

For Immediate Release  
17-015

February 24, 2017

## **BC FERRIES RELEASES THIRD QUARTER RESULTS 50 per cent passenger discounts offered for Spring Break**

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) released its third quarter results today for the fiscal year ending March 31, 2017. The company reported a net loss of \$4.0 million for the three months ended December 31, 2016, as compared to a net loss of \$3.7 million in the same quarter last year. Net earnings for the nine-month period ended December 31, 2016 were \$118.2 million, up from \$99.6 million for the same period in the previous year.

Due to the seasonality of ferry travel, BC Ferries typically generates higher net earnings in the first and second quarters, which are substantially reduced by net losses in the last two quarters of the fiscal year.

“Our strong financial position year-to-date allows us to reinvest in the fleet and replace aging assets like the 52-year old Queen of Burnaby and the 53-year old Queen of Nanaimo with new natural gas-fuelled vessels to ensure the long-term viability of the coastal ferry system,” said Mike Corrigan, BC Ferries’ President and CEO. “Our newest ship, Salish Orca, arrived in B.C. last month and will be deployed on the Powell River – Comox route this spring. Her sister ships, Salish Eagle and Salish Raven, are scheduled to enter service in the Southern Gulf Islands later this year.”

In the three months ended December 31, 2016, BC Ferries carried 1.8 million vehicles and 4.4 million passengers. Vehicle traffic increased 1.5 per cent (4.1 per cent year-to-date) and passenger traffic increased 0.8 per cent (3.0 per cent year-to-date) compared to the same quarter in the prior year.

From March 11 – 30, 2017, BC Ferries is offering a fleet wide pricing promotion of 50 per cent off regular passenger fares. Passengers travelling on select sailings will receive the discount off the regular passenger fare and children 11 and under will travel free. The discount is being offered to encourage travel over less busy periods during Spring Break. “With more than 2,000 sailings to choose from, BC Ferries expects customers and their families will take advantage of this promotion,” said Corrigan

Total revenue for the three-month period ended December 31, 2016 increased by \$5.0 million to \$183.7 million and operating expenses increased by \$5.4 million to \$173.9 million as compared to the same quarter last year. Total revenue for the nine months ended December 31, 2016 increased by \$33.5 million to \$701.8 million and operating expenses increased by \$16.4 million to \$542.9 million as compared to the same period the year prior.

Capital expenditures in the three and nine months ended December 31, 2016 totalled \$83.0 million and \$153.2 million respectively. Projects included vessel replacements, vessel upgrades and modifications, terminal marine structures, information technology, and terminal building upgrades and equipment.

Significant events during or subsequent to the three months ended December 31, 2016 include the November 1, 2016 launch of an initiative that brings together BC Ferries existing environmental activities, conservation efforts, community investments and new sustainability endeavours under a single program called SeaForward.

On November 22, 2016 and November 25, 2016, BC Ferries drew down \$39 million and \$6 million, respectively, for a total of \$45 million, under the export loan agreement with KfW IPEX-Bank GmbH, to coincide with the contract payment schedule for the purchase of Salish Orca. This amortizing loan will be repaid over a 12-year term and bear an annual interest rate of 2.09 per cent. The net proceeds from the loan were used to partially finance the purchase of Salish Orca.

On January 3, 2017, BC Ferries submitted an application, under Section 55 of the *Coastal Ferry Act*, to the British Columbia Ferries Commissioner seeking approval of a major capital expenditure to acquire two new minor class vessels.

On January 11, 2017, BC Ferries' new vessel, Salish Orca, arrived in British Columbia after its 50-day 10,440 nautical mile journey from Gdansk, Poland. On January 18, 2017, BC Ferries signed the Protocol of Delivery and Acceptance with Remontowa Shipbuilding S.A. and ownership of the vessel was transferred to BC Ferries. Salish Orca will replace the 52-year old Queen of Burnaby on the Comox – Powell River route this spring.

On February 2, 2017, BC Ferries conditionally accepted Salish Eagle from Remontowa Shipbuilding S.A. On February 11, 2017, the vessel departed Gdansk, Poland for its voyage to Canada. Salish Eagle will replace the 53-year old Queen of Nanaimo on the Tsawwassen – Southern Gulf Islands route.

On February 10, 2017, BC Ferries' Board of Directors announced the appointment of Mark F. Collins as President and CEO effective April 1, 2017. A senior marine executive for the past 20 years, Mr. Collins' experience includes roles as the President of Rolls Royce Marine Brazil and Italy, and Vice President of Global Technical Services, CSL Group. Mr. Collins is currently Vice President of Strategic Planning & Community Engagement at BC Ferries, and was the Vice President, Engineering between 2004 and 2012. Current President and CEO, Mike Corrigan, will be stepping down on March 31, 2017.

BC Ferries' full financial statements, including notes and Management's Discussion and Analysis, are filed on SEDAR and will be available at [www.sedar.com](http://www.sedar.com).

Under contract to the Province of British Columbia, BC Ferries is the service provider responsible for the delivery of safe, efficient and dependable ferry service along coastal British Columbia.

- 30 -

**Media Contact:**

BC Ferries, Media Relations

Victoria: (250) 978-1267

**Customer Contact:**

Victoria: (250) 386-3431

Toll-free: 1-888-BCFERRY (1-888-223-3779)

BC Ferries is one of the largest ferry operators in the world based on passengers transported annually and transportation infrastructure, and carried 20.7 million passengers and 8.1 million vehicles during the fiscal year ended March 31, 2016. BC Ferries provides frequent year-round ferry transportation services to the west coast of Canada on 24 routes, currently supported by 34 vessels and 47 terminals, and also manages other remote routes through contracts with independent operators.

**FORWARD LOOKING STATEMENTS**

This release contains certain “forward looking statements”. These statements relate to future events or future performance and reflect management’s expectations regarding our growth, results of operations, performance, business prospects and opportunities and industry performance and trends. They reflect management’s current internal projections, expectations or beliefs and are based on information currently available to management. Some of the market conditions and factors that have been considered in formulating the assumptions upon which forward looking statements are based include traffic, the Canadian Dollar relative to the US Dollar, fuel costs, construction costs, the state of the local economy, fluctuating financial markets, demographics, tax changes, and the requirements of the Coastal Ferry Services Contract.

Forward looking statements included in this release include statements with respect to: traffic levels, the Salish Class vessels, the pricing promotion, and the loan agreement with KfW IPEX-Bank GmbH. In some cases, forward looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward looking statements. In evaluating these statements, prospective investors should specifically consider various factors including, but not limited to, the risks and uncertainties associated with: vendor non-performance; capital market access; interest rate, foreign currency, fuel price, and traffic volume fluctuations; the implementation of major capital projects; security, safety, and environmental incidents; confidential or sensitive information breaches; changes in laws; vessel repair facility limitations; economic regulatory environment changes; tax changes; and First Nation claims.

Actual results may differ materially from any forward looking statement. Although management believes that the forward looking statements contained in this release are based upon reasonable assumptions, investors cannot be assured that actual results will be consistent with these forward looking statements. These forward looking statements are made as of the date of this release, and British Columbia Ferry Services Inc. assumes no obligation to update or revise them to reflect new events or circumstances except as may be required by applicable law.

**NON-IFRS MEASURES**

In addition to providing measures prepared in accordance with International Financial Reporting Standards (IFRS), we present certain financial measures that do not have any standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. These supplemental financial measures are provided to assist readers in determining our ability to generate cash from operations and improve the

comparability of our results from one period to another. We believe these measures are useful in assessing operating performance of our ongoing business on an overall basis.

# BRITISH COLUMBIA FERRY SERVICES INC.

Interim Condensed Consolidated Statements of Financial Position (unaudited)  
(Expressed in thousands of Canadian dollars)

	As at	
	December 31, 2016	March 31, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	117,646	79,113
Restricted short-term investments	32,116	31,986
Other short-term investments	117,859	61,464
Trade and other receivables	12,720	16,249
Prepaid expenses	8,950	8,550
Inventories	26,232	23,988
Derivative assets	5,008	-
	<b>320,531</b>	<b>221,350</b>
<b>Non-current assets</b>		
Loan receivable	24,515	24,515
Land lease	30,344	30,688
Property, plant and equipment	1,567,573	1,539,957
Intangible assets	97,889	82,741
	<b>1,720,321</b>	<b>1,677,901</b>
<b>Total assets</b>	<b>2,040,852</b>	<b>1,899,251</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	44,196	53,575
Interest payable on long-term debt	16,328	18,262
Deferred revenue	16,892	18,883
Derivative liabilities	-	17,879
Current portion of long-term debt	27,738	24,000
Current portion of accrued employee future benefits	1,900	1,900
Current portion of obligations under finance lease	1,565	1,514
Provisions	57,668	53,321
	<b>166,287</b>	<b>189,334</b>
<b>Non-current liabilities</b>		
Accrued employee future benefits	20,962	19,361
Long-term debt	1,242,291	1,218,106
Obligations under finance lease	40,823	42,003
Other liabilities	1,500	1,500
	<b>1,305,576</b>	<b>1,280,970</b>
<b>Total liabilities</b>	<b>1,471,863</b>	<b>1,470,304</b>
<b>Equity</b>		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	470,912	352,692
<b>Total equity before reserves</b>	<b>571,390</b>	<b>453,170</b>
Reserves	(2,401)	(24,223)
<b>Total equity including reserves</b>	<b>568,989</b>	<b>428,947</b>
<b>Total liabilities and equity</b>	<b>2,040,852</b>	<b>1,899,251</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

Interim Condensed Consolidated Statements of Comprehensive Income (unaudited)  
(Expressed in thousands of Canadian dollars)

	Three months ended December 31		Nine months ended December 31	
	2016	2015	2016	2015
<b>Revenue</b>				
Vehicle and passenger fares	127,066	120,692	502,443	467,923
Ferry service fees	38,866	39,110	138,909	134,895
Net retail	12,090	11,323	45,807	42,316
Federal-Provincial Subsidy Agreement	7,289	7,182	21,868	21,547
Fuel rebates	(3,787)	(1,350)	(14,764)	(5,102)
Other income	2,139	1,674	7,512	6,674
<b>Total revenue</b>	<b>183,663</b>	<b>178,631</b>	<b>701,775</b>	<b>668,253</b>
<b>Expenses</b>				
Operations	110,191	105,681	353,964	342,353
Maintenance	18,009	18,512	53,252	52,673
Administration	8,577	8,445	25,361	24,665
Depreciation and amortization	37,065	35,840	110,278	106,767
<b>Total operating expenses</b>	<b>173,842</b>	<b>168,478</b>	<b>542,855</b>	<b>526,458</b>
<b>Operating profit</b>	<b>9,821</b>	<b>10,153</b>	<b>158,920</b>	<b>141,795</b>
<b>Net finance and other expenses</b>				
Net finance expense				
Finance income	1,262	1,048	3,446	3,401
Finance expenses	(15,073)	(15,119)	(44,018)	(45,609)
Net finance expense	(13,811)	(14,071)	(40,572)	(42,208)
Gain (loss) on disposal and revaluation of property, plant and equipment, intangible assets and inventory	25	233	(128)	32
<b>Net finance and other expenses</b>	<b>(13,786)</b>	<b>(13,838)</b>	<b>(40,700)</b>	<b>(42,176)</b>
<b>Net earnings</b>	<b>(3,965)</b>	<b>(3,685)</b>	<b>118,220</b>	<b>99,619</b>
<b>Other comprehensive income (loss)</b>				
Items not to be reclassified to net earnings	-	-	(1,240)	-
Items to be reclassified to net earnings	6,325	(11,739)	16,861	(11,824)
<b>Total other comprehensive income (loss)</b>	<b>6,325</b>	<b>(11,739)</b>	<b>15,621</b>	<b>(11,824)</b>
<b>Total comprehensive income (loss)</b>	<b>2,360</b>	<b>(15,424)</b>	<b>133,841</b>	<b>87,795</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

(Expressed in thousands of Canadian dollars)

	Nine months ended December 31	
	2016	2015
<b>Cash flows from operating activities</b>		
Net earnings	118,220	99,619
Items not affecting cash		
Net finance expense	40,572	42,208
Depreciation and amortization	110,278	106,767
Loss (gain) on disposal and revaluation of property, plant and equipment, intangible assets and inventory	128	(32)
Other non-cash adjustments to property, plant and equipment	(1,604)	(4)
Changes in		
Accrued employee future benefits	361	(318)
Derivative (assets) liabilities recognized in net earnings	(10)	21
Provisions	4,347	4,537
Long-term land lease	344	344
Accrued financing costs	271	(97)
<b>Total non-cash items</b>	<b>154,687</b>	<b>153,426</b>
Movements in operating working capital		
Trade and other receivables	3,529	6,876
Prepaid expenses	(400)	(2,511)
Inventories	(2,244)	361
Accounts payable and accrued liabilities	(9,379)	(17,625)
Deferred revenue	(1,991)	(1,010)
Change in non-cash working capital	(10,485)	(13,909)
Change attributable to capital asset acquisitions	3,040	9,417
Change in non-cash operating working capital	(7,445)	(4,492)
Cash generated from operating activities	265,462	248,553
Interest received	3,149	3,428
Interest paid	(50,469)	(51,065)
<b>Net cash generated by operating activities</b>	<b>218,142</b>	<b>200,916</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)  
(Expressed in thousands of Canadian dollars)

	Nine months ended December 31	
	2016	2015
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	44,858	-
Repayment of long-term debt	(15,750)	(15,750)
Repayment of finance lease obligations	(1,129)	(941)
Deferred financing costs incurred	(1,495)	-
Net cash generated by (used in) financing activities	26,484	(16,691)
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	137	214
Purchase of property, plant and equipment and intangible assets	(149,705)	(116,543)
Changes in debt service reserve	(130)	350
Net purchase of short-term investments	(56,395)	(38,412)
Net cash used in investing activities	(206,093)	(154,391)
Net increase in cash and cash equivalents	38,533	29,834
Cash and cash equivalents, beginning of period	79,113	65,574
<b>Cash and cash equivalents, end of period</b>	<b>117,646</b>	<b>95,408</b>



# BRITISH COLUMBIA FERRY SERVICES INC.

Interim Condensed Consolidated Statements of Changes in Equity (unaudited)  
(Expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Total equity before reserves	Reserves	Total equity including reserves
Balance as at March 31, 2015	75,478	25,000	289,177	389,655	(11,450)	378,205
Net earnings	-	-	99,619	99,619	-	99,619
Other comprehensive loss	-	-	-	-	(18,296)	(18,296)
Realized hedge losses recognized in fuel swaps	-	-	-	-	6,472	6,472
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	187	187
Balance as at December 31, 2015	75,478	25,000	388,796	489,274	(23,087)	466,187
Balance as at March 31, 2016	75,478	25,000	352,692	453,170	(24,223)	428,947
Net earnings	-	-	118,220	118,220	-	118,220
Other comprehensive income	-	-	-	-	15,621	15,621
Realized hedge losses recognized in fuel swaps	-	-	-	-	6,015	6,015
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	186	186
Balance as at December 31, 2016	75,478	25,000	470,912	571,390	(2,401)	568,989