



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

For the three months ended
June 30, 2025

Dated August 21, 2025

Table of Contents

| | |
|--|-----------|
| BUSINESS OVERVIEW | 3 |
| General | 4 |
| FINANCIAL AND OPERATIONAL OVERVIEW | 6 |
| Operational Statistics | 7 |
| Revenue..... | 10 |
| Expenses..... | 14 |
| INVESTING IN OUR CAPITAL ASSETS..... | 16 |
| LIQUIDITY AND CAPITAL RESOURCES | 19 |
| SUMMARY OF QUARTERLY RESULTS | 22 |
| OUTLOOK | 23 |
| Financial | 23 |
| Risks and Uncertainties | 23 |
| ACCOUNTING PRACTICES..... | 24 |
| Critical Accounting Policies and Estimates | 24 |
| Adoption of New Accounting Standards | 24 |
| FORWARD LOOKING STATEMENTS | 25 |
| Non-IFRS Measures | 27 |

**Management's Discussion & Analysis
of Financial Condition and Financial Performance
For the three months ended June 30, 2025
Dated August 21, 2025**

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 months ended June 30, 2025 that has been prepared with information available as of August 21, 2025. This discussion and analysis should be read in conjunction with our unaudited condensed interim consolidated financial statements and related notes for the three month periods ended June 30, 2025 and 2024, our audited consolidated financial statements and related notes for the years ended March 31, 2025 ("fiscal 2025") and March 31, 2024 ("fiscal 2024"), and our Management's Discussion and Analysis for fiscal 2025. 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 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.

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 first quarter of fiscal 2026 include the following:

Traffic and Service

- In the three months ended June 30, 2025, BC Ferries carried 6.1 million passengers, a 4% increase compared to the same period in the prior year, and 2.6 million vehicles, a 3% increase compared to the same period in the prior year. Passenger and vehicle traffic levels are the highest we have ever experienced in a first quarter period.
- In the three months ended June 30, 2025, we delivered 22,874 round trips, which is the highest number of round trips ever delivered in a first quarter period. This represented 139 or 1% additional round trips compared with the same period in the prior year, primarily on Minor Routes.

General

- On April 1, 2025, BC Ferries implemented average tariff increases of 3.2% in accordance with the British Columbia Ferries Commissioner's (the "Commissioner") Order 23-04 dated September 30, 2023.
- On April 4, 2025, S&P Global Ratings ("S&P") affirmed BC Ferries' long-term issuer credit and senior secured debt ratings as "A+" with a Stable outlook. On November 18, 2024, S&P had lowered BC Ferries' long-term issuer credit and senior secured debt rating to A+ from AA- while maintaining its outlook at Stable.
- On May 22, 2025, BC Ferries received \$133 million in proceeds from the first tranche of bonds issued to the Canada Infrastructure Bank ("CIB"), a Crown Corporation of the Federal Government of Canada. The agreement with CIB allows for the issuance of up to \$1 billion of senior secured bonds which bear interest at 1.828% per annum, payable semi-annually and can be drawn in several tranches over a five-year period. All drawn funds must then be spent within the subsequent three years, otherwise any remaining drawn but unspent funds must be repaid to CIB. The net proceeds from the sale of the bonds shall be used solely to provide partial funding for capital costs incurred toward our New Major Vessel ("NMV") project and the terminal electrification for the route connecting Metro Vancouver to Victoria and the route connecting Metro Vancouver to Nanaimo (see "Liquidity and Capital Resources" for more detail).
- On July 1, 2025, Mr. Brian Anderson assumed the position of interim Vice President, Chief Financial Officer following the retirement of Ms. Joanne Carpendale at the end of June. Mr. Anderson holds a Chartered Professional Accountant designation and has been in the position of Vice President, Strategy & Planning since 2019. The search for a permanent Vice President, Chief Financial Officer is currently underway.

Capital Assets

- On May 1, 2025, BC Ferries announced that the first major phase of construction for renewal of critical infrastructure at Horseshoe Bay terminal, with planning and procurement underway, is set to begin this fall. We previously announced in February 2025 that several projects are planned for this very busy terminal, including upgrading or replacing three berths, relocating the control tower, upgrading aging elevated structures, and enhancing seismic resiliency and operational efficiency. Major construction activities for the first phase expected to commence in October 2025 include the deconstruction of the elevated concrete holding area and relocation of the terminal's traffic operations centre or control tower. During this phase of work, vehicle space inside the terminal is expected to be reduced by approximately 25%, with overall vehicle space to remain below current levels for several years as construction progresses. To minimize disruptions for customers and surrounding communities, BC Ferries will, introduce a pre-booking only model for all vehicles travelling from Horseshoe Bay to Departure Bay, and add more travel options for travelling between Metro Vancouver and Nanaimo.

- On May 7, 2025, BC Ferries awarded contracts for design, build and delivery of four New Major Vessels to China Merchants Industry Weihai Shipyard Co LTD ("CMI Weihai"). These four new vessels are planned to enter service starting in 2029 at approximately six-month intervals and, as they are built, will be incorporated into the Major Routes fleet. Each of the four NMV are designed to have a capacity of up to 2,100 passengers and crew and carry 360 standard sized vehicles. As these vessels are introduced, BC Ferries plans to retire four of its oldest major vessels that are smaller, approaching end of life and for which further life extensions are not reasonable (see "Investing in Our Capital Assets" for more detail).
- On May 26, 2025, BC Ferries announced the successful launching of the first of four new plug-in hybrid Island Class vessels at Damen Shipyards Galati in Romania ("Damen"). The Island Class vessels will each have a capacity to carry approximately 47 vehicles and 390 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 the end of fiscal 2027 on the routes connecting Nanaimo Harbour and Gabriola Island (two vessels), and Campbell River and Quadra Island (two vessels) (see "Investing in Our Capital Assets" for more detail).

FINANCIAL AND OPERATIONAL OVERVIEW

This section provides an overview of our financial and operational performance for the three months ended June 30, 2025 compared to the same period in fiscal 2025.

| (\$ millions) | Three months ended June 30 | | |
|--|----------------------------|-------|----------|
| | 2025 | 2024 | Variance |
| Total revenue | 327.2 | 303.1 | 24.1 |
| Operating expenses | 301.2 | 298.9 | 2.3 |
| Operating profit | 26.0 | 4.2 | 21.8 |
| Net finance and other expenses | 15.6 | 12.7 | (2.9) |
| Net earnings (loss) | 10.4 | (8.5) | 18.9 |
| Other comprehensive (loss) income | (2.2) | 0.1 | (2.3) |
| Total comprehensive income (loss) | 8.2 | (8.4) | 16.6 |

In the three months ended June 30, 2025, revenues increased from \$303.1 million to \$327.2 million, a \$24.1 million or 8% increase compared to the same period in the prior year. This increase is primarily a result of higher traffic volumes and rates, and higher fare affordability funding, partially offset by reduced fuel surcharges which were removed during the first quarter of fiscal 2024 (see "Revenue" for more detail).

In the three months ended June 30, 2025, operating expenses increased from \$298.9 million to \$301.2 million, a \$2.3 million or 1% increase compared to the same period in the prior year. This increase is mainly due to higher labour costs and depreciation partially offset by lower fuel prices driven from the removal of the carbon tax on fuel (see "Expenses" for more detail).

In the three months ended June 30, 2025, net earnings were \$10.4 million compared to a net loss of \$8.5 million in the same period in the prior year. This increase of \$18.9 million was primarily a result of higher revenues, partially offset by lower finance income.

In the three months ended June 30, 2025, total comprehensive income was \$8.2 million compared to a total comprehensive loss of \$8.4 million in the same period in the prior year. This increase of \$16.6 million comprised of a \$18.9 million increase in net earnings partially offset by a decrease in other comprehensive income ("OCI") of \$2.3 million (loss in OCI of \$2.2 million in the three months ended June 30, 2025 compared to income in OCI of \$0.1 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.

Operational Statistics

Select operational statistics for the three months ended June 30, 2025 and 2024 are shown in the tables below.

| Operational Statistics | Three months ended June 30 | | | |
|-----------------------------------|----------------------------|------------------|------------------------|-----------|
| | 2025 | 2024 | Increase (Decrease) | % |
| Vehicle Traffic | | | | |
| Major Routes | 1,478,965 | 1,445,780 | 33,185 | 2% |
| Northern Routes | 11,395 | 10,484 | 911 | 9% |
| Minor Routes | 1,133,820 | 1,086,207 | 47,613 | 4% |
| Total Vehicle Traffic | 2,624,180 | 2,542,471 | 81,709 | 3% |
| Passenger Traffic | | | | |
| Major Routes | 3,785,385 | 3,665,327 | 120,058 | 3% |
| Northern Routes | 25,822 | 24,484 | 1,338 | 5% |
| Minor Routes | 2,262,015 | 2,158,674 | 103,341 | 5% |
| Total Passenger Traffic | 6,073,222 | 5,848,485 | 224,737 | 4% |
| Round Trips | | | | |
| Major Routes | 3,475 | 3,469 | 6 | 0% |
| Northern Routes | 88 | 89 | (1) | (1%) |
| Minor Routes | 19,311 | 19,177 | 134 | 1% |
| Total Round Trips | 22,874 | 22,735 | 139 | 1% |
| Capacity Provided (AEQs)* | | | | |
| Major Routes | 2,183,593 | 2,168,741 | 14,852 | 1% |
| Northern Routes | 15,112 | 15,182 | (70) | (0%) |
| Minor Routes | 2,068,728 | 2,044,538 | 24,190 | 1% |
| Total Capacity Provided | 4,267,433 | 4,228,461 | 38,972 | 1% |
| AEQs Carried * | | | | |
| Major Routes | 1,759,864 | 1,718,399 | 41,465 | 2% |
| Northern Routes | 13,869 | 12,776 | 1,093 | 9% |
| Minor Routes | 1,223,039 | 1,170,835 | 52,204 | 4% |
| Total AEQs Carried | 2,996,772 | 2,902,010 | 94,762 | 3% |
| Capacity Utilization | | | | |
| Major Routes | 80.6% | 79.2% | 1.4% | |
| Northern Routes | 91.8% | 84.2% | 7.6% | |
| Minor Routes | 59.1% | 57.3% | 1.8% | |
| Total Capacity Utilization | 70.2% | 68.6% | 1.6% | |

*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 June 30, 2025, vehicle traffic increased 3% and passenger traffic increased 4% compared to the same period in the prior fiscal year. In the three months ended June 30, 2025, vehicle and passenger traffic increased on the Major Routes, Northern Routes and Minor Routes compared to the same period in the prior year (see the Operational Statistics table for more detail).

In the three months ended June 30, 2025, we delivered 22,874 trips, representing 139 or 1% additional round trips compared to the same period in the prior year. Of the 139 additional round trips, six were added on the Major Routes, 134 were added on the Minor Routes with one less on the Northern Routes.

In the three months ended June 30, 2025, the additional round trips described above resulted in increased capacity of 1% on the Major Routes and the Minor Routes compared to the same period in the prior year. 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").

In the three months ended June 30, 2025, overall capacity utilization was 70.2%, an increase of 1.6% compared to capacity utilization of 68.6% during the same period in the prior year. The increase in capacity utilization is primarily a result of increased AEQs carried, partially offset by capacity provided from additional round trips on the Major and Minor 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 June 30, 2025, 0.3% (0.8% in the same period in fiscal 2025) of our scheduled sailings were cancelled, primarily due to the mechanical challenges of operating an aging fleet. Overall cancellations decreased by 63% compared to the same period in the prior year primarily due to fewer weather and mechanical related cancellations. Cancellations due to crew shortages also decreased by 64% compared to the same period in the prior year reflecting the continued positive impact of actively recruiting and investing in our employees.

| Sailing Cancellations | Three months ended June 30 | | |
|--|-----------------------------------|-------------|---------------|
| | 2025 | 2024 | Change |
| Sailings | 49,541 | 49,227 | 314 |
| Cancelled Sailings by type: | | | |
| Weather | 4 | 67 | (63) |
| Mechanical | 99 | 247 | (148) |
| Crew | 20 | 56 | (36) |
| Other* | 29 | 40 | (11) |
| Total Cancelled Sailings | 152 | 410 | (258) |
| Cancellations as % of Sailings | 0.3% | 0.8% | (0.5%) |
| Crew Cancellations as % of Sailings | 0.0% | 0.1% | (0.1%) |

* 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 June 30 | | |
|----------------------------|----------------------------|--------------|-------------|
| | 2025 | 2024 | Change |
| Major Routes | 71.2% | 67.8% | 3.4% |
| Northern Routes | 67.7% | 72.8% | (5.1%) |
| Minor Routes | 85.7% | 84.3% | 1.4% |
| On-Time Performance | 83.6% | 81.9% | 1.7% |

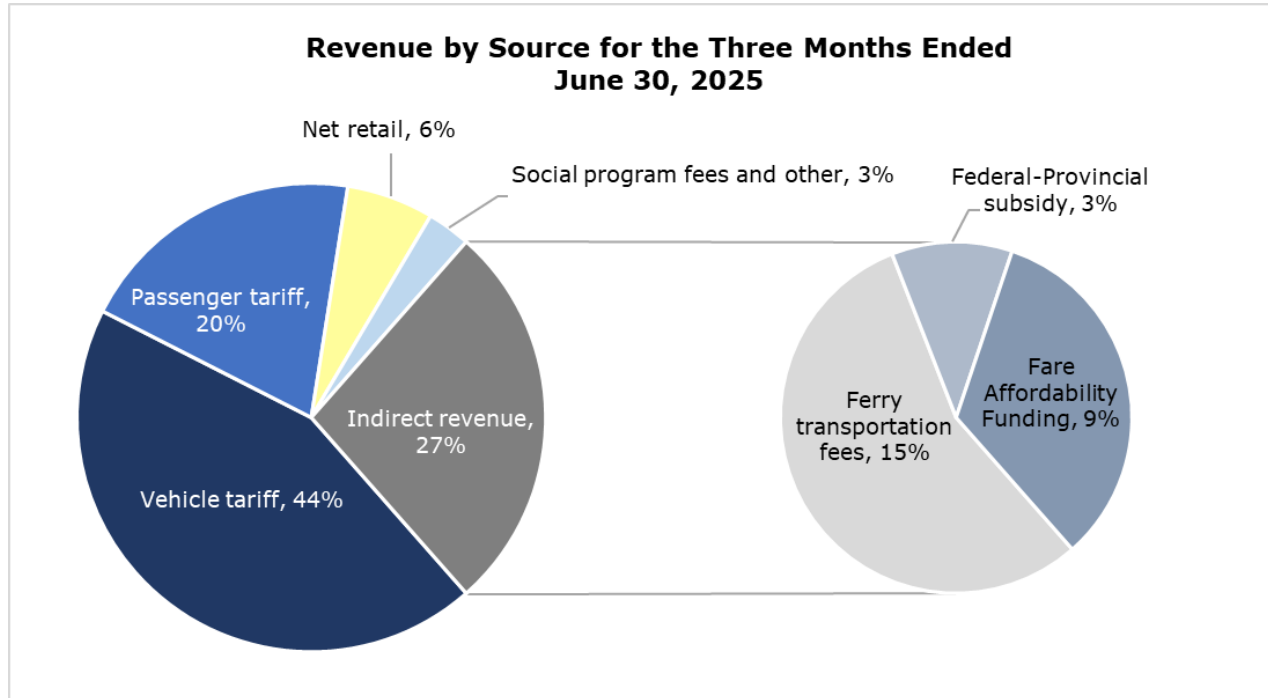
*The on-time performance % is a weighted average calculation based on the number of sailings (in the three months ended June 30, 2025 fiscal 2026, 85.4% of sailings are on the Minor Routes, 14.0% on the Major Routes and 0.6% on the Northern Routes).

In the three months ended June 30, 2025, overall on-time performance increased 1.7% from 81.9% to 83.6% compared to the same period in the prior year. 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 2025 Management's Discussion and Analysis).

Operational revenues for the three months ended June 30, 2025 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 June 30 | | | |
|--------------------------------|-------------------------------|--------------|---------------------|------------|
| | 2025 | 2024 | Increase (Decrease) | |
| | | | \$ | % |
| Direct Route Revenue | 236.5 | 225.0 | 11.5 | 5% |
| Vehicle tariff revenue | | | | |
| Major Routes | 121.0 | 112.0 | 9.0 | 8% |
| Northern Routes | 3.3 | 2.9 | 0.4 | 14% |
| Minor Routes | 19.4 | 17.5 | 1.9 | 11% |
| Total vehicle tariff revenue | 143.7 | 132.4 | 11.3 | 9% |
| Passenger tariff revenue | | | | |
| Major Routes | 53.8 | 50.9 | 2.9 | 6% |
| Northern Routes | 2.1 | 1.9 | 0.2 | 11% |
| Minor Routes | 10.1 | 9.2 | 0.9 | 10% |
| Total passenger tariff revenue | 66.0 | 62.0 | 4.0 | 7% |
| Net retail revenue | | | | |
| Major Routes | 16.2 | 15.4 | 0.8 | 5% |
| Northern Routes | 1.2 | 1.1 | 0.1 | 9% |
| Minor Routes | 1.5 | 1.4 | 0.1 | 7% |
| Total net retail revenue | 18.9 | 17.9 | 1.0 | 6% |
| Social program fees | 4.1 | 4.0 | 0.1 | 3% |
| Other revenue | 3.8 | 3.4 | 0.4 | 12% |
| Fuel surcharge | - | 5.3 | (5.3) | (100%) |
| Indirect Route Revenue | 88.7 | 77.4 | 11.3 | 15% |
| Fare Affordability Funding | 29.6 | 18.2 | 11.4 | 63% |
| Ferry transportation fees | 49.6 | 50.0 | (0.4) | (1%) |
| Federal-Provincial subsidy | 9.5 | 9.2 | 0.3 | 3% |
| Total Route Revenue | 325.2 | 302.4 | 22.8 | 8% |
| Other general revenue | 2.0 | 0.7 | 1.3 | 186% |
| Total Revenue | 327.2 | 303.1 | 24.1 | 8% |

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, 2025, 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 June 30, 2025, total direct route revenue increased \$11.5 million or 5% compared to the same period in the prior year, primarily as a result of an increase in vehicle and passenger traffic levels, tariff rates and net retail revenue partially offset by no fuel surcharges in place during the period.

| Average Tariff | Three months ended June 30 | | | |
|---------------------------------|---------------------------------------|--------------|-----------------|-----------|
| | 2025 | 2024 | Increase | |
| | | | \$ | % |
| Average vehicle tariff | | | | |
| Major Routes | 81.81 | 77.47 | 4.34 | 6% |
| Northern Routes | 289.60 | 276.61 | 12.99 | 5% |
| Minor Routes | 17.11 | 16.11 | 1.00 | 6% |
| Average vehicle tariff | 54.76 | 52.08 | 2.68 | 5% |
| Average passenger tariff | | | | |
| Major Routes | 14.21 | 13.89 | 0.32 | 2% |
| Northern Routes | 81.33 | 77.60 | 3.73 | 5% |
| Minor Routes | 4.47 | 4.26 | 0.21 | 5% |
| Average passenger tariff | 10.87 | 10.60 | 0.27 | 3% |

During the three months ended June 30, 2025, average tariff revenue per vehicle (vehicle tariff revenue divided by vehicle traffic volume) increased \$2.68 or 5% compared to the same period in the prior year, primarily as a result of tariff rate increases and a change in the traffic mix. In the three months ended June 30, 2025, average tariff revenue per passenger (passenger tariff revenue divided by passenger traffic volume) increased \$0.27 or 3% compared to the same period in the prior year primarily as a result of tariff rate increases. The increase in vehicle traffic levels and the change in average tariff revenue during the three months ended June 30, 2025, resulted in a total tariff revenue increase of \$15.3 million or 8% (an increase in vehicle tariff revenue of \$11.3 million, and an increase in passenger tariff revenue of \$4.0 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 June 30, 2025, net retail revenue increased by \$1.0 million or 6% compared to the same period in the prior year, primarily due to increased passenger traffic and spend per passenger.

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 June 30, 2025 increased \$0.1 million or 3% compared to the same period in the prior year, mainly due higher tariff rates.

In the three months ended June 30, 2025, other revenue increased \$0.4 million or 12% compared to the same period in the prior year, primarily from higher parking revenue.

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 implemented on November 1, 2022 and remained in place on all routes until it was removed in fiscal 2025, effective June 1, 2024. 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 June 30, 2025, total indirect route revenue increased by \$11.3 million or 15% compared to the same period in the prior year, mainly as a result of an increase in fare affordability funding (see below).

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 6 ("PT6") from April 1, 2024 to March 31, 2028. Fare Affordability Funding is recognized on a systematic basis in accordance with the terms of the contribution agreement with the Province.

The first installment payment of \$50 million was received on September 26, 2024. The second installment payment of \$100 million is expected by September 30, 2025. In the three months ended June 30, 2025, Fare Affordability Funding revenue increased by \$11.4 million compared to the same period in the prior year. At June 30, 2025, \$48.4 million of Fare Affordability Funding was receivable from the Province, compared to \$18.8 million at March 31, 2025.

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, including the establishment of ferry transportation fees for PT6. The ferry transportation fees amount of \$194 million per contract year in PT6, was consistent with the amount in PT5. In the three months ended June 30, 2025, ferry transportation fees decreased \$0.4 million compared to the same period in the prior year, primarily related to a lower fuel price on the Northern Routes (any difference between actual fuel costs and approved fuel costs beyond 5 cents per litre is payable to the Province).

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 by \$0.3 million or 3% during the three months ended June 30, 2025 compared to the same period in the prior year based on the percentage increase in the annual Consumer Price Index (Vancouver).

In the three months ended June 30, 2025, total other general revenue increased by \$1.3 million or 186% compared to the same period in the prior year, primarily as a result of an increase in carbon credit sales. Carbon credits recognized in revenue, are generated through the purchase of natural gas and use of liquefied natural gas ("LNG") (which are lower carbon fuel alternatives to diesel) and must have approval from the Ministry of Energy Mines and Low Carbon Innovation before a sale is recognized. For regulatory purposes, BC Ferries directs the net revenue earned through the sale of earned carbon credits into the Carbon Reduction Investment Account ("CRIA"). By Order 22-01 issued on April 21, 2022, 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 months ended June 30, 2025 and 2024 are summarized in the table below:

| Operating Expenses (\$ millions) | Three months ended June 30 | | | |
|---|----------------------------|-------|---------------------|------|
| | | | Increase (decrease) | |
| | 2025 | 2024 | \$ | % |
| Operations | 196.5 | 197.5 | (1.0) | (1%) |
| Maintenance | 38.5 | 39.0 | (0.5) | (1%) |
| Administration | 15.3 | 13.4 | 1.9 | 14% |
| Total operations, maintenance & administration | 250.3 | 249.9 | 0.4 | 0% |
| Depreciation and amortization | 50.9 | 49.0 | 1.9 | 4% |
| Total Operating Expenses | 301.2 | 298.9 | 2.3 | 1% |

During the three months ended June 30, 2025, total operating expenses increased \$2.3 million or 1% compared to the same period in the prior year.

Wages, benefits and fuel are our largest expenses, representing approximately 76% of our total operations, maintenance and administration costs. The \$0.4 million or less than 1% increase in total operations, maintenance and administration costs is primarily driven by higher wage rates, benefit costs and information technology ("IT") project costs partially offset by primarily lower fuel expenses. As BC Ferries implements more cloud-based software, we expect to experience an increase in operating expenses that would have previously been eligible to be capitalized. We continue our strong focus on operating as effectively and efficiently as possible, to maintain financial resiliency, while delivering on our customer service and safety objectives.

Approximately 82% of BC Ferries' workforce are members of the BC Ferry & Marine Workers' Union (the "Union"). The collective agreement between the Company and the Union (the "Collective Agreement") provides for a wage re-opener effective April 1, 2025. BC Ferries and the Union were unable to reach a negotiated agreement and proceeded with the dispute resolution mechanism. On May 29, 2025, an arbitration panel issued its binding decision of a 1.65% general wage increase, effective April 1, 2025, with a few jobs receiving additional "special adjustments". On June 10, 2025, the Union filed an appeal of the wage arbitration decision with the Labour Relations Board. A decision from the Labour Relations Board is expected to be determined by December 2025. Negotiations with the Union on the renewal of the Collective Agreement, which expires in October 2025, are expected to commence in August 2025.

Wage rates for employees not covered by the Collective Agreement ("Exempt Employees") were increased by 2% for eligible employees, effective April 1, 2025 and April 1, 2024, as a cost-of-living adjustment.

The \$1.0 million or 1% decrease in operations expenses in the three months ended June 30, 2025, compared to the same period in the prior year, includes:

- \$7.0 million decrease in fuel expense, of which \$5.8 million is the result of lower fuel prices primarily from the removal of the carbon tax on fuel and \$1.2 million is the result of a decrease in fuel consumption;
- \$1.8 million decrease in travel and consulting services; partially offset by:
- \$4.4 million increase in IT operating project costs, uniform costs and other miscellaneous expenses; and
- \$3.4 million increase in labour costs, mainly due to wage rate increases per the Collective Agreement, higher benefit costs, partially offset by less overtime and training.

Maintenance costs decreased by \$0.5 million or 1% in the three months ended June 30, 2025 compared to the same period in the prior year, primarily as a result of the cyclical nature of vessel refit activity.

Administration costs increased \$1.9 million or 14% in the three months ended June 30, 2025 compared to the same period in the prior year, primarily from increased labour and benefit costs as a result of filling vacant positions, investing in our administrative functions and other expenses.

Depreciation and amortization increased \$1.9 million or 4% in the three months ended June 30, 2025 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 June 30 | | | |
|---|----------------------------|-------|----------|------|
| | 2025 | 2024 | Variance | |
| | | | \$ | % |
| Finance expense | 16.9 | 17.5 | (0.6) | (3%) |
| Less: finance income | (1.3) | (6.4) | 5.1 | 80% |
| Net finance expense | 15.6 | 11.1 | 4.5 | 41% |
| Net loss on disposal and impairment of property, plant and equipment, intangible assets | - | 1.6 | (1.6) | 100% |
| Total net finance and other expenses | 15.6 | 12.7 | 2.9 | 23% |

In the three months ended June 30, 2025, net finance and other expenses increased by \$2.9 million or 23% compared to the same period in the prior year, primarily a result of lower investment returns from less cash available to invest, lower investment interest rates and a higher net loss on foreign exchange partially offset by higher capitalized interest during construction and no asset impairments.

INVESTING IN OUR CAPITAL ASSETS

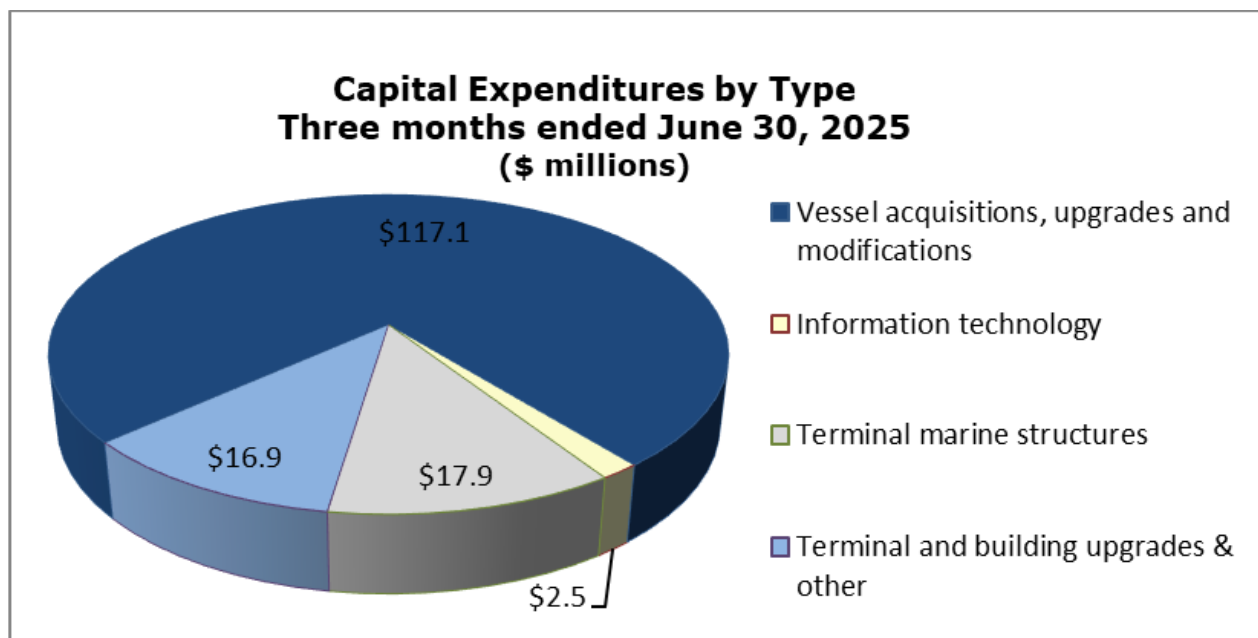
Our capital plan includes building new vessels, upgrades and modifications to existing vessels, improvements at our Fleet Maintenance Unit located at Deas Basin in Richmond, BC ("FMU"), modifications to terminal infrastructure in anticipation of vessel electrification (shore-side power source to enable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

Prior to fiscal 2026, BC Ferries received \$14 million in funding as part of the Natural Gas for Transportation incentive funding from FortisBC Energy Inc. (included in deferred grants and other current and long-term liabilities) to help offset incremental capital costs for the Salish Class and Spirit Class vessels associated with the ability to utilize LNG. During the three months ended June 30, 2025, we applied \$0.4 million (\$0.4 million during the same period in fiscal 2025) of the funding to reduce the capital cost of the Salish Class and Spirit Class vessels.

On March 27, 2024, BC Ferries received \$75 million of net proceeds from issuing Series 24-1 bonds to CIB. The fair market value of the bonds as of issuance date was \$47.4 million. The difference between the net proceeds and fair market value of the bonds of \$27.6 million was classified as government funding to be recognized as an offset to the project costs of the Island Class Phase 3 project and the Island Class terminal electrification project. During the three months ended June 30, 2025, \$1.3 million (\$nil during the same period in fiscal 2025) of this funding was recognized as a reduction to capital expenditures, consisting of \$0.8 million for the Island Class Phase 3 project and \$0.5 million to the terminal electrification project.

On May 22, 2025, BC Ferries received \$133 million of net proceeds from issuing Series 25-1 bonds to CIB. The fair market value of the bonds as of issuance date was \$76.6 million. The difference between the proceeds and fair market value of the bonds of \$56.4 million was classified as government funding to be recognized as an offset to the project costs of the NMV project. During the three months ended June 30, 2025, \$56.4 million (\$nil during the same period in fiscal 2025) of this funding was recognized as a reduction to capital expenditures for the new major vessels project.

In the three months ended June 30, 2025, capital expenditures (net of funding) comprised the following:



| Capital Expenditures (\$ millions) | Three months ended June 30, 2025 |
|---|---|
| New major vessels | 78.5 |
| Island Class Phase 3 | 24.1 |
| Fleet maintenance unit redevelopment | 14.1 |
| <i>Coastal Inspiration</i> quarter-life upgrade | 6.8 |
| Major overhauls and inspections | 6.5 |
| Heriot Bay berth replacement | 5.7 |
| Langdale berth replacement | 2.5 |
| Various other projects | 16.2 |
| | 154.4 |

New Major Vessels

On March 14, 2025, the Commissioner issued Order 25-01 which approved a major capital expenditure for four new major vessels to replace four existing end-of-life vessels. On May 7, 2025, BC Ferries awarded four contracts for design, build and delivery of the New Major Vessels to CMI Weihai. These four vessels will be diesel-battery hybrid ships designed for future full electric operation and are designed to be capable of carrying 360 vehicles and 2,100 passengers. These vessels are planned to enter service starting in 2029 at approximately six-month intervals and, as they are built, will be incorporated into the Major Routes fleet. As these vessels are introduced, BC Ferries plans to retire four of its oldest major vessels; the *Queen of Alberni*, *Queen of New Westminster*, *Queen of Coquitlam* and *Queen of Cowichan*.

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 a design-build, fixed-price contract for four new hybrid electric Island Class vessels. On May 26, 2025, BC Ferries announced the successful launching of the first of four and steel cutting of the third of four new battery-electric hybrid Island Class vessels at Damen. These four new hybrid electric vessels, with capacity to carry approximately 47 vehicles and 390 passengers, 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 the end of fiscal 2027 on the routes connecting Nanaimo Harbour to Gabriola Island, and Campbell River to Quadra Island. With the addition of these Island Class vessels, BC Ferries plans to redeploy other vessels to improve service on the routes between Crofton to Vesuvius and Quadra to Cortes Island and retire two of our older vessels.

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. Also on May 12, 2023, BC Ferries signed a construction agreement with Bird Construction Group for the FMU redevelopment project. This project is redeveloping the site to increase efficiencies and the capacity of the site, building a new machine shop and upgrading existing buildings at the site. Upgrades to some of the existing buildings were completed in fiscal 2025. Construction of the new machine shop and other site upgrades are expected to finish by fiscal 2028.

Coastal Inspiration quarter-life upgrade

The quarter-life upgrade of the *Coastal Inspiration*, including upgrades to its propulsion, electrical, communication systems, and catering and safety equipment was completed in the first quarter of fiscal 2026.

Major overhauls and inspections

In the three months ended June 30, 2025, we incurred capital expenditures of \$6.5 million in respect of major overhauls and inspections of components of hull, propulsion and generators for three vessels that were completed or underway.

Heriot Bay berth replacement

A project to replace the marine structures at Heriot Bay to accommodate Island Class vessels, including the pontoon, ramp and floating lead, is expected to be completed in the second quarter of fiscal 2026.

Langdale berth life extension

A project to life extend berth 2 at Langdale, including the trestle, ramp, dolphins and wingwall, is currently underway and is expected to be completed in the third quarter of fiscal 2026.

Various other projects

Various other projects expenditures of \$16.2 million include, among others, upgrades to various vessel's navigational and catering equipment, upgrades to marine structures at various terminals and various software upgrades.

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 debt servicing. 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, credit 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"), 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 payments of this funding over the period of April 1, 2024 to March 31, 2028. The first payment of \$50 million was received in fiscal 2025, on September 26, 2024 with the next installment payment of \$100 million expected by September 30, 2025. The contribution agreement can be found on SEDAR+ at www.sedarplus.ca.

On March 28, 2025, BC Ferries entered into a bond purchase agreement with CIB to issue up to \$1 Billion of senior secured bonds. These senior secured bonds bear interest at 1.828% per annum, payable semi-annually and can be drawn in several tranches over a five-year period. All drawn funds must then be spent within the subsequent three years, otherwise any remaining drawn but unspent funds must be repaid to CIB. The net proceeds from the sale of the bonds shall be held in cash or invested in permitted investments and shall be used solely to provide partial funding for the capital costs incurred toward the NMV project and the terminal electrification for the route connecting metro Vancouver to Victoria and the route connecting metro Vancouver to Nanaimo. On May 22, 2025, BC Ferries received \$133 million in proceeds from issuing the first tranche of bonds (series 25-1). The fair market value of the bonds as of issuance date was \$76.6 million. The difference between the proceeds and fair market value of the bonds of \$56.4 million was considered a bond discount and classified as government funding.

At June 30, 2025, our unrestricted cash and cash equivalents totalled \$162 million, compared to unrestricted cash and cash equivalents of \$205 million at March 31, 2025.

Our \$105 million Credit Facility was renewed on April 4, 2025 to extend the maturity date from April 20, 2028 to April 20, 2029. The Credit Facility is available to fund capital expenditures and for other general corporate purposes. At June 30, 2025, there were no draws on the Credit Facility.

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. Subsequently, on April 4, 2025, S&P affirmed BC Ferries' long-term issuer credit and senior secured debt ratings to "A+" with a Stable outlook. On December 6, 2024, DBRS confirmed BC Ferries' issuer rating and senior secured bonds credit rating at A (high) and changed the trends to Negative from Stable.

Under the Master Trust Indenture ("MTI"), an agreement that in part secures and governs the Company's borrowings, we are subject to an indebtedness test that prohibits new borrowing 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. Prior to January 19, 2025, under the MTI, additional indebtedness was also prohibited if our leverage ratio

exceeded 85%. However, on January 20, 2025, BC Ferries announced that it had successfully obtained approval of an amendment to remove Section 6.5(e)(ii) of the MTI, eliminating the leverage ratio test as an additional indebtedness covenant under the condition the common shares of BC Ferries remain wholly owned by the BC Ferry Authority, the Province or any Crown Corporation.

At June 30, 2025, we achieved a debt service coverage ratio of 2.68 and were in compliance with our financial covenants under the MTI and the Credit Facility.

The Company's operational performance for the three months ended June 30, 2025 has resulted in a \$10.4 million increase in equity before reserves, from \$574.2 million as at March 31, 2025 to \$584.6 million as at June 30, 2025. However, BC Ferries leverage ratio increased by 1% to 75% as at June 30, 2025 compared to a 74% leverage ratio as at March 31, 2025 as a result of an increase in aggregate borrowings.

| (\$ thousands) | June 30, 2025 | | March 31, 2025 | |
|------------------------------|----------------------|-------------|-----------------------|-------------|
| | \$ | % | \$ | % |
| Aggregate borrowings * | 1,728,948 | 75% | 1,599,718 | 74% |
| Total equity before reserves | 584,567 | 25% | 574,177 | 26% |
| Total | 2,313,515 | 100% | 2,173,895 | 100% |

* 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 first quarter of fiscal 2026 and 2025 are summarized in the table below:

| (\$ millions) | Three months ended June 30 | | |
|---|-----------------------------------|-------------|----------------------------|
| | 2025 | 2024 | Increase (Decrease) |
| Cash and cash equivalents, beginning of the period | 204.7 | 31.9 | 172.8 |
| Cash from (used in) operating activities: | | | |
| Net earnings (loss) | 10.4 | (8.5) | 18.9 |
| Items not affecting cash | 64.2 | 61.9 | 2.3 |
| Changes in non-cash operating working capital | (38.8) | (41.8) | 3.0 |
| Net interest paid | (17.0) | (14.8) | (2.2) |
| Cash generated from (used in) operating activities | 18.8 | (3.2) | 22.0 |
| Cash from (used in) financing activities | 128.8 | (3.7) | 132.5 |
| Cash (used in) from investing activities | (190.6) | 46.7 | (237.3) |
| Net (decrease) increase in cash and cash equivalents | (43.0) | 39.8 | (82.8) |
| Cash and cash equivalents, end of the period | 161.7 | 71.7 | 90.0 |

For the three months ended June 30, 2025, cash generated from operating activities increased by \$22.0 million compared to the same period in the prior year, primarily due to an increase in net earnings. The increase in net earnings reflects the increase in revenues, partially offset by an increase in net finance expenses and operating expenses revenues.

Cash from financing activities in the three months ended June 30, 2025 was \$128.8 million, a \$132.5 million increase compared to same period in the prior year. The \$128.8 million amount consisted of net proceeds of \$132.6 million from our May 2025 bond issuance offset by \$2.8 million in repayment of our loans from KfW, and \$1.0 million in repayment of lease obligations. Cash used in financing activities in the three months ended June 30, 2024 was \$3.7 million consisting of \$2.8 million in repayment of our loans from KfW, and \$0.9 million in repayment of lease obligations.

Cash used in investing activities for the three months ended June 30, 2025 increased by \$237.3 million compared to the same period in the prior year, mainly due to an increase of \$142.9 million in capital asset purchases and a decrease of \$94.4 million in net change in short-term investments.

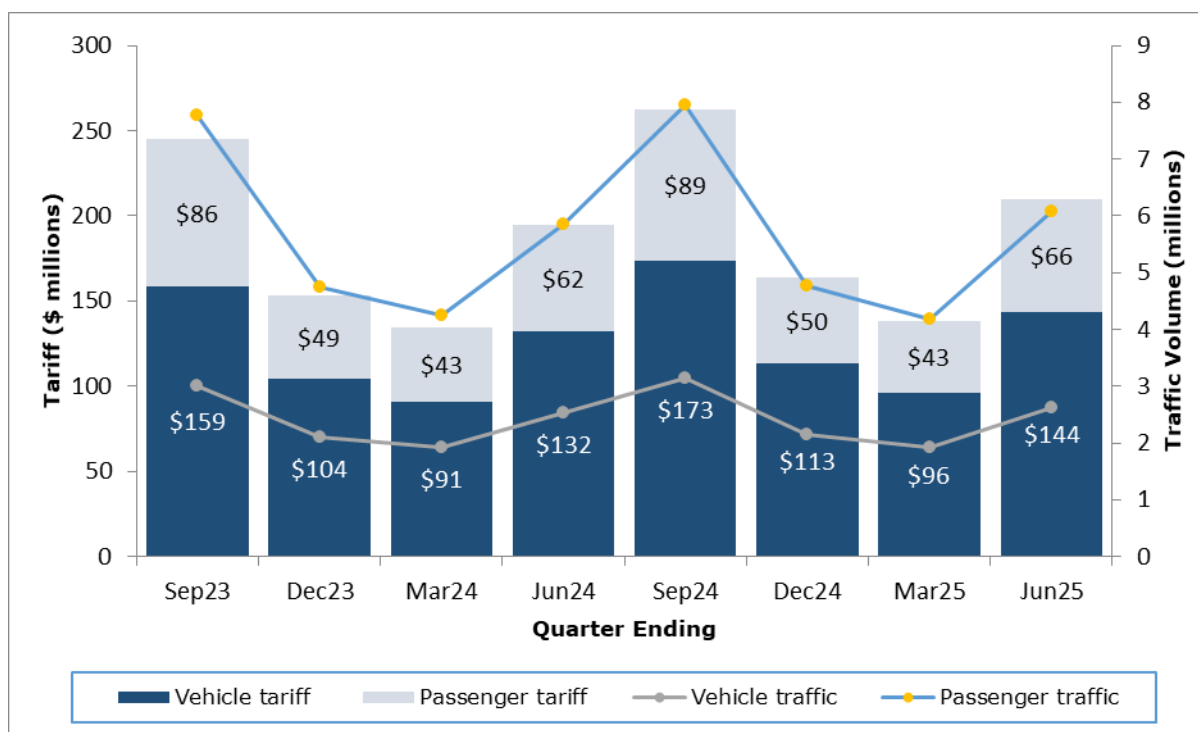
SUMMARY OF QUARTERLY RESULTS

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

| (\$ millions) | Quarter Ended (unaudited) | | | | | | | |
|-------------------------|---------------------------|--------|--------|--------|--------|--------|--------|--------|
| | Sep 23 | Dec 23 | Mar 24 | Jun 24 | Sep 24 | Dec 24 | Mar 25 | Jun 25 |
| Total revenue | 381 | 242 | 201 | 303 | 383 | 257 | 228 | 327 |
| Operating expenses | 269 | 275 | 283 | 299 | 300 | 279 | 306 | 301 |
| Operating profit (loss) | 112 | (33) | (82) | 4 | 83 | (22) | (78) | 26 |
| Net earnings (loss) | 102 | (42) | (106) | (9) | 71 | (38) | (96) | 10 |

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 2025, BC Ferries carried its highest ever vehicle and passenger traffic. In the three months ended June 30, 2025, BC Ferries continued to experience higher vehicle and passenger 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, competition, transportation costs (including vehicle gasoline prices and ferry fares), economic conditions, political instability, risk of recession, fluctuations in disposable personal income and vessel mechanical issues causing cancellations.

BC Ferries is experiencing upward pressure on both operating and capital costs and we continue to pursue efficiencies and opportunities to minimize costs. Future increases in inflation, projected higher long-term interest rates and weakening economic conditions may impact customer demand, future profitability and future cost-effective funding opportunities.

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 NMV 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.

Escalating costs and planned investments in PT6 and performance term seven ("PT7") from April 1, 2028 to March 31, 2032 will rely upon a level of funding for PT7 that is currently uncommitted, either in the form of regulatory allowable price cap increases or funding from the Province. As work begins on the PT7 regulatory submission, the Company is engaging with relevant parties on long term funding options.

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 46 of our fiscal 2025 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 three months ended June 30, 2025.

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 material accounting policies are contained in Note 1 to our March 31, 2025 audited consolidated financial statements. 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 47 through 51 of our fiscal 2025 Management's Discussion & Analysis.

Adoption of New Accounting Standards

Effective April 1, 2025, we adopted amendments to IAS 21, the effects of changes in foreign exchange rates regarding lack of currency exchangeability. This amendment had no impact on the Group's condensed interim consolidated financial statements.

Adjustment of balances

In fiscal 2025, BC Ferries identified that at the inception of an office building lease in 2010 an option to purchase was incorrectly included in the value of the right of use property, plant and equipment and the right of use lease liability, instead of being included in the value of the loan receivable. BC Ferries identified that the loan receivable was valued incorrectly at amortized cost instead of fair value through profit or loss. BC Ferries concluded that the impact of this change was immaterial. Further details on the impact of these adjustments can be found in Note 1(c) of our condensed interim consolidated financial statements for the three months ended June 30, 2025 and 2024.

FORWARD LOOKING STATEMENTS

This Management's Discussion and Analysis contains certain "forward-looking statements". These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Statements that include the words "believes," "expects," "may," "will," "should," "potential," "estimates," "anticipates," "aim", "goal," "targets," "plan," "predict" or other comparable terminology and similar statements of a future or forward-looking nature identify forward-looking statements.

Examples of forward-looking statements in this document include, but are not limited to expected: customer demand; vehicle and passenger fares future traffic volumes; seasonal traffic patterns and their impact on operations; cash requirements and sources of cash flows; investment strategies; future economic conditions and their impact on our financial performance and future investments; impact of wage increases, including potential increases resulting from the renewal of the Collective Agreement which expires in October 2025; expected date for a decision from the Labour Relations Board on the Union's appeal of the recent wage arbitration decision; expected commencement date for negotiations with the Union on the renewal of the Collective Agreement; government funding and our anticipated use of the same; credit risks; reliance on sources of external funding; outcomes of PT7 review; economic conditions and their impact on our financial performance; staffing requirements; impacts of crew shortages; fuel prices; impact of hedging strategies; fuel surcharges; fuel sources; timing of implementation of vessel electrification capability; vessel replacement timing including timing of completion of new vessel construction under the Island Class and New Major Vessel programs; vessel retirement and redeployment plans; repair and planning strategies; capital plans and major capital initiatives; impact of capital asset inflation on capital investment costs; timing of completion of capital projects; reduction of vehicle space during upcoming construction at our Horseshoe Bay terminal; among other statements.

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 based on our experience, our perception of trends, current conditions and expected future developments as well as other factors. Certain material factors or assumptions were applied in drawing the conclusions or making the forecasts or projections that are included in these forward-looking statements. 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, CPI (Vancouver), fuel costs, construction costs, the state of the economy, fluctuating financial markets, demographics, tax changes and the requirements of the Coastal Ferry Act and the Coastal Ferry Services Contract.

However, forward-looking statements, by their nature, involve risks and uncertainties that could cause actual results to differ materially from those contemplated by the forward-looking statements. The risks and uncertainties primarily include those attendant with operating and maintaining a large fleet of vessels and terminals and successfully carrying out major capital projects to upgrade or replace such vessels and terminals, including, without limitation the risks and uncertainties associated with: impact of an economic recession; impact of fare increases or unforeseen events on customer demand; reliability of aging assets; vendor non-performance; constraints on operations or necessary capital expenditures imposed by the Ferry Commissioner; capital market access; interest rate fluctuations; foreign currency fluctuations; rising fuel prices; traffic fluctuations; the potential for delays in completion of major capital projects; inflation of capital and operating costs; security, safety or environmental incidents; confidential or sensitive information breaches (including cyber security incidents), changes in laws, vessel repair facility limitations, regulatory changes, changes to taxes, tariffs or duties impacting the company or its suppliers; impacts of sanctions and other compliance legislation on the company or its suppliers; climate change; risk of global pandemics in the future; and the assertion of Indigenous rights over land use in the province.

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.