

For Immediate Release
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August 20, 2009

BC FERRIES RELEASES FIRST QUARTER RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) announced its first quarter results today. Net losses were \$3.6 million for the three months ended June 30, 2009 compared to net earnings of \$8.4 million in the first quarter of the previous fiscal year. In the first quarter, vehicle traffic was down 1.0 per cent and passenger traffic was down 0.4 per cent compared to the same period last year.

In the first quarter, revenues increased by 3.7 per cent to \$178.3 million, with total expenses increasing 11.3 per cent to \$181.9 million, compared to the first quarter last fiscal year. The increase in expenses was largely due to an increase of \$11.2 million in amortization and interest expenses for new vessels and a \$5.4 million increase in maintenance costs reflecting variations in vessel refit schedules.

“As expected, our earnings from operations were down this past quarter, which reflect increased amortization and financing costs for new vessels. Although our earnings decreased, cash provided by operations remains strong,” said David L. Hahn, BC Ferries’ President and CEO. “I’m pleased that we are now reaping the benefits of the efficiencies and cost containment initiatives we implemented last fall.”

During the first quarter, BC Ferries invested \$17.0 million in capital assets. Capital expenditures included \$6.3 million in new vessels and vessel upgrades; \$5.2 million in terminal building upgrades and equipment; \$4.0 million in information technology; and \$1.5 million in terminal marine structures.

Significant events during or subsequent to the first quarter include the return to service of the Queen of New Westminster after a \$52 million upgrade and the decommissioning of the Queen of Vancouver and the Queen of Prince Rupert. Additionally the new northern vessel, the Northern Expedition commenced service on the Port Hardy – Prince Rupert route; and fares were reduced as fuel rebates were increased from 5 per cent to 8 per cent on the minor routes.

Fuel rebates will be further increased on the minor routes to 10 per cent effective September 1, 2009.

The decrease in economic activity, international tourism and higher level of unemployment negatively impact discretionary travel as well as the commercial market.

BC Ferries continues to review and update its financial and operating plans to weather the reduced traffic levels and current economic downturn, in order to continue to have a viable, profitable future.

BC Ferries maintains a strong investment-grade credit rating. Our credit ratings at June 30, 2009 were A low (DBRS) and A- (Standard & Poor's) and both rating agencies have assessed our rating outlook as positive.

Full financial statements, including notes and Management's Discussion & Analysis, 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 20.7 million passengers and 8.1 million vehicles during the fiscal year ended March 31, 2009. BC Ferries provides frequent year-round ferry transportation services to the West Coast of Canada on 25 routes, currently supported by 36 vessels and 47 terminals, and also manages other remote routes through contracts with independent operators.

This release contains historical information and may contain certain forward-looking statements that relate to future events or future performance. These forward-looking statements are based upon management's current expectations and assumptions as to a number of factors, including, the risks, uncertainties and other factors as described in BC Ferries' Management's Discussion & Analysis and certain of the other BC Ferries' documents available at www.sedar.com. These forward-looking statements are based upon information currently available to management and BC Ferries assumes no obligation to update or revise them to reflect new events or circumstances. If management's expectations and assumptions prove to be incorrect, or factors change, then actual results could differ materially from the forward-looking information contained in this release.

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Balance Sheets
(expressed in thousands)

	June 30, 2009 (unaudited)	March 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,393	\$ 12,402
Restricted cash and short-term investments	37,240	37,240
Other short-term investments	153	153
Accounts receivable	15,054	12,883
Prepaid expenses	9,560	8,132
Inventories	18,436	16,835
Derivative assets	5,844	-
Regulatory assets	4,775	4,775
	106,455	92,420
Property, plant and equipment	1,668,669	1,683,576
Intangible assets	22,333	19,866
Assets held for sale	3,216	435
Regulatory assets	1,001	11,687
Long-term land lease	33,782	33,896
	\$ 1,835,456	\$ 1,841,880
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 32,514	\$ 41,153
Short-term debt	19,990	17,956
Interest payable on long-term debt	15,374	18,395
Accrued employee costs	50,521	51,923
Deferred revenue	18,774	15,783
Derivative liabilities	41	923
Regulatory liabilities	9,356	2,858
Current portion of long-term debt	9,000	9,000
Current portion of accrued employee future benefits	800	800
Current portion of obligations under capital lease	496	541
	156,866	159,332
Accrued employee future benefits	11,617	12,047
Long-term debt	1,356,473	1,356,239
Obligations under capital lease	427	537
Other long-term liabilities	103	153
	1,525,486	1,528,308
Shareholders' equity:		
Share capital	75,478	75,478
Retained earnings	234,492	238,094
	309,970	313,572
	\$ 1,835,456	\$ 1,841,880

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statements of Earnings (Loss), Comprehensive Income and Retained Earnings (unaudited)
(expressed in thousands)

	For the three months ended	
	June 30, 2009	June 30, 2008
Revenue:		
Tariffs	\$ 108,043	\$ 107,995
Ferry service fees	38,234	31,648
Federal-Provincial Subsidy Agreement	6,731	6,573
Retail	19,889	19,693
Other income	5,358	6,001
	<u>178,255</u>	<u>171,910</u>
Expenses:		
Operations	100,460	98,751
Maintenance	23,702	18,335
Administration	7,446	9,068
Cost of retail goods sold	7,533	7,174
Amortization	26,955	20,254
	<u>166,096</u>	<u>153,582</u>
Earnings from operations	12,159	18,328
Gain on foreign exchange	3	97
Interest expense	(15,765)	(11,270)
Gain on disposal of property, plant and equipment	1	1,201
Net (loss) earnings	<u>(3,602)</u>	<u>8,356</u>
Other comprehensive income	-	-
Net (loss) earnings and comprehensive income	<u>(3,602)</u>	<u>8,356</u>
Retained earnings, beginning of period	238,094	235,103
Retained earnings, end of period	<u>\$ 234,492</u>	<u>\$ 243,459</u>

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statements of Cash Flows (unaudited)
(expressed in thousands)

	For the three months ended	
	June 30, 2009	June 30, 2008
Cash provided by (used in):		
Operations:		
Net (loss) earnings	\$ (3,602)	\$ 8,356
Items not involving cash:		
Amortization	26,955	20,254
Other non-cash charges	(716)	(972)
Long-term regulatory costs deferred	2,725	(996)
Change in non-cash operating working capital	(1,794)	(21,749)
	<u>23,568</u>	<u>4,893</u>
Financing:		
Proceeds from issuance of bonds	-	90,000
Proceeds from short-term loans	2,034	-
Repayment of capital lease obligations	(155)	(128)
Deferred financing costs incurred	-	(240)
	<u>1,879</u>	<u>89,632</u>
Investing:		
Proceeds from disposal of property, plant and equipment and intangible assets	4	1,409
Purchase of property, plant and equipment and intangible assets	(22,460)	(194,823)
Purchase of short-term investments	-	(9,617)
	<u>(22,456)</u>	<u>(203,031)</u>
Increase (decrease) in cash and cash equivalents	2,991	(108,506)
Cash and cash equivalents, beginning of period	12,402	116,321
Cash and cash equivalents, end of period	<u>\$ 15,393</u>	<u>\$ 7,815</u>