

For Immediate Release
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BC FERRIES RELEASES THIRD QUARTER RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) today released its third quarter results for fiscal 2009/10. The company reported a net loss of \$20.4 million for the three months ended December 31, 2009, compared to a net loss of \$14.6 million in the same quarter last year. Net earnings for the nine-month period ended December 31, 2009 were \$40.2 million, down from \$47.5 million for the same period in the previous year. Due to the seasonality of ferry travel, BC Ferries typically generates higher net earnings in the first and second quarters, which are subsequently reduced by net losses in the last two quarters of its fiscal year.

As expected, expenses increased primarily due to amortization costs of new and refurbished ships and interest costs on new borrowing to finance these vessels. These increases were planned and anticipated in BC Ferries' newbuild program.

For the second consecutive quarter, there was an improvement in both vehicle and passenger traffic over the same period in the prior year, with increases of 4.2 per cent and 2.8 per cent respectively. For the first nine months ended December 31, 2009, vehicle traffic was 2.5 per cent higher and passenger traffic was 1.3 per cent higher than the first nine months of fiscal 2009.

"We are optimistic about the rebound in traffic and we anticipate the limited recovery in local discretionary travel levels to continue which, along with our aggressive cost management initiatives, will help us achieve our profit targets for the year" said David L. Hahn, BC Ferries' President and CEO.

For the three months ended December 31, 2009, total revenue increased by \$10.5 million to \$159.9 million. Revenues for the nine months ended December 31, 2009 increased \$36.6 million to \$590.0 million.

For the three months ended December 31, 2009, total expenses increased \$16.3 million to \$180.3 million, compared to the same period last year, with expenses in the nine month period ended December 31, 2009 increasing \$43.9 million to \$549.8 million, compared to the nine months ended December 31, 2008. Total expenses for the three months ended December 31, 2009 reflect an \$11.3 million increase (\$33.5 million increase for the nine months ended December 31, 2009) in amortization and interest expense. These increases reflect new vessels and other new assets which have entered service.

“We continue to review and update our financial and operating plans in response to the current economic conditions in order to manage the company in a fiscally prudent manner,” said Hahn. On December 14, 2009, BC Ferries was advised by the credit rating agency DBRS Limited (DBRS) that they upgraded BC Ferries’ long-term rating to A from A (low). DBRS acknowledged BC Ferries’ tight management of service offerings and expenses as an important factor contributing to this upgrade. On February 24, 2010, credit rating agency Standard & Poor’s upgraded BC Ferries’ long-term credit rating to “A+” from “A-”

Other notable events included the expansion of self-ticketing kiosks at Departure Bay and Duke Point terminals on December 1, 2009. On December 15, 2009, BC Ferries released the results of its August 2009 Customer Satisfaction Tracking Survey indicating that a record 92 per cent of customers report being satisfied with their overall trip experience. On January 25, 2010, fuel rebates were reduced from 10 per cent to 5 per cent on average on the 18 minor routes due to higher fuel prices. Fuel rebates are not currently in place on the major and northern routes.

BC Ferries has completed the first phase of its SailSafe program, which is a partnership initiative with the BC Ferry & Marine Workers’ Union to achieve world class safety performance. The number of lost time injuries was down 25 per cent and work days lost to injury were down 36 per cent for the period January through December 2009 compared to the year prior.

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.

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BC Ferries, one of the largest ferry operators in the world based on passengers transported annually and transportation infrastructure, 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)

	December 31, 2009 (unaudited)	March 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 50,206	\$ 12,402
Restricted cash and short-term investments	37,240	37,240
Other short-term investments	7,678	153
Accounts receivable	15,797	12,883
Prepaid expenses	5,609	8,132
Inventories	17,493	16,835
Derivative assets	1,507	-
Regulatory assets	4,775	4,775
	<u>140,305</u>	<u>92,420</u>
Property, plant and equipment	1,645,640	1,683,576
Intangible assets	24,252	19,866
Assets held for sale	400	435
Regulatory assets	-	11,687
Long-term land lease	33,552	33,896
	<u>\$ 1,844,149</u>	<u>\$ 1,841,880</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 33,093	\$ 41,153
Short-term debt	-	17,956
Interest payable on long-term debt	15,601	18,395
Accrued employee costs	50,590	51,923
Deferred revenue	13,778	15,783
Derivative liabilities	40	923
Regulatory liabilities	-	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	433	541
	<u>123,335</u>	<u>159,332</u>
Accrued employee future benefits	11,510	12,047
Regulatory liabilities	2,677	-
Long-term debt	1,352,450	1,356,239
Obligations under capital lease	223	537
Other long-term liabilities	178	153
	<u>1,490,373</u>	<u>1,528,308</u>
Shareholders' equity:		
Share capital	75,478	75,478
Retained earnings	278,298	238,094
	<u>353,776</u>	<u>313,572</u>
	<u>\$ 1,844,149</u>	<u>\$ 1,841,880</u>

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended December 31		Nine months ended December 31	
	2009	2008	2009	2008
Revenue:				
Tariffs	\$ 96,792	\$ 91,611	\$ 366,171	\$ 351,600
Ferry service fees	33,614	29,090	117,462	98,549
Federal-Provincial Subsidy Agreement	6,731	6,573	20,193	19,720
Retail	17,067	16,784	65,831	63,675
Other income	5,684	5,299	20,309	19,806
	<u>159,888</u>	<u>149,357</u>	<u>589,966</u>	<u>553,350</u>
Expenses:				
Operations	95,278	93,008	305,813	300,592
Maintenance	22,781	20,780	60,613	55,592
Administration	7,812	7,546	22,274	25,015
Cost of retail goods sold	6,389	6,340	24,272	23,202
Amortization	29,508	23,403	85,211	66,100
	<u>161,768</u>	<u>151,077</u>	<u>498,183</u>	<u>470,501</u>
(Loss) Earnings from operations	(1,880)	(1,720)	91,783	82,849
Gain on foreign exchange	37	33	74	253
Interest expense	(17,246)	(12,068)	(50,318)	(35,894)
(Loss) gain on disposal and write-down of capital assets	(1,310)	(889)	(1,335)	250
Net (loss) earnings	<u>(20,399)</u>	<u>(14,644)</u>	<u>40,204</u>	<u>47,458</u>
Other comprehensive income	-	-	-	-
Net (loss) earnings and comprehensive income	<u>(20,399)</u>	<u>(14,644)</u>	<u>40,204</u>	<u>47,458</u>
Retained earnings, beginning of period	<u>298,697</u>	<u>297,205</u>	<u>238,094</u>	<u>235,103</u>
Retained earnings, end of period	<u>\$ 278,298</u>	<u>\$ 282,561</u>	<u>\$ 278,298</u>	<u>\$ 282,561</u>

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statements of Cash Flows (unaudited)

(expressed in thousands)

	Three months ended December 31		Nine months ended December 31	
	2009	2008	2009	2008
Cash provided by (used in):				
Operations:				
Net (loss) earnings	\$ (20,399)	\$ (14,644)	\$ 40,204	\$ 47,458
Items not involving cash:				
Amortization	29,508	23,403	85,211	66,100
Other non-cash charges	1,604	1,433	1,355	349
Long-term regulatory costs deferred	2,098	(3,488)	8,352	(2,747)
Change in non-cash operating working capital	6,591	1,518	(14,392)	(24,527)
	19,402	8,222	120,730	86,633
Financing:				
Proceeds from issuance of long-term debt	-	140,000	-	230,000
Establishment of debt service reserve	-	(4,350)	-	(6,575)
Repayment of long-term debt	-	-	(4,500)	-
Proceeds from (repayment of) short-term loans	-	42,000	(17,956)	52,974
Repayment of capital lease obligations	(125)	(204)	(422)	(534)
Deferred financing costs incurred	-	(708)	-	(951)
	(125)	176,738	(22,878)	274,914
Investing:				
Proceeds from disposal of property, plant and equipment and intangible assets	1,843	59	1,847	1,440
Purchase of property, plant and equipment and intangible assets	(18,454)	(61,454)	(54,370)	(344,529)
(Purchase of) proceeds from short-term investments	(7,500)	2,513	(7,525)	(2,480)
	(24,111)	(58,882)	(60,048)	(345,569)
(Decrease) increase in cash and cash equivalents	(4,834)	126,078	37,804	15,978
Cash and cash equivalents, beginning of period	55,040	6,229	12,402	116,329
Cash and cash equivalents, end of period	\$ 50,206	\$ 132,307	\$ 50,206	\$ 132,307