

For Immediate Release
12-005

February 24, 2012

BC FERRIES RELEASES THIRD QUARTER RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) released its third quarter results today for fiscal 2011/12. The company reported a net loss of \$23.1 million for the three months ended December 31, 2011, compared to a net loss of \$12.5 million in the same quarter last year. Net earnings for the nine-month period ended December 31, 2011 were \$28.7 million, down from \$42.8 million for the same period in the previous year. The loss in the third quarter of fiscal 2010/11 included a one-time gain of \$9.3 million from the sale of the company's former head office building.

BC Ferries' quarterly results are affected by the seasonality of leisure travel patterns. The second quarter, covering the summer period, experiences the highest traffic levels and the highest earnings of the year. The third and fourth quarters reflect a seasonal downturn in traffic and the company utilizes these off-peak periods to perform upgrades and major maintenance and refit programs, as well as to undertake mandatory inspections on the majority of its vessels.

For the three months ended December 31, 2011, total revenue decreased by \$1 million to \$161.3 million compared to the same period last year. Total revenue for the nine months ended December 31, 2011 increased \$1.4 million to \$600.0 million.

For the three months ended December 31, 2011, total operating expenses increased \$0.8 million to \$166.4 million, compared to the same period last year, with expenses in the nine-month period ended December 31, 2011 increasing by \$6.9 million to \$517.4 million compared to the nine months ended December 31, 2010.

In the third quarter of fiscal 2011/12, vehicle traffic declined by 3.6 per cent and passenger traffic declined by 3.0 per cent compared to the same period the year prior. The traffic decline has been relatively consistent throughout all three quarters of fiscal 2012 and is the largest year-over-year traffic decline that BC Ferries has experienced in recent years.

On December 6, 2012, BC Ferries' Board announced the appointment of Michael J. Corrigan as President and CEO effective January 1, 2012 to replace outgoing CEO David L. Hahn. The Board stated that Corrigan's past business experience, as well as his nine years in the roles of Chief Operating Officer and of Executive Vice President of Business Development at BC Ferries have prepared him well to take on the leadership of the company.

“I am looking forward to working with the provincial government, the Ferries Commissioner and ferry dependent communities to ensure we provide a ferry system that is safe, reliable and affordable,” said Mike Corrigan, BC Ferries’ President and CEO. “I am also cognizant of the economic challenges we face and I am committed to ensuring our financial sustainability, without in any way compromising our focus on safety.”

Notable events since June 30, 2011 include, the issuance of the British Columbia Ferries Commissioner’s report to the B.C. Minister of Transportation and Infrastructure as to how the Coastal Ferry Act could be amended to balance the interests of ferry users with the financial sustainability of BC Ferries. The report reconfirms that BC Ferries is an efficient and well run operation but clearly articulates the challenges ahead if the company continues to operate the same level of service with the same level of funding. The company is awaiting the Province’s response to the Commissioner’s report and recommendations.

The company reached a tentative agreement with the BC Ferry & Marine Workers’ Union for a three year extension, to October 31, 2015, of the Collective Agreement. The agreement has been ratified by the Union membership.

Former B.C. Auditor General George Morfitt released a comprehensive report arising from his follow-up of the operational safety audit he conducted five years ago. The report notes a significant improvement in the safety culture and practices within BC Ferries and concluded the company continues to operate a safe system.

A Request for Expressions of Interest was issued to determine whether a third party, under contract to BC Ferries, can provide cable ferry service at a lower cost, while maintaining high levels of safety, quality and reliability. The company intends to issue a Request for Proposals as the next phase of the procurement process.

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.

- 30 -

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

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, 2011. BC Ferries provides frequent year-round ferry transportation services to the West Coast of Canada on 25 routes, currently supported by 35 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: traffic levels; the extension of the Collective Agreement; our short-term and long-range business plans and cable ferry initiative; and the impact of the Commissioner's recommendations. 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, limitations of vessel repair facilities, 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.

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Balance Sheets
(expressed in thousands)

	December 31, 2011 (unaudited)	March 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,642	\$ 33,335
Restricted short-term investments	35,774	37,040
Other short-term investments	26,880	64,074
Accounts receivable	17,514	20,619
Prepaid expenses	7,603	5,648
Inventories	20,478	19,957
Regulatory assets	1,194	3,703
	137,085	184,376
Property, plant and equipment	1,582,622	1,581,007
Intangible assets	38,380	34,929
Regulatory assets	997	-
Long-term loan receivable	24,515	24,247
Long-term land lease	32,635	32,979
	\$ 1,816,234	\$ 1,857,538
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 39,625	\$ 51,249
Short-term debt	-	3,949
Interest payable on long-term debt	15,324	18,261
Accrued employee costs	50,812	48,194
Deferred revenue	13,348	15,596
Derivative liabilities	-	23
Current portion of long-term debt	9,000	22,125
Current portion of accrued employee future benefits	1,200	1,200
Current portion of obligations under capital lease	974	1,040
	130,283	161,637
Accrued employee future benefits	11,823	10,907
Regulatory liabilities	-	1,558
Long-term debt	1,289,491	1,327,014
Obligations under capital lease	47,258	47,723
	1,478,855	1,548,839
Shareholders' equity:		
Share capital	75,478	75,478
Retained earnings	261,901	233,221
	337,379	308,699
	\$ 1,816,234	\$ 1,857,538

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	
	2011	2010	2011	2010
Revenue:				
Tariffs	\$ 98,601	\$ 99,086	\$ 376,060	\$ 373,007
Ferry service fees	34,420	33,954	122,287	118,892
Federal-Provincial Subsidy Agreement	6,872	6,731	20,615	20,193
Retail	16,590	17,208	63,024	65,351
Other income	4,804	5,344	18,032	21,134
	161,287	162,323	600,018	598,577
Expenses:				
Operations	97,902	96,676	317,493	315,201
Maintenance	23,932	26,815	63,142	63,289
Administration	6,818	7,531	22,624	22,365
Cost of retail goods sold	6,473	6,525	23,903	24,482
Amortization	31,305	28,059	90,229	85,188
	166,430	165,606	517,391	510,525
(Loss) earnings from operations	(5,143)	(3,283)	82,627	88,052
Gain on foreign exchange	37	67	214	173
Interest expense	(17,953)	(18,367)	(54,173)	(54,354)
(Loss) gain on disposal of capital assets	(25)	9,146	12	8,893
Net (loss) earnings	(23,084)	(12,437)	28,680	42,764
Other comprehensive income	-	-	-	-
Net (loss) earnings and comprehensive income	(23,084)	(12,437)	28,680	42,764
Retained earnings, beginning of period	284,985	290,679	233,221	235,478
Retained earnings, end of period	\$ 261,901	\$ 278,242	\$ 261,901	\$ 278,242

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended December 31		Nine months ended December 31	
	2011	2010	2011	2010
Cash provided by (used in):				
Operations:				
Net (loss) earnings	\$ (23,084)	\$ (12,437)	\$ 28,680	\$ 42,764
Items not involving cash:				
Amortization	31,305	28,059	90,229	85,188
Other non-cash charges	2,379	(8,874)	4,227	(7,084)
Long-term regulatory costs deferred	(1,855)	(1,628)	(2,555)	(6,904)
Change in non-cash operating working capital	1,431	7,931	(16,867)	(414)
	10,176	13,051	103,714	113,550
Financing:				
Repayment of long-term debt	-	-	(51,375)	(4,500)
Repayment of short-term loans	-	-	(3,949)	-
Repayment of capital lease obligations	(259)	(318)	(798)	(715)
	(259)	(318)	(56,122)	(5,215)
Investing:				
Proceeds from disposal of property, plant and equipment	23	11,040	107	11,118
Purchase of property, plant and equipment and intangible assets	(35,873)	(34,420)	(91,584)	(78,196)
Recovery of import duties and related taxes	-	119,449	-	119,449
Reduction of debt service reserves	(29)	-	1,266	200
Advancement of long-term loan	-	(24,247)	(268)	(24,247)
Proceeds from (purchase of) short-term investments	32,230	(51,382)	37,194	(51,601)
	(3,649)	20,440	(53,285)	(23,277)
Increase (decrease) in cash and cash equivalents	6,268	33,173	(5,693)	85,058
Cash and cash equivalents, beginning of period	21,374	62,493	33,335	10,608
Cash and cash equivalents, end of period	\$ 27,642	\$ 95,666	\$ 27,642	\$ 95,666