

For Immediate Release  
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June 30, 2017

## **INCREASED TRAFFIC POSITIVELY IMPACTS BC FERRIES' YEAR-END RESULTS Earnings Reinvested in New Vessels, Terminal Upgrades and Information Technology**

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) released its year-end results today for fiscal 2017 and for the second consecutive year, BC Ferries' positive results have allowed the company to hold the cost of travel for passengers and vehicles at 2015 rates on the majority of its routes. Consolidated net earnings were \$77.4 million for fiscal 2017.

“This strong financial performance will be essential in helping us renew the fleet, pay down debt, as well as reduce our future borrowing and associated costs. As a more sustainable ferry service provider, we will be better able to deliver fare stability, and continue to provide safe and reliable service to our customers,” said Mark Collins, BC Ferries' President and CEO. “B.C.'s coastal ferry network needs about a ship each year for the next 12 years at an average cost of \$70 million. Solid earnings from the growth in traffic is helping build a strong system for the communities we serve.”

In fiscal 2017, BC Ferries experienced a 2.9 per cent increase in vehicle traffic and a 1.7 per cent increase in passenger traffic compared to fiscal 2016. These traffic levels are the highest BC Ferries has experienced since fiscal 2008. The general increase in travel and tourism experienced in B.C. has a positive economic effect on coastal communities and BC Ferries.

Revenues for the year increased \$24.7 million, from \$834.6 million to \$859.3 million, primarily due to higher traffic levels and retail sales, partially offset by an additional \$11.7 million in fuel rebates provided to customers. Higher traffic levels also affected operating expenses, which increased \$17.2 million, from \$709.0 million to \$726.2 million, compared to the year prior. The main increases were in labour costs, contracted services, training activities, and parts and supplies, partially offset by lower fuel costs.

“A significant step forward this year is the introduction of the Salish Class natural gas-fuelled vessels which are cleaner and less costly to operate. We are well on our way to building a standardized, interoperable fleet which will reduce costs, improve our environmental footprint and further increase safety,” said Collins. “Starting later this year, we will convert the Spirit of British Columbia and the Spirit of Vancouver Island – the largest vessels in our fleet – to cleaner, less expensive natural gas.”

Capital expenditures in the 12 months ended March 31, 2017 were \$243.7 million.

For fiscal 2017, these expenditures include:

- \$177.1 million in vessel acquisitions, upgrades and modifications
- \$30.9 million in information technology
- \$22.9 million in terminal marine structures and
- \$12.8 million in terminal and building upgrades and equipment.

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 2017, 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.

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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 21.0 million passengers and 8.3 million vehicles during the fiscal year ended March 31, 2017. 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 U.S. 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: economic conditions, traffic levels, the Salish-Class vessels, asset renewal programs for vessels and terminals, Spirit Class mid-life upgrades, capital expenditure levels, minor class vessel replacements, the Fare Flexibility and Digital Experience Initiative, the New Building Canada Fund, and the direct ferry service between Port Hardy and Bella Coola. 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.

June 30, 2017

## SIGNIFICANT EVENTS IN FISCAL 2017

Significant events during or subsequent to fiscal 2017 include the following:

**June 1, 2017:** BC Ferries entered into a five-year supply agreement for the maintenance of eight of its minor vessels. The company has approximately 20 scheduled dry-dockings for the minor vessels over the next five years and this strategic partnership ensures a local and secure supply of services.

**May 16, 2017:** Salish Orca, the first Salish Class vessel, commenced regularly scheduled service between Comox and Powell River. Salish Orca replaced the 52-year old Queen of Burnaby. On June 21, 2017, Salish Eagle, the second Salish Class vessel, commenced regularly scheduled service on the Tsawwassen – Southern Gulf Islands route. In the fall, Salish Eagle will replace the 53-year old Queen of Nanaimo. On June 7, 2017, Salish Raven, the third Salish Class ship, arrived in British Columbia after its 41-day, 10,440 nautical mile journey from Gdansk, Poland. This vessel will commence service in the fall.

**April 1, 2017:** BC Ferries limited tariff increases to 1.9 per cent on vehicle fares on three of the Major Routes only: the Tsawwassen to Swartz Bay, Tsawwassen to Duke Point and Horseshoe Bay to Departure Bay routes, fully offset by reduced reservation fees from \$15 to \$10. No increase in passenger fares was implemented on these routes.

Vehicle and passenger fares on all the other routes were unchanged from the year before.

**March 14, 2017:** Government of Canada approved funding under the New Building Canada Fund to assist with the purchase of two new minor vessels for the Northern Gulf Islands.

**March 21, 2017:** Government of Canada approved funding support towards a major upgrade of the Langdale terminal, and the purchase of a used vessel to service a new route between Port Hardy and Bella Coola and related terminal improvements.

**April 7, 2017:** BC Ferries finalized an agreement to acquire a 75-metre vessel with ownership to transfer in August 2017. The vessel, built in 2000, will accommodate approximately 35 vehicles and 150 passenger and crew and will be deployed on the mid-coast.

**February 27, 2017:** BC Ferries Commissioner conditionally approved BC Ferries' application of a major capital expenditure to acquire two new minor class vessels that will have the capacity to carry approximately 44 vehicles and 300 passengers. The company plans to deploy the first new

vessel to the Powell River – Texada Island route and the second vessel to the Port McNeill – Alert Bay – Sointula Island route.

**April 13, 2017:** BC Ferries concluded a design and build \$60 million contract with Damen Shipyard Group of Netherlands for the construction of two minor class vessels. This contract became effective on May 17, 2017.

**February 10, 2017:** BC Ferries' Board of Directors announced the appointment of Mark 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 marine firms in Brazil and Italy, and Vice President of global technical services for an international shipping firm. Mr. Collins was previously Vice President of Strategic Planning and Community Engagement at BC Ferries and Vice President of Engineering between 2004 and 2012. Former President and CEO Mike Corrigan stepped down on March 31, 2017.

**September 21, 2016:** BC Ferries Commissioner approved BC Ferries supplemental application to replace the company's website, e-commerce platform and reservations systems, and upgrade the point-of-sale system. The investment will allow BC Ferries to respond to changing business needs and support marketing, travel services and pricing initiatives. On September 23, 2016, BC Ferries signed a contract with the system integrator, to deliver project elements while ensuring existing enterprise applications are secure.

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# BRITISH COLUMBIA FERRY SERVICES INC.

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

	As at March 31	
	2017	2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	72,032	79,113
Restricted short-term investments	32,426	31,986
Other short-term investments	115,582	61,464
Trade and other receivables	15,319	16,249
Prepaid expenses	7,454	8,550
Inventories	28,257	23,988
Derivative assets	1,604	-
	<u>272,674</u>	<u>221,350</u>
<b>Non-current assets</b>		
Loan receivable	24,515	24,515
Land lease	30,230	30,688
Property, plant and equipment	1,621,802	1,539,957
Intangible assets	97,673	82,741
	<u>1,774,220</u>	<u>1,677,901</u>
<b>Total assets</b>	<u>2,046,894</u>	<u>1,899,251</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	55,173	58,206
Interest payable on long-term debt	18,458	18,262
Deferred revenue	20,705	18,883
Derivative liabilities	1,048	17,879
Current portion of long-term debt	30,939	24,000
Current portion of accrued employee future benefits	1,400	1,900
Current portion of obligations under finance lease	1,582	1,514
Provisions	55,711	48,690
	<u>185,016</u>	<u>189,334</u>
<b>Non-current liabilities</b>		
Accrued employee future benefits	20,913	19,361
Long-term debt	1,273,860	1,218,106
Obligations under finance lease	40,423	42,003
Other liabilities	5,250	1,500
	<u>1,340,446</u>	<u>1,280,970</u>
<b>Total liabilities</b>	<u>1,525,462</u>	<u>1,470,304</u>
<b>Equity</b>		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	424,020	352,692
<b>Total equity before reserves</b>	<u>524,498</u>	<u>453,170</u>
Reserves	(3,066)	(24,223)
<b>Total equity including reserves</b>	<u>521,432</u>	<u>428,947</u>
<b>Total liabilities and equity</b>	<u>2,046,894</u>	<u>1,899,251</u>

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2017	2016
<b>Revenue</b>		
Vehicle and passenger fares	608,713	579,311
Ferry service fees	174,871	172,373
Net retail	55,139	51,879
Federal-Provincial Subsidy Agreement	29,158	28,730
Fuel rebates	(18,068)	(6,356)
Other income	9,470	8,679
<b>Total revenue</b>	<b>859,283</b>	<b>834,616</b>
<b>Expenses</b>		
Operations	467,300	449,642
Maintenance	74,165	79,387
Administration	35,804	34,513
Depreciation and amortization	148,952	145,521
<b>Total operating expenses</b>	<b>726,221</b>	<b>709,063</b>
<b>Operating profit</b>	<b>133,062</b>	<b>125,553</b>
<b>Net finance and other expenses</b>		
Net finance expenses		
Finance income	4,651	4,607
Finance expenses	(58,759)	(60,568)
Net finance expenses	(54,108)	(55,961)
Loss on disposal and revaluation of property, plant and equipment, intangible assets and inventory	(1,588)	(39)
<b>Net finance and other expenses</b>	<b>(55,696)</b>	<b>(56,000)</b>
<b>Net earnings</b>	<b>77,366</b>	<b>69,553</b>
<b>Other comprehensive income (loss)</b>		
Items not to be reclassified to net earnings	2,480	392
Items to be reclassified to net earnings	12,119	(24,156)
<b>Total other comprehensive income (loss)</b>	<b>14,599</b>	<b>(23,764)</b>
<b>Total comprehensive income</b>	<b>91,965</b>	<b>45,789</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2017	2016
<b>Cash flows from operating activities</b>		
Net earnings	77,366	69,553
Items not affecting cash		
Net finance expense	54,108	55,961
Depreciation and amortization	148,952	145,521
Loss on disposal and revaluation of property, plant and equipment, intangible assets and inventory	1,588	39
Other non-cash adjustments to property, plant and equipment	(1,867)	2,462
Changes in		
Accrued employee future benefits	(188)	61
Derivative (assets) liabilities recognized in net earnings	(5)	32
Provisions	7,021	4,901
Long-term land lease	458	458
Accrued financing costs	286	(88)
<b>Total non-cash items affecting net earnings</b>	<b>210,353</b>	<b>209,347</b>
Movements in operating working capital		
Trade and other receivables	930	3,241
Prepaid expenses	1,096	(2,373)
Inventories	(4,269)	1,405
Accounts payable and accrued liabilities	(3,033)	(3,471)
Deferred revenue	1,822	1,926
Change in non-cash working capital	(3,454)	728
Change attributable to capital asset acquisitions	2,357	6,995
Change in non-cash operating working capital	(1,097)	7,723
Cash generated from operating activities	286,622	286,623
Interest received	4,339	4,616
Interest paid	(64,526)	(65,256)
<b>Net cash generated by operating activities</b>	<b>226,435</b>	<b>225,983</b>



# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2017	2016
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	90,122	-
Repayment of long-term debt	(24,934)	(24,000)
Repayment of finance lease obligations	(1,512)	(1,307)
Dividends paid on preferred shares	(6,038)	(6,038)
Deferred financing costs incurred	(2,965)	-
Net cash generated by (used in) financing activities	54,673	(31,345)
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	137	217
Purchase of property, plant and equipment and intangible assets	(233,768)	(182,460)
Changes in debt service reserve	(440)	510
Net (purchase of) proceeds from short-term investments	(54,118)	634
Net cash used in investing activities	(288,189)	(181,099)
Net (decrease) increase in cash and cash equivalents	(7,081)	13,539
Cash and cash equivalents, beginning of year	79,113	65,574
<b>Cash and cash equivalents, end of year</b>	<b>72,032</b>	<b>79,113</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statements of Changes in Equity  
(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, 2015	75,478	25,000	289,177	389,655	(11,450)	378,205
Net earnings for the year ended March 31, 2016	-	-	69,553	69,553	-	69,553
Other comprehensive loss for the year ended March 31, 2016	-	-	-	-	(23,764)	(23,764)
Realized hedge losses recognized in fuel swaps	-	-	-	-	10,742	10,742
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	249	249
Preferred share dividends	-	-	(6,038)	(6,038)	-	(6,038)
<b>Balance as at March 31, 2016</b>	<b>75,478</b>	<b>25,000</b>	<b>352,692</b>	<b>453,170</b>	<b>(24,223)</b>	<b>428,947</b>
Net earnings for the year ended March 31, 2017	-	-	77,366	77,366	-	77,366
Other comprehensive income for the year ended March 31, 2017	-	-	-	-	14,599	14,599
Realized hedge losses recognized in fuel swaps	-	-	-	-	6,310	6,310
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, 2017</b>	<b>75,478</b>	<b>25,000</b>	<b>424,020</b>	<b>524,498</b>	<b>(3,066)</b>	<b>521,432</b>