapital financing activities	(10,700)	(44,035)
Net cash (used for) capital construction and related financing activities	(808,749)	(514,851)
Net cash provided for investing activities	164,716	299,079
Net (decrease)/increase in cash	(104,017)	113,969
Cash at beginning of year	1,347,698	1,845,491
Cash at three-months ended	\$ 1,243,681	\$ 1,959,460

* 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, 2015.

CONDENSED CONSOLIDATED FINANCIAL INFORMATION ON PORT AUTHORITY FACILITIES - UNAUDITED

(In thousands)

Three-month period ended March 31, 2016

	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income/(Loss) from Operations	Interest, Grants & Other Expenses *	Capital Contributions and PFC's	Increase/ (Decrease) in Net Position
Tunnels, Bridges, and Terminals	\$ 401,447	\$118,357	\$ 46,524	\$236,566	\$ 22,312	\$ 497	\$214,751
PATH	44,941	99,244	44,559	(98,862)	37,511	80,020**	(56,353)
Aviation	634,719	371,158	109,293	154,268	39,272	78,025	193,021
Port Commerce	66,869	34,326	23,002	9,541	19,820	3,867	(6,412)
World Trade Center	58,232	64,810	49,858	(56,436)	54,390	92,634	(18,192)
Other***	6,502	2,583	21,798	(17,879)	8,856	-	(26,735)
Net Revenue related to Superstorm Sandy	-	-	-	-	-	-	-
Increase in net position	\$1,212,710	\$690,478	\$295,034	\$227,198	\$182,161	\$255,043	\$300,080

Three-month period ended March 31, 2015

	Gross Operating Revenues	Operating Expenses	Depreciation and Amortization	Income/(Loss) from Operations	Interest, Grants & Other Expenses *	Capital Contributions and PFC's	Increase/ (Decrease) in Net Position
Tunnels, Bridges, and Terminals	\$352,822	\$125,162	\$ 39,295	\$188,365	\$ 21,040	\$ 1,170	\$168,495
PATH	41,680	96,530	41,998	(96,848)	17,627	73,737**	(40,738)
Aviation	610,416	395,739	104,679	109,998	54,724	77,413	132,687
Port Commerce	65,065	42,169	21,401	1,495	21,083	758	(18,830)
World Trade Center	43,110	61,858	43,618	(62,366)	41,671	56,430	(47,607)
Other***	6,544	4,030	22,035	(19,521)	11,454	-	(30,975)
Net Revenue related to Superstorm Sandy	-	-	-	41	-	-	41
Increase in net position	\$1,119,637	\$725,488	\$273,026	\$121,164	\$167,599	\$ 209,508	\$ 163,073

* Amounts include allocated net interest expense (interest expense less financial income), 4 WTC Liberty Bond debt service reimbursements, Grants in connection with operating activities, Pass-through grant program payments; and gains or losses generated by the disposition of assets, if any.

** PATH Capital Contributions include Federal Transit Administration (FTA) funding related to the construction of the WTC Transportation Hub.

*** Other includes Development Facilities, Regional Facilities and Programs, Ferry Transportation, Access to the Regions Core and PAICE.

Note: These unaudited schedules related to Port Authority Facilities 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, 2015.