

For Immediate Release
16-058

November 25, 2016

BC FERRIES RELEASES SECOND QUARTER RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) announced its second quarter results today with net earnings of \$95.2 million and \$122.2 million for the three and six-month periods ended September 30, 2016, up from \$84.5 million and \$103.3 million for the three and six-month periods ended September 30, 2015.

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

“Traffic numbers continued to increase during the summer, with many U.S. visitors taking advantage of our lower dollar and large numbers of Canadians taking staycations here in B.C.,” said Mike Corrigan, BC Ferries’ President and CEO. “It’s important for us to achieve positive financial results, as we need to continuously invest in our infrastructure to provide safe and reliable marine transportation.”

“Our profits will help finance our new Salish Class vessels which will enter service next year, as well as the mid-life upgrade project for our two Spirit Class vessels including conversion to dual-fuel, so they can operate on natural gas or marine diesel,” said Corrigan. “A major investment in the marine structures at our Langdale terminal is just one of the terminal projects currently underway, and the procurement process for two new 44-vehicle ferries is in progress.”

Total revenue for the three-month period ended September 30, 2016 increased from \$280.6 million to \$298.9 million compared to the same period last year, mainly due to increases in traffic. Operating expenses increased from \$182.1 million to \$190.4 million compared to the same period last year. For the six months ended September 30, 2016, total revenue was \$518.1 million, up from \$489.6 million in the prior year. Operating expenses for the same period were \$369.0 million, up from \$358.0 million in the prior year.

Capital expenditures in the three and six-months ended September 30, 2016 totalled \$24.3 million and \$70.2 million, respectively. Projects included vessel upgrades and modifications, information technology investments, terminal marine structures, and terminal and building upgrades and equipment.

During the three months ended September 30, 2016, BC Ferries provided over 46,000 sailings. During this period, the company carried 7.4 million passengers and 2.7 million vehicles, an increase of 4.8 per cent and 5.1 per cent, respectively, compared to the same quarter in the prior year.

Significant events during or subsequent to the quarter included the August 19, 2016 announcement by the Board of Directors that BC Ferries' President and CEO Mike Corrigan would be stepping down from his role effective March 31, 2017, at the completion of his current contract. The Board of Directors has commenced an executive search to identify Mr. Corrigan's replacement, considering both internal and external candidates.

On September 6, 2016, the Province announced its intent to start seasonal direct ferry service between Port Hardy and Bella Coola beginning in the summer of 2018. The new service will require the acquisition of a suitable vessel, having it approved by Transport Canada and modifying docks as necessary. An amendment to the Coastal Ferry Services Contract will need to be negotiated in respect of the specific service to be delivered and the service fees payable to BC Ferries.

On November 21, 2016, BC Ferries conditionally accepted the new intermediate vessel, the Salish Orca from Remontowa Shipbuilding S.A. of Gdansk, Poland. The vessel is scheduled to arrive in British Columbia in January 2017, and is expected to replace the 51-year old Queen of Burnaby on the Comox – Powell River route in the spring of 2017.

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 contractual milestones for the 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 will be used to partially finance the purchase of the Salish Orca.

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.

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.

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

British Columbia Ferry Services Inc., 500-1321 Blanshard Street, Victoria, BC V8W 0B7

Tel (250) 978-1267 Fax (250) 978-1119 bcferries.com/bcfnews

Note to newsrooms: For urgent media inquiries off-hours, call our emergency line at (250) 516-7211.

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 Spirit Class mid-life upgrades, the minor vessel procurement process, the Langdale terminal project, the seasonal direct ferry service between Port Hardy and Bella Coola, 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	
	September 30, 2016	March 31, 2016
Assets		
Current assets		
Cash and cash equivalents	131,920	79,113
Restricted short-term investments	31,736	31,986
Other short-term investments	109,514	61,464
Trade and other receivables	16,750	16,249
Prepaid expenses	12,164	8,550
Inventories	26,354	23,988
	328,438	221,350
Non-current assets		
Loan receivable	24,515	24,515
Land lease	30,459	30,688
Property, plant and equipment	1,523,634	1,539,957
Intangible assets	95,897	82,741
	1,674,505	1,677,901
Total assets	2,002,943	1,899,251
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	47,577	53,575
Interest payable on long-term debt	18,274	18,262
Deferred revenue	16,993	18,883
Derivative liabilities	2,187	17,879
Current portion of long-term debt	24,000	24,000
Current portion of accrued employee future benefits	1,900	1,900
Current portion of obligations under finance lease	1,548	1,514
Provisions	54,993	53,321
	167,472	189,334
Non-current liabilities		
Accrued employee future benefits	20,761	19,361
Long-term debt	1,206,303	1,218,106
Obligations under finance lease	41,221	42,003
Other liabilities	1,500	1,500
	1,269,785	1,280,970
Total liabilities	1,437,257	1,470,304
Equity		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	474,876	352,692
Total equity before reserves	575,354	453,170
Reserves	(9,668)	(24,223)
Total equity including reserves	565,686	428,947
Total liabilities and equity	2,002,943	1,899,251

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended September 30		Six months ended September 30	
	2016	2015	2016	2015
Revenue				
Vehicle and passenger fares	217,013	199,816	375,377	347,231
Ferry service fees	57,887	54,526	100,043	95,785
Net retail	20,006	18,318	33,717	30,993
Federal-Provincial Subsidy Agreement	7,290	7,183	14,579	14,365
Fuel rebates	(6,278)	(2,126)	(10,977)	(3,752)
Other income	2,995	2,857	5,373	5,000
Total revenue	298,913	280,574	518,112	489,622
Expenses				
Operations	131,061	124,441	243,773	236,671
Maintenance	14,170	13,570	35,243	34,162
Administration	8,757	8,236	16,784	16,220
Depreciation and amortization	36,373	35,816	73,213	70,927
Total operating expenses	190,361	182,063	369,013	357,980
Operating profit	108,552	98,511	149,099	131,642
Net finance and other expenses				
Net finance expense				
Finance income	1,148	1,456	2,183	2,353
Finance expenses	(14,533)	(15,248)	(28,945)	(30,490)
Net finance expense	(13,385)	(13,792)	(26,762)	(28,137)
Gain (loss) on disposal and revaluation of property, plant and equipment, intangible assets and inventory	32	(212)	(153)	(201)
Net finance and other expenses	(13,353)	(14,004)	(26,915)	(28,338)
Net earnings	95,199	84,507	122,184	103,304
Other comprehensive (loss) income				
Items not to be reclassified to net earnings	(1,240)	-	(1,240)	-
Items to be reclassified to net earnings	208	(3,543)	10,536	(85)
Total other comprehensive (loss) income	(1,032)	(3,543)	9,296	(85)
Total comprehensive income	94,167	80,964	131,480	103,219

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Six months ended September 30	
	2016	2015
Cash flows from operating activities		
Net earnings	122,184	103,304
Items not affecting cash		
Net finance expense	26,762	28,137
Depreciation and amortization	73,213	70,927
Loss on disposal and revaluation of property, plant and equipment, intangible assets and inventory	153	201
Other non-cash adjustments to property, plant and equipment	(931)	(54)
Changes in		
Accrued employee future benefits	161	(297)
Derivative liabilities recognized in net earnings	(20)	(12)
Provisions	1,672	1,471
Long-term land lease	229	229
Accrued financing costs	360	609
Total non-cash items	101,599	101,211
Movements in operating working capital		
Trade and other receivables	(501)	90
Prepaid expenses	(3,614)	(5,250)
Inventories	(2,366)	(307)
Accounts payable and accrued liabilities	(5,998)	(26,568)
Deferred revenue	(1,890)	(837)
Change in non-cash working capital	(14,369)	(32,872)
Change attributable to capital asset acquisitions	1,565	18,917
Change in non-cash operating working capital	(12,804)	(13,955)
Cash generated from operating activities	210,979	190,560
Interest received	1,797	1,769
Interest paid	(32,281)	(32,791)
Net cash generated by operating activities	180,495	159,538

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Six months ended September 30	
	2016	2015
Cash flows from financing activities		
Repayment of long-term debt	(12,000)	(12,000)
Repayment of finance lease obligations	(748)	(577)
Net cash used in financing activities	(12,748)	(12,577)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	101	146
Purchase of property, plant and equipment and intangible assets	(67,241)	(81,743)
Changes in debt service reserve	250	260
Net purchase of short-term investments	(48,050)	(23,907)
Net cash used in investing activities	(114,940)	(105,244)
Net increase in cash and cash equivalents	52,807	41,717
Cash and cash equivalents, beginning of period	79,113	65,574
Cash and cash equivalents, end of period	131,920	107,291

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	-	-	103,304	103,304	-	103,304
Other comprehensive loss	-	-	-	-	(3,263)	(3,263)
Realized hedge losses recognized in fuel swaps	-	-	-	-	3,178	3,178
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	124	124
Balance as at September 30, 2015	75,478	25,000	392,481	492,959	(11,411)	481,548
Balance as at March 31, 2016	75,478	25,000	352,692	453,170	(24,223)	428,947
Net earnings	-	-	122,184	122,184	-	122,184
Other comprehensive income	-	-	-	-	9,296	9,296
Realized hedge losses recognized in fuel swaps	-	-	-	-	5,135	5,135
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	124	124
Balance as at September 30, 2016	75,478	25,000	474,876	575,354	(9,668)	565,686