

For Immediate Release  
18-040

November 21, 2018

## **BC FERRIES RELEASES SECOND QUARTER RESULTS**

VICTORIA –BC Ferries released its second quarter results today for the three months ended September 30, 2018.

The company’s net earnings for the second quarter of fiscal 2019 were \$90.9 million, compared to net earnings of \$98.4 million for the same quarter of the previous year. Year-to-date, net earnings were \$96.9 million, \$18.9 million lower than in the same period in the prior year. The decrease in net earnings is primarily due to initiatives that reduced fares as well as the addition of more sailings to meet customer demand at popular sailing times which increased operating expenses.

Due to the seasonality of ferry travel, net earnings in the first and second quarters are typically reduced by net losses in the last two quarters of the fiscal year when routine vessel maintenance is scheduled.

On April 1, 2018, BC Ferries applied a fare reduction of 15 per cent on all but the three Metro Vancouver – Vancouver Island routes, where fares were held constant. The B.C. seniors’ passenger discount was increased from 50 per cent to 100 per cent for travel Monday to Thursday. BC Ferries and the Province are funding these fare initiatives over two years.

“To provide our customers with the service they expect from BC Ferries, we added sailings where possible on a variety of routes and extended schedules to meet demand,” said Mark Collins, BC Ferries’ President and CEO. “BC Ferries provided 288 (640 year-to-date) additional round trips compared to the same time last year throughout the system and adjusted the schedules for the routes operating out of Horseshoe Bay terminal,” added Collins.

Operating expenses increased by \$13.9 million to \$211.2 million in the quarter, compared to the same period in the prior year mainly due to the cost of additional sailings, schedule adjustments, and the introduction of the new direct route between Port Hardy and Bella Coola, which resulted in additional costs for labour, fuel consumption and training. In addition, depreciation and amortization increased reflecting new capital assets that have entered service.

Revenues were \$315.8 million in the quarter, which was a \$5.8 million increase compared to the same period in the prior year, primarily as a result of increased traffic and the increase in ferry service fees related to the April 1, 2018 fare initiatives.

Capital expenditures in the three and six months ended September 30, 2018 totalled \$54.0 million and \$126.8 million respectively. Significant investments include the Spirit Class mid-life

upgrades, the Northern Sea Wolf and terminal modifications, as well as the new Island Class vessels currently under construction.

On September 28, 2018, BC Ferries filed its Performance Term Five Submission to the independent British Columbia Ferries Commissioner. The purpose of the Performance Term Five Submission is to provide information to assist the Commissioner establish price caps for all regulated routes as specified in the Coastal Ferry Services Contract between BC Ferries and the Province of British Columbia for the period April 1, 2020 – March 31, 2024. One of the key elements of the submission is the company’s 12-Year Capital Plan, which details plans to invest more than \$3.9 billion, making it the largest capital plan in BC Ferries’ history.

“Our capital plan will help to ensure a sustainable, future-ready, efficient marine transportation system, while delivering an exceptional and affordable customer-focused travel experience,” said Collins. “In developing our plan, we recognize that decisions we make today must consider the way people will travel tomorrow. We are planning for a more resilient ferry service that takes into account the energy transition to a lower carbon future and that can address customers’ interests in the areas of reliability, affordability and choice.”

The plan will leverage the company’s current strong financial position by upgrading the fleet and terminals, introducing alternative energy sources, and investing heavily in its Fleet Maintenance Facility. BC Ferries will standardize its assets, improve interoperability and address growing demand in a sustainable and ecological manner.

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 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, the Northern Sea Wolf and the seasonal direct ferry service between Port Hardy and Bella Coola, the minor class vessel replacements, and the major class vessel replacements. 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.

November 21, 2018

## SIGNIFICANT EVENTS SECOND QUARTER FISCAL 2019

Significant events during or subsequent to the Second Quarter of 2019 include the following:

On August 17, 2018, BC Ferries issued two Requests for Pre-Qualification (“RFPQ”) with a closing date of September 7, 2018. The RFPQs are for the procurement of five new vessels to replace aged fleet assets with the procurement process open to local, national and international shipyards. The first RFPQ is for the construction of four 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 vessels is in 2020, with the following two ships expected to be delivered in 2021. The second RFPQ is for the construction of one 107-metre Salish Class vessel with a capacity of 600 passengers and approximately 138 vehicles and an expected delivery date in 2021. The Island Class vessels will have hybrid diesel-electric propulsion and will be built to be capable of conversion to all-electric propulsion as the technology permits and the necessary infrastructure is put in place to support it. The Salish Class vessel will be dual-fuel capable, running primarily on liquefied natural gas using marine diesel as backup.

On October 5, 2018, the company also issued a Request for Expression of Interest for the procurement of 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 our Major Routes between Metro Vancouver and Vancouver Island. BC Ferries encourages local and national companies to bid on these projects.

On September 16, 2018, BC Ferries commenced direct seasonal service between Port Hardy and Bella Coola using the Northern Adventure and running through to October 11, 2018. The entry into service of the Northern Sea Wolf, the vessel acquired for this service, has been delayed until the spring of 2019. The 75-metre used vessel is undergoing the extensive upgrades necessary to bring it up to our and Transport Canada’s standards of safety and reliability.

On September 28, 2018, BC Ferries filed its Performance Term Five (“PT5”) Submission with the British Columbia Ferries Commissioner as required by the Coastal Ferry Act. The purpose of this submission is to provide information to assist the Commissioner in establishing price caps for all regulated routes as specified in the Coastal Ferry Services Contract between BC Ferries and the Province for PT5 (April 1, 2020 – March 31, 2024).

The submission is comprised of five reports:

- Performance Term Four (April 1, 2016 to March 31, 2020) Report;
- Fuel Management Plan Outcomes in Performance Term Four;
- Capital Plan (fiscal years 2019 through 2030);
- Strategies for Enhancing Efficiency in Performance Term Five and Beyond; and
- Traffic Demand Forecast (fiscal years 2019 through 2024).

All of these reports are available on the Commissioner's website at [www.bcferrycommission.ca](http://www.bcferrycommission.ca).

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Condensed Interim Consolidated Financial Statements

**BRITISH COLUMBIA FERRY SERVICES INC.**

Six months ended September 30, 2018 and 2017  
(Unaudited)

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	September 30, 2018	March 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	88,415	69,913
Restricted short-term investments	31,966	32,276
Other short-term investments	112,633	114,259
Trade and other receivables	43,015	26,258
Prepaid expenses	12,681	8,434
Inventories	32,128	31,584
Derivative assets	14,279	12,530
	335,117	295,254
<b>Non-current assets</b>		
Loan receivable	24,515	24,515
Land lease	-	29,771
Property, plant and equipment	1,787,266	1,713,080
Intangible assets	100,117	99,802
	1,911,898	1,867,168
<b>Total assets</b>	<b>2,247,015</b>	<b>2,162,422</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	75,377	77,233
Interest payable on long-term debt	18,563	18,537
Deferred revenue	29,541	32,034
Derivative liabilities	13	-
Current portion of long-term debt	34,638	34,594
Current portion of accrued employee future benefits	3,000	3,000
Current portion of lease liability	2,178	1,652
Provisions	62,715	60,372
	226,025	227,422
<b>Non-current liabilities</b>		
Accrued employee future benefits	20,792	21,299
Long-term debt	1,262,578	1,279,775
Lease liability	40,111	38,769
Other liabilities	10,375	7,750
	1,333,856	1,347,593
<b>Total liabilities</b>	<b>1,559,881</b>	<b>1,575,015</b>
<b>Equity</b>		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	575,751	477,955
<b>Total equity before reserves</b>	<b>676,229</b>	<b>578,433</b>
Reserves	10,905	8,974
<b>Total equity including reserves</b>	<b>687,134</b>	<b>587,407</b>
<b>Total liabilities and equity</b>	<b>2,247,015</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 September 30		Six months ended September 30	
	2018	2017	2018	2017
<b>Revenue</b>				
Vehicle and passenger fares	213,187	225,307	371,614	388,426
Net retail	23,061	21,880	38,620	36,803
Fuel rebates	(67)	(6,746)	(4,585)	(11,614)
Other income	3,433	3,502	6,240	6,217
Revenue from customers	239,614	243,943	411,889	419,832
Ferry service fees	68,581	58,595	118,380	101,494
Federal-Provincial Subsidy Agreement	7,626	7,446	15,252	14,891
<b>Total revenue</b>	<b>315,821</b>	<b>309,984</b>	<b>545,521</b>	<b>536,217</b>
<b>Expenses</b>				
Operations	142,664	134,354	278,535	259,620
Maintenance	15,713	13,697	37,934	34,566
Administration	9,955	9,265	19,694	19,223
Depreciation and amortization	42,921	40,008	84,946	78,648
<b>Total operating expenses</b>	<b>211,253</b>	<b>197,324</b>	<b>421,109</b>	<b>392,057</b>
<b>Operating profit</b>	<b>104,568</b>	<b>112,660</b>	<b>124,412</b>	<b>144,160</b>
<b>Net finance and other expenses</b>				
Finance expenses	15,268	15,420	30,240	30,588
Finance income	(1,610)	(1,365)	(2,867)	(2,428)
Net finance expense	13,658	14,055	27,373	28,160
Loss on disposal and revaluation of property, plant and equipment and intangible assets	54	206	143	249
<b>Net finance and other expenses</b>	<b>13,712</b>	<b>14,261</b>	<b>27,516</b>	<b>28,409</b>
<b>NET EARNINGS</b>	<b>90,856</b>	<b>98,399</b>	<b>96,896</b>	<b>115,751</b>
<b>Other comprehensive income (loss)</b>				
Items not to be reclassified to net earnings	-	(1,943)	-	(1,943)
Items to be reclassified to net earnings	1,445	6,526	9,324	810
<b>Total other comprehensive income (loss)</b>	<b>1,445</b>	<b>4,583</b>	<b>9,324</b>	<b>(1,133)</b>
<b>Total comprehensive income</b>	<b>92,301</b>	<b>102,982</b>	<b>106,220</b>	<b>114,618</b>



# BRITISH COLUMBIA FERRY SERVICES INC.

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

	<b>Six months ended September 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities</b>		
Net earnings	96,896	115,751
Items not affecting cash		
Net finance expense	27,373	28,160
Depreciation and amortization	84,946	78,648
Other non-cash changes to property, plant and equipment	(24)	286
Changes in:		
Accrued employee future benefits	(507)	(802)
Derivative assets and liabilities recognized in net earnings	71	45
Provisions	2,343	1,732
Long-term land lease	-	230
Accrued financing costs	(276)	59
Total non-cash items	113,926	108,358
Movements in operating working capital		
Trade and other receivables	(16,757)	(7,381)
Prepaid expenses	(4,247)	(4,407)
Inventories	(544)	(856)
Accounts payable and accrued liabilities	(1,856)	(20,698)
Deferred revenue	(1,593)	13,039
Change in non-cash working capital	(24,997)	(20,303)
Change attributable to capital asset acquisitions	18,456	12,418
Change in non-cash operating working capital	(6,541)	(7,885)
Cash generated from operating activities	204,281	216,224
Interest received	3,149	2,200
Interest paid	(32,891)	(32,776)
Net cash generated by operating activities	174,539	185,648

# BRITISH COLUMBIA FERRY SERVICES INC.

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

	Six months ended September 30	
	2018	2017
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	-	45,264
Repayment of long-term debt	(17,641)	(17,641)
Repayment of lease liabilities	(1,064)	(783)
Deferred financing costs incurred	-	(1,470)
Net cash (used in) generated by financing activities	(18,705)	25,370
<b>Cash flows from investing activities</b>		
Proceeds from disposal of property, plant and equipment	41	34
Purchase of property, plant and equipment and intangible assets	(139,309)	(150,350)
Changes in debt service reserve	310	(160)
Net proceeds from (purchase of) short-term investments	1,626	(35,416)
Net cash used in investing activities	(137,332)	(185,892)
Net increase in cash and cash equivalents	18,502	25,126
Cash and cash equivalents, beginning of period	69,913	72,032
<b>Cash and cash equivalents, end of period</b>	<b>88,415</b>	<b>97,158</b>

# BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim 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, 2017	75,478	25,000	424,020	524,498	(3,066)	521,432
Net earnings	-	-	115,751	115,751	-	115,751
Other comprehensive loss	-	-	-	-	(1,133)	(1,133)
Realized hedge losses recognized in fuel swaps	-	-	-	-	1,737	1,737
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	124	124
<b>Balance as at September 30, 2017</b>	<b>75,478</b>	<b>25,000</b>	<b>539,771</b>	<b>640,249</b>	<b>(2,338)</b>	<b>637,911</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	-	-	96,896	96,896	-	96,896
Other comprehensive income	-	-	-	-	9,324	9,324
Realized hedge gains recognized in fuel swaps	-	-	-	-	(7,517)	(7,517)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	124	124
<b>Balance as at September 30, 2018</b>	<b>75,478</b>	<b>25,000</b>	<b>575,751</b>	<b>676,229</b>	<b>10,905</b>	<b>687,134</b>