



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

For the three and six months ended
September 30, 2024

Dated November 21, 2024

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**Management's Discussion & Analysis
of Financial Condition and Financial Performance
For the three months ended September 30, 2024
Dated November 21, 2024**

The following is our discussion and analysis of the financial condition and financial performance for British Columbia Ferry Services Inc. ("BC Ferries", the "Company" or "we") for the three and six months ended September 30, 2024 that has been prepared with information available as of November 21, 2024. 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, 2024 and 2023, our audited consolidated financial statements and related notes for the years ended March 31, 2024 ("fiscal 2024") and March 31, 2023 ("fiscal 2023"), and our Management's Discussion and Analysis for fiscal 2024. These documents are available on the System for Document Analysis and Retrieval ("SEDAR+") at www.sedarplus.ca 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 IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

BUSINESS OVERVIEW

BC Ferries provides 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 37 vessels operating on 25 routes out of 47 terminals spread over 1,600 kilometres of coastline. We also manage ferry transportation services on other 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 the 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 sufficient earnings and ongoing access to capital to fund operations, satisfy outstanding long-term debt obligations and fulfill future capital asset investment needs.

Significant events during or subsequent to the second quarter of fiscal 2025 include the following:

Traffic and Service

- In the three months ended September 30, 2024, BC Ferries carried 7.9 million passengers and 3.1 million vehicles, an increase of 2% and 4%, respectively, compared to the same period in the prior year. Year-to-date, we carried 13.8 million passengers and 5.7 million vehicles compared to 13.6 million passengers and 5.5 million vehicles in the same period in the prior year. BC Ferries carried the highest passenger and vehicle traffic levels on record for the three and six months ended September 30, 2024.
- In the three months ended September 30, 2024, we delivered 24,511 round trips (47,246 round trips year-to-date), representing 278 or 1% (526 or 1% year-to-date) additional round trips compared to the same period in the prior year.

General

- On September 3, 2024, BC Ferries removed the 60-year-old *Queen of New Westminster* from service and performed an underwater inspection which revealed the vessel's starboard propeller system sheared off from its propulsion shaft. On September 7, 2024, BC Ferries recovered the propeller from the seabed. The required repairs are anticipated to be significant and include work on both the port and starboard propeller systems. This work will involve the complete disassembly of both systems and the replacement of the tail shaft on at least the starboard side, which must be specially manufactured. The *Queen of New Westminster's* annual refit will be conducted during this time and will keep the vessel out of service for approximately six months, which will depend heavily on global parts availability and manufacturing times. With no backup vessel available, BC Ferries' will review sailing schedules and options to minimize disruption to our customers and service during this time.
- On November 18, 2024, S&P Global Ratings ("S&P") lowered BC Ferries long-term issuer credit and senior secured debt ratings to "A+" from "AA-", with a stable outlook.

Capital Assets

- On July 16, 2024, BC Ferries announced that the first steel cuts were made for the first two of four new battery-electric hybrid Island Class vessels at Damen Shipyards Galati in Romania. These vessels will each have the capacity to carry approximately 47 vehicles and 400 passengers and will further standardize BC Ferries' fleet, increasing capacity and comfort for our customers. These new Island Class vessels are planned to enter service by 2027 on the routes connecting Nanaimo Harbour and Gabriola Island, and the route connecting Campbell River and Quadra Island (see "Investing in Our Capital Assets" for more detail).
- On September 16, 2024, BC Ferries announced a major step forward in its New Major Vessel ("NMV") project by issuing a Request for Proposals ("RFP"). In order to address projected population growth, replace aging vessels and meet customer travel needs, BC Ferries is continuing the procurement process for the first five of seven new vessels necessary to provide capacity for its busiest routes, with the remaining two new vessels to be built in a later phase. In addition, upgrades will be planned to extend the operational lives of the *Queen of Surrey* and the *Queen of Oak Bay*.

Pre-qualified shipyards will now participate in the RFP process with contracts expected to be awarded in spring of 2025, subject to project approval from the British Columbia Ferries Commissioner (the "Commissioner"). The first ship will be expected to start service in 2029, with all five anticipated to be in service by 2031. This RFP represents a significant milestone in BC Ferries' fleet renewal strategy and efforts to increase capacity and resilience on the Major Routes. The second phase of the NMV project will be conducted with the aim to award shipbuilding contracts for the additional two vessels by 2033, and have these ships enter service by approximately 2037.

FINANCIAL AND OPERATIONAL OVERVIEW

This section provides an overview of our financial and operational performance for the three and six months ended September 30, 2024 compared to the same periods in fiscal 2024.

Financial performance (\$ millions)	Three months ended September 30			Six months ended September 30		
	2024	2023	Variance	2024	2023	Variance
Total revenue	383.1	381.5	1.6	686.2	668.4	17.8
Operating expenses	300.1	269.6	30.5	599.0	530.2	68.8
Operating profit	83.0	111.9	(28.9)	87.2	138.2	(51.0)
Net finance and other expenses	11.8	9.8	2.0	24.7	20.9	3.8
Net earnings	71.2	102.1	(30.9)	62.5	117.3	(54.8)
Other comprehensive (loss) income	(1.9)	14.2	(16.1)	(1.8)	10.6	(12.4)
Total comprehensive income	69.3	116.3	(47.0)	60.7	127.9	(67.2)

In the three months ended September 30, 2024, revenues increased \$1.6 million or 0.4% (\$17.8 million or 2.7% year-to-date) compared to the same period in the prior year. This increase is primarily a result of higher vehicle traffic volume and rates, net retail sales and fare affordability funding from the Province, partially offset by lower carbon credit sales, fuel surcharges and ferry transportation fees (see "Revenue" for more detail).

In the three months ended September 30, 2024, operating expenses increased \$30.5 million or 11% (\$68.8 million or 13% year-to-date) compared to the same period in the prior year. This increase is mainly due to higher wage rates, fuel prices and maintenance expenses, as well as an increased number of sailings with resulting higher labour costs and fuel consumption, higher depreciation and higher administration expenses (see "Expenses" for more detail).

In the three months ended September 30, 2024, net earnings were \$71.2 million or 30% lower (\$62.5 million or 47% year-to-date) compared to the same period in the prior year, primarily as a result of higher operating expenses partially offset by higher revenues.

In the three months ended September 30, 2024, total comprehensive income was \$69.3 million compared to total comprehensive income of \$116.3 million in the same period in the prior year. This decrease of \$47.0 million is comprised of a \$30.9 million decrease in net earnings and a decrease in other comprehensive income ("OCI") of \$16.1 million (a loss in OCI of \$1.9 million in the three months ended September 30, 2024 compared to an income in OCI of \$14.2 million in the same period in the prior year). The decrease in OCI reflects a decrease in the change in the fair value of our fuel swap contracts.

In the six months ended September 30, 2024, total comprehensive income was \$60.7 million compared to total comprehensive income of \$127.9 million in the same period in the prior year. This decrease of \$67.2 million is comprised of a \$54.8 million decrease in net earnings and a decrease in OCI of \$12.4 million (a loss in OCI of \$1.8 million in the six months ended September 30, 2024 compared to an income in OCI of \$10.6 million in the same period in the prior year). The decrease in OCI reflects an increase in the change in the fair value of our fuel swap contracts.

Operational Statistics

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 six months ended September 30, 2024 and 2023 are shown in the table below.

Operational Statistics	Three months ended September 30				Six months ended September 30			
	2024	2023	Increase (Decrease)	%	2024	2023	Increase (Decrease)	%
Vehicle Traffic								
Major Routes	1,823,335	1,732,731	90,604	5%	3,269,115	3,162,144	106,971	3%
Northern Routes	19,105	18,928	177	1%	29,589	29,144	445	2%
Minor Routes	1,294,356	1,261,455	32,901	3%	2,380,563	2,336,230	44,333	2%
Total Vehicle Traffic	3,136,796	3,013,114	123,682	4%	5,679,267	5,527,518	151,749	3%
Passenger Traffic								
Major Routes	5,092,003	4,962,811	129,192	3%	8,757,330	8,632,116	125,214	1%
Northern Routes	48,379	48,679	(300)	(1%)	72,863	72,234	629	1%
Minor Routes	2,802,415	2,755,894	46,521	2%	4,961,089	4,899,548	61,541	1%
Total Passenger Traffic	7,942,797	7,767,384	175,413	2%	13,791,282	13,603,898	187,384	1%
Round Trips								
Major Routes	4,028	3,809	219	6%	7,497	7,163	334	5%
Northern Routes	170	166	4	2%	259	247	12	5%
Minor Routes	20,313	20,258	55	0%	39,490	39,310	180	0%
Total Round Trips	24,511	24,233	278	1%	47,246	46,720	526	1%
Capacity Provided (AEQs)**								
Major Routes	2,527,011	2,380,935	146,076	6%	4,695,752	4,487,265	208,487	5%
Northern Routes	27,428	27,072	356	1%	42,610	41,348	1,262	3%
Minor Routes	2,200,207	2,194,629	5,578	0%	4,244,745	4,203,855	40,890	1%
Total Capacity Provided	4,754,646	4,602,636	152,010	3%	8,983,107	8,732,468	250,639	3%
AEQs Carried **								
Major Routes	2,116,051	2,021,011	95,040	5%	3,834,450	3,716,295	118,155	3%
Northern Routes	22,509	22,224	285	1%	35,285	34,603	682	2%
Minor Routes	1,388,259	1,352,735	35,524	3%	2,559,094	2,511,885	47,209	2%
Total AEQs Carried	3,526,819	3,395,970	130,849	4%	6,428,829	6,262,783	166,046	3%
Capacity Utilization								
Major Routes	83.7%	84.9%	(1.2%)		81.7%	82.8%	(1.1%)	
Northern Routes	82.1%	82.1%	0.0%		82.8%	83.7%	(0.9%)	
Minor Routes	63.1%	61.6%	1.5%		60.3%	59.8%	0.5%	
Total Capacity Utilization	74.2%	73.8%	0.4%		71.6%	71.7%	(0.1%)	

* In accordance with the Coastal Ferry Services Contract terms for Performance Term Six (April 1, 2024 to March 31, 2028) , round trips provided by water taxi, tugs and barges no longer count towards required round trips. Prior year round trips, capacity provided, AEQs carried and capacity utilization have been updated to exclude round trips provided by water taxi, tugs and barges for comparative purposes.

**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. 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.

In the three months ended September 30, 2024, vehicle traffic increased 4% and passenger traffic increased 2% compared to the same period in the prior fiscal year. Year-to-date, vehicle traffic increased 3% and passenger traffic increased 1% compared to the same period in the prior fiscal year (see Operational Statistics table for more detail).

In the three months ended September 30, 2024, we delivered 24,511 round trips (47,246 round trips year-to-date), representing 278 or 1% (526 or 1% year-to-date) additional round trips compared to the same period in the prior year. The additional round trips were primarily provided on the Major Routes driven by increased traffic demand.

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 changes in demand or the number of trips stipulated by the Coastal Ferry Services Contract ("CFSC") between BC Ferries and the Province. In the three months ended September 30, 2024, the additional round trips described above resulted in increased capacity of 3% (3% year-to-date) compared to the same period in the prior year, primarily on the Major Routes.

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. Typically, capacity utilization is highest when traffic levels peak during the summer months and lowest during the winter months. Capacity utilization on the Minor Routes, which is lower than the capacity utilization on the Major and Northern Routes, is mainly due to the traffic demand being directional based on the time of day or the day of the week, and under-utilized in the other direction at the same time or day of the week (daily commuters and/or weekend visitors). In the three months ended September 30, 2024, overall capacity utilization was 74.2%, an increase of 0.4% compared to capacity utilization of 73.8% during the same period in the prior year. Year-to-date, overall capacity utilization was 71.6% compared to capacity utilization of 71.7% during the same period in the prior year. The decrease in capacity utilization on the Major and Northern Routes was partially offset by the increase in capacity utilization on the Minor Routes. Year-to-date, the decrease in capacity utilization on the Major Routes is primarily a result of an increase in capacity provided from additional round trips, partially offset by a higher number of AEQs carried.

In the three months ended September 30, 2024, we cancelled 0.7% (1.0% in the same period in the prior year) of our scheduled sailings primarily due to mechanical issues, adverse weather and being unable to secure the required crew. Overall cancellations decreased by 22% compared to the same period in the prior year. Year-to-date, we cancelled 0.8% (1.2% in the same period in the prior year) of our scheduled sailings primarily due to being unable to secure the required crew, mechanical issues, and adverse weather. Cancellations due to crew shortages have decreased by 81% year-to-date compared to the same period in the prior year reflecting the positive impact of actively recruiting and investing in our employees. Year-to-date, cancellations due to mechanical issues increased 167 or 50.0%, primarily due to the impact of the *Queen of New Westminster* losing its propeller.

Sailing Cancellations	Three months ended September 30			Six months ended September 30		
	2024	2023	Change	2024	2023	Change
Sailings	52,860	52,280	580	102,087	100,971	1,116
Cancelled Sailings by type:						
Weather	46	46	-	113	268	(155)
Mechanical	253	226	27	500	333	167
Crew	31	188	(157)	87	462	(375)
Other *	66	48	18	106	110	(4)
Total Cancelled Sailings	396	508	(112)	806	1,173	(367)
Cancellations as % of Sailings	0.7%	1.0%	(0.3%)	0.8%	1.2%	(0.4%)
Crew Cancellations as % of Sailings	0.1%	0.4%	(0.3%)	0.1%	0.5%	(0.4%)

*Sailing counts in the three months ended September 30, 2024 include route 13 sailings of 2,971 (5,890 year-to-date). Prior year sailings have been updated to include route 13 sailings of 2,926 (5,828 year-to-date) for comparison purposes.

** The other category includes cancellations such as: incidents to vessels or the terminal, a traffic accident where the crew cannot get to the terminal, no demand for the sailing, or other procedural/operational reasons.

On-time performance on the Major and the 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, crew absences, terminal dock maintenance or closures, and periods of high traffic demand.

On-Time Performance*	Three months ended			Six months ended		
	September 30			September 30		
	2024	2023	Change	2024	2023	Change
Major Routes	68.2%	63.8%	4.4%	68.0%	66.6%	1.4%
Northern Routes	82.8%	82.6%	0.2%	79.1%	82.1%	(3.0%)
Minor Routes	78.4%	78.4%	-	81.3%	80.6%	0.7%
On-Time Performance	76.9%	76.3%	0.6%	79.3%	78.6%	0.7%

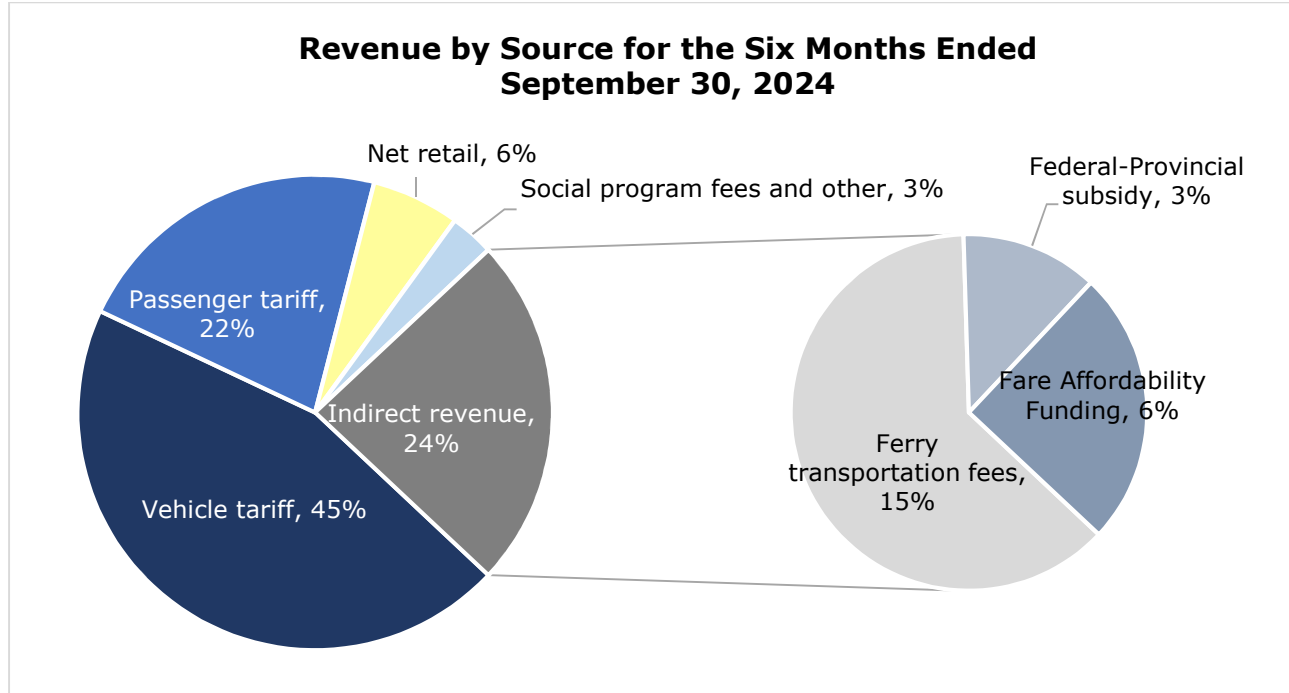
*The on-time performance % is a weighted average calculation based on the number of sailings (Major routes account for 16% of the sailings).

In the three months ended September 30, 2024, overall on-time performance increased 0.6% from 76.3% to 76.9% compared to the same period in the prior year. Year-to-date, overall on-time performance increased 0.7% from 78.6% to 79.3% compared to the same period in the prior year. Year-to-date, on-time performance improved on the Major and Minor Routes, partially offset by lower on-time performance on the Northern Routes.

Revenue

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 page 49 of our fiscal 2024 Management's Discussion and Analysis).

Operational revenues for the six months ended September 30, 2024 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.

Revenue (\$ millions)	Three months ended September 30				Six months ended September 30			
			Increase (Decrease)				Increase (Decrease)	
	2024	2023	\$	%	2024	2023	\$	%
Direct Route Revenue	296.0	285.8	10.2	4%	521.0	507.2	13.8	3%
Vehicle tariff revenue								
Major Routes	145.0	131.9	13.1	10%	257.0	240.6	16.4	7%
Northern Routes	5.6	5.5	0.1	2%	8.5	8.3	0.2	2%
Minor Routes	22.7	21.3	1.4	7%	40.2	37.8	2.4	6%
Total vehicle tariff revenue	173.3	158.7	14.6	9%	305.7	286.7	19.0	7%
Passenger tariff revenue								
Major Routes	71.7	69.1	2.6	4%	122.6	120.2	2.4	2%
Northern Routes	4.4	4.4	-	0%	6.3	6.2	0.1	2%
Minor Routes	13.3	12.7	0.6	5%	22.5	21.6	0.9	4%
Total passenger tariff revenue	89.4	86.2	3.2	4%	151.4	148.0	3.4	2%
Net retail revenue								
Major Routes	21.1	20.1	1.0	5%	36.5	35.1	1.4	4%
Northern Routes	2.3	2.2	0.1	5%	3.4	3.1	0.3	10%
Minor Routes	2.1	1.9	0.2	11%	3.5	3.1	0.4	13%
Total net retail revenue	25.5	24.2	1.3	5%	43.4	41.3	2.1	5%
Social program fees	3.4	3.1	0.3	10%	7.4	6.9	0.5	7%
Other revenue	3.9	4.0	(0.1)	(3%)	7.3	7.2	0.1	1%
Fuel surcharge	0.5	9.6	(9.1)	(95%)	5.8	17.1	(11.3)	(66%)
Indirect Route Revenue	85.6	78.0	7.6	10%	163.0	142.7	20.3	14%
Fare Affordability Funding	23.3	-	23.3	-	41.5	-	41.5	-
Safe Restart Funding	-	3.2	(3.2)	(100%)	-	5.6	(5.6)	(100%)
Ferry transportation fees	53.0	65.9	(12.9)	(20%)	103.0	119.3	(16.3)	(14%)
Federal-Provincial subsidy	9.3	8.9	0.4	4%	18.5	17.8	0.7	4%
Total Route Revenue	381.6	363.8	17.8	5%	684.0	649.9	34.1	5%
Other general revenue	1.5	17.7	(16.2)	(92%)	2.2	18.5	(16.3)	(88%)
Total Revenue	383.1	381.5	1.6	0%	686.2	668.4	17.8	3%

Vehicle tariffs 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, 2024, BC Ferries implemented average tariff increases of 3.2% in accordance with the Commissioner's Order 23-04 dated September 30, 2023.

During the three months ended September 30, 2024, total direct route revenue increased \$10.2 million or 4% (\$13.8 million or 3% year-to-date) compared to the same period in the prior year, primarily as a result of an increase in vehicle traffic levels, tariff rates, and net retail revenue, partially offset by lower fuel surcharges.

Average Tariff	Three months ended September 30				Six months ended September 30			
	2024	2023	Increase		2024	2023	Increase	
			\$	%			\$	%
Average vehicle tariff								
Major Routes	79.52	76.12	3.40	4%	78.61	76.09	2.52	3%
Northern Routes	293.12	290.57	2.55	1%	287.27	284.79	2.48	1%
Minor Routes	17.54	16.89	0.65	4%	16.89	16.18	0.71	4%
Average vehicle tariff	55.25	52.67	2.58	5%	53.83	51.87	1.96	4%
Average passenger tariff								
Major Routes	14.08	13.92	0.16	1%	14.00	13.92	0.08	1%
Northern Routes	90.95	90.39	0.56	1%	86.46	85.83	0.63	1%
Minor Routes	4.75	4.61	0.14	3%	4.54	4.41	0.13	3%
Average passenger tariff	11.26	11.10	0.16	1%	10.98	10.88	0.10	1%

During the three months ended September 30, 2024, average tariff revenue per vehicle (vehicle tariff revenue divided by vehicle traffic volume) increased \$2.58 or 5% (\$1.96 or 4% year-to-date) compared to the same period in the prior year. In the three months ended September 30, 2024, average tariff revenue per passenger (passenger tariff revenue divided by passenger traffic volume) increased \$0.16 or 1% (\$0.10 or 1% year-to-date) compared to the same period in the prior year. In the three months ended September 30, 2024, the increase in vehicle traffic levels and the change in average tariff revenue resulted in a total tariff revenue increase of \$17.8 million or 7% (an increase in vehicle tariff revenue of \$14.6 million and an increase in passenger tariff revenue of \$3.2 million) compared to the same period in the prior year. Year-to-date, the increase in vehicle traffic levels and the change in average tariff revenue resulted in a total tariff revenue increase of \$22.4 million or 5% year-to-date (an increase in vehicle tariff revenue of \$19.0 million and an increase in passenger tariff revenue of \$3.2 million) compared to the same period in the prior year.

Retail sales is a significant source of revenue from customers, 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. In the three months ended September 30, 2024, net retail revenue increased by \$1.3 million (\$2.1 million year-to-date) compared to the same period in the prior year, primarily as a result of an increase in average spend per passenger and higher pricing.

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, 2024 increased \$0.3 million (\$0.5 million year-to-date) compared to the same period in the prior year, mainly due to higher tariff rates and an increase in the number of students travelling under the program.

From time to time, we implement fuel surcharges as a result of rising fuel prices or fuel rebates as a result of falling fuel prices. A fuel surcharge of 4% was in place on all routes during fiscal 2024 until it was removed in fiscal 2025 effective June 1, 2024. In the three months ended September 30, 2024, fuel surcharges decreased by \$9.1 million (\$11.3 million year-to-date). For the purpose of rate regulation and regulatory reporting, surcharges and/or rebates are applied to our deferred fuel cost accounts.

In the three months ended September 30, 2024, total indirect route revenue increased by \$7.6 million (\$20.3 million year-to-date) compared to the same period in the prior year, mainly as a result of an increase in fare affordability funding (see below), partially offset by a decrease in ferry transportation fees due to timing of service provided in the year and reduced Safe Restart Funding.

On March 31, 2023, the Province and BC Ferries entered into a \$500M contribution agreement to support the fare affordability initiative of keeping fare increases around 3% ("Fare Affordability Funding") and green house gas ("GHG") emissions reduction initiatives during performance term six ("PT6"), which covers the period from April 1, 2024 to March 31, 2028.

The first installment payment of \$50 million was received on September 26, 2024. The Fare Affordability Funding will be recognized on a systematic basis in accordance with the terms of the contribution agreement with the Province. In the three months ended September 30, 2024, \$23.3 million (\$41.5 million year-to-date) of Fare Affordability Funding was recognized in revenue.

In fiscal 2021, we received \$308.0 million from the Province as part of the provincial and federal governments' Safe Restart Funding program for performance term five ("PT5") (which commenced April 1, 2020 and ended on March 31, 2024). The final \$10.4 million of Safe Restart Funding was recognized in fiscal 2024, the final year of PT5.

The CFSC is a 60-year services contract, which commenced April 1, 2003, and stipulates, among other things, the number of round trips that must be provided for each regulated ferry service route in exchange for specified ferry transportation fees. On June 30, 2023, the CFSC was amended for PT6 to, among other things, establish ferry transportation fees for PT6. The ferry transportation fees of \$194 million per contract year in PT6, was consistent with the ferry transportation fees amount in PT5, and the timing of the revenue recognition differs year over year. In the three months ended September 30, 2024, ferry transportation fees decreased \$12.9 million (\$16.3 million year-to-date) compared to the same period in the prior year primarily due a change in the terms of the amended CFSC for PT6.

Under the terms of the CFSC, we receive an annual amount from the Province based on the Province's agreement with the Government of Canada to fulfill the obligation of providing ferry services to coastal British Columbia. This Federal-Provincial subsidy increased based on the percentage increase in the annual Consumer Price Index (Vancouver).

In the three months ended September 30, 2024, other general revenue decreased \$16.2 million (\$16.3 million year-to-date) primarily as a result of reduced sales of carbon credits, which are earned through the purchase of natural gas and the use of LNG (a lower carbon fuel than diesel). For regulatory purposes, BC Ferries directs the revenue earned through the sale of earned carbon credits into a Carbon Reduction Investment Account ("CRIA"). By Order 22-01, the Commissioner had authorized BC Ferries to create the CRIA in support of funding infrastructure investments identified in its Clean Futures Plan and to progress Green House Gas emission reduction projects.

Expenses

Expenses for the three and six months ended September 30, 2024 and 2023 are summarized in the table below:

Operating expenses (\$ millions)	Three months ended September 30			Six months ended September 30		
	2024	2023	Increase	2024	2023	Increase
Operations	207.7	184.4	23.3	405.2	358.0	47.2
Maintenance	27.7	26.4	1.3	66.7	54.4	12.3
Administration	13.9	12.8	1.1	27.3	25.1	2.2
Total operations, maintenance & administration	249.3	223.6	25.7	499.2	437.5	61.7
Depreciation and amortization	50.8	46.0	4.8	99.8	92.7	7.1
Total operating expenses	300.1	269.6	30.5	599.0	530.2	68.8

During the three months ended September 30, 2024, total operating expenses increased \$30.5 million or 11% (\$68.8 million or 13% year-to-date) compared to the same period in the prior year.

Wages, benefits and fuel are our largest expenses, representing approximately 79% (78% year-to-date) of our total operations, maintenance and administration costs. The \$25.7 million or 11% (\$61.7 million or 14% year-to-date) increase in total operations, maintenance and administration costs is primarily driven by higher wage rates, benefits and fuel prices, as well as an increase in the number of round trips provided with resulting higher labour costs and fuel consumption. We continue our strong focus on operating as effectively and efficiently as possible and to minimize the impact of inflationary cost pressures.

The collective agreement between the Company and the BC Ferry & Marine Workers' Union ("Collective Agreement") provides for wage re-openers in years four and five (for wage increases at April 1, 2024 and April 1, 2025). On March 28, 2024, an arbitration panel released its binding decision for the year-four wages. Members of the Union received a one-year 7.75% general wage increase, with many jobs receiving "special increases", including some licenced mariners receiving up to an additional 10%. These increases were retroactive to October 1, 2023, effective six months prior to April 1, 2024. Over the next 12 months, negotiations will be underway for the year-five wage re-opener and for the full Collective Agreement, which expires in October 2025.

Wage rates for employees not covered by the Collective Agreement ("Exempt Employees") were increased by 5% effective July 1, 2023. This was a general wage increase to reflect a cost of living adjustment. In addition, BC Ferries also undertook a one-time market equity adjustment to align compensation with its goal of being at the 50th percentile of its market comparators. To do this, we engaged an external compensation expert to review the Exempt Employee compensation program to ensure it is both fair and market competitive. As a result of the review, effective October 1, 2023, wage rates were reset for targeted roles, with increases bringing those roles in line with their market comparators. The effect of this one-time adjustment resulted in an increase to overall Exempt Employee compensation by 7%. This competitive compensation structure will strengthen BC Ferries' ability to attract, retain and motivate its people. Eligible Exempt Employees received a further 2% general wage increase effective April 1, 2024.

The \$23.3 million or 13% (\$47.2 million or 13% year-to-date) increase in operations expenses in the three months ended September 30, 2024, compared to the same period in the prior year includes:

- \$14.4 million (\$30.6 million year-to-date) increase in labour costs, mainly due to wage rate increases per the Collective Agreement, increased overtime, illness, training, and benefit costs;
- \$6.0 million (\$10.9 million year-to-date) increase in fuel expense primarily reflecting higher fuel prices; and
- \$2.9 million (\$5.7 million year-to-date) increase in contracted services, travel, insurance, materials and supplies, credit card fees, and other miscellaneous expenses.

Maintenance costs increased by \$1.3 million or 5% (\$12.3 million or 23% year-to-date) in the three months ended September 30, 2024 compared to the same period in the prior year, primarily as a result of the cyclical nature of vessel refit activity, unplanned vessel repairs, increased labour rates and other inflationary cost increases.

Administration costs increased \$1.1 million or 9% (\$2.2 million or 9% year-to-date) in the three months ended September 30, 2024 compared to the same period in the prior year, primarily as a result of increased labour and benefit costs.

Depreciation and amortization increased \$4.8 million or 10% (\$7.1 million or 8% year-to-date) in the three months ended September 30, 2024 compared to the same period in the prior year, reflecting the timing of capital assets entering service and the depreciation of asset decommissioning and restoration costs. In fiscal 2024, BC Ferries recognized a provision of \$69.0 million in asset decommissioning costs for 41 vessels. (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		
	2024	2023	Variance	2024	2023	Variance
Finance expense	17.8	17.1	0.7	35.3	34.0	1.3
Less: finance income	(5.9)	(7.2)	1.3	(12.1)	(13.3)	1.2
Net finance expense	11.9	9.9	2.0	23.2	20.7	2.5
Net (gain) loss on disposal and impairment of property, plant and equipment, intangible assets and other charges	(0.1)	(0.1)	0.0	1.5	0.2	1.3
Total net finance and other expenses	11.8	9.8	2.0	24.7	20.9	3.8

In the three months ended September 30, 2024, net finance and other expenses increased by \$2.0 million (\$3.8 million year-to-date) compared to the same period in the prior year, primarily related to increased asset decommissioning provision accretion expense, higher impairment costs and lower interest earned.

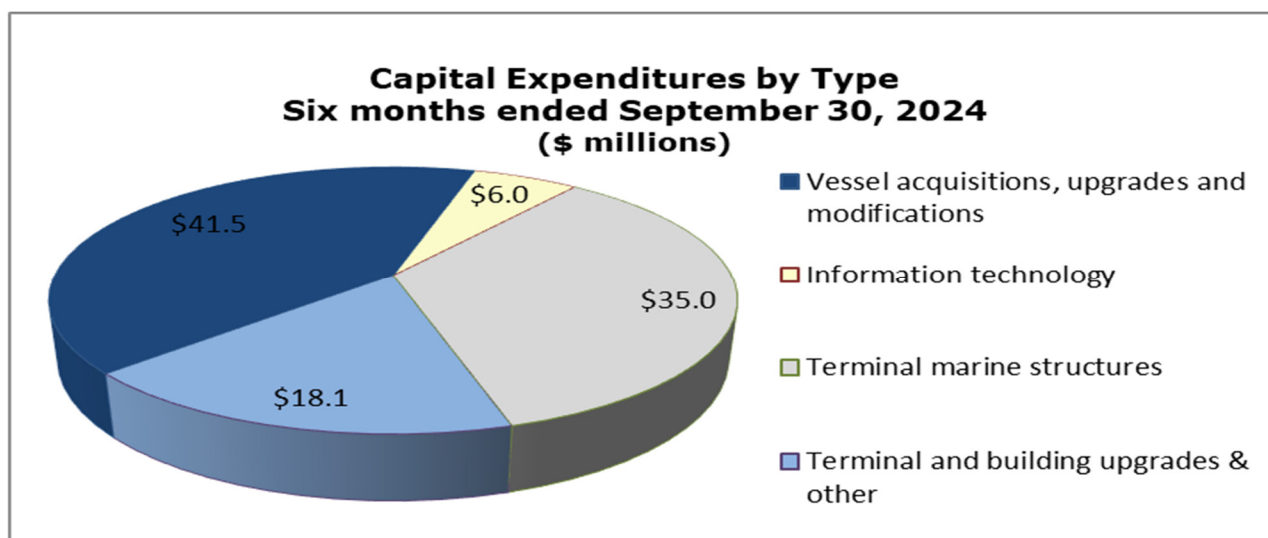
INVESTING IN OUR CAPITAL ASSETS

Our capital plan includes building new vessels, upgrades and modifications to existing vessels, improvements at our Fleet Maintenance Unit ("FMU"), modifications to terminal infrastructure in anticipation of Island Class vessel electrification (shore-side power source to enable charging the Island Class vessel batteries), upgrades at our terminals and renewal of our information technology systems.

On March 31, 2023, BC Ferries received \$15 million from the Province, in one-time funding, to support initiatives to further the electrification of BC Ferries vessels and terminals for use prior to March 31, 2028. During the six months ended September 30, 2024 we recognized \$0.3 million (\$nil in fiscal 2024) of this funding, as a reduction to the cost of the property, plant and equipment.

On September 30, 2023, BC Ferries received approval under the CleanBC Go Electric Commercial Vehicle Pilots Program ("CVP") to receive up to \$15.1 million in funding from the Province. This funding is solely for project costs incurred for the purpose of electrifying two Island Class vessels and the terminals serving the Campbell River to Quadra Island route. The CVP funding will be paid against actual costs incurred for eligible expenses as approved by the program administrator. During the six months ended September 30, 2024, we recognized \$0.5 million (\$nil in fiscal 2024) of this funding as a reduction to the cost of the property, plant and equipment.

In the six months ended September 30, 2024, capital expenditures (net of funding) comprised the following:



Capital Expenditures (\$ millions)	Three months ended September 30, 2024	Six months ended September 30, 2024
Island Class Phase 3	23.1	23.6
Fleet maintenance unit redevelopment	13.8	19.6
Swartz Bay berth 5 upgrade	5.8	8.4
Shearwater berth life replacement	4.4	7.7
<i>Celebration</i> quarter-life upgrade	0.5	5.3
Tsawwassen breakwater life extension	1.5	5.2
Major overhauls and inspections	0.5	2.4
New major vessels	0.6	1.7
Coastal Class rotor replacements	-	1.3
Sturdies Bay marine structure life extension	0.1	1.3
Various other projects	16.4	29.3
	66.7	105.8

Island Class Phase 3

On December 7, 2023, the Commissioner issued Order 23-05 approving a major capital expenditure to construct and deliver into service four plug-in hybrid Island Class vessels that will be able to operate exclusively in battery-electric mode, in addition to electrical upgrades for rapid charging from ashore at four terminals on the two routes connecting Nanaimo Harbour to Gabriola Island, and Campbell River to Quadra Island. On December 21, 2023, BC Ferries awarded Damen Shipyards Group of Netherlands a design-build, fixed-price contract for four new hybrid electric Island Class vessels. On July 16, 2024, BC Ferries announced that the first steel cuts were made, marking the start of production of the first two of four new Island Class vessels at Damen Shipyards Galati in Romania. These four new hybrid electric vessels will further standardize BC Ferries' fleet, both increasing capacity, and improving our flexibility to move ships across routes. These new Island Class vessels are planned to enter service by 2027 on the route connecting Nanaimo Harbour and Gabriola Island, and Campbell River and Quadra Island. This will enable the redeployment of the current Island Class vessels, resulting in a cascading effect of capacity improvements elsewhere, along with resiliency for all routes serviced by Island Class vessels during refit periods and unexpected vessel issues. Island Class vessels have a capacity to carry approximately 47 vehicles and 400 passengers.

FMU redevelopment

On October 14, 2022, the Commissioner issued Order 22-02 and, on May 12, 2023, issued a further supplemental Order 22-02A approving a project for the redevelopment of BC Ferries' FMU located at Deas Basin in Richmond, BC. Also on May 12, 2023, BC Ferries signed a construction agreement with Bird Construction Group for the FMU redevelopment project. This project will redevelop the site to increase efficiencies, upgrade existing structures and develop a new building to improve capacity. The project is expected to be completed in fiscal 2027.

Swartz Bay berth 5 upgrade

A project to upgrade Swartz Bay Berth 5 to allow the operation of Salish Class vessels at the berth is expected to complete in fall of fiscal 2026.

Shearwater berth life replacement

A project to replace the marine structures at Shearwater, including the pontoon, ramp and floating lead, and is now complete.

Coastal Celebration quarter-life upgrade

The quarter-life upgrade of the *Coastal Celebration* includes upgrades to propulsion, electrical systems, communication, catering equipment and safety equipment and is expected to complete in fiscal 2026.

Tsawwassen breakwater

A project to upgrade and life extend the two berth breakwaters at Tsawwassen Terminal, which includes upgrades to the structures through steel patching, piling and steel strapping is expected to complete in the third quarter of fiscal 2025.

Major overhauls and inspections

In the three months ended September 30, 2024, we incurred capital expenditures of \$0.5 million (\$2.4 million year-to-date) in respect of major overhauls and inspections of components of hull, propulsion and generators for one vessel that was completed or underway.

Coastal Class rotor replacements

A project is complete to replace the drive rotors of the three Coastal Class vessels.

Sturdies Bay marine structure life extension

A project to upgrade the marine structures at Sturdies Bay, including the trestle and ramp, is underway and expected to complete in fall of fiscal 2025.

New Major Vessels

On September 16, 2024, BC Ferries announced a major step forward in its NMV project by issuing a RFP. In order to address projected population growth, replace aging vessels and meet customer expectations, BC Ferries is continuing the procurement process for the first five of seven new vessels needed for its busiest routes, with the remaining two new vessels to be built in a later phase. In addition, upgrades will be planned to extend the operational lives of the *Queen of Surrey* and the *Queen of Oak Bay*.

BC Ferries has designed the NMV in collaboration with LMG Marin, a leading naval architecture and ship design firm, to be able to carry up to 360 standard-sized vehicles and 2,100 passengers, marking a significant capacity increase from the 250-310 vehicles and 1,200-1,500 passengers that the retiring vessels currently accommodate. These vessels will also be among the largest double-ended ferries in the world, with significantly improved energy efficiency and propulsion systems designed for both future flexibility and environmentally sustainable operations.

Pre-qualified shipyards will now participate in the RFP process with contracts expected to be awarded in spring of 2025, subject to project approval from the Commissioner. The first ship will be expected to start service in 2029, with all five anticipated to be in service by 2031. This RFP represents a significant milestone in BC Ferries' fleet renewal strategy and efforts to increase capacity and resilience on the Major Routes. The second phase of the NMV project will be conducted with the aim to award shipbuilding contracts for the additional two vessels by 2033, and have these ships enter service by approximately 2037.

Various other projects

Various other projects expenditures of \$29.2 million include, among others, upgrades to various vessel's navigational and catering equipment, a three-quarter life upgrade to the *Queen of Capilano*, vehicle and other equipment replacements, upgrades to marine structures at various terminals, various software upgrades, and terminal efficiency initiatives.

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 to third parties. 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 credit facility with a syndicate of Canadian banks (the "Credit Facility") from time to time, debt issuances, government contributions and other external funding opportunities.

On February 26, 2023, the Province announced \$500 million in Fare Affordability Funding for BC Ferries. A contribution agreement, signed with the Province on March 31, 2023, establishes the terms and scheduled distribution of this funding over the period of April 1, 2024 to March 31, 2028. A receipt, in the first year of PT6, of \$50 million was received on September 26, 2024 (the contribution agreement can be found on SEDAR+ at www.sedarplus.ca).

At September 30, 2024, our unrestricted cash and cash equivalents and other short-term investments totalled \$277 million and \$120 million, respectively, compared to unrestricted cash and cash equivalent and other short-term investments of \$32 million and \$339 million, respectively, as at March 31, 2024.

Our \$105 million Credit Facility was renewed on March 7, 2024, to extend the maturity date from April 2027 to April 2028. The Credit Facility is available to fund capital expenditures and for other general corporate purposes. At September 30, 2024, letters of credit outstanding against this Credit Facility totalled \$10.1 million.

We target maintaining a strong investment-grade credit rating to allow capital market access at cost effective interest rates. On November 18, 2024, S&P lowered BC Ferries long-term issuer credit and senior secured debt ratings to "A+" from "AA-", with a stable outlook. On February 9, 2024, DBRS Morningstar confirmed our credit rating at A (high) with a stable trend.

Under the Master Trust Indenture ("MTI"), an agreement that in part 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 or EBITDAR divided by debt service cost) is less than 1.50x.

At September 30, 2024, we achieved a debt service coverage ratio of 2.32x and were in compliance with our financial covenants under the MTI and the Credit Facility.

The Company's operational performance for the six months ended September 30, 2024 has resulted in a \$62.6 million increase in equity before reserves, from \$645.9 million as at March 31, 2024 to \$708.5 million as at September 30, 2024. Correspondingly, BC Ferries' 70% leverage ratio as at September 30, 2024 decreased compared to our leverage ratio as at March 31, 2024 of 72% and is in compliance with our indebtedness test requirements.

(\$ thousands)	September 30, 2024		March 31, 2024	
	\$	%	\$	%
Aggregate borrowings *	1,614,603	70%	1,621,367	72%
Total equity before reserves	708,483	30%	645,951	28%
Total	2,323,086	100%	2,267,318	100%

* Includes long-term debt, lease liabilities including current portions, 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 month periods of September 30, 2024 and 2023 are summarized in the table below:

(\$ millions)	Six months ended September 30		
	2024	2023	Increase (Decrease)
Cash and cash equivalents, beginning of year	31.9	87.1	(55.2)
Cash from operating activities:			
Net earnings	62.5	117.3	(54.8)
Items not affecting cash	117.6	111.4	6.2
Changes in non-cash operating working capital	(32.9)	(28.1)	(4.8)
Net interest paid	(15.9)	(20.6)	4.7
Cash generated from operating activities	131.3	180.0	(48.7)
Cash used in financing activities	(7.4)	(7.3)	(0.1)
Cash from (used in) investing activities	120.7	(145.6)	266.3
Net increase in cash and cash equivalents	244.6	27.1	217.5
Cash and cash equivalents, end of year	276.5	114.2	162.3

For the six months ended September 30, 2024, cash generated from operating activities decreased by \$48.7 million compared to the same period in the prior year, primarily due to a decrease in net earnings and changes in working capital (receivables, prepaids, payables and contracted liabilities). The decrease in net earnings reflects the increase in operating expenses, partially offset by an increase in revenues.

Cash used in financing activities in the six months ended September 30, 2024 was \$7.4 million (\$7.3 million in fiscal 2024). This amount consisted of \$5.6 million (\$5.6 million in fiscal 2024) in repayment of our loans from KfW IPEX-Bank GmbH and \$1.8 million (\$1.7 million in fiscal 2024) in repayment of lease obligations.

Cash from investing activities for the six months ended September 30, 2024 was \$120.7 million comprised of a \$219.1 million increase in net redemptions of short-term investments partially offset by capital asset purchases of \$98.4 million. Cash used in investing activities for the six months ended September 30, 2023 was \$145.6 million, comprised of \$96.6 million in capital asset purchases and \$49.0 million used in short-term investing.

For the six months ended September 30, 2024, cash and cash equivalents increased \$162.3 million (from \$114.2 million to \$276.5 million) compared to the same period in the prior year, mainly as a result of funds being transferred from short-term investments. Short-term investments decreased \$219.1 million (from \$339.0 million to \$119.9 million) compared to the same period in the prior year.

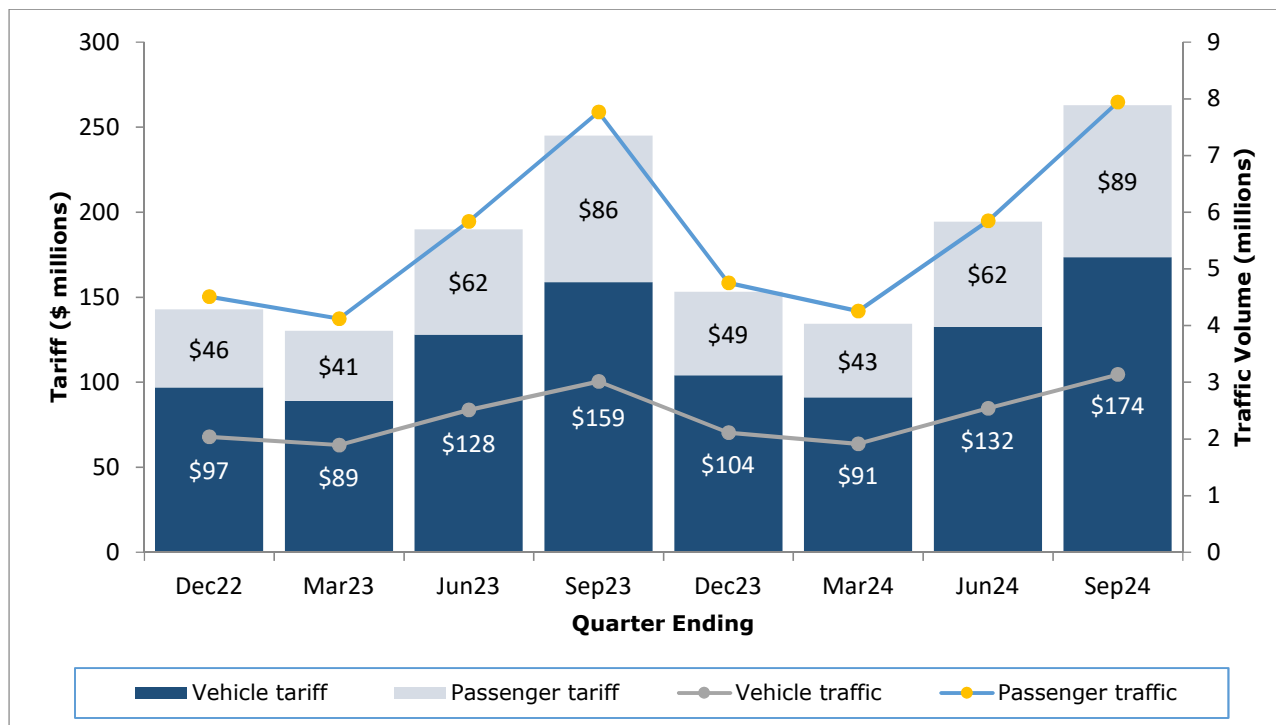
SUMMARY OF QUARTERLY RESULTS

The table below compares earnings by quarter for the most recent 8 quarters:

(\$ millions)	Quarter Ended (unaudited)							
	Dec 22	Mar 23	Jun 23	Sep 23	Dec 23	Mar 24	Jun 24	Sep 24
Total revenue	235	200	287	381	242	201	303	383
Operating expenses	245	255	261	269	275	283	299	300
Operating (loss) profit	(10)	(55)	26	112	(33)	(82)	4	83
Net (loss) earnings	(23)	(67)	15	102	(42)	(106)	(9)	71

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 undertaking mandatory inspections on the majority of our vessels.

The following graph demonstrates the seasonality of our tariff revenue and shows the relationship of passenger traffic volume and tariff revenue over the most recent 8 quarters:



OUTLOOK

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

Financial

During fiscal 2024, BC Ferries carried its highest ever vehicle and passenger traffic. In the six months ended September 30, 2024, BC Ferries continued to experience higher passenger and vehicle traffic levels compared to the same period in the prior year.

While we are cautiously optimistic that traffic will continue to be strong, BC Ferries cannot predict with certainty future traffic volumes. Traffic levels can be affected by a variety of factors, such as weather, transportation costs (including vehicle gasoline prices and ferry fares), economic conditions, disposable personal income and vessel mechanical issues causing cancellations.

BC Ferries is experiencing upward pressure on both operating and capital costs. Future increases in inflation, higher interest rates and weakening economic conditions could result in impacts to customer demand, future profitability and future funding opportunities. BC Ferries continues to pursue efficiencies and opportunities to minimize costs.

On September 30, 2023, the Commissioner issued Order 23-04 which established final price cap increases of 3.2% for each of the four years of PT6, commencing April 1, 2024 and ending on March 31, 2028. The Commissioner's final price cap decision factored in the impact of \$500 million in Fare Affordability Funding from the Province. In the near term, the higher costs we are experiencing may reduce our operating results despite the fare increase of 3.2% and the Fare Affordability Funding from the Province for PT6.

PT6 incorporates significant capital investments to support growth and replacement of aging assets. BC Ferries' vessel planning strategies, which include the Island Class vessels and the new major vessel program, will provide additional capacity and allow us to respond to increases in customer demand. Based on current levels of capital asset inflation, it is possible that capital investment costs will be higher than anticipated in PT6.

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 35 through 45 of our fiscal 2024 Management's Discussion & Analysis, which is available on SEDAR+ at www.sedarplus.ca and on our investor webpage at <https://www.bcferrries.com/our-company/investor-relations>. Our risk profile is substantially unchanged during the six months ended September 30, 2024.

ACCOUNTING PRACTICES

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and financial performance is based upon our 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, 2024 audited consolidated financial statements. Some 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. During the period, we expanded our revenue accounting policy note to include the accounting policy applied to the Fare Affordability Funding.

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 49 of our fiscal 2024 Management's Discussion & Analysis.

Adoption of New Accounting Standards

Effective April 1, 2024, we adopted amendments to IAS 1, *Presentation of Financial Statements* regarding the classification of liabilities as current or non-current, amendment to IFRS 16, *Leases* regarding sale-and-leaseback transactions and IAS 7, *Statement of Cash Flows* regarding supplier finance arrangements. These amendments had no impact on BC Ferries' financial statements.

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, financial and business risks, results of operations, performance, business prospects and opportunities, and industry performance and trends. They reflect management's current internal projections, expectations and beliefs, and are based on information currently available to management. Some of the market conditions and factors that have been considered in formulating the assumptions upon which forward looking statements are based include traffic trends, the value of the Canadian Dollar relative to the US Dollar, inflation, interest rates, fuel costs, construction costs and timelines, cyclical demand, 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, but are not limited to, statements with respect to: price caps and the impact of high costs on operating results, anticipated customer demand, upcoming negotiations regarding the year-five wage-reopener and Collective Agreement, the impact of wage increases, future traffic volumes, fuel surcharges, the impact of high inflation and rising interest rates, anticipated government funding and our anticipated use of the same, including Fare Affordability Funding, the need for sufficient net earnings and ongoing access to capital, vehicle and passenger fares, cash requirements and sources of cash flows, our credit rating and credit risks, reliance on sources of external funding, cyclical traffic patterns and the impact on operations, economic conditions and their impact on financial performance, the availability of financing, fuel prices, vessel electrification, vessel replacement, repair and planning strategies (including the Island Class and New Major Vessel projects), vessel standardization efforts and anticipated impacts on capacity, capital plans and major capital initiatives, including anticipated timelines for completion and the potential for delays, the impact of capital asset inflation on capital investment costs, among other statements.

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, inflation, interest rates, foreign currency, fuel prices, traffic fluctuations, timelines of major capital projects, security, safety, and environmental incidents, cyber security breaches, changes in laws, vessel repair facility limitations, economic regulatory environment changes, tax changes, and Indigenous consultations.

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.