

For Immediate Release
13-014

June 21, 2013

BC FERRIES POSTS POSITIVE YEAR-END RESULTS

VICTORIA – British Columbia Ferry Services Inc. (BC Ferries) released its financial results for the year ended March 31, 2013.

“BC Ferries has had a positive year, despite ridership being down,” said Mike Corrigan, BC Ferries’ President and CEO. “With an aggressive cost containment program, we’ve been able to post a modest profit. Our retained earnings, after we pay the annual dividend to the Province, will be invested in our infrastructure to ensure the ongoing safety and reliability of our operations.”

Consolidated net earnings were \$15.5 million for fiscal 2013, compared to a net loss of \$9.0 million the previous year. Fiscal 2013 net earnings reflect the effects of a \$32.6 million increase in revenues, offset by a modest increase in operating expenses of \$8.6 million.

Revenues for the year increased from \$753.8 million to \$786.4 million as a result of higher provincial transportation fees and increased fares, while operating expenses increased from \$693.0 million in fiscal 2012 to \$701.6 million in fiscal 2013. Although operating expenses increased modestly over the prior year, these expenses, excluding fuel costs, were \$27.2 million below previously planned levels as outlined in BC Ferries’ published business plan for fiscal 2013.

Capital expenditures in the three and twelve months ended March 31, 2013 totalled \$39.1 million and \$96.6 million, respectively. For fiscal 2013, these investments include: \$41.3 million in vessel upgrades and modifications; \$27.5 million in terminal marine structures; \$20.6 million in information technology; and \$7.2 million in terminal and building upgrades and equipment.

“By navigating through challenging times with prudent fiscal stewardship we are pleased to return to a position of profitability,” said Corrigan. “While carrying out our mandate to ensure safety at all times, we have been actively managing our costs to achieve these positive results.”

BC Ferries experienced a 1.1 per cent decline in vehicle traffic and a 1.2 per cent decline in passenger traffic in fiscal 2013 compared to the prior year. In three of the last five months of fiscal 2013, total traffic was higher than the same periods in the year prior. Increases of 2.9 per

cent in vehicle traffic and 3.0 per cent in passenger traffic on the major routes were experienced in the last quarter of fiscal 2013.

On February 14, 2013, BC Ferries was advised by the credit rating agency Standard & Poor's (S&P) that it revised BC Ferries' outlook from negative to stable reflecting their view of an improvement in regulatory certainty. At the same time, S&P affirmed its "A+" long-term rating of the company. On March 26, 2013, the credit rating agency DBRS Inc. affirmed BC Ferries' "A" rating.

On March 5, 2013, the Province released its report summarizing the feedback it received during the fall 2012 public consultation and engagement process for input on service level adjustments and on a long-term vision for coastal ferry service.

On April 3, 2013, the Coastal Ferry Services Contract was amended to extend the deadline for identifying service level adjustments in order to provide sufficient time to the Province to further consult with stakeholders regarding future service changes. As part of the agreement, the Province agreed to pay BC Ferries \$7.1 million in ferry transportation fees to compensate for the change in the deadline, and reduce the target for service adjustments over the current performance term by a similar amount.

As of April 1, 2012, BC Ferries began reporting its financial position and results of operations in accordance with International Financial Reporting Standards (IFRS). For comparative purposes, the prior year figures have been restated to comply with IFRS.

IFRS differs significantly from previous accounting standards. IFRS does not have a standard for rate-regulated activities, and therefore does not permit BC Ferries to report in the company's financial statements, the assets and liabilities, such as the deferred fuel cost accounts, that result from the regulated price cap setting process. Rather than being charged to regulatory asset accounts on the Statement of Financial Position, fuel surcharges collected or rebates granted are now included in revenue, and increases or decreases in fuel prices from those approved in price caps are now included in operating expenses. While this is a significant accounting change for BC Ferries, it does not change the treatment of these types of assets and liabilities for regulatory purposes. A pro forma income statement reflecting the results of rate-regulated activities is included as Appendix 2.

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 19.9 million passengers and 7.7 million vehicles during the fiscal year ended March 31, 2013. 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-term and long-range business plans; 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, 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.

In addition to providing measures prepared in accordance with IFRS, we present certain supplemental non-IFRS measures. These include, but are not limited to, total comprehensive (loss) income adjusted for the effect of rate regulation, and vehicle and passenger traffic. 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.

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statement of Financial Position
(Expressed in thousands of Canadian dollars)

	As at,		
	March 31, 2013	March 31, 2012	April 1, 2011
Assets			
Current assets			
Cash and cash equivalents	36,641	7,700	33,335
Restricted short-term investments	35,575	35,705	37,040
Other short-term investments	43,403	26,880	64,074
Trade and other receivables	18,118	42,341	20,619
Prepaid expenses	10,706	6,725	5,648
Inventories	23,257	22,016	19,957
	167,700	141,367	180,673
Non-current assets			
Long-term loan receivable	24,515	24,515	24,247
Long-term land lease	32,063	32,521	32,979
Property, plant and equipment	1,552,062	1,596,507	1,593,194
Intangible assets	47,942	41,758	34,929
	1,656,582	1,695,301	1,685,349
Total assets	1,824,282	1,836,668	1,866,022
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	51,803	50,708	49,872
Short-term debt	-	17,737	3,949
Interest payable on long-term debt	18,063	18,249	18,261
Deferred revenue	13,634	13,784	15,596
Derivative liabilities	12	12	23
Current portion of long-term debt	149,000	9,000	22,125
Current portion of accrued employee future benefits	2,204	2,204	1,351
Current portion of obligations under finance lease	1,072	974	1,040
Provisions	50,839	47,022	46,788
	286,627	159,690	159,005
Non-current liabilities			
Accrued employee future benefits	16,604	17,361	17,091
Long-term debt	1,137,212	1,285,232	1,327,014
Obligations under finance lease	45,941	47,013	47,723
	1,199,757	1,349,606	1,391,828
Total liabilities	1,486,384	1,509,296	1,550,833
Equity			
Share capital	75,478	75,478	75,478
Contributed surplus	25,000	25,000	-
Retained earnings	234,187	224,717	239,711
Total equity before reserves	334,665	325,195	315,189
Land revaluation reserve	3,233	2,177	-
Total equity including reserves	337,898	327,372	315,189
Total liabilities and equity	1,824,282	1,836,668	1,866,022

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statement of Comprehensive Income (Loss)
(Expressed in thousands of Canadian dollars)

	Years ended March 31,	
	2013	2012
Revenue		
Vehicle and passenger fares	468,780	458,392
Ferry service fees	182,100	158,261
Retail	76,496	76,522
Federal-Provincial Subsidy Agreement	28,078	27,487
Fuel surcharges	11,469	13,098
Regulated other income	12,848	13,768
Other income	6,602	6,266
Total revenue	786,373	753,794
Expenses		
Operations	436,812	433,157
Maintenance	69,938	65,926
Administration	29,632	31,187
Cost of retail goods sold	29,500	29,132
Depreciation and amortization	135,675	133,549
Total operating expenses	701,557	692,951
Operating profit	84,816	60,843
Net finance and other expenses		
Net finance expenses		
Finance income	2,922	2,404
Finance expenses	(72,076)	(71,870)
Total net finance expenses	(69,154)	(69,466)
Loss on disposal of property, plant and equipment	(154)	(333)
Total net finance and other expenses	(69,308)	(69,799)
Net earnings (loss)	15,508	(8,956)
Other comprehensive income		
Gain on revaluation of land assets	1,056	2,177
Total other comprehensive income	1,056	2,177
Total comprehensive income (loss)	16,564	(6,779)

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statement of Cash Flows
(Expressed in thousands of Canadian dollars)

	Years ended March 31,	
	2013	2012
Cash flows from operating activities		
Net earnings (loss)	15,508	(8,956)
Items not affecting cash		
Net finance costs recognized in net earnings	69,154	69,466
Depreciation and amortization of non-current assets	135,675	133,549
Loss on disposal of property, plant and equipment	154	333
(Decrease) increase in long-term accrued employee future benefits	(757)	304
Increase (decrease) in derivative liabilities	-	(11)
Increase in provisions	3,817	350
Other non-cash adjustments to property, plant & equipment	(791)	100
Decrease in long-term land lease	458	458
Increase in accrued net financing	246	689
Total non-cash items	207,956	205,238
Movements in operating working capital		
Decrease (increase) in trade and other receivables	24,223	(21,722)
Increase in prepaid expenses	(3,981)	(1,077)
Increase in inventories	(1,241)	(2,060)
Increase in accounts payable and accrued liabilities	1,095	836
Decrease in deferred revenue	(150)	(1,812)
Increase in current portion of accrued employee future benefits	-	702
Change in non-cash working capital	19,946	(25,133)
Change attributable to capital asset acquisitions	6,653	(9,378)
Change attributable to contributed surplus	(25,000)	25,000
Change in non-cash operating working capital	1,599	(9,511)
Cash generated from operating activities	225,063	186,771
Interest rate support received	742	1,337
Interest received	2,268	1,922
Interest paid	(73,471)	(74,507)
Net cash generated by operating activities	154,602	115,523

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statement of Cash Flows
(Expressed in thousands of Canadian dollars)

	Years ended March 31,	
	2013	2012
Cash flows from financing activities		
Repayment of long-term debt	(9,000)	(55,875)
(Repayment of) proceeds from short-term debt	(17,737)	13,788
Repayment of finance lease obligations	(974)	(1,042)
Contributed surplus payment from Province	25,000	-
Dividends paid on preferred shares	(6,038)	(6,038)
Net cash used in financing activities	(8,749)	(49,167)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	120	118
Purchase of property, plant and equipment and intangible assets	(100,639)	(130,370)
Advance of long-term loan	-	(268)
Reduction of debt service reserve	130	1,335
(Purchase of) proceeds from short-term investments	(16,523)	37,194
Net cash used in investing activities	(116,912)	(91,991)
Net increase (decrease) in cash and cash equivalents	28,941	(25,635)
Cash and cash equivalents, beginning of year	7,700	33,335
Cash and cash equivalents, end of year	36,641	7,700

BRITISH COLUMBIA FERRY SERVICES INC.

Consolidated Statement of Changes in Equity
(Expressed in thousands of Canadian dollars)

	Share capital	Contributed surplus	Retained earnings	Total equity before reserves	Land revaluation reserve	Total equity including reserves
Balance as at April 1, 2011	75,478	-	239,711	315,189	-	315,189
Contribution from the Province	-	25,000	-	25,000	-	25,000
Net loss for the year ended March 31, 2012	-	-	(8,956)	(8,956)	-	(8,956)
Other comprehensive income for the year ended March 31, 2012	-	-	-	-	2,177	2,177
Preferred share dividends	-	-	(6,038)	(6,038)	-	(6,038)
Balance as at March 31, 2012	75,478	25,000	224,717	325,195	2,177	327,372
Net earnings for the year ended March 31, 2013	-	-	15,508	15,508	-	15,508
Other comprehensive income for the year ended March 31, 2013	-	-	-	-	1,056	1,056
Preferred share dividends	-	-	(6,038)	(6,038)	-	(6,038)
Balance as at March 31, 2013	75,478	25,000	234,187	334,665	3,233	337,898

BRITISH COLUMBIA FERRY SERVICES INC.

Pro forma Consolidated Statement of Comprehensive (Loss) Income (unaudited)
 Reflecting the Effect of Regulatory Assets and Regulatory Liabilities
 (Expressed in thousands of Canadian dollars)

	Years ended March 31,	
	2013	2012
Revenue		
Vehicle and passenger fares	471,241	457,003
Ferry service fees	179,627	154,959
Retail	76,496	76,522
Federal-Provincial Subsidy Agreement	28,078	27,487
Fuel surcharges	-	-
Regulated other income	12,848	13,768
Other income	6,602	6,265
Total revenue	774,892	736,004
Expenses		
Operations	425,546	413,671
Maintenance	69,938	65,926
Administration	29,632	31,092
Cost of retail goods sold	29,500	29,132
Depreciation and amortization	135,756	138,324
Total operating expenses	690,372	678,145
Operating (loss) profit	84,520	57,859
Net finance and other expenses		
Net finance expenses		
Finance income	2,922	2,404
Finance expenses	(72,072)	(71,909)
Total net finance expenses	(69,150)	(69,505)
Loss on disposal of capital assets	(154)	(333)
Total net finance and other expenses	(69,304)	(69,838)
Net (loss) earnings	15,216	(11,979)
Other comprehensive income	1,056	2,177
Total comprehensive (loss) income	16,272	(9,802)