

For Immediate Release
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BC FERRIES RELEASES YEAR-END RESULTS
Strong financial performance helps provide for fare increases at or below
projected inflation beginning in 2016

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) released its year-end results today for fiscal 2015. Consolidated net earnings were \$49.1 million for fiscal 2015, compared to the prior year’s net earnings of \$18.0 million.

“For customers, the direct benefit of the company’s strong financial performance will be realized in the Fourth Performance Term (April 1, 2016 through March 31, 2020), with annual fare increases set at or below projected inflation. This is one full performance term sooner than originally anticipated,” said Mike Corrigan, BC Ferries’ President and CEO.

“It’s extremely important that BC Ferries produces strong financial results so that we can fund our \$3 billion capital program going forward to replace aging ships, assets and information technology. BC Ferries has to replace one ship per year over the next 12 years beginning with our cable ferry and the three intermediate class ferries,” said Corrigan. “Strong financial results are essential to maintain sustainable operations, meet our debt covenants, and to maintain our current strong investment-grade credit rating to ensure financing is affordable.”

Revenues for the year increased from \$800.2 million to \$841.1 million, mainly due to higher traffic levels, an increase in other revenue, the impact of fuel surcharges, and higher tariffs. Operating expenses increased from \$714.3 million to \$722.5 million compared to the year prior. The \$8.2 million increase in fiscal 2015 operating expenses mainly consists of increases in maintenance and depreciation costs.

Capital expenditures in the three and twelve months ended March 31, 2015 totalled \$48.8 million and \$149.8 million, respectively. For fiscal 2015, these investments include: \$69.0 million in vessel upgrades and modifications; \$47.6 million in terminal marine structures; \$23.5 million in information technology; and \$9.7 million in terminal and building upgrades and equipment.

In the last quarter of fiscal 2015, traffic was significantly higher than in the comparable period of the year before. Vehicle traffic was up 5.1 per cent and passenger traffic was up 4.2 per cent. Over the fiscal year, BC Ferries experienced a 0.6 per cent increase in vehicle traffic and a 0.5 per cent increase in passenger traffic compared to fiscal 2014.

On March 18, 2015, the BC Ferries Commissioner issued his report regarding the efficiency of BC Ferries, along with several other performance review and assessment reports. The efficiency report confirmed that BC Ferries demonstrates good cost control and has a strong culture of efficiency. The report also indicated that administrative expenses have declined by 15.1 per cent on an inflation adjusted basis since 2009. The report also confirmed that overtime hours have declined and absenteeism rates are below the average for comparable businesses.

The Commissioner also released the Preliminary Decision on Price Caps for the Fourth Performance Term, in which he has set the increase in price caps (or average fare increases) at 1.9 per cent per year. The Commissioner will issue his decision on final price caps by no later than September 30, 2015.

Significant events during or subsequent to fiscal 2015 include: the April 28, 2014 completion of a private placement of \$200 million of 30-year senior secured bonds with accredited investors. These bonds bear interest at a rate of 4.289 per cent per annum, payable semi-annually. The effective rate of this issue, net of hedging, is 4.45 per cent, the lowest effective bond interest rate in the 12-year history of the company.

On July 3, 2014, BC Ferries entered into contracts with Remontowa Shipbuilding S.A. of Gdansk, Poland to build three new dual-fuel intermediate class vessels. These contracts, with a total value of \$165 million, form the majority of the total project budget of \$252 million. This budget also includes \$51 million for Canadian taxes and federal import duties.

On November 24, 2014, the Commissioner conditionally approved the company's application to proceed with mid-life upgrades, including conversion to dual-fuel, of the two largest ships in the fleet, the Spirit of Vancouver Island and the Spirit of British Columbia. BC Ferries expects a conversion would result in significant savings in fuel costs.

On December 17, 2014, fuel surcharges of 3.4 per cent on average were removed from the major and minor routes and a fuel rebate of 1.0 per cent was implemented on April 1, 2015 as a result of declining fuel prices and locking in pricing for a significant portion of forecast fuel consumption to the end of fiscal 2016. On the northern routes, no fuel surcharges were in place and no fuel rebates are in effect.

On February 2, 2015, the Commissioner conditionally approved the company's application in support of the Fare Flexibility and Digital Experience Initiative. This initiative will introduce a new system to manage fares, improve operational efficiency through better capacity management, provide customers with a modernized e-commerce platform with greater online functionality and booking options, and provide better access for mobile, tablet and desktop channels.

On May 8, 2015, BC Ferries unveiled the name of its new cable ferry, the Baynes Sound Connector, at a special naming ceremony. Compared to the current service, it is projected that, over 40 years, the cable ferry will provide over \$80 million in cost savings as well as significant environmental benefits. The cable ferry will accommodate 50 vehicles and 150 passengers and crew.

The ship will commence service between Buckley Bay on Vancouver Island and Denman Island later this year.

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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BC Ferries is one of the largest ferry operators in the world based on passengers transported annually and transportation infrastructure, and carried 19.8 million passengers and 7.7 million vehicles during the fiscal year ended March 31, 2015. 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 Spirit Class mid-life upgrades, the Fare Flexibility and Digital Experience Initiative, and the cable ferry initiative. 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.

In addition to providing measures prepared in accordance with International Financial Reporting Standards (IFRS), we present certain supplemental non-IFRS measures. These include, but are not limited to, vehicle and passenger traffic. These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. These supplemental non-IFRS 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,	
	2015	2014
Assets		
Current assets		
Cash and cash equivalents	65,574	71,365
Restricted short-term investments	32,496	35,792
Other short-term investments	62,098	81,006
Trade and other receivables	19,490	16,577
Prepaid expenses	6,177	6,934
Inventories	25,393	25,073
	211,228	236,747
Non-current assets		
Loan receivable	24,515	24,515
Land lease	31,146	31,604
Property, plant and equipment	1,524,692	1,539,162
Intangible assets	65,031	53,164
	1,645,384	1,648,445
Total assets	1,856,612	1,885,192
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	57,401	48,134
Interest payable on long-term debt	18,329	19,634
Deferred revenue	16,957	14,563
Derivative liabilities	4,433	5,274
Current portion of long-term debt	24,000	270,250
Current portion of accrued employee future benefits	2,400	2,204
Current portion of obligations under finance lease	1,309	1,120
Provisions	48,065	51,801
	172,894	412,980
Non-current liabilities		
Accrued employee future benefits	18,800	15,931
Long-term debt	1,241,699	1,066,531
Obligations under finance lease	43,514	44,821
Other liabilities	1,500	-
	1,305,513	1,127,283
Total liabilities	1,478,407	1,540,263
Equity		
Share capital	75,478	75,478
Contributed surplus	25,000	25,000
Retained earnings	289,177	246,142
Total equity before reserves	389,655	346,620
Reserves	(11,450)	(1,691)
Total equity including reserves	378,205	344,929
Total liabilities and equity	1,856,612	1,885,192

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31,	
	2015	2014
Revenue		
Vehicle and passenger fares	519,991	489,305
Ferry service fees	175,935	180,076
Retail	80,635	78,932
Federal-Provincial Subsidy Agreement	28,355	28,373
Fuel surcharges ¹	13,195	2,689
Regulated other income	14,511	13,458
Other income	8,526	7,328
Total revenue	841,148	800,161
Operating expenses		
Operations	447,261	451,670
Maintenance	68,070	63,240
Administration	32,023	31,636
Cost of retail goods sold	32,405	30,860
Depreciation and amortization	142,806	136,896
Total operating expenses	722,565	714,302
Operating profit	118,583	85,859
Net finance and other expenses		
Net finance expenses		
Finance income	4,310	3,721
Finance expenses	(64,689)	(71,030)
Net finance expenses	(60,379)	(67,309)
Loss on disposal and revaluation of property, plant and equipment and intangible assets	(9,131)	(557)
Net finance and other expenses	(69,510)	(67,866)
Net earnings	49,073	17,993
Other comprehensive loss		
Items not to be reclassified to net earnings	(3,138)	116
Items to be reclassified to net earnings	(6,850)	(5,040)
Total other comprehensive loss	(9,988)	(4,924)
Total comprehensive income	39,085	13,069

¹ For the purpose of rate regulation, fuel surcharges collected are applied to deferred fuel cost accounts and not included as revenue in determination of earnings. For additional information see Note 22 to BC Ferries' Consolidated Financial Statements for the years ended March 31, 2015 and 2014.

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31,	
	2015	2014
Cash flows from operating activities		
Net earnings	49,073	17,993
Items not affecting cash		
Net finance expense	60,379	67,309
Depreciation and amortization	142,806	136,896
Loss on disposal and revaluation of property, plant and equipment and intangible assets	9,131	557
Other non-cash adjustments to property, plant and equipment	(926)	523
Changes in		
Accrued employee future benefits	175	(569)
Derivative liabilities recognized in net earnings	(39)	222
Provisions	(3,736)	962
Long-term land lease	458	459
Accrued interest costs	(298)	(1,110)
Total non-cash items	207,950	205,249
Movements in operating working capital		
Trade and other receivables	(2,913)	1,541
Prepaid expenses	757	3,772
Inventories	(320)	(1,816)
Accounts payable and accrued liabilities	9,267	(3,669)
Deferred revenue	2,394	929
Change in non-cash working capital	9,185	757
Change attributable to capital asset acquisitions	4,652	(1,908)
Change in non-cash operating working capital	13,837	(1,151)
Cash generated from operating activities	270,860	222,091
Interest rate support received	442	-
Interest received	4,582	4,554
Interest paid	(69,188)	(71,402)
Net cash generated by operating activities	206,696	155,243

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31,	
	2015	2014
Cash flows from financing activities		
Proceeds from issuance of bonds	200,000	200,000
Repayment of long-term debt	(270,250)	(149,000)
Repayment of finance lease obligations	(1,118)	(1,072)
Dividends paid on preferred shares	(6,038)	(6,038)
Deferred financing costs incurred	(1,326)	(1,390)
Hedge losses on interest rate forward contracts	(7,652)	-
Net cash (used in) generated by financing activities	(86,384)	42,500
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	121	53
Purchase of property, plant and equipment and intangible assets	(148,428)	(125,252)
Changes in debt service reserve	3,296	(217)
Net proceeds from (purchase of) short-term investments	18,908	(37,603)
Net cash used in investing activities	(126,103)	(163,019)
Net (decrease) increase in cash and cash equivalents	(5,791)	34,724
Cash and cash equivalents, beginning of year	71,365	36,641
Cash and cash equivalents, end of year	65,574	71,365

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, 2013	75,478	25,000	234,187	334,665	3,233	337,898
Net earnings for the year ended March 31, 2014	-	-	17,993	17,993	-	17,993
Other comprehensive loss for the year ended March 31, 2014	-	-	-	-	(4,924)	(4,924)
Preferred share dividends	-	-	(6,038)	(6,038)	-	(6,038)
Balance as at March 31, 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 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