

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of November 3, 2015, and is a review of the results of operations and the liquidity and capital resources of Keyera Corp. and its subsidiaries (collectively "Keyera"). The MD&A should be read in conjunction with the accompanying condensed interim unaudited consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the three and nine months ended September 30, 2015, and the notes thereto as well as the audited consolidated financial statements of Keyera Corp. for the year ended December 31, 2014, and the related MD&A. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Keyera's website at www.keyera.com.

This MD&A contains non-GAAP measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Keyera's disclosure under "NON-GAAP FINANCIAL MEASURES" and "FORWARD-LOOKING STATEMENTS" included at the end of this MD&A.

Keyera's Business

Keyera operates one of the largest midstream businesses in Canada. Midstream entities operate in the oil and gas industry between the upstream sector, which includes oil and gas exploration and production businesses, and the downstream sector, which includes the refining, distribution and marketing of finished products. Keyera is organized into two integrated business units:

1. Gathering and Processing Business Unit – Keyera owns and operates raw gas gathering pipelines and processing plants, which collect and process raw natural gas, remove waste products and separate the economic components, primarily natural gas liquids ("NGLs"), before the sales gas is injected into long-distance pipeline systems for transportation to end-use markets.
2. Liquids Business Unit, consisting of the following operating segments:

NGL Infrastructure – Keyera owns and operates a network of facilities for the processing, storage and transportation of the by-products of natural gas processing, including NGLs such as ethane, propane, butane and condensate. In addition, this segment includes Keyera's iso-octane facilities also referred to as Alberta EnviroFuels ("AEF") and facilities for handling crude oil.

Marketing – Keyera markets a range of products associated with its two infrastructure business lines, primarily propane, butane, condensate and iso-octane, and also engages in crude oil midstream activities.

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the three and nine months ended September 30, 2015 and 2014:

(Thousands of Canadian dollars, except per share data)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net earnings	109,538	82,439	181,705	200,602
Net earnings per share (basic) ¹	0.64	0.49	1.07	1.23
Total operating margin ²	228,475	190,635	553,716	483,542
Adjusted EBITDA ³	187,961	151,382	529,391	402,172
Cash flow from operating activities	117,714	54,667	521,711	280,835
Distributable cash flow ⁴	126,843	124,370	358,942	286,605
Distributable cash flow per share ^{1,4} (basic)	0.75	0.74	2.12	1.76
Dividends declared	62,178	54,226	176,426	152,875
Dividends declared per share ¹	0.37	0.32	1.04	0.94

¹ Effective April 1, 2015, Keyera's outstanding common shares were split on a two-for-one basis. All per share information has been presented on a post-share split basis.

² Total operating margin refers to total operating revenues less total operating expenses and general and administrative expenses associated with the Marketing segment. See note 13 of the accompanying financial statements.

³ Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, accretion, impairment expenses, unrealized gains/losses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. Adjusted EBITDA is not a standard measure under GAAP. See the section titled "EBITDA" for a reconciliation of Adjusted EBITDA to its most closely related GAAP measure.

⁴ Distributable cash flow is not a standard measure under GAAP. See the section titled, "Dividends: Distributable Cash Flow", for a reconciliation of distributable cash flow to its most closely related GAAP measure.

Keyera recorded another strong quarter of financial results for the three months ended September 30, 2015. Despite continued low commodity prices, all key financial measures were higher in the third quarter of 2015 compared to the same period last year. These results were largely driven by the strategic location and capabilities of Keyera's gas plants and NGL Infrastructure assets, its strong iso-octane business, and its effective and disciplined approach to risk management.

Net Earnings

For the three months ended September 30, 2015, net earnings were \$109.5 million, \$27.1 million higher than the same period in 2014 primarily due to:

- higher financial results from all operating segments;
- a long-term incentive plan expense of \$4.2 million in 2015 compared to an expense of \$17.0 million in the prior year; and
- a net foreign currency non-cash gain of \$12.2 million in 2015 compared to a gain of \$1.2 million in 2014.

These positive factors were partly offset by: i) higher depreciation expense; and ii) an impairment charge of \$16.4 million recorded in the third quarter of 2015 that related to Keyera's oil and gas reserves.

On a year-to-date basis, net earnings were \$181.7 million in 2015, \$18.9 million lower than the first nine months of 2014. The effect of a lower long-term incentive plan expense and higher operating margin in 2015 was more than offset by the following non-cash items:

- a net foreign currency non-cash loss of \$24.2 million in 2015 compared to a non-cash gain of \$0.7 million in 2014;
- a non-cash impairment charge of \$36.3 million, of which approximately \$20.0 million related to the shut-down of the Bonnie Glen Pipeline and the remainder related to Keyera's oil and gas reserves; and
- higher depreciation charges associated with the growth in Keyera's asset base, as well as an increase in depletion relating to oil and gas reserves acquired in mid-2014.

See the section of this MD&A titled, "Non-Operating Expenses and Other Income" for more information related to these charges.

Operating Margin

Keyera recorded strong operating results in the third quarter of 2015 despite ongoing restrictions on the TransCanada Pipelines Limited ("TransCanada") sales gas pipelines affecting throughput at several gas plants and the continued low commodity price environment. Operating margin in the third quarter of 2015 was \$228.5 million, \$37.8 million higher than the same period in 2014. Excluding the effect of unrealized gains/losses from the Marketing segment in both periods, operating margin was \$23.9 million higher in 2015. These strong operating results in the third quarter of 2015 were a result of:

- continued demand for NGL fractionation, storage and transportation services in the Edmonton/Fort Saskatchewan area;
- incremental margin from Keyera's investments in strategic assets, including the Alberta Crude Terminal, the de-ethanizer at Fort Saskatchewan, and several new gathering systems that are delivering gas to core Keyera facilities such as the Rimbey and Simonette gas plants;
- strong iso-octane margins resulting from robust gasoline and iso-octane prices relative to crude oil; favourable butane prices (the primary feedstock for iso-octane); steady sales volumes; and attractive foreign currency rates; and
- Keyera's effective and disciplined approach to risk management in its Marketing business that has mitigated the negative impact of low propane prices.

For the nine months ended September 30, 2015, operating margin was \$553.7 million, \$70.2 million higher than the same period in 2014 primarily due to the same factors that contributed to the strong operating results in the third quarter.

See the section titled "Segmented Results of Operations" for more information on operating results by segment.

Cash Flow Metrics

Cash flow metrics were also strong in the third quarter of 2015. For the three months ended September 30, 2015, cash flow from operating activities was \$117.7 million, \$63.0 million higher than the same period last year primarily due to:

- strong operating results from all business segments; and
- a reduction in cash required to fund inventory purchases as a result of significantly lower NGL prices compared to the prior year.

For the nine months ended September 30, 2015, cash flow from operating activities was \$521.7 million, \$240.9 million higher than the same period in 2014 due to the factors listed above combined with the inclusion of approximately \$40 million of realized cash gains and physical margin in the first quarter relating to the settlement of risk management contracts associated with Keyera's year-end 2014 inventory. Refer to Keyera's first quarter 2015 MD&A for more information related to the settlement of risk management contracts associated with the write-down of inventory as at December 31, 2014.

In the determination of distributable cash flow, changes in non-cash working capital are excluded because they are primarily the result of seasonal fluctuations in product inventories. Also deducted from distributable cash flow are maintenance capital expenditures and the long-term incentive plan expense, which are funded from current operating cash flow. Refer to the section of this MD&A titled, "Dividends: Distributable Cash Flow", for a reconciliation of cash flow from operating activities to distributable cash flow.

Distributable cash flow for the three and nine months ended September 30, 2015 was \$126.8 million and \$358.9 million respectively, \$2.5 million and \$72.3 million higher than the same periods last year. The higher distributable cash flow was achieved despite recording higher cash taxes in 2015 compared to the prior year.

SEGMENTED RESULTS OF OPERATIONS

Keyera is organized into two integrated businesses: the Gathering and Processing Business Unit and the Liquids Business Unit. The Liquids Business Unit consists of the NGL Infrastructure and Marketing segments. A complete description of Keyera's businesses by segment can be found in Keyera's Annual Information Form, which is available at www.sedar.com.

The discussion of the results of operations for each of the operating segments focuses on operating margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and NGL Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the three and nine months ended September 30, 2015 and 2014 are reported in note 13, Segment Information, of the accompanying financial statements.

Gathering and Processing

Keyera has interests in 19 gas plants in western Canada and is operator of 17 of these facilities, making it one of the largest gas processors in Alberta. The Gathering and Processing segment includes raw gas gathering systems and processing plants strategically located in the natural gas production areas on the western side of the Western Canada Sedimentary Basin ("WCSB"). Several of the gas plants are interconnected by raw gas gathering pipelines, allowing raw gas to be directed to the gas plant best suited to process the gas. Keyera's facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production activity in the WCSB.

Operating margin for the Gathering and Processing segment was as follows:

Operating Margin and Throughput Information (Thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue including inter-segment transactions	123,752	105,355	337,659	311,324
Operating expenses	(54,443)	(51,373)	(152,139)	(145,107)
Unrealized (loss) gain on electricity financial contracts	(72)	—	10	—
Total operating expenses	(54,515)	(51,373)	(152,129)	(145,107)
Operating margin	69,237	53,982	185,530	166,217
Gross processing throughput – (MMcf/d)	1,476	1,404	1,479	1,368
Net processing throughput ¹ – (MMcf/d)	1,121	1,189	1,145	1,134

Note:

¹ Net processing throughput refers to Keyera's share of raw gas processed at its processing facilities.

Operating Margin and Revenues

The Gathering and Processing segment recorded strong operating results in the third quarter of 2015. Operating margin for the three and nine months ended September 30, 2015 was \$69.2 million and \$185.5 million, \$15.3 million and \$19.3 million higher than the same periods last year primarily due to the following:

- incremental revenue from the Alder Flats gas plant that commenced operation in May 2015;
- incremental cash flow and associated ethane sales revenue from the new turbo expander at the Rimbey gas plant that became operational in July 2015;
- incremental cash flow associated with the Simonette plant expansion that was completed in the first quarter of 2015 and additional throughput delivered to the facility on the Wapiti pipeline system which became operational in the fourth quarter of 2014; and
- additional volume delivered to the West Pembina gas plant from the Twin Rivers system which became operational in April 2015.

The impact of these higher revenues was partly offset by lower volumes and revenue at the Caribou gas plant resulting from reduced producer activity in the area, as well as lower throughput at certain facilities resulting from restrictions on various segments of TransCanada's sales gas pipelines as described in the section below.

Gathering and Processing revenues for the three and nine months ended September 30, 2015 was \$18.4 million and \$26.3 million higher compared to the same periods in 2014. The variance in revenues was largely due to the same factors that contributed to the variance in operating margin in the respective periods.

Gathering and Processing Activity

The first nine months of 2015 has been an active time for the Gathering and Processing segment. Keyera continued to be challenged by curtailments imposed by TransCanada on its sales gas pipelines related to capacity constraints and ongoing maintenance and integrity work. The curtailment at the Strachan gas plant was lifted in the second quarter of 2015, but reinstated effective mid-July. These curtailments continue to affect Keyera's Strachan, Brazeau River and Minnehik Buck Lake gas plants and have resulted in lower throughput at these facilities. TransCanada has indicated that these restrictions may improve in November.

In the third quarter, a scheduled turnaround was completed at the Minnehik Buck Lake facility and the new Zeta Creek gas plant, of which Keyera is the operator with a 60% ownership interest, became operational in late September. Overall, gross processing throughput for the three and nine months ended September 30,

2015 was 1,476 million cubic feet per day and 1,479 million cubic feet per day respectively, an increase of 5% and 8% over the same periods in 2014. The increase in throughput in the third quarter of 2015 was partly due to incremental volumes from the new Alder Flats gas plant that became operational in May and is now operating near capacity. These incremental volumes mitigated the effect of lower throughput associated with the restrictions on the TransCanada sales gas pipelines as well as the turnaround completed at the Minnehik Buck Lake gas plant in the third quarter.

At the time of completing the turnaround at Rimbey in the second quarter, the fractionation de-bottleneck project and the NGL truck offload expansion were completed. In addition, the Rimbey turbo expander became operational in July and is now extracting ethane that is being sold to a large consumer in Alberta under a long-term sales agreement. For more information on these projects, refer to Keyera's second quarter 2015 MD&A available on SEDAR.

The continued low commodity price environment has resulted in several producers slowing down the pace of their drilling and development activities in Western Canada. However, producers are continuing to develop resource plays around several of Keyera's core facilities, including the Rimbey, Strachan, Brazeau River and Minnehik Buck Lake facilities. Keyera is also benefitting from the incremental cash flows associated with its investments in extensive gathering systems and plant expansions. Keyera believes that the location of its assets within the Western Canada Sedimentary Basin, where attractive geological opportunities exist, and its vast network of gathering systems and processing solutions will provide it with the competitive advantage required to remain successful for the long term.

The following is a status update of previously announced major projects in the Gathering and Processing segment:

Capital Projects Status Update – Gathering and Processing		
Facility/Area	Project Description	Project Status Update
Rimbey	Extension of the Wilson Creek gathering system which currently delivers raw gas and condensate to the Rimbey gas plant. The extension will consist of two 17-kilometre pipelines (a 12-inch raw gas pipeline and a 6-inch condensate pipeline) and a jointly owned compressor station.	Construction of the pipeline is underway and is expected to be complete later this year. <i>Estimated total cost to complete:</i> <ul style="list-style-type: none"> • \$25 million <i>Total net costs incurred by Keyera to September 30, 2015:</i> <ul style="list-style-type: none"> • \$10 million
Zeta Creek Gas Plant (Licensed capacity of 54 million cubic feet per day)	<ul style="list-style-type: none"> • Keyera is a 60% owner in the gas plant and a 75% owner in the sales gas lateral pipeline that was constructed from the Zeta Creek gas plant to the TransCanada mainline. • The gas plant was constructed by Velvet Energy (“Velvet”) and Keyera is the operator of the plant. 	The Zeta Creek gas plant became operational in September. <i>Estimated total cost to complete:</i> <ul style="list-style-type: none"> • Net cost to Keyera of approximately \$41 million, including its proportionate share associated with the gas plant and the sales gas lateral pipeline. <i>Total net costs incurred by Keyera to September 30, 2015:</i> <ul style="list-style-type: none"> • \$38 million
Strachan Vitasul Project	A 50/50 joint venture with Sulvaris that involves the construction of a sulphur handling fertilizer production facility at the Strachan gas plant site.	The project has been delayed as Keyera and Sulvaris review the business and execution plans. <i>Estimated total cost to complete:</i> <ul style="list-style-type: none"> • Gross costs of approximately \$180 million for the fertilizer production facility. • Net cost to Keyera of approximately \$120 million, including 100% owned common facilities. <i>Total net costs incurred by Keyera to September 30, 2015:</i> <ul style="list-style-type: none"> • \$44 million

Estimated costs and completion times for the projects currently under development that are discussed above assume that construction proceeds as initially planned, that the actual costs are in line with estimates and, where required, that regulatory approvals are received on a timely basis. The section of this MD&A titled,

“Forward-Looking Information”, provides more information on factors that could affect the development of these projects.

Maintenance turnarounds were completed in the second quarter of 2015 at the Rimbey, Brazeau River and Bigoray gas plants. The majority of the costs associated with turnarounds completed in the second quarter are expected to be recovered through higher operating fee revenue over a period of four years. Refer to Keyera’s second quarter 2015 MD&A available on SEDAR for more information relating to the turnarounds completed during that period.

In the third quarter of 2015, a maintenance turnaround was completed at the Minnehik Buck Lake facility for a total cost of approximately \$9 million. These costs will not be recovered through higher operating fee revenue as the Minnehik Buck Lake gas plant is primarily a fixed fee facility. Total turnaround costs in 2015 were approximately \$40 million, compared to \$38 million in the prior year. Looking ahead to 2016, maintenance turnarounds are scheduled to be completed at the Nevis and Nordegg gas plants at a combined estimated cost of \$15 million.

The costs associated with maintenance turnarounds are capitalized for accounting purposes and do not have an effect on operating expenses in the Gathering and Processing segment. However, as many of Keyera’s facilities follow a flow-through operating cost structure, the cost of turnarounds will generally be recovered through higher operating fee revenue. Keyera expects to recover the majority of turnaround costs over varying periods depending on the fee arrangement at each plant. Distributable cash flow is reduced by Keyera’s share of the cost of the turnarounds, as these costs are included in its financial results as maintenance capital expenditures.

NGL Infrastructure

The NGL Infrastructure segment provides fractionation, storage, transportation and terminalling services for NGLs and crude oil and produces iso-octane. These services are provided to customers through an extensive network of facilities, including the following assets:

- NGL and crude oil pipelines;
- underground NGL storage caverns;
- above ground storage tanks;
- NGL fractionation facilities;
- pipeline, rail and truck terminals; and
- the AEF facility.

The AEF facility has a licensed capacity of 13,600 barrels per day of iso-octane. Iso-octane is a low vapour pressure, high-octane gasoline blending component. AEF uses butane as the primary feedstock to produce iso-octane. As a result, AEF’s business creates positive synergies with Keyera’s Marketing business, which purchases, handles, stores and sells large volumes of butane.

Most of Keyera’s NGL Infrastructure assets are located in, or connected to, the Edmonton/Fort Saskatchewan area of Alberta, one of four key energy hubs in North America. A significant portion of the NGL production from Alberta raw gas processing plants is delivered into the Edmonton/Fort Saskatchewan area via multiple NGL gathering systems for fractionation into specification products and delivery to market. Keyera’s underground storage caverns at Fort Saskatchewan are used to store NGL mix and specification products. For example, propane can be stored in the summer months to meet winter demand; condensate can be stored to meet the diluent supply needs of the oil sands sector; and butane can be stored to meet blending and iso-octane feedstock requirements. These assets also support Keyera’s Marketing segment, providing the ability to source, transport, process, store and deliver products across North America. A portion of the revenues earned by this segment relates to services provided to Keyera’s Marketing segment. All of the revenues in this segment that are associated with the AEF facility relate to processing services provided to the Marketing segment for the production of iso-octane.

Operating margin for the NGL Infrastructure segment was as follows:

Operating Margin	Three months ended		Nine months ended	
(Thousands of Canadian dollars)	September 30,		September 30,	
	2015	2014	2015	2014
Revenue including inter-segment transactions	87,310	77,067	256,233	221,281
Operating expenses	(29,926)	(31,101)	(92,755)	(87,676)
Unrealized (loss) gain on electricity financial contracts	(1,853)	(191)	494	175
Total operating expenses	(31,779)	(31,292)	(92,261)	(87,501)
Operating margin	55,531	45,775	163,972	133,780

Operating Margin and Revenues

For the three and nine months ended September 30, 2015, operating margin for the NGL Infrastructure increased by \$9.8 million and \$30.2 million compared to the same periods in 2014. The higher financial results were largely due to the following:

- higher volumes and operating margin on Keyera's Fort Saskatchewan Condensate System resulting from long-term, take-or-pay arrangements with several oil sands producers;
- incremental margins from the de-ethanizer facility that became operational in April 2015;
- incremental margins from the Alberta Crude Terminal, which commenced operation in October 2014;
- higher revenue at the Alberta Diluent Terminal resulting from increased rail offloading activity associated with the growth in demand for condensate imports; and
- higher volumes and revenues for NGL fractionation and storage.

NGL Infrastructure revenues for the three and nine months ended September 30, 2015, were \$10.2 million and \$35.0 million higher compared to the same periods last year, primarily due to the same factors that contributed to higher operating margin.

NGL Infrastructure Activity

Keyera has developed significant infrastructure in the Edmonton/Fort Saskatchewan energy hub to enable it to provide a range of services needed by oil sands producers. The demand for diluent services has been increasing in 2015 with the expansion phase of Imperial Oil's Kearl project which commenced in June and the first phase of Husky Energy's Sunrise project which began producing oil in March. Keyera has long-term agreements in place with both companies, as well as others, to provide diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area.

Over the past several years, Keyera has continued to focus on developing natural gas liquids and oil sands related projects that provide long-term, fee-for-service revenues to enhance shareholder value. As bitumen production is forecasted to grow for the next several years, Keyera continues to invest in its extensive diluent handling network in order to provide its oil sands customers with comprehensive and reliable service solutions. Examples of such investments include Keyera's connection to Kinder Morgan's Cochin pipeline, the addition of the South Cheecham Terminal and its participation as a 30% non-operating owner in the Norlite Pipeline.

A more recent example of Keyera's investment in its diluent handling network is the agreement to acquire a 50% interest in the southernmost portion of the Grand Rapids Pipeline. The 45-kilometre, 20-inch pipeline is expected to provide Keyera with proprietary access to at least 225,000 net barrels per day of additional diluent transportation capacity between Edmonton and Fort Saskatchewan. A portion of this capacity will be used to meet Keyera's commitments under existing agreements with customers for diluent transportation

and the remaining capacity will be available for new diluent transportation business. Keyera also plans to add connectivity between its existing Fort Saskatchewan Condensate System and the new pipeline. Refer to the table below, “Capital Projects Status Update – NGL Infrastructure”, for more information relating to this project and for an estimate of the cost and expected timing of completion for this project.

Earlier this year, Keyera entered into a long-term lease-to-own arrangement with Praxair Canada Inc. to use a 49-kilometre, 8-inch pipeline to complement Keyera’s existing pipeline infrastructure in the Edmonton/Fort Saskatchewan region. Subject to completion of final due diligence and receipt of regulatory approvals, Keyera plans to use the northern segment of this pipeline between Redwater and Fort Saskatchewan to receive diluent from the North West Sturgeon Refinery under a long-term diluent handling agreement. The southern segment is expected to be available to provide Keyera with increased flexibility and capacity (up to 60,000 bbls per day) to provide transportation services in the Edmonton/Fort Saskatchewan area in the future.

The Josephburg Rail Terminal, which is located near Keyera’s Fort Saskatchewan fractionation and storage facility became operational in July. The terminal facilitates propane movements out of western Canada by rail and is also able to handle butane.

The AEF facility is operated by the NGL Infrastructure operating segment and provides iso-octane processing services to the Marketing segment on a fee-for-service basis. The facility is expected to be off-line for approximately six weeks beginning in September 2016 to complete a scheduled maintenance turnaround that occurs every four years. The cost of the turnaround is currently estimated to range between \$40 million and \$45 million, including the replacement of the Oleflex catalyst and related precious metals. Compared to the turnaround completed in 2012, the estimated cost of the turnaround scheduled for next year is projected to be between \$15 million and \$20 million higher largely due to: i) an increase in scope of work being undertaken in 2016; ii) general inflation; and iii) higher cost of catalyst and associated precious metals which are priced in U.S. dollars. Keyera’s investment in the maintenance turnaround at AEF is to ensure the facility runs efficiently and reliably for the long-term.

Keyera continues to focus on creating solutions and enhancing its infrastructure to meet the needs of its customers. The table below provides a list of projects under development in the NGL Infrastructure segment and their current status. These projects are examples of Keyera’s commitment to meet its customers’ needs for infrastructure development in Alberta.

The following is a status update of previously announced major projects in the NGL Infrastructure segment:

Capital Projects Status Update – NGL Infrastructure		
Facility/Area	Project Description	Project Status Update
Keyera Fort Saskatchewan	<i>NGL Fractionation Expansion:</i> construction of a 35,000 barrel per day C3+ mix fractionation facility, more than doubling the facility's existing capacity to 65,000 barrels per day. The project includes the construction of new receipt facilities, operational storage and pipeline connections.	All major equipment and modules are on site and construction is well underway. <i>Estimated total cost to complete:</i> <ul style="list-style-type: none"> Gross cost is approximately \$230 million (Keyera's share is approximately \$176 million) <i>Total net costs incurred by Keyera to September 30, 2015:</i> <ul style="list-style-type: none"> \$95 million
Keyera Fort Saskatchewan	<i>Underground Storage Development:</i> development of the 13 th , 14 th and 15 th underground storage caverns.	Washing of the 13 th cavern was completed in the second quarter and the cavern was put into service in October. Washing of the 14 th cavern continued and is anticipated to be in service in the third quarter of 2017. Drilling of the well bore for the 15 th cavern was completed in the first quarter of 2015 and washing began early in the fourth quarter.
Norlite Pipeline (30/70 joint venture with Enbridge Pipelines (Athabasca) Inc. ("Enbridge"))	<i>Norlite Pipeline:</i> Keyera has committed to participate as a 30% non-operating owner in the Norlite Pipeline. Enbridge will construct and operate the pipeline which is expected to be in service in 2017. The scope includes a 24-inch pipeline, providing an initial capacity of approximately 224,000 barrels per day of diluent and the potential to be further expanded to 400,000 barrels per day of capacity with the addition of pump stations. Keyera's diluent transportation system in the Fort Saskatchewan area will deliver product into the Norlite Pipeline, providing the Norlite shippers with access to multiple sources of diluent supply.	Regulatory approval was received and construction is currently underway. <i>Estimated total cost to complete:</i> <ul style="list-style-type: none"> Gross cost as estimated by Enbridge is approximately \$1.3 billion (Keyera's net share is approximately \$390 million) <i>Total net costs incurred by Keyera to September 30, 2015:</i> <ul style="list-style-type: none"> \$34 million

Facility/Area	Project Description	Project Status Update
Edmonton	<p>Condensate Tanks: construction of four condensate storage tanks, each having a working capacity of approximately 60,000 barrels, to provide Keyera with enhanced operational reliability and flexibility.</p>	<p>Engineering work progressed in the third quarter and the tanks are expected to be operational in 2017.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> • Cost to Keyera of approximately \$90 million. <p><i>Total net costs incurred by Keyera to September 30, 2015:</i></p> <ul style="list-style-type: none"> • \$4 million
<p>Edmonton (50/50 joint venture with Kinder Morgan)</p>	<p>Base Line Terminal: construction of 12 above ground crude oil storage tanks with the ability to provide customers with 4.8 million barrels of storage capacity. Kinder Morgan will construct the project and operate the terminal once it is in service.</p> <p>The project is expected to be commissioned in phases, with the first tanks scheduled to be commissioned in the second half of 2017, based on the most recent construction schedule.</p>	<p>Engineering work progressed in the third quarter and civil work is expected to commence in the fourth quarter of 2015.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> • Keyera's net share is approximately \$330 million. <p><i>Total net costs incurred by Keyera to September 30, 2015:</i></p> <ul style="list-style-type: none"> • \$3 million
<p>Edmonton (50/50 joint venture with Grand Rapids Pipeline Limited Partnership)</p>	<p>Grand Rapids Pipeline (Southern Portion): Keyera has committed to acquire a 50% interest in the southernmost portion of the 20-inch, 45-kilometre diluent Grand Rapids Pipeline when it is completed in 2017. The pipeline will be constructed by Grand Rapids Pipeline Limited Partnership ("GRPLP"), an affiliate of TransCanada PipeLines Limited and Brion Energy Corporation. The pipeline will extend from Keyera's Edmonton Terminal to TransCanada's Heartland Terminal near Fort Saskatchewan. Keyera will be operator of the pipeline.</p> <p>As part of this project, Keyera will be constructing a pump station at its Edmonton Terminal where the pipeline will connect and will sell a 50% ownership interest in the pump station to GRPLP once the pipeline is complete.</p> <p>Included in the scope of this project is the connection of Keyera's existing Fort Saskatchewan Condensate System to the pipeline.</p>	<p>The pipeline and associated pump station is expected to be in service in the second half of 2017.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> • Keyera's 50% share is approximately \$140 million, including the pipeline and pump station. • The additional connection costs to Keyera's Fort Saskatchewan Condensate System are expected to range between \$40 and \$60 million.

Estimated costs and completion times for the projects currently under development that are discussed above assume that construction proceeds as initially planned, that the actual costs are in line with estimates and, where required, that regulatory approvals are received on a timely basis. The section of this MD&A titled, "Forward-Looking Information", provides more information on factors that could affect the development of these projects.

Marketing

The Marketing segment is focused on the distribution and sale of products associated with Keyera's facilities, including NGLs, crude oil, iso-octane and sulphur. Keyera markets products acquired through processing arrangements, term supply agreements and other purchase transactions. Most NGL volumes are purchased under one-year supply contracts typically with terms beginning in April of each year. In addition, Keyera has long-term supply arrangements with major producers that provide a portion of its NGL supply. Keyera may also source additional condensate or butane, including from the U.S., when market conditions and associated sales contracts are favourable.

Keyera negotiates sales contracts with customers in Canada and the U.S. based on the volumes it has contracted to purchase. In the case of condensate sales, the majority of the product is sold to customers in Alberta shortly after it is purchased. Butane is used as the primary feedstock in the production of iso-octane at Keyera's AEF facility and therefore a significant portion of the contracted butane supply is retained for Keyera's own use, and the balance is generally sold into the Alberta market shortly after it is purchased.

Propane markets, in contrast, are more seasonal and geographically diverse. Keyera sells propane in various North American markets, often where the only option for delivery is via rail car or truck. Keyera is well positioned to serve these markets due to its extensive infrastructure and rail logistics expertise. Further, because demand for propane is typically higher in the winter, Keyera can utilize its NGL storage facilities to build an inventory of propane during the summer months when prices are typically lower to fulfill winter term-sales commitments.

Keyera manages its NGL supply and sales portfolio by monitoring its inventory position and purchase and sale commitments. Nevertheless, the Marketing business is exposed to commodity price fluctuations arising between the time contracted volumes are purchased and the time they are sold, as well as being exposed to pricing differentials between different geographic markets. These risks are managed by purchasing and selling product at prices based on the same or similar indices or benchmarks, and through physical and financial contracts that include energy-related forward contracts, price swaps, forward currency contracts and other hedging instruments. A more detailed description of the risks associated with the Marketing segment is available in Keyera's Annual Information Form, which is available at www.sedar.com.

Keyera's primary markets for iso-octane are in the Gulf Coast, British Columbia and Alberta (prior to 2015, Keyera's primary markets included California). Demand for iso-octane is seasonal, with higher demand in the summer months resulting in higher sales prices. There can be significant variability in iso-octane margins. As with Keyera's other marketing activities, there are strategies available to mitigate the risks associated with the commodity exposure, including the use of financial contracts. The section of this MD&A titled "Risk Management" provides more information on the risks associated with the sale of iso-octane and Keyera's related hedging strategy.

Overall, the integration of Keyera's business lines means that its Marketing segment can draw on the resources available to it through its two facilities based operating segments (NGL Infrastructure and Gathering and Processing), including access to NGL supply and key fractionation, storage and transportation infrastructure and logistics expertise.

Operating margin for the Marketing segment was as follows:

Operating Margin and Sales Volumes Information (Thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue	497,951	746,591	1,495,612	2,323,409
Operating expenses including inter-segment transactions	(398,644)	(666,660)	(1,306,562)	(2,153,739)
Operating margin	99,307	79,931	189,050	169,670
Sales volumes (Bbl/d)	103,100	84,700	107,800	88,900

Composition of Marketing Revenue (Thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Physical sales	462,935	721,976	1,489,187	2,316,635
Realized cash gain (loss) on financial contracts ¹	8,854	12,395	39,767	(8,917)
Unrealized gain (loss) due to reversal of financial contracts existing at end of prior period	10,374	3,110	(42,528)	4,161
Unrealized gain due to fair value of financial contracts existing at end of current period	16,761	9,605	16,761	9,605
Unrealized (loss) gain due to reversal of fixed price physical contracts existing at end of prior period	(2,243)	(843)	(8,845)	1,577
Unrealized gain due to fair value of fixed price physical contracts existing at end of current period ²	1,270	348	1,270	348
Total unrealized gain (loss) on risk management contracts	26,162	12,220	(33,342)	15,691
Total gain on risk management contracts	35,016	24,615	6,425	6,774
Total Marketing revenue	497,951	746,591	1,495,612	2,323,409

Notes:

¹ Realized cash gains and losses represent actual cash settlements or receipts under the respective contracts.

² Unrealized gains and losses represent the change in fair value of fixed price physical contracts that meet the GAAP definition of a derivative instrument.

Revenue and Operating Margin

For the three and nine months ended September 30, 2015, revenue from physical sales was \$259.0 million and \$827.4 million lower than the same periods in 2014. Sales volumes were higher in 2015 partly due to higher sales of ethane associated with Keyera's de-ethanizer facility in Fort Saskatchewan that became operational earlier this year. The effect of higher sales volumes in the first nine months of 2015 compared to the same period in 2014 was more than offset by significantly lower average prices for NGLs and iso-octane.

The Marketing segment posted another quarter of outstanding financial results in spite of continued low commodity prices. Operating margin for the quarter ended September 30, 2015 was \$99.3 million, \$19.4 million higher than the same period last year. Excluding the effect of non-cash unrealized gains and losses

from risk management contracts in both periods, operating margin was \$5.4 million higher in the third quarter of 2015, largely due to strong margins from the sale of iso-octane. Iso-octane margins were particularly robust in the third quarter of 2015 due to strong premiums for iso-octane relative to crude oil, favourable butane feedstock costs and attractive foreign currency exchange rates.

On a year to date basis, operating margin from the Marketing business was \$19.4 million higher in 2015 compared to the prior year. Excluding the effect of non-cash unrealized gains and losses from risk management contracts in both periods, operating margin was \$68.4 million higher in 2015 compared to 2014. The factors that contributed to the strong operating results for the first nine months of 2015 included the following:

- higher margins from the sale of iso-octane resulting from steady sales volumes, strong premiums for iso-octane relative to crude oil in the second and third quarters, favourable butane feedstock costs and attractive foreign currency exchange rates;
- lower inventory costs for all NGL products; and
- the inclusion of approximately \$40 million of realized cash gains and physical margins associated with the settlement of risk management contracts in the first quarter of 2015 that related to inventory existing at the end of 2014.

Inventory costs were lower in the first half of 2015 as a result of the approximately \$59 million inventory write-down recorded in the fourth quarter of 2014 that primarily related to propane and to a lesser extent butane. Substantially all of the loss in value of inventory was offset by realized cash gains associated with the settlement of financial risk management contracts as well as cash margins generated from the settlement of fixed price physical forward contracts in the fourth quarter of 2014 and the first quarter of 2015. Cash margins associated with the settlement of fixed price physical forward contracts are included in physical sales in the Composition of Revenue table above.

Crude oil midstream activities performed well in the first nine months of 2015, also making a solid contribution to operating margin in the Marketing segment.

Market Overview

Margins for iso-octane were strong in the first nine months of 2015 due to steady sales volumes, favourable butane feedstock costs, and attractive foreign currency exchange rates. Demand for iso-octane typically increases in the summer months as driving activity and gasoline demand increase. This seasonal demand has been particularly robust in 2015 resulting in strong prices for iso-octane relative to crude oil, and relative to butane as the primary feedstock, which also contributed to the strong margins in the second and third quarters of this year. As a result of these factors and the strengthening U.S. dollar, iso-octane margins have been stronger than the same periods last year.

The Marketing segment utilized its logistics expertise to transport iso-octane to markets where demand was high, including the U.S. Midwest region. Keyera also continued to utilize its capacity at the Kinder Morgan Galena Park rail and storage facility on the Gulf Coast to meet iso-octane demand in this market. Access to this facility provides marine delivery options for customers who are otherwise unable to receive iso-octane by rail.

Looking ahead to 2016, Keyera's AEF facility is expected to be off-line for approximately six weeks beginning in September for its scheduled turnaround that occurs every four years. As a result, production of iso-octane and sales volumes are expected to be lower in the second half of 2016. Refer to the section of this MD&A, "Results of Operations: NGL Infrastructure", for more information relating to the turnaround scheduled at AEF in 2016.

Although butane prices were low, margins were solid in 2015 due to maintaining a balanced sales strategy, low inventory costs and an effective risk management program. As butane prices seasonally decline in the spring

and summer months, Keyera utilized its storage and transportation capabilities to import butane during these low demand periods. This was accomplished to effectively manage supply requirements, including the feedstock necessary for the production of iso-octane. Demand and pricing for butane typically increase in the winter, due to seasonal demand for cold weather gasoline blending. As prices typically soften after this demand period and combined with the overall surplus of butane inventory in North America, current indications suggest that butane prices will remain weak in 2016. As butane is the primary feedstock used in the production of iso-octane, lower butane prices benefit Keyera's iso-octane business.

As certain oil sands projects have come on stream in mid-2015, bitumen production has increased and the need for condensate as a diluent in oil sands development has also increased. Condensate supply and demand fundamentals have remained balanced as the infrastructure has been put in place to deliver the incremental condensate required to meet this growing demand in Alberta. Increased rail deliveries at Keyera's ADT facility, as well as supply delivered on the Kinder Morgan Cochin pipeline are examples of this infrastructure. Keyera's condensate network is currently the only outlet for condensate delivered into Alberta on the Cochin pipeline. The revenues associated with Keyera's investment in oil sands infrastructure is recorded in the NGL Infrastructure operating segment.

Propane prices were historically low in the third quarter of 2015, especially in Alberta, as North American inventory levels have reached record levels. Despite the significant decrease in prices, inventory values were protected using Keyera's effective risk management strategy. The sale of propane has become a small contributor to Keyera's overall Marketing margin.

With the Josephburg Rail Terminal now operational, Keyera has substantial additional capacity to transport propane by rail out of western Canada from this facility.

Risk Management

When possible, Keyera uses hedging strategies to mitigate risk in its Marketing business. Keyera's hedging objective for iso-octane is to mitigate the effect of iso-octane price fluctuations on its future operating margins. The sales price for iso-octane is primarily based on the price of Reformulated Blendstock for Oxygen Blending ("RBOB"). RBOB is the highest volume refined product sold in the United States and has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize RBOB financial contracts to hedge a portion of its iso-octane sales.

To protect the value of its NGL inventory from fluctuations in commodity prices, Keyera typically uses physical and financial forward contracts. For propane in particular, contracts are generally put in place as inventory builds and are settled when products are expected to be withdrawn from inventory and sold. In general, the increase or decrease in the fair value of the contracts is intended to mitigate fluctuations in the value of the inventories and protect operating margin. For the past few years, Keyera has used propane physical and financial forward contracts to hedge its propane inventory.

Keyera may also hold butane inventory to meet the feedstock requirements of the AEF facility. For condensate, most of the product purchased is sold within one month. The sales contracts for both butane and condensate are typically priced based on West Texas Intermediate ("WTI") crude oil and the supply cost in certain cases may be based on a hub posted or index price. To align the pricing terms of physical supply with the terms of contracted sales and to protect the value of butane and condensate inventory, the following hedging strategies may be utilized:

- Keyera may enter into financial contracts to lock in the supply price at a specified percentage of WTI, as the sales contracts are also generally priced against WTI. When butane or condensate is physically purchased, the financial contract is settled and a realized gain or loss is recorded in income.
- Once the product is in inventory, WTI financial forward contracts are generally used to protect the value of the inventory.

Within these hedging strategies, there may be differences in timing between when the financial contracts are settled and when the products are sold from inventory. There may also be basis risk between the prices of

crude oil and the NGL products and therefore the financial contracts may not fully offset future butane and condensate price movements.

For the three and nine months ended September 30, 2015, the total unrealized gain on risk management contracts was \$26.2 million and an unrealized loss of \$33.3 million respectively. For the year-to-date period, the unrealized loss of \$33.3 million was largely due to the reversal of the accrued fair value of financial and physical contracts existing at December 31, 2014. Further details are provided in the "Composition of Marketing Revenue" table above.

The fair value of outstanding financial contracts as at September 30, 2015 resulted in an unrealized (non-cash) gain of \$16.8 million that includes the following significant items:

- a \$4.5 million non-cash gain relating to butane and condensate supply and inventory risk management contracts;
- a \$0.7 million non-cash gain relating to propane risk management contracts;
- a \$15.7 million non-cash gain relating to iso-octane risk management contracts; and
- a \$4.1 million non-cash loss relating to foreign currency and other financial contracts.

Fixed price physical contracts are also marked-to-market at the end of each period. The fair value of outstanding fixed price physical contracts as at September 30, 2015, resulted in an unrealized gain of \$1.3 million.

The fair value of financial and fixed price physical contracts will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at September 30, 2015, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 9, Financial Instruments and Risk Management, of the accompanying financial statements.

NON-OPERATING EXPENSES AND OTHER INCOME

Non-Operating Expenses and Other Income (Thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Other income (operating margin)	4,400	10,947	15,164	13,875
General and administrative (net of overhead recoveries on operated facilities)	(10,826)	(10,406)	(35,156)	(29,651)
Finance costs	(18,534)	(12,958)	(43,287)	(40,993)
Depreciation, depletion and amortization expenses	(44,634)	(37,033)	(124,632)	(96,675)
Net foreign currency gain (loss) on U.S. debt	12,218	1,173	(24,189)	663
Long-term incentive plan expense	(4,217)	(17,001)	(22,088)	(36,036)
Impairment expense	(16,433)	—	(36,341)	—
Tax expense	(36,511)	(31,971)	(86,318)	(80,248)

Other Income

Keyera has acquired oil and gas reserves as part of the acquisition of ownership interests in the Minnehik Buck Lake, West Pembina, Bigoray and Cynthia facilities. Keyera reports earnings (net of royalties and operating expenses) from the production associated with all of its reserves as other income as it has no plans to drill additional wells.

Other income for the three and nine months ended September 30, 2015 was \$4.4 million and \$15.2 million respectively. Production for the three and nine months ended September 30, 2015 averaged 5,718 and 6,566 barrels of oil equivalent per day compared to 7,656 and 4,015 barrels of oil equivalent per day for the same periods in 2014. For the three and nine months ended September 30, 2015, an impairment charge of \$16.4 million was recorded against the Cynthia and Minnehik Buck Lake reserves to reduce their carrying value to

their respective recoverable amounts as prescribed by GAAP. The section below titled, Impairment, provides more information on these impairment charges.

The reserves and production are not core to Keyera's business.

General and Administrative Expenses

General and administrative ("G&A") expenses for the three and nine months ended September 30, 2015 were \$0.4 million and \$5.5 million higher than the same periods last year primarily due to higher staffing and related costs required to support the growth in Keyera's business.

Finance Costs (including accretion)

Finance costs for the three months ended September 30, 2015 were \$18.5 million, \$5.6 million higher than the same period in 2014, largely due to the effect of a weaker Canadian dollar on U.S. denominated debt as well as lower interest capitalized on qualifying projects. To manage the foreign currency exposure on U.S. dollar denominated debt, Keyera has entered into cross currency agreements to swap the U.S. dollar principal and interest payments into Canadian dollars. The benefit of these cross currency agreements is recorded in Net Foreign Currency Gain (Loss) on U.S. Debt below. Interest capitalized in the third quarter of 2015 was \$2.3 million lower compared to the same quarter last year as several internal projects were completed in the first half of the year.

Year-to-date finance costs were \$43.3 million, \$2.3 million higher than the same period in 2014, primarily due to an increase in short-term borrowings in 2015 and the effect of a weaker Canadian dollar on U.S. dollar denominated debt. These factors were partly offset by higher interest capitalized on certain capital projects in the first half of 2015. Interest capitalized for the nine months ended September 30, 2015 was \$19.6 million, \$6.3 million higher than the same period in 2014.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization expenses were \$7.6 million and \$28.0 million higher for the three and nine months ended September 30, 2015 compared to the same periods in 2014. The increase in depreciation expense was largely due to: i) an increase in Keyera's asset base resulting from significant growth capital expenditures in 2014 and 2015; and ii) higher depletion expense associated with the acquisition of the Cynthia reserves in the second quarter of 2014.

Net Foreign Currency Gain (Loss) on U.S. Debt

The net foreign currency gain (loss) associated with the U.S. debt were as follows:

Net Foreign Currency Gain (Loss) on U.S. Debt (Thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Translation of US\$489 million (2014 – US\$504 million) long-term debt and interest payable	(46,552)	(27,073)	(90,742)	(29,007)
Change in fair value of cross currency swap – principal and interest portion	54,361	28,632	61,528	31,210
Gain (loss) on cross currency swap – principal and interest portion ¹	4,409	(386)	5,025	(1,540)
Net foreign currency gain (loss) on U.S. debt	12,218	1,173	(24,189)	663

Note:

¹ A foreign currency gain (loss) resulted from the exchange of currencies relating to interest payments on existing cross currency swaps and upon the settlement of the principal portion of the US\$15,000 cross currency swap on September 8, 2015.

To manage the foreign currency exposure on U.S. dollar denominated debt, Keyera has entered into cross currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars. The cross currency agreements are accounted for as derivative instruments and are marked-to-market at the end of each period. The fair value of the cross currency swap agreements will fluctuate between periods due to changes in the forward curve for foreign exchange rates, as well as an adjustment to reflect credit risk. Note 9, “Financial Instruments and Risk Management”, to the accompanying financial statements contains more information on the swap agreements.

A net foreign currency gain of \$12.2 million was recorded for the quarter ended September 30, 2015. The translation of U.S. dollar denominated debt into Canadian dollars resulted in a \$46.6 million non-cash loss as the Canadian dollar weakened in relation to the U.S. dollar at the end of September 2015 relative to the end of June 2015. This unrealized gain was more than offset by a \$54.4 million non-cash gain resulting from the change in fair value of cross currency swap agreements as at September 30, 2015. In addition, a \$4.4 million non-cash gain was recorded in the third quarter of 2015 due to the settlement of a cross currency swap agreement associated with the repayment of US\$15 million of long-term debt. A non-cash gain was recorded as the Canadian dollar weakened in relation to the rate fixed in the cross currency swap contract.

For the nine months ended September 30, 2015, a net foreign currency loss of \$24.2 million was recorded primarily due to the translation of U.S. dollar denominated debt into Canadian dollars that resulted in a non-cash loss of \$90.7 million stemming from the weaker Canadian dollar at the end of September 2015 relative to the end of 2014.

Long-Term Incentive Plan Expense

For the three and nine months ended September 30 2015, the Long-Term Incentive Plan (“LTIP”) expense was \$4.2 million and \$22.1 million, \$12.8 million and \$13.9 million lower than the same periods last year. The lower LTIP expense was largely due to a lower Keyera share price at the end of September 2015 compared to the same time in 2014.

Impairment Expense

Keyera reviews its assets for impairment on a quarterly basis and in the third quarter of 2015 an impairment expense of \$16.4 million was recorded to reduce the carrying value of the Cynthia and Minnehik Buck Lake reserves to the net present value of the proven reserves. The impairment resulted from a lower commodity price outlook as at September 30, 2015.

In the first quarter of 2015 an impairment expense of \$19.9 million was recorded. This impairment expense related to a reduction in the carrying value of the Bonnie Glen pipeline (including line-fill), a crude oil

transportation pipeline owned 50% by Keyera. The operator of the pipeline determined there was not sufficient business to warrant keeping the pipeline in active service. The Bonnie Glen pipeline system is considered to be non-core to Keyera.

Taxes

In general, as earnings before taxes increase, total tax expense (current and deferred taxes) will also be higher. If sufficient tax pools exist, current taxes will be reduced and deferred income taxes will increase as these tax pools are utilized or drawn down. Other factors that affect the calculation of deferred income taxes include future income tax rate changes and permanent differences (i.e., accounting income or expenses that will never be taxed or deductible for income tax purposes).

Deferred Income Taxes

For the three and nine months ended September 30, 2015, a deferred income tax expense of \$9.1 million and \$21.4 million was recorded. This is compared to a deferred income tax expense of \$23.9 and \$56.2 million recorded in the same periods last year. The lower deferred income tax expense in 2015 was largely due to: i) the shift between deferred income taxes to higher current taxes as sufficient tax pools are not available to shelter taxable income in 2015; and ii) a reduction in the valuation allowance associated with non-capital losses residing in Keyera's U.S. subsidiary that resulted in a deferred tax recovery in the first quarter. The valuation was reduced in the first quarter due to certain corporate tax filing adjustments between Keyera's Canadian and U.S. subsidiary. The factors that contributed to a lower deferred income tax expense in 2015 were partly offset by the increase in the provincial corporate tax rate from 10% to 12% that was substantively enacted on July 1, 2015.

Current Income Taxes

Current income tax expense for the three and nine months ended September 30, 2015 was \$27.4 million and \$65.0 million, \$19.3 million and \$40.9 million higher than the same periods in 2014. For 2015, current income tax expense is expected to range between \$85 and \$95 million. The 2015 current tax estimate is largely based on 2014 taxable income from the Partnership that is allocated to Keyera Corp. in 2015. This income deferral is available to Keyera as its corporate structure includes a deferral partnership. The current tax estimate for 2015 reflects the increase in the Alberta corporate tax rate that was effective July 1, 2015.

For 2016, current income tax expense is expected to range between \$10 million and \$20 million, substantially lower than 2015 as a result of increased capital cost allowance deductions related to several major capital expenditures that are now available for use. Keyera estimates its tax pools at September 30, 2015 were approximately \$1.6 billion consisting primarily of class 41 undepreciated capital costs ("UCC"), which are generally depreciated at a rate of 25%.

CRITICAL ACCOUNTING ESTIMATES

In preparing Keyera's accompanying financial statements in accordance with GAAP, management has made appropriate decisions with respect to the formulation of estimates and assumptions that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Keyera has hired qualified individuals who have the skills required to make such estimates. These estimates and assumptions are reviewed and compared to actual results as well as to budgets in order to make more informed decisions on future estimates. The methodologies and assumptions used in developing these estimates have not significantly changed since December 31, 2014. A description of the accounting estimates and the methodologies and assumptions underlying the estimates are described in the 2014 year end MD&A available at www.sedar.com. The most significant estimates include the following:

- the key economic assumptions used to determine the present value of future cash flows used in testing long-lived assets and goodwill for impairment;
- the estimated useful lives of assets and the resulting estimates for depreciation expense and the fair value of the decommissioning liabilities, also known as provisions;
- the decommissioning liabilities and associated accretion expense;
- the discount rate used to determine the present value of future cash flows used for testing the impairment of long-lived assets and goodwill;

- the discount rate used to calculate the present value of decommissioning liabilities;
- the amount and composition of deferred income tax assets and income tax liabilities, including the amount of unrecognized tax benefits;
- the allowance for doubtful accounts;
- the fair values of certain fixed price physical derivative instruments and financial contracts;
- the volumes for one month of purchases and sales for the Marketing segment;
- the volumes for one month of operating expenses and fees earned for the Gathering and Processing and NGL Infrastructure segments; and
- equalization adjustments under flow-through revenue arrangements.

Operating Revenues

Gathering and Processing and NGL Infrastructure:

At September 30, 2015, operating revenues and accounts receivable for the Gathering and Processing and NGL Infrastructure segments contained an estimate of \$50 million primarily for September 2015 operations.

Marketing:

At September 30, 2015, the Marketing sales and accounts receivable contained an estimate for September 2015 revenues of \$77 million.

Operating Expenses and Product Purchases

Gathering and Processing and NGL Infrastructure:

At September 30, 2015, operating expenses and accounts payable for the Gathering and Processing and NGL Infrastructure segments contained an estimate of \$25 million primarily for September 2015 operations.

Marketing:

Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of \$60 million at September 30, 2015.

Equalization Adjustments

For the Gathering and Processing segment, an equalization adjustment of \$6 million was included in revenue and accounts receivable at September 30, 2015. Operating expenses and accounts payable contained an equalization adjustment of \$22 million.

Decommissioning Liability

Keyera will be responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its facilities at the end of their economic life. The determination of the estimate by management is based on Keyera's net ownership in facilities, estimated costs to abandon and reclaim the facilities and the estimated timing of the costs to be incurred in future periods.

Keyera has estimated the net present value of its total decommissioning liability to be approximately \$439 million at September 30, 2015, compared to \$434 million at December 31, 2014. In determining the net present value of the liability, a risk free interest rate of 2.33% was used at September 30, 2015 (December 31, 2014 – 2.33%). The provisions are estimated to be settled between 2015 and 2040 with the majority of expenditures being settled closer to 2040.

For more information on the critical accounting estimates see note 4 of the December 31, 2014 annual audited financial statements.

Derivative Financial Instruments

Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spreads. Note 9, "Financial Instruments and Risk Management",

of the accompanying financial statements provides a summary of the fair value of derivative financial instruments existing at September 30, 2015.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counter-party. The allowance for doubtful accounts was \$2.8 million as at September 30, 2015.

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the three months ended September 30, 2015 and 2014:

Cash inflows (outflows) (Thousands of Canadian dollars)				
	Three months ended September 30,		Increase	Explanation
	2015	2014	(decrease)	
Operating	117,714	54,667	63,047	Increase in cash was primarily due to: i) higher operating results from all business segments; and ii) a lower cash requirement to fund inventory stemming from significantly lower NGL prices in the third quarter of 2015 compared to the same period last year.
Investing	(138,945)	(193,650)	54,705	Capital spending in 2015 was lower as several large scale projects were completed in the first half of the year, including the Simonette plant expansion, the de-ethanizer project at Fort Saskatchewan; the Rimbey turbo expander project; and the fractionation de-bottleneck and NGL truck off-load expansion at Rimbey. Capital spending in 2014 included construction of the Rimbey turbo expander project; the de-ethanizer project at Fort Saskatchewan; and the plant expansion and construction of the Wapiti pipeline system at Simonette.
Financing	21,796	(37,578)	59,374	In 2015, net cash proceeds of \$95 million from Keyera's bank credit facility and receipts from the dividend reinvestment plan were used to repay approximately \$50 million of long-term debt that was due in September and to fund capital expenditures in the quarter. In 2014, cash generated from financing activities was lower as sufficient cash was available from the equity offering completed in the second quarter to fund capital spending in the third quarter of that year. No amounts were drawn on Keyera's credit facilities as at September 30, 2014 and cash at the end of the period was \$80.2 million.

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the nine months ended September 30, 2015 and 2014:

Cash inflows (outflows)				
(Thousands of Canadian dollars)				
	Nine months ended September 30,		Increase	Explanation
	2015	2014	(decrease)	
Operating	521,711	280,835	240,876	The increase in cash in 2015 was largely due to: i) strong operating results from all business segments; ii) the inclusion of approximately \$40 million of realized cash gains from the settlement of risk management contracts in the first quarter that related to inventory existing at the end of 2014; and iii) a reduction in cash required to fund inventory resulting from significantly lower prices for NGLs compared to the same time last year.
Investing	(619,720)	(665,663)	45,943	<p>Capital spending was significant in the first half of 2015 as several internal growth projects were completed, including the de-ethanizer project at Fort Saskatchewan, the Simonette plant expansion, the Rimbey turbo expander project and completion of the fractionation de-bottleneck and NGL truck offload expansion at Rimbey.</p> <p>Capital spending in 2014 included the acquisition of the Cynthia gas plant and associated reserves for a purchase price of approximately \$113 million.</p>
Financing	91,459	275,091	(183,632)	<p>In 2015, net cash proceeds of \$235 million from Keyera's bank credit facility and receipts from the dividend reinvestment plan of \$80 million were used to repay approximately \$50 million of long-term debt that was due in September and to partly fund capital expenditures in the year. Most of the 2015 capital expenditures were funded by cash flow from operating activities in the year.</p> <p>In 2014, Keyera issued 4,312,500 common shares for gross proceeds of approximately \$318 million. In addition, \$75 million of proceeds were received from the second closing of the private long-term debt placement entered into in 2013. A portion of these funds was used to fund Keyera's capital expenditures.</p>

Working capital requirements are strongly influenced by the amounts of inventory held in storage and their related commodity prices. Product inventories are required to meet seasonal demand patterns and will vary depending on the time of year. Typically, Keyera's inventory levels for propane are at their lowest after the winter season and reach their peak in the third quarter to meet the demand for propane in the winter season.

For the production of iso-octane, higher levels of butane inventory are maintained, as butane is the primary feedstock used in the production of this product. When market conditions enable Keyera to source additional butane at favourable prices, butane may be held in storage for use in future periods. Inventory levels for iso-octane may fluctuate depending on market conditions. Demand for iso-octane is typically stronger in the second and third quarters, associated with the typically higher gasoline demand in the summer months.

A working capital deficit (current assets less current liabilities) of \$75.7 million existed at September 30, 2015 largely due to \$102 million of long-term debt that is due in May 2016. This is compared to a surplus of \$80.7 million at December 31, 2014. Keyera has access to a credit facility in the amount of \$1 billion, of which \$325 million was drawn as at September 30, 2015, in order to meet its current obligations and growth capital program. Refer to the section below of this MD&A, "Long-term Debt", for more information related to Keyera's Credit Facility.

Equity Financing

In the second quarter of 2014, Keyera issued 4,312,500 common shares, including 562,500 common shares associated with an over-allotment option exercised by underwriters (pre-share split). The common shares were issued at a price of \$73.75 per common share (pre-share split) for gross total proceeds of approximately \$318 million. Financing costs associated with the issuance of shares were approximately \$12.8 million. Net proceeds from the equity financing were used to partially fund Keyera's growth capital program, repay its short-term indebtedness under its credit facilities and for general corporate purposes.

Dividend Reinvestment Plan

Keyera's dividend reinvestment plan (the "Plan"), which was amended effective May 5, 2015, consists of two components: a Premium Dividend™ ("Premium DRIP™") reinvestment component and a regular dividend reinvestment component ("DRIP"). The DRIP component allows eligible shareholders of Keyera to direct their cash dividends to be reinvested in additional shares issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) on the applicable dividend date.

Effective with the May 2015 dividend, Keyera reinstated the Premium DRIP™ component of the Plan. The Premium DRIP™ component permits eligible shareholders to elect to have the additional shares issued at the 3% discount delivered to the designated Plan Broker in exchange for a premium cash payment equal to 101% of the regular, declared cash dividend that was reinvested on their behalf under the Plan. A copy of the Plan (as amended) is available on Keyera's website at www.keyera.com and on SEDAR at www.sedar.com. Further details are also available in the separate news release issued on May 5, 2015.

The DRIP and Premium DRIP™ generated cash of \$37.0 million and \$79.5 million, respectively, for the three and nine months ended September 30, 2015. For the same periods in 2014, the plan generated cash of \$16.7 million and \$45.9 million.

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at September 30, 2015:

As at September 30, 2015 (Thousands of Canadian dollars)	Total	2015	2016	2017	2018	2019	After 2019
Credit Facilities							
Bank credit facilities	325,000	—	—	—	—	325,000	—
	325,000	—	—	—	—	325,000	—
Canadian dollar denominated debt							
7.87% due May 1, 2016	35,000	—	35,000	—	—	—	—
5.89% due December 3, 2017	60,000	—	—	60,000	—	—	—
5.01% due January 4, 2019	70,000	—	—	—	—	70,000	—
4.35% due June 19, 2019	52,000	—	—	—	—	52,000	—
5.68% due September 8, 2020	2,000	—	—	—	—	—	2,000
6.14% due December 3, 2022	60,000	—	—	—	—	—	60,000
4.91% due June 19, 2024	17,000	—	—	—	—	—	17,000
4.92% due October 10, 2025	100,000	—	—	—	—	—	100,000
5.05% due November 20, 2025	20,000	—	—	—	—	—	20,000
5.09% due October 10, 2028	100,000	—	—	—	—	—	100,000
5.34% due April 8, 2029	75,000	—	—	—	—	—	75,000
	591,000	—	35,000	60,000	—	122,000	374,000
US dollar denominated debt							
8.40% due May 1, 2016 (US\$50,000)	66,970	—	66,970	—	—	—	—
3.42% due June 19, 2019 (US\$3,000)	4,018	—	—	—	—	4,018	—
5.14% due September 8, 2020 (US\$103,000)	137,958	—	—	—	—	—	137,958
4.19% due June 19, 2024 (US\$128,000)	171,443	—	—	—	—	—	171,443
4.75% due November 20, 2025 (US\$140,000)	187,516	—	—	—	—	—	187,516
4.95% due November 20, 2028 (US\$65,000)	87,061	—	—	—	—	—	87,061
	654,966	—	66,970	—	—	4,018	583,978
Less: current portion of long-term debt	(101,970)		(101,970)	—	—	—	—
Total long-term debt	1,468,996	—	—	60,000	—	451,018	957,978

As at September 30, 2015, Keyera had \$591 million and US\$489 million of unsecured senior notes including amounts drawn under the uncommitted Pru-shelf facility. To manage the foreign currency exposure on the U.S. dollar denominated debt existing at September 30, 2015, Keyera had entered into cross-currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of \$1.2425, \$1.0425, \$0.9838 and \$1.029 per U.S. dollar. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled "Net Foreign Currency Gain (Loss) on U.S. Debt" provides more information.

Keyera has an unsecured revolving credit facility (the "Credit Facility") with a syndicate of eight lenders pursuant to which it can borrow up to \$1 billion, with the potential to increase that limit to \$1.35 billion subject to certain conditions. As at September 30, 2015, \$325 million was drawn under these facilities (December 31, 2014 - \$90 million). The term of the Credit Facility is through to December 6, 2019. Management expects that upon maturity of the Credit Facility, an adequate replacement will be established.

The Credit Facility and senior note agreements contain a number of covenants, all of which were met as at September 30, 2015. The agreements are available at www.sedar.com. Failure to adhere to the covenants may impair Keyera's ability to pay dividends and such a circumstance could affect its ability to execute future growth plans. The primary covenant for all of Keyera's long-term debt, including its Credit Facility, is the Debt to EBITDA ratio. In the calculation of debt, Keyera is required to deduct working capital surpluses or add working capital deficits. As at September 30, 2015, Keyera's Debt to EBITDA ratio was 2.40 for covenant test purposes.

In addition, the Royal Bank of Canada has provided a \$10 million unsecured revolving demand facility and the Toronto Dominion Bank has provided a further \$25 million unsecured revolving demand facility. These facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, Libor loans or bankers' acceptances.

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the three and nine months ended September 30, 2015 and 2014:

Capital Expenditures and Acquisitions (Thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Acquisitions	1,288	8,596	17,695	128,539
Growth capital expenditures	133,804	166,174	512,338	521,793
Maintenance capital expenditures	15,669	5,584	58,728	48,467
Total capital expenditures	150,761	180,354	588,761	698,799

Growth capital expenditures for the three and nine months ended September 30, 2015 amounted to \$133.8 million and \$512.3 million that included the following significant items:

Facility/Area	Expenditures: Three months ended September 30, 2015	Expenditures: Nine months ended September 30, 2015	Description of Expenditures
Alder Flats	\$3 million	\$23 million	Keyera's share of costs associated with its 35% ownership in a new deep-cut gas plant and related pipelines. The gas plant was completed and operational in May 2015.
Brazeau River – Twin Rivers Pipeline	\$3 million	\$42 million	Completion of Phase One of the Twin Rivers Pipeline and construction of Phase Two that became operational in April 2015.
Rimbey	\$17 million	\$90 million	Construction of the Rimbey turbo expander project that was operational in July 2015; and work to complete the expansion of the facility's fractionation capacity and NGL truck off-load capacity.
Rimbey – Wilson Creek Pipeline Extension	\$7 million	\$10 million	Construction of two 17-kilometre pipelines to extend the Wilson Creek gathering system and a jointly owned compressor station.
Simonette	\$5 million	\$25 million	Construction of the condensate stabilizer and refrigeration process to increase capacity at the facility. The plant expansion was completed in the first quarter of 2015. Approximately \$5 million of additional costs were recorded in the third quarter of 2015 relating to construction of the Wapiti pipeline.
Zeta Creek	\$10 million	\$34 million	Keyera's share of costs associated with its 60% ownership interest in the Zeta Creek gas plant, constructed by Velvet. The facility became operational in September 2015.

Facility/Area	Expenditures: Three months ended September 30, 2015	Expenditures: Nine months ended September 30, 2015	Description of Expenditures
Edmonton – Norlite Pipeline	\$17 million	\$23 million	Keyera's share of costs associated with its 30% ownership in the Norlite Pipeline, currently being constructed by Enbridge.
Fort Saskatchewan	\$29 million	\$93 million	Expenditures related to the fractionation expansion. On a year-to-date basis, expenditures also include work to complete the de-ethanizer project.
Fort Saskatchewan – Josephburg Terminal	\$5 million	\$69 million	Construction of the Josephburg rail terminal and associated pipelines that connect to Keyera's Fort Saskatchewan facility. The terminal became operational in July 2015.

Keyera has committed to construct and operate several facility additions. The section of this MD&A titled, "Results of Operations: Gathering and Processing and NGL Infrastructure", provides information relating to these projects, including estimated costs to complete, costs incurred to date and estimated completion timeframes.

For the first nine months of 2015, acquisitions included the purchase of land in the Edmonton/Fort Saskatchewan area that may be used for future development as well as an additional 0.8% working interest in the Rimbey gas plant. In the second quarter of 2014, acquisitions included the purchase of the Cynthia gas plant and associated oil and gas reserves for a total purchase price of approximately \$113 million. Refer to Keyera's 2014 year-end MD&A for more information relating to this acquisition.

Major turnarounds were completed in the second quarter of 2015 at the Rimbey, Brazeau River and Bigoray gas plants at a combined cost of approximately \$31 million. In the third quarter of 2015, a turnaround was completed at the Minnehik Buck Lake facility for approximately \$9 million. Turnaround costs are included in maintenance capital. This is compared to approximately \$38 million in costs associated with turnarounds completed in 2014.

Keyera has comprehensive inspection, monitoring and maintenance programs in place. The objectives of these programs are to keep Keyera's facilities in good working order, and to maintain their ability to operate reliably for many years. In addition to the maintenance capital expenditures, Keyera incurred maintenance and repair expenses of \$12.4 million and \$37.3 million for the three and nine months ended September 30, 2015, and \$17.2 million and \$41.8 million for the same periods in 2014. The majority of these expenditures will be recovered over varying periods of time, depending upon the fee structure at each facility.

Keyera's ongoing operations are not heavily dependent on capital expenditures to maintain current levels of cash flow. However, to grow future cash flow, Keyera is investing growth capital to expand its current asset base and capture new opportunities. Keyera anticipates that its growth capital investment, excluding acquisitions, for 2016 will be between \$600 million and \$800 million, similar to its 2015 outlook. Maintenance capital for 2016 is expected to be between \$85 million and \$95 million, including the scheduled turnaround at AEF and replacement of catalyst. This capital is expected to be funded by cash flow from operating activities, the DRIP and Premium DRIP™ program and existing credit facilities, augmented if necessary by incremental debt and equity financing. Access to debt and equity financing is dependent on Keyera's ongoing financial performance and general market conditions. Readers are referred to the section

of the MD&A titled, “Forward-Looking Information” for a further discussion of the assumptions and risks that could affect future performance and plans.

Dividends

Distributable Cash Flow

Distributable cash flow is not a standard measure under GAAP, and therefore may not be comparable to similar measures reported by other entities. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends.

The following is a reconciliation of distributable cash flow to its most closely related GAAP measure, cash flow from operating activities.

Distributable Cash Flow (Thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Cash flow from operating activities	117,714	54,667	521,711	280,835
Add (deduct):				
Changes in non-cash working capital	29,015	92,288	(79,428)	91,806
Long-term incentive plan expense	(4,217)	(17,001)	(22,088)	(36,036)
Maintenance capital	(15,669)	(5,584)	(58,728)	(48,467)
Inventory write-down	—	—	(2,525)	(1,533)
Distributable cash flow	126,843	124,370	358,942	286,605
Dividends declared to shareholders	62,178	54,226	176,426	152,875

Dividends declared were \$62.2 million and \$176.4 million, or 49% of distributable cash flow, for the three and nine months ended September 30, 2015. This is compared to dividends declared of \$54.2 million and \$152.9 million, or 44% and 53% of distributable cash flow, in the same periods of 2014.

Keyera recorded distributable cash flow for the three and nine months ended September 30, 2015 of \$126.8 million and \$358.9 million respectively, \$2.5 million and \$72.3 million higher than the same periods last year. The higher distributable cash flow in 2015 stems primarily from the steady throughput delivered to Keyera’s core gas plants, the ongoing demand for storage, fractionation and transportation services, and strong margins from the sale of iso-octane. Keyera posted strong distributable cash flow despite recording current taxes of \$27.4 million and \$65.0 million for the three and nine months ended September 30, 2015. This is compared to current taxes of \$8.0 million and \$24.0 million recorded in the same periods in 2014.

Also contributing to the higher distributable cash flow for the first nine months of 2015 was the inclusion of approximately \$40 million of realized cash gains and physical margin in the first quarter relating to the settlement of risk management contracts associated with Keyera’s year-end 2014 inventory. The section of this MD&A, “Results of Operations: Marketing”, provides more information related to these cash gains from financial and physical risk management contracts.

Changes in non-cash working capital are excluded from the determination of distributable cash flow because they are primarily the result of seasonal fluctuations in product inventories or other temporary changes and are generally funded with short-term debt. Also deducted from distributable cash flow are maintenance capital expenditures and the long-term incentive plan expense, which are funded from current operating cash flow.

Dividend Policy

Effective April 1, 2015, Keyera’s outstanding common shares were split on a two-for-one basis. In addition, Keyera has increased its dividend per share twice in 2015, to \$0.125 per share per month (\$1.50 per share annually). In determining the level of cash dividends to shareholders, Keyera’s Board of Directors considers current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors.

Keyera expects to pay dividends from distributable cash flow; however, credit facilities may be used to stabilize dividends from time to time. Growth capital expenditures will be funded from retained operating cash flow, along with proceeds from additional debt or equity, as required. Although Keyera intends to continue to make regular, monthly cash dividends to its shareholders, these dividends are not guaranteed. For a more detailed discussion of the risks that could affect the level of cash dividends, refer to Keyera's Annual Information Form available at www.sedar.com.

EBITDA

EBITDA and Adjusted EBITDA are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. EBITDA is a measure showing earnings before finance costs, taxes, depreciation, and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment.

The following is a reconciliation of EBITDA and Adjusted EBITDA to their most closely related GAAP measure, net earnings.

EBITDA (Thousands of Canadian dollars)	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net earnings	109,538	82,439	181,705	200,602
Add (deduct):				
Finance costs	18,534	12,958	43,287	40,993
Depreciation, depletion and amortization expenses	44,634	37,033	124,632	96,675
Income tax expense	36,511	31,971	86,318	80,248
EBITDA	209,217	164,401	435,942	418,518
Unrealized (gain) loss on commodity contracts	(25,050)	(11,846)	33,340	(15,683)
Net foreign currency (gain) loss on U.S. debt	(12,218)	(1,173)	24,189	(663)
Gain on disposal of property, plant and equipment	(421)		(421)	
Impairment expense	16,433	—	36,341	—
Adjusted EBITDA	187,961	151,382	529,391	402,172

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. Since December 31, 2014 year end, Keyera has committed to approximately \$95 million in purchase obligations for 2016 resulting from Keyera's share in the Norlite pipeline project and Base Line Terminal above ground storage project which are being constructed by Enbridge and Kinder Morgan, respectively.

CONTINGENCIES

On August 5, 2015, gas from the Simonette facility which did not meet sales gas specifications was delivered to the Alliance Simonette meter station. This gas was subsequently allowed to enter into the Alliance Pipeline System. Following these events, Alliance shut down a portion of its pipeline for approximately six days. Liability for these events has not been determined; however, Keyera recognizes that there is the possibility that claims could be initiated. As there are no details with respect to any such potential claims, no amounts have been accrued as at September 30, 2015. Keyera currently expects the financial impact of a possible claim to be immaterial to the financial statements.

RELATED PARTY TRANSACTIONS

Keyera has provided compensation to key management personnel who are comprised of its directors and executive officers. There have been no other material related party transactions or significant changes to

the annual compensation amounts disclosed in the December 31, 2014, annual audited financial statements.

RISK FACTORS

For a detailed discussion of the risks and trends that could affect the financial performance of Keyera and the steps that Keyera takes to mitigate these risks, see the December 31, 2014, MD&A and to Keyera's Annual Information Form, which are available on SEDAR at www.sedar.com.

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

Keyera is subject to a range of laws, regulations and requirements imposed by various levels of government and regulatory bodies in the jurisdictions in which it operates. While these legal controls and regulations affect all dimensions of Keyera's activities, including but not limited to, the operation of pipelines and facilities, construction activities, emergency response, operational safety and environmental procedures, Keyera does not believe that they impact its operations in a manner materially different from other comparable businesses operating in those jurisdictions.

Greenhouse gases, mainly carbon dioxide and methane, are components of the raw natural gas processed and handled at Keyera's facilities. Operations at Keyera's facilities, including the combustion of fossil fuels in engines, heaters and boilers, release carbon dioxide, methane and other minor greenhouse gases. As such, Keyera is subject to various greenhouse gas reporting and reduction programs. Keyera uses an engineering consulting firm to compile inventories of greenhouse gas emissions and reports these inventories in accordance with federal and provincial programs. Second party audits or verifications of inventories are conducted for facilities that are required to meet regulatory targets.

Keyera closely monitors political and legislative developments as they relate to climate change as well as other environmental and regulatory matters. The Government of Alberta has established a Royalty Review Panel and a Climate Change Advisory Panel. These panels have been tasked with soliciting stakeholder input and will be making policy recommendations to the Government. While the outcome of these reviews is not known, Keyera does not anticipate that it will be affected materially different from other midstream companies operating in Alberta. For a detailed discussion of environmental regulations that affect Keyera and the risks associated therewith, see Keyera's Annual Information Form which is available at www.sedar.com.

SUMMARY OF QUARTERLY RESULTS

following table presents selected financial information for Keyera:

	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013
Revenue before inter-segment eliminations²								
Gathering and Processing	123,752	107,169	106,738	115,131	105,355	113,524	92,445	87,186
NGL Infrastructure	87,310	85,095	83,828	84,784	77,067	75,034	69,180	62,088
Marketing	497,951	480,590	517,071	800,126	746,591	735,513	841,305	827,786
Other	10,600	10,723	9,724	16,463	17,525	9,117	3,758	2,810
Operating Margin								
Gathering and Processing	69,237	56,147	60,146	52,079	53,982	63,981	48,254	37,983
NGL Infrastructure	55,531	54,869	53,572	54,976	45,775	48,955	39,050	33,781
Marketing	99,307	53,483	36,260	67,769	79,931	52,791	36,948	29,044
Other	4,400	6,691	4,073	12,829	10,947	445	2,483	1,551
Net earnings¹	109,538	15,587	56,580	29,387	82,439	62,930	55,233	34,396
Net earnings per share³ (\$/share)								
Basic	0.64	0.09	0.33	0.17	0.49	0.39	0.35	0.22
Diluted	0.64	0.09	0.33	0.17	0.49	0.39	0.35	0.22
Weighted average ³ common shares (basic)	170,191	169,411	168,915	168,470	168,080	162,162	158,602	157,558
Weighted average ³ common shares (diluted)	170,191	169,411	168,915	168,470	168,080	162,162	158,602	158,146
Dividends declared to shareholders	62,178	58,479	55,769	54,353	54,226	51,044	47,605	47,297

Notes

¹ Keyera has no transactions that require the use of other comprehensive income and therefore comprehensive income equals net earnings.

² Keyera's Gathering and Processing and NGL Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. Revenue before inter-segment eliminations reflects these transactions. Inter-segment transactions are eliminated on consolidation in order to arrive at Operating Revenues in accordance with GAAP.

³ Effective April 1, 2015, Keyera's outstanding common shares were split on a two-for-one basis. All common share and per share information has been presented on a post-share split basis for all quarters.

The Gathering and Processing segment has continued to grow as a result of acquiring ownership interests in new or existing facilities as well as its investment in extensive gathering systems and plant expansions over the past year that are now generating incremental cash flow. In the NGL Infrastructure segment, continued demand for storage, fractionation, transportation and rail services, as well as the operation of AEF, have contributed to the growth in operating margin.

Operating margin from the Marketing segment can be affected by seasonal factors. The demand for iso-octane is typically highest in the second and third quarters as the demand for gasoline tends to be higher in the summer months. By comparison, propane sales are typically higher in the first and fourth quarters when propane demand is higher. Unrealized non-cash gains and losses resulting from the change in value of risk management contracts can also have a material effect on operating margin for this segment.

Compared to the 2014 year-end results, all business segments are continuing to perform well. In the Gathering and Processing segment, throughput and revenue were lower in 2015 at certain facilities, including the Strachan, Brazeau River and Minnehik Buck Lake gas plants, due to curtailments imposed by TransCanada on its sales gas pipelines. The TransCanada restrictions relate to their ongoing maintenance and integrity work.

In the NGL Infrastructure segment, demand for fractionation, storage and transportation services has remained strong for the first nine months of 2015. The demand for diluent services has increased in 2015 as Imperial Oil began producing from the next phase of its Kearl project and Husky's Sunrise project commenced production earlier this year. Keyera has long-term agreements in place to provide diluent

transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area for the Sunrise and Kearl oil sands projects, as well as for other customers.

In the Marketing segment, Keyera utilized its rail car logistics capability and infrastructure to import butane in the spring and summer months when prices were lower to optimize margins in its iso-octane business. Keyera continues to maintain its disciplined approach to risk management for its NGL and iso-octane products.

See the section of this MD&A, “Segmented Results of Operations”, for more information on the financial results of Keyera’s operating segments for the three and nine months ended September 30, 2015.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of September 30, 2015, Keyera’s disclosure controls and procedures have provided reasonable assurance that material information relating to Keyera and its consolidated subsidiaries has been brought to their attention and that information required to be disclosed pursuant to applicable securities legislation has been recorded, processed, summarized and reported in an appropriate and timely manner.

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer are satisfied that Keyera’s internal controls over financial reporting provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

No changes were made for the period beginning January 1, 2015 and ending September 30, 2015 that have materially affected, or are reasonably likely to materially affect Keyera’s internal controls over financial reporting.

COMMON SHARES

For the three months ended September 30, 2015, there were 930,378 common shares issued under the DRIP and the Premium DRIP™ for consideration of \$37.0 million, bringing the total common shares outstanding at September 30, 2015 to 170,677,477.

Subsequent to September 30, 2015, 344,009 common shares were issued to shareholders enrolled in the DRIP and the Premium DRIP™ for consideration of \$12.9 million, bringing the total common shares outstanding at November 3, 2015 to 171,021,486.

NON-GAAP FINANCIAL MEASURES

This discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP. Measures such as distributable cash flow (cash flow from operating activities adjusted for changes in non-cash working capital, long-term incentive plan costs, inventory write-down and maintenance capital expenditures); EBITDA (earnings before finance costs, taxes, depreciation, and amortization); and Adjusted EBITDA (calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment) are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. Management believes that these supplemental measures facilitate the understanding of Keyera’s results of operations, leverage, liquidity and financial position. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. EBITDA and Adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. Investors are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Keyera’s performance.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A and accompanying documents contain forward-looking statements. These statements relate to future events or Keyera's future performance. Such statements are predictions only and actual events or results may differ materially. The use of words such as "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "plan", "intend", "believe", and similar expressions, including the negatives thereof, is intended to identify forward-looking statements. All statements other than statements of historical fact contained in this document are forward-looking statements.

The forward-looking statements reflect management's current beliefs and assumptions with respect to such things as the outlook for general economic trends, industry trends, commodity prices, capital markets, and the governmental, regulatory and legal environment. In some instances, this MD&A and accompanying documents may also contain forward-looking statements attributed to third party sources. Management believes that its assumptions and analysis in this MD&A are reasonable and that the expectations reflected in the forward-looking statements contained herein are also reasonable. However, Keyera cannot assure readers that these expectations will prove to be correct.

All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events, levels of activity and achievements to differ materially from those anticipated in the forward-looking statements. Such factors include but are not limited to: general economic, market and business conditions; access to capital and debt markets; operational matters, including potential hazards inherent in our operations; risks arising from co-ownership of facilities; activities of other facility owners; access to third party facilities, competitive action by other companies; activities of producers and other customers and overall industry activity levels; changes in gas composition; fluctuations in commodity prices and supply/demand trends; processing and marketing margins; effects of weather conditions; availability of construction crews and materials; fluctuations in interest rates and foreign currency exchange rates; changes in operating and capital costs, including fluctuations in input costs; actions by governmental authorities; compliance with regulatory requirements; decisions or approvals of administrative tribunals; changes in environmental and other regulations; reliance on key personnel; competition for, among other things, capital, acquisition opportunities and skilled personnel; changes in tax laws, including the effects that such changes may have on shareholders, and in particular any differential effects relating to shareholder's country of residence; and other factors, many of which are beyond the control of Keyera, some of which are discussed in this MD&A and in Keyera's Annual Information Form dated February 11, 2015, filed on SEDAR and available on the Keyera website at www.keyera.com.

Proposed construction and completion schedules and budgets for capital projects are subject to many variables, including weather; availability and prices of materials; labour; customer project schedules and expected in service dates; contractor productivity; contractor disputes; quality of cost estimating; decision processes and approvals by joint venture partners; changes in project scope at the time of project sanctioning; regulatory approvals, conditions or delays (including possible intervention by third parties); and macro socio-economic trends. Pipeline projects are also subject to Keyera's ability to secure the necessary rights of way; and underground cavern development is dependent on sufficient water supply. As a result, expected timing, costs and benefits associated with these projects may differ materially from the descriptions in this MD&A. Further, some of the projects discussed in this MD&A are subject to securing sufficient producer/customer interest and may not proceed if sufficient commitments are not obtained. Typically, the earlier in the engineering process that projects are sanctioned, the greater the likelihood that the schedule and budget may change.

Readers are cautioned that they should not unduly rely on the forward-looking statements in this MD&A and accompanying documents. Further, readers are cautioned that the forward-looking statements in this document speak only as of the date of this MD&A.

Any statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

All forward-looking statements contained in this MD&A and accompanying documents are expressly qualified by this cautionary statement. Further information about the factors affecting forward-looking statements and management's assumptions and analysis thereof, is available in filings made by Keyera with Canadian provincial securities commissions, which can be viewed on SEDAR at www.sedar.com.