

For Immediate Release
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BC FERRIES RELEASES SECOND QUARTER RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) announced its second quarter results today with net earnings of \$57.3 million and \$51.8 million for the three and six-month periods ended September 30, 2011, up from \$54.3 million and down from \$55.2 million for the three and six-month periods ended September 30, 2010.

Total revenue for the three-month period ended September 30, 2011 increased from \$246.0 million to \$252.1 million, while operating expenses increased from \$173.6 million to \$176.7 million, compared to the same period last year. For the six-months ended September 30, 2011, total revenue was \$438.7 million compared to \$436.2 million for the six-month period ended September 30, 2010. Operating expenses for the same period were \$350.9 million, up from \$344.9 million in the prior year.

In the second quarter of fiscal 2012, BC Ferries experienced a decline of 3.5 per cent in vehicle traffic and 2.9 per cent in passenger traffic compared to the same period in the year prior. In the six-months ended September 30, 2011, BC Ferries' traffic is at a 20-year low in passenger levels and an 11-year low in vehicle traffic.

On September 27, 2011, BC Ferries' Board of Directors announced that the President and CEO elected to retire on December 31, 2011.

On the same day, BC Ferries announced a major cost containment initiative in an effort to address the significant drop in revenues in the first half of the fiscal year as a result of declining traffic. Cost saving actions include: a hiring freeze of all non-essential positions; two-year wage and salary freeze; eighteen-month delay in select capital expenditures; elimination of many charitable and community donations; and select early retirements. In addition, BC Ferries applied to the Province to reduce up to 400 round trips on the major routes in response to traffic declines and anticipated revenue reduction.

“We’ve initiated a cost containment program to reduce our operating and capital expenditures in the near term in order to manage the Company in a fiscally prudent manner through our current economic reality,” said David L. Hahn, BC Ferries’ President and CEO. “Our cost containment initiatives should generate more than \$11 million in savings from previously planned levels, and we are well on our way to achieving these targeted savings. However, we still expect to incur a loss in excess of \$20 million this fiscal year.”

Capital expenditures in the three and six-months ended September 30, 2011 totalled \$31.1 million and \$56.8 million, respectively. Projects included berth replacements and refurbishments at major and minor terminals, vessel upgrades and modifications and information technology projects.

Other notable events during the quarter include the July 26, 2011 announcement of a 90-day, one-time only refund to customers who purchased assured loading tickets between 1984 and July 25, 2011.

On August 18, 2011, BC Ferries received approval from the Department of Fisheries and Oceans under the Canadian Environmental Assessment Act for a cable ferry project. The Company is considering replacing the existing conventional ferry service between Buckley Bay on Vancouver Island and Denman Island with a cable ferry service. Cable ferries are less costly to build and operate. The service could be operated by BC Ferries or by a private operator under contract to BC Ferries.

The flexibility provided by the receipt of \$119.4 million in duty remission from the Federal Government allowed BC Ferries to pay down, in September, \$45 million in principal, amounts outstanding under two of its 12-year loans.

BC Ferries' full financial statements, including notes and Management's Discussion and Analysis are filed on SEDAR and are 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: traffic levels; a net loss in fiscal 2012 larger than \$20 million; our expectations regarding the amount of savings that should be generated from our cost containment initiatives; and our short-term and long-range business plans. 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)

	September 30, 2011 (unaudited)	March 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,374	\$ 33,335
Restricted short-term investments	35,745	37,040
Other short-term investments	59,110	64,074
Accounts receivable	20,833	20,619
Prepaid expenses	8,204	5,648
Inventories	20,946	19,957
Derivative assets	14	-
Regulatory assets	2,387	3,703
	<u>168,613</u>	<u>184,376</u>
Property, plant and equipment	1,579,178	1,581,007
Intangible assets	36,336	34,929
Long-term loan receivable	24,515	24,247
Long-term land lease	32,750	32,979
	<u>\$ 1,841,392</u>	<u>\$ 1,857,538</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 38,559	\$ 51,249
Short-term debt	-	3,949
Interest payable on long-term debt	18,287	18,261
Accrued employee costs	49,492	48,194
Deferred revenue	14,408	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	991	1,040
	<u>131,937</u>	<u>161,637</u>
Accrued employee future benefits	11,388	10,907
Regulatory liabilities	858	1,558
Long-term debt	1,289,247	1,327,014
Obligations under capital lease	47,499	47,723
	<u>1,480,929</u>	<u>1,548,839</u>
Shareholders' equity:		
Share capital	75,478	75,478
Retained earnings	284,985	233,221
	<u>360,463</u>	<u>308,699</u>
Commitments		
	<u>\$ 1,841,392</u>	<u>\$ 1,857,538</u>

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended September 30		Six months ended September 30	
	2011	2010	2011	2010
Revenue:				
Tariffs	\$ 161,985	\$ 155,709	\$ 277,458	\$ 273,921
Ferry service fees	48,456	46,408	87,867	84,939
Federal-Provincial Subsidy Agreement	6,872	6,731	13,743	13,462
Retail	27,035	28,052	46,434	48,142
Other income	7,697	9,115	13,228	15,790
	<u>252,045</u>	<u>246,015</u>	<u>438,730</u>	<u>436,254</u>
Expenses:				
Operations	114,553	114,908	219,590	218,524
Maintenance	14,183	12,623	39,210	36,475
Administration	8,449	7,317	15,806	14,834
Cost of retail goods sold	9,967	10,277	17,430	17,957
Amortization	29,530	28,441	58,924	57,129
	<u>176,682</u>	<u>173,566</u>	<u>350,960</u>	<u>344,919</u>
Earnings from operations	75,363	72,449	87,770	91,335
Gain on foreign exchange	155	31	176	106
Interest expense	(18,254)	(17,959)	(36,220)	(35,987)
Gain (loss) on disposal of capital assets	9	(239)	38	(253)
Net earnings	<u>57,273</u>	<u>54,282</u>	<u>51,764</u>	<u>55,201</u>
Other comprehensive income	-	-	-	-
Net earnings and comprehensive income	<u>57,273</u>	<u>54,282</u>	<u>51,764</u>	<u>55,201</u>
Retained earnings, beginning of period	<u>227,712</u>	<u>236,397</u>	<u>233,221</u>	<u>235,478</u>
Retained earnings, end of period	<u>\$ 284,985</u>	<u>\$ 290,679</u>	<u>\$ 284,985</u>	<u>\$ 290,679</u>

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Three months ended September 30		Six months ended September 30	
	2011	2010	2011	2010
Cash provided by (used in):				
Operations:				
Net earnings	\$ 57,273	\$ 54,282	\$ 51,764	\$ 55,201
Items not involving cash:				
Amortization	29,530	28,441	58,924	57,129
Other non-cash charges	864	1,401	1,848	1,790
Long-term regulatory costs deferred	(159)	(2,927)	(700)	(5,276)
Change in non-cash operating working capital	286	2,957	(18,298)	(8,345)
	87,794	84,154	93,538	100,499
Financing:				
Repayment of long-term debt	(49,500)	(4,500)	(51,375)	(4,500)
Repayment of short-term loans	-	-	(3,949)	-
Repayment of capital lease obligations	(263)	(286)	(539)	(397)
	(49,763)	(4,786)	(55,863)	(4,897)
Investing:				
Proceeds from disposal of property, plant and equipment	55	52	84	78
Purchase of property, plant and equipment and intangible assets	(27,868)	(23,137)	(55,711)	(43,776)
Reduction of debt service reserves	1,295	200	1,295	200
Advancement of long-term loan	-	-	(268)	-
(Purchase of) proceeds from short-term investments	(36)	(57)	4,964	(219)
	(26,554)	(22,942)	(49,636)	(43,717)
Increase (decrease) in cash and cash equivalents	11,477	56,426	(11,961)	51,885
Cash and cash equivalents, beginning of period	9,897	6,067	33,335	10,608
Cash and cash equivalents, end of period	\$ 21,374	\$ 62,493	\$ 21,374	\$ 62,493