

For Immediate Release
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June 10, 2010

BC FERRIES RELEASES YEAR-END RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) today released its financial results for the year ended March 31, 2010.

Consolidated net earnings were \$3.4 million for the year ended March 31, 2010, compared to net earnings of \$9.0 million the previous year. As expected, the reduction in net earnings reflects increased amortization and financing costs of new capital assets that have entered service. BC Ferries' fleet and asset renewal program for the major and northern routes is now virtually complete. However, the company continues to invest significantly in its terminals and minor routes.

Revenues for the year increased from \$681.8 million to \$732.3 million, while operating expenses increased from \$624.2 million to \$660.0 million. The increase in expenses includes \$22.1 million in amortization costs, \$8.4 million in maintenance costs, and \$6.3 million in wage rate increases from an average 3 per cent increase in accordance with the collective agreement. In addition, interest expense increased by \$17.5 million over the previous fiscal year.

Capital expenditures in the three and twelve months ended March 31, 2010 totalled \$30.4 million and \$81.4 million, respectively.

In fiscal 2010, BC Ferries experienced an increase of 1.5 per cent in both passenger and vehicle traffic as economic conditions began to improve and fuel prices declined compared to the previous year. "While I am still concerned about the impacts that the world economy has on discretionary spending, I am optimistic that our traffic will continue to recover," said David L. Hahn, BC Ferries' President and CEO.

With the implementation of cost management initiatives including the reduction of exempt management positions last fiscal year, BC Ferries reduced administration expenses by \$6.9 million or 18.5 per cent this fiscal year. The company reviews and updates its financial and operating plans on a regular basis to ensure appropriate alignment of expenses with revenues.

As part of the federal government's "Infrastructure Stimulus Fund" program, BC Ferries will qualify for partial reimbursements of eligible costs for eleven terminal upgrades including eight sewage pump-ashore and waste water treatment projects. The net funding expected to be received is \$7.5 million.

During the fiscal year ended March 31, 2010, the new Northern Expedition entered service on the Inside Passage between Port Hardy and Prince Rupert and the Queen of Vancouver and the Queen of Prince Rupert were decommissioned. The Queen of Vancouver and the previously decommissioned Queen of Saanich were sold during the year, while the Queen of Prince Rupert remains available for sale.

Fourth quarter revenues increased from \$128.5 million to \$142.3 million compared to the same quarter in the prior year, while total expenses increased from \$166.9 million to \$179.1 million. BC Ferries reported a fourth quarter net loss of \$36.8 million compared to a \$38.4 million net loss in the same quarter the previous year. Due to the seasonality of ferry travel, BC Ferries typically generates higher earnings in the first two quarters, which are usually offset by net losses in the third and fourth quarter of the fiscal year.

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 is one of the largest ferry operators in the world based on passengers transported annually and transportation infrastructure, and carried 21 million passengers and 8.3 million vehicles during the fiscal year ended March 31, 2010. 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 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, turbulent financial markets, demographics, import duties remission, GST reduction, and the requirements of the Coastal Ferry Services Contract.

Forward looking statements included in this release include statements with respect to estimates of future customer demand, short and long-range business plans and our asset renewal programs for vessels and terminals. 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 traffic volume and tariff revenue risk, safety and security, asset risk, accident risk, tax risk, environmental risk, regulatory risk, labour disruption risk, risk of default under material contracts and aboriginal land 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.

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BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Balance Sheets
(expressed in thousands)

	As at March 31,	
	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 10,608	\$ 12,402
Restricted cash equivalents and short-term investments	37,240	37,240
Other short-term investments	7,678	153
Accounts receivable	17,707	13,181
Prepaid expenses	6,813	8,132
Inventories	18,040	16,835
Regulatory assets	4,775	4,775
	102,861	92,718
Property, plant and equipment	1,644,069	1,683,576
Intangible assets	26,406	19,866
Assets held for sale	200	435
Regulatory assets	-	11,687
Long-term land lease	33,437	33,896
	\$ 1,806,973	\$ 1,842,178
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 38,884	\$ 41,825
Short-term debt	-	17,956
Interest payable on long-term debt	18,319	18,395
Accrued employee costs	48,644	51,923
Deferred revenue	16,023	15,409
Derivative liabilities	-	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	398	541
	132,068	159,630
Accrued employee future benefits	11,130	12,047
Regulatory liabilities	4,325	-
Long-term debt	1,348,183	1,356,239
Obligations under capital lease	139	537
Other long-term liabilities	172	153
	1,496,017	1,528,606
Shareholders' equity:		
Share capital	75,478	75,478
Retained earnings	235,478	238,094
	310,956	313,572
	\$ 1,806,973	\$ 1,842,178

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31,	
	2010	2009
Revenue:		
Tariffs	\$ 450,508	\$ 429,063
Ferry service fees	149,507	124,485
Federal-Provincial Subsidy Agreement	26,924	26,294
Retail	80,809	78,060
Other income	24,557	23,898
	<u>732,305</u>	<u>681,800</u>
Expenses:		
Operations	398,792	387,782
Maintenance	85,579	77,124
Administration	30,330	37,220
Cost of retail goods sold	30,127	28,929
Amortization	115,175	93,088
	<u>660,003</u>	<u>624,143</u>
Earnings from operations	72,302	57,657
Gain on foreign exchange	144	244
Interest expense	(67,638)	(50,111)
(Loss) gain on disposal and impairment of capital assets	(1,386)	1,239
Net earnings	<u>3,422</u>	<u>9,029</u>
Other comprehensive income	-	-
Net earnings and comprehensive income	<u>3,422</u>	<u>9,029</u>
Retained earnings, beginning of year	238,094	235,103
Preferred share dividend	(6,038)	(6,038)
Retained earnings, end of year	<u>\$ 235,478</u>	<u>\$ 238,094</u>

BRITISH COLUMBIA FERRY SERVICES INC.

Notes to Consolidated Financial Statements
 Years ended March 31, 2010 and 2009
 (columnar dollars expressed in thousands)

	Years ended March 31,	
	2010	2009
Cash provided by (used in):		
Operations:		
Net earnings	\$ 3,422	\$ 9,029
Items not involving cash:		
Amortization	115,175	93,088
Other non-cash charges	1,854	(289)
Long-term regulatory costs deferred	10,314	(6,039)
Change in non-cash operating working capital	(9,468)	(6,783)
	121,297	89,006
Financing:		
Dividends paid on preferred shares	(6,038)	(6,038)
Proceeds from issuance of bonds and other long-term debt	-	338,000
Debt service reserves	-	(8,170)
Repayment of long-term debt	(9,000)	-
(Repayment of) proceeds from short-term loans	(17,956)	17,956
Repayment of capital lease obligations	(541)	(775)
Deferred financing costs incurred	-	(1,704)
	(33,535)	339,269
Investing:		
Proceeds from disposal of property, plant and equipment	2,135	1,697
Purchase of property, plant and equipment and intangible assets	(84,166)	(530,713)
Increase in lands under long-term lease	-	(5,083)
(Purchase of) proceeds from other short-term investments	(7,525)	1,897
	(89,556)	(532,202)
(Decrease) in cash and cash equivalents	(1,794)	(103,927)
Cash and cash equivalents, beginning of year	12,402	116,329
Cash and cash equivalents, end of year	\$ 10,608	\$ 12,402