

For Immediate Release  
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June 21, 2019

**BC FERRIES RELEASES YEAR-END RESULTS  
Earnings Reinvested in New Vessels, Terminal Upgrades and Information Technology**

VICTORIA – BC Ferries released its year-end results today with consolidated net earnings of \$52.2 million for fiscal 2019, compared to consolidated net earnings of \$59.9 million for fiscal 2018. This year, BC Ferries experienced the highest vehicle traffic levels ever and passenger traffic levels were the second highest in the company’s history.

“High traffic volumes allow good financial results which enable us to expand our service to communities, renew the fleet, upgrade terminals, pay down debt and reduce future borrowing,” said Mark Collins, BC Ferries’ President and CEO. “These are essential for a sustainable and environmentally-friendly ferry system. Our \$3.9 billion 12-year capital plan addresses the need for a more resilient ferry service and emphasizes capacity, operational efficiency, affordability and flexibility.”

BC Ferries invested \$241.1 million in capital expenditures in the 12 months ended March 31, 2019 comprised of:

- \$133.5 million in vessel upgrades and modifications
- \$49.0 million in new vessels
- \$28.2 million in information technology
- \$19.5 million in terminal building upgrades and
- \$10.9 million in terminal marine structures

Clean, sustainable and quiet operations are top priorities for BC Ferries. The company now has five vessels operating on liquefied natural gas (LNG). While still a fossil fuel, it is a cleaner and less expensive fuel source than the ultra-low sulphur diesel used for the other vessels. The cable ferry, which operates between Buckley Bay on Vancouver Island and Denman Island, has smaller power requirements than a traditional ferry, leading to a reduction in greenhouse gas emissions of approximately 50 per cent.

BC Ferries is investing in clean, modern ferry technology. The company currently has two Island Class electric battery hybrid ships under construction for service to coastal communities on Northern Vancouver Island. When electric technology matures and electricity is available in the quantities required, BC Ferries plans to operate them as fully electric ferries. Batteries for these two new vessels are supplied by Corvus Energy, a B.C. company. In May 2019, BC Ferries issued a Request for Proposals for technical services to reduce underwater radiated noise from its vessels. This is to help reduce impacts on southern resident killer whales.

“Continued investment to reduce our environmental footprint is of great importance to BC Ferries,” said Collins. “We are on a path to greater sustainability by continuously developing and

implementing innovative and cost-effective ways to minimize our impact on the coastal environment in which we operate.”

BC Ferries also continues to focus on fare affordability. At the start of fiscal 2019 (April 1, 2018), BC Ferries, with partial funding from the Province, reduced the fares on all routes by 15 per cent, with the exception of the three Metro Vancouver – Vancouver Island routes. Fares on these routes were held constant. The B.C. seniors’ passenger discount was also increased from 50 per cent to 100 per cent for travel Monday to Thursday. There are no fare increases being introduced in Fiscal 2020.

Vehicle traffic increased 1.9 per cent and passenger traffic increased 1.2 per cent over the prior year. To accommodate the higher traffic volumes and improve the customer experience, BC Ferries provided 877 additional round trips throughout the system over the previous year and 3,281.5 more round trips over and above what was required under the Coastal Ferry Services Contract. The company also adjusted the schedule for the routes operating out of Horseshoe Bay terminal.

During fiscal 2019, the company also re-introduced the upgraded Spirit of British Columbia into service and implemented a new reservation system. Together, these actions resulted in an increase in labour, fuel consumption, and training-related costs partially offset by the lower cost reflecting the Spirit of British Columbia’s consumption of LNG rather than marine diesel. The increase in operating expenses also included the impact of higher marine diesel prices, wage rate increases in accordance with the Collective Agreement and higher depreciation. As a result, total operating expenses increased \$36.4 million from \$784.3 million to \$820.7 million.

BC Ferries’ full financial statements, including notes and Management’s Discussion and Analysis, as well as the company’s Statement of Executive Compensation for fiscal 2019, are filed on SEDAR and will be available at [www.sedar.com](http://www.sedar.com).

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**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 22.3 million passengers and 8.9 million vehicles during the fiscal year ended March 31, 2019. BC Ferries provides frequent year-round ferry transportation services to the west coast of Canada on 25 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: the 12-year capital plan, Performance Term Five, fares, alternative fuel options, Island Class vessels, the cable ferry, the minor class vessel replacements, the major class vessel replacements, underwater radiated noise, and the Spirit Class mid-life upgrades. 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 Aboriginal rights and title 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.

## BACKGROUND

### Significant events in fiscal 2019 or subsequent to the period include the following:

#### Cost of Travel

- On April 1, 2018, BC Ferries applied a fare reduction of 15 per cent on all routes with the exception of the three Metro Vancouver – Vancouver Island routes where they were held constant. The B.C. seniors' passenger discount increased from 50 per cent to 100 per cent for travel Monday to Thursday.
- On April 1, 2019, as agreed with the Province, fares were held at the same level. The total estimated value of these initiatives over fiscal 2019 and fiscal 2020 is approximately \$98 million, of which BC Ferries will contribute \$39 million in foregone revenue and the Province will contribute \$59 million towards the fare reduction and increase to the B.C. Seniors' discount.
- On June 1, 2019, due to current fuel market conditions, the company implemented a fuel surcharge of 1.5 per cent on average on all routes with the exception of the Port Hardy – Prince Rupert, Prince Rupert – Haida Gwaii and Port Hardy – Central Coast routes.

#### Vessels

- On June 6, 2018, the Spirit of British Columbia and on April 18, 2019, the Spirit of Vancouver Island returned to service on our Tsawwassen – Swartz Bay route following their mid-life upgrades. These mid-life upgrades, which will enable the vessels to be in service for another 25 years, included major upgrades to the customer amenities, and the conversion to dual-fuel so the vessels can operate on LNG or ultra-low sulphur marine diesel.
- On September 16, 2018, BC Ferries commenced direct seasonal service between Port Hardy and Bella Coola using the Northern Adventure, running through to October 11, 2018. On May 18, 2019, the Northern Sea Wolf entered service in the Central Coast region. The Northern Sea Wolf, a 75-metre vessel built in 2000, underwent extensive upgrades necessary to bring it up to BC Ferries and Transport Canada's standards of safety and reliability. The vessel accommodates approximately 35 vehicles and 150 passengers and crew.
- On October 5, 2018, BC Ferries issued a Request for Expression of Interest ("RFEOP") for the procurement of up to five new major vessels to replace aged fleet assets with the procurement process open to local, national and international shipyards. These new major vessels will reflect capacity and levels of service consistent with the current Coastal and Spirit Class vessels in size, capabilities and passenger amenities. These vessels are anticipated to begin service in 2023 on the three Metro Vancouver and Vancouver Island which will allow for the retirement of the Queen of Alberni, Queen of New Westminster, Queen of Cowichan and Queen of Coquitlam.
- On January 7, 2019, the BC Ferries Commissioner approved BC Ferries' application of a major capital expenditure for one Salish Class vessel and four Island Class vessels. The

procurement process includes two Request for Proposals (“RFP”) open to local, national and international shipyards. The first RFP issued in November 2018 is for the construction of one vessel, identical to our existing Salish Class vessels, with a capacity of 600 passengers and approximately 138 vehicles and an expected delivery date in 2021. The second RFP issued in December 2018 is for the construction of four additional 81-metre Island Class ferries, each with a capacity of up to 450 passengers and approximately 47 vehicles. The expected delivery date of the first two Island Class vessels is in 2020, with the following two ships expected to be delivered in 2021.

- On February 7, 2019 and on March 14, 2019, two new Island Class vessels were launched with provisional delivery in Romania expected in the summer. When these new vessels are placed into service in early 2020, it will allow BC Ferries to retire the 60-year old North Island Princess and the 54-year old Howe Sound Queen. The company intends to deploy the first new vessel to provide service between Powell River and Texada Island and the second new vessel to provide service between Port McNeill, Alert Bay and Sointula.
- On May 6, 2019, BC Ferries issued a Request for Proposals to identify a proponent to provide expertise in a program-based approach to manage and minimize underwater radiated noise in both new vessel design and construction, as well as with existing vessels operating in the Salish Sea.

### General

- On January 25, 2019, the Commissioner issued Order 19-03, superceding Order 17-02. It re-established the criteria for determining a major capital expenditure requiring advance approval. The Commissioner’s orders are available on the Commissioner’s website at [www.bcferrycommission.com](http://www.bcferrycommission.com).
- On February 22, 2019, the Province released its report on the review of coastal ferry services in British Columbia. Based on recommendations in the report, on May 16, 2019, the Province enacted legislation to amend the Coastal Ferry Act.
- On April 1, 2019, the Commissioner released the Preliminary Decision on Price Caps for Performance Term Five, setting increases in price caps at 2.3 per cent per year from April 1, 2020 through March 31, 2024. BC Ferries is reviewing the preliminary decision and providing additional information. The Commissioner will issue the decision on final price caps by no later than September 30, 2019.

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Media Contact:  
BC Ferries, Media Relations  
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# BRITISH COLUMBIA FERRY SERVICES INC.

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

	As at March 31	
	2019	2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	59,888	69,913
Restricted short-term investments	31,651	32,276
Other short-term investments	74,648	114,259
Trade and other receivables	23,246	26,258
Prepaid expenses	8,306	8,434
Inventories	30,870	31,584
Derivative assets	8,145	12,530
	236,754	295,254
<b>Non-current assets</b>		
Loan receivable	24,515	24,515
Land lease	-	29,771
Property, plant and equipment	1,820,232	1,713,080
Intangible assets	101,029	99,802
	1,945,776	1,867,168
<b>Total assets</b>	<b>2,182,530</b>	<b>2,162,422</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	80,173	77,233
Interest payable on long-term debt	18,429	18,537
Contract liabilities	28,709	32,034
Current portion of long-term debt	57,183	34,594
Current portion of accrued employee future benefits	2,000	3,000
Current portion of lease liabilities	2,184	1,652
Provisions	62,778	60,372
	251,456	227,422
<b>Non-current liabilities</b>		
Accrued employee future benefits	20,583	21,299
Long-term debt	1,222,860	1,279,775
Lease liabilities	39,797	38,769
Other liabilities	9,516	7,750
	1,292,756	1,347,593
<b>Total liabilities</b>	<b>1,544,212</b>	<b>1,575,015</b>
<b>Equity</b>		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	525,006	477,955
<b>Total equity before reserves</b>	<b>625,484</b>	<b>578,433</b>
Reserves	12,834	8,974
<b>Total equity including reserves</b>	<b>638,318</b>	<b>587,407</b>
<b>Total liabilities and equity</b>	<b>2,182,530</b>	<b>2,162,422</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2019	2018
<b>Revenue</b>		
Vehicle and passenger fares	618,215	640,234
Net retail	63,860	60,071
Fuel rebates	(4,585)	(19,386)
Other income	11,093	11,367
Revenue from customers	688,583	692,286
Ferry service fees	206,566	178,540
Federal-Provincial Subsidy Agreement	30,504	29,782
<b>Total revenue</b>	<b>925,653</b>	<b>900,608</b>
<b>Expenses</b>		
Operations	525,895	498,343
Maintenance	81,697	87,615
Administration	39,868	38,399
Depreciation and amortization	173,250	159,916
<b>Total operating expenses</b>	<b>820,710</b>	<b>784,273</b>
<b>Operating profit</b>	<b>104,943</b>	<b>116,335</b>
<b>Net finance and other expenses</b>		
Finance expenses	59,194	60,679
Finance income	(6,182)	(5,495)
Net finance expense	53,012	55,184
(Gain) loss on disposal and revaluation of property, plant and equipment and intangible assets	(258)	1,178
<b>Net finance and other expenses</b>	<b>52,754</b>	<b>56,362</b>
<b>NET EARNINGS</b>	<b>52,189</b>	<b>59,973</b>
<b>Other comprehensive income</b>		
Items that will be reclassified subsequently to net earnings	7,450	13,580
Items that will not be reclassified subsequently to net earnings	7,945	(118)
<b>Total other comprehensive income</b>	<b>15,395</b>	<b>13,462</b>
<b>Total comprehensive income</b>	<b>67,584</b>	<b>73,435</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2019	2018
<b>Cash flows from operating activities</b>		
Net earnings	52,189	59,973
Items not affecting cash		
Net finance expense	53,012	55,184
Depreciation and amortization	173,250	159,916
Loss on disposal of property, plant and equipment	59	376
Other non-cash changes to property, plant and equipment	(1,016)	1,809
Changes in:		
Accrued employee future benefits	(1,716)	43
Derivative assets and liabilities recognized in net earnings	52	(64)
Provisions	2,406	4,661
Long-term land lease	-	459
Accrued financing costs	378	(233)
Total non-cash items	226,425	222,151
Movements in operating working capital		
Trade and other receivables	3,012	(10,939)
Prepaid expenses	128	(980)
Inventories	714	(3,327)
Accounts payable and accrued liabilities	2,940	22,060
Contract liabilities	(2,425)	11,329
Change in non-cash working capital	4,369	18,143
Change attributable to capital asset acquisitions	(3,298)	(24,258)
Change in non-cash operating working capital	1,071	(6,115)
Cash generated from operating activities	279,685	276,009
Interest received	5,649	5,560
Interest paid	(65,335)	(65,615)
Net cash generated by operating activities	219,999	215,954

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2019	2018
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	-	45,264
Repayment of long-term debt	(35,282)	(35,312)
Repayment of lease liabilities	(2,184)	(1,583)
Dividends paid on preferred shares	(6,038)	(6,038)
Deferred financing costs	-	(1,417)
Net cash (used in) generated by financing activities	(43,504)	914
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	292	476
Purchase of property, plant and equipment and intangible assets	(227,048)	(220,936)
Changes in debt service reserve	625	150
Net proceeds from short-term investments	39,611	1,323
Net cash used in investing activities	(186,520)	(218,987)
Net decrease in cash and cash equivalents	(10,025)	(2,119)
Cash and cash equivalents, beginning of year	69,913	72,032
<b>Cash and cash equivalents, end of year</b>	<b>59,888</b>	<b>69,913</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Share capital	Contributed surplus	Retained earnings	Total equity before reserves	Reserves	Total equity including reserves
Balance as at April 1, 2017	75,478	25,000	424,020	524,498	(3,066)	521,432
Net earnings	-	-	59,973	59,973	-	59,973
Other comprehensive income	-	-	-	-	13,462	13,462
Realized hedge gains recognized in fuel swaps	-	-	-	-	(1,670)	(1,670)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	248	248
Preferred share dividends	-	-	(6,038)	(6,038)	-	(6,038)
Balance as at March 31, 2018	75,478	25,000	477,955	578,433	8,974	587,407
Impact of adoption of IFRS 15	-	-	900	900	-	900
<b>Balance as at April 1, 2018</b>	<b>75,478</b>	<b>25,000</b>	<b>478,855</b>	<b>579,333</b>	<b>8,974</b>	<b>588,307</b>
Net earnings	-	-	52,189	52,189	-	52,189
Other comprehensive income	-	-	-	-	15,395	15,395
Realized hedge gains recognized in fuel swaps	-	-	-	-	(11,783)	(11,783)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	248	248
Preferred share dividends	-	-	(6,038)	(6,038)	-	(6,038)
<b>Balance as at March 31, 2019</b>	<b>75,478</b>	<b>25,000</b>	<b>525,006</b>	<b>625,484</b>	<b>12,834</b>	<b>638,318</b>