

For Immediate Release
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August 18, 2017

BC FERRIES RELEASES FIRST QUARTER RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) released its first quarter results today.

Passenger traffic levels were the highest BC Ferries has experienced in the past 20 years and vehicle traffic levels were the highest the company has ever experienced as compared to the same quarter in prior years. During this quarter, passenger traffic increased 3.8 per cent and vehicle traffic increased 4.4 per cent compared to the same quarter in the prior year.

“This first quarter has been very busy for our company as we carried historically high volumes and focused on improving the customer experience,” said Mark Collins, BC Ferries’ President and CEO. “We have added additional sailings, provided numerous fare discount opportunities and introduced efficient new vessels with modern customer amenities on-board.”

Net earnings for the three months ended June 30, 2017 (the first quarter of fiscal 2018) were \$17.3 million, compared to net earnings of \$27.0 million in the first quarter of the previous year. “Our net earnings have decreased compared to first quarter last year as BC Ferries invests in this improved customer experience. We have held ticket prices stable, absorbed increased operating costs due to higher traffic and delivered additional capacity to customers. In particular, our targeted discount program has led to increased travel by some of our customers and shifted demand to previously underutilized sailings. In fact, on our major routes, there was a 7 per cent reduction in overloads for passenger vehicles year-over-year despite the higher traffic levels.”

Revenues increased by 3.1 per cent to \$225.9 million primarily as a result of the increased traffic volumes, while the average tariff revenue per passenger remained unchanged and the average tariff revenue per vehicle decreased on the major routes.

Operating expenses increased by 8.8 per cent to \$194.4 million, compared to the first quarter of the previous fiscal year. This was mainly due to an increase in fuel consumption, labour and training related costs that resulted from higher traffic volumes, an increase in round trips provided and the introduction of new ships.

“We remain focused on prudent fiscal management while striking the right balance between earnings and operational costs. All earnings are reinvested in services and infrastructure for our customers,” said Collins. “During this quarter alone, we invested \$91 million in new vessels, vessel upgrades and terminal improvements.”

BC Ferries' financial statements, including notes and Management's Discussion and Analysis are filed on SEDAR and will be available at www.sedar.com.

- 30 -

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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 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 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: traffic levels, the capital plan, the Salish-Class vessels, the supply agreement with Point Hope Maritime Ltd., the minor class vessel replacements, the New Building Canada Fund, the seasonal direct ferry service between Port Hardy and Bella Coola, and pricing promotions. 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 Nations 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.

August 18, 2017

**CUSTOMER SERVICE IMPROVEMENTS AND SIGNIFICANT EVENTS DURING
OR SUBSEQUENT TO THE FIRST QUARTER OF FISCAL 2018****Customer Service Improvements:**

BC Ferries has recently made many customer service improvements, including the introduction of three new dual-fuel Salish Class vessels to the fleet, addition of extra sailings to meet demand, stable ticket prices, targeted discount pricing promotions and peak season activities on board the ships and at the terminals.

This year, no passenger or vehicle fare increases were implemented on any of the minor routes. On the three major routes connecting Metro Vancouver with mid and southern Vancouver Island, passenger fares were not increased. Average vehicle fare increases of 1.9 per cent on the major routes enabled BC Ferries to provide promotional fares with significant discounts on many sailings.

The “Sunrise and Sunset Savings” promotion offers customers significant discounts on over 1,600 select early morning and late evening sailings on routes between Metro Vancouver – Vancouver Island, and Metro Vancouver – Sunshine Coast throughout the summer.

The “Size up the Savings” promotion offers customers with private passenger vehicles longer than 20 feet (6.1 metres) significant discounts on over 1,000 select sailings on two routes between Metro Vancouver and Vancouver Island; the Tsawwassen – Swartz Bay and the Tsawwassen – Duke Point routes from June through September.

Reservation fees were reduced by \$5 from \$15 to \$10 for customers who book seven days in advance on reservable routes. Reservations made less than seven days and up to one day prior decreased from \$18.50 to \$17. Reservations booked day of travel decreased from \$22 to \$21. With these reductions, customers who book reservations pay the same or less than they did last year for the total cost of ferry travel.

On 13 different routes throughout the fleet, BC Ferries added over 4,800 sailings into the annual service plan above what is required in the government ferry services contract. This additional service responds to input from local Ferry Advisory Committees and demand. The Buckley Bay – Denman Island, and Denman Island – Hornby Island services operate in shuttle mode at peak times to transport customers as quickly as possible to their destinations. More summer service has been added on the Horseshoe Bay – Langdale route and extra trips are scheduled in the fall.

Extra staff are scheduled at the terminals and on the vessels to “surprise and delight” customers with water stations, food samples, face painting and a variety of employee-driven activities. The hours of the Customer Service Centre were extended to assist customers with their travel plans.

Significant events during or subsequent to the first quarter of fiscal 2018 include the following:

August 3, 2017 and June 21, 2017: Salish Raven and Salish Eagle, respectively, commenced regularly scheduled service in the Southern Gulf Islands. The introduction of these new vessels will enable the retirement of the 53-year old Queen of Nanaimo. On May 16, 2017, the first of the three Salish Class vessels, the Salish Orca, commenced regularly scheduled service between Comox and Powell River. The Salish Orca replaced the 52-year old Queen of Burnaby.

June 1, 2017: BC Ferries entered into a five-year supply agreement with Point Hope Maritime Ltd. in Victoria, B.C. for the maintenance of eight of its minor vessels. BC Ferries 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.

April 13, 2017: BC Ferries entered into design and build contracts totalling \$60 million for the construction of two minor class vessels. On March 14, 2017, the Government of Canada approved funding of up to \$28.3 million under the New Building Canada Fund toward the purchase of two minor vessels. These vessels will each have a capacity of up to 300 passengers and approximately 44 vehicles. When these new vessels are placed into service, it will allow the company to retire the 59-year old North Island Princess and the 53-year old Howe Sound Queen. BC Ferries intends to deploy the first new vessel to provide service from Powell River to Texada Island and the second new vessel to provide service from Port McNeill to Alert Bay and Sointula.

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 passengers and crew and will be deployed on the mid-coast, including a new seasonal direct ferry service between Port Hardy and Bella Coola starting next summer.

- 30 -

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BRITISH COLUMBIA FERRY SERVICES INC.

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

	As at	
	June 30, 2017	March 31, 2017
Assets		
Current assets		
Cash and cash equivalents	72,112	72,032
Restricted short-term investments	32,776	32,426
Other short-term investments	115,582	115,582
Trade and other receivables	18,334	15,319
Prepaid expenses	19,792	7,454
Inventories	27,218	28,257
Derivative assets	733	1,604
	286,547	272,674
Non-current assets		
Loan receivable	24,515	24,515
Land lease	30,115	30,230
Property, plant and equipment	1,673,887	1,621,802
Intangible assets	97,865	97,673
	1,826,382	1,774,220
Total assets	2,112,929	2,046,894
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	49,351	55,173
Interest payable on long-term debt	16,307	18,458
Deferred revenue	40,506	20,705
Derivative liabilities	4,587	1,048
Current portion of long-term debt	34,486	30,939
Current portion of accrued employee future benefits	1,400	1,400
Current portion of obligations under finance lease	1,600	1,582
Provisions	57,550	55,711
	205,787	185,016
Non-current liabilities		
Accrued employee future benefits	20,173	20,913
Long-term debt	1,307,778	1,273,860
Obligations under finance lease	40,016	40,423
Other liabilities	5,250	5,250
	1,373,217	1,340,446
Total liabilities	1,579,004	1,525,462
Equity		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	441,371	424,020
Total equity before reserves	541,849	524,498
Reserves	(7,924)	(3,066)
Total equity including reserves	533,925	521,432
Total liabilities and equity	2,112,929	2,046,894

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended June 30	
	2017	2016
Revenue		
Vehicle and passenger fares	163,119	158,364
Ferry service fees	42,899	42,156
Net retail	14,923	13,711
Federal-Provincial Subsidy Agreement	7,446	7,289
Fuel rebates	(4,868)	(4,699)
Other income	2,370	2,378
Total revenue	225,889	219,199
Expenses		
Operations	124,922	112,712
Maintenance	20,869	21,073
Administration	9,958	8,027
Depreciation and amortization	38,641	36,840
Total operating expenses	194,390	178,652
Operating profit	31,499	40,547
Net finance and other expenses		
Net finance expense		
Finance income	1,063	1,035
Finance expenses	(15,169)	(14,412)
Net finance expense	(14,106)	(13,377)
Loss on disposal and revaluation of property, plant and equipment, intangible assets and inventory	(42)	(185)
Net finance and other expenses	(14,148)	(13,562)
Net earnings	17,351	26,985
Other comprehensive (loss) income		
Items to be reclassified to net earnings	(5,716)	10,328
Total other comprehensive (loss) income	(5,716)	10,328
Total comprehensive income	11,635	37,313

BRITISH COLUMBIA FERRY SERVICES INC.

Interim Condensed Consolidated Statements of Cash Flows (unaudited)

(Expressed in thousands of Canadian dollars)

	Three months ended June 30	
	2017	2016
Cash flows from operating activities		
Net earnings	17,351	26,985
Items not affecting cash		
Net finance expense	14,106	13,377
Depreciation and amortization	38,641	36,840
Loss on disposal and revaluation of property, plant and equipment, intangible assets and inventory	42	185
Other non-cash changes to property, plant and equipment	593	(345)
Changes in		
Accrued employee future benefits	(740)	(93)
Derivative liabilities recognized in net earnings	(510)	(1)
Provisions	1,839	1,404
Long-term land lease	115	115
Accrued financing costs	322	316
Total non-cash items	54,408	51,798
Movements in operating working capital		
Trade and other receivables	(3,015)	(4,931)
Prepaid expenses	(12,338)	(8,526)
Inventories	1,039	(1,681)
Accounts payable and accrued liabilities	(5,822)	(7,130)
Deferred revenue	19,801	4,223
Change in non-cash working capital	(335)	(18,045)
Change attributable to capital asset acquisitions	7,261	(1,990)
Change in non-cash operating working capital	6,926	(20,035)
Cash generated from operating activities	78,685	58,748
Interest received	572	704
Interest paid	(18,569)	(18,316)
Net cash generated by operating activities	60,688	41,136

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended June 30	
	2017	2016
Cash flows from financing activities		
Proceeds from long-term debt	45,264	-
Repayment of long-term debt	(6,571)	(3,750)
Repayment of finance lease obligations	(389)	(372)
Deferred financing costs incurred	(1,470)	-
Net cash generated by (used in) financing activities	36,834	(4,122)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	23	63
Purchase of property, plant and equipment and intangible assets	(97,115)	(41,907)
Changes in debt service reserve	(350)	95
Net proceeds from short-term investments	-	3,715
Net cash used in investing activities	(97,442)	(38,034)
Net increase (decrease) in cash and cash equivalents	80	(1,020)
Cash and cash equivalents, beginning of period	72,032	79,113
Cash and cash equivalents, end of period	72,112	78,093

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, 2016	75,478	25,000	352,692	453,170	(24,223)	428,947
Net earnings	-	-	26,985	26,985	-	26,985
Other comprehensive income	-	-	-	-	10,328	10,328
Realized hedge losses recognized in fuel swaps	-	-	-	-	2,319	2,319
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	62	62
Balance as at June 30, 2016	75,478	25,000	379,677	480,155	(11,514)	468,641
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
Balance as at June 30, 2017	75,478	25,000	441,371	541,849	(7,924)	533,925