



Q4 2016 Financial Results

As of December 31, 2016

UNAUDITED FINANCIALS

March 1, 2017



Executive Summary

Revenue for 2016 of \$195.2 million was \$2.3 million more than budget. Operating expense of \$80.3 million was \$9.0 million and 10% below budget primarily due to delayed spending on maintenance dredging, crane removal and maintenance projects, and \$2.5 million in lower support service expenses. This resulted in operating income of \$114.9 million, which was \$11.2 million and 11% above budget. Net Income of \$123.2 million was \$19.5 million and 19% above budget.

The net income of \$123.2 million is split 50/50 and each homeport recorded income from the NWSA JV of \$61.6 million.

Note: Operating expenses do not include depreciation on licensed assets which remained a homeport expense. See comment at the end of this narrative for further explanation.

OPERATING RESULTS – December 31, 2016

(Dollars in Thousands)	CURRENT YEAR TO DATE			
	BUDGET	ACTUAL	VARIANCE FAV/(UNFAV)	%
Revenue	\$192,896	\$195,170	\$2,274	1%
Operating Expenses	89,232	80,264	8,968	10%
Operating Income	103,664	114,906	11,242	11%
Interest Income (Expense)				
Interest Income	0	427	427	0%
Net Interest Income	0	427	427	0%
Non-Operating Income/(Expense)	(43)	7,835	7,878	18321%
Income Before Tax Levy	103,621	123,168	19,547	19%
Net Income	\$103,621	\$123,168	\$19,547	19%

Revenue by Line of Business							
YTD 12/31/2016							
(dollars in thousands)							
	Year to Date				Prior Year		
	Budget	Actual	Fav/ (Unfav)	%	PY	Fav/ (Unfav)	%
Container	\$163,501	\$ 163,711	\$ 210	0%	\$159,673	\$ 4,037	3%
Non-Container	18,868	20,013	1,145	6%	23,237	(3,223)	-18%
Real Estate	10,528	11,446	919	9%	11,003	443	4%
TOTAL	\$192,896	\$ 195,170	\$ 2,274	1%	\$193,913	\$ 1,256	1%

Operating Revenue vs. Budget

Operating revenue of \$195.2 million was \$2.3 million and 1% above budget.

- Container revenue (Container Terminals and Intermodal) of \$163.7 million was on budget. Overall intermodal volume increased 8% over the prior year, but decreased by 7% at the South Intermodal yard, resulting in only a slight revenue gain. South Intermodal yard volume is being negatively impacted by a shift of domestic cargo from Union Pacific to BNSF which is providing more efficient train service and offering extended service hours and lower trucking rates have also shifted business from Domestic Intermodal to truck.
- Non-Container revenue of \$20.0 million was \$1.1 million above budget as revenue from logs of \$1.9 million was \$1.0 million more than budget due to the facility being in use for the entire year (it was anticipated that there would only be a tenant for half the year). Auto business revenues were \$0.7 million more than budget due to auto storage up \$0.7 million. Management labor disruptions at Kia and the opening of a new Kia manufacturing facility in Mexico contributed to an 11% shortfall in volume versus budget. Breakbulk volume and revenue were 35% and \$0.6 million below budget, respectively, due to weak demand in China, the strong dollar and shippers taking advantage of low cost slot rates have shifted cargoes to container vessels.
- Real Estate revenue of \$11.4 million was above budget by \$0.9 million (9%) as a result of lease extensions in North Harbor and short term property rentals in the South Harbor.

Operating Revenue vs. Prior Year was down \$1.3 million.

- Container revenue was up \$3.0 million, due to rent increases in 2016. Intermodal revenues were up \$1.1 million over the prior year due to volume increases of 8%. Total TEU's were 3.615 million in 2016 compared with 3.529 million in the prior year, a 2.4% increase.
- Non-Container revenue was down \$3.2 million compared to the prior year. Auto storage revenue is down \$2.0 million versus the prior year as the majority parcels that generate storage revenue remained in the homeport in the current year, but are reflected in prior year revenue. The total auto storage revenue recorded by the Alliance and on homeport properties were \$3.6 million this year and \$3.2 million in 2015. Breakbulk volume was down 29% and revenue was down \$1.2 million due to the strong dollar and weak demand

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in China.

- Real Estate/Bulk revenue of \$11.4 million was up \$0.4 million over the prior year.

Operating Expense vs. Budget was \$80.3 million and \$9.0 million (10%) below budget.

- Operations expenses were down \$4.2 million primarily due to:
 - \$3.1 million for delay on maintenance dredging and crane removal at T18
 - \$0.5 million related to delay of a feasibility study
 - \$0.5 million for open positions
- Maintenance costs were below budget by \$1.6 million primarily due to delayed spending on major maintenance projects and lower costs at various terminals in the South Harbor of \$1.1 million and \$0.4 million budgeted for the P3 backlands grade improvement that will be capitalized.
- Administration costs were down \$2.5 million as service agreement charges from homeports were below plan in several departments primarily due to open positions and lower outside service/consulting costs.
- Environmental expenses were below budget \$0.5 million for delayed spending on air quality and storm water projects, offset by incurred costs of \$0.9 million related to the T18 dredging project.

This resulted in operating income of \$114.9 million, which was \$11.2 million more than budget.

Interest Income was \$0.4 million.

Net income was \$123.2 million and \$19.5 million over budget as a result of the items explained above. The homeports recorded income from JV of \$61.6 million, which was \$9.8 million and 19% over budget.

Balance Sheet and Cash Flows

Net Position (Managing Member Equity) – Homeports’ initial investments included \$51.0 million cash for working capital, \$27.0 million for capital construction and \$16.8 million of construction work-in-process project costs (that started in the homeports but will be completed by the Alliance) for an opening equity balance of \$94.8 million. During the year, additional homeport contributions of \$29.1 million were received to fund additional capital projects, resulting in total contributed equity of \$123.9 million. During 2016, Alliance earned net income of \$123.1 million, and made distributions to the homeports of \$116.0 million resulting in an ending equity balance of \$131.1 million. The table below summarizes the activity in net position for 2016: (dollars in thousands)

Beginning balance, January 1, 2016	\$	-
Contributions - working capital from Managing Members		51,000
Contributions - capital construction from Managing Members		56,141
Contributions - capital work-in-process (noncash) from Managing Members		16,792
Net income from NWSA		123,168
Distributions to Managing Members		(115,964)
End Balance, December 31, 2016	<u>\$</u>	<u>131,137</u>

Related Party Payables and Receivables - JV – The net amounts expended by the homeports on behalf of NWSA and not yet reimbursed (timing, typically one month lag) are included on the balance sheet as Related Party Payables - JV. The current balance of \$41.9 million includes charges for administrative support under the service agreements (\$1.4 million), construction work-in-process project charges (\$16.5 million), direct operating expenses (\$2.5 million) and distributable cash (\$20.9 million). These payables were reimbursed to the homeports in February.

During the year, homeport contributions to capital construction were \$56.1 million of which \$15.6 million is presented on the balance sheet as Related Party Receivable – JV due to the timing of cash transfers. These cash transfers were received from the homeports in February.

Cash flows: The homeports contributed working capital of \$51.0 million in cash to the NWSA. During 2016, NWSA received \$187.3 million from customers and customer deposits and spent \$70.3 million on operations, resulting in cash flow from operations of \$117.0 million. The NWSA received \$15.8 million in cash from the homeports for lease security deposits and lease liabilities.

A total of \$40.6 million was received to fund capital construction projects and \$38.9 million was spent, leaving a balance of \$1.7 million in the capital construction fund. Cash distributions for the year were \$95.1 million, resulting in ending cash and investment balance of \$90.4 million.

As discussed in the Related Party Payables and Receivables, due to timing, there are payables and receivables between the homeports and the NWSA. Adjusting the cash and investment balance of \$90.8 million with a reduction of \$41.4 million payable to the homeports for support services and cash distributions and adding the receivable for \$15.6 million for capital construction spending, results in ending cash and investments of \$65.0 million. This is an increase in cash of \$12.3 million over the \$51.0 million in working capital cash and the remaining capital construction cash of \$1.7 million.

NOTE: An objective of operating statements would be to associate and reflect periodic depreciation expense with the related revenue generation, when calculating the Net Income earned by the NWSA (and subsequently distributed to the homeports). In accordance with the NWSA Charter, capital assets of the homeports existing at the start of the Alliance remain with the homeports. Thus, the depreciation expense for these capital assets, now licensed to the NWSA and relevant toward generating NWSA revenues, is not reflected in the NWSA Statement of Revenue and Expenses. Rather, the depreciation expense is recorded in the respective homeports' financial statements. Capital assets completed by the NWSA since the start of the Alliance and the related depreciation expense, however, are reflected in the NWSA operating statements.

NW Seaport Alliance Scorecard

December 31, 2016



CARGO VOLUME

	2016 YTD Actuals	2016 Target
Containers Int'l/Domestic TEUs	3.6 M	3.6 M
Breakbulk (Tons)	181.4 K	256 K
Autos (Units)	246.4 K	186 K



JOB CREATION

	2016 YTD Actuals	2016 Target
ILWU Hours	4.5 M	4.5 M



FINANCIAL RETURNS

<i>\$ in millions</i>	2016 YTD Actuals	2016 YTD Budget	2016 Target
Operating Income (Before Depreciation)	\$114.9	\$103.7	\$104.2
Return on assets	9.3%	7.8%	7.8%



ENVIRONMENTAL STEWARDSHIP

	2016 Actuals	2016 Target
Water Quality (Improve Source Control)	70.6 Acres (50 Acres T-46, 20.6 Acres South Harbor)	53 Acres
Air Quality (Reduce Diesel Particulate Emissions)	38% Trucks 2007 Engines or Newer 168 in 2016; 315 since 2009	40% Trucks 2007 Engines or Newer
(Reduce Greenhouse Gas Emissions)	15% Terminals Executed Fuel Efficiency Plans	36% Container Terminals Executed Fuel Efficiency Plans



NORTHWEST SEAPORT ALLIANCE
Statement of Revenues and Expenses
Year to Date Budget vs Actual
December 31, 2016
(Dollars in Thousands)

	MONTH TO DATE				YEAR TO DATE			
	BUDGET	ACTUAL	VARIANCE FAV/(UNFAV)	%	BUDGET	ACTUAL	VARIANCE FAV/(UNFAV)	%
Revenue	\$16,447	\$17,327	\$880	5%	\$192,896	\$195,170	\$2,274	1%
Operating Expenses	7,671	8,319	(648)	-8%	89,232	80,264	8,968	10%
Operating Income	8,776	9,008	232	3%	103,664	114,906	11,242	11%
Interest Income (Expense)								
Interest Income	0	8	8	0%	0	427	427	0%
Net Interest Income	0	8	8	0%	0	427	427	0%
Non-Operating Income/(Exp)	(4)	7,843	7,847	218982%	(43)	7,835	7,878	18320%
Net Income	<u>\$8,773</u>	<u>\$16,860</u>	<u>\$8,087</u>	<u>92%</u>	<u>\$103,621</u>	<u>\$123,168</u>	<u>\$19,546</u>	<u>19%</u>

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NORTHWEST SEAPORT ALLIANCE
Statement of Net Position
Saturday, December 31, 2016
(Dollars in Thousands)

	12/31/16
ASSETS	
Cash	\$21,818
Investments	68,985
Total Cash & Investments	90,803
Net Trade A/R	11,108
Related Party Receivables - JV	15,585
Prepayments and Other Current Assets	2,244
Total Current Assets	119,740
Capital Assets	20,343
Work in Progress	60,722
Less Accumulated Depreciation	532
Capital Assets, Net	80,533
Other Deferred Assets	3,447
Total Other Long-term Assets	3,447
Total Assets	\$203,720
LIABILITIES AND EQUITY	
Accrued Payables	5,183
Related Party Payables - JV	41,381
Payroll and Benefits Liabilities	1,059
Other Accrued Liabilities	11,305
Total Current Liabilities	58,928
Rental Deposits	13,655
Total Long Term Liabilities	13,655
Total Liabilities	72,583
Total Equity	131,137
Total Liabilities & Equity	\$203,720

NORTHWEST SEAPORT ALLIANCE
Statement of Cash Flows
December 31, 2016
(Dollars in Thousands)

	Current Year
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 186,291
Cash held for customer deposits	1,042
Cash paid to suppliers longshore labor, employees	(36,069)
Cash paid to Homeports (for operations and support services)	(34,257)
Net cash provided by operating activities	117,007
CASH FLOWS FROM NON-CAPITAL & RELATED FINANCING ACTIVITIES	
Cash received from Homeports - Operating Fund	51,000
Cash received from Homeports for balance sheet items transferred to NWSA	15,762
Cash distributions to homeports	(95,084)
Net cash provided by non-capital & related financing activities	(28,322)
CASH FLOWS FROM CAPITAL & FINANCING ACTIVITIES	
Cash received from Homeports - Capital Construction Fund	40,556
Acquisition and construction of capital assets (net)	(38,856)
Net cash provided/(used) from Capital & Financing Activities	1,700
CASH FLOWS FROM INVESTMENTS	
Cash used to purchase investments	(99,162)
Proceeds from sales and maturities of investments	30,000
Cash received for interest on investments	595
Net cash from/(to) investments	(68,567)
NET INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS	21,818
CASH & CASH EQUIVALENTS - BEGINNING OF MONTH / YEAR	-
CASH & CASH EQUIVALENTS - END	\$ 21,818

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NORTHWEST SEAPORT ALLIANCE
Statement of Managing Member's Equity
December 31, 2016
(Dollars in Thousands)

	12/31/16
Beginning Balance	-
Cash Contributions	
Working Capital	51,000
Capital Construction	56,141
Total	107,141
Non-Cash Contributions	16,792
Total Contributions	123,933
Accumulated Net Income	123,168
Less: Distributions to Homeports	(115,964)
Ending Balance	131,137

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Northwest Seaport Alliance
Managing Members Cash Distribution Report
 December 31, 2016

The cash distributions per Article IV of the Charter are shared 50/50 by each homeport. Homeports will receive 50% of the \$20,880,000 or \$10,440,000 each. NOTE: Cash transfer will occur in 2017 due to timing, however, each homeport will record the receivable in December 2016 to reflect their correct basis in the Joint Venture investment as of year-end.

Distribution Date	Fiscal Months	Amount	YTD Distributions
2/24/17	Dec 2016	\$20,880,000	\$115,964,000

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Note:

This report is per Article IV cash distributions, reserves and member bond obligations, section 4.1(a)
 “The PDA through the CEO will make distributions of all Distributable Cash to the Managing Members as soon as practicable after each Calculation Period. Prior to executing any distribution, the CEO shall provide a report of planned distributions to Managing Members.”

NORTHWEST SEAPORT ALLIANCE
Capital Improvement Plan Actual vs Original Budget by LOB
Year-to-Date Spending through December 31, 2016

LOB	Actual YTD	Budget 2016	Variance (over)/under
Automobiles	\$344,450	\$491,500	\$147,050
Container Business	\$54,065,305	\$62,893,600	\$8,828,295
Intermodal	\$295,638	\$5,000,000	\$4,704,362
Port-Operated Facilities	\$824,113	\$404,000	(\$420,113)
Port-Wide Infrastructure	\$671,339	\$3,400,000	\$2,728,661
Grand Total	\$56,200,845	\$72,189,100	\$15,988,255

Project Breakdown by LOB - Material Projects (Projects \$300k and up)

LOB	Actual YTD		
Automobiles →			
101046.01 Portac Security Enhancements	344,450		
Other Automobiles			
Total	\$344,450		
Container Business →			
091251 Pier 4 Reconfiguration	32,001,769		
091569 T7 Warehouse Rehabilitation	2,177,483		
091593 Pier 3 Backlands Grade Improvement	318,069		
091606 PCT Truck Staging Design & Construction	1,545,545		
092871 Husky Kone Crane Electrical Upgrade	567,911		
098034 TOTE Admin Bldg HVAC	749,234		
098095 Husky Panamax Container Crane Acquisition	4,889,451		
U00303 T18 Stormwater Utility Upgrade	3,526,822		
U00145 T18 S Gate Rail Spur	1,062,014		
U00100 T5 Dock Upgrade	6,289,254		
Other Container Business	937,753		
Total	\$54,065,305		
Intermodal →			
Other Intermodal	295,638		
Total	\$295,638		
Port-Operated Facilities →			
091357 3701 Taylor Wy Roof Replacement	824,113		
Other Port-Operated Facilities			
Total	\$824,113		
Port-Wide Infrastructure →			
101054.01 Breakbulk Terminal Operating System	671,339		
Other Port-Wide Infrastructure			
Total	\$671,339		
Grand Total	\$56,200,845		