FORWARD LOOKING STATEMENTS
This presentation and other information provided 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 document include statements with respect to: economic conditions, traffic levels, fuel prices, tariff revenue, and fuel surcharges; our short-term and long-range business plans, capital expenditure levels, and asset renewal programs for vessels and terminals; our customer service program, vessel replacement program for the Queen of Burnaby and the Queen of Nanaimo, cable ferry initiative, Spirit Class upgrades, and LNG plans; and total revenue and expense projections, the Commissioner’s $54 million productivity target and two financial ratios, and the amount of savings to be achieved through service level adjustments. 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 presentation and other information provided 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 presentation, 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.

In addition to providing measures prepared in accordance with IFRS, we present certain supplemental non-IFRS measures. These include, but are not limited to, vehicle and passenger traffic, on-time performance, fleet reliability score, employee safety performance, customer satisfaction ratings, employee absenteeism, fuel consumption, and average passenger spend. These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. These supplemental non-IFRS measures are provided to assist readers in determining our ability to generate cash from operations and improve the comparability of our results from one period to another. We believe these measures are useful in assessing operating performance of our ongoing business on an overall basis.
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II. Corporate Update
III. Contractual and Regulatory Overview
IV. Financial Update
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I. Introduction
Overview of Operations

BC Ferries’ Infrastructure

Routes

- 4 Major Routes – connecting Vancouver Island and Sunshine Coast to the Lower Mainland of British Columbia (64% of passenger traffic and 59% of vehicle traffic)
- 2 Northern Routes – service the Province’s mid & north coast and Haida Gwaii
- 18 Other Routes – connect the Gulf Islands and small communities on Vancouver Island and Lower Mainland

Terminals

- 5 major and 42 minor terminals
- Major terminals are: Tsawwassen; Swartz Bay; Horseshoe Bay; Duke Point; and Departure Bay

Vessels

- Operates a fleet of 35 vessels of varying size
- Average age of vessel fleet (weighted by gross tonnage) is approx. 20 years
II. Corporate Update
Carried 19.7 million passengers and 7.6 million vehicles on over 183,000 sailings

Invested $129.9 million in capital expenditures for vessel upgrades, modifications, terminals and information technology

Generated $79 million in food and retail sales which contributes valuable non-tariff revenue and assists with fare affordability
<table>
<thead>
<tr>
<th></th>
<th>Fiscal Year 2004 Results</th>
<th>Fiscal Year 2014 Results</th>
<th>Improvement since 2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee Safety</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Employee time loss injuries)</td>
<td>365</td>
<td>143</td>
<td>60.8%</td>
</tr>
<tr>
<td><strong>Fleet Reliability</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of scheduled sailings delivered)</td>
<td>99.14%</td>
<td>99.71%</td>
<td>0.57%</td>
</tr>
<tr>
<td><strong>Fleet On-Time Performance</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(% of sailings within 10 minutes of schedule)</td>
<td>85.2%</td>
<td>91.5%</td>
<td>6.8%</td>
</tr>
<tr>
<td><strong>Overall Customer Satisfaction</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Rating out of 5 where 5 is very satisfied and 1 is very unsatisfied)</td>
<td>3.99</td>
<td>4.17</td>
<td>4.5%</td>
</tr>
<tr>
<td><strong>Employee Absenteeism</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Hours for illness and other paid leave)</td>
<td>379,238</td>
<td>251,325</td>
<td>33.7%</td>
</tr>
<tr>
<td><strong>Fuel Consumption</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Total litres consumed)</td>
<td>122,550,507</td>
<td>116,705,526</td>
<td>4.8%</td>
</tr>
</tbody>
</table>
Safety Awards

• WorkSafeBC’s Certificate of Recognition (COR)

• Latitude Productions UK International Safety Award

• Lloyd’s List North America Safety Award for Training
Employee Safety Performance

![Graph showing Employee Time Loss Injuries and Days Lost over years 2006/07 to 2013/14. The graph shows a decreasing trend in both categories with time.]
Current Trends - Passengers

365 Day Rolling Passenger Counts
Major Routes

Note: Scale Truncated for Effect

- Apr 1, 11 to Jul 31, 13
- Aug 1, 13 to Aug 31, 14
Current Trends - Vehicles

365 Day Rolling Car Counts
Major Routes

Note: Scale truncated for effect

12
<table>
<thead>
<tr>
<th></th>
<th>Fiscal 2013</th>
<th>Fiscal 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BCF Commercial Services</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commercial Revenue</td>
<td>$71.5M</td>
<td>$74.2M</td>
</tr>
<tr>
<td>Drop Trailer Revenue</td>
<td>$9.7M</td>
<td>$11.1M</td>
</tr>
<tr>
<td>Drop Trailer Throughput</td>
<td>32,217 units</td>
<td>36,981 units</td>
</tr>
<tr>
<td>Net Contribution</td>
<td>$6.9M</td>
<td>$8.0M</td>
</tr>
</tbody>
</table>

Major Milestone – Carried our 100,000th drop trailer this year
<table>
<thead>
<tr>
<th>BCF Vacations</th>
<th>Fiscal 2013</th>
<th>Fiscal 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Sales Revenue</td>
<td>$2.97M</td>
<td>$3.34M</td>
</tr>
<tr>
<td>Net Contribution</td>
<td>$670K</td>
<td>$960K</td>
</tr>
</tbody>
</table>
On February 16, 2012, BC Ferries reached an agreement with the BC Ferry & Marine Workers’ Union. This agreement involves a three-year extension of the collective agreement (from November 1, 2012 to October 31, 2015). The agreement allows for modest wage increases following two years of zero increases. The schedule of wage adjustments is as follows:

<table>
<thead>
<tr>
<th>Date</th>
<th>Wage Adjustment (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-Apr-11</td>
<td>0.00%</td>
</tr>
<tr>
<td>01-Apr-12</td>
<td>0.00%</td>
</tr>
<tr>
<td>31-Oct-12</td>
<td>1.00%</td>
</tr>
<tr>
<td>01-Apr-13</td>
<td>1.50%</td>
</tr>
<tr>
<td>01-Apr-14</td>
<td>2.00%</td>
</tr>
<tr>
<td>01-Apr-15</td>
<td>2.00%</td>
</tr>
</tbody>
</table>
III. Contractual and Regulatory Overview
The Three Entities

BC Ferries (Service Provider)
*Provide Safe & Efficient Service*

Customer

BC Ferries Commissioner
*Holds BC Ferries Accountable*
Regulator

Provincial Government
*Sets Service Levels*
60-Year Contract
Establishing PT3 Price Caps

- **Price Caps**: Maximum average fare increases

- **Coastal Ferry Act**: Requires the Commissioner to set price caps sufficient to enable the ferry operator to meet debt obligations and maintain access to reasonable borrowing rates

- For Performance Term 3, the Price Caps were established by the Commissioner based on:
  - A $54M productivity challenge
  - A $30M service level adjustment challenge
  - Financial targets for leverage and debt service coverage
We are well on our way to exceeding the productivity target of $54 million established by the BC Ferries Commissioner for Performance Term 3
PT3 Service Level Adjustments

- BC Ferries and the Province originally agreed to implement $30 million in service level savings over PT3
  - The Province subsequently paid $7.1M to reduce the required savings to $22.9M

- To date, $18 million of net savings over PT3 has been identified and agreed to with the Province.
  - Eliminated approximately 6,900 round trips per year on minor and northern routes

- $4.9 million in savings still to be identified
  - Focus is on the Major Routes
The Commissioner identified the following two financial ratios as targets for the end of performance term 3:

- Equity not lower than 17.5% of total capitalization; and
- A Debt Service Coverage Ratio of 2.5:1 or higher
- We expect to beat both of these PT3 targets
Performance Term Four Filing

- Due for submission to Commissioner Sept 30, 2014:
  - BCF PT4 submission
  - BCF Efficiency Plan
  - BCF long term capital plan (to March 31, 2026)

- By Mar 31, 2015, Commissioner sets preliminary PT4 price caps

- By June 30, 2015, BCF and Ministry reach agreement on amendments to Coastal Ferry Services Contract for PT4

- By Sept 30, 2015, Commissioner sets final PT4 price caps

- Apr 1, 2016 - PT4 begins
Province continues to demonstrate its support

- **Financial Support:** Incremental $79.5 million over PT3 to reduce pressure on fare and price cap increases including a $25 million capital contribution to fiscal year 2012

- **Service Plan:** Coastal Ferry Services Contract amended to target $30 million in net savings from service adjustments in PT3

Commissioner’s actions support light handed regulation

- Price cap Order provides for financial sustainability
- Fuel Surcharge/Rebate Order allows management discretion
- Supportive of business process and service changes that improve efficiency
- Approval for three new Intermediate Class Vessels and a Cable Ferry
IV. Financial Update
We are forecasting to invest approximately $3.1 billion in capital expenditures over the next twelve years.
Newbuild Program
Cable Ferry

- February 2014 – $15 million contract awarded to Seaspan to build cable ferry
- March 2014 – 2 contracts totaling $15.2 million awarded to Ruskin Construction and Vancouver Pile Driving for terminal/marine infrastructure
- February 2015 – delivery of cable ferry; trials & training
- In service in the summer of 2015
- Annual savings of $2 million per year over 40-year life of cable ferry system
Newbuild Program
Three Intermediate Class Ferries

- Awarded $165 million contracts to Remontowa Shipbuilding S.A. in Gdansk, Poland in July 2014
- 3-145 AEQ vessels in service in 2016 and 2017
- Dual-fuel vessels (LNG/MDO)
- Standardization & interoperability
- Queens of Burnaby & Nanaimo retire
Spirit of Vancouver Island - Fall 2016 to Spring 2017

Spirit of British Columbia - Fall 2017 to Spring 2018

• Conversion to LNG propulsion under consideration
  - Current diesel fuel consumption is 8.5 to 11 million litres per year per ship

• Overhaul or replacement of systems and equipment to prepare each vessel for the second half of its useful life

• Ancillary revenue opportunities
Financial Integrity

- Redeemed $140 million outstanding Series 08-02 bonds on July 23, 2013
- Completed private placements:
  - $200 million 30-year bonds October 25, 2013 (4.702%)
  - $200 million 30-year bonds April 28, 2014 (4.289%)
- Standard & Poors’ raised ratings to “AA-” with stable outlook
- DBRS confirmed an “A” rating with stable trend

<table>
<thead>
<tr>
<th>(C$ millions)</th>
<th>FY2014</th>
<th>FY2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>800.2</td>
<td>786.4</td>
</tr>
<tr>
<td>Expenses (OMA)</td>
<td>577.4</td>
<td>565.9</td>
</tr>
<tr>
<td>EBITDA</td>
<td>222.8</td>
<td>220.5</td>
</tr>
<tr>
<td>Net Earnings</td>
<td>18.0</td>
<td>15.5</td>
</tr>
</tbody>
</table>
### Debt Portfolio & Key Ratios

#### Bonds Outstanding

<table>
<thead>
<tr>
<th>Amount (C$MM)</th>
<th>Maturity</th>
<th>Coupon</th>
</tr>
</thead>
<tbody>
<tr>
<td>200</td>
<td>April 28, 2044</td>
<td>4.289%</td>
</tr>
<tr>
<td>200</td>
<td>October 23, 2043</td>
<td>4.702%</td>
</tr>
<tr>
<td>200</td>
<td>January 11, 2038</td>
<td>5.581%</td>
</tr>
<tr>
<td>250</td>
<td>March 20, 2037</td>
<td>5.021%</td>
</tr>
<tr>
<td>250</td>
<td>October 13, 2034</td>
<td>6.250%</td>
</tr>
</tbody>
</table>

#### Bank Debt*

<table>
<thead>
<tr>
<th>Type</th>
<th>Amount (C$MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit Facility Limit</td>
<td>155</td>
</tr>
<tr>
<td>KfW Loans Outstanding</td>
<td>196</td>
</tr>
</tbody>
</table>

* As at June 30, 2014

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#### Historical Debt Service Coverage Ratio

March 31, 2014: **2.81X**

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#### Historical Leverage Ratio

March 31, 2014: **81.7%**
V. Summary
Current Focus

- Ongoing commitment to safety & security
- Cost containment & fare affordability
- Vessel newbuild program
- Liquefied natural gas (LNG)
- Customer facing IT systems
- Service level adjustments
- Positive onboard ancillary revenue
- Employee engagement through health & wellness
Investment Highlights

- Business with Monopolistic Characteristics
- Essential Service
- High Barriers to Entry
- Supportive Legislation
- Strong Credit Ratings “A” and “AA-”
- Strong Provincial Support
Questions
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