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

For the three and nine months ended December 31, 2021

Dated February 17, 2022

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Management's Discussion & Analysis
of Financial Condition and Financial Performance
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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 nine months ended December 31, 2021, that has been prepared with information available as of February 17, 2022. This discussion and analysis should be read in conjunction with our unaudited condensed interim consolidated financial statements and related notes for the three and nine month periods ended December 31, 2021 and 2020, our audited consolidated financial statements and related notes for the years ended March 31, 2021 ("fiscal 2021") and March 31, 2020 ("fiscal 2020"), and 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.bcferries.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 continue 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. With the lifting of these restrictions, we experienced a significant increase in traffic in both the second and third quarters of fiscal 2022. In the three months ended December 31, 2021, passenger traffic increased 43% and vehicle traffic increased 26% compared to the same period in the prior year. When comparing the three months ended December 31, 2021 to the three months ended December 31, 2019, a pre-COVID-19 period, passenger traffic decreased 14% and vehicle traffic decreased by 2%.

Year-to-date, passenger traffic increased 34% and vehicle traffic increased 26% compared to the same period in the prior year. While these increases are significant, passenger and vehicle traffic in the nine months ended December 31, 2021 were lower by 22% and 8%, respectively, compared to the nine months ended December 31, 2019, a pre-COVID-19 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 December 31, 2021, we recorded $19.2 million ($82.0 million year-to-date) of this Safe Restart Funding in revenue. Of the $308 million Safe Restart Funding, we have recognized a total of $268 million: $186 million in fiscal 2021 and $82 million in the nine months ended December 31, 2021. We are projecting to recognize the remaining $40 million (comprised of $18.9 million for operating relief, $18.1 million for fare relief and $3.0 million for discretionary sailings) as follows: $20.3 million (primarily operating relief funding) in fiscal 2022, $9.3 million in fiscal 2023 and $10.4 million in fiscal 2024. (See "Operational Statistics and Revenues" for further details).

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

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

General

- 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. Wearing face coverings in indoor spaces at our terminals and on board our vessels is mandatory for all customers five years of age and older regardless of vaccination status. BC Ferries continues with measures to mitigate risk, including enhanced cleaning and sanitization stations.

- On November 5, 2021, BC Ferries launched its COVID-19 Vaccination Policy for all employees. Ship-based employees were required to be fully vaccinated by January 24, 2022 and all other employees by February 28, 2022. The policy's application to vessel-based employees was mandated by Transport Canada, however, 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.

- On January 10, 2022, we announced the potential for unplanned service disruptions on all routes and particularly on Minor inter-island routes, over the coming months. There are a combination of factors driving the service interruptions, including the COVID-19 Omicron variant, regular cold and flu season, severe winter storms, vaccination policies that have reduced crew availability and the global shortage of professional mariners making it difficult to hire replacement staff. (See "Risks and Uncertainties" for more details).

- Due to rising fuel costs, on February 9, 2022, we announced the implementation of a fuel surcharge of 1.0%, effective March 1, 2022, on all routes with the exception of the Northern Routes. A 1.5% fuel rebate was introduced on all routes on April 1, 2020 to pass on declines in fuel prices to customers. On August 1, 2021, the fuel rebate was reduced from 1.5% to 0.5%, and effective December 1, 2021, was removed for all routes except the Northern Routes. On the Northern Routes, the 1.5% fuel rebate, which has been in place since April 1, 2020, will be removed effective March 1, 2022.

- On February 9, 2022, DBRS confirmed our credit rating at "A (high)" rating with a stable trend.

Capital assets

- On December 21, 2021, the last of the four new Island Class vessels arrived in Canada from Damen Shipyard Galati in Romania. The other three vessels arrived in Canada on July 22, 2021, August 13, 2021 and September 27, 2021, respectively. These vessels made the transoceanic journey under their own power, operating approximately 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. Each of the four new vessels is scheduled to enter service in the spring of 2022 and would bring our fleet total of Island Class vessels to six. The new vessels are outfitted with hybrid diesel-electric propulsion and have the capacity to carry 47 vehicles and up to 400 passengers and crew. (See "Investing in Our Capital Assets" for more detail).

- On December 22, 2021, the *Salish Heron* departed Remontowa Shipbuilding S.A. in Gdansk, Poland on its way to Canada. The *Salish Heron* is identical to our three existing Salish Class vessels, which are dual-fuel capable, designed to run primarily on LNG, a cleaner and lower carbon-intensity option. The vessel has the capacity to carry approximately 138 vehicles and up to 600 passengers and crew. This fourth Salish Class vessel will replace the 57-year old *Mayne Queen*, a diesel-fuelled vessel, and is expected to enter service in the Southern Gulf Islands in the summer of 2022.

FINANCIAL AND OPERATIONAL OVERVIEW

This section provides an overview of our financial and operational performance for the three and nine month periods ended December 31, 2021 compared to the same periods in fiscal 2020.

During the three months ended December 31, 2021, we delivered 20,262 (63,130 year-to-date) round trips, an increase of 141 or 1% (3,147 or 5% year-to-date) compared to the same period in the prior year. We carried 4.1 million passengers and 2.0 million vehicles during the three months ended December 31, 2021, an increase of 43% and 26%, respectively, compared to the same period in the prior year. Year-to-date, we carried 14.2 million passengers and 6.7 million vehicles, an increase of 34% and 26%, respectively, compared to the same period in the prior year.

	Three months ended December 31			**Nine months ended December 31**		
($ millions)	**2021**	**2020**	**Variance**	**2021**	**2020**	**Variance**
Total revenue	222.2	311.9	(89.7)	768.2	696.9	71.3
Operating expenses	209.5	199.0	10.5	643.6	578.0	65.6
Operating profit	12.7	112.9	(100.2)	124.6	118.9	5.7
Net finance and other expenses	14.3	14.4	0.1	41.6	44.6	3.0
Net (loss) earnings	(1.6)	98.5	(100.1)	83.0	74.3	8.7
Other comprehensive income (loss)	1.9	7.5	(5.6)	30.1	0.1	30.0
Total comprehensive income	0.3	106.0	(105.7)	113.1	74.4	38.7
Results Excluding Safe Restart Funding of:	19.2	154.8 *	(135.6)	82.0	154.8 *	(72.8)
Total revenue	203.0	157.1	45.9	686.2	542.1	144.1
Net (loss) earnings	(20.8)	(56.3)	35.5	1.0	(80.5)	81.5

*In the three months ended December 31, 2020, Safe Restart Funding of $154.8 million was recognized. This funding applied to the year-to-date losses for the nine months ending December 31, 2020.

In the three months ended December 31, 2021, we recognized Safe Restart Funding of $19.2 million compared to the $154.8 million recognized in the same period in the prior year. Year-to-date, we recognized $82.0 million compared to the $154.8 million recognized in the same period in the prior year.

Excluding the Safe Restart Funding:

- our revenues for the three months ended December 31, 2021 would have been $203.0 million, an increase of $45.9 million or 29% compared to the same period in the prior year and year-to-date, our revenues would have been $686.2 million, an increase of $144.1 million or 27% compared to the same period in the prior year, primarily resulting from higher traffic volumes and higher net retail sales;
- our net loss for the three months ended December 31, 2021 would have been $20.8 million, an improvement of $35.5 million compared to a net loss of $56.3 million in the same period in the prior year; and
- our year-to-date net earnings would have been $1.0 million, an improvement of $81.5 million compared to a net loss of $80.5 million in the same period in the prior year.

In the three months ended December 31, 2021, revenues, inclusive of the Safe Restart Funding, decreased $89.7 million or 29% compared to the same period in the prior year, primarily due to a reduced recognition of Safe Restart Funding, partially offset by higher traffic volumes and higher net retail sales. Year-to-date, revenues, inclusive of the Safe Restart Funding, increased by $71.3 million or 10% compared to the same period in the prior year, primarily as a result of higher traffic volumes and net retail sales, partially offset by lower Safe Restart Funding.

In the three months ended December 31, 2021, our operating expenses increased by $10.5 million or 5% ($65.6 million or 11% 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, and higher fuel prices (see “Expenses” for more detail).

In the three months ended December 31, 2021, our net loss was $1.6 million, a reduction of $100.1 million compared to our net income of $98.5 million in the same period in the prior year, which included $154.8 million in Safe Restart Funding. In the nine months ended December 31, 2021, our net earnings were $83.0 million, an increase of $8.7 million compared to net earnings of $74.3 million in the same period in the prior year, primarily as a result of higher traffic volumes and net retail sales, partially offset by lower Safe Restart Funding and higher operating expenses.

During the three months ended December 31, 2021, our total comprehensive income was $0.3 million compared to $106.0 million in the same period in the prior year. This is a decrease of $105.7 million compared to the same period in the prior year, comprised of the $100.1 million decrease in net earnings described above and a decrease in other comprehensive income (“OCI”) of $5.6 million reflecting the change in unrealized gains of our open fuel swap contracts.

During the nine months ended December 31, 2021, our total comprehensive income was $113.1 million compared to $74.4 million in the same period in the prior year. This is an increase of $38.7 million compared to the same period in the prior year, comprised of the $8.7 million increase in net earnings described above and an increase in OCI of $30.0 million. The change in OCI during the nine months ended December 31, 2021 compared to the prior year is comprised of:

- a $28.1 million increase in the change in unrealized gains of our open fuel swap contracts (reflecting an increase in diesel prices); and
- a $1.9 million reduction, 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 Vancouver Island and one route connecting West Vancouver with the Sunshine Coast. 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 nine months ended December 31, 2021 and 2020 are shown in the tables below.

Operational Statistics	**Three months ended December 31**				**Nine months ended December 31**			
Vehicle Traffic	**2021**	**2020**	**Increase (Decrease)**	**%**	**2021**	**2020**	**Increase (Decrease)**	**%**
Major Routes	1,104,627	788,634	315,993	40%	3,708,985	2,846,281	862,704	30%
Northern Routes	6,600	5,122	1,478	29%	26,698	15,324	11,374	74%
Minor Routes	856,182	765,785	90,397	12%	2,945,930	2,449,594	496,336	20%
Total Vehicle Traffic	1,967,409	1,559,541	407,868	26%	6,681,613	5,311,199	1,370,414	26%
Passenger Traffic								
Major Routes	2,507,187	1,506,110	1,001,077	66%	8,454,755	5,964,555	2,490,200	42%
Northern Routes	13,748	9,104	4,644	51%	56,870	28,183	28,687	102%
Minor Routes	1,581,874	1,361,133	220,741	16%	5,717,705	4,607,830	1,109,875	24%
Total Passenger Traffic	4,102,809	2,876,347	1,226,462	43%	14,229,330	10,600,568	3,628,762	34%
Round Trips								
Major Routes	3,002	2,897	105	4%	9,877	8,237	1,640	20%
Northern Routes	66	69	(3)	(4%)	297	211	86	41%
Minor Routes	17,194	17,155	39	0%	52,956	51,535	1,421	3%
Total Round Trips	20,262	20,121	141	1%	63,130	59,983	3,147	5%
Capacity Provided (AEQs)								
Major Routes	1,883,698	1,845,670	38,028	2%	6,220,754	5,223,714	997,040	19%
Northern Routes	12,616	12,978	(362)	(3%)	45,513	38,979	6,534	17%
Minor Routes	1,815,054	1,756,226	58,828	3%	5,629,702	5,415,531	214,171	4%
Total Capacity Provided	3,711,368	3,614,874	96,494	3%	11,895,969	10,678,224	1,217,745	11%
AEQs Carried								
Major Routes	1,324,214	1,001,646	322,568	32%	4,453,800	3,507,080	946,720	27%
Northern Routes	8,188	6,508	1,680	26%	32,576	19,494	13,082	67%
Minor Routes	925,515	833,362	92,153	11%	3,189,423	2,661,729	527,694	20%
Total AEQs Carried	2,257,917	1,841,516	416,401	23%	7,675,799	6,188,303	1,487,496	24%
Capacity Utilization								
Major Routes	70.3%	54.3%	16.0%		71.6%	67.1%	4.5%	
Northern Routes	64.9%	50.1%	14.8%		71.6%	50.0%	21.6%	
Minor Routes	51.0%	47.5%	3.5%		56.7%	49.1%	7.6%	
Total Capacity Utilization	60.8%	50.9%	9.9%		64.5%	58.0%	6.5%	

In the three months ended December 31, 2021, vehicle traffic increased 26% (26% year-to-date) and passenger traffic increased 43% (34% year-to-date) compared to the same period in the prior year, mainly due to the easing of COVID-19 travel restrictions.

New fare choices, including advance purchase saver fares, were launched on the three Metro Vancouver - Vancouver Island routes late in fiscal 2021 and expanded in fiscal 2022 to include the West Vancouver-Sunshine Coast route. These new fare choices are contributing to increased vehicle traffic on traditionally lower utilised sailings, less sailing waits overall, and enabling us to safely carry higher overall levels of vehicle traffic than in prior years.

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 standard 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 December 31, 2021, we provided 141 or 1% (3,147 or 5% year-to-date) additional round trips compared to the same periods in the prior year, resulting in increased capacity of 3% (11% year-to-date).

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 lowest during the winter months. In the three months ended December 31, 2021, overall capacity utilization was 60.8%, an increase of 9.9% compared to capacity utilization of 50.9% during the same period during the prior year. Year-to-date, overall capacity utilization was 64.5%, an increase of 6.5% compared to capacity utilization of 58.0% 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.

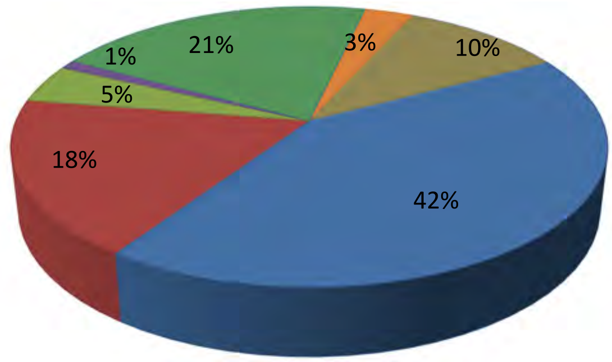
On-time performance on the Major and regulated Minor Routes is defined as the percentage of our sailings departing within 10 minutes of the scheduled departure time. On-time performance on the Northern Routes is defined as the percentage of our sailings arriving no later than 10 minutes after the scheduled 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 December 31**			**Nine months ended December 31**		
	2021	**2020**		**2021**	**2020**	
Major Routes	76.6%	92.3%	(15.7%)	78.3%	81.6%	(3.3%)
Northern Routes	82.2%	87.5%	(5.3%)	78.1%	84.0%	(5.9%)
Minor Routes	88.7%	90.3%	(1.6%)	85.2%	88.9%	(3.7%)
On-time Performance	87.0%	90.6%	(3.6%)	84.2%	87.9%	(3.7%)

In the three months ended December 31, 2021, overall on-time performance decreased by 3.6% to 87.0% from 90.6%, primarily due to the impact of exceptionally severe weather events.

Year-to-date, overall on-time performance decreased 3.7% to 84.2% from 87.9%. On-time performance decreased both as a result of the impact of increased traffic demand in the peak season and delays due to weather.

Revenues for the nine months ended December 31, 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 nine month periods ended December 31, 2021 and 2020 are shown in the table below.

Revenue ($ millions)	**Three months ended December 31**				**Nine months ended December 31**			
	2021	**2020**	**Increase (Decrease)**	**%**	**2021**	**2020**	**Increase (Decrease)**	**%**
Direct Route Revenue	**147.1**	**101.8**	**45.3**	**45%**	**501.6**	**362.1**	**139.5**	**39%**
Vehicle tariff revenue								
Major Routes	77.2	58.5	18.7	32%	265.5	208.0	57.5	28%
Northern Routes	1.5	1.2	0.3	25%	6.8	3.9	2.9	74%
Minor Routes	12.5	10.4	2.1	20%	45.1	35.4	9.7	27%
Total vehicle tariff revenue	91.2	70.1	21.1	30%	317.4	247.3	70.1	28%
Passenger tariff revenue								
Major Routes	33.3	19.1	14.2	74%	111.5	75.8	35.7	47%
Northern Routes	0.8	0.5	0.3	60%	4.1	1.9	2.2	116%
Minor Routes	6.3	5.0	1.3	26%	23.7	18.4	5.3	29%
Total passenger tariff revenue	40.4	24.6	15.8	64%	139.3	96.1	43.2	45%
Net retail revenue								
Major Routes	9.5	3.8	5.7	150%	29.4	11.1	18.3	165%
Northern Routes	0.6	0.5	0.1	20%	2.5	1.3	1.2	92%
Minor Routes	0.7	0.3	0.4	133%	2.5	0.8	1.7	213%
Total net retail revenue	10.8	4.6	6.2	135%	34.4	13.2	21.2	161%
Social program fees	2.8	2.2	0.6	27%	7.8	5.5	2.3	42%
Other revenue	2.4	1.8	0.6	33%	7.0	5.4	1.6	30%
Fuel rebate	(0.5)	(1.5)	1.0	67%	(4.3)	(5.4)	1.1	20%
Indirect Route Revenue	**74.4**	**209.7**	**(135.3)**	**65%**	**264.8**	**333.8**	**(69.0)**	**21%**
Safe Restart Funding *	18.9	154.8	(135.9)	(88%)	81.0	154.8	(73.8)	(48%)
Ferry transportation fees	47.5	46.9	0.6	1%	159.7	155.0	4.7	3%
Federal-Provincial subsidy	8.0	8.0	-	-	24.1	24.0	0.1	0%
Total Route Revenue	**221.5**	**311.5**	**(90.0)**	**(29%)**	**766.4**	**695.9**	**70.5**	**10%**
Other general revenue	0.7	0.3	0.4	133%	1.8	1.0	0.8	80%
Total Revenue	**222.2**	**311.8**	**(89.6)**	**(29%)**	**768.2**	**696.9**	**71.3**	**10%**

*Total Safe Restart Funding of $19.2 million was recorded for operating and fare increase relief, in the three months ended December 31, 2021 ($82.0 million year-to-date), of which $0.3 million ($1.0 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 accordance with the British Columbia Ferries Commissioner's (the "Commissioner") Order 19-04 dated September 30, 2019.

In the three months ended December 31, 2021, total direct route revenue increased $45.3 million or 45% ($139.5 million or 39% 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 December 31**				**Nine months ended December 31**			
Average vehicle tariff	**2021**	**2020**	**Increase (Decrease)**	**%**	**2021**	**2020**	**Increase (Decrease)**	**%**
Major Routes	69.81	74.17	(4.36)	(5.9%)	71.58	73.09	(1.51)	(2.1%)
Northern Routes	236.21	226.47	9.74	4.3%	255.52	253.33	2.19	0.9%
Minor Routes	14.66	13.62	1.04	7.6%	15.31	14.47	0.84	5.8%
Average vehicle tariff	46.37	44.94	1.43	3.2%	47.51	46.57	0.94	2.0%
Average passenger tariff								
Major Routes	13.29	12.72	0.57	4.5%	13.19	12.72	0.47	3.7%
Northern Routes	53.68	50.31	3.37	6.7%	71.34	65.78	5.56	8.4%
Minor Routes	3.96	3.66	0.30	8.2%	4.15	3.99	0.16	4.0%
Average passenger tariff	9.83	8.56	1.27	14.8%	9.79	9.06	0.73	8.1%

In the three months ended December 31, 2021, average tariff revenue per vehicle (vehicle tariff revenue divided by vehicle traffic volume) increased $1.43 or 3.2% compared to the same period in the prior year as a 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 $0.94 or 2.0% 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 December 31, 2021, average tariff revenue per passenger (passenger tariff revenue divided by passenger traffic volume) increased $1.27 or 14.8% ($0.73 or 8.1% year-to-date) compared to the same period in the prior year, primarily due to tariff increases and increases in traffic on higher tariff routes (Major Routes). The increase in traffic levels and the change in average tariff revenue resulted in a total tariff revenue increase of $36.9 million or 39% ($113.3 million year-to-date or 33%) 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 nine months ended December 31, 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 December 31, 2021, net retail revenue increased $6.2 million ($21.2 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 $3.3 million or 23% ($19.0 million or 36% 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 December 31, 2021 increased $0.6 million ($2.3 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 December 31, 2021, other revenue increased $0.6 million ($1.6 million year-to-date) compared to the same period in the prior year, primarily as a result of increased parking revenues and increased retail commissions.

A fuel rebate of 1.5% was introduced on all routes April 1, 2020. On August 1, 2021, the fuel rebate was reduced to 0.5% on all routes with the exception of the Northern Routes, which remained at 1.5%. Due to increases in fuel costs, effective December 1, 2021, the fuel rebate was removed from all routes with the exception of the Northern Routes, which remains at 1.5%.

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 December 31, 2021	Nine months ended December 31, 2021	Remainder of Fiscal 2022	Fiscal 2023 to 2024	Total Funding
Operating relief	$ 186.0	$ 17.3	$ 75.1	$ 18.9	$ -	$ 280.0
Fare increase relief	-	1.6	5.9	1.1	17.0	24.0
Discretionary sailings relief*	-	0.3	1.0	0.3	2.7	4.0
	$ 186.0	$ 19.2	$ 82.0	$ 20.3	$ 19.7	$ 308.0

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

Of the $308 million Safe Restart Funding, we have recognized a total of $268 million: $186 million in fiscal 2021 and $82 million in the nine months ended December 31, 2021. We are projecting to recognize the remaining $40 million as follows: $20.3 million in 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 nine months ended December 31, 2021 and 2020 are summarized in the table below:

Operating expenses ($ millions)	Three months ended December 31			Nine months ended December 31		
	2021	2020	Increase (Decrease)	2021	2020	Increase (Decrease)
Operations	133.8	120.6	13.2	421.0	352.7	68.3
Maintenance	22.9	24.3	(1.4)	65.7	62.5	3.2
Administration	9.6	8.5	1.1	27.4	28.6	(1.2)
Total operations, maintenance & administration	166.3	153.4	12.9	514.1	443.8	70.3
Depreciation and amortization	43.2	45.6	(2.4)	129.5	134.2	(4.7)
Total operating expenses	209.5	199.0	10.5	643.6	578.0	65.6

During the three months ended December 31, 2021, total operating expenses increased $10.5 million or 5.3% ($65.6 million or 11.3% year-to-date) compared to the same period in the prior year.

Wages, benefits and fuel are our largest expenses, representing approximately 77% of our total operations, maintenance and administration costs (78% year-to-date) in the three months ended December 31, 2021, compared to 77% (79% year-to-date) in the same period in the prior year. These costs are primarily driven by a 20% increase in round trips provided on the Major Routes and an increase in fuel prices. 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 December 31, 2021, we delivered 20,262 (63,130 year-to-date) round trips, an increase of 141 (3,147 year-to-date) compared to the same period in the prior year.

During the three months ended December 31, 2021, expenses from operations increased $13.2 million ($68.3 million year-to-date) compared to the same period in the prior year due to:

- $2.8 million ($26.1 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;
- $7.6 million ($27.4 million year-to-date) increase in fuel expense, reflecting an increase of a $2.2 million or 6.4% ($16.1 million or 21.4% year-to-date) increase in fuel consumption and a $5.4 million or 25.7% ($11.3 million or 16.4% year-to-date) increase due to higher fuel prices; and
- $2.8 million ($14.8 million year-to-date) increase in contracted services, credit card fees, property tax, insurance costs, materials and supplies, training, travel and other miscellaneous expenses.

In the three months ended December 31, 2021, maintenance costs decreased $1.4 million compared to the same period in the prior year. Year-to-date, maintenance costs increased by $3.2 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 December 31, 2021, administration costs increased $1.1 million, compared to the same period in the prior year as result of higher labour, contracted services, travel, materials and supplies, and employee expenses. Year-to-date, administration costs decreased $1.2 million compared to the prior year, primarily as a result of a legal settlement in the prior year, and lower labour, somewhat offset by increased consulting services, employee expenses, and materials and supplies.

Depreciation and amortization decreased $2.4 million ($4.7 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 December 31**			**Nine months ended December 31**		
	2021	**2020**	**Decrease**	**2021**	**2020**	**Decrease**
Finance expense	15.5	15.5	0.0	45.1	46.0	(0.9)
Less: finance income	(1.2)	(1.1)	(0.1)	(3.6)	(3.4)	(0.2)
Net finance expense	14.3	14.4	(0.1)	41.5	42.6	(1.1)
Loss on disposal and impairment of property, plant and equipment, and intangible assets	-	-	-	0.1	2.0	(1.9)
Total net finance and other expenses	14.3	14.4	(0.1)	41.6	44.6	(3.0)

In the three months ended December 31, 2021, net finance and other expenses decreased $0.1 million, primarily as result of slightly higher finance income. In the nine months ended December 31, 2021, net finance and other expenses decreased by $3.0 million due to lower asset impairments, higher capitalized interest and decreased interest on loans compared to the prior year. In the nine months ended December 31, 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

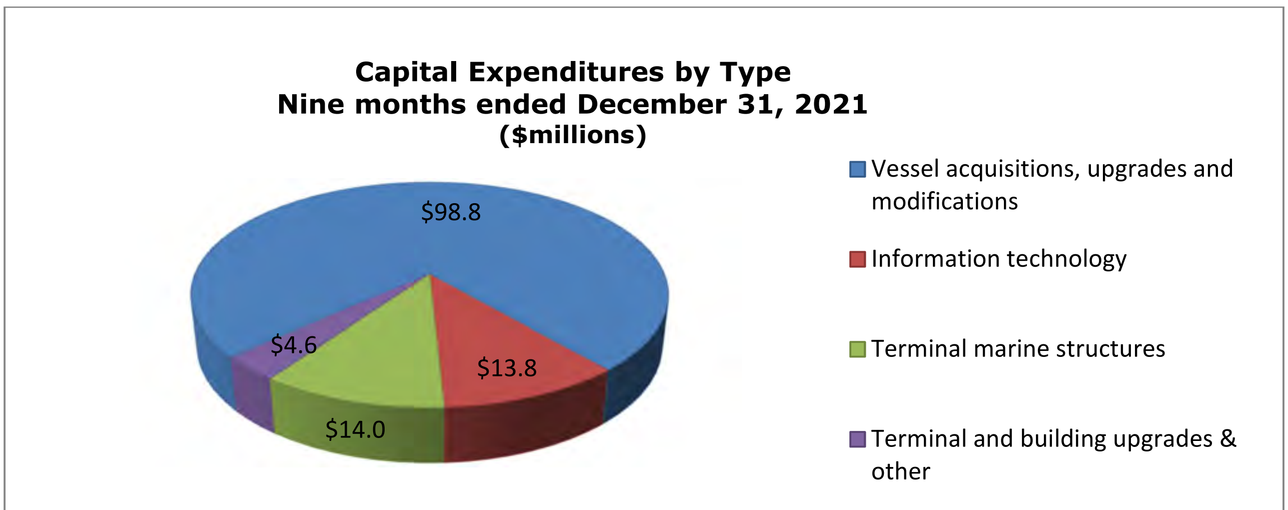
Our capital plan includes building new vessels, upgrades and modifications for existing vessels, improvements at our fleet maintenance unit, upgrades at our terminals and renewal of our information technology systems. Upgrades to our existing vessels include enabling the full electrification of our hybrid 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 Commissioner issued Order 21-01, conditionally approving our application for a major capital expenditure for the Island Class electrification program. 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 nine months ended December 31, 2021 totalled $51.0 million and $131.2 million, respectively.

Capital expenditures ($ millions)	**Three months ended December 31, 2021**	**Nine months ended December 31, 2021**
Island Class vessels (additional 4 vessels)	5.2	53.9
Major overhauls and inspections	16.6	22.0
Salish Heron	12.1	15.5
Hardware upgrades	1.4	6.3
Queen of Alberni life extension	4.9	6.2
Campbell River and Quathiaski Cove marine structure upgrades	0.1	3.1
Various other projects	10.7	24.2
	51.0	131.2



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 December 21, 2021, the last of the four new Island Class vessels arrived in Canada from Damen Shipyard Galati in Romania. The other three vessels arrived in Canada on July 22, 2021, August 13, 2021 and September 27, 2021, respectively. These vessels made the transoceanic journey under their own power, operating approximately 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. The *Island Gwawis*, *Island Kwigwis, Island Nagalis, and Island K'ulut'a* are 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. These Island Class vessels are outfitted with hybrid diesel-electric propulsion and have the capacity to carry 47 vehicles and up to 400 passengers and crew.

Major overhauls and inspections

In the three months ended December 31, 2021, we had capital expenditures of $16.6 million ($22.0 million year-to-date) in respect of major overhauls and inspections of components of hull, propulsion and generators for eight vessels that were completed or underway.

Salish Heron

On December 22, 2021, the *Salish Heron* departed Remontowa Shipbuilding S.A. in Gdansk, Poland on its way to Canada. On December 20, 2019, a contract became effective with Remontowa Shipbuilding S.A. 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* is 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 up to 600 passengers and crew. This fourth Salish Class vessel will replace the 57-year old *Mayne Queen,* a diesel-fuelled vessel, and is expected to enter service in the Southern Gulf Islands in the summer of 2022.

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.

Campbell River and Quathiaski Cove marine structure upgrades

A project 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 is nearing completion.

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, and safety management systems.

Queen of Alberni life-extension

A project to extend the life of the *Queen of Alberni,* including upgrades to the hull, propulsion system, and machinery, was completed in January 2022.

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 as a result of COVID-19.

At December 31, 2021, our unrestricted cash and cash equivalents and other short-term investments totalled $249 million and $167 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.

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 December 31, 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 23, 2021, S&P Global Ratings affirmed our long-term issuer credit and senior secured debt ratings of "AA-" and revised the outlook to stable from negative. On February 9, 2022, DBRS confirmed our credit rating at "A (high)" rating with a stable trend.

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's 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 was required to maintain a total of $50 million in unrestricted cash, which could be comprised of cash, short-term investments, and undrawn credit facility, through to December 31, 2021.

At December 31, 2021, we achieved a debt service coverage ratio of 3.16 times and were in compliance with the current financial covenants in the Credit Facility's agreement.

With the recognition of $82.0 million in revenue from the Safe Restart Funding, the Company's operational performance for the nine months ended December 31, 2021 has resulted in a $83.0 million improvement in equity before reserves, from $663.1 million as at March 31, 2021 to $746.1 million as at December 31, 2021. Correspondingly, BC Ferries' leverage ratio has decreased from 71.1% as of March 31, 2021 to 68.5% as of December 31, 2021.

	December 31, 2021		March 31, 2021	
	$	%	$	%
Aggregate borrowings [1]	1,622,737	68.5%	1,632,970	71.1%
Total equity before reserves	746,124	31.5%	663,157	28.9%
Total	2,368,861	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 nine months ended December 31, 2021 and 2020 are summarized in the table below:

	Nine months ended December 31		
($ millions)	**2021**	**2020**	**Increase (Decrease)**
Cash and cash equivalents, beginning of period	285.4	169.1	116.3
Cash from operating activities:			
Net earnings	83.0	74.3	8.7
Items not affecting cash	171.3	176.7	(5.4)
Changes in non-cash operating working capital	(71.8)	135.2	(207.0)
Net interest paid	(51.4)	(52.1)	0.7
Cash generated from operating activities	131.1	334.1	(203.0)
Cash used in financing activities	(10.6)	(16.7)	6.1
Cash used in investing activities	(157.4)	(163.2)	5.8
Net (decrease) increase in cash and cash equivalents	(36.9)	154.2	(191.1)
Cash and cash equivalents, end of period	248.5	323.3	(74.8)

For the nine months ended December 31, 2021, cash generated from operating activities decreased by $203 million compared to the prior year, primarily due to a reduction in cash received ($308 million of Safe Restart Funding received in the prior year), partially offset by a net increase of $105 million from increased traffic and service levels.

Cash used in financing activities in the nine months ended December 31, 2021 was $10.6 million. This amount consisted of $8.5 million in repayment of our loans from KfW IPEX-Bank GmbH ("KfW") and $2.1 million in repayment of lease obligations. Cash used in financing activities in the nine months ended December 31, 2020 was $16.7 million. This amount consisted of $14.8 million in repayment of loans from KfW and $1.9 million in repayment of lease obligations.

Cash used in investing activities for the nine months ended December 31, 2021 decreased by $5.8 million compared to the prior year, mainly due to a $10.3 million decrease in short-term investment purchases somewhat offset by a $4.5 million increase in purchases of capital assets. (See "Investing in Our Capital Assets" for detail of significant capital expenditures.)

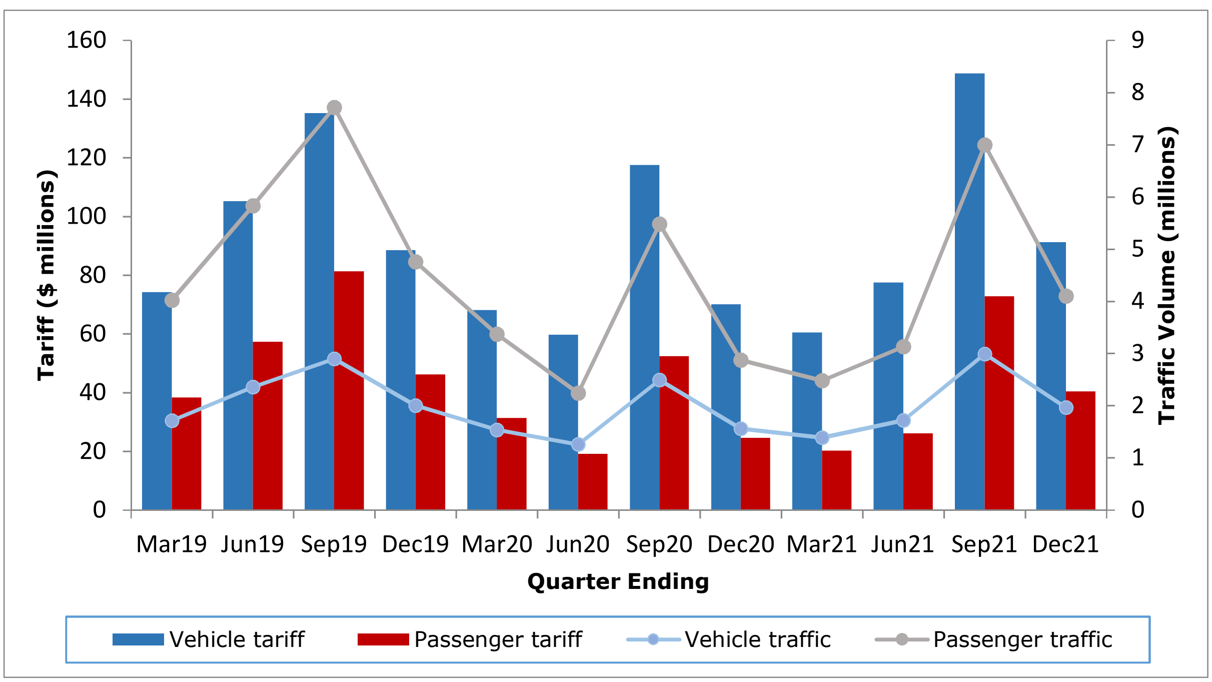
SUMMARY OF QUARTERLY RESULTS

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

	Quarter Ended (unaudited)											
($ millions)	**Mar 19**	**Jun 19**	**Sep 19**	**Dec 19**	**Mar 20**	**Jun 20**	**Sep 20**	**Dec 20**	**Mar 21**	**Jun 21**	**Sep 21**	**Dec 21**
Total revenue without Safe Restart Funding	173	246	329	211	155	137	248	157	137	169	314	203
Safe Restart Funding	-	-	-	-	-	-	-	155	31	60	3	19
Total revenue	173	246	329	211	155	137	248	312	168	229	317	222
Operating (loss) profit	(29)	26	109	5	(55)	(46)	52	113	(33)	18	94	13
Net (loss) earnings	(41)	12	95	(8)	(70)	(62)	38	99	(54)	5	80	(2)
Net (loss) earnings without Safe Restart Funding	(41)	12	95	(8)	(70)	(62)	38	(56)	(85)	(55)	77	(21)

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 quarters ended June 30, 2021, September 30, 2021 and December 31, 2021 reflect the recognition of $60.0 million, $2.8 million and $19.2 million, respectively, 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 and third quarters of fiscal 2022. In the nine months ended December 31, 2021, passenger traffic increased 34% and vehicle traffic increased 26% compared to the same period in the prior year. While these increases are significant, passenger and vehicle traffic in the nine months ended December 31, 2021 were lower by 22% and 8%, respectively, compared to the nine months ended December 31, 2019 (fiscal 2020), a pre-COVID-19 period. While we are cautiously optimistic, future traffic levels remain uncertain.

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 (fiscal 2021), 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 $82.0 million in the nine months ended December 31, 2021, and are projecting to recognize the remainder of the funding as follows: $20.3 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.bcferries.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 nine months ended December 31, 2021.

On January 10, 2022, we announced the potential for unplanned service disruptions on all routes and particularly on Minor inter-island routes, over the coming months. There are a combination of factors driving the service interruptions, including: the Omicron variant, regular cold and flu season, severe winter storms, vaccination policies that have reduced crew availability and the global shortage of professional mariners making it difficult to hire replacement staff. To mitigate this risk, BC Ferries relies on staffing pools with crew held in reserve, cross-training employees to enable redeployment from one location to another as required, and overtime pay for employees who cover gaps. In the event these mitigations are not successful, we will modify service. BC Ferries' goal is to avoid service disruptions wherever we can, to communicate service disruptions as soon as they become known, and to look for ways to minimize the impact these disruptions have on customers, using water taxis or other contracted marine service providers, where these services exist and are available.

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.bcferries.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 since 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, the impact of the COVID-19 pandemic, the entering into service of the new Island Class and Salish vessels, the terminal and vessel electrification program, revenue sources, retail and catering sales, capital allocation and expenditures, cash requirements and cash flows, reliance on external borrowing, seasonal traffic levels, vehicle and passenger tariffs, and the potential for unplanned service disruptions.

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.