

For Immediate Release
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August 15, 2019

BC FERRIES RELEASES FIRST QUARTER RESULTS

VICTORIA –BC Ferries released its first quarter results today for the three months ended June 30, 2019. Passenger and vehicle traffic levels are the highest the company has ever experienced in the first quarter of a fiscal year.

Net earnings for the first quarter of fiscal 2020 were \$12.2 million, compared to net earnings of \$6.0 million for the same quarter of the previous year.

“Net earnings are essential for us to fulfill our commitment to support the growing needs of coastal communities,” said Mark Collins, BC Ferries’ President and CEO. “With the public interest in mind, we reinvest all earnings back into the ferry system. This is evidenced by our \$26 million of investments this quarter which is more than our \$12.2 million of net earnings. This enables expanded service to communities, larger ships, upgraded terminals, debt reduction and financial sustainability.”

To improve customer experience, accommodate the higher traffic volumes, and deliver the increased service levels agreed to with the Province, BC Ferries provided more than 700 additional round trips compared to the same period in the prior year. The company also introduced the Northern Sea Wolf and re-introduced the upgraded Spirit of Vancouver Island into service. These actions contributed to a 7.3 per cent increase in revenue and a corresponding 5.0 per cent increase in expenses compared to the first quarter of the previous fiscal year.

In this quarter, BC Ferries invested \$26 million as part of its \$3.9 billion 12-Year Capital Plan that is focused on replacing ships and upgrading terminals. “Our Capital Plan is vital to maintain an efficient ferry service that meets the increasing demands on the system,” said Collins. “We need to replace half of our fleet over the next 15 years as we incorporate clean technology and increase capacity.”

BC Ferries continues to focus on fare affordability. At the start of fiscal 2019 (April 1, 2018), BC Ferries, with partial funding from the Province, reduced fares on the minor and northern routes by 15 per cent. Fares on the three Metro Vancouver – Vancouver Island routes were held constant. There are no fare increases being introduced in fiscal 2020.

“Focusing on cost improvements in fuel, maintenance, labour and increasing diversified revenues are ways we reduce upward pressure on fares,” said Collins.

In the three months ended June 30, 2019, BC Ferries delivered over 45,000 sailings, an average of 497 sailings per day for its customers. In the interest of the travelling public, there were

3,268 more round trips provided than required under the Coastal Ferry Services Contract this quarter. The company carried 5.8 million passengers and 2.4 million vehicles, an increase of 2.2 per cent and 2.5 per cent, respectively, compared to the same quarter in the prior year.

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.

– 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 22.3 million passengers and 8.9 million vehicles during the fiscal year ended March 31, 2019. 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: net earnings, fares, the 12-Year Capital Plan, the Spirit of Vancouver Island mid-life upgrade, and the vessel replacement program. 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 Aboriginal rights and title 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 15, 2019

SIGNIFICANT EVENTS FIRST QUARTER FISCAL 2020

Significant events during or subsequent to the First Quarter of 2020 include the following:

Cost of Travel

- On April 1, 2019, as agreed with and partially funded by the Province, fares on all routes for fiscal 2020 were held at the fiscal 2019 level. On April 1, 2018, BC Ferries applied a fare reduction of 15% 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 BC seniors' passenger discount increased from 50% to 100% for travel Monday to Thursday on the Major and Other Routes. The total estimated value of these initiatives over fiscal 2019 and fiscal 2020 is approximately \$98 million, of which BC Ferries will contribute \$39 million in foregone revenue. In fiscal 2019, the Province partially funded the fare reductions and the increase to the BC seniors' discount with a contribution of \$26.5 million, and in fiscal 2020 the Province will contribute \$32.5 million.
- On June 1, 2019, due to current fuel market conditions, the company implemented a fuel surcharge of 1.5 per cent on average on all routes with the exception of the Port Hardy – Prince Rupert, Prince Rupert – Haida Gwaii and Port Hardy – Central Coast routes.

Vessels

- April 18, 2019, the Spirit of Vancouver Island returned to service on the Tsawwassen – Swartz Bay route following its mid-life upgrade. This mid-life upgrade, which will enable the vessel to operate for another 25 years, included major upgrades to the customer amenities, and the conversion to dual-fuel so the vessel can operate on LNG or ultra-low sulphur marine diesel.
- On May 18, 2019, the Northern Sea Wolf entered service in the Central Coast region. The Northern Sea Wolf, a 75-metre vessel built in 2000, underwent extensive upgrades necessary to bring it up to BC Ferries and Transport Canada's standards of safety and reliability. The vessel accommodates approximately 35 vehicles and 150 passengers and crew. On June 3, 2019, the Northern Sea Wolf began direct seasonal service between Bella Coola and Port Hardy.

General

- On April 1, 2019, the BC Ferries Commissioner released its Preliminary Decision on Price Caps for Performance Term Five, setting increases in price caps at 2.3 per cent per year from April 1, 2020 through March 31, 2024. BC Ferries reviewed the preliminary decision and

provided additional information for consideration to the Commissioner. The Commissioner will issue its decision on final price caps by no later than September 30, 2019.

- On May 16, 2019, the Province enacted legislation to amend the *Coastal Ferry Act* (the “Act”) based on the recommendations from the review conducted by government of coastal ferry services in British Columbia. The amendments include:
 - requiring the Commissioner to consider public interest when regulating ferry operators and encouraging ferry operators to meet the Province’s greenhouse gas emission targets;
 - authorizing the payment by the Commissioner of part or all costs incurred by an eligible organization participating in a proceeding under the Act, if the Commissioner considers it in the public interest;
 - removing as a regulatory principle, the requirement for the Commissioner to encourage BC Ferries to adopt a commercial approach;
 - increasing the number of B.C. Ferry Authority (“Authority”) directors appointed by government from two to four and eliminating the two director positions filled by the Authority from members of the community-at-large;
 - mandating that the Authority oversee the strategic direction of BC Ferries in support of the public interest including the public’s interest in safe, reliable and affordable coastal ferry services in British Columbia;
 - requiring the Authority to set term limits when appointing directors to the BC Ferries board and limiting the consecutive years a director can serve on the Board to eight;
 - expanding the definition of an “executive” of BC Ferries whose remuneration is governed by an executive compensation plan approved by the Authority to include vice presidents; and
 - removing the requirement for ferry operators to seek alternative service providers for services on the designated ferry routes serviced by the ferry operator in an effort to reduce the costs of providing those services.
- On May 22, 2019, three board members resigned from the British Columbia Ferry Services Inc. Board following the introduction of a newly enacted amendment to the Coastal Ferry Act that sets term limits of board members to a maximum of eight consecutive years.

- 30 -

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BRITISH COLUMBIA FERRY SERVICES INC.

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

	June 30, 2019	March 31, 2019
Assets		
Current assets		
Cash and cash equivalents	60,333	59,888
Restricted short-term investments	31,531	31,651
Other short-term investments	58,173	74,648
Trade and other receivables	32,815	23,246
Prepaid expenses	20,302	8,306
Inventories	30,605	30,870
Derivative assets	3,844	8,145
	237,603	236,754
Non-current assets		
Loan receivable	24,515	24,515
Property, plant and equipment	1,801,960	1,820,232
Intangible assets	100,432	101,029
Derivative assets	1,279	-
	1,928,186	1,945,776
Total assets	2,165,789	2,182,530
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	55,131	80,173
Interest payable on long-term debt	16,033	18,429
Contract liabilities	32,365	28,709
Current portion of long-term debt	77,831	57,183
Current portion of accrued employee future benefits	2,000	2,000
Current portion of lease liabilities	2,301	2,184
Provisions	65,110	62,778
	250,771	251,456
Non-current liabilities		
Accrued employee future benefits	20,377	20,583
Long-term debt	1,195,868	1,222,860
Lease liabilities	39,400	39,797
Other liabilities	11,840	9,516
	1,267,485	1,292,756
Total liabilities	1,518,256	1,544,212
Equity		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	537,175	525,006
Total equity before reserves	637,653	625,484
Reserves	9,880	12,834
Total equity including reserves	647,533	638,318
Total liabilities and equity	2,165,789	2,182,530

BRITISH COLUMBIA FERRY SERVICES INC.

Condensed Interim Consolidated Statements of Profit or Loss and Other Comprehensive Income (unaudited)
(Expressed in thousands of Canadian dollars)

	Three months ended June 30	
	2019	2018
Revenue		
Vehicle and passenger fares	162,476	158,427
Net retail	16,797	15,559
Fuel surcharges (rebates)	839	(4,517)
Other income	3,037	2,808
Revenue from customers	183,149	172,277
Ferry service fees	55,409	49,797
Federal-Provincial Subsidy Agreement	7,835	7,626
Total revenue	246,393	229,700
Expenses		
Operations	140,688	135,872
Maintenance	26,312	22,221
Administration	8,696	9,739
Depreciation and amortization	44,722	42,025
Total operating expenses	220,418	209,857
Operating profit	25,975	19,843
Net finance and other expenses		
Finance expenses	14,991	14,972
Finance income	(1,173)	(1,257)
Net finance expense	13,818	13,715
(Gain) loss on disposal and revaluation of property, plant and equipment and intangible assets	(12)	88
Net finance and other expenses	13,806	13,803
NET EARNINGS	12,169	6,040
Other comprehensive (loss) income		
Items that will be reclassified subsequently to net earnings	(58)	7,879
Total other comprehensive (loss) income	(58)	7,879
Total comprehensive income	12,111	13,919

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended June 30	
	2019	2018
Cash flows from operating activities		
Net earnings	12,169	6,040
Items not affecting cash		
Net finance expense	13,818	13,715
Depreciation and amortization	44,722	42,025
Other non-cash changes to property, plant and equipment	(46)	412
Changes in:		
Accrued employee future benefits	(206)	(536)
Derivative assets and liabilities recognized in net earnings	7	62
Provisions	2,332	2,385
Accrued financing costs	635	503
Total non-cash items	61,262	58,566
Movements in operating working capital		
Trade and other receivables	(9,569)	(13,990)
Prepaid expenses	(11,996)	(11,086)
Inventories	265	121
Accounts payable and accrued liabilities	(25,042)	7,648
Contract liabilities	3,656	4,609
Change in non-cash working capital	(42,686)	(12,698)
Change attributable to capital asset acquisitions	26,940	1,178
Change in non-cash operating working capital	(15,746)	(11,520)
Cash generated from operating activities	57,685	53,086
Interest received	700	767
Interest paid	(18,582)	(18,919)
Net cash generated by operating activities	39,803	34,934

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended June 30	
	2019	2018
Cash flows from financing activities		
Repayment of long-term debt	(6,571)	(6,571)
Repayment of lease liabilities	(552)	(529)
Net cash used in financing activities	(7,123)	(7,100)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	95	14
Purchase of property, plant and equipment and intangible assets	(48,925)	(72,446)
Changes in debt service reserve	120	120
Net proceeds from short-term investments	16,475	25,846
Net cash used in investing activities	(32,235)	(46,466)
Net increase (decrease) in cash and cash equivalents	445	(18,632)
Cash and cash equivalents, beginning of period	59,888	69,913
Cash and cash equivalents, end of period	60,333	51,281

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 April 1, 2018	75,478	25,000	478,855	579,333	8,974	588,307
Net earnings	-	-	6,040	6,040	-	6,040
Other comprehensive income	-	-	-	-	7,879	7,879
Realized hedge gains recognized in fuel swaps	-	-	-	-	(3,322)	(3,322)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	62	62
Balance as at June 30, 2018	75,478	25,000	484,895	585,373	13,593	598,966
Balance as at April 1, 2019	75,478	25,000	525,006	625,484	12,834	638,318
Net earnings	-	-	12,169	12,169	-	12,169
Other comprehensive loss	-	-	-	-	(58)	(58)
Realized hedge gains recognized in fuel swaps	-	-	-	-	(2,957)	(2,957)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	61	61
Balance as at June 30, 2019	75,478	25,000	537,175	637,653	9,880	647,533