



BC Ferries: Management Update

May 2008



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 BC Ferries' 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.

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, the impact of competition, asset risk, accident/casualty loss 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. BC Ferries has developed a framework to guide the capital planning process to ensure alignment with, and achievement of, the company's strategic objectives. The capital expenditure forecast takes into account six primary project drivers: regulatory/betterment, replacement/refurbishment, internal payback, expansion, corporate initiatives, and maintenance/refit. Some of the market conditions and factors that have been considered in the development of the capital plan include traffic, rising Canadian Dollar relative to US Dollar, fuel costs and fuel reduction initiatives, construction costs, duty remission, GST reduction, and the Coastal Ferry Services Contract. 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.

Fleet Additions

Vessel	Budgeted Cost (\$MM)	Scheduled Delivery/ In Service Date	Route Group
Northern Adventure (replacement for <i>Queen of North</i>)	\$103	In service March 2007	Northern
Kuper	\$12	In service March 2007	Minor
Coastal Renaissance (Super C-class)	} \$542	In service March 2008	Major
Coastal Inspiration (Super C-class)		Delivered March 2008 / Scheduled in service June 2008	Major
Coastal Celebration (Super C-class)		Delivery Mid 2008	Major
Island Sky	\$57	Delivery Mid 2008	Minor
Northern Expedition (replacement for <i>Queen of Prince Rupert</i>)	\$200	Delivery Early 2009	Northern

Note: All Euro based contracts have been hedged

- Vessels account for approx. \$570MM (or 63%) of 5 year forecast capex

Terminal Development

- Master plans are being developed for the terminals that take into account major development, short-term revenue enhancement opportunities and a long term maintenance plan
- Projects Underway (budget):
 - Departure Bay Terminal Master Plan project (\$60MM)
 - Berth upgrades at Horseshoe Bay (\$12MM)
 - Northern terminal mods in preparation for the *Northern Expedition* (\$29MM)
- Terminals account for approx. \$250MM (or 27%) of forecast 5 year capex
- Sidney terminal 40 year lease
 - Non regulated; BCF developing a master plan for future terminal development

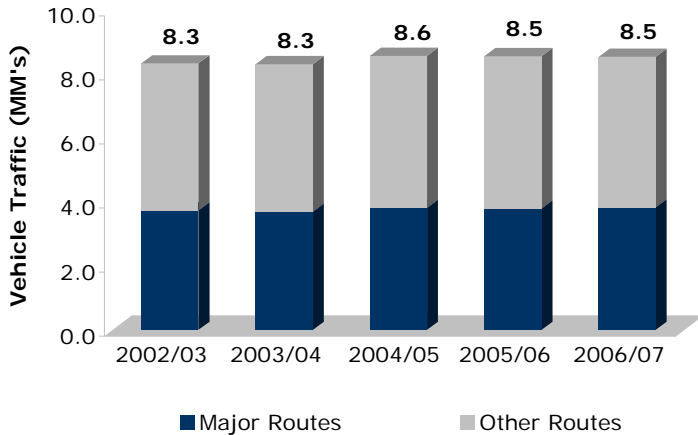
- Repatriation of support services
- ERP upgrade (Oracle and Maximo)

- Smart media
 - BC Ferries Experience™ Card launched March 18, 2008; wallet-sized re-loadable, electronic payment card, similar to a gift or debit card
- Web services upgrade: mybcferries.com

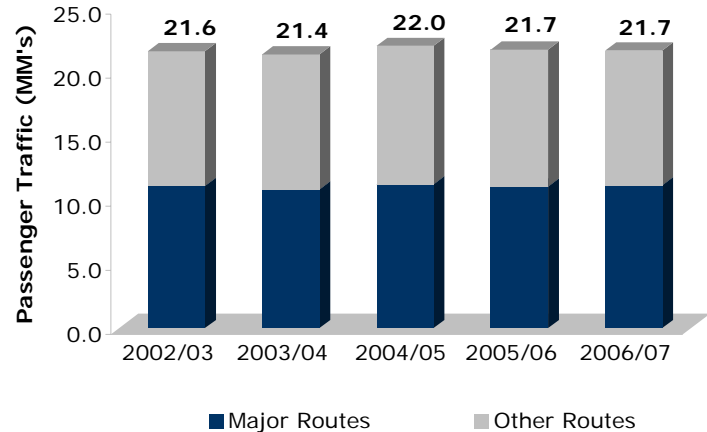
- Operations and Security Centre
- Ferry Academy

- Information systems and other corporate projects account for approx. \$80MM (or 9%) of forecast 5 year capex

BC Ferries' Vehicle Traffic



BC Ferries' Passenger Traffic

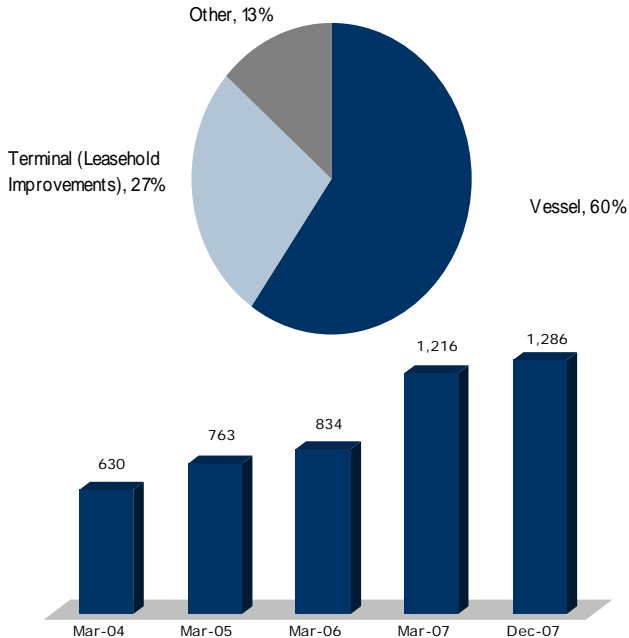


- In the 9 months ending Dec. 31, 2007, increased traffic levels on major and northern routes and an overall decrease in traffic levels on some other routes
 - Overall passenger and vehicle traffic up 0.14% and 0.55% y-o-y, respectively
- Ferry traffic levels are affected by a number of factors including transportation costs, value of Canadian dollar, weather, global security, levels of tourism, disposable personal income, local economy, population growth and demographics

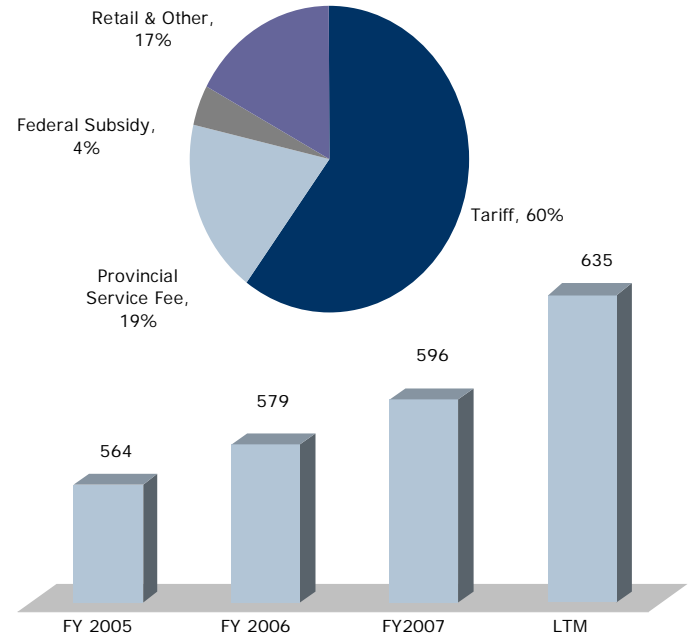
- BC Ferries mitigates fuel price risk in several ways:
 1. Systematic fuel hedging program
 2. Ferry Commissioner established new method of adjusting fuel surcharges/rebates for Performance Term 2
 3. Comprehensive fuel reduction strategy in place
- Carbon Tax
 - On Feb. 19, 2008, Province of BC released its 2008 Budget. As of July 1, 2008, a new carbon tax (2.76¢) will apply to the fuel that BCF purchases, rising to 8.27¢ by 2012
 - We expect this to directly pass through to fare payers

Key Financial Measures

Assets - \$1,286MM
(as of Dec. 31, 2007)



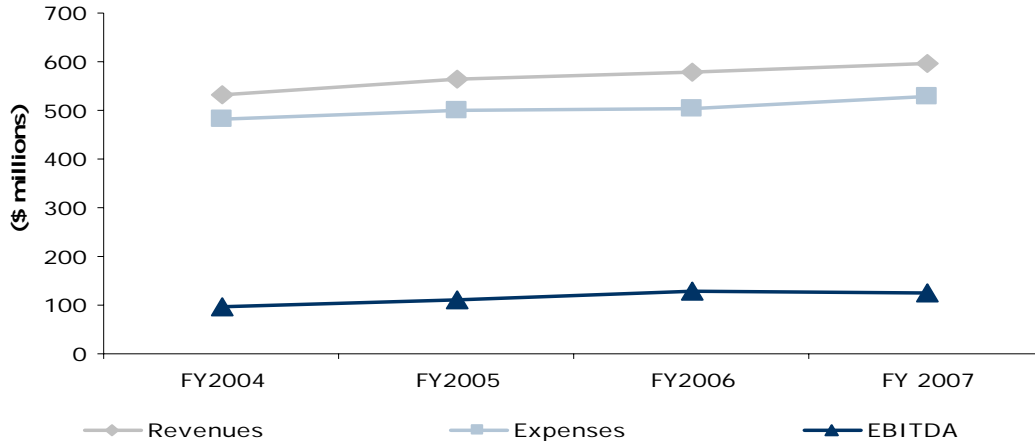
Revenue - \$635MM
(LTM as of Dec. 31, 2007)



LTM = last twelve months

Operating Results

Financial Performance



- Consistent operating results

Corporate News

- **Queen of the North:** Transportation Safety Board released report on the sinking on March 12, 2008
 - Conclusions of report are consistent with BC Ferries' own investigation released in March 2007
- **Performance Term 2:** Began on April 1, 2008 with fare increase of 7.3% on the three major routes and 4.0% on all other designated routes
- **New members on the Board of Directors:** New appointments to the British Columbia Ferry Services Inc.'s board: Mark Cullen; Christopher Gardner; Donald Hayes; Brian Kenning; Wayne Stoilen
 - Messrs Gardner, Hayes and Kenning also appointed to the B.C. Ferry Authority board

Recent Financial Transactions

- **Bond Financing:** Closed \$200MM bond financing in Jan. 2008
- **Loan Agreement with KfW:** Received C\$90MM in loan proceeds in each of Feb. & May 2008
- **Credit Facility:** Recently extended \$155MM 5 year credit facility for 1 year (maturing May 2013)