

For Immediate Release
11-024

June 7, 2011

BC FERRIES RELEASES YEAR-END RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) released its year-end results today for fiscal 2011.

Consolidated net earnings were \$3.8 million for the year ended March 31, 2011, up from \$3.4 million the previous year. The net earnings reflect the effects of lower than expected traffic levels, off-set by cost containment measures and a one-time \$9.3 million gain on the sale of BC Ferries former corporate office building. BC Ferries' fleet and asset renewal program for the major and northern routes is now substantially complete. However, the company continues to invest significantly in its vessels on minor routes and in its terminals.

Revenues for the year increased from \$732.3 million to \$739.3 million, while operating expenses increased from \$660.0 million to \$672.2 million. The \$12.2 million increase in fiscal 2011 operating expenses includes \$6.7 million in increased wages and benefits which are largely contractual in nature; \$2.9 million in increased fuel expenses as a result of higher prices; and \$3.3 million due to the implementation of the HST.

On October 1, 2010, the Government of Canada announced that BC Ferries' request for duty remission on the four vessels built in Germany had been granted. The \$119.4 million in remission of import taxes and related GST has been utilized in an across the board ferry fare reduction of approximately 2 per cent effective October 18, 2010, and will reduce future fare increases in performance term three. \$20.0 million of this amount has been allocated to upgrade key assets in the ship repair and maintenance business in British Columbia.

Capital expenditures in the three and twelve months ended March 31, 2011 totalled \$39.5 million and \$128.7 million, respectively. For fiscal 2011, these investments include: \$45.4 million in vessel upgrades and modifications; \$41.6 million in terminal marine structures; \$24.5 million in terminal and building upgrades and equipment; and \$17.2 million in information technology. In addition, the Company entered into agreements which constitute a capital lease for space in a new corporate office building.

BC Ferries experienced a 1.6 per cent decline in vehicle traffic and a 1.4 per cent decline in passenger traffic in fiscal 2011 compared to the year prior, bringing traffic to levels similar to those experienced in fiscal 2009. During fiscal 2011, vehicle fuel prices climbed while tourism remained lower than in years prior to fiscal 2009.

“The year ahead is going to be a challenging one for the tourism business and for BC Ferries,” said David L. Hahn, BC Ferries’ President and CEO. “We are planning to post a loss of approximately \$20 million in fiscal 2012, which is attributed to continued low traffic volumes as well as our commitment to fund on-going vessel maintenance and repair, and to expand our safety management and training programs. Our strategy is to not repeat past practices of cutting capital expenditures and other important programs to the detriment of British Columbia’s ferry service.”

Fourth quarter revenues decreased from \$142.3 million to \$140.7 million compared to the same quarter the year prior, while total expenses increased from \$179.1 million to \$179.7 million. BC Ferries reported a fourth quarter loss of \$39.0 million compared to a \$36.8 million 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.

During the fiscal year ended March 31, 2011, the \$32 million multi-year project for replacement and refurbishment of one of the major berths at Tsawwassen terminal was completed. The Quadra Queen II returned to service after completion of a \$15 million life extension project to prepare it for another 20 years of service. In addition, the Queen of Cumberland underwent a \$6 million combined refit and asset improvement project.

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 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 our short and long-range business plans and expectations of a net loss in 2012 and a return to profitability in 2013. 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.

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BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Balance Sheets
(expressed in thousands)

| | As at March 31, | |
|---|-----------------|--------------|
| | 2011 | 2010 |
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 33,335 | \$ 10,608 |
| Restricted short-term investments | 37,040 | 37,240 |
| Other short-term investments | 64,074 | 7,678 |
| Accounts receivable | 20,619 | 18,832 |
| Prepaid expenses | 5,648 | 5,688 |
| Inventories | 19,957 | 18,040 |
| Regulatory assets | 3,703 | 4,775 |
| | 184,376 | 102,861 |
| Property, plant and equipment | 1,581,007 | 1,644,069 |
| Intangible assets | 34,929 | 26,406 |
| Assets held for sale | - | 200 |
| Long-term loan receivable | 24,247 | - |
| Long-term land lease | 32,979 | 33,437 |
| | \$ 1,857,538 | \$ 1,806,973 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 51,249 | \$ 38,884 |
| Short-term debt | 3,949 | - |
| Interest payable on long-term debt | 18,261 | 18,319 |
| Accrued employee costs | 48,194 | 48,644 |
| Deferred revenue | 15,596 | 16,023 |
| Derivative liabilities | 23 | - |
| Current portion of long-term debt | 22,125 | 9,000 |
| Current portion of accrued employee future benefits | 1,200 | 800 |
| Current portion of obligations under capital lease | 1,040 | 398 |
| | 161,637 | 132,068 |
| Accrued employee future benefits | 10,907 | 11,130 |
| Regulatory liabilities | 1,558 | 4,325 |
| Long-term debt | 1,327,014 | 1,348,183 |
| Obligations under capital lease | 47,723 | 139 |
| Other long-term liabilities | - | 172 |
| | 1,548,839 | 1,496,017 |
| Shareholders' equity: | | |
| Share capital | 75,478 | 75,478 |
| Retained earnings | 233,221 | 235,478 |
| | 308,699 | 310,956 |
| | \$ 1,857,538 | \$ 1,806,973 |

BRITISH COLUMBIA FERRY SERVICES INC.

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

| | Years ended March 31, | |
|--|-----------------------|-------------------|
| | 2011 | 2010 |
| Revenue: | | |
| Tariffs | \$ 458,049 | \$ 450,508 |
| Ferry service fees | 151,023 | 149,507 |
| Federal-Provincial Subsidy Agreement | 26,924 | 26,924 |
| Retail | 78,920 | 80,809 |
| Other income | 24,354 | 24,557 |
| | <u>739,270</u> | <u>732,305</u> |
| Expenses: | | |
| Operations | 411,116 | 398,792 |
| Maintenance | 85,717 | 85,579 |
| Administration | 31,169 | 30,330 |
| Cost of retail goods sold | 29,659 | 30,127 |
| Amortization | 114,486 | 115,175 |
| | <u>672,147</u> | <u>660,003</u> |
| Earnings from operations | 67,123 | 72,302 |
| Gain on foreign exchange | 173 | 144 |
| Interest expense | (72,173) | (67,638) |
| Gain (loss) on disposal and impairment of capital assets | 8,658 | (1,386) |
| Net earnings | <u>3,781</u> | <u>3,422</u> |
| Other comprehensive income | - | - |
| Net earnings and comprehensive income | <u>3,781</u> | <u>3,422</u> |
| Retained earnings, beginning of year | 235,478 | 238,094 |
| Preferred share dividend | (6,038) | (6,038) |
| Retained earnings, end of year | <u>\$ 233,221</u> | <u>\$ 235,478</u> |

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statements of Cash Flows
(expressed in thousands)

| | Years ended March 31, | |
|---|-----------------------|------------------|
| | 2011 | 2010 |
| Cash provided by (used in): | | |
| Operations: | | |
| Net earnings | \$ 3,781 | \$ 3,422 |
| Items not involving cash: | | |
| Amortization | 114,486 | 115,175 |
| Other non-cash items | (6,659) | 1,854 |
| Long-term regulatory costs deferred | (7,543) | 10,314 |
| Change in non-cash operating working capital | 2,765 | (9,468) |
| | <u>106,830</u> | <u>121,297</u> |
| Financing: | | |
| Dividends paid on preferred shares | (6,038) | (6,038) |
| Repayment of long-term debt | (9,000) | (9,000) |
| Proceeds from (repayment of) short-term loans | 3,949 | (17,956) |
| Repayment of capital lease obligations | (1,021) | (541) |
| | <u>(12,110)</u> | <u>(33,535)</u> |
| Investing: | | |
| Proceeds from disposal of property, plant and equipment | 11,181 | 2,135 |
| Purchase of property, plant and equipment and intangible assets | (122,180) | (84,166) |
| Recovery of import duties and related taxes | 119,449 | - |
| Reduction of restricted short-term investments | 200 | - |
| Advancement of long-term loan | (24,247) | - |
| Purchase of short-term investments | (56,396) | (7,525) |
| | <u>(71,993)</u> | <u>(89,556)</u> |
| Increase (decrease) in cash and cash equivalents | 22,727 | (1,794) |
| Cash and cash equivalents, beginning of year | 10,608 | 12,402 |
| Cash and cash equivalents, end of year | <u>\$ 33,335</u> | <u>\$ 10,608</u> |