

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 2008/09. The company reported a net loss of \$14.6 million for the three months ended December 31, 2008, compared to a net loss of \$7.8 million in the same quarter last year. Net earnings for the nine-month period ended December 31, 2008 were \$47.5 million, down from \$67.7 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. The company utilizes the third and fourth quarters to perform upgrades, maintenance and refits and to undertake mandatory inspections on the majority of its vessels.

For the three months ended December 31, 2008, total revenue increased by \$12.9 million to \$149.4 million while total expenses increased \$19.7 million to \$164.0 million, compared to the same period last year. Revenues for the nine months ended December 31, 2008 increased \$36.9 million to \$553.4 million with expenses in the same period increasing \$57.1 million to \$505.9 million, compared to the nine months ended December 31, 2007. Of this increase in expenses, over \$32 million is due to higher fuel expense primarily as a result of a lift in fuel prices as established by the British Columbia Ferries Commissioner. Amortization and interest expense have increased \$17.2 million and \$12.5 million respectively, due to our significant asset renewal program.

BC Ferries has experienced a decrease in traffic in all three quarters of fiscal 2009 compared to the same period last year, generally reflecting deteriorating economic conditions and volatile fuel prices. For the nine months ended December 31, 2008, vehicle and passenger traffic levels were down 5.1 per cent and 4.5 per cent respectively, compared to the same period in the prior year. These reductions in traffic include an approximate 10 per cent decrease in December during which three weeks of severe weather conditions were experienced in our service areas.

“These are turbulent times. As a result, BC Ferries has taken a number of measures to reduce overhead and other operating costs from previously planned levels,” said David L. Hahn, BC Ferries' President and CEO. “In addition, with our comprehensive fuel hedging strategy in place and the recent drop in fuel prices, we eliminated fuel surcharges in December. The province is contributing \$1.7 million towards paying down the fuel deferral accounts, which enabled us to implement fuel rebates for the minor routes and the Horseshoe Bay – Langdale route earlier this month.” This provincial contribution arises from the duty remission for the Northern Adventure.

Capital expenditures totalled \$58.2 million in the three months ended December 31, 2008 and \$304.3 million in the nine months ended December 31, 2008. During the third quarter ended December 31, 2008, \$43.5 million was invested in new vessels including the two new Super C-class vessels, the Island Sky and the Northern Expedition, as well as upgrades to existing ships.

On November 21, 2008, the third and final new Super-C class vessel, the Coastal Celebration commenced service on the Swartz Bay – Tsawwassen route following extensive crew training and familiarization.

On December 9, 2008, BC Ferries took delivery of the 102-metre Island Sky, which entered service on the Earls Cove – Saltery Bay route this month. This vessel was built at Vancouver Shipyards in North Vancouver, and is currently licensed to carry 450 passengers and 125 vehicles.

Capital expenditures for the nine-month period ended December 31, 2008 also included \$35.1 million in the life extension of the Queen of New Westminster and a \$6.0 million upgrade and replacement of the propulsion and safety equipment on the Quinitsa.

“Our credit ratings were recently confirmed by both Standard & Poor's Ratings Services and DBRS Limited at A- and A (low), respectively, which demonstrates our strong cash flow and our ability to service our debt,” said Hahn. "I'm pleased that both agencies have assessed our rating outlook as positive."

A dividend of \$80 per Class “C” Preferred share was declared payable on March 31, 2009 to the holders of record of such shares on that date. Currently all outstanding Class “C” Preferred shares are held by the Province of British Columbia.

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 -

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BC Ferries, one of the largest ferry operators in the world based on passengers transported annually and transportation infrastructure, carried more than 21 million passengers and 8.5 million vehicles during the fiscal year ended March 31, 2008. BC Ferries provides frequent year-round ferry transportation services to the West Coast of Canada on 25 routes, currently supported by 37 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, 2008 (unaudited)	March 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 132,307	\$ 116,319
Restricted cash	35,645	14,090
Short-term investments	4,530	17,040
Accounts receivable	20,020	14,463
Prepaid expenses	10,593	7,285
Inventories	16,589	17,055
Derivative assets	24,064	18,144
Regulatory assets	4,775	4,775
	248,523	209,171
Capital assets	1,544,733	1,303,644
Deferred financing costs	-	669
Assets held for sale	376	-
Regulatory assets	16,512	7,729
Derivative assets	54	-
Long-term land lease	28,946	29,238
	\$ 1,839,144	\$ 1,550,451
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 43,881	\$ 91,263
Short-term debt	52,974	-
Interest payable on long-term debt	14,285	15,718
Accrued employee costs	51,527	53,213
Deferred revenue	13,635	15,108
Derivative liabilities	7,847	-
Regulatory liabilities	-	3,558
Current portion of accrued employee future benefits	800	800
Current portion of obligations under capital lease	580	690
	185,529	180,350
Accrued employee future benefits	12,521	13,020
Regulatory liabilities	24,525	16,833
Long-term debt	1,257,766	1,028,872
Obligations under capital lease	612	719
Other long-term liabilities	152	76
	1,481,105	1,239,870
Shareholders' equity:		
Share capital	75,478	75,478
Retained earnings	282,561	235,103
	358,039	310,581
	\$ 1,839,144	\$ 1,550,451

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended December 31		Nine months ended December 31	
	2008	2007	2008	2007
Revenue:				
Tariffs	\$ 91,611	\$ 79,711	\$ 351,600	\$ 312,808
Ferry service fees	29,090	26,855	98,549	94,892
Federal-Provincial Subsidy Agreement	6,573	6,464	19,720	19,392
Retail	16,784	17,057	63,675	64,664
Other income	5,299	6,473	19,806	24,729
	<u>149,357</u>	<u>136,560</u>	<u>553,350</u>	<u>516,485</u>
Expenses:				
Operations	89,802	77,826	291,548	250,709
Maintenance	20,780	23,482	55,592	65,641
Administration	10,752	12,524	34,059	36,098
Cost of retail goods sold	6,340	6,551	23,202	23,998
Amortization	23,403	16,538	66,100	48,930
	<u>151,077</u>	<u>136,921</u>	<u>470,501</u>	<u>425,376</u>
(Loss) earnings from operations	(1,720)	(361)	82,849	91,109
Gain on foreign exchange	33	2	253	152
Interest expense	(12,068)	(7,336)	(35,894)	(23,410)
(Loss) gain on disposal of capital assets	(889)	(68)	250	(188)
Net (loss) earnings	<u>(14,644)</u>	<u>(7,763)</u>	<u>47,458</u>	<u>67,663</u>
Other comprehensive income	-	-	-	-
Net (loss) earnings and comprehensive income	<u>(14,644)</u>	<u>(7,763)</u>	<u>47,458</u>	<u>67,663</u>
Retained earnings, beginning of period	297,205	279,473	235,103	203,569
Adjustment to retained earnings	-	-	-	478
Restated balance, beginning of period	<u>297,205</u>	<u>279,473</u>	<u>235,103</u>	<u>204,047</u>
Retained earnings, end of period	\$ <u>282,561</u>	\$ <u>271,710</u>	\$ <u>282,561</u>	\$ <u>271,710</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	
	2008	2007	2008	2007
Cash provided by (used in):				
Operations:				
Net (loss) earnings	\$ (14,644)	\$ (7,763)	\$ 47,458	\$ 67,663
Items not involving cash:				
Amortization	23,403	16,538	66,100	48,930
Other non-cash charges	1,339	476	730	761
Regulatory costs deferred	(3,488)	5,281	(2,747)	10,223
Change in operating working capital	1,664	4,703	(23,739)	(8,537)
	8,274	19,235	87,802	119,040
Financing:				
Proceeds from issuance of long-term debt	140,000	-	230,000	-
Proceeds from short-term loans	122,798	39,836	203,556	39,836
Repayment of short-term loans	(80,790)	(98)	(150,581)	(24,806)
Repayment of capital lease obligations	(204)	-	(534)	-
Deferred financing costs incurred	(708)	(95)	(951)	(255)
	181,096	39,643	281,490	14,775
Investing:				
Proceeds from (cost of) disposal of capital assets	59	(39)	1,440	(14)
Purchase of capital assets	(61,514)	(167,135)	(345,699)	(274,968)
(Increase) decrease in restricted cash	(12,156)	-	(21,555)	7,174
Proceeds from (purchase of) short-term investments	10,319	(32)	12,510	(11,198)
	(63,292)	(167,206)	(353,304)	(279,006)
Increase (decrease) in cash and cash equivalents	126,078	(108,328)	15,988	(145,191)
Cash and cash equivalents, beginning of period	6,229	136,086	116,319	172,949
Cash and cash equivalents, end of period	\$ 132,307	\$ 27,758	\$ 132,307	\$ 27,758
Supplemental cash flow information:				
Cash paid during the period for interest	\$ 17,561	\$ 15,135	\$ 49,178	\$ 36,581
Non-cash transactions:				
Capital assets acquired under capital lease	\$ 59	\$ -	\$ 381	\$ -