

For Immediate Release
12-017

June 15, 2012

BC FERRIES RELEASES YEAR-END RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) released its year-end results today for fiscal 2012. The company reported a net loss of \$16.5 million for the year ended March 31, 2012, compared to net earnings of \$3.8 million the previous year. The net earnings from fiscal 2011 included a one-time gain of \$9.3 million from the sale of the company's former head office building.

Revenues for the year decreased from \$739.3 million to \$738.2 million, while operating expenses increased from \$672.2 million to \$682.7 million. The \$10.5 million increase in fiscal 2012 operating expenses includes increases of \$4.0 million in fuel expenses and \$8.5 million in amortization costs, partially offset by reductions in advertising costs, public relations expenses, cost of retail goods sold and a number of miscellaneous items.

Capital expenditures in the three and twelve months ended March 31, 2012 totalled \$31.6 million and \$122.2 million, respectively. For fiscal 2012, these investments include: \$48.5 million in vessel upgrades and modifications; \$44.0 million in terminal marine structures; \$18.6 million in information technology; and \$11.1 million in terminal and building upgrades and equipment.

On January 24, 2012, the British Columbia Ferries Commissioner (the Commissioner) released his report following a comprehensive review of BC Ferries and the commercial regulatory structure in which it operates. The review re-confirmed the company is an efficient and well run operation. The report makes recommendations covering a wide range of ferry related issues and clearly articulates the challenges ahead if BC Ferries continues to operate the same level of service with the same level of government funding.

In May 2012 in response to the Commissioner's report, the Province of British Columbia enacted Bill 47 which implemented changes to the Coastal Ferry Act designed to balance the interests of ferry users, taxpayers and the sustainability of the ferry operator. In announcing Bill 47 the Minister of Transportation and Infrastructure (the Minister) also announced a commitment of \$79.5 million to reduce pressure on fares and price caps. Of this amount, \$25 million was a contribution to equity in the fiscal year ended March 31, 2012. The remaining \$54.5 million will be provided over the next four fiscal years.

“The legislative changes and committed funding are important to the long term financial sustainability of BC Ferries in order to provide British Columbians with a reliable and affordable service without compromising safety,” said Mike Corrigan, BC Ferries’ President and CEO. “We look forward to working with the Province, local communities and the Commissioner to help find solutions that are in the common interests of our customers, the government and BC Ferries.”

In the year ended March 31, 2012, vehicle and passenger traffic declined by 3.5 per cent and 2.8 per cent, respectively. The traffic in fiscal 2012 is the lowest vehicle traffic that BC Ferries has experienced in 13 years and the lowest passenger traffic in 21 years.

BC Ferries is currently forecasting a small loss for fiscal 2013, largely driven by significantly lower traffic levels than those originally included in setting performance term three price caps. The company expects to return to profitability in fiscal 2014, assuming no further deterioration in traffic. In the meantime, BC Ferries does not anticipate that economic conditions or its traffic levels will improve in the near future and the company is continuing its program of cost containment and deferrals without compromising the safety of its operations.

Fourth quarter revenues decreased from \$140.7 million to \$138.2 million compared to the same quarter the year prior, while total expenses increased from \$179.7 million to \$183.4 million. Due to the seasonality of ferry travel, BC Ferries typically generates higher earnings in the first two quarters of the fiscal year, which are usually offset by net losses in the third and fourth quarters of the fiscal year.

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 -

Media Contact:
BC Ferries, Media Relations
Victoria: (250) 978-1267

Customer Contact:
Victoria: (250) 386-3431
Toll-free: 1-888-BCFERRY (1-888-223-3779)

BC Ferries is one of the largest ferry operators in the world based on passengers transported annually and transportation infrastructure, and carried 20.2 million passengers and 7.8 million vehicles during the fiscal year ended March 31, 2012. 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 and economic conditions; the additional payments to be received from the Province over the next four fiscal years; our short-term and long-range business plans; a net loss in fiscal 2013 and a return to profitability in fiscal 2014; and the impacts of Bill 47. 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)

	As at March 31,	
	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,700	\$ 33,335
Restricted short-term investments	35,705	37,040
Other short-term investments	26,880	64,074
Accounts receivable	42,341	20,619
Prepaid expenses	6,725	5,648
Inventories	22,017	19,957
Regulatory assets	-	3,703
	141,368	184,376
Property, plant and equipment	1,577,709	1,581,007
Intangible assets	41,913	34,929
Long-term regulatory assets	1,501	-
Long-term loan receivable	24,515	24,247
Long-term land lease	32,521	32,979
	\$ 1,819,527	\$ 1,857,538
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 51,985	\$ 51,249
Short-term debt	17,737	3,949
Interest payable on long-term debt	18,249	18,261
Accrued employee costs	49,204	48,194
Deferred revenue	13,784	15,596
Derivative liabilities	12	23
Regulatory liabilities	2,379	-
Current portion of long-term debt	9,000	22,125
Current portion of accrued employee future benefits	1,600	1,200
Current portion of obligations under capital lease	974	1,040
	164,924	161,637
Accrued employee future benefits	11,171	10,907
Long-term regulatory liabilities	-	1,558
Long-term debt	1,285,232	1,327,014
Obligations under capital lease	47,013	47,723
	1,508,340	1,548,839
Shareholders' equity:		
Share capital	75,478	75,478
Contributed surplus	25,000	-
Retained earnings	210,709	233,221
	311,187	308,699
	\$ 1,819,527	\$ 1,857,538

BRITISH COLUMBIA FERRY SERVICES INC.

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

	Years ended March 31,	
	2012	2011
Revenue:		
Tariffs	\$ 457,003	\$ 458,049
Ferry service fees	154,959	151,023
Federal-Provincial Subsidy Agreement	27,487	26,924
Retail	76,522	78,920
Other income	22,206	24,354
	<u>738,177</u>	<u>739,270</u>
Expenses:		
Operations	413,259	411,116
Maintenance	86,313	85,717
Administration	30,974	31,169
Cost of retail goods sold	29,132	29,659
Amortization	122,973	114,486
	<u>682,651</u>	<u>672,147</u>
Earnings from operations	55,526	67,123
Gain on foreign exchange	233	173
Interest expense	(71,902)	(72,173)
(Loss) gain on disposal and impairment of capital assets	(331)	8,658
Net (loss) earnings	<u>(16,474)</u>	<u>3,781</u>
Other comprehensive income	-	-
Net (loss) earnings and comprehensive income	<u>(16,474)</u>	<u>3,781</u>
Retained earnings, beginning of year	233,221	235,478
Preferred share dividend	(6,038)	(6,038)
Retained earnings, end of year	<u>\$ 210,709</u>	<u>\$ 233,221</u>

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statements of Cash Flows
(expressed in thousands)

	Years ended March 31,	
	2012	2011
Cash provided by (used in):		
Operations:		
Net (loss) earnings	\$ (16,474)	\$ 3,781
Items not involving cash:		
Amortization	122,973	114,486
Other non-cash items	(2,665)	(6,659)
Long-term regulatory costs deferred	(3,059)	(7,543)
Change in non-cash operating working capital	(318)	1,459
	<u>100,457</u>	<u>105,524</u>
Financing:		
Dividends paid on preferred shares	(6,038)	(6,038)
Repayment of long-term debt	(55,875)	(9,000)
Proceeds from (repayment of) short-term loans	13,788	3,949
Repayment of capital lease obligations	(1,042)	(1,021)
	<u>(49,167)</u>	<u>(12,110)</u>
Investing:		
Proceeds from disposal of property, plant and equipment	118	11,181
Purchase of property, plant and equipment and intangible assets	(115,304)	(120,874)
Recovery of import duties and related taxes	-	119,449
Reduction of restricted short-term investments	1,335	200
Advancement of long-term loan	(268)	(24,247)
Proceeds from (purchase of) short-term investments	37,194	(56,396)
	<u>(76,925)</u>	<u>(70,687)</u>
(Decrease) increase in cash and cash equivalents	(25,635)	22,727
Cash and cash equivalents, beginning of year	33,335	10,608
Cash and cash equivalents, end of year	<u>\$ 7,700</u>	<u>\$ 33,335</u>