

For Immediate Release
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BC FERRIES RELEASES YEAR-END RESULTS **Increased traffic allows company to improve the customer experience**

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) released its year-end results today with consolidated net earnings of \$59.9 million for fiscal 2018. This year, BC Ferries experienced the highest passenger traffic levels in 20 years and the highest levels of vehicle traffic ever.

“Strong financial results are essential for us to improve the customer experience in a variety of ways. This performance helps us to increase service, invest in new vessels and terminal infrastructure, offer discounts and minimize borrowing,” said Mark Collins, BC Ferries’ President and CEO. “Robust earnings allow us to operate a sustainable coastal ferry system that will serve our customers for generations to come. We also use net earnings to deliver an improving customer experience with modernized information technology systems and more environmentally-friendly ships.”

BC Ferries has continued to focus on fare affordability. During fiscal 2018, there were no increases to vehicle and passenger fares across all routes with the exception of the 1.9 per cent vehicle fare increase on the Major Routes between Metro Vancouver and Vancouver Island. Despite this increase, the average cost of vehicle travel on the Major Routes dropped year-over-year due to promotional discounts and the reduction in reservation fees. In addition, BC Ferries absorbed \$15.7 million to eliminate the balance in the non-northern routes’ deferred fuel cost account.

At the start of fiscal 2019 (April 1, 2018), the fares on all routes were reduced by 15 per cent with the exception of the three Metro Vancouver – Vancouver Island routes where they were held constant. The B.C. seniors’ passenger discount was increased from 50 per cent to 100 per cent for travel Monday to Thursday. These initiatives will be partly funded by the Province.

On June 12, 2018, BC Ferries announced that due to current world fuel market conditions, the company will remove the fuel rebates currently in place on June 27, 2018. BC Ferries uses a fuel rebate/surcharge mechanism to manage the volatility in the price of fuel. When fuel prices are lower, BC Ferries passes lower fuel prices on to customers through a fuel rebate. When fuel prices are higher, BC Ferries charges a fuel surcharge specifically designed to cover the additional cost of fuel. The company does not benefit financially from the mechanism. Fuel rebates of 2.9 per cent for the major and minor routes and 1.9 per cent for the northern routes have been in place since the spring of 2016. This equates to 50 cents for an adult and \$1.70 for a vehicle on the Metro Vancouver – Vancouver Island route and 30 cents for an adult and 70 cents on a variety of minor routes, for example.

Revenues for fiscal 2018 increased \$39.7 million, from \$859.3 million to \$899.0 million, primarily due to higher traffic levels and retail sales. To accommodate the higher traffic levels and improve the customer experience, BC Ferries provided over 174,000 sailings, 2,962 more round trips than required under the Coastal Ferry Services Contract and 1,190 more round trips compared to the prior year. Many of these sailings were added on inter-island routes, and while they were required to carry the traffic, they came at a cost to BC Ferries. The company also welcomed three new Salish Class vessels into service. These initiatives resulted in a one-time increase in fuel consumption, labour and training related transition costs. As a result, total operating expenses increased \$56.5 million from \$726.2 million to \$782.7 million and net earnings decreased as costs grew faster than revenues.

“BC Ferries is committed to improving service for coastal communities,” said Collins. “We experienced record traffic levels last year and we substantially increased round trips to accommodate this. We predict this trend will continue.”

Capital expenditures in the 12 months ended March 31, 2018 were \$252.3 million. For fiscal 2018, these expenditures include:

- \$110.1 million in vessel upgrades and modifications
- \$81.6 million in new vessels
- \$24.4 million in information technology
- \$20.5 million in terminal marine structures and
- \$15.7 million in terminal building 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 2018, are filed on SEDAR and will be available at 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 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 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: traffic levels, the Salish Class vessels, the Northern Sea Wolf, and 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 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.

BACKGROUNDER

Significant events in fiscal 2018 or subsequent to the period include the following:

Traffic

- In fiscal 2018, BC Ferries experienced a 5.0 per cent increase in vehicle traffic and a 4.7 per cent increase in passenger traffic compared to fiscal 2017. The passenger traffic levels are the highest the company has experienced in 20 years and the vehicle traffic levels are the highest ever experienced.
- BC Ferries provided over 174,000 sailings, 2,962 more round trips than required under the Coastal Ferry Services Contract and 1,190 more round trips compared to the prior year.

Tariffs

- On April 1, 2017, BC Ferries applied average fare increases below those allowed by the BC Ferries Commissioner (the “Commissioner”). No passenger or vehicle fare increases were implemented on any routes with the exception of the three Major Routes connecting Metro Vancouver with mid and southern Vancouver Island. Average vehicle fare increases of 1.9 per cent were implemented on these three Major Routes which enabled the company to provide promotional fares with significant discounts on many sailings. No increase in passenger fares was implemented on these routes. Also on April 1, 2017, BC Ferries implemented reductions in reservation fees.
- On April 1, 2018, BC Ferries implemented a fare reduction of 15 per cent, on average, on the Northern Routes, the regulated Other Routes and on the Major Route connecting Horseshoe Bay and Langdale. Fares were held constant on the three Major Routes connecting Metro Vancouver with mid and southern Vancouver Island. Also on April 1, 2018, the B.C. seniors’ passenger discount increased from 50 per cent to 100 per cent for travel Monday to Thursday on the Major and Other Routes. The company reached an agreement with the Province regarding the funding of these initiatives at a cost of \$43.2 million for fiscal 2019 and \$54.8 million for fiscal 2020, for a total of \$98 million. BC Ferries is contributing \$39 million by foregoing fare increases and the Province is contributing \$59 million for fare reductions and increased B.C. seniors’ discounts.

Vessels

- On May 16, 2017, the first Salish Class vessel, the Salish Orca, commenced regularly scheduled service between Comox and Powell River. On June 21, 2017 and on August 3, 2017, the Salish Eagle and the Salish Raven, respectively, commenced regularly scheduled service in the Southern Gulf Islands.

- On December 15, 2017, the Northern Sea Wolf arrived in British Columbia after a 10,097 nautical mile journey from Athens, Greece. The 75-metre used vessel is undergoing extensive upgrades at Esquimalt Drydock Company, a local shipyard, in preparation for regular service commencing in the summer of 2018.
- On June 1, 2017, BC Ferries entered into a five-year supply agreement with Point Hope Maritime Ltd. of Victoria, B.C. for the maintenance of eight of our minor vessels. The company has approximately 20 scheduled dry-dockings for these vessels over the next five years and this strategic partnership ensures a local and secure supply of services.
- On June 6, 2018, one of our two largest vessels, the Spirit of British Columbia, returned to service on the Tsawwassen – Swartz Bay route following a mid-life upgrade. This mid-life upgrade, which will enable the vessel to be in service for another 25 years, included major upgrades to the customer amenities and the conversion to dual-fuel so it can operate on liquefied natural gas or ultra-low sulphur marine diesel.

Financing

- On April 28, 2017 and on May 4, 2017, BC Ferries drew the final \$45 million under its export loan agreement with KfW IPEX-Bank GmbH, to coincide with the contract payment schedule for the Salish Raven. The net proceeds from the loan were used to partially finance the purchase of the Salish Raven.

General

- On April 1, 2017, Mark Collins assumed the role of President and CEO. A long time marine executive for the past 20 years, Mr. Collins' experience includes roles as the President of Rolls Royce Marine Brazil and Italy and Vice President of Global Technical Services, CSL Group. Mr. Collins was previously Vice President of Strategic Planning & Community Engagement at BC Ferries, and was the Vice President, Engineering between 2004 and 2012.
- On July 1, 2017, Alana Gallagher assumed the role of Chief Financial Officer. Ms. Gallagher was previously Treasurer and has been at BC Ferries for 18 years.
- On October 16, 2017, Corrine 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.

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BRITISH COLUMBIA FERRY SERVICES INC.

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

	As at March 31	
	2018	2017
Assets		
Current assets		
Cash and cash equivalents	69,913	72,032
Restricted short-term investments	32,276	32,426
Other short-term investments	114,259	115,582
Trade and other receivables	26,258	15,319
Prepaid expenses	8,434	7,454
Inventories	31,584	28,257
Derivative assets	12,530	1,604
	295,254	272,674
Non-current assets		
Loan receivable	24,515	24,515
Land lease	29,771	30,230
Property, plant and equipment	1,713,080	1,621,802
Intangible assets	99,802	97,673
	1,867,168	1,774,220
Total assets	2,162,422	2,046,894
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	77,233	55,173
Interest payable on long-term debt	18,537	18,458
Deferred revenue	32,034	20,705
Derivative liabilities	-	1,048
Current portion of long-term debt	34,594	30,939
Current portion of accrued employee future benefits	3,000	1,400
Current portion of obligations under finance lease	1,652	1,582
Provisions	60,372	55,711
	227,422	185,016
Non-current liabilities		
Accrued employee future benefits	21,299	20,913
Long-term debt	1,279,775	1,273,860
Obligations under finance lease	38,769	40,423
Other liabilities	7,750	5,250
	1,347,593	1,340,446
Total liabilities	1,575,015	1,525,462
Equity		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	477,955	424,020
Total equity before reserves	578,433	524,498
Reserves	8,974	(3,066)
Total equity including reserves	587,407	521,432
Total liabilities and equity	2,162,422	2,046,894

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2018	2017
Revenue		
Vehicle and passenger fares	640,234	608,713
Ferry service fees	178,540	174,871
Net retail	60,071	55,139
Federal-Provincial Subsidy Agreement	29,782	29,158
Fuel rebates	(19,386)	(18,068)
Other income	9,777	9,470
Total revenue	899,018	859,283
Expenses		
Operations	496,753	467,300
Maintenance	87,615	74,165
Administration	38,399	35,804
Depreciation and amortization	159,916	148,952
Total operating expenses	782,683	726,221
Operating profit	116,335	133,062
Net finance and other expenses		
Finance expenses	60,679	58,759
Finance income	(5,495)	(4,651)
Net finance expense	55,184	54,108
Loss on disposal and revaluation of property, plant and equipment and intangible assets	1,178	1,588
Net finance and other expenses	56,362	55,696
NET EARNINGS	59,973	77,366
Other comprehensive income		
Items not to be reclassified to net earnings	(118)	2,480
Items to be reclassified to net earnings	13,580	12,119
Total other comprehensive income	13,462	14,599
Total comprehensive income	73,435	91,965

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2018	2017
Cash flows from operating activities		
Net earnings	59,973	77,366
Items not affecting cash		
Net finance expense	55,184	54,108
Depreciation and amortization	159,916	148,952
Other non-cash adjustments to property, plant and equipment	2,185	(279)
Changes in:		
Accrued employee future benefits	43	(188)
Derivative assets recognized in net earnings	(64)	(5)
Provisions	4,661	7,021
Long-term land lease	459	458
Accrued financing costs	(233)	286
Total non-cash items	222,151	210,353
Movements in operating working capital		
Trade and other receivables	(10,939)	930
Prepaid expenses	(980)	1,096
Inventories	(3,327)	(4,269)
Accounts payable and accrued liabilities	22,060	(3,033)
Deferred revenue	11,329	1,822
Change in non-cash working capital	18,143	(3,454)
Change attributable to capital asset acquisitions	(24,258)	2,357
Change in non-cash operating working capital	(6,115)	(1,097)
Cash generated from operating activities	276,009	286,622
Interest received	5,560	4,339
Interest paid	(65,615)	(64,526)
Net cash generated by operating activities	215,954	226,435

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2018	2017
Cash flows from financing activities		
Proceeds from long-term debt	45,264	90,122
Repayment of long-term debt	(35,312)	(24,934)
Repayment of finance lease obligations	(1,583)	(1,512)
Dividends paid on preferred shares	(6,038)	(6,038)
Deferred financing costs incurred	(1,417)	(2,965)
Net cash generated by financing activities	914	54,673
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	476	137
Purchase of property, plant and equipment and intangible assets	(220,936)	(233,768)
Changes in debt service reserve	150	(440)
Net proceeds from (purchase of) short-term investments	1,323	(54,118)
Net cash used in investing activities	(218,987)	(288,189)
Net decrease in cash and cash equivalents	(2,119)	(7,081)
Cash and cash equivalents, beginning of year	72,032	79,113
Cash and cash equivalents, end of year	69,913	72,032

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, 2016	75,478	25,000	352,692	453,170	(24,223)	428,947
Net earnings	-	-	77,366	77,366	-	77,366
Other comprehensive income	-	-	-	-	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)
Balance as at March 31, 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