

For Immediate Release
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BC FERRIES RELEASES YEAR-END RESULTS Earnings required to support funding for \$3 billion capital program

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) released its year-end results today for fiscal 2016. Consolidated net earnings were \$69.6 million for fiscal 2016, compared to consolidated net earnings of \$49.1 million for fiscal 2015.

“We are pleased with this year’s net earnings as they reflect an improving economic outlook for BC in general, as well as the success of our cost containment practices over the past few years along with the recent increase in traffic. Put into context, this year’s earnings are approximately the cost of one of the three new Salish-Class vessels currently under construction to replace 50-year old ships,” said Mike Corrigan, BC Ferries’ President and CEO. “Over the next 12 years, a \$3 billion capital program is required to replace aging vessels, assets and information technology to ensure the long-term viability of our coastal ferry service. With the average age of our fleet at 33 years, we need to renew or replace a ship a year for the next decade and continue to invest in the future.”

Revenues increased from \$841.1 million in fiscal 2015 to \$869.8 million in fiscal 2016, primarily due to an increase in traffic volume, driven by a lower Canadian dollar and the general improvement in BC’s economic activity. Operating expenses increased from \$722.5 million in fiscal 2015 to \$744.2 million in fiscal 2016. The \$21.7 million increase is primarily due to increases in maintenance, labour, cost of goods sold and amortization costs, offset by lower fuel costs.

Capital expenditures in the three and twelve months ended March 31, 2016 totalled \$70.3 million and \$181.2 million, respectively. For fiscal 2016, \$114.2 million of these investments were for vessel upgrades and modifications, with the remainder for terminal marine structures; terminal and building upgrades and equipment; and information technology.

In fiscal 2016, BC Ferries experienced a 4.9 per cent increase in vehicle traffic and a 4.5 per cent increase in passenger traffic compared to fiscal 2015. Traffic was favourably impacted by lower fuel prices, the lower Canadian dollar and promotional fare incentives offered by BC Ferries in fiscal 2016. This increase in traffic sees a return to traffic levels experienced in 2009 prior to the turbulence in the Canadian and world economies.

Significant events during or subsequent to fiscal 2016 include the following:

On November 12, 2015, BC Ferries executed a loan agreement with KfW IPEX-Bank GmbH, a German export credit bank. This loan agreement is secured under a Master Trust Indenture and allows for three loans of up to \$45 million each. These amortizing loans will be repaid over a 12-year term and bear an annual interest rate of 2.09 per cent. The net proceeds from the loans will be used to partially finance the purchase of the three new Salish-Class vessels.

On December 18, 2015, BC Ferries announced the ratification of a Memorandum of Agreement that was reached on October 30, 2015 with the BC Ferry & Marine Workers' Union. This five-year agreement provides certainty for employees, helps ensure uninterrupted ferry service for our customers, and marks 17 years of labour stability.

On January 29, 2016, BC Ferries signed an agreement to receive up to a \$10 million contribution from FortisBC Energy Inc. as part of the Natural Gas for Transportation incentive funding. The funding partially offsets the capital cost of converting the two Spirit-Class vessels to dual fuel capability. While this agreement does not obligate the company to purchase natural gas from FortisBC, the funding is conditional upon a number of factors including a long-term natural gas procurement contract for these vessels.

On February 9, 2016, the new cable ferry, the Baynes Sound Connector, commenced regularly scheduled service between Buckley Bay on Vancouver Island and Denman Island following extensive crew training and familiarization and Transport Canada certification. The Baynes Sound Connector accommodates 50 vehicles and 150 passengers and crew. The cable ferry will provide environmental benefits and significant fuel cost savings, using less than half the fuel of the Quinitsa which was previously on the route, and will serve the route for the next 40 years.

On March 24, 2016, BC Ferries announced the award of a contract totalling \$140 million to Remontowa Ship Repair Yard S.A. of Gdansk, Poland to conduct the mid-life upgrades, including conversion to dual-fuel, of its two largest vessels, the Spirit of Vancouver Island and the Spirit of British Columbia. The mid-life upgrade of the Spirit of British Columbia is expected to be completed during the spring of 2018 and the mid-life upgrade of the Spirit of Vancouver Island is expected to be completed the following year. BC Ferries expects the conversion of these vessels to result in significant savings, as natural gas costs are significantly less than marine diesel.

On April 1, 2016, BC Ferries implemented average tariff increases in accordance with the BC Ferries Commissioner's Order 15-03 dated September 16, 2015. Tariff increases were 1.9 per cent on average. Also on April 1, 2016, due to lower fuel prices, coupled with the fact that the company has locked in pricing for a significant portion of its forecast fuel consumption to the end of 2017 through its hedging program, a fuel rebate increase of 1.9 per cent was implemented across the system. This fuel rebate increase completely offset the 1.9 per cent average tariff increase, effectively resulting in no net increase to our customers at the beginning of Performance Term Four. Fuel rebates increased from 1.0 per cent to 2.9 per cent on the major and minor routes and a fuel rebate of 1.9 per cent was implemented on the northern routes.

On June 2, 2016, the Salish Eagle and the Salish Raven, the second and third of the new Salish-Class vessels, were launched and christened at Remontowa Shipbuilding S.A. in Gdansk, Poland. The Salish Orca was previously launched and christened on November 24, 2015. The contracts with Remontowa Shipbuilding S.A, with a total value of \$165 million, form the majority of the total project budget of \$206 million. The original project budget of \$252 million has been reduced by \$46 million reflecting the elimination of tariffs to import the vessels into Canada. These vessels will be dual-fuel capable, designed to run primarily on natural gas with marine diesel as a backup.

BC Ferries' full financial statements, including notes and Management's Discussion and Analysis, as well as the Statement of Executive Compensation, are filed on SEDAR and will be available at www.sedar.com.

Under contract to the Province of British Columbia, BC Ferries is the service provider responsible for the delivery of safe, efficient and dependable ferry service along coastal British Columbia.

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Media Contact:

BC Ferries, Media Relations
Victoria: (250) 978-1267

Customer Contact:

Victoria: (250) 386-3431
Toll-free: 1-888-BCFERRY (1-888-223-3779)

BC Ferries is one of the largest ferry operators in the world based on passengers transported annually and transportation infrastructure, and carried 20.7 million passengers and 8.1 million vehicles during the fiscal year ended March 31, 2016. BC Ferries provides frequent year-round ferry transportation services to the west coast of Canada on 24 routes, currently supported by 34 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: capital expenditure levels, the loan agreement with KfW IPEX-Bank GmbH, the agreement with FortisBC Energy Inc. regarding incentive funding, the Baynes Sound Connector, the Spirit Class mid-life upgrades, and the Salish-Class vessels. 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.

BRITISH COLUMBIA FERRY SERVICES INC.

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

	As at March 31	
	2016	2015
Assets		
Current assets		
Cash and cash equivalents	79,113	65,574
Restricted short-term investments	31,986	32,496
Other short-term investments	61,464	62,098
Trade and other receivables	16,249	19,490
Prepaid expenses	8,550	6,177
Inventories	23,988	25,393
	221,350	211,228
Non-current assets		
Loan receivable	24,515	24,515
Land lease	30,688	31,146
Property, plant and equipment	1,539,957	1,524,692
Intangible assets	82,741	65,031
	1,677,901	1,645,384
Total assets	1,899,251	1,856,612
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	53,575	57,401
Interest payable on long-term debt	18,262	18,329
Deferred revenue	18,883	16,957
Derivative liabilities	17,879	4,433
Current portion of long-term debt	24,000	24,000
Current portion of accrued employee future benefits	1,900	2,400
Current portion of obligations under finance lease	1,514	1,309
Provisions	53,321	48,065
Non-current liabilities		
Accrued employee future benefits	19,361	18,800
Long-term debt	1,218,106	1,241,699
Obligations under finance lease	42,003	43,514
Other liabilities	1,500	1,500
	1,280,970	1,305,513
Total liabilities	1,470,304	1,478,407
Equity		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	352,692	289,177
Total equity before reserves	453,170	389,655
Reserves	(24,223)	(11,450)
Total equity including reserves	428,947	378,205
Total liabilities and equity	1,899,251	1,856,612

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2016	2015
Revenue		
Vehicle and passenger fares	561,233	519,991
Ferry service fees	172,373	175,935
Retail	87,077	80,635
Federal-Provincial Subsidy Agreement	28,730	28,355
Fuel (rebates) surcharges	(6,356)	13,195
Regulated other income	18,078	14,511
Other income	8,679	8,526
Total revenue	869,814	841,148
Expenses		
Operations	449,642	447,261
Maintenance	79,387	68,070
Administration	34,513	32,023
Cost of retail goods sold	35,198	32,405
Depreciation and amortization	145,521	142,806
Total operating expenses	744,261	722,565
Operating profit	125,553	118,583
Net finance and other expenses		
Net finance expenses		
Finance income	4,607	4,310
Finance expenses	(60,568)	(64,689)
Net finance expenses	(55,961)	(60,379)
Loss on disposal and revaluation of property, plant and equipment, intangible assets and inventory	(39)	(9,131)
Net finance and other expenses	(56,000)	(69,510)
Net earnings	69,553	49,073
Other comprehensive loss		
Items not to be reclassified to net earnings	392	(3,138)
Items to be reclassified to net earnings	(24,156)	(6,850)
Total other comprehensive loss	(23,764)	(9,988)
Total comprehensive income	45,789	39,085

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2016	2015
Cash flows from operating activities		
Net earnings	69,553	49,073
Items not affecting cash		
Net finance expense	55,961	60,379
Depreciation and amortization	145,521	142,806
Loss on disposal and revaluation of property, plant and equipment, intangible assets and inventory	39	9,131
Other non-cash adjustments to property, plant and equipment	2,462	(926)
Changes in		
Accrued employee future benefits	61	175
Derivative liabilities recognized in net earnings	32	(39)
Provisions	5,256	(3,736)
Long-term land lease	458	458
Accrued financing costs	(88)	(298)
Total non-cash items	209,702	207,950
Movements in operating working capital		
Trade and other receivables	3,241	(2,913)
Prepaid expenses	(2,373)	757
Inventories	1,405	(320)
Accounts payable and accrued liabilities	(3,826)	9,267
Deferred revenue	1,926	2,394
Change in non-cash working capital	373	9,185
Change attributable to capital asset acquisitions	6,995	4,652
Change in non-cash operating working capital	7,368	13,837
Cash generated from operating activities	286,623	270,860
Interest rate support received	-	442
Interest received	4,616	4,582
Interest paid	(65,256)	(69,188)
Net cash generated by operating activities	225,983	206,696

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31	
	2016	2015
Cash flows from financing activities		
Proceeds from issuance of bonds	-	200,000
Repayment of long-term debt	(24,000)	(270,250)
Repayment of finance lease obligations	(1,307)	(1,118)
Dividends paid on preferred shares	(6,038)	(6,038)
Deferred financing costs incurred	-	(1,326)
Hedge losses on interest rate forward contracts	-	(7,652)
Net cash used in financing activities	(31,345)	(86,384)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	217	121
Purchase of property, plant and equipment and intangible assets	(182,460)	(148,428)
Changes in debt service reserve	510	3,296
Net proceeds from short-term investments	634	18,908
Net cash used in investing activities	(181,099)	(126,103)
Net increase (decrease) in cash and cash equivalents	13,539	(5,791)
Cash and cash equivalents, beginning of year	65,574	71,365
Cash and cash equivalents, end of year	79,113	65,574

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, 2014	75,478	25,000	246,142	346,620	(1,691)	344,929
Net earnings for the year ended March 31, 2015	-	-	49,073	49,073	-	49,073
Other comprehensive loss for the year ended March 31, 2015	-	-	-	-	(9,988)	(9,988)
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	229	229
Preferred share dividends	-	-	(6,038)	(6,038)	-	(6,038)
Balance as at March 31, 2015	75,478	25,000	289,177	389,655	(11,450)	378,205
Net earnings for the year ended March 31, 2016	-	-	69,553	69,553	-	69,553
Other comprehensive loss for the year ended March 31, 2016	-	-	-	-	(23,764)	(23,764)
Realized hedge losses recognized in fuel swaps	-	-	-	-	10,742	10,742
Hedge losses on interest rate forward contract reclassified to net earnings	-	-	-	-	249	249
Preferred share dividends	-	-	(6,038)	(6,038)	-	(6,038)
Balance as at March 31, 2016	75,478	25,000	352,692	453,170	(24,223)	428,947