

For Immediate Release  
19-006

February 22, 2019

### **BC FERRIES RELEASES THIRD QUARTER RESULTS**

VICTORIA –BC Ferries released its third quarter results today for the fiscal year ending March 31, 2019. The company reported a net loss of \$3.7 million for the three months ended December 31, 2018, as compared to a net loss of \$14.8 million reported in the same quarter last year.

In the three months ended December 31, 2018, BC Ferries delivered over 42,000 sailings, an average of 466 sailings per day for its customers. The company carried 4.7 million passengers and 2.0 million vehicles, an increase of 1.7 per cent and 2.6 per cent respectively, compared to the same quarter in the prior year. These passenger traffic levels are the highest the company has experienced in over 20 years and vehicle traffic levels are the highest ever experienced.

Due to the seasonality of ferry travel, BC Ferries generates higher net earnings in the first and second quarters – the spring and summer months – which are typically reduced by net losses in the third and fourth quarters, when fewer discretionary customers are travelling. BC Ferries performs vessel refits and major maintenance programs on its fleet during the fall and winter months to minimize the impact on ferry passengers.

Year-to-date net earnings were \$93.2 million, \$7.7 million lower than the same period last year. These lower results reflect a reduction in fares, additional sailings, costs associated with the reintroduction of the Spirit of British Columbia following its mid-life upgrade and service enhancements for ferry users.

Capital expenditures in the three and nine months periods ended December 31, 2018 totalled \$45.0 million and \$171.8 million, respectively. In the nine months ended December 31, 2018, the total spent in British Columbia was approximately \$105 million with firms such as Esquimalt Drydock Company, Fraser River Pile & Dredge (GP) Inc., Point Hope Maritime Ltd., Vancouver Drydock Co., and Vancouver Shipyards Co. Ltd., as well as at BC Ferries' own maintenance facility in Richmond. In the three and nine months ended December 31, 2018, \$11.3 million in grant funding was recorded (\$0.8 million from FortisBC in the three months ended December 31, 2018 and \$10.5 million from the federal New Building Canada Fund in the nine months ended December 31, 2018).

“We are expecting to have a busy year as we carry record high levels of traffic, deliver new vessels and commence major construction projects, while continuing to provide the best possible service to ferry users,” said Mark Collins, BC Ferries' President and CEO.

Last fall, BC Ferries filed its Performance Term Five Submission to the British Columbia Ferries Commissioner. The submission provides information to assist the Commissioner to establish price caps for all regulated routes as specified in the Coastal Ferry Services Contract, for the period of

April 1, 2020 – March 31, 2024. The Commissioner will release his preliminary ruling by March 31, 2019, with the final ruling expected by September 30, 2019.

A key element of the Performance Term Five Submission is BC Ferries' 12-Year Capital Plan, which details plans to invest more than \$3.9 billion. This will be the largest capital plan in BC Ferries' history. "The capital plan emphasizes more system capacity, operational efficiency, resiliency and travel certainty. These are the things ferry users tell us they want," said Collins.

This spring will see the Spirit of Vancouver Island re-enter service with its advanced liquefied natural gas propulsion system and mid-life upgrade. This investment lowers greenhouse gas emissions and particulate emissions, as well as reducing fuel spend. It is a major step in BC Ferries' Clean Technology Adoption Plan.

This fall will see the delivery of two new Island Class vessels outfitted with hybrid diesel-electric propulsion. They will be built to be capable of conversion to all-electric propulsion as the technology permits and the necessary infrastructure becomes available. These 81-metre ships will accommodate 450 passengers and crew and approximately 47 vehicles. They are expected to enter service on the Texada Island – Powell River and Port McNeill – Alert Bay – Sointula Island routes in 2020. Their arrival is the next significant step in BC Ferries' Clean Technology Adoption Plan.

"Another major capital investment expected to start later this year is our Langdale terminal redevelopment project, which includes the long-anticipated construction of an overhead foot passenger walkway," said Collins. The project also incorporates a new terminal building, ticketing plaza as well as parking lot and pick-up and drop-off area upgrades. "The entire project is expected to be finished within three years and will improve the travel experience, increase on-time performance and improve safety at the terminal."

"As we continue to connect communities, it's important to engage with our customers to understand and consider the improvements they would like to see," said Collins. "For example, Texada Island representatives have asked for direct access to and from Comox. As a result, this spring we are upgrading the terminal infrastructure at Texada Island to handle our Salish Class vessels on a regular basis. In the fall, we'll start a bi-weekly pilot service with a triangle run between Comox, Texada Island and Powell River. Powell River has been very supportive of their neighbours on Texada Island. We're pleased to be a part of such great community spirit."

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: traffic levels, the 12-Year Capital Plan, the Performance Term Five Submission, the Province’s Review of Coastal Ferry Services, BC Ferries’ Clean Technology Adoption Plan, the Island Class vessels, the Langdale terminal redevelopment plan, the Texada Island pilot, 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.

February 22, 2019

**SIGNIFICANT EVENTS IN THE THIRD QUARTER FISCAL 2019**

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

On February 22, 2019, the Province released its report on the Review of Coastal Ferry Services.

On January 25, 2019, the Commissioner issued Order 19-03, which supercedes Order 17-02, in which he re-established the criteria for determining a major capital expenditure which requires advance approval. The Commissioner's orders are available on the Commissioner's website at [www.bcferrycommission.com](http://www.bcferrycommission.com).

On January 7, 2019, the British Columbia Ferries Commissioner approved the company's application of a major capital expenditure for four Island Class vessels and one Salish Class vessel. The procurement process includes two Requests for Proposals (RFP) open to local, national and international shipyards. The first RFP issued in November 2018 is for the construction of one vessel, identical to BC Ferries' Salish Class vessels, with a capacity of 600 passengers and crew and approximately 138 vehicles. The Salish Class will be dual-fuel capable, running primarily on liquefied natural gas using marine diesel as a back-up. The second RFP issued in December 2018 is for the construction of four 81-metre Island Class ferries, each with a capacity of up to 450 passengers and crew and approximately 47 vehicles. 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.

On October 5, 2018, the company 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.

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# BRITISH COLUMBIA FERRY SERVICES INC.

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

|   | December 31, 2018 | March 31, 2018   |
|---|-------------------|------------------|
| <b>Assets</b>                                       |                   |                  |
| <b>Current assets</b>                               |                   |                  |
| Cash and cash equivalents                           | 109,642           | 69,913           |
| Restricted short-term investments                   | 31,841            | 32,276           |
| Other short-term investments                        | 90,498            | 114,259          |
| Trade and other receivables                         | 27,291            | 26,258           |
| Prepaid expenses                                    | 11,265            | 8,434            |
| Inventories   | 30,421            | 31,584           |
| Derivative assets                                   | 2,426             | 12,530           |
|   | 303,384           | 295,254          |
| <b>Non-current assets</b>                           |                   |                  |
| Loan receivable                                     | 24,515            | 24,515           |
| Land lease  | -                 | 29,771           |
| Property, plant and equipment                       | 1,788,657         | 1,713,080        |
| Intangible assets                                   | 100,322           | 99,802           |
|   | 1,913,494         | 1,867,168        |
| <b>Total assets</b>                                 | <b>2,216,878</b>  | <b>2,162,422</b> |
| <b>Liabilities</b>                                  |                   |                  |
| <b>Current liabilities</b>                          |                   |                  |
| Accounts payable and accrued liabilities            | 72,919            | 77,233           |
| Interest payable on long-term debt                  | 16,375            | 18,537           |
| Deferred revenue                                    | 26,991            | 32,034           |
| Derivative liabilities                              | 1,330             | -                |
| Current portion of long-term debt                   | 34,662            | 34,594           |
| Current portion of accrued employee future benefits | 1,800             | 3,000            |
| Current portion of lease liability                  | 2,222             | 1,652            |
| Provisions  | 63,723            | 60,372           |
|   | 220,022           | 227,422          |
| <b>Non-current liabilities</b>                      |                   |                  |
| Accrued employee future benefits                    | 20,717            | 21,299           |
| Long-term debt                                      | 1,256,223         | 1,279,775        |
| Lease liability                                     | 39,960            | 38,769           |
| Other liabilities                                   | 9,621             | 7,750            |
|   | 1,326,521         | 1,347,593        |
| <b>Total liabilities</b>                            | <b>1,546,543</b>  | <b>1,575,015</b> |
| <b>Equity</b>                                       |                   |                  |
| Share capital                                       | 75,478            | 75,478           |
| Contributed surplus                                 | 25,000            | 25,000           |
| Retained earnings                                   | 572,071           | 477,955          |
| <b>Total equity before reserves</b>                 | <b>672,549</b>    | <b>578,433</b>   |
| Reserves  | (2,214)           | 8,974            |
| <b>Total equity including reserves</b>              | <b>670,335</b>    | <b>587,407</b>   |
| <b>Total liabilities and equity</b>                 | <b>2,216,878</b>  | <b>2,162,422</b> |

# BRITISH COLUMBIA FERRY SERVICES INC.

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

|  | Three months ended<br>December 31 |                 | Nine months ended<br>December 31 |                |
|--|-----------------------------------|-----------------|----------------------------------|----------------|
|  | 2018                              | 2017            | 2018                             | 2017           |
| <b>Revenue</b>   |                                   |                 |                                  |                |
| Vehicle and passenger fares  | 134,020                           | 136,201         | 505,634                          | 524,626        |
| Net retail   | 14,200                            | 13,147          | 52,820                           | 49,950         |
| Fuel rebates   | -                                 | (4,169)         | (4,584)                          | (15,783)       |
| Other income   | 2,297                             | 2,610           | 8,537                            | 8,827          |
| Revenue from customers   | 150,517                           | 147,789         | 562,407                          | 567,620        |
| Ferry service fees   | 49,554                            | 40,380          | 167,934                          | 141,874        |
| Federal-Provincial Subsidy Agreement   | 7,626                             | 7,446           | 22,878                           | 22,337         |
| <b>Total revenue</b>   | <b>207,697</b>                    | <b>195,615</b>  | <b>753,219</b>                   | <b>731,831</b> |
| <b>Expenses</b>  |                                   |                 |                                  |                |
| Operations   | 122,759                           | 118,004         | 401,294                          | 377,624        |
| Maintenance  | 22,355                            | 28,185          | 60,289                           | 62,751         |
| Administration   | 9,654                             | 9,020           | 29,348                           | 28,243         |
| Depreciation and amortization  | 43,568                            | 40,453          | 128,514                          | 119,101        |
| <b>Total operating expenses</b>  | <b>198,336</b>                    | <b>195,662</b>  | <b>619,445</b>                   | <b>587,719</b> |
| <b>Operating profit (loss)</b>   | <b>9,361</b>                      | <b>(47)</b>     | <b>133,774</b>                   | <b>144,112</b> |
| <b>Net finance and other expenses</b>  |                                   |                 |                                  |                |
| Finance expenses   | 14,713                            | 15,284          | 44,953                           | 45,872         |
| Finance income   | (1,701)                           | (1,501)         | (4,568)                          | (3,929)        |
| Net finance expense  | 13,012                            | 13,783          | 40,385                           | 41,943         |
| Loss on disposal and revaluation of property,<br>plant and equipment and intangible assets | 30                                | 1,009           | 173                              | 1,258          |
| <b>Net finance and other expenses</b>  | <b>13,042</b>                     | <b>14,792</b>   | <b>40,558</b>                    | <b>43,201</b>  |
| <b>NET (LOSS) EARNINGS</b>   | <b>(3,681)</b>                    | <b>(14,839)</b> | <b>93,216</b>                    | <b>100,911</b> |
| <b>Other comprehensive (loss) income</b>   |                                   |                 |                                  |                |
| Items not to be reclassified to net earnings   | -                                 | -               | -                                | (1,943)        |
| Items to be reclassified to net earnings   | (10,962)                          | 9,731           | (1,638)                          | 10,541         |
| <b>Total other comprehensive (loss) income</b>   | <b>(10,962)</b>                   | <b>9,731</b>    | <b>(1,638)</b>                   | <b>8,598</b>   |
| <b>Total comprehensive (loss) income</b>   | <b>(14,643)</b>                   | <b>(5,108)</b>  | <b>91,578</b>                    | <b>109,509</b> |

# BRITISH COLUMBIA FERRY SERVICES INC.

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

|  | Nine months ended December 31 |          |
|--|-------------------------------|----------|
|  | 2018                          | 2017     |
| <b>Cash flows from operating activities</b>  |                               |          |
| Net earnings   | 93,216                        | 100,911  |
| Items not affecting cash   |                               |          |
| Net finance expense  | 40,385                        | 41,943   |
| Depreciation and amortization  | 128,514                       | 119,101  |
| Loss on disposal and revaluation of property, plant and equipment<br>and intangible assets | 173                           | 1,258    |
| Other non-cash changes to property, plant and equipment                                    | 199                           | 481      |
| Changes in:  |                               |          |
| Accrued employee future benefits   | (1,782)                       | (574)    |
| Derivative assets and liabilities recognized in net earnings                               | 59                            | (20)     |
| Provisions   | 3,351                         | 3,826    |
| Long-term land lease   | -                             | 344      |
| Accrued financing costs  | (47)                          | 136      |
| Total non-cash items   | 170,852                       | 166,495  |
| Movements in operating working capital   |                               |          |
| Trade and other receivables  | (1,033)                       | (10,756) |
| Prepaid expenses   | (2,831)                       | (588)    |
| Inventories  | 1,163                         | (906)    |
| Accounts payable and accrued liabilities   | (4,314)                       | 7,437    |
| Deferred revenue   | (4,143)                       | 12,650   |
| Change in non-cash working capital   | (11,158)                      | 7,837    |
| Change attributable to capital asset acquisitions  | 3,704                         | (1)      |
| Change in non-cash operating working capital   | (7,454)                       | 7,836    |
| Cash generated from operating activities   | 256,614                       | 275,242  |
| Interest received  | 4,333                         | 3,624    |
| Interest paid  | (51,110)                      | (51,434) |
| Net cash generated by operating activities   | 209,837                       | 227,432  |

# BRITISH COLUMBIA FERRY SERVICES INC.

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

|   | Nine months ended December 31 |                |
|---|-------------------------------|----------------|
|   | 2018                          | 2017           |
| <b>Cash flows from financing activities</b>                     |                               |                |
| Proceeds from long-term debt                                    | -                             | 45,264         |
| Repayment of long-term debt                                     | (24,211)                      | (24,241)       |
| Repayment of lease liabilities                                  | (1,623)                       | (1,180)        |
| Deferred financing costs  | -                             | (1,417)        |
| Net cash (used in) generated by financing activities            | (25,834)                      | 18,426         |
| <b>Cash flows from investing activities</b>                     |                               |                |
| Proceeds from disposal of property, plant and equipment         | 46                            | 471            |
| Purchase of property, plant and equipment and intangible assets | (168,516)                     | (185,426)      |
| Changes in debt service reserve                                 | 435                           | (40)           |
| Net proceeds from (purchase of) short-term investments          | 23,761                        | (27,613)       |
| Net cash used in investing activities                           | (144,274)                     | (212,608)      |
| Net increase in cash and cash equivalents                       | 39,729                        | 33,250         |
| Cash and cash equivalents, beginning of period                  | 69,913                        | 72,032         |
| <b>Cash and cash equivalents, end of period</b>                 | <b>109,642</b>                | <b>105,282</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  | -             | -                   | 100,911           | 100,911                      | -              | 100,911                         |
| Other comprehensive income  | -             | -                   | -                 | -                            | 8,598          | 8,598                           |
| Realized hedge losses recognized in fuel swaps                              | -             | -                   | -                 | -                            | 501            | 501                             |
| Hedge losses on interest rate forward contract reclassified to net earnings | -             | -                   | -                 | -                            | 186            | 186                             |
| <b>Balance as at December 31, 2017</b>                                      | <b>75,478</b> | <b>25,000</b>       | <b>524,931</b>    | <b>625,409</b>               | <b>6,219</b>   | <b>631,628</b>                  |
| Balance as at March 31, 2018  | 75,478        | 25,000              | 477,955           | 578,433                      | 8,974          | 587,407                         |
| Impact of adoption of 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  | -             | -                   | 93,216            | 93,216                       | -              | 93,216                          |
| Other comprehensive loss  | -             | -                   | -                 | -                            | (1,638)        | (1,638)                         |
| Realized hedge gains recognized in fuel swaps                               | -             | -                   | -                 | -                            | (9,736)        | (9,736)                         |
| Hedge losses on interest rate forward contract reclassified to net earnings | -             | -                   | -                 | -                            | 186            | 186                             |
| <b>Balance as at December 31, 2018</b>                                      | <b>75,478</b> | <b>25,000</b>       | <b>572,071</b>    | <b>672,549</b>               | <b>(2,214)</b> | <b>670,335</b>                  |