

For Immediate Release  
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**BC FERRIES RELEASES FIRST QUARTER RESULTS**  
**Company records highest vehicle traffic levels in its 58-year history**

VICTORIA –BC Ferries released its first quarter results today for the three months ended June 30, 2018. The passenger traffic levels experienced during this period were the highest the company has experienced in over 20 years and the vehicle traffic levels were the highest ever recorded.

“Traffic across the system has grown and we are working hard to deliver the travel experience our customers expect,” said Mark Collins, BC Ferries’ President and CEO. “However at these unprecedented traffic levels we know that some travellers and communities are seeing some delays. To address this, we’ve added even more extra sailings this summer for the increased demand while maintaining key operational targets like safety and on-time performance.”

Net earnings for the first quarter of fiscal 2019 were \$6.0 million, compared to net earnings of \$17.3 million for the same quarter of the previous year. Net earnings decreased in this quarter due to BC Ferries’ contributions to the April 1 fare reductions as well as more sailings at popular sailing times.

At the start of fiscal 2019 (April 1, 2018), the fares on all routes were reduced by 15 per cent with the exception of the three Metro Vancouver – Vancouver Island routes where they were held constant. The B.C. seniors’ passenger discount was increased from 50 per cent to 100 per cent for travel Monday to Thursday. These initiatives are being partly funded by BC Ferries over two years.

Revenues increased by 1.5 per cent to \$229.7 million in the quarter primarily as a result of the increased traffic levels, partially offset by a decrease in the average tariff per passenger and per vehicle due to the fare reductions.

“With traffic levels the highest our company has ever experienced we continue to add service where possible, resulting in higher operating expenses,” said Collins. Operating expenses increased in the quarter by 7.8 per cent to \$209.9 million as the company provided 352 additional round trips to meet the increase in demand, implemented schedule adjustments for the routes operating out of Horseshoe Bay terminal, and one-time reintroduction costs for the upgraded Spirit of British Columbia. These actions, important for the travelling public, resulted in an increase in labour, fuel consumption and training related costs.

The Spirit of British Columbia was returned to service on June 6, 2018 on the Tsawwassen – Swartz Bay route following a mid-life upgrade. The mid-life upgrade, which significantly reduces the vessel’s emissions and operating costs, included the conversion of the engines to dual-fuel capable so it can operate on liquefied natural gas, as well as major upgrades to passenger amenities.

BC Ferries currently operates four vessels on liquefied natural gas, part of its Clean Tech Adoption Plan, which helps reduce carbon emissions and achieve greenhouse gas reductions.

“BC Ferries looks to the future, ensuring it has the vessels and infrastructure to deliver sustainable service,” said Collins. “It’s important to continue to reinvest in the assets and systems to ensure we have the resilience to meet increasing demand.” Capital investments in the three months ended June 30, 2018 totalled \$72.8 million, and include the Spirit Class mid-life upgrades, vessel major overhauls and inspections, and the new Island Class vessels currently under construction.

On July 10, 2018, BC Ferries confirmed the introduction of the direct service between Port Hardy and Bella Coola using the Northern Adventure beginning on September 16 through October 11, 2018. The Northern Sea Wolf, the vessel acquired for this service, has been delayed as a result of the extensive upgrades necessary to bring it up to BC Ferries and Transport Canada’s standards of safety and reliability.

The company issued two Requests for Expressions of Interest (RFEOI) on July 26, 2018, to procure four 47-vehicle Island Class vessels and one 138-vehicle Salish Class vessel to replace aging fleet assets. The competitive bidding process is open to local, national and international shipyards, including consortiums, and local companies are encouraged to bid on these projects. This proposed capital expenditure requires approval from the BC Ferries Commissioner under Section 55 of the Coastal Ferry Act. Subject to a favourable decision by the Commissioner and BC Ferries’ Board of Directors, BC Ferries envisages awarding contracts for these ferries by the end of 2018.

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).

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BC Ferries is one of the largest ferry operators in the world based on passengers transported annually and transportation infrastructure, and carried 22.0 million passengers and 8.7 million vehicles during the fiscal year ended March 31, 2018. BC Ferries provides frequent year-round ferry transportation services to the west coast of Canada on 24 routes, currently supported by 35 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 Spirit of British Columbia mid-life upgrade, and the multi-vessel procurement. 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.

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

	June 30, 2018	March 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	51,281	69,913
Restricted short-term investments	32,156	32,276
Other short-term investments	88,413	114,259
Trade and other receivables	40,248	26,258
Prepaid expenses	19,520	8,434
Inventories	31,463	31,584
Derivative assets	17,033	12,530
	280,114	295,254
<b>Non-current assets</b>		
Loan receivable	24,515	24,515
Land lease	-	29,771
Property, plant and equipment	1,776,327	1,713,080
Intangible assets	99,984	99,802
	1,900,826	1,867,168
<b>Total assets</b>	<b>2,180,940</b>	<b>2,162,422</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	84,881	77,233
Interest payable on long-term debt	16,203	18,537
Deferred revenue	35,743	32,034
Derivative liabilities	8	-
Current portion of long-term debt	34,616	34,594
Current portion of accrued employee future benefits	3,000	3,000
Current portion of lease liability	2,176	1,652
Provisions	62,757	60,372
	239,384	227,422
<b>Non-current liabilities</b>		
Accrued employee future benefits	20,763	21,299
Long-term debt	1,273,429	1,279,775
Lease liability	40,648	38,769
Other liabilities	7,750	7,750
	1,342,590	1,347,593
<b>Total liabilities</b>	<b>1,581,974</b>	<b>1,575,015</b>
<b>Equity</b>		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	484,895	477,955
<b>Total equity before reserves</b>	<b>585,373</b>	<b>578,433</b>
Reserves	13,593	8,974
<b>Total equity including reserves</b>	<b>598,966</b>	<b>587,407</b>
<b>Total liabilities and equity</b>	<b>2,180,940</b>	<b>2,162,422</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended June 30	
	2018	2017
<b>Revenue</b>		
Vehicle and passenger fares	158,427	163,119
Net retail	15,559	14,923
Fuel rebates	(4,517)	(4,868)
Other income	2,808	2,716
Revenue from customers	172,277	175,890
Ferry service fees	49,797	42,899
Federal-Provincial Subsidy Agreement	7,626	7,446
<b>Total revenue</b>	<b>229,700</b>	<b>226,235</b>
<b>Expenses</b>		
Operations	135,872	125,268
Maintenance	22,221	20,869
Administration	9,739	9,958
Depreciation and amortization	42,025	38,641
<b>Total operating expenses</b>	<b>209,857</b>	<b>194,736</b>
<b>Operating profit</b>	<b>19,843</b>	<b>31,499</b>
<b>Net finance and other expenses</b>		
Finance expenses	14,972	15,169
Finance income	(1,257)	(1,063)
Net finance expense	13,715	14,106
Loss on disposal and revaluation of property, plant and equipment and intangible assets	88	42
<b>Net finance and other expenses</b>	<b>13,803</b>	<b>14,148</b>
<b>NET EARNINGS</b>	<b>6,040</b>	<b>17,351</b>
<b>Other comprehensive income (loss)</b>		
Items to be reclassified to net earnings	7,879	(5,716)
<b>Total other comprehensive income (loss)</b>	<b>7,879</b>	<b>(5,716)</b>
<b>Total comprehensive income</b>	<b>13,919</b>	<b>11,635</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended June 30	
	2018	2017
<b>Cash flows from operating activities</b>		
Net earnings	6,040	17,351
Items not affecting cash		
Net finance expense	13,715	14,106
Depreciation and amortization	42,025	38,641
Other non-cash changes to property, plant and equipment	412	635
Changes in:		
Accrued employee future benefits	(536)	(740)
Derivative assets and liabilities recognized in net earnings	62	(510)
Provisions	2,385	1,839
Long-term land lease	-	115
Accrued financing costs	503	322
Total non-cash items	58,566	54,408
Movements in operating working capital		
Trade and other receivables	(13,990)	(3,015)
Prepaid expenses	(11,086)	(12,338)
Inventories	121	1,039
Accounts payable and accrued liabilities	7,648	(5,822)
Deferred revenue	4,609	19,801
Change in non-cash working capital	(12,698)	(335)
Change attributable to capital asset acquisitions	1,178	7,261
Change in non-cash operating working capital	(11,520)	6,926
Cash generated from operating activities	53,086	78,685
Interest received	767	572
Interest paid	(18,919)	(18,569)
Net cash generated by operating activities	34,934	60,688

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended June 30	
	2018	2017
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	-	45,264
Repayment of long-term debt	(6,571)	(6,571)
Repayment of lease liabilities	(529)	(389)
Deferred financing costs incurred	-	(1,470)
Net cash (used in) generated by financing activities	(7,100)	36,834
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	14	23
Purchase of property, plant and equipment and intangible assets	(72,446)	(97,115)
Changes in debt service reserve	120	(350)
Net proceeds from short-term investments	25,846	-
Net cash used in investing activities	(46,466)	(97,442)
Net (decrease) increase in cash and cash equivalents	(18,632)	80
Cash and cash equivalents, beginning of period	69,913	72,032
<b>Cash and cash equivalents, end of period</b>	<b>51,281</b>	<b>72,112</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Cash Flows (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, 2017	75,478	25,000	424,020	524,498	(3,066)	521,432
Net earnings	-	-	17,351	17,351	-	17,351
Other comprehensive loss	-	-	-	-	(5,716)	(5,716)
Realized hedge losses recognized in fuel swaps	-	-	-	-	796	796
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	62	62
<b>Balance as at June 30, 2017</b>	<b>75,478</b>	<b>25,000</b>	<b>441,371</b>	<b>541,849</b>	<b>(7,924)</b>	<b>533,925</b>
Balance as at March 31, 2018	75,478	25,000	477,955	578,433	8,974	587,407
Impact of adoption of new accounting standard – IFRS 15	-	-	900	900	-	900
Balance as at April 1, 2018	75,478	25,000	478,855	579,333	8,974	588,307
Net earnings	-	-	6,040	6,040	-	6,040
Other comprehensive income	-	-	-	-	7,879	7,879
Realized hedge losses recognized in fuel swaps	-	-	-	-	(3,322)	(3,322)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	62	62
<b>Balance as at June 30, 2018</b>	<b>75,478</b>	<b>25,000</b>	<b>484,895</b>	<b>585,373</b>	<b>13,593</b>	<b>598,966</b>