BCFerries

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

For the three and nine months ended December 31, 2015

Dated February 26, 2016

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Management's Discussion & Analysis
of Financial Condition and Financial Performance
For the three and nine months ended December 31, 2015
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The following is our discussion and analysis of the financial condition and financial performance for British Columbia Ferry Services Inc. as of, and for the three and nine months ended, December 31, 2015. This discussion and analysis should be read in conjunction with our unaudited consolidated financial statements and related notes for the nine months ended December 31, 2015 and 2014, and our audited consolidated financial statements and related notes for the years ended March 31, 2015 ("fiscal 2015") and March 31, 2014, together with our Management's Discussion & Analysis for fiscal 2015. These documents are available on SEDAR at www.sedar.com and on our investor webpage at http://www.bcferries.com/investors/financial_reports.html.

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

BUSINESS OVERVIEW

British Columbia Ferry Services Inc. is an independent company providing passenger and vehicle ferry services on the west coast of British Columbia. We operate one of the largest and most complex ferry systems in the world. We provide frequent year-round transportation service with 35 vessels operating on 24 routes out of 47 terminals spread over 1,000 miles of coastline. We also manage ferry transportation service on other remote routes through contracts with independent operators.

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

We provide a wide range of ferry services for our customers. During the three months ended December 31, 2015, we carried 1.8 million vehicles and 4.4 million passengers, an increase of 5.3% and 3.9%, respectively, compared to the same quarter in the prior year. In the three months ended December 31, 2015, we provided the same level of sailings as the same period in the prior year, however, year-to-date, we provided 1,903 fewer sailings than in the same period in the prior year. The year-to-date reduction is primarily due to reduced sailings in the first quarter on our regulated Other Routes, reflecting service level adjustments announced by the Province in February 2014 and implemented in fiscal 2015. These adjustments have resulted in increased capacity utilization and savings in fuel and labour, and contributed to strong financial performance in fiscal 2015 and the first three quarters of the year ending March 31, 2016 ("fiscal 2016"). For a discussion of our traffic levels, see "Financial and Operational Overview" below.

Significant events during or subsequent to the three months ended December 31, 2015 (the third quarter of fiscal 2016) include the following:

- On November 12, 2015, we executed a loan agreement with KfW IPEX-Bank GmbH, a German export credit bank. This loan agreement is secured under the Master Trust Indenture and allows for three loans of up to $45 million each. These amortizing loans will be repaid over a 12-year term and bear an annual interest rate of 2.09%. The net proceeds from the loans will be used to partially finance the purchase of the three new Salish Class vessels.

- On November 19, 2015 we officially took ownership of our new cable ferry, the *Baynes Sound Connector.* Following extensive crew training and familiarization, and Transport Canada certification, the vessel commenced regularly scheduled service between Buckley Bay on Vancouver Island and Denman Island on February 9, 2016. The cable ferry will provide environmental benefits and significant fuel cost savings, using less than half the fuel of the *Quinitsa* which was previously on the route, and will serve the route for the next 40 years.

- On November 24, 2015, the *Salish Orca*, the first of the new Salish (intermediate) Class vessels, was launched and christened at Remontowa Shipbuilding S.A. in Gdansk, Poland. The construction of the other two vessels is progressing on schedule. These vessels will be dual-fuel capable, designed to run primarily on liquefied natural gas ("LNG") with marine diesel as a backup. The *Salish Orca, Salish Eagle* and the *Salish Raven* are scheduled for delivery in August 2016, November 2016 and February 2017, respectively.

- On December 18, 2015, we announced the ratification of a Memorandum of Agreement that was reached on October 30, 2015 with the BC Ferry & Marine Workers' Union (the "Union"). The Collective Agreement provides for wage increases aggregating 8.55% over the five-year term ending October 31, 2020, which is 1.71% on average per year. This agreement provides certainty for our employees, helps ensure uninterrupted ferry service for our customers and marks 17 years of labour stability.

- On January 15, 2016, we submitted a supplemental application to the British Columbia Ferries Commissioner (the "Commissioner") for our Spirit Class Mid-Life Upgrades Project, reflecting updated capital cost estimates for the project. On January 29, 2016, the Commissioner issued confidential Order 14-03B, approving the revised maximum amount of the major capital expenditure for the project, and on February 1, 2016 confirmed that the conditions precedent to contract award set out in Order 14-03 were satisfied.

- On January 29, 2016, we signed an agreement to receive up to $10 million contribution from FortisBC Energy Inc. as part of the Natural Gas for Transportation ("NGT") incentive funding. This funding will be used to partially offset the capital cost of converting our two Spirit Class vessels to dual fuel capability. While this agreement does not obligate BC Ferries to purchase LNG from FortisBC, the funding is conditional upon a number of factors including a long term LNG procurement contract for these vessels.

The Effect of Rate Regulation
We are regulated by the Commissioner to ensure, among other things, that our tariffs are fair and reasonable. Under the terms of the *Coastal Ferry Act* (the "Act"), the tariffs we charge our customers over a performance term are subject to price caps set by the Commissioner. The Commissioner may, under certain circumstances, allow increases in price caps over the set levels. Certain decisions and orders of the Commissioner may give rise to regulatory assets or liabilities. Regulatory assets generally represent incurred costs that are probable of future recovery in tariffs or fuel surcharges. Regulatory liabilities represent obligations to customers which will be settled through future tariff reductions or fuel rebates.

We adopted IFRS with a transition date of April 1, 2011. At that time, IFRS did not provide any guidance with respect to accounting for rate-regulated activities.

In January 2014, the International Accounting Standards Board ("IASB") issued an interim standard, IFRS 14 *Regulatory Deferral Accounts,* which addresses accounting for rate-regulated activities. However, it does not apply to entities, like ours, that transitioned to IFRS prior to that date. As a result, we are not permitted to recognize in our financial statements the assets and liabilities that result from the regulated price cap setting process, such as our deferred fuel cost accounts. Under IFRS, rather than being charged to regulatory asset accounts on our Consolidated Statements of Financial Position, fuel surcharges collected or rebates granted are included in revenue, and increases or decreases in fuel prices from those approved in price caps are included in operating expenses. We are regulated by the Commissioner and these items are treated as assets and liabilities for regulatory purposes.

We continually assess whether our regulatory assets are probable of future recovery by considering such factors as applicable regulatory changes. We believe the regulatory assets at December 31, 2015 are probable of future recovery and that the obligations as represented by the regulatory liabilities will be settled in the future. These regulatory assets and regulatory liabilities are detailed in note 11 to our December 31, 2015 unaudited consolidated financial statements.

If IFRS permitted us to report regulatory assets and liabilities in our financial statements, the effect on our Statements of Comprehensive Income for the three and nine month periods ended December 31, 2015 and 2014 would be as follows:

($ millions)		**Three months ended December 31**		**Nine months ended December 31**	
		2015	**2014**	**2015**	**2014**
Total comprehensive (loss) income		(15.4)	(13.5)	87.8	71.5
Changes in net earnings:					
Regulatory asset or liability	**Statement line item**				
Deferred fuel costs (a)					
Fuel costs (under) over set price	Operations expense	(2.4)	1.8	(6.3)	10.5
Fuel rebates (surcharges)	Fuel rebates (surcharges)	1.3	(3.0)	5.1	(13.2)
Payments from the Province	Ferry service fees	(0.3)	(0.5)	(0.9)	(2.2)
		(1.4)	(1.7)	(2.1)	(4.9)
Tariffs in excess of price cap (b)					
Obligation settled (incurred) during the period	Tariff revenue	-	-	1.0	-
Performance term submission costs (c)					
Amortization	Depreciation and amortization expense	-	-	(0.1)	(0.1)
Decrease in total net earnings		(1.4)	(1.7)	(1.2)	(5.0)
Adjusted total comprehensive (loss) income		(16.8)	(15.2)	86.6	66.5

(a) Deferred fuel costs: As prescribed by regulatory order, we defer differences between actual fuel costs and regulated fuel costs which were used to develop the regulated price caps. The difference between actual fuel costs (including fuel hedge gains and losses) and the regulated fuel costs (set price) is deferred for settlement in future tariffs. Also, as prescribed by regulatory order, we collect fuel surcharges or provide fuel rebates from time to time which are applied against deferred fuel cost account balances. We may also receive payments from the Province to be applied against deferred fuel cost account balances.

(b) Tariffs in excess of price cap: The Act contains provisions which ensure that, if tariffs charged exceed established price caps, the excess amounts collected will be returned to customers through future tariffs. Tariffs charged did not exceed price caps at December 31, 2015.

(c) Performance term submission costs: Costs for incremental contracted services relating to performance term three (“PT3”). Our regulator approved recovery of these costs over PT3, which commenced on April 1, 2012 and ends on March 31, 2016.

FINANCIAL AND OPERATIONAL OVERVIEW

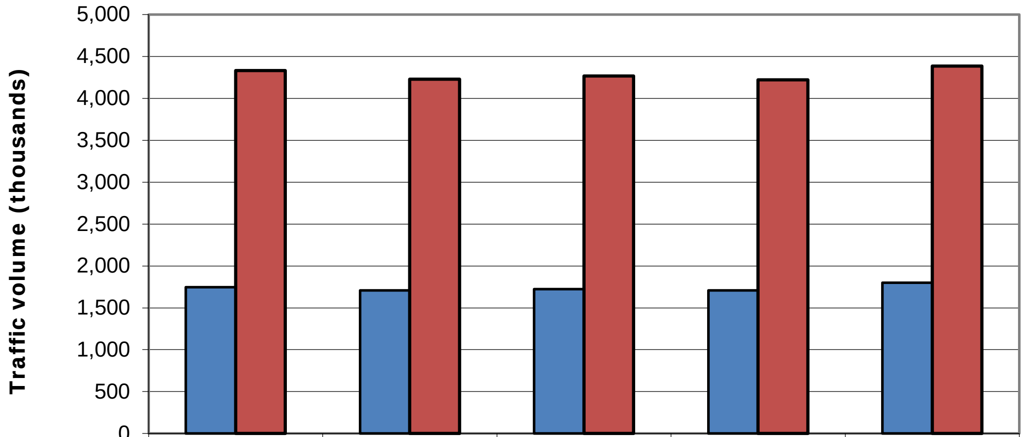
This section provides an overview of our financial and operational performance for the three and nine month periods ended December 31, 2015 and 2014.

($ millions)	Three months ended December 31			Nine months ended December 31		
	2015	**2014**	**Variance**	**2015**	**2014**	**Variance**
Total revenue	186.6	182.4	4.2	696.8	679.7	17.1
Operating expenses	176.4	174.2	(2.2)	555.0	549.3	(5.7)
Operating profit	10.2	8.2	2.0	141.8	130.4	11.4
Net finance and other	13.9	14.3	0.4	42.2	46.2	4.0
Net (loss) earnings	(3.7)	(6.1)	2.4	99.6	84.2	15.4
Other comprehensive loss	11.7	7.4	(4.3)	11.8	12.7	0.9
Total comprehensive (loss) income	(15.4)	(13.5)	(1.9)	87.8	71.5	16.3

In the three months ended December 31, 2015, we generated an operating profit of $10.2 million ($141.8 million year-to-date), representing an increase of $2.0 million ($11.4 million year-to-date) compared to the same period in the prior year. Net loss during the three month period ended December 31, 2015 was $3.7 million, an improvement of $2.4 million compared to the same period in the prior year. Year-to-date, net earnings were $99.6 million, representing an increase of $15.4 million compared to the same period in the prior year. The increase in net earnings for the first three quarters of fiscal 2016 reflects the net effects of higher traffic levels, increases in retail sales, social program fees, fares and lower financing costs, partially offset by lower ferry transportation fees and fuel rebates. In the three months ended December 31, 2015, other comprehensive loss of $11.7 million ($11.8 million year-to-date) reflects the change in the fair value of our fuel swap contracts. Other comprehensive loss for the nine months ended December 31, 2014 reflected a $7.4 million change in the fair value of our fuel swap contracts in the third quarter, a $2.9 million loss in the second quarter related to the actuarial valuation of our retirement and death plans and a $2.4 million loss on interest rate forward contracts in the first quarter related to our April 28, 2014 issuance of $200 million of senior secured bonds.

In the three months ended December 31, 2015, vehicle traffic increased 5.3% (4.4% year-to-date) and passenger traffic increased 3.9% (4.0% year-to-date) compared to the same period in the prior year. Commercial traffic, a component of vehicle traffic, increased by 3.4% in the quarter (3.1% year-to-date), while drop-trailer traffic, a component of commercial traffic, decreased by 1.2% in the quarter resulting in a net 2.8% increase year-to-date.

The following graph illustrates our vehicle and passenger traffic levels for the third quarter of fiscal 2012 through fiscal 2016:



	2012	2013	2014	2015	2016
Vehicles	1,747	1,708	1,722	1,709	1,800
Passengers	4,330	4,226	4,267	4,220	4,385

Safety and Environment
We received the Certificate of Recognition ("COR") from WorkSafeBC in fiscal 2014. A COR recognizes companies that go beyond the legal requirements of the *Workers' Compensation Act* and the Occupational Health & Safety Regulations by taking a best practices approach to implementing health, safety and return to work programs. In fiscal 2014 and 2015, WorkSafeBC provided us with a rebate on each of our 2013 and 2014 assessed premiums of approximately $600,000 and we expect to receive a similar rebate on our 2015 assessed premiums as a result of the audit which was completed during the third quarter of fiscal 2016.

Training
Each year we invest heavily in operational and safety training.

A comprehensive training plan for familiarization with the new equipment on the Salish Class vessels is nearing completion. This plan includes LNG training, manufacturer's equipment training, Standardized Education and Assessment ("SEA") and operational training for all employees working on a Salish Class vessel. A web-based LNG safety awareness program was rolled out early in the third quarter of fiscal 2016. Classroom delivery of basic and advanced LNG training for employees working on a Salish Class vessel will commence in the fourth quarter of fiscal 2016.

During the quarter ended December 31, 2015, our SEA training program delivered a total of 2,210 personal training days compared to 1,332 in the same period in the prior year. We expect to complete the training material development phase of SEA by March 31, 2016 in preparation for training in six additional job categories. The job positions specific to the cable ferry and Salish Class vessels have also been created within our SEA training program.

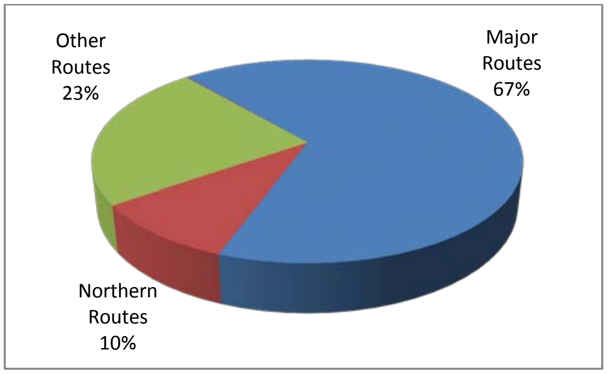
By the end of December 31, 2015, through our Simulation Training Centre ("STC") training program, we had delivered Bridge Operations Skills and Systems ("BOSS") Level 2 to 50% and delivered BOSS Level 3 to 4% of deck officers in the fleet. We expect that all deck officers will have completed BOSS 2 training by the end of 2018. During the three months ended December 31, 2015, we also delivered training related to our new cable ferry.

Labour relations -
Collective agreement

On December 18, 2015, we announced the ratification of a Memorandum of Agreement that was reached on October 30, 2015 with the Union. The settlement took several months of extensive negotiations and was achieved before the October 31, 2015 expiration of the previous Collective Agreement. This agreement provides certainty for our employees and helps ensure uninterrupted ferry service for our customers and marks 17 years of labour stability. The terms of the new Collective Agreement provides for wage increases aggregating 8.55% over the five-year term of the agreement ending October 31, 2020, which is a 1.71% increase on average per year.

Revenue

The following discussions of revenue are based on IFRS results, with reference to the impacts of rate regulation.



In the nine months ended December 31, 2015, the greatest portion of our revenues (67%) was earned on our Major Routes. Revenue from our Northern Routes contributed 10% and revenue from Other Routes contributed 23%.

Selected operational statistics and total revenues for the three and nine months ended December 31, 2015 compared to the same periods in the prior year are shown in the tables below.

	Three months ended December 31		Nine months ended December 31	
Operational Statistics	**2015**	**2014**	**2015**	**2014**
Vehicle traffic	1,799,791	1,709,317	6,434,504	6,165,220
Passenger traffic	4,385,164	4,220,491	16,718,094	16,071,321
On-time performance	92.4%	93.9%	89.9%	90.3%
Number of round trips	18,842.5	18,803	58,095.5	59,037
Capacity provided (AEQs)	4,040,974	4,035,624	13,007,750	12,973,806
AEQs carried	2,042,236	1,942,750	7,287,654	6,987,924
Capacity utilization	50.5%	48.1%	56.0%	53.9%

In the three months ended December 31, 2015, vehicle traffic increased 5.3% (4.4% year-to-date) and passenger traffic increased 3.9% (4.0% year-to-date) compared to the same period in the prior year. Traffic was favourably impacted by lower fuel prices, the lower Canadian dollar and our 50% passenger fare discount on under-utilized sailings throughout most of the months of September and October and our 50% vehicle fare discount on under-utilized sailings from mid-November to mid-December.

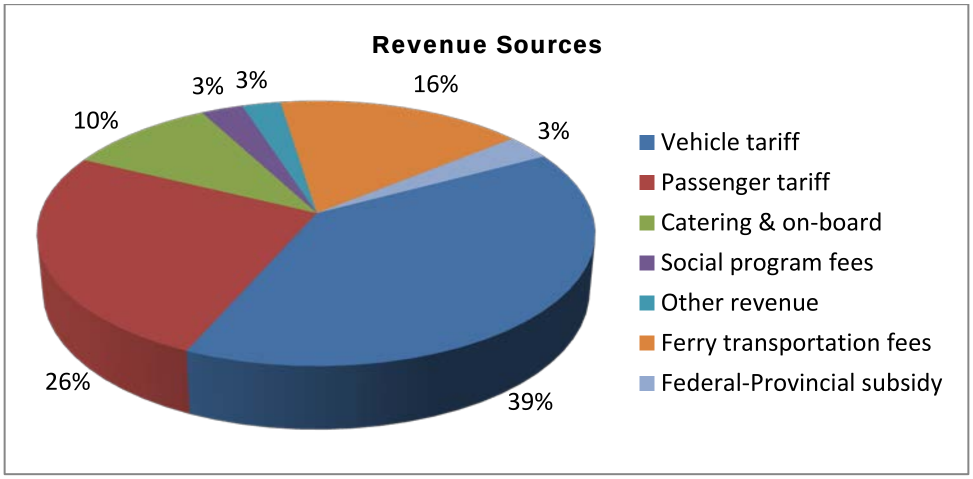
On-time performance on the Major and regulated Other Routes is defined as the percentage of our sailings departing within 10 minutes of the scheduled time. On-time performance on the Northern Routes is defined as the percentage of our sailings arriving no later than 10 minutes after the scheduled time. On-time performance can be impacted by delays due to weather, vessel substitution, terminal dock maintenance or closures and periods of unusually high traffic demand. Meeting customer service expectations in a safe and reliable manner is an important factor in our focus on on-time performance. In the three months ended December 31, 2015, on-time performance decreased by 1.5% (0.4% year-to-date) compared to the same period in the prior year, primarily due to the impact from increased traffic somewhat offset by the impact of procedural improvements made on the Major Routes.

Capacity provided, measured in automobile equivalents (“AEQs”), is the available vehicle deck space on a vessel multiplied by the number of round trips. Round trips normally stay fairly stable as the Coastal Ferry Services Contract (“CFSC”) stipulates, among other things, the minimum number of round trips to be provided for each regulated ferry service route. The number of round trips provided can be positively or negatively impacted by cancellations due to weather, vessel substitution, terminal dock closures and extra round trips made in response to high demand, or by changes to the number of trips stipulated by the CFSC. In the three months ended December 31, 2015, we provided 18,842.5 round trips, which was 39.5 more than during the same period in the prior year. The 941.5 year-to-date reduction in round trips and the resulting decrease in capacity provided compared to the same period in the prior year are mainly due to the timing of implementation of the Province’s service level adjustments on our Northern and regulated Other Routes. Most service level adjustments on the regulated Other Routes were not implemented until April 28, 2014, in the first quarter of fiscal 2015.

An AEQ is a standard unit of measure for an approximation of one car length. AEQs are calculated by using a conversion factor for each vehicle type. For example, a passenger vehicle would be one AEQ while a bus would be 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 and actual size of vehicles carried.

Capacity utilization is calculated by dividing the AEQs carried during the period by the AEQ capacity provided on the vessels. Capacity utilization is impacted by the number of vehicles carried, the mix of vehicle types (the relative number of buses, commercial vehicles, and passenger vehicles), the size of the vessels utilized and the number of round trips in each period. Capacity utilization for the three months ended December 31, 2015 increased 2.4% compared to the same period in the prior year due to a 5.1% increase in AEQs carried, partially offset by an increase in capacity due to a higher number of round trips provided. Year-to-date capacity utilization increased 2.1% as a result of a 4.3% increase in the number of AEQs carried, partially offset by an increase in capacity provided mainly due to the variation in the size of vessels utilized.

Revenue ($ millions)	**Three months ended December 31**			**Nine months ended December 31**		
	2015	**2014**	**Increase (Decrease)**	**2015**	**2014**	**Increase (Decrease)**
Direct Route Revenue						
Vehicle tariff	72.3	68.6	3.7	274.6	254.6	20.0
Passenger tariff	44.7	42.5	2.2	178.3	167.5	10.8
Fuel (rebates) surcharges	(1.3)	3.0	(4.3)	(5.1)	13.2	(18.3)
Catering & on-board	18.7	17.0	1.7	69.4	64.4	5.0
Social program fees	6.0	5.6	0.4	19.5	18.2	1.3
Reservation fees	3.7	3.0	0.7	15.0	12.5	2.5
Other revenue	2.1	1.9	0.2	6.7	6.5	0.2
Total Direct Route Revenue	146.2	141.6	4.6	558.4	536.9	21.5
Indirect Route Revenue						
Ferry transportation fees	33.1	33.3	(0.2)	115.4	119.9	(4.5)
Federal-Provincial subsidy	7.1	7.1	-	21.5	21.3	0.2
Total Route Revenue	186.4	182.0	4.4	695.3	678.1	17.2
Other general revenue	0.2	0.4	(0.2)	1.5	1.6	(0.1)
Total Revenue	186.6	182.4	4.2	696.8	679.7	17.1



Vehicle and passenger tariffs account for 65%, the majority of our revenues. Our year over year tariff revenues may be impacted by such things as changes in overall traffic levels, tariffs, and the proportion of total traffic on routes with higher versus lower tariffs. Catering and on-board services accounts for 10% of our total revenues and is a growth sector. Catering, retail and other on-board services are impacted by traffic, price, service quality and product offerings and provide a gross margin of approximately 60%.

On April 1, 2015, we implemented tariff increases in accordance with the Commissioner's Order 12-02 dated September 30, 2012. Tariff increases were 3.9% on average on our Major and regulated Other Routes. On the Northern Routes, we increased fares by 2% on average. These increases are directly associated with increased operating costs and capital replacement costs.

Surcharges and/or rebates are implemented as a direct result of rising and declining fuel prices. On April 1, 2015 (the beginning of fiscal 2016), due to lower fuel prices, a fuel rebate of 1% was implemented on our Major and regulated Other Routes which partially mitigated the impact of the tariff increase. In fiscal 2015, fuel surcharges of 3.4% on average were in place from April 1, 2014 to December 17, 2014 on our Major Routes and our regulated Other Routes. During these periods, no surcharges or rebates were in place on our Northern Routes. For the purpose of rate regulation, these amounts are applied to our deferred fuel cost accounts. (See "The Effect of Rate Regulation" above for more detail.)

From time to time, we utilize promotional fares designed to stimulate growth in traffic and to direct traffic towards our less busy sailings while ensuring compliance with approved price cap orders. In calculating the average price cap, vehicle and passenger tariffs, as well as reservation fees, are combined. The utilization of promotional fare incentives generally causes the average tariff rate to be under the allowed increase in any one period.

Year to year changes in operational statistics and revenue for the three and nine month periods ended December 31, 2015 and 2014 for the Major, Northern and Other Routes are discussed separately below.

Major Routes

Our Major Routes consist of three regulated routes connecting Metro Vancouver with mid and southern Vancouver Island and our regulated route connecting Horseshoe Bay and Langdale. These are our four busiest routes, carrying over 60% of our vehicle traffic and over 64% of our passenger traffic during the three and nine month periods ended December 31, 2015 and 2014.

	Three months ended December 31		Nine months ended December 31	
Operational Statistics	**2015**	**2014**	**2015**	**2014**
Vehicle traffic	1,071,104	1,015,404	3,891,279	3,714,108
Passenger traffic	2,823,002	2,711,578	10,936,173	10,486,027
On-time performance	81.2%	86.0%	79.3%	81.5%
Number of round trips	2,944	2,952	9,817	9,740
Capacity provided (AEQs)	2,123,356	2,117,222	7,048,730	6,994,704
AEQs carried	1,263,698	1,201,638	4,564,690	4,367,289
Capacity utilization	59.5%	56.8%	64.8%	62.4%

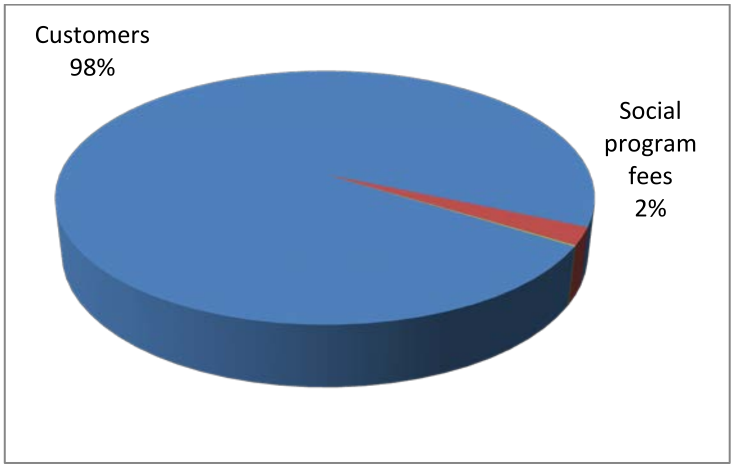
In the three months ended December 31, 2015, vehicle traffic increased 5.5% (4.8% year-to-date) and passenger traffic increased 4.1% (4.3% year-to-date) compared to the same period in the prior year. Commercial traffic, a component of vehicle traffic, increased 2.7% in the quarter (2.2% year-to-date), while drop-trailer traffic, a component of total commercial traffic, decreased 1.2% in the quarter resulting in a net 2.8% increase year-to-date. Traffic was favourably impacted by lower fuel prices, the lower Canadian dollar and our fare discounts on under-utilized sailings.

From mid-November to mid-December 2015, we offered a 50% promotional discount on vehicle fares on under-utilized sailings, and through most of the month of September 2015 we offered a 50% promotional discount on passenger fares on under-utilized sailings. We believe that these pricing promotions played a part in shifting some discretionary traffic to off-peak sailings, and may even have contributed to an increase in traffic compared to the same periods in the prior year.

In the third quarter of fiscal 2016, on-time performance decreased by 4.8% (2.2% year-to-date) compared to the same period in the prior year, mainly due to the impact of unfavourable weather and the significant traffic increase, partially offset by procedural improvements implemented at the Horseshoe Bay terminal.

Capacity utilization on these routes during the three and nine months ended December 31, 2015 was higher compared to the same period in the prior year as a result of a higher number of AEQs carried, partially offset by an increase in capacity provided.

Major Routes cont'd



In the nine months ended December 31, 2015, revenue from our Major Routes consisted of 98% from customers and 2% from the Province.

Revenue ($ thousands)	Three months ended December 31			Nine months ended December 31		
	2015	**2014**	**Increase (Decrease)**	**2015**	**2014**	**Increase (Decrease)**
Direct Route Revenue						
Vehicle tariff	61,298	58,207	3,091	229,356	212,700	16,656
Passenger tariff	37,146	35,230	1,916	144,525	135,647	8,878
Fuel (rebates) surcharges	(1,126)	2,534	(3,660)	(4,254)	11,033	(15,287)
Catering & on-board	17,360	15,654	1,706	62,638	58,057	4,581
Social program fees	3,417	3,138	279	11,050	10,317	733
Reservation fees	3,622	2,927	695	14,708	12,255	2,453
Parking	1,060	1,015	45	3,744	3,541	203
Other revenue	905	742	163	2,547	2,514	33
Total Direct Route Revenue	123,682	119,447	4,235	464,314	446,064	18,250
Indirect Route Revenue						
Ferry transportation fees	237	250	(13)	709	749	(40)
Total Route Revenue	123,919	119,697	4,222	465,023	446,813	18,210

Average tariff ($)	Three months ended December 31			Nine months ended December 31		
	2015	**2014**	**Increase**	**2015**	**2014**	**Increase**
Vehicle tariff ($000's)	61,298	58,207		229,356	212,700	
Vehicle traffic	1,071,104	1,015,404		3,891,279	3,714,108	
Average tariff per vehicle	57.23	57.32	(0.09)	58.94	57.27	1.67
Passenger tariff ($000's)	37,146	35,230		144,525	135,647	
Passenger traffic	2,823,002	2,711,578		10,936,173	10,486,027	
Average tariff per passenger	13.16	12.99	0.17	13.22	12.94	0.28

Major Routes cont'd

In the three months ended December 31, 2015, average tariff revenue per vehicle decreased $0.09 or 0.2% compared to the same period in the prior year primarily as a result of our 50% vehicle fare discount on under-utilized sailings from mid-November to mid-December. Year-to-date, average tariff revenue per vehicle increased $1.67 or 2.92% compared to the same period in the prior year. In the three months ended December 31, 2015, average tariff revenue per passenger increased $0.17 or 1.3% ($0.28 or 2.2% year-to-date) compared to the same period in the prior year. The year-to-date increase in average tariff revenues reflects the price cap increase authorized by the Commissioner, partially offset by the impact of our 50% passenger fare discount on under-utilized sailings throughout most of the month of September and the impact of our 50% vehicle fare discount on under-utilized sailings from mid-November to mid-December. The increase in both traffic levels and the changes in average tariffs during the third quarter of fiscal 2016 resulted in a tariff revenue increase of $5.0 million ($25.5 million year-to-date).

On April 1, 2015, due to lower fuel prices, a fuel rebate of 1% was implemented on our Major Routes which partially mitigated the impact of the tariff increase. In fiscal 2015, fuel surcharges of 3.4% on average were in place from April 1, 2014 to December 17, 2014 on our Major Routes. For regulatory purposes, these amounts are applied to our deferred fuel cost accounts. (See “The Effect of Rate Regulation” above for more detail.)

All vessels that provide service on our Major Routes have a gift shop and options for food service. In the three months ended December 31, 2015, catering and on-board sales increased 10.9% (7.9% year-to-date) compared to the same period in the prior year as a result of both higher passenger traffic and higher average sales per passenger. Food sales remain strong, providing approximately 75% of the total catering and on-board revenue. Sales of quality apparel continue to grow and now comprise approximately 10% of total catering and on-board revenue.

Social program fees are reimbursements from the Province of discounts provided on fares for BC seniors, students travelling to and from school, persons with disabilities and persons travelling under the Ministry of Health Travel Assistance Program (MTAP). On April 1, 2014, we implemented the Province's decision to reduce the passenger fare discount for BC seniors travelling Mondays to Thursdays from 100% to 50%. In fiscal 2015, we experienced a decrease of 15% in the number of seniors using the program. In the three and nine months ended December 31, 2015, there was a marginal increase in the number of seniors using the program compared to the same periods in fiscal 2015. Social program fees increased $0.3 million in the three months ended December 31, 2015 ($0.7 million year-to-date) compared to the same period in the prior year mainly as a result of more seniors and students travelling and an increase in the number of people using the MTAP program.

Reservation fees increased primarily as a result of a greater percentage of customers reserving space.

Revenue from parking increased mainly due to higher passenger traffic.

Ferry transportation fees on the Major Routes represent funds received from the Province related to the import duty remission on one of our foreign-built vessels. These funds reduce over time as the vessel depreciates. For the purpose of rate regulation, this amount is applied to our deferred fuel cost accounts. (See “The Effect of Rate Regulation” above for more detail.)

Northern Routes

Our Northern Routes consist of two regulated routes operating on the British Columbia coast north of Port Hardy on Vancouver Island.

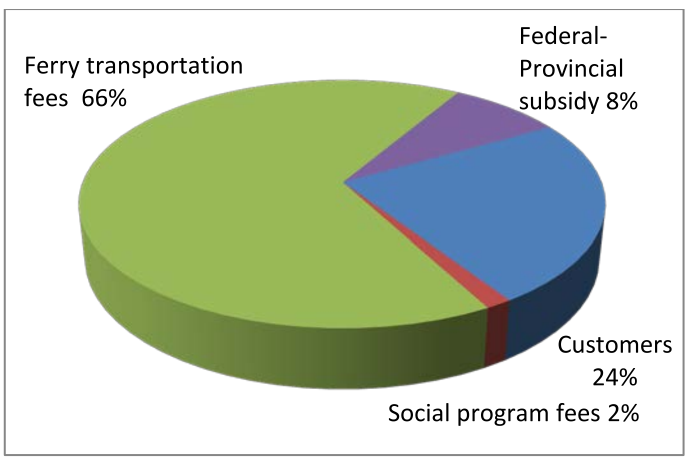
Operational Statistics	Three months ended December 31 2015	Three months ended December 31 2014	Nine months ended December 31 2015	Nine months ended December 31 2014
Vehicle traffic	5,105	4,340	24,930	22,651
Passenger traffic	12,557	10,725	70,293	64,850
On-time performance	97.1%	85.8%	90.9%	89.0%
Number of round trips	40.0	39.0	187.0	186.5
Capacity provided (AEQs)	11,616	11,324	50,532	50,222
AEQs carried	6,305	5,446	30,217	27,604
Capacity utilization	54.3%	48.1%	59.8%	55.0%

In the three months ended December 31, 2015, vehicle traffic increased 17.6% (10.1% year-to-date) and passenger traffic increased 17.1% (8.4% year-to-date) compared to the same period in the prior year. Traffic was favourably impacted by lower fuel prices, the lower Canadian dollar and by our fare discounts on under-utilized sailings.

From mid-November to mid-December 2015, we offered a 50% promotional discount on vehicle fares on all sailings, and throughout the month of October 2015 we offered a 50% promotional discount on all passenger fares. We believe that these pricing promotions contributed to an increase in both vehicle and passenger traffic compared to the same period in the prior year.

On-time performance in the three months ended December 31, 2015 improved by 11.3% (1.9% year-to-date) over the same period in the prior year as a result of schedule changes which allow operational efficiencies at the terminals.

Capacity utilization on these routes during the three and nine months ended December 31, 2015 was significantly higher than the same periods in the prior year primarily as a result of a higher number of AEQs carried.



In the nine months ended December 31, 2015, revenue from our Northern Routes consisted of 24% from customers and 76% from the Province (2% social program fees, 66% ferry transportation fees, and 8% from payments under the Federal-Provincial subsidy agreement).

Northern Routes cont'd

Revenue ($ thousands)	**Three months ended December 31**			**Nine months ended December 31**		
	2015	**2014**	**Increase (Decrease)**	**2015**	**2014**	**Increase (Decrease)**
Direct Route Revenue						
Vehicle tariff	1,047	1,053	(6)	6,935	6,523	412
Passenger tariff	542	579	(37)	6,146	5,741	405
Catering & on-board	222	180	42	1,908	1,758	150
Social program fees	199	187	12	945	859	86
Stateroom rental	265	238	27	1,147	1,061	86
Hostling & other	46	35	11	189	171	18
Total Direct Route Revenue	2,321	2,272	49	17,270	16,113	1,157
Indirect Route Revenue						
Ferry transportation fees	9,839	9,927	(88)	44,912	48,154	(3,242)
Federal-Provincial subsidy	1,843	1,819	24	5,529	5,457	72
Total Route Revenue	14,003	14,018	(15)	67,711	69,724	(2,013)

Average tariff ($)	**Three months ended December 31**			**Nine months ended December 31**		
	2015	**2014**	**Increase**	**2015**	**2014**	**Increase (Decrease)**
Vehicle tariff ($000's)	1,047	1,053		6,935	6,523	
Vehicle traffic	5,105	4,340		24,930	22,651	
Average tariff per vehicle	205.09	242.63	(37.54)	278.18	287.98	(9.80)
Passenger tariff ($000's)	542	579		6,146	5,741	
Passenger traffic	12,557	10,725		70,293	64,850	
Average tariff per passenger	43.16	53.99	(10.83)	87.43	88.53	(1.10)

In the three months ended December 31, 2015, average tariff revenue per vehicle decreased $37.54 or 15.5% and average tariff revenue per passenger decreased $10.83 or 20.1% compared to the same period in the prior year. Year-to-date, average tariff revenue per vehicle decreased $9.80 or 3.4% and average tariff per passenger decreased $1.10 or 1.2% compared to the same period in the prior year. Average tariff revenues reflect a change in the proportion of traffic on routes with lower versus higher tariffs, the price cap increase authorized by the Commissioner and the impact of our fare discounts on under-utilized sailings in the third quarter of fiscal 2016. The increase in traffic levels, partially offset by the decreases in average tariffs in the third quarter of fiscal 2016 resulted in total tariff revenue marginally lower in the quarter and a year-to-date increase of $0.8 million.

There were no fuel surcharges or rebates in place on our Northern Routes in the first three quarters of fiscal 2016 or 2015.

Reimbursements from the Province for social program fees increased primarily as a result of an increase in the use of the MTAP program.

Revenue from catering and on-board services increased 23.3% in the quarter (8.5% year-to-date) compared to the same period in the prior year as a result of higher passenger levels and higher average sales per passenger.

Northern Routes cont'd

Stateroom rental revenue increased due to higher sales mainly attributable to higher passenger levels.

Hostling and other revenues increased in the three months ended December 31, 2015 mainly as a result of higher traffic levels.

Ferry transportation fees received from the Province remained materially unchanged in the quarter compared to the same period in the prior year. Ferry transportation fees decreased $3.2 million year-to-date compared to the same period in the prior year as a result of the following:

- $2.3 million reduction primarily as a result of differences in the monthly schedule of round trips (fiscal 2016 ferry transportation fees are expected to be approximately $1.8 million lower than last year); and
- $1.2 million decrease in fees related to a lower fuel price. For regulatory purposes, the amounts received relating to the price of fuel, are applied to our deferred fuel cost accounts (see "The Effect of Rate Regulation" above for more detail); partially offset by:
- $0.3 million increase in respect of BC senior discounts.

The Federal-Provincial subsidy has increased by the change in the annual Consumer Price Index (CPI) (Vancouver).

Other Routes

Our Other Routes consist of 18 regulated routes and eight small unregulated routes primarily serving the northern and southern Gulf Islands and the northern Sunshine Coast. One of the regulated routes and all of the unregulated routes are operated under contract by alternative service providers. We receive fees from the Province for the provision of contracted services on these routes, which are included in the ferry transportation fees in the table below.

	Three months ended December 31		Nine months ended December 31	
Operational Statistics[1]	**2015**	**2014**	**2015**	**2014**
Vehicle traffic	723,582	689,573	2,518,295	2,428,461
Passenger traffic	1,549,605	1,498,188	5,711,628	5,520,444
On-time performance	94.2%	95.3%	91.8%	91.9%
Number of round trips	15,858.5	15,812	48,091.5	49,110
Capacity provided (AEQs)	1,906,002	1,907,078	5,908,488	5,928,880
AEQs carried	772,233	735,666	2,692,747	2,593,033
Capacity utilization	40.5%	38.6%	45.6%	43.7%

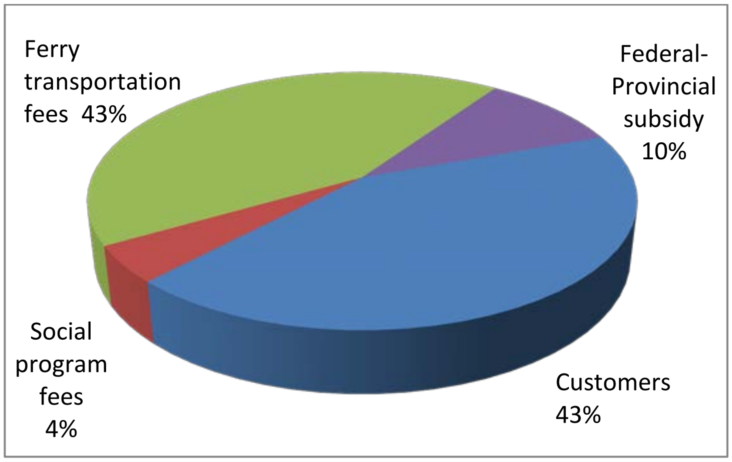
In the three months ended December 31, 2015, vehicle traffic increased 4.9% (3.7% year-to-date) and passenger traffic increased 3.4% (3.5% year-to-date) compared to the same period in the prior year. Traffic was favourably impacted by lower fuel prices, the lower Canadian dollar and the impact of our fare discounts on under-utilized sailings.

From mid-November to mid-December 2015, we offered a 50% promotional discount on vehicle fares on under-utilized sailings, and through most of the month of September 2015 we offered a 50% promotional discount on passenger fares on under-utilized sailings. We believe that these pricing promotions played a part in shifting some discretionary traffic to off-peak sailings, and may even have contributed to an increase in traffic compared to the same periods in the prior year.

Capacity utilization during the three months ended December 31, 2015 increased compared to the same period in the prior year mainly as a result of a higher number of AEQs carried. Capacity utilization during the nine months ended December 31, 2015 increased compared to the same period in the prior year as a result of a higher number of AEQs carried and decreased capacity provided due to vessel substitutions and a reduction in the number of round trips in the first quarter of fiscal 2016 as a result of Provincial service level adjustments.

[1] The statistics provided exclude the unregulated routes

Other Routes cont'd



In the nine months ended December 31, 2015, revenue from our Other Routes consisted of 43% from customers and 57% from the Province (4% social program fees, 43% ferry transportation fees, and 10% from payments under the Federal-Provincial subsidy agreement).

Revenue ($ thousands)	**Three months ended December 31**			**Nine months ended December 31**		
	2015	**2014**	**Increase (Decrease)**	**2015**	**2014**	**Increase (Decrease)**
Direct Route Revenue						
Vehicle tariff	9,973	9,327	646	38,353	35,369	2,984
Passenger tariff	7,000	6,679	321	27,615	26,108	1,507
Fuel (rebates) surcharges	(224)	511	(735)	(848)	2,160	(3,008)
Social program fees	2,359	2,293	66	7,463	7,061	402
Catering & on-board	868	890	(22)	3,661	3,495	166
Reservation fees	56	44	12	254	214	40
Parking & other	103	108	(5)	271	309	(38)
Total Direct Route Revenue	20,135	19,852	283	76,769	74,716	2,053
Indirect Route Revenue						
Ferry transportation fees	23,061	23,119	(58)	69,817	71,015	(1,198)
Federal-Provincial subsidy	5,340	5,270	70	16,019	15,810	209
Total Route Revenue	48,536	48,241	295	162,605	161,541	1,064

Other Routes cont'd

Average tariff ($)	Three months ended December 31			Nine months ended December 31		
	2015	2014	Increase	2015	2014	Increase (Decrease)
Vehicle tariff ($000's)	9,973	9,327		38,353	35,369	
Vehicle traffic	723,582	689,573		2,518,295	2,428,461	
Average tariff per vehicle	13.78	13.53	0.25	15.23	14.56	0.67
Passenger tariff ($000's)	7,000	6,679		27,615	26,108	
Passenger traffic	1,549,605	1,498,188		5,711,628	5,520,444	
Average tariff per passenger	4.52	4.46	0.06	4.83	4.73	0.10

In the three months ended December 31, 2015, average tariff revenue per vehicle increased $0.25 or 1.8% ($0.67 or 4.6% year-to-date) and average tariff revenue per passenger increased $0.06 or 1.3% ($0.10 or 2.1% year-to-date) compared to the same period in the prior year. The year-to-date increase in average tariff revenues reflects the price cap increase authorized by the Commissioner and a change in the proportion of traffic on routes with higher versus lower tariffs, partially offset by the impact of our fare discounts on under-utilized sailings. The increase in both traffic levels and the increase in average fares resulted in a total tariff revenue increase of $1.0 million during the third quarter ($4.5 million year-to-date).

On April 1, 2015, due to lower fuel prices, a fuel rebate of 1% was implemented on our regulated Other Routes which partially mitigated the impact of the tariff increase. In fiscal 2015, fuel surcharges of 3.4% on average were in place from April 1, 2014 to December 17, 2014 on our regulated Other Routes. For regulatory purposes, these amounts are applied to our deferred fuel cost accounts. (See "The Effect of Rate Regulation" above for more detail.)

On April 1, 2014, we implemented the Province's decision to reduce the passenger fare discount for BC seniors travelling Mondays to Thursdays from 100% to 50%. In fiscal 2015, we experienced a decrease of 8% in the number of seniors using the program. In the three and nine months ended December 31, 2015, there was an 8% increase in the number of seniors using the program. Social program fees increased as a result of more seniors and students travelling and an increase in the number of people using the MTAP program.

Revenue from catering and on-board services decreased marginally in the quarter compared to the same period in the prior year as a result of lower average sales per passenger, mainly offset by an increase in passenger traffic. Year-to-date, revenue from catering and on-board services increased $0.2 million compared to the same period in the prior year as a result of both higher passenger traffic and higher average sales per passenger.

Reservation revenue increased as a result of a greater percentage of customers reserving space.

Parking and other revenues decreased mainly due to lower commission from vendors and lower charter revenues.

Ferry transportation fees received from the Province decreased $0.1 million in the quarter ($1.2 million year-to-date) compared to the same period in the prior year as a result of the following:

- $0.2 million ($1.6 million year-to-date) decrease as a result of differences in the monthly schedule of round trips (fiscal 2016 ferry transportation fees are expected to be approximately $2.9 million lower than the prior year); partially offset by:
- $0.1 million ($0.4 million year-to-date) increase in ferry transportation fees in respect of senior discounts.

The Federal-Provincial subsidy has increased by the change in the annual CPI (Vancouver).

Expenses
Expenses for the three and nine months ended December 31, 2015 and 2014 are summarized in the tables below:

Operating expenses ($ millions)	**Three months ended December 31**			**Nine months ended December 31**		
	2015	**2014**	**Increase (Decrease)**	**2015**	**2014**	**Increase (Decrease)**
Operations	105.6	105.0	0.6	342.3	345.5	(3.2)
Maintenance	18.5	19.2	(0.7)	52.7	48.3	4.4
Administration	8.5	7.4	1.1	24.7	23.0	1.7
Total operations, maintenance & administration	132.6	131.6	1.0	419.7	416.8	2.9
Cost of retail goods sold	7.9	7.2	0.7	28.5	26.3	2.2
Depreciation and amortization	35.9	35.4	0.5	106.8	106.2	0.6
Total operating expenses	176.4	174.2	2.2	555.0	549.3	5.7

We continue to take proactive measures to contain and reduce expenses while operating a safe and reliable service.

In the three months ended December 31, 2015, operations expenses increased $0.6 million compared to the same period in the prior year mainly due to:

- $2.4 million increase in wages and benefits costs, mainly due to the bargaining unit wage rate increase of 2% effective April 1, 2015 in accordance with the Collective Agreement, an increase in overtime and in hours spent in training activities;
- $0.6 million increase in contracted services;
- $0.3 million increase in promotional advertising;
- $0.3 million increase in insurance claims, credit card fees and parts and supplies; and
- $0.2 million increase in various operating areas;

partially offset by:

- $3.2 million decrease in fuel expense reflecting a $3.7 million or 13.7% decrease in fuel prices, partially offset by a $0.5 million or 1.9% increase in fuel consumption resulting primarily from additional round trips provided on the Other Routes. For purposes of rate regulation, in the three months ended December 31, 2015, $1.4 million of fuel expenses recorded in deferred fuel cost accounts was settled through fuel rebates. (See "The Effect of Rate Regulation" above for more detail.)

Year-to-date, operations expense decreased $3.2 million compared to the same period in the prior year mainly due to:

- $13.7 million decrease in fuel expense reflecting a $15.4 million or 15.7% decrease in fuel prices, partially offset by a $1.7 million or 1.7% increase in fuel consumption resulting primarily from additional round trips provided to accommodate higher traffic levels on the Major Routes. For purposes of rate regulation, in the nine months ended December 31, 2015, $5.1 million of fuel expenses recorded in deferred fuel cost accounts was settled through fuel rebates. (See "The Effect of Rate Regulation" above for more detail.);

partially offset by:

- $7.3 million year-to-date increase in wages and benefits costs, mainly due to the bargaining unit wage rate increase of 2% effective April 1, 2015 in accordance with the Collective Agreement, an increase in overtime and in hours spent in training activities;
- $1.7 million increase in contracted services;
- $0.6 million increase in parts and supplies;
- $0.3 million increase in promotional advertising;
- $0.2 million increase in travel expenses;
- $0.2 million increase in insurance claims and credit card fees; and
- $0.2 million increase in various operating areas.

Maintenance costs decreased during the third quarter by $0.7 million compared to the same period in the prior year. Year-to-date maintenance costs increased by $4.4 million compared to the same period in the prior year. The changes in expense are as a result of variations in vessel refit scheduling and increased terminal maintenance.

The $1.1 million ($1.7 million year-to-date) increase in administration costs is mainly due to higher wages and benefits due to the filling of positions vacant since the prior year, computer software licencing costs and contracted services.

The $0.7 million ($2.2 million year-to-date) increase in cost of retail goods sold reflects the increase in overall sales and rising food costs.

Depreciation and amortization increased $0.5 million ($0.6 year-to-date) for the three months ended December 31, 2015 compared to the same period in the prior year, reflecting higher depreciation resulting from the new capital assets that have entered service offset by lower depreciation resulting from extending our vessel lives from 40 years to 45 years. (See “Investing in our Capital Assets” below for details of significant capital asset expenditures.)

Net finance and other expenses ($ millions)	**Three months ended December 31**			**Nine months ended December 31**		
	2015	**2014**	**Increase (Decrease)**	**2015**	**2014**	**Increase (Decrease)**
Finance expense						
Bond interest	14.6	14.6	-	43.6	45.3	(1.7)
KfW bank group (KfW) loans	1.4	1.6	(0.2)	4.3	5.1	(0.8)
Interest on finance lease	0.5	0.5	-	1.5	1.5	-
Short-term debt	-	-	-	0.2	0.2	-
Structured Financing Facility Program	-	(0.4)	0.4	0.0	(0.4)	0.4
Capitalized interest	(1.4)	(0.9)	(0.5)	(4.0)	(2.4)	(1.6)
Total finance expense	15.1	15.4	(0.3)	45.6	49.3	(3.7)
Less: finance income	(1.0)	(1.1)	0.1	(3.4)	(3.1)	(0.3)
Net finance expense	14.1	14.3	(0.2)	42.2	46.2	(4.0)
(Gain) loss on disposal of plant and equipment	(0.2)	-	(0.2)	-	-	-
Total net finance and other expenses	13.9	14.3	(0.4)	42.2	46.2	(4.0)

In the three months ended December 31, 2015, net finance and other expenses decreased $0.4 million compared to the same period in the prior year due to:

- $0.5 million increase in capitalized interest;
- $0.2 million decrease in interest on KfW loans, reflecting $15.8 million in principal repayments and
- $0.2 million gain on disposal of property, plant and equipment;

  partially offset by:
- $0.4 million decrease in funds received from the Structured Financing Facility Program; and
- $0.1 million decrease in finance income.

Year-to-date, net finance and other expenses decreased $4.0 million compared to the same period in the prior year due to:

- $1.7 million decrease in bond interest reflecting the net effect of the lower effective interest rates on the $200 million of senior secured bonds issued in the first quarter of fiscal 2015 and the higher effective interest rate on the $250 million of senior secured bonds which matured in the first quarter of fiscal 2015;
- $1.6 million increase in capitalized interest;
- $0.8 million year-to-date decrease in interest on KfW loans, reflecting $15.8 million in principal repayments; and
- $0.3 million increase in finance income;

  partially offset by:
- $0.4 million decrease in funds received from the Structured Financing Facility Program.

Liquidity and Capital Resources

We fund our operations and capital acquisitions with cash flow generated from operations, as well as bank financing and debt issues.

We expect that our cash requirements, in the near term, will be met through operating cash flows and by accessing our credit facility from time to time. At December 31, 2015, our unrestricted cash and cash equivalents and other short-term investments totalled $196 million. Our unrestricted cash and cash equivalents include cash on hand and fixed rate instruments with a maturity of less than three months. Other short-term investments include fixed rate instruments with a maturity of more than three months.

Our $155 million credit facility matures April 2020. The facility is available to fund capital expenditures and other general corporate purposes. At December 31, 2015, there were no draws on this credit facility.

We target maintaining a strong investment-grade credit rating to allow capital market access at reasonable interest rates. Our credit ratings at December 31, 2015 were “A” (DBRS) with a stable trend and “AA-” (S&P) with a stable outlook.

On September 30, 2012, the Commissioner issued Order 12-02, which established price cap increases for the balance of PT3, which ends March 31, 2016. These price cap increases are sufficient to enable us to meet our debt obligations and maintain access to borrowing rates that, in the opinion of the Commissioner, are reasonable. The order indicated that the Commissioner had established the price caps with the intention of allowing us to achieve, by the end of PT3, equity not less than 17.5% of total capitalization and a debt service ratio (“DSCR”) of 2.5 or greater.

On September 16, 2015, the Commissioner issued Order 15-03, which established price cap increases for performance term four (“PT4”), which will start on April 1, 2016 and end on March 31, 2020. We believe that these price cap increases will be sufficient to enable us to meet our debt obligations and maintain access to borrowing rates that, in the opinion of the Commissioner, are reasonable and that targets for equity as a percentage of total capitalization and DSCR are achievable.

At December 31, 2015 we achieved equity to total capitalization of 23.48% and a DSCR of 3.12.

On November 12, 2015, we executed a loan agreement with KfW IPEX-Bank GmbH, a German export credit bank. This loan agreement is secured under the Master Trust Indenture and allows for three loans of up to $45 million each. These amortizing loans will be repaid over a 12-year term and bear an annual interest rate of 2.09%. The net proceeds will be used to partially finance the purchase of our three new Salish Class vessels and will coincide with the conditional acceptance of each of the vessels from the shipyard.

Sources & Uses of Cash

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

Sources and uses of cash and cash equivalents for the nine months ended December 31, 2015 and 2014 are summarized in the table below:

	Nine months ended December 31		
($ millions)	**2015**	**2014**	**Increase (Decrease)**
Cash and cash equivalents, beginning of period	65.6	71.4	(5.8)
Cash from operating activities:			
Net earnings	99.6	84.2	15.4
Items not affecting cash	153.4	148.3	5.1
Changes in non-cash operating working capital	(4.5)	(5.6)	1.1
Net interest paid	(47.6)	(51.2)	3.6
Cash generated by operating activities	200.9	175.7	25.2
Cash used in financing activities	(16.7)	(71.8)	55.1
Cash used in investing activities	(154.4)	(78.7)	(75.7)
Net increase in cash and cash equivalents	29.8	25.2	4.6
Cash and cash equivalents, end of period	95.4	96.6	(1.2)

For the nine months ended December 31, 2015, cash generated by operating activities increased by $25.2 million compared to the same period in the prior year, due to an increase in net earnings, items not affecting cash, changes in non-cash operating working capital, and a decrease in net interest paid.

Cash used in financing activities in the nine months ended December 31, 2015 was $16.7 million. This amount consisted of $15.8 million in repayment of KfW loans and $0.9 million in repayment of finance lease obligations.

Cash used in financing activities in the nine months ended December 31, 2014 was $71.8 million. This amount consisted of the redemption of our $250 million bond Series 04-1; repayment of $12.0 million of KfW loans; $9.0 million in bond financing costs; and $0.8 million in repayment of finance lease obligations; partially offset by proceeds of $200 million from our April 2014 bond Series 14-1 issuance.

Cash used in investing activities in the nine months ended December 31, 2015 increased by $75.7 million compared to the same period in the prior year, due to a $56.7 million increase in cash used to purchase short-term investments, a $2.8 million change in debt service reserve requirements and a $16.2 million net increase in cash used for capital expenditures. (See "Investing in Our Capital Assets" below for detail of significant capital expenditures.)

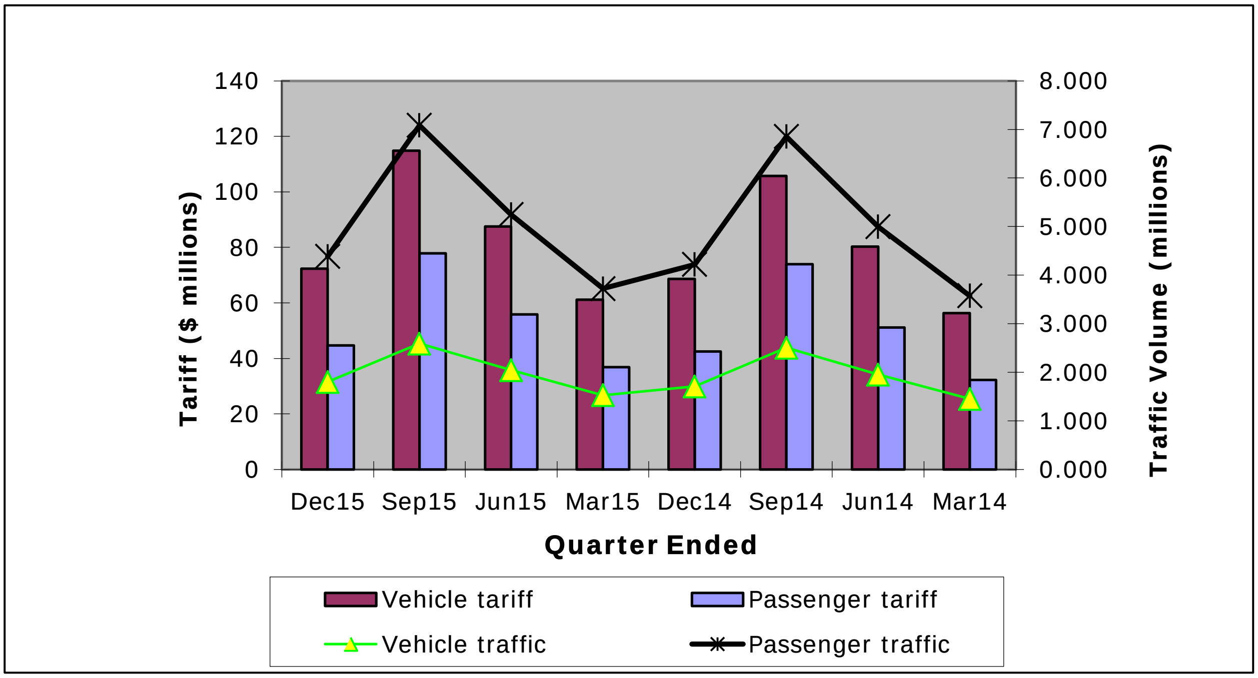
SUMMARY OF QUARTERLY RESULTS

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

	Quarter Ended (unaudited)							
($ millions)	**Dec 15**	**Sep 15**	**Jun 15**	**Mar 15**	**Dec 14**	**Sep 14**	**Jun 14**	**Mar 14**
Total revenue	186.6	292.5	217.7	161.4	182.4	284.2	213.1	153.9
Operating profit (loss)	10.2	98.5	33.1	(11.8)	8.2	91.6	30.6	(21.3)
Net (loss) earnings	(3.7)	84.5	18.8	(35.1)	(6.1)	76.4	13.9	(38.3)
Other comprehensive (loss) income	(11.7)	(3.6)	3.5	2.7	(7.4)	(2.9)	(2.4)	(5.0)
Total comprehensive (loss) income	(15.4)	80.9	22.3	(32.4)	(13.5)	73.5	11.5	(43.3)

Quarterly results are affected by the seasonality of leisure travel patterns. The second quarter, covering the summer period, experiences the highest traffic levels and the highest net earnings. The third and fourth quarters reflect a seasonal reduction in traffic. We utilize these periods to perform upgrades and major maintenance and refit programs, as well as to undertake mandatory inspections on the majority of our vessels.

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



Capital Expenditures

Capital expenditures in the three months ended December 31, 2015 totalled $45.6 million ($110.9 million year-to-date).

($ millions)	December 31, 2015	
	3 months	**9 months**
Vessels	28.6	60.2
Information technology	8.9	23.0
Terminal marine structures	6.8	19.4
Terminal and building upgrades and equipment	1.3	8.3
Total capital expenditures	45.6	110.9

Vessels

Capital expenditures for new vessels, vessel upgrades and vessel modifications in the three and nine months ended December 31, 2015 included the following:

($ millions)	December 31, 2015	
	3 months	**9 months**
Major overhauls and inspections	9.5	18.2
New Salish Class vessels	4.3	17.6
Queen of Oak Bay ¾-life upgrade	5.5	6.0
Baynes Sound Connector	2.2	4.7
Queen of Cumberland mid-life upgrade	3.5	4.4
Queen of Coquitlam betterment	1.9	2.4
Navigational equipment upgrades	0.9	2.3
Queen of Capilano mid-life upgrade	-	1.3
Other projects	0.8	3.3
	28.6	60.2

The $18.2 million in major overhauls and inspections completed in the nine months ended December 31, 2015 or currently underway include:

- $4.0 million for the *Queen of Coquitlam*;
- $2.0 million for the *Coastal Inspiration*;
- $1.9 million for the *Queen of Cumberland*;
- $1.8 million for the *Howe Sound Queen*;
- $3.0 million for the *Queen of Nanaimo*;
- $1.4 million for the *Klitsa*;
- $1.4 million for the *Queen of New Westminster*;
- $1.1 million for the *Nimpkish;*
- $0.9 million for the *Coastal Renaissance*;
- $0.5 million for the *Queen of Capilano;* and
- $0.2 million for the *Queen of Oak Bay*.

In July 2014, we entered into contracts with Remontowa Shipbuilding S.A. to build three new Salish (intermediate) Class vessels. The contracts, with a total value of $165 million, form the majority of the total project budget of $252 million. On July 28, 2015, we announced the names of these three new vessels: the *Salish Orca*, the *Salish Eagle* and the *Salish Raven*. On November 24, 2015, the *Salish Orca*, the first of the new Salish Class vessels, was launched and christened at Remontowa Shipbuilding S.A. in Gdansk, Poland. The construction of the other two vessels is progressing on schedule. The new vessels will be dual-fuel capable, designed to run primarily on LNG with marine diesel fuel as a backup. The *Salish Orca* is scheduled for delivery in August 2016, the *Salish Eagle* in November 2016 and the *Salish Raven* in February 2017.

An $18 million project for a three-quarter-life upgrade of the *Queen of Oak Bay* includes significant pipe and steel renewal, upgrades to the electrical system, replacement of the steering gear system, upgrades to the fire protection system, standardization of the bridge and replacement of the emergency generator. Phase 1, completed in February 2015, upgraded the fire protection system, the electrical system and propulsion and installed a new generator, at a total cost of $6 million. Phase 2 will replace the steering gear system, upgrade the bridge and passenger accommodations and is expected to complete by the end of February 2016.

On November 19, 2015 we officially took ownership of our new cable ferry, the *Baynes Sound Connector.* Following extensive crew training and familiarization, and Transport Canada certification, the vessel commenced regularly scheduled service between Buckley Bay on Vancouver Island and Denman Island on February 9, 2016. The *Baynes Sound Connector* will accommodate 50 vehicles and 150 passengers and crew.

An $18 million major upgrade and refit to the *Queen of Cumberland* is under way and includes $14 million for a mid-life upgrade to the propulsion system, passenger accommodation improvements, bridge standardization and safety improvements. The project is expected to complete in the spring of 2016.

A $5 million project for an upgrade to the *Queen of Coquitlam* included the first phase of upgrading the elevator, the passenger accommodations and the electrical distribution and lighting system. The first phase was completed in late November 2015. Remaining to be completed is reconfiguring the gift shop and installing hydraulic actuated fuel oil shut off valves. The remaining tasks are expected to complete in the fall of 2016.

Fiscal 2016 is the fourth year of a four-year program to upgrade vessels with new navigational equipment. This year we expect to spend $3 million on upgrading the radar equipment and gyro compasses on several vessels to improve navigational safety. This will take us further towards bridge standardization.

A $13 million project for a mid-life upgrade of the *Queen of Capilano* included installation of gallery decks which increase capacity, upgrades to the electrical system, replacement of generators, upgrades to the fire protection system, standardization of the bridge and upgrades to the emergency evacuation systems. The vessel returned to service in early May 2015.

Other projects include a power management system for the *Northern Adventure,* a gearbox for the *Bowen Queen,* a three-quarter-life upgrade for the *Queen of Surrey*, the purchase of cylinder heads and planning for the mid-life upgrades for the *Spirit of British Columbia* and the *Spirit of Vancouver Island*.

Information Technology

Capital expenditures for information technology in the three and nine months ended December 31, 2015 included the following:

($ millions)	December 31, 2015 3 months	December 31, 2015 9 months
Customer service program	4.1	10.0
Payroll system replacement	1.4	4.5
Hardware upgrades	0.9	3.2
Oracle eBusiness upgrade	-	1.0
Payment card process enhancement	0.3	0.6
Operations centre system upgrade	0.3	0.7
Fare flexibility and digital experience initiative	0.2	0.4
Other projects	1.7	2.6
	8.9	23.0

Our customer service program will replace our aged point of sale and reservations systems and allow us to respond in a more timely fashion to changing business needs and to support marketing, travel services and pricing initiatives. The main elements of this multi-year program will be implemented in stages, beginning with the installation of a customer relationship management application in 2015. We believe this program will significantly improve our ability to efficiently respond to the changing needs of our customers.

Our payroll system replacement initiative will replace our legacy payroll and labour distribution systems and provide processing efficiencies and flexibility. It is expected to be complete in mid-2016.

Hardware upgrades include the replacement of aged computers, printers, servers, routers, closed-circuit cameras and electronic signage.

Our Oracle financial system upgrade, which included configuration changes to obtain process efficiencies, is now complete.

Our payment card process enhancement project includes designing and implementing an integrated solution for data processing streams of each application that accepts payments.

Our operation centre system upgrade includes replacing the hardware and upgrading the software applications which collect and disseminate information to allow operations to manage service interruptions and security incidents.

Our fare flexibility and digital experience initiative will introduce a new system to manage fares and provide customers with a modernized e-commerce platform with greater online functionality and booking options.

Other projects include software to automate the management of our server environments, software to improve our telecommunication systems, upgrading our safety management system and upgrading our catering and retail inventory management system.

Terminal Marine Structures

Capital expenditures for terminal marine structures in the three and nine months ended December 31, 2015 included the following:

($ millions)		December 31, 2015	
Terminal	Description	**3 months**	**9 months**
Departure Bay	Replace dolphin and gangways	1.6	5.2
Sointula	Berth rebuild	-	5.0
Tsawwassen	Berth rebuild	3.4	3.7
Denman Island and Buckley Bay	Modifications to accommodate the new cable ferry	0.8	2.0
Quathiaski Cove	Trestle and floating lead upgrade	0.1	0.4
Various	Other projects	0.9	3.1
		6.8	19.4

At Departure Bay terminal, a $4 million project to replace the dolphin with a multi-pile turning dolphin and a $3 million project to install active lift gangways are now complete.

At Sointula terminal, a $10 million project to replace the ramp, tower, wingwalls, floating lead and three dolphins to extend the life of the trestle is complete.

At Tsawwassen terminal, a $14 million project to replace the tower, abutment, ramp, dolphins, and wingwalls is underway. This project is expected to complete by the end of the second quarter of fiscal 2017.

Modifications at Denman Island and Buckley Bay terminals, as part of the project for our new cable ferry service, include two contracts totalling $15 million awarded for the supply of two concrete floating pontoons, construction of two berths, expansion of the Denman West holding compound and all associated upland development. These modifications are complete and the cable ferry service is operational.

At Quathiaski Cove terminal, a project to extend the life of the trestle and floating leads by replacing and bracing timber piles is now complete.

Other projects currently in progress include upgrades at Chemanius, Otter Bay, Whaletown, and Langdale terminals.

Terminal and Building Upgrades and Equipment
Capital expenditures for terminal and building upgrades and equipment in the three and nine months ended December 31, 2015 included the following:

($ millions)	December 31, 2015 3 months	December 31, 2015 9 months
Drainage system and holding compound upgrade at Prince Rupert terminal	0.2	3.4
Asphalt resurfacing, signage and security at Tsawwassen terminal	0.3	1.3
Vehicles and other equipment	0.2	1.2
Signage standardization	0.1	0.6
Other terminal projects	0.5	1.8
	1.3	8.3

A $4 million dollar project at Prince Rupert to install an engineered drainage system and a concrete head wall to reduce overflow, and to repave the holding compound is now complete.

Several improvement projects are substantially complete or underway at Tsawwassen terminal, including asphalt resurfacing, upgrade of way-finding signage, installation of digital destination signs at the toll booths, upgrade of lighting for security purposes and replacing flooring and windows in the administration building.

Vehicles and other equipment include welding trucks, tow tractors and forklifts at our maintenance facility.

Several signage standardization projects are in progress including way-finding signage at Horseshoe Bay, Duke Point, Departure Bay, Prince Rupert and Village Bay terminals.

Other projects currently in progress include upgrades at Langdale, Hornby and Little River terminals.

OUTLOOK

We anticipate that mild growth in the Canadian economy together with a low Canadian dollar and low fuel prices will support strong vehicle and passenger levels. We are continuing our cost containment program, while maintaining safe, reliable service. We will continue to invest in our vessel, marine, terminal and information system infrastructure, as well as our training, safety and maintenance programs.

We continue to explore strategies to create an affordable and sustainable ferry system beyond fiscal 2016, by optimizing our service routes, standardizing our vessels, optimizing our fuel consumption, and reducing our environmental impact through the installation of alternative technologies and LNG propulsion. We have also started testing variable pricing concepts as we prepare for a new revenue management system and a new reservation and point-of-sale system. We continue to look at ways to diversify our revenue sources, increase operational efficiencies, and leverage opportunities for federal infrastructure funding and provincial incentive funding to renew our fleet and terminals.

Traffic

Overall, vehicle traffic increased 4.4% while passenger traffic increased 4.0% in the nine months ended December 31, 2015 compared to the same period in the prior year. Traffic levels in the period are discussed above in “Financial and Operational Overview”.

We believe the US economy and the outlook for the travel industry will continue to improve. With the lower value of the Canadian dollar versus the US dollar and the lower cost of fuel, we believe that passenger and vehicle traffic will remain strong in the near term. We expect this will sustain the improved discretionary traffic levels we are experiencing.

Financial performance

We expect positive net earnings in fiscal 2016, reflecting a significant increase in traffic, increases to average fares in accordance with the Commissioner’s Order 12-02 and continued cost management, coupled with ongoing expenditure reductions realized from the Province’s adjustments to service levels.

We expect an increase in total revenue in fiscal 2016, reflecting increases in traffic, higher catering and on-board revenues, and the impact of the April 1, 2015 tariff increases, partially offset by the net cost of pricing promotions and marginally lower ferry transportation fees.

During September and October, we offered a 50% promotional discount on passenger fares on under-utilized sailings across our fleet, and from mid-November through mid-December we offered a 50% promotional discount on vehicle fares on under-utilized sailing across our fleet. We believe that this pricing promotion played a part in shifting some discretionary traffic to off-peak sailings, and contributed to an increase in traffic compared to the same period in the prior year.

We are considering future pricing promotions. These promotions give us the opportunity to test variable pricing and will provide information on traffic trends, customer responses and impacts to operations for the fare flexibility and digital experience initiative. This initiative is expected to commence in fiscal 2018 and will change the way we price fares. It will give customers an opportunity to purchase travel in advance at discounted rates, on select off-peak sailings on reservable routes. We expect it will also help shift traffic to sailings that typically run with low capacity utilization.

We expect a modest increase in total expenses in fiscal 2016, reflecting higher wage and benefit costs due to the April 1, 2015 bargaining unit wage increase, increased traffic levels and other operational related costs, partially offset by lower fuel costs. We continue to manage our costs prudently without compromising safe operations.

Effective April 1, 2016, the CFSC was amended for PT4, being the period from April 1, 2016 to March 31, 2020. Amendments include the establishment of ferry transportation fees for PT4 and changes in the structure for the funding of BC seniors discounts. On September 16, 2015, the Commissioner issued Order 15-03 which established the final price cap increases of 1.9%, for each of the four years of PT4 commencing April 1, 2016.

Asset renewal program

Our capital expenditures are expected to increase over the next twelve years as we begin to replace 18 aged minor and intermediate-sized vessels, execute mid-life upgrades for the Spirit Class vessels, make significant improvements at our terminals, and renew our information technology infrastructure.

LNG - New vessels and mid-life upgrades

On November 24, 2015, the *Salish Orca*, the first of the new Salish (intermediate) Class vessels, was launched and christened at Remontowa Shipbuilding S.A. in Gdansk, Poland. On June 1, and September 1, 2015, the keel-laying for the other two new intermediate vessels took place also at Remontowa Shipbuilding S.A. in Gdansk, Poland. The contracts with Remontowa total $165 million and form the majority of the total project budget of $252 million. These contracts are design-build, fixed price contracts that provide us with substantial guarantees related to delivery dates, performance criteria, cost certainty and quality of construction. The new Salish Class vessels will be dual-fuel capable, designed to run primarily on LNG with marine diesel fuel as a backup. These vessels will set a new level of efficiency with standardized bridges, engine rooms and lifesaving equipment moving us to a higher standard and improving interoperability. The new vessels are scheduled for delivery in August 2016, November 2016 and February 2017. The *Salish Orca* and the *Salish Eagle* will replace the 51-year old *Queen of Burnaby* on the Comox – Powell River route and the 52-year old *Queen of Nanaimo on the Tsawwassen – Southern Gulf Islands* route, respectively. The *Salish Raven* is expected to service the Southern Gulf Islands.

Both LNG and the marine diesel we currently use meet all domestic and international emissions regulations. We believe that a move to LNG would reduce costs and emissions. At this time, even with the current drop in diesel oil prices, LNG is less expensive than the ultra-low sulphur diesel we currently use and has significantly less emissions. We believe that LNG is a viable option for future new vessels and, as noted above, our three new Salish Class vessels will have the capability to run on it.

We also analyzed LNG as an option for existing vessels undergoing major retrofits and intend to pursue the option where it is economically and technically feasible. The *Spirit of Vancouver Island* and the *Spirit of British Columbia,* our two largest vessels*,* will be undergoing mid-life upgrades and conversion of their main propulsion systems to dual fuel capable such that they will use LNG as their primary fuel. On January 15, 2016, we submitted a supplemental application to the Commissioner for our Spirit Class Mid-Life Upgrades Project, reflecting updated capital cost estimates for the project. On January 29, 2016, the Commissioner issued Order 14-03B, approving the revised maximum amount of the major capital expenditure for the project, and on February 1, 2016 confirmed that the conditions precedent to contract award set out in Order 14-03 were satisfied. We have selected a preferred proponent and our intent is to finalize contract negotiations and enter into a contract with the preferred proponent before March 31, 2016. The mid-life upgrade of the *Spirit of British Columbia* is expected to be completed in the spring of 2018 and the *Spirit of Vancouver Island* is expected to be completed in the spring of 2019.

On January 29, 2016, we signed an agreement to receive up to $10 million contribution from FortisBC Energy Inc. as part of the Natural Gas for Transportation ("NGT") incentive funding. This funding will be used to partially offset the capital cost of converting our two Spirit Class vessels to dual fuel capability. While this agreement does not obligate BC Ferries to purchase LNG from FortisBC, the funding is conditional upon a number of factors including a long term LNG procurement contract for these vessels.

Cable Ferry

On November 19, 2015 we officially took ownership of our new cable ferry, the *Baynes Sound Connector.* Following extensive crew training and familiarization, and Transport Canada certification, the vessel commenced regularly scheduled service between Buckley Bay on Vancouver Island and Denman Island on February 9, 2016. Final contact closeout negotiations with the vessel's builder, Seaspan's Vancouver Shipyards, are progressing. The cable ferry will accommodate 50 vehicles and 150 passengers and crew and will replace the 39 year old *Quinitsa* on this route.

This is an innovative initiative and is part of our ongoing efforts to identify and pursue opportunities that have the potential to enhance our cost effectiveness in delivering safe, reliable and quality ferry service.

Compared to the current service, it is projected that, over 40 years, the cable ferry will provide significant cost savings and environmental benefits, including: reduced fuel consumption; lower air emissions; reduced wake; no propeller turbulence; low anti-fouling discharge; and zero discharge to the marine environment.

FINANCIAL RISKS

Exposure to credit risk, liquidity risk and market risk arises in the normal course of our business. We manage market risk arising from the volatility in foreign currency, interest rate, and fuel price exposures in part through the use of derivative financial instruments including forward contracts, swaps and options. We do not utilize derivative financial instruments for trading or speculative purposes.

A discussion of financial risks can be found on pages 64 through 67 of our fiscal 2015 Management's Discussion & Analysis. Our risk profile is substantially unchanged during the nine months ended December 31, 2015. Our 2015 Management's Discussion & Analysis is available on our investor webpage at http://www.bcferries.com/investors/financial_reports.html.

BUSINESS RISK MANAGEMENT

Understanding and managing operational 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 67 through 73 of our fiscal 2015 Management's Discussion & Analysis. Our risk profile is substantially unchanged during the nine months ended December 31, 2015. Our 2015 Management's Discussion & Analysis is available on our investor webpage at http://www.bcferries.com/investors/financial_reports.html.

As part of our risk management strategies, we have considered many items such as profitability levels, cash generating potential, cash utilization requirements including debt repayment schedules and future capital expenditures, and working capital requirements. We have taken measures to allow us to adapt to changes in the economic environment and ensure a viable, profitable future. We do not believe that material uncertainties exist in regards to our future as we believe our risk mitigation strategies are sufficient.

Critical Accounting Policies and Estimates
Our discussion and analysis of our financial condition and financial performance is based upon our consolidated financial statements, which have been prepared in accordance with IFRS.

Our significant accounting policies are contained in note 1 to our March 31, 2015 and December 31, 2015 consolidated financial statements. Certain of these policies involve critical accounting estimates because they require us to make particularly subjective or complex judgments 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 74 and 75 of our fiscal 2015 Management's Discussion & Analysis. The following describes the changes to critical accounting policies we have used in the preparation of our consolidated financial statements for the three and nine months ended December 31, 2015, or expect to use in the future. Our 2015 Management's Discussion & Analysis is available on our investor webpage at http://www.bcferries.com/investors/financial_reports.html.

Adoption of New Accounting Standards
There are no relevant changes in accounting standards applicable to our fiscal year beginning April 1, 2015. However, we changed the estimate of useful lives of vessel hulls from 40 to 45 years. The change has been applied prospectively effective April 1, 2015, and will result in a decrease in depreciation expense of approximately $1.9 million for the year ended March 31, 2016.

Future Accounting Changes
The following is a discussion of accounting changes that will be effective for us in future accounting periods:

Amendments to IAS16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*, explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments will be effective for us April 1, 2016. The application of these amendments will not have any impact on our consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* replaces IAS 18 *Revenue* and IAS 11 Construction Contracts, providing guidance on the amount and/or timing of recognition of revenue. IFRS 15 was issued in May 2014 with an effective date of January 1, 2017. Earlier application is permitted. On July 22, 2015, the IASB confirmed a one-year deferral of this standard, therefore it will be effective for us April 1, 2018. We do not expect the application of this standard to have any significant impact on our consolidated financial statements.

IFRS 9 *Financial Instruments* (2014) introduces a new expected credit loss model for calculating impairment, and incorporates guidance on the classification and measurement of financial assets and the final general hedge accounting requirements originally published in IFRS 9 (2013). Mandatory adoption of IFRS 9 (2014) for us will be April 1, 2018. We do not expect the application of this standard to have any significant impact on our consolidated financial statements.

The IASB has published a *Disclosure Initiative (Amendments to IAS1)* with narrow-scope amendments with an effective date for us of April 1, 2016. The amendments aim at clarifying IAS 1 to address perceived impediments to preparers exercising their judgement in preparing their financial reports. Earlier application is permitted. We do not expect the application of this standard to have any significant impact on our consolidated 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, results of operations, performance, business prospects and opportunities and industry performance and trends. They reflect management's current internal projections, expectations or beliefs and are based on information currently available to management. Some of the market conditions and factors that have been considered in formulating the assumptions upon which forward looking statements are based include traffic, the Canadian Dollar relative to the US Dollar, fuel costs, construction costs, the state of the local economy, fluctuating financial markets, demographics, tax changes, and the requirements of the CFSC.

Forward looking statements included in this document include statements with respect to: economic conditions, traffic levels, fuel prices, and fiscal 2016 net earnings; our expectations of the rebate we expect to receive from WorkSafeBC on our 2015 assessed premiums; whether our regulatory assets are probable of future recovery; our short-term and long-range business plans, capital expenditure levels, and asset renewal programs for vessels and terminals; our customer service program, fare flexibility and digital experience initiative, pricing promotions, payroll system replacement initiative, Salish Class vessels, the loan agreement with KFW IPEX-Bank GmbH, the agreement with FortisBC Energy Inc. regarding incentive funding, the *Baynes Sound Connector*, LNG plans, Spirit Class mid-life upgrades, and training projects; our expectations regarding food sales, and sales of quality apparel; total revenue and expense projections, and how our cash requirements will be met in the near term; and our expectations regarding the impacts of IFRS 9 and IFRS 15 and amendments to IAS 1, IAS 16 and IAS 38 on our consolidated financial 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; interest rate, foreign currency, fuel price, and traffic volume fluctuations; the implementation of major capital projects; security, safety, and environmental incidents; confidential or sensitive information breaches; changes in laws; vessel repair facility limitations; economic regulatory environment changes; tax changes; and First Nation claims.

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.

In addition to providing measures prepared in accordance with IFRS, we present certain supplemental non-IFRS measures. These include, but are not limited to, total comprehensive (loss) income adjusted for the effect of rate regulation, vehicle and passenger traffic, on-time performance, capacity provided and utilized, AEQs carried, number of round trips, number of sailings, and average tariff revenue per vehicle and per passenger. These measures do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. These supplemental non-IFRS measures are provided to assist readers in determining our ability to generate cash from operations and improve the comparability of our results from one period to another. We believe these measures are useful in assessing operating performance of our ongoing business on an overall basis.