



***Management's Discussion &
Analysis
of Financial Condition and
Financial Performance***

For the three and six months ended
September 30, 2021

Dated November 18, 2021

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**Management's Discussion & Analysis
of Financial Condition and Financial Performance
For three and six months ended September 30, 2021
Dated November 18, 2021**

The following is our discussion and analysis of the financial condition and financial performance for British Columbia Ferry Services Inc. ("BC Ferries" or the "Company") for the three and six months ended September 30, 2021 that has been prepared with information available as of November 18, 2021. This discussion and analysis should be read in conjunction with our unaudited condensed interim consolidated financial statements and related notes for the three and six month periods ended September 30, 2021 and 2020, and our audited consolidated financial statements and related notes for the years ended March 31, 2021 ("fiscal 2021") and March 31, 2020 ("fiscal 2020"), together with our Management's Discussion and Analysis for fiscal 2021. These documents are available on the System for Document Analysis and Retrieval ("SEDAR") at www.sedar.com and on our investor webpage at http://www.bcferrries.com/investors/financial_reports.html.

Except where indicated, all financial information herein is expressed in Canadian dollars and determined on the basis of International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (the "IASB").

BUSINESS OVERVIEW

BC Ferries is an independent company providing passenger and vehicle ferry services on the west coast of British Columbia. We operate one of the largest and most complex ferry systems in the world. We provide frequent year-round transportation service, with 35 vessels operating on 25 routes out of 47 terminals spread over 1,600 kilometres of coastline. We also manage ferry transportation services on other remote routes through contracts with independent operators.

Our service is an integral part of British Columbia's coastal transportation system and has been designated by the provincial government of British Columbia (the "Province") as an essential service for purposes of the provincial Labour Relations Code. This designation means our services are considered necessary for the protection of the health, safety and welfare of the residents of British Columbia.

Our principal business of ferry transportation requires positive net earnings and ongoing access to capital in order to fund operations, satisfy outstanding long-term debt obligations and fulfill future capital asset obligations.

The impact of the COVID-19 pandemic and corresponding preventative measures and imposed travel restrictions began to be felt in March 2020 and continues to impact our passenger and vehicle traffic. On June 15, 2021, during the first quarter of fiscal 2022, the Province lifted travel restrictions, imposed by the Province on April 23, 2021, which had denied travel to customers travelling for non-essential reasons. In the three months ended September 30, 2021, vehicle traffic and passenger traffic increased 20% and 28%, respectively, compared to the same period in the prior year. When comparing the traffic levels in the three months ended September 30, 2021 to the same period in 2019, a pre-COVID-19 period, passenger traffic decreased 9%, while vehicle traffic increased by 3%. The vehicle traffic levels in the three months ending September 30, 2021, were the highest vehicle traffic levels we have ever experienced in a quarter.

Year-to-date, vehicle traffic increased 26% and passenger traffic increased 31% compared to the same period in the prior year. While these increases are significant, vehicle and passenger traffic in the six months ended September 30, 2021 decreased by 10% and 25%, respectively, compared to the same period in fiscal 2020, a pre-COVID period.

Along with the reduced passenger and vehicle traffic, the impacts from the COVID-19 pandemic include significant declines in revenue, earnings and cash from operations compared to a pre-COVID-19 period.

In December 2020, we received \$308 million from the Province (the "Safe Restart Funding") as part of the provincial and federal governments' Safe Restart Funding program, which significantly increased our cash position and mitigated the need for incremental borrowing. In the three months ended September 30, 2021, we recorded \$2.8 million (\$62.8 million year-to-date) of this Safe Restart Funding in revenue. (See "Operational Statistics and Revenues" for further details).

BC Ferries cannot predict with certainty the full impact of the COVID-19 pandemic, the future timing of when conditions might improve, and when traffic will return to pre-COVID-19 levels.

Significant events during and subsequent to the second quarter of fiscal 2022 include the following:

General

- Between June 3 and August 2, 2021, the *Northern Expedition* was removed from service and required extensive repairs to both of its main engines. During this period, a service recovery plan was initiated for the impacted routes sailing between Port Hardy and Prince Rupert and Prince Rupert and Haida Gwaii. This service recovery plan involved, among other things, the *Northern Adventure* servicing the impacted routes on a modified schedule and barge service for commercial trailers on the Prince Rupert – Haida Gwaii route. We also added five round trip sailings between Prince Rupert and Haida Gwaii between September 11 through September 30 to provide more travel opportunities for vacation travellers and residents.
- As of August 25, 2021, BC Ferries reinstated the mandatory mask policy to align with the directive from the Provincial Health Officer. Wearing face coverings in indoor spaces at our terminals and on board our vessels is now mandatory for all customers five years of age and older regardless of vaccination status. Our principal priorities continue to be the safety of our passengers and employees and adhering to provincial and federal guidelines and directives as we provide essential ferry service. We are following closely the COVID-19 directives and guidance provided by the Province and Transport Canada. BC Ferries continues with measures to mitigate risk including enhanced cleaning and sanitization stations.
- On November 3, 2021, we announced the removal of the fuel rebate, effective December 1, 2021, from all routes with the exception of the Northern Routes, which will remain at 1.5% until further notice. On August 1, 2021, the fuel rebate was revised from 1.5% to 0.5% and previously the 1.5% fuel rebate had been in place on all routes since April 1, 2020.
- On November 5, 2021, BC Ferries launched its COVID-19 Vaccination Policy for all employees. Ship-based employees must be fully vaccinated by January 24, 2022 and all other employees by February 28, 2022. We believe implementing a mandatory vaccination policy for all employees is the right thing to do to protect everyone who works for, or travels with, BC Ferries. BC Ferries' COVID-19 Vaccination Policy complies with the guidelines and directives set by the federal government, provincial government and provincial health authority.

Capital assets

- On October 11, 2021, the last of the four new Island Class vessels departed from Damen Shipyard Galati in Romania and is expected to arrive in Canada late in the third quarter of fiscal 2022. The first and second vessels arrived in Canada on July 22, 2021 and August 13, 2021, respectively and the third of four new Island Class vessels arrived in Canada on September 27, 2021. These vessels made the transatlantic journey under their own power in approximately 60 days, operating one-third of the journey using battery power, with the batteries charged during the voyage by a diesel generator. The arrival of these four new vessels will allow Quadra Island and Gabriola Island to each be serviced by two Island Class vessels. These new Island Class vessels are scheduled to enter service in the spring of next year. The new vessels are outfitted with hybrid diesel-electric propulsion and have a capacity of up to 400 passengers and crew and approximately 47 vehicles (See “Investing in Our Capital Assets” for more detail).

FINANCIAL AND OPERATIONAL OVERVIEW

This section provides an overview of our financial and operational performance for the three and six month periods ended September 30, 2021 compared to the same periods in fiscal 2020.

(\$ millions)	Three months ended September 30			Six months ended September 30		
	2021	2020	Variance	2021	2020	Variance
Total revenue	316.8	247.6	69.2	546.0	385.0	161.0
Operating expenses	223.3	195.3	28.0	434.1	379.0	55.1
Operating profit	93.5	52.3	41.2	111.9	6.0	105.9
Net finance and other expenses	13.6	14.5	0.9	27.3	30.2	2.9
Net earnings (loss)	79.9	37.8	42.1	84.6	(24.2)	108.8
Other comprehensive income (loss)	11.4	(7.0)	18.4	28.1	(7.4)	35.5
Total comprehensive income (loss)	91.3	30.8	60.5	112.7	(31.6)	144.3

Financial performance continues to be affected as a result of the COVID-19 pandemic. The impacts include declines in passenger and vehicle traffic and declines in revenue, earnings and cash from operations which have been largely offset by the Safe Restart Funding.

During the three months ended September 30, 2021, we delivered 22,473 (42,868 year-to-date) round trips, an increase of 860 or 4% (3,006 or 8% year-to-date) compared to the same period in the prior year. We carried 7.0 million passengers and 3.0 million vehicles during the three months ended September 30, 2021, an increase of 28% and 20%, respectively, compared to the same period in the prior year. Year-to-date, we carried 10.1 million passengers and 4.7 million vehicles, an increase of 31% and 26%, respectively, compared to the same period in the prior year.

In the three months ended September 30, 2021, we recognized Safe Restart Funding of \$2.8 million (\$62.8 million year-to-date) (see "Revenue and Operational Statistics" for more detail). As Safe Restart Funding was not received until December 31, 2020 (the third quarter of the prior year), no funding is recognized in the comparable three and six months ended September 30, 2020.

Excluding the Safe Restart Funding of \$62.8 million, our revenues for the six months ended September 30, 2021 would have been \$483.2 million, an increase of \$98.2 million or 26% compared to the same period in the prior year, primarily resulting from higher traffic volumes and higher net retail sales. Excluding the Safe Restart Funding, our year-to-date net earnings would have been \$21.8 million, an improvement of \$46.0 million compared to a net loss of \$24.2 million in the same period in the prior year.

In the three months ended September 30, 2021, revenues, inclusive of the Safe Restart Funding increased \$69.2 million or 28% compared to the same period in the prior year, primarily as a result of higher traffic volumes and higher net retail sales. Year-to-date, revenues, inclusive of the Safe Restart Funding, increased by \$161.0 million or 42% compared to the same period in the prior year, primarily as a result of higher traffic volumes, net retail sales and the Safe Restart Funding.

In the three months ended September 30, 2021, our operating expenses increased by \$28.0 million or 14% (\$55.1 million or 15% year-to-date) compared to the same period in the prior year, mainly due to delivering a higher number of round trips, which drove higher labour costs and fuel consumption (see "Expenses" for more detail).

In the three months ended September 30, 2021, our net earnings were \$79.9 million, an increase of \$42.1 million compared to the same period in the prior year. In the six months ended September 30, 2021, our net earnings were \$84.6 million, an increase of \$108.8 million compared to net loss of \$24.2 million in the same period in the prior year.

During the three months ended September 30, 2021, our total comprehensive income was \$91.3 million compared to \$30.8 million in the same period in the prior year. This is an increase of \$60.5 million compared to the same period in the prior year, comprised of the \$42.1 million increase in net earnings described above and an increase in other comprehensive income ("OCI") of \$18.4 million. During the six months ended September 30, 2021, our total comprehensive income was \$112.7 million, compared to a total comprehensive loss of \$31.6 million in the same period in the prior year. This is an increase of \$144.3 million compared to the same period in the prior year, comprised of the \$108.8 million increase in net earnings described above and an increase in OCI of \$35.5 million.

The change in OCI during the three months ended September 30, 2021 compared to the prior year is comprised of:

- \$16.5 million (\$33.6 million year-to-date) increase in the change in unrealized gains of our open fuel swap contracts (reflecting an increase in diesel prices); and
- \$1.9 million (\$1.9 million year-to-date) increase, as fiscal 2021 had a loss on the valuation of our employee benefit plans.

Operational Statistics and Revenues

The following discussions of revenue are based on IFRS results, with reference to the impacts of rate regulation (a discussion of the effect of rate regulation can be found on pages 8 through 9 of our Management's Discussion and Analysis for the year ended March 31, 2021). Our Major Routes, which are our four busiest routes, consist of three routes connecting Metro Vancouver with mid and southern Vancouver Island and one route connecting Horseshoe Bay and Langdale. Our Northern Routes consist of three routes operating on the British Columbia coast north of Port Hardy on Vancouver Island. Our Minor Routes primarily serve the northern and southern Gulf Islands and the northern Sunshine Coast.

Select operational statistics for the three and six month periods ended September 30, 2021 and 2020 are shown in the tables below.

Operational Statistics	Three months ended September 30				Six months ended September 30, 2021			
	2021	2020	Increase (Decrease)	%	2021	2020	Increase (Decrease)	%
Vehicle Traffic								
Major Routes	1,763,319	1,412,276	351,043	25%	2,604,358	2,057,647	546,711	27%
Northern Routes	14,347	6,782	7,565	112%	20,098	10,202	9,896	97%
Minor Routes	1,215,690	1,073,980	141,710	13%	2,089,748	1,683,809	405,939	24%
Total Vehicle Traffic	2,993,356	2,493,038	500,318	20%	4,714,204	3,751,658	962,546	26%
Passenger Traffic								
Major Routes	4,386,186	3,264,898	1,121,288	34%	5,947,568	4,458,445	1,489,123	33%
Northern Routes	33,558	13,898	19,660	141%	43,122	19,079	24,043	126%
Minor Routes	2,575,877	2,203,342	372,535	17%	4,135,831	3,246,697	889,134	27%
Total Passenger Traffic	6,995,621	5,482,138	1,513,483	28%	10,126,521	7,724,221	2,402,300	31%
Round Trips								
Major Routes	3,966	3,408	558	16%	6,875	5,340	1,535	29%
Northern Routes	148	71	77	108%	231	142	89	63%
Minor Routes	18,359	18,134	225	1%	35,762	34,380	1,382	4%
Total Round Trips	22,473	21,613	860	4%	42,868	39,862	3,006	8%
Capacity Provided (AEQs)								
Major Routes	2,470,504	2,145,498	325,006	15%	4,337,056	3,378,044	959,012	28%
Northern Routes	21,626	12,349	9,277	75%	32,897	26,001	6,896	27%
Minor Routes	1,968,042	1,896,950	71,092	4%	3,814,648	3,659,305	155,343	4%
Total Capacity Provided	4,460,172	4,054,797	405,375	10%	8,184,601	7,063,350	1,121,251	16%
AEQs Carried								
Major Routes	2,042,434	1,663,427	379,007	23%	3,129,586	2,505,434	624,152	25%
Northern Routes	17,008	8,317	8,691	104%	24,388	12,986	11,402	88%
Minor Routes	1,255,238	1,157,315	97,923	8%	2,211,803	1,828,367	383,436	21%
Total AEQs Carried	3,314,680	2,829,059	485,621	17%	5,365,777	4,346,787	1,018,990	23%
Capacity Utilization								
Major Routes	82.7%	77.5%	5.2%		72.2%	74.2%	(2.0%)	
Northern Routes	78.6%	67.3%	11.3%		74.1%	49.9%	24.2%	
Minor Routes	63.8%	61.0%	2.8%		58.0%	50.0%	8.0%	
Total Capacity Utilization	74.3%	69.8%	4.5%		65.6%	61.5%	4.1%	

In the three months ended September 30, 2021, vehicle traffic increased 20% (26% year-to-date) and passenger traffic increased 28% (31% year-to-date) compared to the same period in the prior year, mainly due to the easing of COVID-19 travel restrictions. While these increases are significant, vehicle and passenger traffic in the six months ended September 30, 2021 is lower by 10% and 25%, respectively, compared to the same period in fiscal 2020, a pre-COVID period. When comparing the three months ended September 30, 2021 to the same period in 2019, a pre-COVID-19 period, passenger traffic decreased 9%, while vehicle traffic increased by 3%. The vehicle traffic levels in the three months ended September 30, 2021 were the highest vehicle traffic levels we have ever experienced in a quarter.

New fare choices, including advance purchase Saver fares, were launched on the three Metro Vancouver - Vancouver Island routes late in fiscal 2021. During the second quarter, after provincial COVID-19 travel restrictions were lifted, these new fare choices contributed to increased vehicle traffic on traditionally lower utilised sailings, less sailings waits overall, and enabled us to safely carry higher overall levels of vehicle traffic than in previous summer seasons.

During the three months ended September 30, 2021, we delivered 22,473 (42,868 year-to-date) round trips, an increase of 860 or 4% (3,006 or 8% year-to-date) compared to the same period in the prior year.

An automobile equivalent ("AEQ") is our standard unit of measure for an approximation of one car length. AEQs are calculated by using a conversion factor for each vehicle type. For example, a passenger vehicle is one AEQ while a bus is three AEQs. The change in AEQs from one period to the next may not be proportionate to the change in vehicle traffic, due to variations in the mix of vehicle types (the relative number of buses, commercial vehicles and passenger vehicles) and the actual size of vehicles carried.

Vehicle capacity provided, measured in AEQs, is the available vehicle deck space on a vessel multiplied by the number of trips. The year over year change in the number of round trips provided can be impacted by cancellations and in response to changes in demand or the number of trips stipulated by the Company's Coastal Ferry Services Contract ("CFSC") with the Province. In the three months ended September 30, 2021, we provided 860 or 4% (3,006 or 8% year-to-date) additional round trips compared to the same periods in the prior year, resulting in increased capacity provided of 10% (16% year-to-date). In the three months ended September 30, 2021, approximately 80% (86% year-to-date) of the increase in vehicle capacity provided was a result of additional vehicle capacity provided on the Major Routes.

Capacity utilization in a period is calculated by dividing the AEQs carried during the period by the AEQ capacity provided on the vessels in the same period. Capacity utilization is impacted by the number of vehicles carried, the mix of vehicle types, the size of the vessels utilized and the number of round trips in each period. Capacity utilization varies significantly from month to month. Typically, capacity utilization is highest when traffic levels peak during the summer months and at popular sailing times throughout the year. Capacity utilization is lowest during the winter months and for less popular sailings. In the three months ended September 30, 2021, overall capacity utilization was 74.3%, an increase of 4.5% compared to the same period capacity utilization of 69.8% during the prior year. Year-to-date, overall capacity utilization was 65.6%, an increase of 4.1% compared to capacity utilization of 61.5% during the same period in the prior year. The increase in capacity utilization is primarily a result of a higher number of AEQs carried due to higher traffic levels, somewhat offset by an increase in capacity provided from additional round trips.

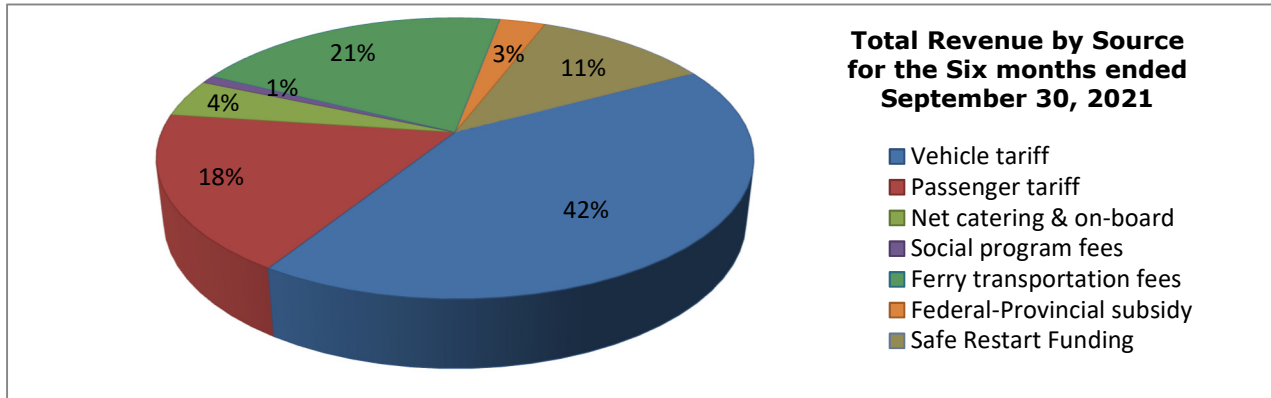
On-time performance on the Major and regulated Minor Routes is defined as the percentage of our sailings departing within 10 minutes of the scheduled departure time. On-time performance on the Northern Routes is defined as the percentage of our sailings arriving no later than 10 minutes after the scheduled arrival time. In each case, on-time performance can be impacted by delays due to weather, vessel substitution, mechanical issues, terminal dock maintenance or closures, and periods of high traffic demand.

On-Time Performance	Three months ended September 30			Six months ended September 30		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
	Major Routes	74.0%	81.6%	(7.6%)	79.0%	75.7%
Northern Routes	76.7%	78.5%	(1.8%)	76.8%	82.3%	(5.5%)
Minor Routes	79.7%	83.8%	(4.1%)	83.5%	88.1%	(4.6%)
On-time Performance	78.8%	83.5%	(4.7%)	82.8%	86.6%	(3.8%)

In the three months ended September 30, 2021, overall on-time performance decreased by 4.7% to 78.8% from 83.5%, primarily due to the impact of increased traffic demand and vessel substitution.

Year-to-date, overall on-time performance decreased 3.8% to 82.8% from 86.6%. The Major Routes' on-time performance improved primarily due to the removal of compressed sailing schedules and extra time needed to separate essential and non-essential traffic as a result of COVID-19 in the first quarter in the prior year, but was offset by a decrease in on-time performance on both the Northern and Minor Routes. On-time performance decreased on the Northern Routes and the Minor Routes primarily due to the impact of increased traffic demand.

Operational revenues for the six months ended September 30, 2021 are shown in the graph below.



Fuel rebates and surcharges are not included in the above total revenue by source. Rebates and surcharges are recorded in our fuel deferral accounts for rate regulatory purposes as they are implemented as a direct result of rising and declining fuel prices.

Operational revenues for the three and six month periods ended September 30, 2021 and 2020 are shown in the table below.

Revenue (\$ millions)	Three months ended September 30				Six months ended September 30			
	Increase				Increase			
	2021	2020	(Decrease)	%	2021	2020	(Decrease)	%
Direct Route Revenue								
Vehicle tariff revenue								
Major Routes	124.7	99.5	25.2	25%	188.3	149.5	38.8	26%
Northern Routes	3.8	1.7	2.1	124%	5.3	2.7	2.6	96%
Minor Routes	20.2	16.3	3.9	24%	32.6	25.0	7.6	30%
Total vehicle tariff revenue	148.7	117.5	31.2	27%	226.2	177.2	49.0	28%
Passenger tariff revenue								
Major Routes	58.5	41.8	16.7	40%	78.2	56.7	21.5	38%
Northern Routes	2.7	1.1	1.6	146%	3.3	1.4	1.9	136%
Minor Routes	11.6	9.5	2.1	22%	17.4	13.4	4.0	30%
Total passenger tariff revenue	72.8	52.4	20.4	39%	98.9	71.5	27.4	38%
Net retail revenue								
Major Routes	15.5	6.8	8.7	128%	19.9	7.3	12.6	173%
Northern Routes	1.4	0.6	0.8	133%	1.9	0.8	1.1	138%
Minor Routes	1.4	0.6	0.8	133%	1.8	0.5	1.3	260%
Total net retail revenue	18.3	8.0	10.3	129%	23.6	8.6	15.0	174%
Social program fees	2.5	2.1	0.4	19%	5.0	3.2	1.8	56%
Other revenue	3.1	2.6	0.5	19%	4.6	3.6	1.0	28%
Fuel rebate	(2.1)	(2.7)	0.6	22%	(3.8)	(3.9)	0.1	3%
Total Direct Route Revenue	243.3	179.9	63.4	35%	354.5	260.2	94.3	36%
Indirect Route Revenue								
Safe Restart Funding	2.4	-	2.4	-	62.1	-	62.1	-
Ferry transportation fees	62.1	59.3	2.8	5%	112.2	108.2	4.0	4%
Federal-Provincial subsidy	8.1	8.0	0.1	1%	16.1	16.0	0.1	1%
Total Indirect Route Revenue	72.6	67.3	5.3	8%	190.4	124.2	66.2	53%
Total Route Revenue	315.9	247.2	68.7	28%	544.9	384.4	160.5	42%
Other general revenue	0.9	0.4	0.5	125%	1.1	0.6	0.5	83%
Total Revenue	316.8	247.6	69.2	28%	546.0	385.0	161.0	42%

*Total Safe Restart Funding of \$2.8 million was recorded for fare increase relief, in the three months ended September 30, 2021 (\$62.8 million year-to-date), of which \$0.3 million (\$0.7 million year-to-date) for discretionary sailings relief was included in ferry transportation fees.

Vehicle tariffs (which include reservation fee revenue) and passenger tariffs account for the largest share of our revenues. Our year-over-year tariff revenues are impacted by factors such as changes in overall traffic levels, traffic types and tariff rates. On April 1, 2021, we implemented average tariff increases of 2.3%.

In the three months ended September 30, 2021, total direct route revenue increased \$63.4 million or 35% (\$94.3 million or 36% year-to-date) compared to the same period in the prior year, primarily as a result of an increase in vehicle and passenger traffic levels.

Average Tariff	Three months ended September 30				Six months ended September 30			
	2021	2020	Increase (Decrease)	%	2021	2020	Increase (Decrease)	%
Average vehicle tariff								
Major Routes	70.74	70.47	0.27	0.4%	72.33	72.67	(0.34)	(0.5%)
Northern Routes	265.00	250.96	14.04	5.6%	261.87	266.81	(4.94)	(1.9%)
Minor Routes	16.55	15.29	1.26	8.3%	15.58	14.86	0.72	4.8%
Average vehicle tariff	49.66	47.19	2.47	5.2%	47.98	47.25	0.73	1.5%
Average passenger tariff								
Major Routes	13.33	12.81	0.52	4.0%	13.14	12.71	0.43	3.4%
Northern Routes	81.35	76.63	4.72	6.2%	76.97	73.22	3.75	5.1%
Minor Routes	4.51	4.28	0.23	5.3%	4.21	4.12	0.09	2.2%
Average passenger tariff	10.41	9.54	0.87	9.1%	9.77	9.25	0.52	5.6%

In the three months ended September 30, 2021, average tariff revenue per vehicle increased \$2.47 or 5.2% compared to the same period in the prior year as result of tariff and reservation increases, and a change in the traffic mix on higher versus lower tariff routes. Year-to-date, average tariff revenue per vehicle increased \$0.73 or 1.5% as a result of tariff increases, partially offset by customers taking advantage of discounted fares and a lower percentage of customers making reservations on our Major Routes. In the three months ended September 30, 2021, average tariff revenue per passenger increased \$0.87 or 9.1% (\$0.52 or 5.6% year-to-date) compared to the same period in the prior year, primarily due to tariff increases and changes to the traffic mix on higher versus lower tariff routes. The increase in traffic levels and the change in average tariff revenue resulted in a total tariff revenue increase of \$51.6 million or 30% (\$76.4 million year-to-date or 31%) compared to the same period in the prior year.

Net retail sales is our second largest source of direct revenue and provides a gross margin of approximately 60%, which contributes favourably to our net earnings and helps to minimize fare increases. Catering, retail and other on-board services are impacted by traffic levels, price, service quality and product offerings. During the three and six months ended September 30, 2021, catering, retail and other on-board services were impacted by COVID-19 restrictions for safe distancing and limited food services available on select routes. In the three months ended September 30, 2021, net retail revenue increased \$10.3 million (\$15.0 million year-to-date) compared to the same period in the prior year, when most of our food and on-board services were closed due to the COVID-19 pandemic. While this increase is significant, net retail revenue is lower by \$4.8 million or 21% (\$15.7 million or 40% year-to-date) compared to the same period in fiscal 2020, a pre-COVID-19 period.

Social program fees are reimbursements from the Province for discounted fares provided to students travelling to and from school, persons with disabilities and persons travelling under the Ministry of Health Medical Travel Assistance Program ("MTAP"). Social program fees for the three months ended September 30, 2021 increased \$0.4 million (\$1.8 million year-to-date) compared to the same period in the prior year, mainly due to an increase in the usage of the MTAP and an increase in the number of students travelling under the program.

In the three months ended September 30, 2021, other revenue increased \$0.5 million (\$1.0 million year-to-date) compared to the same period in the prior year, primarily from increased parking and stateroom usage as a result of higher traffic levels.

A fuel rebate of 1.5% was in place on all routes as of April 1, 2020 through to July 31, 2021. Effective August 1, 2021, the fuel rebate was revised to 0.5% on all routes with the exception of the Northern Routes, which remained at 1.5%.

In the three months ended September 30, 2021, total indirect route revenue increased by \$5.3 million (\$66.2 million year-to-date) compared to the same period in the prior year, primarily as a result of Safe Restart Funding as discussed below and differences in the monthly schedule of round trips.

The Safe Restart Funding consists of funding towards the estimated operational impacts of the COVID-19 pandemic, to limit fare increases to 2.3% per year for the remainder of performance term five (which commenced April 1, 2020 and ends March 31, 2024) and to cover the estimated costs of discretionary sailings as follows:

Safe Restart Funding Projected Recognition (\$ millions)	Fiscal 2021	Three months ended September 30, 2021	Six months ended September 30, 2021	Remainder of Fiscal 2022	Fiscal 2023 to 2024	Total Funding
	Operating relief	\$ 186.0	\$ -	\$ 57.8	\$ 36.2	\$ -
Fare increase relief	-	2.4	4.3	2.7	17.0	24.0
Discretionary sailings relief*	-	0.4	0.7	0.6	2.7	4.0
	\$ 186.0	\$ 2.8	\$ 62.8	\$ 39.5	\$ 19.7	\$ 308.0

*The discretionary sailings relief is recorded in ferry transportation fees.

We recognized Safe Restart Funding of \$2.8 million in the three months ended September 30, 2021 (\$62.8 million year-to-date), and are projecting to recognize the remainder of the funding as follows: \$39.5 million in the remainder of fiscal 2022, \$9.3 million in fiscal 2023 and \$10.4 million in fiscal 2024. The funding is recognized on a systematic basis, based on the estimated loss of earnings for the above three components, for each of the fiscal years 2021 to 2024, in accordance with the Safe Restart Program's Contribution Agreement with the Province. Actual losses incurred and timing of losses may differ from projected losses outlined in the Safe Restart Funding Agreement. For more details on BC Ferries' obligations under the Contribution Agreement, see the agreement online under the Company's profile on: SEDAR at www.sedar.com.

Expenses

Expenses for the three and six months ended September 30, 2021 and 2020 are summarized in the table below:

Operating expenses (\$ millions)	Three months ended September 30			Six months ended September 30		
	2021	2020	Increase	2021	2020	Increase
			(Decrease)			(Decrease)
Operations	157.6	126.8	30.8	287.2	232.1	55.1
Maintenance	14.0	15.1	(1.1)	42.8	38.2	4.6
Administration	9.0	8.8	0.2	17.8	20.1	(2.3)
Total operations, maintenance & administration	180.6	150.7	29.9	347.8	290.4	57.4
Depreciation and amortization	42.7	44.6	(1.9)	86.3	88.6	(2.3)
Total operating expenses	223.3	195.3	28.0	434.1	379.0	55.1

During the three months ended September 30, 2021, total operating expenses increased \$28.0 million or 14.3% (\$55.1 million or 14.5% year-to-date) compared to the same period in the prior year.

Wages, benefits and fuel expenses are our largest expenses, representing approximately 80% of our total operations, maintenance and administration costs (78% year-to-date) in the three months ended September 30, 2021, compared to 81% (79% year-to-date) in the same period in the prior year. These labour and fuel costs are primarily driven by the level of service provided. In accordance with the Collective Agreement between the Company and the BC Ferry & Marine Workers' Union, no wage rates were increased April 1, 2021. During the three months ended September 30, 2021, we delivered 22,473 (42,868 year-to-date) round trips, an increase of 860 or 4% (3,006 or 8% year-to-date) compared to the same period in the prior year.

During the three months ended September 30, 2021, expenses from operations increased \$30.8 million (\$55.1 million year-to-date) compared to the same period in the prior year due to:

- \$10.5 million (\$23.3 million year-to-date) increase in labour costs, mainly due to staffing level changes for the higher number of round trips provided, and increased overtime, training and benefit costs;
- \$12.1 million (\$19.8 million year-to-date) increase in fuel expense, reflecting an increase of a \$6.8 million or 23.9% (\$13.9 million or 29.2% year-to-date) increase in fuel consumption and a \$5.3 million or 18.4% (\$5.9 million or 12.3% year-to-date) increase due to higher fuel prices;
- \$3.8 million (\$2.8 million year-to-date) increase due to incident related repairs to various vessels and terminals;
- \$1.9 million (\$3.6 million year-to-date) increase in property tax and insurance premiums, materials and supplies, training, travel and other miscellaneous expenses;
- \$1.4 million (\$3.9 million year-to-date) increase in contracted services related to equipment repairs, contracted routes, traffic control, security, and parking costs; and
- \$1.1 million (\$1.7 million year-to-date) increase in credit card fees, mainly due to increased vehicle and passenger tariff revenue.

In the three months ended September 30, 2021, maintenance costs decreased \$1.1 million compared to the same period in the prior year. Year-to-date, maintenance costs increased by \$4.6 million compared to the same period in the prior year, as a result of unplanned repairs on several vessels and timing differences related to vessel refit activity.

In the three months ended September 30, 2021, administration costs increased \$0.2 million, compared to the same period in the prior year as result of higher travel, advertising, and employee expenses. Year-to-date, administration costs decreased \$2.3 million compared to the prior year, primarily as a result of a legal settlement in the prior year and lower labour and software licence costs.

Depreciation and amortization decreased \$1.9 million (\$2.3 million year-to-date) compared to the same period in the prior year, reflecting the timing of capital assets entering service. (See "Investing in our Capital Assets" for details of capital asset expenditures.)

Net finance and other expenses (\$ millions)	Three months ended September 30			Six months ended September 30		
	2021	2020	Decrease	2021	2020	Decrease
Finance expense	14.8	15.5	(0.7)	29.6	30.5	(0.9)
Less: finance income	(1.3)	(1.1)	(0.2)	(2.4)	(2.3)	(0.1)
Net finance expense	13.5	14.4	(0.9)	27.2	28.2	(1.0)
Loss on disposal and impairment of property, plant and equipment, and intangible assets	0.1	0.1	-	0.1	2.0	(1.9)
Total net finance and other expenses	13.6	14.5	(0.9)	27.3	30.2	(2.9)

In the three months ended September 30, 2021, net finance and other expenses decreased \$0.9 million (\$2.9 million year-to-date) primarily as result of lower asset impairments, higher capitalized interest and decreased interest on loans compared to the prior year. In the six months ended September 30, 2020, in response to the COVID-19 pandemic, we reviewed our capital plan and deferred our new major vessel project, which resulted in an asset impairment of \$1.8 million.

INVESTING IN OUR CAPITAL ASSETS

Over the next three years, we expect our capital expenditures to average approximately \$250 million per year. Our capital plan includes building new vessels, upgrades and modifications for existing vessels, improvements at our fleet maintenance unit, upgrades at our other terminals and renewal of our information technology systems. Upgrades to our existing vessels includes enabling the full electrification of our hybrid powered Island Class vessels, provided external funding can be secured to support a program to install shore charging infrastructure and the associated upgrades to the vessels.

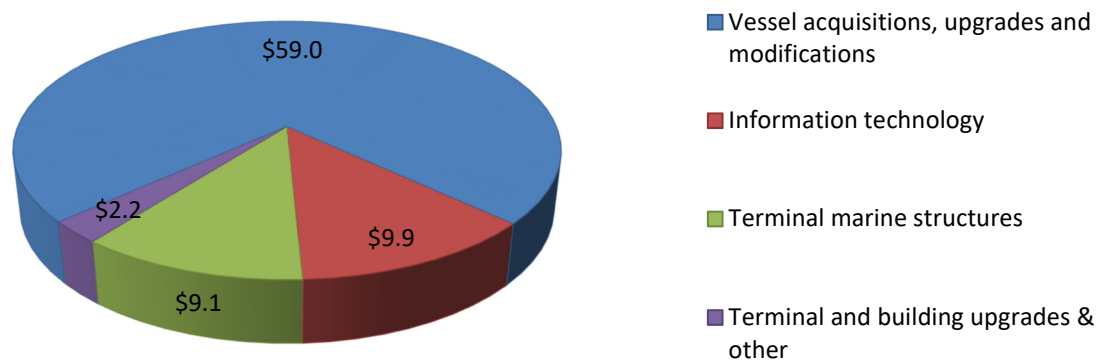
On July 26, 2021, the British Columbia Ferries Commissioner (the "Commissioner") issued Order 21-01, conditionally approving our application for a major capital expenditure for the Island Class electrification program. On May 28, 2021, we submitted an application to the Commissioner under Section 55 of the *Coastal Ferry Act* seeking approval of a major capital expenditure. In the application, our proposal is to upgrade our six existing Island Class vessels with associated terminals to enable the vessels to operate predominantly in full battery-electric mode. This major capital expenditure requires funding to proceed and BC Ferries is seeking federal funding to accelerate the program to provide shore-charging infrastructure and to change the vessels from hybrid-diesel-electric to battery-electric operations.

Capital Expenditures

Capital expenditures in the three and six months ended September 30, 2021 totalled \$41.5 million and \$80.2 million, respectively.

Capital expenditures (\$ millions)	Three months ended September 30, 2021	Six months ended September 30, 2021
Island Class vessels (additional 4 vessels)	25.6	48.7
Major overhauls and inspections	2.7	5.4
Hardware upgrades	3.5	4.9
<i>Salish Heron</i>	1.7	3.4
Campbell River and Quathiaski Cove marine structure upgrades	0.5	3.0
Various other projects	7.5	14.8
	41.5	80.2

Capital Expenditures by Type
Six months ended September 30, 2021
(\$millions)



Island Class vessels (additional four vessels)

On October 25, 2019, contracts became effective with Damen Shipyard Group of Netherlands for the construction of four new Island Class vessels. The total project budget for these four new Island Class vessels, including financing and project management costs, is approximately \$200 million. On October 11, 2021, the last of the four new vessels departed from Damen Shipyard Galati in Romania and is expected to arrive in Canada late in the third quarter of fiscal 2022. The first and second vessels arrived in Canada on July 22, 2021 and August 13, 2021, respectively and the third of four new Island Class vessels arrived in Canada on September 27, 2021. These vessels made the transatlantic journey under their own power in approximately 60 days, operating one-third of the journey using battery power, with the batteries being charged during the voyage by a diesel generator. All four vessels will enter service in spring of 2022 and will allow for fleet deployments and retirements of existing diesel-fuelled vessels. The arrival of these four new vessels will allow Quadra Island and Gabriola Island to each be serviced by two Island Class vessels. These Island Class vessels will be identical to the *Island Discovery* and *Island Aurora*, which commenced service in fiscal 2021, between Powell River and Texada Island and between Port McNeill, Alert Bay and Sointula, respectively. The Island Class vessels are outfitted with hybrid diesel-electric propulsion and have a capacity of up to 400 passengers and crew and approximately 47 vehicles.

Major overhauls and inspections

In the three months ended September 30, 2021, we had capital expenditures of \$2.7 million (\$5.4 million year-to-date) in respect of major overhauls and inspections of components of hull, propulsion and generators for five vessels that were completed or underway.

Hardware upgrades

Hardware upgrades include the replacement of aged computers, servers, printers, routers, closed-circuit cameras, antennas, digital signage and handheld units for inventory management.

Salish Heron

On December 20, 2019, a contract became effective with Remontowa Shipbuilding S.A. of Gdansk, Poland to build a new Salish Class vessel. The total project budget for the new vessel, including financing and project management costs, is approximately \$90 million. The *Salish Heron* will be identical to our three existing Salish Class vessels, which are dual-fuel capable, designed to run primarily on LNG with marine diesel fuel as a backup. Using primarily LNG, a cleaner and lower carbon-intensity option, to fuel the new ship will result in reduced emissions and reduced costs. The vessel has the capacity to carry approximately 138 vehicles and 600 passengers and crew. This fourth Salish Class vessel will replace the 55-year old *Mayne Queen*, a diesel-fuelled vessel, and is expected to enter service in the Southern Gulf Islands in the summer of 2022.

Campbell River and Quathiaski Cove marine structure upgrades

A project is underway to upgrade the berths at our Quathiaski Cove terminal and our Campbell River terminal and construct a lay-by berth to accommodate two new Island Class vessels which will service the route between Campbell River - Quadra Island.

Various other projects

Various other projects include, among others, Coastal Class vessels' quarter-life upgrades, upgrades to marine structures at our Tsawwassen terminal, upgrades to marine structures at our Horseshoe Bay terminal, and miscellaneous software upgrades to administrative software, operation logs, dangerous goods and safety management systems.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity and Capital Resources

We fund our operations and capital acquisitions with cash flow generated from operations, as well as bank financing and debt issuance. In addition, from time to time we receive funding from external sources. Our financial position could be adversely affected if we fail to arrange sufficient and cost-effective financing to fund, among other things, capital expenditures and the repayment of maturing debt. Our ability to arrange such financing is subject to numerous factors, including the results of our operations, our financial position, conditions in the capital and bank credit markets, ratings assigned by rating agencies, and general economic conditions.

We expect our cash requirements will be met through operating cash flows, accessing our existing credit facility from time to time, debt issuances, and other funding opportunities. In fiscal 2021, we received \$308 million from the Province under the Safe Restart Program, which significantly increased our cash position and mitigated the need for any current draws on our Credit Facility or incremental borrowing.

At September 30, 2021, our unrestricted cash and cash equivalents and other short-term investments totalled \$232 million and \$188 million, respectively, compared to unrestricted cash and cash equivalent and other short-term investments of \$285 million and \$125 million, respectively, as at March 31, 2021. This \$10 million increase in cash and cash equivalents and other short-term investments since March 31, 2021 primarily reflects the increase in cash being generated by operations, primarily offset by investments in property, plant and equipment and intangible assets.

Under our credit facility with a syndicate of Canadian banks (the "Credit Facility"), we have available a revolving facility in the amount of \$155 million. The Credit Facility was amended on April 7, 2020 to extend the maturity date of the facility from April 2024 to April 2025. The Credit Facility is available to fund capital expenditures and for other general corporate purposes. At September 30, 2021, there were no draws on the Credit Facility.

We target maintaining a strong investment-grade credit rating to allow capital market access at competitive interest rates. On November 24, 2020, S&P Global Ratings affirmed our long-term issuer credit and senior secured debt ratings of "AA-" with a negative outlook. On February 9, 2021, DBRS changed the trend from negative to stable on the Company's "A (high)" rating and senior secured bonds rating reflecting the significant cash contribution received through the Safe Restart Funding Program as well as the Company's decision to defer capital expenditures.

Under the Master Trust Indenture, an agreement which secures and governs the Company's borrowings, we are subject to indebtedness tests that prohibit additional borrowing if our leverage ratio exceeds 85% or if our debt service coverage ratio (earnings before interest, taxes, depreciation, amortization and rent) is less than 1.50 times the debt service cost.

On May 15, 2020, our banking syndicate approved an amendment to the Credit Facility Agreement (the "Amendment"), pursuant to which the financial covenants contained therein were amended effective until December 31, 2021. As a condition to the Amendment, BC Ferries is required to maintain a total of \$50 million in unrestricted cash, which can be comprised of cash, short-term investments, and undrawn credit facility, through to December 31, 2021.

At September 30, 2021, we achieved a debt service coverage ratio of 4.35 times and are in compliance with the financial covenants in the Credit Facility's agreement.

With the recognition of \$62.8 million in revenue from the Safe Restart Funding, the Company's operational performance for the six months ended September 30, 2021 has resulted in a \$84.6 million improvement in equity before reserves, from \$663.1 million as at March 31, 2021 to \$747.7 million as at September 30, 2021. Correspondingly, BC Ferries' leverage ratio has decreased from 71.1% as of March 31, 2021 to 68.5% as of September 30, 2021.

	September 30, 2021		March 31, 2021	
	\$	%	\$	%
Aggregate borrowings ¹	1,626,282	68.5%	1,632,970	71.1%
Total equity before reserves	747,790	31.5%	663,157	28.9%
Total	2,374,072	100.0%	2,296,127	100.0%

¹ Includes long-term debt, including current portion, credit facility (drawn and undrawn) and short-term borrowings.

Sources & Uses of Cash

Our liquidity needs are met through a variety of sources, including cash generated from operations, the issuance of bonds, external funding and borrowings under the Credit Facility. Our primary uses of funds are operational expenses, capital asset acquisitions and upgrades, and payments on our long-term debt.

Sources and uses of cash and cash equivalents for the six months ended September 30, 2021 and 2020 are summarized in the table below:

(\$ millions)	Six months ended September 30		
	2021	2020	Increase (Decrease)
Cash and cash equivalents, beginning of period	285.4	169.1	116.3
Cash from operating activities:			
Net earnings (loss)	84.6	(24.2)	108.8
Items not affecting cash	115.1	117.2	(2.1)
Changes in non-cash operating working capital	(83.2)	(17.7)	(65.5)
Net interest paid	(32.5)	(32.5)	-
Cash generated from operating activities	84.0	42.8	41.2
Cash used in financing activities	(7.1)	(13.2)	6.1
Cash used in investing activities	(130.8)	(36.1)	(94.7)
Net decrease in cash and cash equivalents	(53.9)	(6.5)	(47.4)
Cash and cash equivalents, end of period	231.5	162.6	68.9

For the six months ended September 30, 2021, cash generated from operating activities increased by \$41.2 million compared to the prior year, primarily due to an increase in tariff revenue, partially offset by increased operating expenses and a decrease in working capital. The decrease in working capital primarily reflects a reduction in cash from the settlement of accounts receivables and a reduction in deferred contract liabilities resulting from the recognition of Safe Restart Funding.

Cash used in financing activities in the six months ended September 30, 2021 was \$7.1 million. This amount consisted of \$5.7 million in repayment of our loans from KfW IPEX-Bank GmbH ("KfW") and \$1.4 million in repayment of finance lease obligations. Cash used in financing activities in the six months ended September 30, 2020 was \$13.2 million. This amount consisted of \$12.0 million in repayment of loans from KfW and \$1.2 million in repayment of finance lease obligations.

Cash used in investing activities for the six months ended September 30, 2021 increased by \$94.7 million compared to the prior year, mainly due to a \$99.0 million increase in short-term investment purchases as a result of the Safe Restart Funding we received, which is primarily for application towards losses in fiscal 2021 and fiscal 2022. (See "Investing in Our Capital Assets" for detail of significant capital expenditures.)

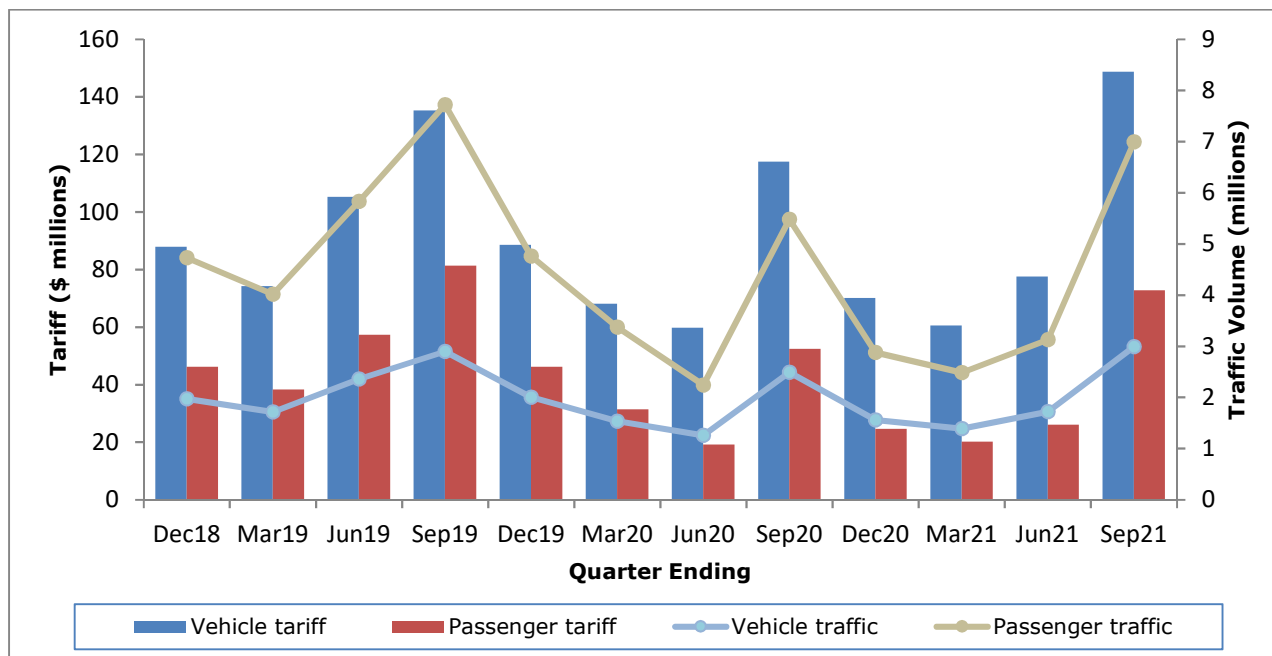
SUMMARY OF QUARTERLY RESULTS

The table below compares earnings by quarter for the most recent 12 quarters:

(\$ millions)	Quarter Ended (unaudited)											
	Dec 18	Mar 19	Jun 19	Sep 19	Dec 19	Mar 20	Jun 20	Sep 20	Dec 20	Mar 21	Jun 21	Sep 21
Total revenue without Safe Restart Funding	208	173	246	329	211	155	137	248	157	137	169	314
Safe Restart Funding	-	-	-	-	-	-	-	-	155	31	60	3
Total revenue	208	173	246	329	211	155	137	248	312	168	229	317
Operating profit (loss)	9	(29)	26	109	5	(55)	(46)	52	113	(33)	18	94
Net (loss) earnings	(4)	(41)	12	95	(8)	(70)	(62)	38	99	(54)	5	80
Net (loss) earnings without Safe Restart Funding	(4)	(41)	12	95	(8)	(70)	(62)	38	(56)	(85)	(55)	77

Quarterly results are normally affected by the seasonality of leisure travel patterns. The second quarter, covering the summer period, normally experiences the highest traffic levels and the highest net earnings. In the third and fourth quarters, when leisure traffic is lower, we perform upgrades and major maintenance and refit programs, as well as undertake mandatory inspections on the majority of our vessels. Our total revenue, operating profit and net earnings in the quarter ended September 30, 2021 reflect the recognition of \$2.8 million and in the quarter ended June 30, 2021 reflects the recognition of \$60.0 million of Safe Restart Funding. Our total revenue, operating profit and net earnings in the quarter ended December 31, 2020 reflect \$154.8 million of Safe Restart Funding, with the remaining \$31.2 million recognized in the quarter ended March 31, 2021, for a total of \$186.0 million in Safe Restart Funding in fiscal 2021.

The following graph demonstrates the seasonality of our tariff revenue and the impact of the COVID-19 pandemic, which began in March 2020 and shows the relationship of passenger traffic volume and tariff revenue over the most recent 12 quarters:



OUTLOOK

We continue to pursue strategies to create an affordable, sustainable and safe ferry system that meets the needs of our customers and the communities we serve for generations to come.

Financial

The COVID-19 pandemic has had a significant impact on our operations.

On June 15, 2021, the Province lifted restrictions on non-essential travel. Given the vaccination process and the reduction in travel restrictions, we experienced a significant increase in customer demand in the second quarter of fiscal 2022. Vehicle traffic increased by 3% when compared to the same quarter in fiscal 2020, a pre-COVID period, which were the highest vehicle traffic levels we have ever experienced. While we are cautiously optimistic, future traffic levels remain uncertain. Our current and planned service levels are reflective of the requirements of the CFSC and the Safe Restart Funding Agreement.

Along with the reduced vehicle and passenger traffic, the impacts from the COVID-19 pandemic include declines in revenue, earnings and cash from operations.

In December 2020, we received \$308 million from the Province as part of the Provincial and Federal Governments' Safe Restart Funding Program, which significantly increased our cash position. We recognized funding of \$186.0 million in fiscal 2021, funding of \$62.8 million in the six months ended September 30, 2021, and are projecting to recognize the remainder of the funding as follows: \$39.5 million in fiscal 2022, \$9.3 million in fiscal 2023 and \$10.4 million in fiscal 2024.

BC Ferries may continue to experience reduced tariff and net retail revenue, with a negative impact on earnings, due to the COVID-19 pandemic. As a result, we may be required to defer certain objectives, including the pace of capital renewal due to cash and incremental borrowing restrictions. BC Ferries cannot predict with certainty the full impact of the COVID-19 pandemic or the future timing of when conditions return to pre-COVID-19 levels.

Risks and Uncertainties

Understanding and managing operational and financial risk is an important part of our business. We have processes in place throughout our company to manage risks that inevitably arise in the normal course of business. A discussion of enterprise wide risk management can be found on pages 39 through 45 of our fiscal 2021 Management's Discussion & Analysis, which is available on SEDAR at www.sedar.com and on our investor webpage at <https://www.bcferrries.com/our-company/investor-relations>. Except with respect to risks and uncertainties related to the COVID-19 pandemic, our risk profile is substantially unchanged during the six months ended September 30, 2021.

ACCOUNTING PRACTICES

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and financial performance is based upon our unaudited condensed interim consolidated financial statements, which have been prepared in accordance with IFRS.

Our significant accounting policies are contained in Note 1 to our March 31, 2021 audited consolidated financial statements, which are available on SEDAR at www.sedar.com and on our investor webpage at <https://www.bcferrries.com/our-company/investor-relations>. Certain of these policies involve critical accounting estimates because they require us to make particularly subjective or complex judgements about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. These judgements, estimates and assumptions are subject to change as new events occur, as more experience is acquired, as additional information is obtained, and as the general operating environment changes.

Discussion of the most critical accounting policies and estimates that we have used in the preparation of our consolidated financial statements can be found on pages 46 through 48 of our fiscal 2021 Management's Discussion & Analysis.

Adoption of New Accounting Standards

No new accounting standards were adopted effective April 1, 2021.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis 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 the impact of the COVID-19 pandemic, traffic, the value of the Canadian Dollar relative to the US Dollar, fuel costs, construction costs, the state of the economy, fluctuating financial markets, demographics, tax changes and the requirements of the CFSC.

Examples of forward looking statements included in this document include statements with respect to: the Safe Restart Funding Program, the COVID-19 pandemic, the construction and entering into service of the new Island Class and Salish vessels, revenue sources, retail and catering sales, capital allocation and expenditures, cash requirements and cash flows, reliance on external borrowing, seasonal traffic levels, and vehicle and passenger tariffs.

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: vendor non-performance, capital market access, interest rate, foreign currency, fuel price, and traffic volume fluctuations, the implementation of major capital projects, security, safety, and environmental incidents, confidential or sensitive information breaches, changes in laws, vessel repair facility limitations, economic regulatory environment changes, tax changes, Indigenous rights, and the COVID-19 pandemic.

Actual results may differ materially from any forward looking statement. Although management believes that the forward looking statements contained in this Management's Discussion and Analysis 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 Management's Discussion and Analysis, 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.

Non-IFRS Measures

In addition to providing measures prepared in accordance with IFRS, we present certain financial measures that do not have any standardized meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. These include, but are not limited to, net earnings adjusted for the effect of rate regulation and average tariff revenue per vehicle and per passenger. These supplemental financial 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.