

For Immediate Release
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November 24, 2017

BC FERRIES RELEASES SECOND QUARTER RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) saw the highest passenger traffic levels in the second quarter that the company has experienced in over 20 years. Vehicle traffic levels were the highest BC Ferries has ever experienced in both the second quarter and year-to-date. During this quarter, passenger and vehicle traffic increased 5.2 per cent compared to the same quarter in the previous year, resulting in higher revenue and contributing favourably to net earnings. BC Ferries offered a range of deeply discounted fares for travel on off-peak sailings, as a way to improve affordability for travellers and to increase availability on the popular sailings.

“Our focus will continue to be on our customers and the communities we serve,” said Mark Collins, BC Ferries’ President and CEO. “We understand reliable, efficient and affordable service, combined with strong environmental stewardship, is important to our customers and coastal communities.”

In the three months ended Sept. 30, 2017, revenues increased by 3.5 per cent (3.3 per cent year-to-date) compared to the same period in the previous fiscal year, due to the increased traffic volumes, partially offset by a lower average vehicle tariff. The average tariff per vehicle decreased across the system mainly as a result of the many promotional discounted fares offered during this period. The average tariff per passenger did not increase over the previous year because there has been no passenger fare increase since April 1, 2016.

“BC Ferries thanks our many customers for travelling with us this summer,” said Collins. “Having you travel with us and having these positive results reduces future pressure on fares and enables continued investment in new vessels and terminal improvements.”

With record high traffic levels over the summer season, and conscious of the impact this can have on ferry customers, BC Ferries provided an extra 460 round-trips over and above its regular summer schedule, with some vessels providing shuttle service on the inter-island routes. Over the past six months, BC Ferries also introduced three new vessels into service.

“We continued to engage with coastal communities to ensure our services meet their needs,” said Collins. “In this quarter, we increased scheduled service on three routes – to Powell River, Gabriola Island and Denman Island – in consultation with these communities.”

BC Ferries’ net earnings in the three months ended Sept. 30, 2017 were \$98.4 million, \$3.2 million higher than in the three months ended Sept. 30, 2016. Year-to-date, net earnings were \$115.7 million, \$6.5 million lower than in the same period in the prior year due to additional

service and new vessels. 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.

“During the busy peak season, BC Ferries generates higher net earnings that are offset by lower earnings when traffic decreases in the off-peak seasons,” said Collins. “Net earnings fund service improvements such as new vessels, upgrades of terminals and fare reductions like the ones offered this past summer to provide customers with more fare choice.”

“Record traffic points to the need to increase capacity and that means adding new vessels and upgrading infrastructure,” said Collins. “During this quarter, BC Ferries spent over \$52 million for new vessels, terminal improvements and communications, which is part of our continuous rebuilding of the ferry network.”

Capital expenditures in the three and six months ended Sept. 30, 2017 totalled \$52.3 million and \$143.5 million respectively. Significant investments were made to complete the Salish Class vessel project, begin a mid-life upgrade on the Spirit of British Columbia, acquire the new northern vessel, Northern Sea Wolf, as well as improve customer facing technology.

Operating costs increased in the quarter by 3.4 per cent (6.0 per cent year-to-date) compared to the same period in the previous fiscal year. Increases in fuel consumption, labour and training related costs arose from increased service levels to communities, higher traffic volumes, additional sailings provided and the introduction of new ships.

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

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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: the Spirit of British Columbia mid-life upgrade, the Northern Sea Wolf and the direct ferry service between Port Hardy and Bella Coola, and the

Provincial government initiatives. 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 include, but are not limited to, average tariff revenue per vehicle and per passenger. 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.

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Significant events during or subsequent to the second quarter of fiscal 2018 include the following:**Vessels**

- On August 3, 2017, BC Ferries' third Salish Class vessel, the Salish Raven, commenced regularly scheduled service in the Southern Gulf Islands which enabled the retirement of the 53-year old Queen of Nanaimo.
- On August 30, 2017, BC Ferries took delivery of a 75-metre vessel, built in 2000, which will accommodate approximately 35 vehicles and 150 passenger and crew on a new route providing direct service between Port Hardy and Bella Coola. The vessel, named Northern Sea Wolf following an engagement process with community members and local First Nations, departed Greece for Canada in early November. Once in B.C., the Northern Sea Wolf will undergo extensive upgrades in preparation for regular service on the mid-coast in the summer of 2018.
- On September 6, 2017, the Spirit of British Columbia, commenced its mid-life upgrade. The mid-life upgrade includes the conversion to dual-fuel so it can operate on liquefied natural gas or ultra-low sulphur marine diesel. The vessel is expected to return to service by the summer of 2018, prepared for a further 25 years of service.

General

- On September 6, 2017, BC Ferries was awarded the DuPont Global Safety Award which recognized BC Ferries' achievements and commitment to safety excellence through the SailSafe program, a joint initiative of the company and the B.C. Ferry and Marine Workers' Union. The DuPont Safety and Sustainability Awards recognize outstanding initiatives across all industries worldwide aimed at enhancing workplace safety, sustainability and operational effectiveness.
- On October 16, 2017, Corrine E. Storey assumed the role of Vice President and Chief Operating Officer. Ms. Storey was previously Vice President of Customer Services and has been with BC Ferries for 13 years.
- In November 2017, British Columbia Ferries Commissioner (the "Commissioner") released a review of BC Ferries' Annual Customer Satisfaction Tracking Survey dated October 17, 2017 prepared by MNP LLP. The report makes several recommendations to revise and augment

the survey including adopting other measurement tools, addressing all routes and customer segments, and enhancing reporting. These recommendations will be addressed as BC Ferries explores, defines and implements new data collection methodologies, analysis and reporting. The Commissioner's reports are available on the Commissioner's website at www.bcferrycommission.ca.

- In November 2017, the Commissioner released a Comparative Fare Analysis prepared by PricewaterhouseCoopers LLP, updating an earlier review conducted in 2012. The report indicates that fares at BC Ferries are generally comparable with similar ferry operators worldwide, and that BC Ferries' cost per nautical mile rankings with other ferry operators have not changed significantly since 2012. The Commissioner's reports are available on the Commissioner's website at www.bcferrycommission.ca.
- During the quarter, the Provincial government announced initiatives that include allowing B.C. seniors to travel free during the week, reducing fares by 15 per cent on some routes and freezing fares on three of the major routes while conducting an operational review of BC Ferries. BC Ferries is working with the Province, within the regulatory framework, to accomplish these objectives.

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BRITISH COLUMBIA FERRY SERVICES INC.

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

	September 30, 2017	March 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 97,158	\$ 72,032
Restricted short-term investments	32,586	32,426
Other short-term investments	150,998	115,582
Trade and other receivables	22,700	15,319
Prepaid expenses	11,861	7,454
Inventories	29,113	28,257
Derivative assets	3,119	1,604
	347,535	272,674
Non-current assets:		
Loan receivable	24,515	24,515
Land lease	30,000	30,230
Property, plant and equipment	1,685,073	1,621,802
Intangible assets	99,048	97,673
	1,838,636	1,774,220
Total assets	\$ 2,186,171	\$ 2,046,894
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 34,475	\$ 55,173
Interest payable on long-term debt	18,645	18,458
Deferred revenue	33,744	20,705
Derivative liabilities	61	1,048
Current portion of long-term debt	34,511	30,939
Current portion of accrued employee future benefits	1,400	1,400
Current portion of obligations under finance lease	1,617	1,582
Provisions	57,443	55,711
	181,896	185,016
Non-current liabilities:		
Accrued employee future benefits	22,054	20,913
Long-term debt	1,296,955	1,273,860
Obligations under finance lease	39,605	40,423
Other liabilities	7,750	5,250
	1,366,364	1,340,446
Total liabilities	1,548,260	1,525,462
Equity		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	539,771	424,020
Total equity before reserves	640,249	524,498
Reserves	(2,338)	(3,066)
Total equity including reserves	637,911	521,432
Total liabilities and equity	\$ 2,186,171	\$ 2,046,894

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended		Six months ended	
	September 30		September 30	
	2017	2016	2017	2016
Revenue:				
Vehicle and passenger fares	\$ 225,307	\$ 217,013	\$ 388,426	\$ 375,377
Ferry service fees	58,595	57,887	101,494	100,043
Net retail	21,880	20,006	36,803	33,717
Federal-Provincial Subsidy Agreement	7,446	7,290	14,891	14,579
Fuel rebates	(6,746)	(6,278)	(11,614)	(10,977)
Other income	3,128	2,995	5,498	5,373
Total revenue	309,610	298,913	535,498	518,112
Expenses:				
Operations	133,980	131,061	258,901	243,773
Maintenance	13,697	14,170	34,566	35,243
Administration	9,265	8,757	19,223	16,784
Depreciation and amortization	40,008	36,373	78,648	73,213
Total operating expenses	196,950	190,361	391,338	369,013
Operating profit	112,660	108,552	144,160	149,099
Net finance and other expenses:				
Finance income	1,365	1,148	2,428	2,183
Finance expenses	(15,420)	(14,533)	(30,588)	(28,945)
Net finance expense	(14,055)	(13,385)	(28,160)	(26,762)
(Loss) gain on disposal and revaluation of property, plant and equipment, intangible assets and inventory	(206)	32	(249)	(153)
Net finance and other expenses	(14,261)	(13,353)	(28,409)	(26,915)
NET EARNINGS	98,399	95,199	115,751	122,184
Other comprehensive income (loss):				
Items not to be reclassified to net earnings	(1,943)	(1,240)	(1,943)	(1,240)
Items to be reclassified to net earnings	6,526	208	810	10,536
Total other comprehensive income (loss)	4,583	(1,032)	(1,133)	9,296
Total comprehensive income	\$ 102,982	\$ 94,167	\$ 114,618	\$ 131,480

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Six months ended September 30	
	2017	2016
Cash flows from operating activities:		
Net earnings	\$ 115,751	\$ 122,184
Items not affecting cash:		
Net finance expense	28,160	26,762
Depreciation and amortization	78,648	73,213
Loss on disposal and revaluation of property, plant and equipment, intangible assets and inventory	249	153
Other non-cash changes to property, plant and equipment	37	(931)
Changes in:		
Accrued employee future benefits	(802)	161
Derivative liabilities (assets) recognized in net earnings	45	(20)
Provisions	1,732	1,672
Long-term land lease	230	229
Accrued financing costs	59	360
Total non-cash items	108,358	101,599
Movements in operating working capital:		
Trade and other receivables	(7,381)	(501)
Prepaid expenses	(4,407)	(3,614)
Inventories	(856)	(2,366)
Accounts payable and accrued liabilities	(20,698)	(5,998)
Deferred revenue	13,039	(1,890)
Change in non-cash working capital	(20,303)	(14,369)
Change attributable to capital asset acquisitions	12,418	1,565
Change in non-cash operating working capital	(7,885)	(12,804)
Cash generated from operating activities	216,224	210,979
Interest received	2,200	1,797
Interest paid	(32,776)	(32,281)
Net cash generated by operating activities	185,648	180,495
Cash flows from financing activities:		
Proceeds from long term debt	45,264	-
Repayment of long-term debt	(17,641)	(12,000)
Repayment of finance lease obligations	(783)	(748)
Deferred financing costs incurred	(1,470)	-
Net cash generated by (used in) financing activities	25,370	(12,748)
Cash flows from investing activities:		
Proceeds from disposal of property, plant and equipment	34	101
Purchase of property, plant and equipment and intangible assets	(150,350)	(67,241)
Changes in debt service reserve	(160)	250
Net purchase of short-term investments	(35,416)	(48,050)
Net cash used in investing activities	(185,892)	(114,940)
Net increase in cash and cash equivalents	25,126	52,807
Cash and cash equivalents, beginning of period	72,032	79,113
Cash and cash equivalents, end of period	\$ 97,158	\$ 131,920

BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Changes in Equity
 Six months ended September 30, 2017 and 2016
 (Expressed in thousands of Canadian dollars)
 (Unaudited)

	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	-	-	122,184	122,184	-	122,184
Other comprehensive income	-	-	-	-	9,296	9,296
Realized hedge losses recognized in fuel swaps	-	-	-	-	5,135	5,135
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	124	124
Balance as at September 30, 2016	\$ 75,478	25,000	474,876	575,354	(9,668)	565,686
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
Balance as at September 30, 2017	\$ 75,478	25,000	539,771	640,249	(2,338)	637,911