

# Management's Discussion and Analysis

*The following management's discussion and analysis ("MD&A") was prepared as of August 4, 2022 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 unaudited condensed interim consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the three and six months ended June 30, 2022 and the notes thereto as well as the audited consolidated financial statements of Keyera for the year ended December 31, 2021, 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](http://www.sedar.com) or on Keyera's website at [www.keyera.com](http://www.keyera.com).*

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

## Keyera's Business

Keyera operates an integrated Canadian-based energy infrastructure business with extensive interconnected assets and depth of expertise in delivering energy infrastructure solutions. Keyera operates assets in the oil and gas industry between the upstream sector, which includes oil and gas exploration and production, and the downstream sector, which includes the refining and marketing of finished products. Keyera is organized into three highly integrated operating segments:

1. **Gathering and Processing** – 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 delivered into long-distance pipeline systems for transportation to end-use markets. Keyera also provides condensate handling services through its condensate gathering pipelines and stabilization facilities.
2. **Liquids Infrastructure** – Keyera owns and operates a network of facilities for the gathering, processing, storage and transportation of the by-products of natural gas processing, including NGLs in mix form and specification NGLs such as ethane, propane, butane and condensate. In addition, this segment includes Keyera's iso-octane facilities at Alberta EnviroFuels ("AEF"), its liquids blending facilities, its 50% interest in the crude oil storage facility at the Base Line Terminal, and its 90% interest in the Wildhorse Terminal in Cushing, Oklahoma.
3. **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 liquids blending.

The Gathering and Processing and Liquids Infrastructure segments provide energy infrastructure solutions to customers on a fee-for-service basis. Keyera also has a Corporate business segment that is not considered a material part of the business.

## Overview

Keyera recorded outstanding financial results in the second quarter of 2022 with significant contribution from all three operating segments. Net earnings of \$173 million were 120% higher than the same period in the prior year, while realized margin was a record \$348 million.

With the strong commodity price environment and application of Keyera's disciplined risk management program, the Marketing segment delivered exceptional financial results. Iso-octane margins were a significant contributor to these results as motor gasoline pricing and iso-octane premiums soared to record levels. With the exceptional financial results from the first half of the year, the Marketing segment is now expected to deliver record realized margin of between \$380 million and \$410 million in 2022. The cash flow generated from the Marketing business enhances Keyera's overall return on invested capital as it can utilize its infrastructure assets to deliver product to the highest value markets. The cash flow from this segment is also used to help fund additional infrastructure investments, including the KAPS pipeline, and helps accelerate the strengthening of Keyera's balance sheet.

The Gathering and Processing segment posted record financial results in the second quarter as new producer volumes resulted in quarterly gross processing throughput records at the Pipestone and Wapiti gas plants and continued volume growth in the South region. As producer activity levels are expected to remain high through the remainder of the year, Keyera is well-positioned to grow operating margin in both the North and South regions by delivering competitive, full-service solutions.

The Liquids Infrastructure segment continued to generate solid financial results and strong operational performance across its diverse range of assets through the second quarter. Keyera's fractionation units in the Fort Saskatchewan area and the AEF facility were fully utilized during this period.

The KAPS project is now over 70% complete and the latest cost estimate is approximately \$900 million (previously between \$800 million and \$880 million), net to Keyera. The increase in cost is mainly driven by weather related productivity losses, as well as inflationary pressure for items such as matting required to access excessively wet construction sites.

### Keyera expects the following for 2022:

- realized margin for the Marketing segment to be between **\$380 million and \$410 million** (previously \$300 million to \$340 million);
- a cash tax expense of between **\$55 million and \$65 million** due to the higher Marketing contribution (previously \$30 million to \$40 million);
- growth capital expenditures to range between **\$680 million and \$720 million** (previously \$620 million to \$660 million) excluding capitalized interest. The increased growth capital guidance range is primarily based on the higher estimated cost to complete the KAPS project. The majority of KAPS related costs are forecasted to be incurred in 2022; and
- maintenance capital expenditures to range between **\$100 million and \$120 million**, with approximately \$60 million of the costs related to the AEF maintenance turnaround. Refer to the section of the MD&A titled, "Segmented Results of Operations: Liquids Infrastructure" for more details related to this major turnaround.

Readers are referred to the section of the MD&A titled, "Forward-Looking Statements" for a further discussion of the assumptions and risks that could affect future performance and plans.

## CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the three and six months ended June 30, 2022 and 2021:

<i>(Thousands of Canadian dollars, except per share data)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net earnings	<b>173,006</b>	78,595	<b>286,800</b>	164,420
Net earnings per share (basic)	<b>0.78</b>	0.36	<b>1.30</b>	0.74
Operating margin	<b>358,262</b>	233,958	<b>631,188</b>	469,933
Realized margin <sup>1</sup>	<b>347,900</b>	260,512	<b>631,768</b>	504,962
Adjusted EBITDA <sup>2</sup>	<b>315,931</b>	223,701	<b>573,134</b>	448,531
Cash flow from operating activities	<b>198,763</b>	112,071	<b>655,815</b>	380,500
Funds from operations <sup>3</sup>	<b>246,290</b>	181,346	<b>443,863</b>	362,411
Distributable cash flow <sup>3</sup>	<b>208,553</b>	147,940	<b>387,011</b>	312,691
Distributable cash flow per share <sup>3</sup> (basic)	<b>0.94</b>	0.67	<b>1.75</b>	1.41
Dividends declared	<b>106,091</b>	106,091	<b>212,182</b>	212,182
Dividends declared per share	<b>0.48</b>	0.48	<b>0.96</b>	0.96
Payout ratio <sup>4</sup>	<b>51%</b>	72%	<b>55%</b>	68%

Notes:

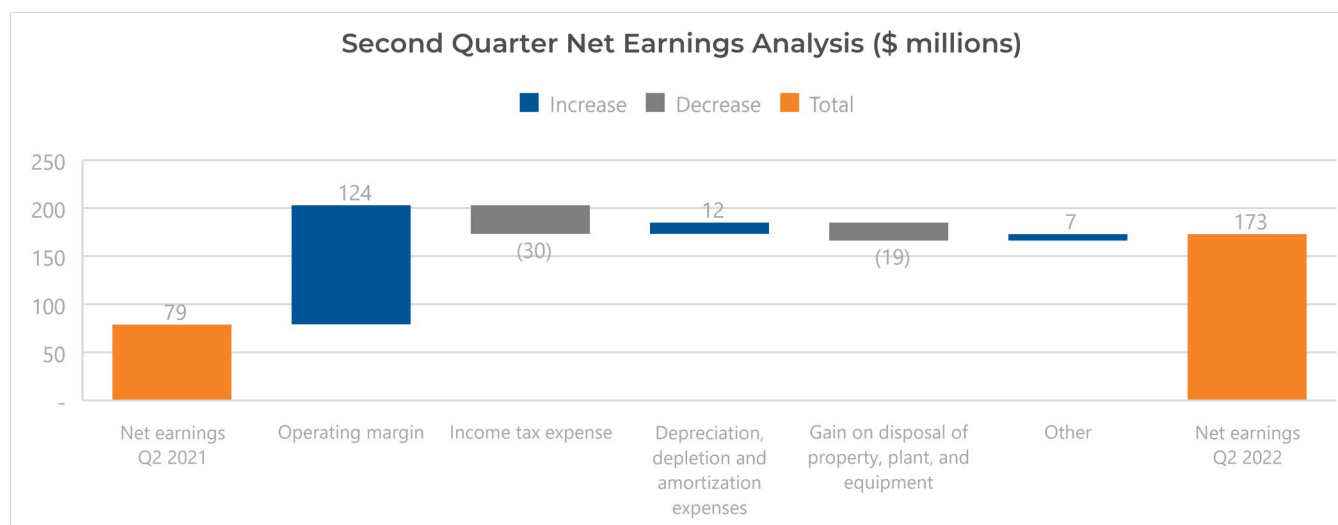
Keyera utilizes the following measures which are not standard measures under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section titled "Non-GAAP and Other Financial Measures".

- 1 Realized margin is defined as operating margin excluding unrealized gains and losses on commodity-related risk management contracts. See the section titled "Segmented Results of Operations" for a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin.
- 2 EBITDA is defined as earnings before finance costs, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. See the section titled "EBITDA" for a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings.
- 3 Funds from operations is defined as cash flow from operating activities adjusted for changes in non-cash working capital. Distributable cash flow is defined as cash flow from operating activities adjusted for changes in non-cash working capital, inventory write-downs, maintenance capital expenditures and lease payments, including the periodic costs related to prepaid leases. Distributable cash flow per share is defined as distributable cash flow divided by weighted average number of shares – basic. See the section titled "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio" for a reconciliation of funds from operations and distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities.
- 4 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow. See the section titled "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".

## Net Earnings

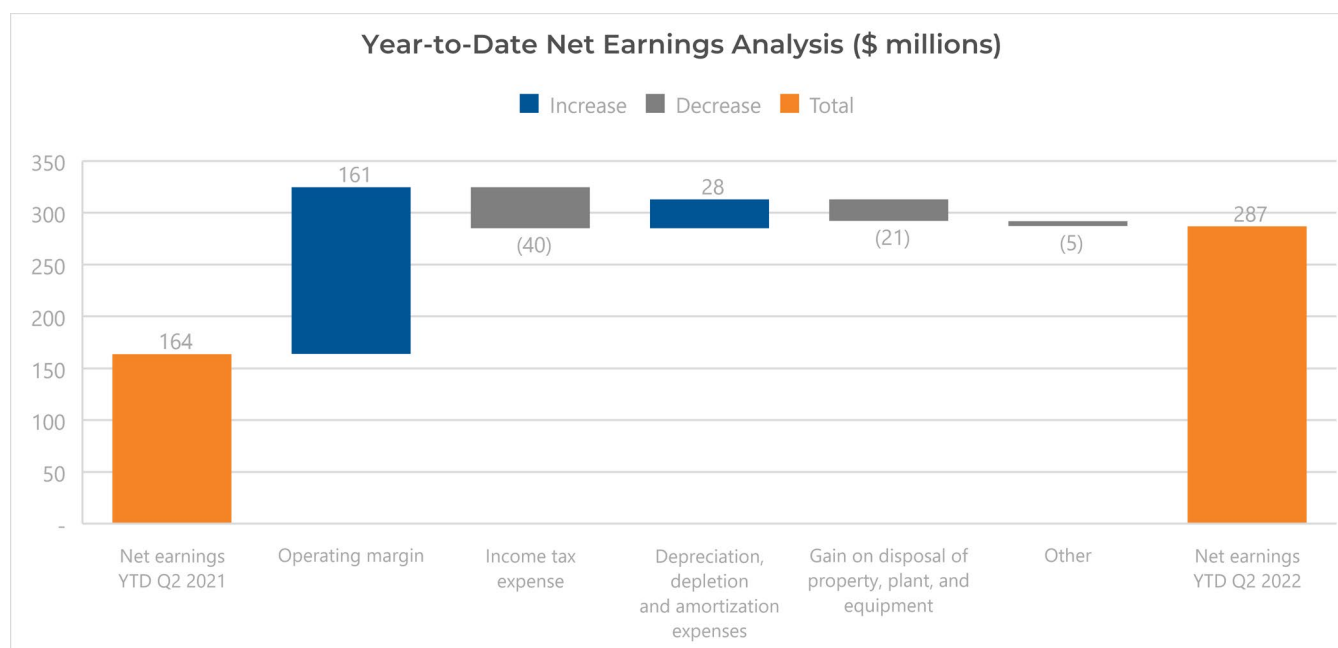
### Second Quarter Results

For the three months ended June 30, 2022, net earnings were \$173 million, \$94 million higher than the same period in the prior year due to the factors shown in the table below:



### Year-To-Date Results

On a year-to-date basis, net earnings were \$287 million, \$122 million higher than the same period in the prior year due to the factors shown in the table below:



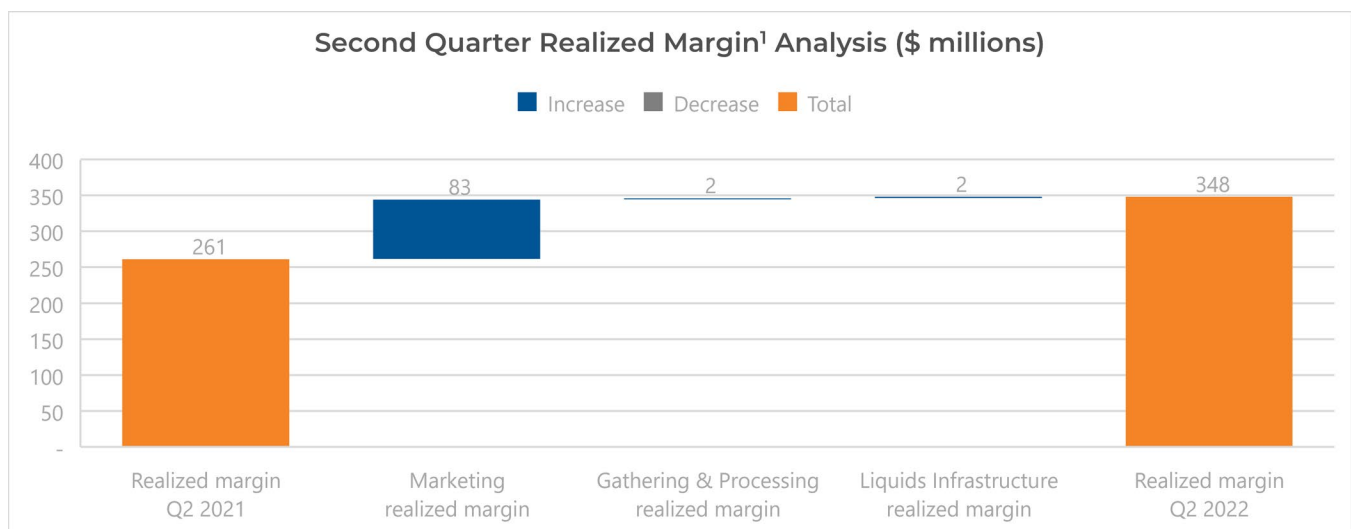
See the section below for more information related to operating margin. For all other charges mentioned above, please see the section of the MD&A titled, "Corporate and Other".

## Operating Margin and Realized Margin

### Second Quarter Results

For the three months ended June 30, 2022, operating margin was \$358 million, \$124 million higher than the same period in the prior year primarily due to: i) the inclusion of an unrealized non-cash gain of \$8 million associated with risk management contracts from the Marketing segment, compared to an unrealized non-cash loss of \$27 million in 2021; and ii) \$87 million in higher realized margin as described in more detail below.

In the second quarter of 2022, realized margin<sup>1</sup> (excludes the effect of unrealized gains and losses from commodity-related risk management contracts) was \$348 million, \$87 million higher than the same period in the prior year. This was primarily due to \$83 million in higher realized margin from the Marketing segment that was attributable to: i) \$58 million in higher iso-octane margins resulting from record motor gasoline pricing and iso-octane premiums; ii) higher propane margins due to realized hedging gains on inventory; and iii) higher liquids blending contribution from improved sales volumes and pricing that was influenced by strong condensate demand.

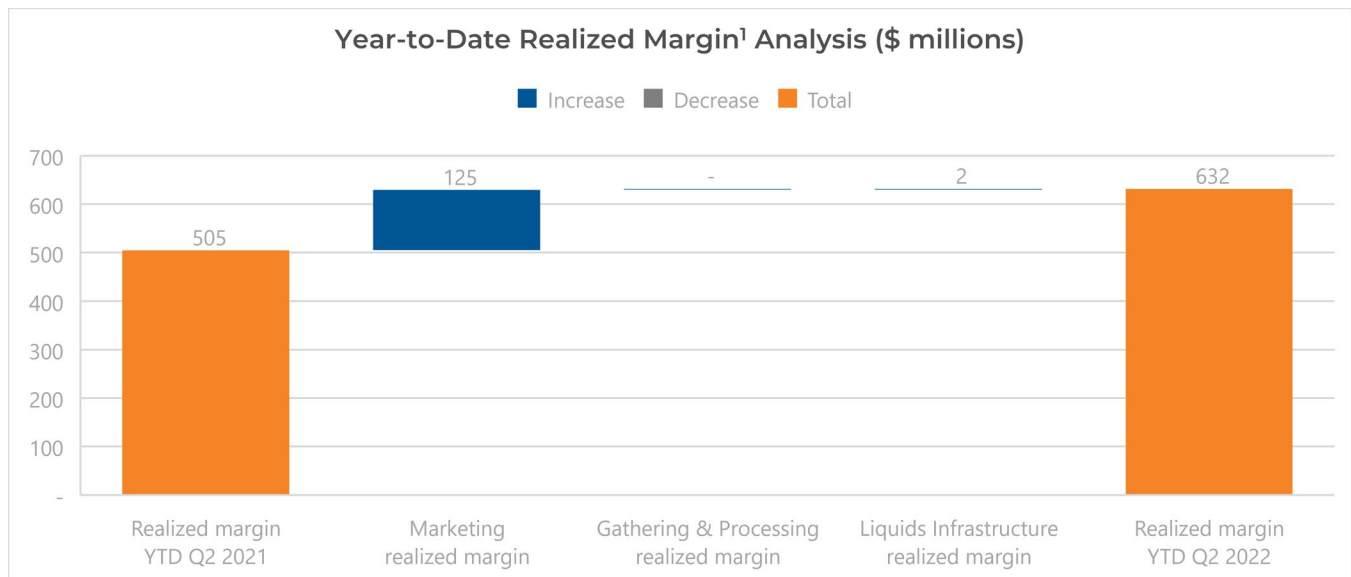


<sup>1</sup> Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section titled "Non-GAAP and Other Financial Measures". For a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin, see the section titled "Segmented Results of Operations".

### Year-To-Date Results

For the first six months of 2022, operating margin was \$631 million, \$161 million higher than the prior year due to: i) \$127 million in higher realized margin as described in more detail below; and ii) \$32 million in lower unrealized non-cash losses associated with risk management contracts from the Marketing segment.

Realized margin<sup>1</sup> for the first six months of 2022 was \$632 million, \$127 million higher than the same period in the prior year. This was primarily due to \$125 million in higher realized margin from the Marketing segment that was attributable to: i) \$88 million in higher iso-octane margins resulting from record motor gasoline pricing and iso-octane premiums in the second quarter; ii) higher liquids blending contribution from improved sales volumes and pricing that was influenced by strong condensate demand; and iii) higher propane margins due to realized hedging gains on inventory during the second quarter of 2022.



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

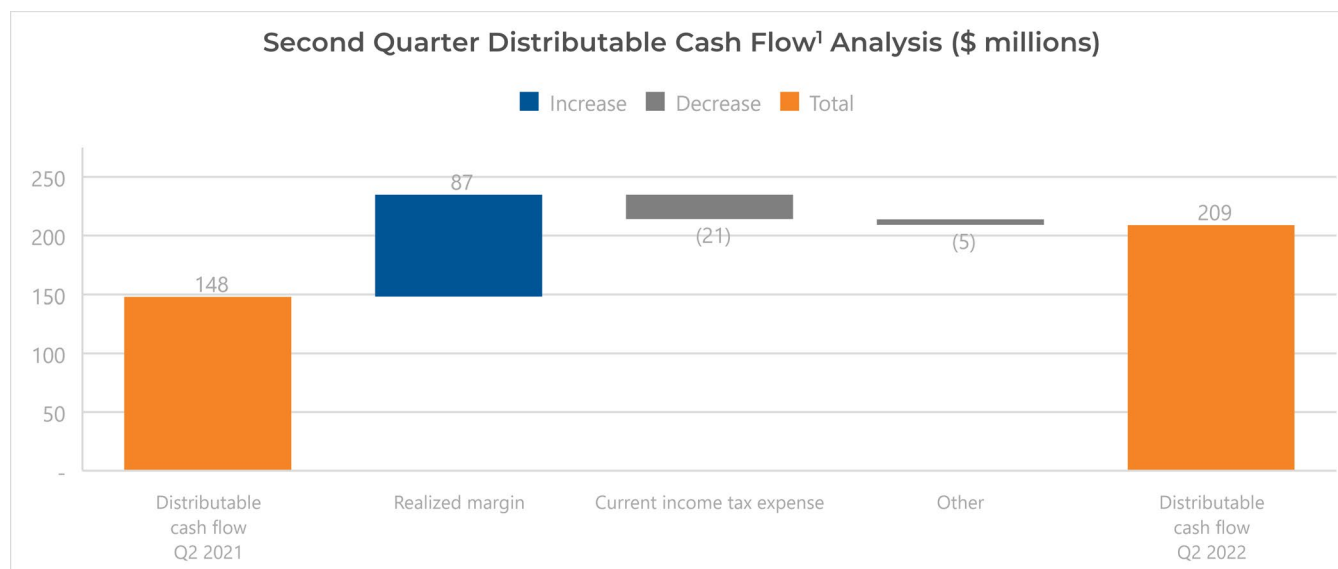
<sup>1</sup> Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section titled “Non-GAAP and Other Financial Measures”. For a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin, see the section titled “Segmented Results of Operations”.

## Cash Flow Metrics

### Second Quarter Results

Cash flow from operating activities for the second quarter of 2022 was \$199 million, \$87 million higher than the same period in the prior year primarily due higher realized margin that was mainly attributable to the Marketing segment.

Distributable cash flow<sup>1</sup> for the three months ended June 30, 2022, was \$209 million, \$61 million higher than the same period in 2021 due to factors shown in the table below:

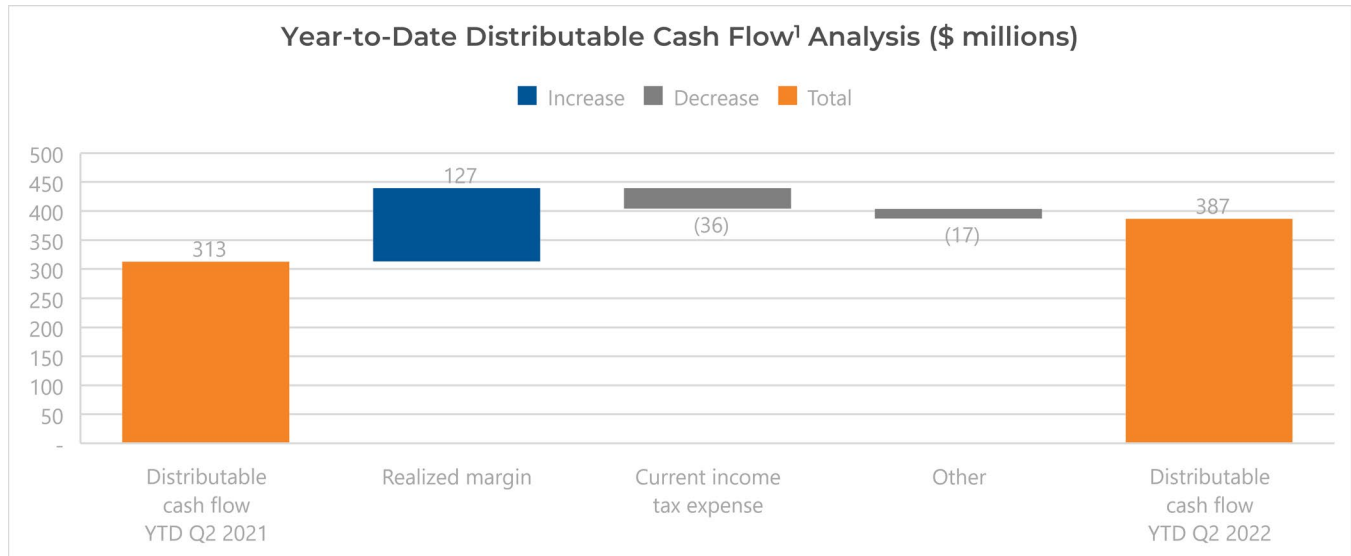


<sup>1</sup> Distributable cash flow is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section titled "Non-GAAP and Other Financial Measures". For a reconciliation of distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities, see the section titled "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".

### Year-To-Date Results

Cash flow from operating activities for the first half of 2022 was \$656 million, \$275 million higher than the same period in the prior year primarily due to higher cash generated from changes in operating working capital and higher realized margin mainly attributable to the Marketing segment.

Distributable cash flow<sup>1</sup> for the six months ended June 30, 2022, was \$387 million, \$74 million higher than the same period in 2021 due to factors shown in the table below:



For more information related to the charges above, please see the section of this MD&A titled, "Corporate and Other".

<sup>1</sup> Distributable cash flow is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section titled "Non-GAAP and Other Financial Measures". For a reconciliation of distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities, see the section titled "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".

## SEGMENTED RESULTS OF OPERATIONS

The discussion of the results of operations for each of the operating segments focuses on operating margin and realized 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 Liquids Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the three and six months ended June 30, 2022 and 2021 are reported in note 15, Segment Information, of the accompanying financial statements. 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](http://www.sedar.com).

Realized margin is defined as operating margin excluding unrealized gains and losses on commodity-related risk management contracts. Management believes that this supplemental measure facilitates the understanding of the financial results for the operating segments in the period without the effect of mark-to-market changes from risk management contracts related to future periods. Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section of this MD&A titled "Non-GAAP and Other Financial Measures".

The following is a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin. For operating margin and realized margin by segment, refer to the Gathering and Processing, Liquids Infrastructure and Marketing sections below.

Operating and Realized Margin <i>(Thousands of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue	1,876,790	1,033,173	3,567,010	2,051,156
Operating expenses	(1,518,528)	(799,215)	(2,935,822)	(1,581,223)
<b>Operating margin</b>	<b>358,262</b>	233,958	<b>631,188</b>	469,933
Unrealized (gain) loss on risk management contracts	(10,362)	26,554	580	35,029
<b>Realized margin</b>	<b>347,900</b>	260,512	<b>631,768</b>	504,962

## Gathering and Processing

Keyera currently has interests in 12 active gas plants<sup>1</sup>, all of which are located in Alberta. Keyera operates 9 of the 12 active gas plants and has the option to become the operator of the Pipestone gas plant on January 1, 2026, approximately five years after the commencement of its operations. 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. Most of Keyera’s facilities are also equipped with condensate handling capabilities. Keyera’s facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production activity in the WCSB. Keyera’s Simonette, Wapiti and Pipestone gas plants are generally referred to as its “Northern” or “North” gas plants due to their geographic location and proximity to one another. Gas plants in the North are generally dedicated to processing gas and handling condensate from the Montney formation. All of Keyera’s other Gathering and Processing plants, with the exception of the non-operated Edson gas plant, are generally referred to as its “Southern” or “South” gas plants.

Operating and realized margin for the Gathering and Processing segment were:

Operating and Realized Margin and Throughput Information <i>(Thousands of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue <sup>2</sup>	179,382	146,910	333,256	290,554
Operating expenses <sup>2</sup>	(90,696)	(61,073)	(168,001)	(125,734)
<b>Operating margin</b>	<b>88,686</b>	85,837	<b>165,255</b>	164,820
Unrealized (gain) loss on risk management contracts	(504)	94	(386)	338
<b>Realized margin<sup>3</sup></b>	<b>88,182</b>	85,931	<b>164,869</b>	165,158
Gross processing throughput <sup>4</sup> – (MMcf/d)	1,529	1,448	1,521	1,426
Net processing throughput <sup>4,5</sup> – (MMcf/d)	1,300	1,218	1,305	1,206

1 Excludes gas plants where Keyera has suspended operations.



2 Includes inter-segment transactions.

3 Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section titled “Non-GAAP and Other Financial Measures”.



4 Includes gas volumes and the conversion of liquids volumes handled through the processing facilities to a gas volume equivalent.

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

## Second Quarter Operating Margin and Revenue

<b>Operating Margin</b>	 \$3 million vs Q2 2021	<ul style="list-style-type: none"> <li>• Increase primarily due to \$12 million in higher operating margin from higher processing throughput at the Pipestone, Brazeau River and Strachan gas plants.</li> <li>• This was partly offset by the impact of 15 days of maintenance outages at the Wapiti facility, and completion of a planned maintenance turnaround at the Simonette gas plant over a three-week period.</li> </ul>
<b>Revenue</b>	 \$32 million vs Q2 2021	<ul style="list-style-type: none"> <li>• Increase in revenue was primarily due to higher processing throughput at the Pipestone, Brazeau River and Strachan gas plants as well as higher ethane sales revenues. Ethane sales are generally based on index pricing and can significantly influence revenues; however the effect on operating margin is minimal as ethane purchases from producers are also based on index pricing and are included in operating expenses.</li> </ul>

## Second Quarter Year-to-Date Operating Margin and Revenue

<b>Operating Margin</b>	 \$nil vs Q2 YTD 2021	<ul style="list-style-type: none"> <li>• Operating margin was virtually unchanged compared to the same period in 2021. Incremental operating margin from higher processing throughput at the Pipestone, Brazeau River and Strachan gas plants was mostly offset by lower operating margin from the Wapiti and Simonette gas plants due to maintenance outages during the first half of 2022.</li> </ul>
<b>Revenue</b>	 \$43 million vs Q2 YTD 2021	<ul style="list-style-type: none"> <li>• Increase in revenue was primarily due to the same factors that contributed to higher operating margin in the second quarter of 2022 as well as higher ethane sales revenues.</li> </ul>

## Gathering and Processing Activity

The Gathering and Processing segment posted record financial results in the second quarter of 2022 as strong commodity prices continued to invigorate producer activity levels across Western Canada, resulting in higher gross processing throughput levels at many Keyera gas plants.

In the North region, quarterly gross processing throughput records were achieved at both the Pipestone and Wapiti gas plants despite 15 days of maintenance outages at the Wapiti facility. New producer volumes from the condensate-rich Montney area contributed to the volume increase at the Pipestone gas plant which operated at nameplate capacity. The Wapiti gas plant also benefited from new production volumes compared to the first quarter of 2022. As a result, overall gross processing throughput in the North region increased by 7% relative to the first quarter of 2022.

In the South region, new production volumes contributed to higher gross processing throughput levels at the majority of Keyera's operated gas plants, which increased 11% over the same period in the prior year. With higher producer activity levels anticipated to continue through the last half of 2022, Keyera is well-positioned to grow operating margin at its South region gas plants by delivering competitive, full-service solutions.

The planned maintenance turnaround at the Simonette gas plant during the second quarter was completed at a cost of approximately \$18 million. The Nordegg gas plant is scheduled to complete its maintenance turnaround during the third quarter of 2022 with an estimated cost of \$5 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. Maintenance turnaround costs are generally flowed through to customers over a period of four to six years. 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.

## Liquids Infrastructure

The Liquids Infrastructure segment provides fractionation, storage, transportation, liquids blending 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 and de-ethanization facilities;
- pipeline, rail and truck terminals;
- liquids blending facilities; and
- the AEF facility.

The AEF facility has a licensed production capacity of 13,600 barrels per day of iso-octane. Iso-octane is a low vapour pressure, high-octane gasoline blending component that contains virtually no sulphur, aromatics or benzene, making this product a clean burning gasoline additive. 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 Liquids Infrastructure assets are located in, or connected to, the Edmonton/Fort Saskatchewan area of Alberta, one of four key NGL 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.

Keyera operates an industry-leading condensate hub in Western Canada that includes connections to: i) all major condensate receipt points, including Enbridge's Southern Lights pipeline and CRW pool, all the Fort Saskatchewan area fractionators, and Pembina's Cochin pipeline and Canadian Diluent Hub; and ii) all major condensate delivery points, including Inter Pipeline's Polaris and Cold Lake pipelines, the Norlite pipeline, Enbridge's CRW pool, and Wolf Midstream's Access pipeline system.

Keyera's Liquids Infrastructure assets are closely integrated with its 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 relate to services provided to Keyera's Marketing segment. All of the revenues in this segment that are associated with the AEF facility, the Oklahoma Liquids Terminal and Galena Park infrastructure relate to services provided to the Marketing segment.

Operating and realized margin for the Liquids Infrastructure segment were:



Operating and Realized Margin (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Revenue <sup>1</sup>	156,543	138,194	315,158	285,931
Operating expenses <sup>1</sup>	(57,071)	(42,182)	(110,814)	(85,534)
<b>Operating margin</b>	<b>99,472</b>	96,012	<b>204,344</b>	200,397
Unrealized (gain) loss on risk management contracts	(1,647)	(147)	(1,599)	279
<b>Realized margin<sup>2</sup></b>	<b>97,825</b>	95,865	<b>202,745</b>	200,676

Notes:



1 Includes inter-segment transactions.

2 Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section titled "Non-GAAP and Other Financial Measures".

## Second Quarter Operating Margin and Revenue

<b>Operating Margin</b>	 \$3 million vs Q2 2021	<ul style="list-style-type: none"> <li>Increase was primarily due to higher fractionation revenues from higher volumes at Keyera's Fort Saskatchewan complex and at a non-operated fractionation facility in which Keyera owns a minority working interest. Keyera's Fort Saskatchewan fractionation units were at lower utilization levels during the same period in the prior year due to the completion of maintenance activities.</li> </ul>
<b>Revenue</b>	 \$18 million vs Q2 2021	<ul style="list-style-type: none"> <li>Increase was mainly due to the same factors that contributed to higher operating margin as described above as well as higher operating revenues from the AEF facility and Norlite pipeline resulting from the recovery of increased operating expenses in the period.</li> </ul>

## Second Quarter Year-to-Date Operating Margin and Revenue

<b>Operating Margin</b>	 \$4 million vs Q2 YTD 2021	<ul style="list-style-type: none"> <li>Increase was primarily due to the same factors that contributed to higher operating margin in the second quarter as described above.</li> </ul>
<b>Revenue</b>	 \$29 million vs Q2 YTD 2021	<ul style="list-style-type: none"> <li>Increase was mainly due to the same factors that contributed to higher revenues in the second quarter as described above.</li> </ul>

### Liquids Infrastructure Activity

The Liquids Infrastructure segment continued to generate solid financial results and strong operational performance across its diverse range of infrastructure assets through the second quarter of 2022.

The two fractionation units at Keyera's Fort Saskatchewan complex were fully utilized in the second quarter. Fractionation capacity in Alberta continues to be in high demand as strong commodity prices have resulted in increased drilling activity. As a result, Keyera expects the utilization of its fractionation units to remain near nameplate capacity for the remainder of 2022.

Condensate volumes delivered through Keyera's condensate system in the second quarter were marginally lower than the first quarter of 2022 and same period in the prior year, primarily due to reduced condensate volume requirements from certain oil sands producers that completed maintenance activities during this period. The lower condensate volumes do not have a significant financial impact to Keyera due to long-term, take-or-pay arrangements in place with several major oil

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sands producers. Under these agreements, Keyera provides a variety of services including diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area.

The AEF facility is operated by the Liquids Infrastructure segment and provides iso-octane processing services to the Marketing segment on a fee-for-service basis. The facility's operational performance continued to be strong through the second quarter of 2022 as iso-octane production averaged slightly above the facility's nameplate capacity. Beginning in September, the AEF facility is expected to be offline for approximately six weeks to complete its scheduled maintenance turnaround. The cost of the turnaround is currently estimated to be \$60 million and includes the replacement of the facility's catalysts. While the facility is offline, Keyera is expecting to complete other maintenance capital projects that are included in the cost estimate above. 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 enhancing its infrastructure to meet the needs of its customers. The table below is a status update of major projects in the Liquids Infrastructure segment:

Liquids Infrastructure – Capital Projects Status Update		
Facility/Area	Project Description	Project Status Update
<p><b>KAPS</b></p> <p>50/50 joint venture with Energy Transfer Canada ULC</p>	<p><b>KAPS NGL and Condensate Pipeline System</b></p> <p>Development of a 12-inch and 16-inch NGL and condensate pipeline system that will transport Montney and Duvernay production in northwestern Alberta to Keyera's fractionation assets and condensate system in Fort Saskatchewan. Along its route, KAPS will be connected to Keyera's Pipestone, Wapiti and Simonette gas plants and several third-party gas plants.</p>	<p>All major construction activities including mainline pipe construction, lateral pipeline construction and the installation of surface facilities continue to progress.</p> <p>KAPS is anticipated to be operational at the end of the first quarter of 2023.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> <li>gross cost is estimated to be approximately \$1.8 billion</li> <li>Keyera's net share of costs is estimated to be approximately \$900 million</li> </ul> <p>The increase in estimated costs is mainly attributable to weather related productivity losses as well as inflationary pressure for items such as matting required to access excessively wet construction sites.</p> <p><i>Total net costs to June 30, 2022:</i></p> <ul style="list-style-type: none"> <li>\$121 million and \$313 million for the three and six months ended June 30, 2022</li> <li>\$641 million since inception</li> </ul>
<p><b>South Cheecham</b></p> <p>50/50 joint venture with Enbridge</p>	<p><b>Sulphur Facilities</b></p> <p>Development of sulphur handling, forming, and storage facilities at the South Cheecham rail and truck terminal.</p>	<p>Construction activities are substantially complete and preparation for commissioning activities has commenced.</p> <p>The sulphur facilities are anticipated to be operational by the end of Q3 2022.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> <li>gross cost is approximately \$212 million</li> <li>Keyera's net share of costs is approximately \$106 million</li> </ul> <p><i>Total net costs to June 30, 2022:</i></p> <ul style="list-style-type: none"> <li>\$18 million and \$33 million for the three and six months ended June 30, 2022</li> <li>\$98 million since inception</li> </ul>

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Estimated costs and completion times for the projects currently under development that are discussed above assume that construction proceeds as planned, that actual costs are in line with estimates and, where required, that regulatory approvals and any other third-party approvals or consents are received on a timely basis. Regulatory approvals for KAPS and the South Cheecham Sulphur Facilities have been received. A portion of the costs incurred for completed and ongoing projects is based on estimates. Final costs may differ when actual invoices are received or contracts are settled. Costs for the projects described above exclude carrying charges (i.e., capitalized interest). The section of this MD&A titled, "Forward-Looking Statements", provides more information on factors that could affect the development of these projects.

## Marketing

The Marketing segment is focused on the purchase and sale of products associated with Keyera's facilities, including NGLs, crude oil and iso-octane. 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 several producers for 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.

Propane markets are seasonal and geographically diverse. Keyera sells propane in various North American markets, often where the only option for delivery is via railcar 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 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](http://www.sedar.com).

Keyera's primary markets for iso-octane are in the Gulf Coast, Midwestern United States, and Western Canada. Demand for iso-octane is seasonal, with higher demand in the spring and summer, typically resulting in higher sales prices during these months. There can be significant variability in iso-octane margins. As with Keyera's other marketing activities, various strategies are utilized to mitigate the risks associated with the commodity price 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.

Keyera also engages in liquids blending, where it operates facilities at various locations, allowing it to transport, process and blend various product streams. Margins are earned by blending products of lower value into higher value products. As a result, these transactions are exposed to variability in price and quality differentials between various product streams. Keyera manages this risk by balancing its purchases and sales and employing risk management strategies.

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

For years 2023 to 2025, Keyera expects its Marketing business to contribute on average, a "base realized margin" of between \$250 million and \$280 million. This guidance assumes: i) a crude oil price of between US\$65 and US\$75 per barrel; ii) butane feedstock costs comparable to the 10-year average; and iii) AEF

utilization near nameplate capacity. There are numerous variables that can affect the results from Keyera's Marketing segment. For a detailed discussion of risk factors that affect Keyera, see Keyera's Annual Information Form which is available at [www.sedar.com](http://www.sedar.com).

Operating and realized margin for the Marketing segment were:

<b>Operating and Realized Margin</b> <i>(Thousands of Canadian dollars, except for sales volume information)</i>	<b>Three months ended</b> <b>June 30,</b>		<b>Six months ended</b> <b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenue <sup>1</sup>	1,653,814	833,485	3,140,041	1,655,102
Operating expenses <sup>1</sup>	(1,483,618)	(781,058)	(2,877,596)	(1,549,445)
<b>Operating margin</b>	<b>170,196</b>	<b>52,427</b>	<b>262,445</b>	<b>105,657</b>
Unrealized (gain) loss on risk management contracts	(8,211)	26,607	2,565	34,412
<b>Realized margin<sup>2</sup></b>	<b>161,985</b>	<b>79,034</b>	<b>265,010</b>	<b>140,069</b>
Sales volumes (Bbl/d)	164,600	145,500	179,600	159,400

Notes:




- 1 Includes inter-segment transactions.
- 2 Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section titled "Non-GAAP and Other Financial Measures".

<b>Composition of Marketing Revenue</b> <i>(Thousands of Canadian dollars)</i>	<b>Three months ended</b> <b>June 30,</b>		<b>Six months ended</b> <b>June 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Physical sales	1,718,416	900,674	3,336,501	1,804,236
Realized cash loss on financial contracts <sup>1</sup>	(72,813)	(40,582)	(193,895)	(114,722)
Unrealized gain due to reversal of financial contracts existing at end of prior period	46,491	30,613	31,521	22,024
Unrealized loss due to fair value of financial contracts existing at end of current period	(38,081)	(56,681)	(38,081)	(56,681)
Unrealized (loss) gain from fixed price physical contracts <sup>2</sup>	(199)	(539)	3,995	245
Total unrealized gain (loss) on risk management contracts	8,211	(26,607)	(2,565)	(34,412)
<b>Total loss on risk management contracts</b>	<b>(64,602)</b>	<b>(67,189)</b>	<b>(196,460)</b>	<b>(149,134)</b>
<b>Total Marketing revenue</b>	<b>1,653,814</b>	<b>833,485</b>	<b>3,140,041</b>	<b>1,655,102</b>

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.

## Second Quarter Operating & Realized Margin and Revenue

<b>Operating Margin</b>	 \$118 million vs Q2 2021	<ul style="list-style-type: none"> <li>• Increase was due to \$8 million in unrealized non-cash gains from risk management contracts in Q2 2022 versus a non-cash loss of \$27 million in Q2 2021; and</li> <li>• \$83 million in higher realized margin as described in more detail below.</li> </ul>
<b>Realized Margin<sup>1</sup></b>	 \$83 million vs Q2 2021	<p>Increase was due to the following factors:</p> <ul style="list-style-type: none"> <li>• \$58 million of higher iso-octane margins resulting from significantly higher product premiums and strong motor gasoline pricing;</li> <li>• higher propane contribution primarily related to realized hedging gains on inventory; and</li> <li>• higher liquids blending contribution from higher sales volumes and pricing due to strong condensate demand.</li> </ul>
<b>Revenue</b>	 \$820 million vs Q2 2021	<ul style="list-style-type: none"> <li>• Increase was primarily due to significantly higher average sales prices for all products resulting from high commodity prices in 2022.</li> </ul>

<sup>1</sup> Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section titled "Non-GAAP and Other Financial Measures".

## Second Quarter Year-to-Date Operating & Realized Margin and Revenue

<b>Operating Margin</b>	 \$157 million vs Q2 YTD 2021	<ul style="list-style-type: none"> <li>• Increase was due to \$32 million in lower unrealized non-cash losses from risk management contracts in 2022 compared to 2021; and</li> <li>• \$125 million in higher realized margin as described in more detail below.</li> </ul>
<b>Realized Margin<sup>1</sup></b>	 \$125 million vs Q2 YTD 2021	<p>Increase was due to the following factors:</p> <ul style="list-style-type: none"> <li>• \$88 million of higher iso-octane margins resulting from significantly higher product premiums and strong motor gasoline pricing;</li> <li>• higher liquids blending contribution from higher sales volumes and pricing due to strong condensate demand;</li> <li>• higher propane contribution primarily related to realized hedging gains on inventory in Q2 2022; and</li> <li>• higher butane sales margins in Q1 2022 due to significantly stronger pricing in Alberta stemming from increased seasonal demand.</li> </ul>
<b>Revenue</b>	 \$1.5 billion vs Q2 YTD 2021	<ul style="list-style-type: none"> <li>• Increase was primarily due to significantly higher average sales prices for all products resulting from high commodity prices in 2022.</li> </ul>

<sup>1</sup> Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section titled "Non-GAAP and Other Financial Measures".

## Market Commentary

With the outstanding financial results from the first half of the year, a sustained high commodity price environment and a disciplined risk management program, Keyera now expects its Marketing business to contribute realized margin of between \$380 million and \$410 million in 2022. This new guidance replaces the previous range of between \$300 million and \$340 million for 2022. The guidance also includes the estimated financial impact from the planned six-week outage at the AEF facility, financial hedges currently in place and assumes that commodity prices continue to remain strong for the remainder of the year.

The Marketing segment posted outstanding financial results in the second quarter of 2022 as strong gasoline fundamentals resulted in record iso-octane contribution. Motor gasoline pricing and iso-octane premiums soared to record high levels due to many factors, including the following:

- low European refinery throughput levels that resulted in reduced imports of octane blending components into the U.S.; and
- a lack of excess available U.S. refining capacity as many smaller refineries shut down with the onset of the pandemic in 2020.

Motor gasoline pricing and iso-octane premiums have since returned to historical levels in the early part of the third quarter, as North American driving demand has decreased due to inflated motor gasoline pricing.

As butane is the primary feedstock to produce iso-octane, butane costs directly affect iso-octane margins. The majority of Keyera's butane supply is purchased on a one-year term basis. For the annual term supply contracts that began on April 1, 2022, the price for butane as a percentage of crude oil was consistent with the historical average of the previous 10 years.

Propane margins returned to seasonally lower levels in the second quarter of 2022, and Keyera began its normal build of propane inventory that will be sold during the winter months. Propane pricing is expected to remain strong for the remainder of 2022 due to high North American export levels supported by heavy European and Asian demand. Inter Pipeline's Heartland Petrochemical Complex, which commenced its initial phase of operations in July 2022, is also expected to influence propane pricing this year. Access to Keyera's cavern storage and rail terminals provides the Marketing segment with a competitive advantage as it can store and transport product to the highest value domestic or export markets throughout the year.

Condensate contribution was strong in the second quarter as sales volumes and pricing were higher than the same period in the prior year. Margins from Keyera's liquids blending business also continued to be robust through the second quarter of 2022.

## Risk Management

When possible, Keyera uses hedging strategies to mitigate risk in its Marketing business, including foreign currency exchange risk associated with the purchase and sale of NGLs and iso-octane. Keyera's hedging objective for iso-octane is to secure attractive margins and mitigate the effect of iso-octane price fluctuations on its future operating margins. Iso-octane is generally priced at a premium to the price of Reformulated Blendstock for Oxygen Blending ("RBOB"). RBOB is the highest volume refined product sold in the U.S. and has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize RBOB-based 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 inventory, contracts are generally put in place as inventory builds and may either: i) settle when products are expected to be withdrawn from inventory and sold; or ii) settle and reset on a month-to-month basis. Within these strategies, there may be

differences in timing between when the contracts are settled and when the product is 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. Keyera typically uses propane physical and financial forward contracts to hedge its propane inventory.

Keyera may 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 supply and sales prices for both butane and condensate are typically priced as a percentage of West Texas Intermediate (“WTI”) crude oil and in certain cases the supply cost 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 for butane and condensate are also generally priced in relation to 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 purchased and sold. 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 quarter ended June 30, 2022, the total unrealized gain on risk management contracts was \$8 million. Further details are provided in the “Composition of Marketing Revenue” table above.

The fair value of outstanding fixed price physical and financial risk management contracts as at June 30, 2022 resulted in an unrealized (non-cash) loss of \$34 million. These fair values will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at June 30, 2022, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 11, Financial Instruments and Risk Management, of the accompanying financial statements.

## CORPORATE AND OTHER

Non-Operating Expenses and Other (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
General and administrative <sup>1</sup>	(21,662)	(20,442)	(41,122)	(39,897)
Finance costs	(42,008)	(42,009)	(83,375)	(82,117)
Depreciation, depletion and amortization expenses	(54,341)	(66,118)	(103,989)	(132,454)
Net foreign currency (loss) gain on U.S. debt and other	(3,986)	2,886	(9,268)	2,975
Long-term incentive plan expense	(10,057)	(20,161)	(17,262)	(25,315)
Impairment expense	—	(9,494)	—	(9,494)
Gain (loss) on disposal of property, plant and equipment	—	19,158	(477)	20,797
Other	(250)	3,792	(250)	8,781
Income tax expense	(52,952)	(22,975)	(88,645)	(48,789)

Note:

<sup>1</sup> Net of overhead recoveries on operated facilities.

### General and Administrative Expenses

General and administrative (“G&A”) expenses for the three and six months ended June 30, 2022 were \$22 million and \$41 million, \$1 million higher than the three and six months ended June 30, 2021.

### Finance Costs

Finance costs for the three months ended June 30, 2022 were \$42 million, which was unchanged from the prior year. For the six months ended June 30, 2022, finance costs were \$83 million, \$1 million higher than the same period of 2021.

### Depreciation, Depletion and Amortization Expenses

Depreciation, depletion and amortization (“DD&A”) expenses for the three and six months ended June 30, 2022 were \$54 million and \$104 million, \$12 million and \$28 million lower than the prior year primarily due to a reduction in Keyera’s decommissioning asset base during the first half of 2022.

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

The net foreign currency gain (loss) associated with the U.S. debt and other was:

Net Foreign Currency Gain (Loss) on U.S. Debt and Other (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Translation of long-term debt and interest payable	(13,155)	5,774	(7,356)	11,934
Change in fair value of cross-currency swaps – principal and interest	11,140	(4,799)	(1,320)	(12,623)
Gain on cross-currency swaps – interest <sup>1</sup>	924	385	924	385
Foreign exchange re-measurement of lease liabilities and other	(2,895)	1,526	(1,516)	3,279
<b>Net foreign currency (loss) gain on U.S. debt and other</b>	<b>(3,986)</b>	<b>2,886</b>	<b>(9,268)</b>	<b>2,975</b>

Note:

<sup>1</sup> Foreign currency gains resulted from the exchange of currencies related to the settlement of interest payments on the long-term cross-currency swaps.

To manage the foreign currency exposure on U.S. dollar denominated debt, Keyera has entered into cross-currency agreements with a syndicate of 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. Additional information on the swap agreements can be found in note 11, Financial Instruments and Risk Management, of the accompanying financial statements.

## Long-Term Incentive Plan Expense

The Long-Term Incentive Plan (“LTIP”) expense was \$10 million and \$17 million for the three and six months ended June 30, 2022, compared to \$20 million and \$25 million in the same periods of 2021. The lower LTIP expense was primarily due to lower growth in share price and a decrease in the estimated payout multipliers associated with certain outstanding LTIP grants when compared to the same periods of the prior year.

## Net Impairment Expense

Keyera reviews its assets for indicators of impairment on a quarterly basis. As well, if an asset has been impaired and subsequently recovers in value, GAAP requires the asset to be written-up (i.e., reversal of previous impairments). Impairment expenses are non-cash charges and do not affect operating margin, funds from operations, distributable cash flow, or adjusted EBITDA.

During the three and six months ended June 30, 2022, Keyera did not record any impairment expenses or reversals of previously recorded impairment expenses.

During the second quarter of 2021, Keyera recorded a \$9 million impairment expense related to its working interest in the Alberta Crude Terminal.

## Disposal of Property, Plant and Equipment

In January 2022, Keyera completed the sale of the Hull terminal and Hull terminal pipeline system, including all hydrocarbon inventory owned by Keyera in relation to the asset. The transaction included net proceeds of \$51 million (US\$40 million), \$40 million (US\$31 million) related to the terminal and pipeline system and \$11 million (US\$9 million) related to the closing value of the inventory, resulting in the recognition of a loss of less than \$1 million. The transaction included a nominal assumed decommissioning liability.

For the six months ended June 30, 2021, Keyera recorded a gain of \$21 million, primarily related to the disposition of Keyera's ownership interest in the Bonnie Glen Pipeline during the second quarter of 2021.

### Other

The Canada Emergency Wage Subsidy ("CEWS") program was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan. No income has been recorded from the program during the three and six months ended June 30, 2022 as Keyera's last claim was submitted in 2021. Comparatively, Keyera recorded \$4 million and \$9 million of income from the program for the same periods of the prior year.

### 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 income taxes will be reduced and deferred income taxes will increase as these tax pools are utilized. 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).

#### Current Income Taxes

A current income tax expense of \$27 million was recorded for the three months ended June 30, 2022, compared to an expense of \$6 million from the same period in 2021. On a year-to-date basis, current income tax expense was \$52 million compared to an expense of \$16 million for the prior period. Current taxes in 2022 are higher due to higher earnings and lower tax pool deductions.

For 2022, it is estimated that current income tax expense will range between \$55 million and \$65 million. This new guidance replaces the previous range of between \$30 million and \$40 million due to higher realized margin expected from the Marketing segment. The current income tax estimates assume that Keyera's business performs as planned and its capital projects are completed as expected.

#### Deferred Income Taxes

A deferred income tax expense of \$26 million and \$37 million was recorded for the three and six months ended June 30, 2022, \$9 million and \$4 million higher than the same periods of the prior year.

Keyera estimates its total tax pools at June 30, 2022 were approximately \$3.5 billion.

### CRITICAL ACCOUNTING ESTIMATES

In preparing Keyera's accompanying financial statements in accordance with GAAP, management is required to make estimates and assumptions that are not readily apparent from other sources, and are subject to change based on revised circumstances and the availability of new information. Actual results may differ from the estimates, which could materially affect the company's consolidated financial statements. 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, 2021. A description of the accounting estimates and the methodologies and assumptions underlying the estimates are described in the 2021 annual MD&A and note 4 of the audited consolidated financial statements for the year ended December 31, 2021, which are available at [www.sedar.com](http://www.sedar.com).

## LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the three months ended June 30, 2022 and 2021:

<b>Cash inflows (outflows)</b> <i>(Thousands of Canadian dollars)</i>				
	<b>Three months ended June 30,</b>		<b>Increase</b>	<b>Explanation</b>
	<b>2022</b>	<b>2021</b>	<b>(decrease)</b>	
<b>Operating</b>	<b>198,763</b>	112,071	86,692	Cash generated from operating activities was higher in the second quarter of 2022 primarily as a result of higher realized margin from all operating segments, with the majority of this increase occurring in the Marketing segment.
<b>Investing</b>	<b>(221,422)</b>	(81,991)	(139,431)	Capital investment in the second quarter of 2022 was higher than the prior year as a result of increased construction activities associated with the KAPS pipeline project. In addition, construction activities related to the South Cheecham sulphur facilities continued during the second quarter of 2022. These projects are described in more detail in the "Segmented Results of Operations" section of this MD&A.
<b>Financing</b>	<b>(116,958)</b>	(117,012)	54	Cash used in financing activities was virtually unchanged from the prior year.

Refer to the condensed interim consolidated statements of cash flows of the accompanying financial statements for more detailed information.

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the six months ended June 30, 2022 and 2021:

<b>Cash inflows (outflows)</b> <i>(Thousands of Canadian dollars)</i>				
	<b>Six months ended June 30,</b>		<b>Increase</b>	<b>Explanation</b>
	<b>2022</b>	<b>2021</b>	<b>(decrease)</b>	
<b>Operating</b>	<b>655,815</b>	380,500	275,315	<p>Cash generated from operating activities was higher in 2022 primarily as a result of higher cash generated from changes in operating working capital and higher realized margin from the Marketing segment.</p> <p>These increases were partly offset by higher current income tax expense.</p>
<b>Investing</b>	<b>(384,635)</b>	(130,590)	(254,045)	<p>Capital investment in the first six months ended June 30, 2022 was focused on the same projects discussed for the three months ended June 30, 2022. These projects are described in more detail in the "Segmented Results of Operations" section of this MD&amp;A.</p>
<b>Financing</b>	<b>(66,045)</b>	(167,978)	101,933	<p>In March 2022, Keyera issued \$400 million of senior unsecured medium-term notes, allowing for a full repayment of its outstanding Credit Facility, which totaled \$230 million, net of borrowings.</p> <p>Comparatively, Keyera issued \$350 million of subordinated notes in March of 2021, allowing for a full repayment of its outstanding Credit Facility, which totaled \$280 million, net of borrowings.</p>

Refer to the condensed interim consolidated statements of cash flows of the accompanying financial statements for more detailed information.

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.

Butane inventory is maintained for the production of iso-octane. 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 higher gasoline demand in the summer months.

A working capital surplus (current assets less current liabilities) of \$132 million existed at June 30, 2022. This is compared to a surplus of \$186 million at December 31, 2021. To meet its current obligations and growth capital program, Keyera has access to a credit facility in the amount of \$1.5 billion, of which \$nil was drawn as at June 30, 2022. Refer to the section of this MD&A titled "Long-term Debt", for more information related to Keyera's unsecured revolving credit facility ("Credit Facility").

### Corporate Credit Ratings

In light of the sharp decline in commodity prices and S&P Global's ("S&P") outlook for the industry that occurred in the first quarter of 2020, S&P lowered Keyera's corporate credit rating from 'BBB/stable' to a 'BBB-/stable' in April 2020. At the same time, S&P lowered Keyera's medium-term notes issued in June 2018 to 'BBB-' from 'BBB', and the rating on its subordinated hybrid notes issued in June 2019 to 'BB' from 'BB+'. Keyera's corporate credit rating and issuer rating on its medium-term notes assigned by DBRS Limited ("DBRS") remain unchanged at 'BBB' with a 'stable' trend. The issuer-rating assigned by DBRS on Keyera's subordinated hybrid notes also remain at 'BB (high)'. Both credit agencies currently treat the subordinated hybrid notes as 50% equity.

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. There is no assurance that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if, in its judgment, circumstances so warrant.

Rating agencies will regularly evaluate Keyera, including its financial strength. In addition, factors not entirely within Keyera's control may also be considered, including conditions affecting the industry in which it operates. A credit rating downgrade could impair Keyera's ability to enter into arrangements with suppliers or counterparties and could limit its access to private and public credit markets in the future and increase the costs of borrowing.

## Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at June 30, 2022:

As at June 30, 2022 (Thousands of Canadian dollars)	Total	2022	2023	2024	2025	2026	After 2026
Credit facilities	—	—	—	—	—	—	—
<b>Total credit facilities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<i>Canadian dollar denominated debt:</i>							
Senior unsecured notes	1,132,000	60,000	30,000	17,000	120,000	230,000	675,000
Senior unsecured medium-term notes	1,200,000	—	—	—	—	—	1,200,000
Subordinated hybrid notes	950,000	—	—	—	—	—	950,000
	<b>3,282,000</b>	<b>60,000</b>	<b>30,000</b>	<b>17,000</b>	<b>120,000</b>	<b>230,000</b>	<b>2,825,000</b>
<i>U.S. dollar denominated debt:</i>							
Senior unsecured U.S. dollar denominated notes	428,638	—	—	164,762	180,208	—	83,668
<b>Total debt</b>	<b>3,710,638</b>	<b>60,000</b>	<b>30,000</b>	<b>181,762</b>	<b>300,208</b>	<b>230,000</b>	<b>2,908,668</b>
Less: current portion of long-term debt	(90,000)	(60,000)	(30,000)	—	—	—	—
<b>Total long-term debt</b>	<b>3,620,638</b>	<b>—</b>	<b>—</b>	<b>181,762</b>	<b>300,208</b>	<b>230,000</b>	<b>2,908,668</b>

### Credit Facilities

Keyera's Credit Facility is with a syndicate of seven lenders under which it can borrow up to \$1.5 billion, with the potential to increase that limit to \$2.0 billion subject to certain conditions. As at June 30, 2022, \$nil was drawn under this facility (December 31, 2021 – \$230 million).

In December 2021, the Credit Facility was amended to extend the term from December 6, 2024 to December 6, 2026. Management expects to extend the Credit Facility prior to maturity, and in the event of reaching maturity, expects an adequate replacement will be established.

Keyera also has two unsecured revolving demand facilities, one with the Toronto Dominion Bank in the amount of \$25 million and the other with the Royal Bank of Canada in the amount of \$50 million. These facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, LIBOR loans or bankers' acceptances.

### Long-term Debt

Keyera's long-term debt structure consists of a number of senior unsecured notes, medium-term notes and subordinated hybrid notes. On March 28, 2022, Keyera issued \$400 million of senior unsecured medium-term notes in the Canadian public debt market. The notes bear interest at 5.022% per annum which is payable semi-annually and mature on March 28, 2032. A portion of the proceeds from the note offering were used to repay indebtedness under Keyera's credit facility. The remaining proceeds will be used to fund capital projects, including Keyera's ownership in KAPS, repay debt maturing in 2022 and for other general corporate purposes.

On March 10, 2021, Keyera issued \$350 million of fixed-to-fixed rate subordinated notes due March 10, 2081 in the Canadian public debt market. The interest rate of 5.95% is payable in equal semi-annual payments for the period from March 10, 2021 to, but not including, March 10, 2031. Commencing on March 10, 2031 until maturity, on each interest reset date (March 10, 2031 and every five years thereafter whereby any of the notes are outstanding), the interest rate will reset to a fixed rate per annum as follows:

<b>Interest Reset Periods</b>	<b>Interest Rate</b>
March 10, 2031 to, but not including, March 10, 2051	5-Year Government of Canada Yield plus 4.655%
March 10, 2051 to, but not including, March 10, 2081	5-Year Government of Canada Yield plus 5.405%

The notes are subject to optional redemption by Keyera, whereby on or after December 10, 2030, Keyera may redeem the notes in whole at any time, or in part from time to time, and dependent upon certain conditions

As at June 30, 2022, Keyera had \$3,282 million and US\$333 million of long-term debt. To manage the foreign currency exposure on the U.S. dollar denominated debt, Keyera has entered into cross-currency agreements with a syndicate of banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of \$0.98 and \$1.03 per U.S. dollar for the principal payments and \$1.22 and \$1.14 per U.S. dollar for the future interest payments. 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 and Other", provides more information.

### **Compliance with Covenants**

The Credit Facility is subject to two major financial covenants: "Net Debt to Adjusted EBITDA" and "Adjusted EBITDA to Interest Charges" ratios. The senior unsecured notes are subject to three major financial covenants: "Net Debt to Adjusted EBITDA", "Adjusted EBITDA to Interest Charges" and "Priority Debt to Total Assets". The medium-term notes are subject to one major financial covenant: "Funded Debt to Total Capitalization". The calculations for each of these ratios (i) are based on specific definitions in the agreements governing the Credit Facility and relevant notes, as applicable, (ii) are not in accordance with GAAP, and (iii) cannot be easily calculated by referring to the company's financial statements. Failure to adhere to these covenants may impair Keyera's ability to pay dividends and such a circumstance could affect the company's ability to execute future growth plans. Management expects that upon maturity of the company's credit facilities and other debt arrangements, adequate replacements will be established.

The primary covenant for Keyera's private senior unsecured notes and its Credit Facility is a Net Debt to Adjusted EBITDA ratio. In the calculation of debt for the purpose of calculating this covenant, Keyera is required to: i) include senior debt; ii) deduct working capital surpluses or add working capital deficits; and iii) utilize the cross-currency swap rates in the calculation of debt rather than the spot rate as at each statement of financial position date. The covenant test calculation also excludes 100% of Keyera's \$950 million subordinated hybrid notes. Keyera is required to maintain a Net Debt to Adjusted EBITDA ratio of less than 4.0; however, the company has the flexibility to increase this ratio from 4.0 to 4.5 for periods of up to four consecutive fiscal quarters.

As at June 30, 2022, Keyera was in compliance with all covenants under its Credit Facility and outstanding notes. Keyera's Net Debt to Adjusted EBITDA ratio at June 30, 2022 was 2.3x for covenant test purposes (December 31, 2021 – 2.4x). As a long-term target, Keyera's objective is to maintain a Net Debt to Adjusted EBITDA ratio of between 2.5x to 3.0x. This range results in a leverage profile that supports Keyera's investment grade credit ratings.

For additional information regarding these financial covenants, refer to the Credit Facility and the Note Agreements which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the three and six months ended June 30, 2022 and 2021:

Capital Expenditures and Acquisitions (Thousands of Canadian dollars)	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Acquisitions	—	11,165	—	11,165
Growth capital expenditures	182,455	80,149	426,024	128,177
Maintenance capital expenditures	26,906	21,917	34,142	25,822
<b>Total capital expenditures</b>	<b>209,361</b>	<b>113,231</b>	<b>460,166</b>	<b>165,164</b>

Growth capital expenditures for the three and six months ended June 30, 2022 amounted to \$182 million and \$426 million, respectively. Refer to the section of this MD&A, “Segmented Results of Operations”, for information related to the various growth capital projects in the Liquids Infrastructure segment, including estimated costs to complete, costs incurred in 2022 and since inception of the project, and estimated completion timeframes.

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 \$17 million and \$31 million for the three and six months ended June 30, 2022, compared to \$10 million and \$21 million for the same periods in the prior year.

## Dividends

### Funds from Operations, Distributable Cash Flow and Payout Ratio

Funds from operations, distributable cash flow and payout ratio are not standard measures under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section of this MD&A titled “Non-GAAP and Other Financial Measures”.

Funds from operations is defined as cash flow from operating activities adjusted for changes in non-cash working capital. This measure is used to assess the level of cash flow generated from operating activities excluding the effect of changes in non-cash working capital, as they are primarily the result of seasonal fluctuations in product inventories or other temporary changes. Funds from operations is also a valuable measure that allows investors to compare Keyera with other infrastructure companies within the oil and gas industry.

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. Deducted from the determination of distributable cash flow are maintenance capital expenditures, lease expenditures, including the periodic costs related to prepaid leases, and inventory write-downs.

Payout ratio is calculated as dividends declared to shareholders divided by distributable cash flow. This ratio is used to assess the sustainability of the company’s dividend payment program.

The following is a reconciliation of funds from operations and distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities:

Funds from Operations and Distributable Cash Flow <i>(Thousands of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Cash flow from operating activities</b>	<b>198,763</b>	112,071	<b>655,815</b>	380,500
Add (deduct):				
Changes in non-cash working capital	<b>47,527</b>	69,275	<b>(211,952)</b>	(18,089)
<b>Funds from operations</b>	<b>246,290</b>	181,346	<b>443,863</b>	362,411
Maintenance capital	<b>(26,906)</b>	(21,917)	<b>(34,142)</b>	(25,822)
Leases	<b>(10,213)</b>	(10,858)	<b>(21,461)</b>	(22,636)
Prepaid lease asset	<b>(618)</b>	(631)	<b>(1,249)</b>	(1,262)
<b>Distributable cash flow</b>	<b>208,553</b>	147,940	<b>387,011</b>	312,691
<b>Dividends declared to shareholders</b>	<b>106,091</b>	106,091	<b>212,182</b>	212,182
<b>Payout ratio</b>	<b>51%</b>	72%	<b>55%</b>	68%

Distributable cash flow for the three months ended June 30, 2022 was \$209 million, \$61 million higher than the same period in 2021, which was primarily due to higher realized margin from all operating segments, partly offset by an increase in current income tax expense.

On a year-to-date basis, distributable cash flow was \$387 million, \$74 million higher than the same period in 2021, which was primarily due to higher realized margin from the Marketing segment, partly offset by an increase in current income tax expense and maintenance capital expenditures.

### Dividend Policy

Keyera currently pays a dividend of \$0.16 per share per month, or \$1.92 per share annually. One of Keyera's priorities is to maintain the current monthly dividend while preserving a low dividend payout ratio and strong financial position. 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 cash, retained operating cash flow, and 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](http://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 on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. Management believes that these supplemental measures facilitate the understanding of Keyera's results from operations. In particular, these measures are used as an indication of earnings generated from operations after consideration of administrative and overhead costs. Refer to the section of this MD&A titled "Non-GAAP and Other Financial Measures".

The following is a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings:

EBITDA <i>(Thousands of Canadian dollars)</i>	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
<b>Net earnings</b>	<b>173,006</b>	78,595	<b>286,800</b>	164,420
Add:				
Finance costs	<b>42,008</b>	42,009	<b>83,375</b>	82,117
Depreciation, depletion and amortization expenses	<b>54,341</b>	66,118	<b>103,989</b>	132,454
Income tax expense	<b>52,952</b>	22,975	<b>88,645</b>	48,789
<b>EBITDA</b>	<b>322,307</b>	209,697	<b>562,809</b>	427,780
Unrealized (gain) loss on commodity-related contracts	<b>(10,362)</b>	26,554	<b>580</b>	35,029
Net foreign currency loss (gain) on U.S. debt and other	<b>3,986</b>	(2,886)	<b>9,268</b>	(2,975)
Impairment expense	—	9,494	—	9,494
(Gain) loss on disposal of property, plant and equipment	—	(19,158)	<b>477</b>	(20,797)
<b>Adjusted EBITDA</b>	<b>315,931</b>	223,701	<b>573,134</b>	448,531

## CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. There were no material changes in contractual obligations since December 31, 2021.

## 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, 2021 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, 2021 MD&A and Keyera's Annual Information Form, which are available on SEDAR at [www.sedar.com](http://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 numerous aspects of Keyera's activities, including but not limited to, the operation of wells, pipelines and facilities, construction activities, transportation of dangerous goods, emergency response, operational safety and environmental matters, Keyera does not believe that they impact its operations in a manner materially different from other comparable businesses operating in the same jurisdictions.

The midstream industry is subject to provincial and federal environmental legislation and regulations. Among other things, the environmental regulatory regime provides for restrictions and prohibitions on releases or emissions of various substances produced in association with certain oil and natural gas industry operations. Environmental regulation affects the operation of facilities and limits the extent to which facility expansion is permitted. In addition, legislation requires that facility sites and pipelines be abandoned and reclaimed to the satisfaction of provincial authorities and local landowners. A breach of such legislation may result in the imposition of fines, the issuance of clean-up orders or the shutting down of facilities and pipelines.

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, turbines, 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 engineering consulting firms and internal resources to compile inventories of greenhouse gas emissions and reports these inventories in accordance with federal and provincial programs. Third party audits or verifications of inventories are conducted for facilities that are required to meet regulatory targets.

Keyera is closely monitoring the ongoing development and implementation of the regulatory framework through which the federal and provincial governments are implementing their climate change and emissions reduction policies.

Keyera's year-over-year compliance costs are increasing as a result of the changes in emissions regulation and are expected to continue to increase. Overall, the increased costs are not expected to be material to Keyera in the near term; however, Keyera is looking at opportunities to reduce its costs and enhance the management of its emissions profile. For a detailed discussion of environmental regulations that affect Keyera, political and legislative developments as they relate to climate change and the risks associated therewith, see Keyera's Annual Information Form which is available at [www.sedar.com](http://www.sedar.com).

## SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
<b>Revenue<sup>1</sup></b>								
Gathering and Processing	179,382	153,874	159,648	146,010	146,910	143,644	139,826	108,486
Liquids Infrastructure	156,543	158,615	159,843	145,518	138,194	147,737	148,487	138,630
Marketing	1,653,814	1,486,227	1,525,769	1,000,686	833,485	821,617	513,581	546,067
Other	(7)	32	138	(27)	34	(397)	2,892	2,700
<b>Operating margin (loss)</b>								
Gathering and Processing	88,686	76,569	81,775	76,536	85,837	78,983	76,965	49,404
Liquids Infrastructure	99,472	104,872	110,089	98,885	96,012	104,385	98,330	99,579
Marketing	170,196	92,249	152,188	56,295	52,427	53,230	(12,039)	52,355
Other	(92)	(764)	23	(424)	(318)	(623)	2,257	1,209
<b>Operating margin</b>	<b>358,262</b>	<b>272,926</b>	<b>344,075</b>	<b>231,292</b>	<b>233,958</b>	<b>235,975</b>	<b>165,513</b>	<b>202,547</b>
<b>Realized margin (loss)<sup>2</sup></b>								
Gathering and Processing	88,182	76,687	81,349	76,236	85,931	79,227	76,965	49,404
Liquids Infrastructure	97,825	104,920	110,171	98,340	95,865	104,811	97,609	99,223
Marketing	161,985	103,025	123,988	58,889	79,034	61,035	11,153	64,256
Other	(92)	(764)	23	(424)	(318)	(623)	1,785	1,086
<b>Realized margin<sup>2</sup></b>	<b>347,900</b>	<b>283,868</b>	<b>315,531</b>	<b>233,041</b>	<b>260,512</b>	<b>244,450</b>	<b>187,512</b>	<b>213,969</b>
<b>Net earnings (loss)</b>	<b>173,006</b>	<b>113,794</b>	<b>89,986</b>	<b>69,800</b>	<b>78,595</b>	<b>85,825</b>	<b>(74,777)</b>	<b>33,436</b>
<b>Net earnings (loss) per share (\$/share)</b>								
Basic	0.78	0.51	0.41	0.32	0.36	0.39	(0.34)	0.15
Diluted	0.78	0.51	0.41	0.32	0.36	0.39	(0.34)	0.15
Weighted average number of shares (basic)	221,023	221,023	221,023	221,023	221,023	221,023	221,023	221,023
Weighted average number of shares (diluted)	221,023	221,023	221,023	221,023	221,023	221,023	221,023	221,023
<b>Dividends declared to shareholders</b>	<b>106,091</b>	<b>106,091</b>	<b>106,091</b>	<b>106,091</b>	<b>106,091</b>	<b>106,091</b>	<b>106,091</b>	<b>106,091</b>

Notes:

- Keyera's Gathering and Processing and Liquids 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.
- Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section of this MD&A titled "Non-GAAP and Other Financial Measures" for additional details.

For the periods in the table above, Keyera's results were affected by the following factors and trends:

- incremental margin from new investments including the 16<sup>th</sup> and 17<sup>th</sup> underground storage caverns in Fort Saskatchewan and the Pipestone gas plant;
- declining volumes and fees for certain gas plants in the South region of the Gathering and Processing segment that led to asset impairments;
- growth in demand for diluent handling services in the Liquids Infrastructure segment backed by long-term, take-or-pay contracts with credit worthy counterparties;
- improved energy demand and stronger commodity prices in 2021 and 2022 that resulted in record quarterly operating margin for the Gathering and Processing and Liquids Infrastructure segments and strong contribution from the Marketing segment; and
- a prudent and effective risk management program.

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 months ended June 30, 2022.

## ADOPTION OF NEW STANDARDS

There were no new IFRS standards adopted by Keyera during the three and six months ended June 30, 2022.

## FUTURE ACCOUNTING PRONOUNCEMENTS

There were no significant new accounting standards or interpretations issued during the three and six months ended June 30, 2022.

## CONTROL ENVIRONMENT

### Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of June 30, 2022, Keyera's disclosure controls and procedures are designed to provide 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 are designed to 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, 2022 and ending June 30, 2022 that have materially affected, or are reasonably likely to materially affect Keyera's internal controls over financial reporting.

## COMMON SHARES

The total common shares outstanding at June 30, 2022 was 221,022,873.

## NON-GAAP AND OTHER FINANCIAL MEASURES

This discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP. Measures such as funds from operations, distributable cash flow, distributable cash flow per share, payout ratio, EBITDA, adjusted EBITDA, realized margin, adjusted cash flow from operating activities, return on invested capital, annual return on capital for the growth capital program excluding KAPS, and annual return on capital for the KAPS project are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. Management believes these non-GAAP and other financial measures facilitate the understanding of Keyera's results of operations, leverage, liquidity and financial position. Investors are cautioned, however, that these measures should not be construed as an alternative to net earnings or other measures determined in accordance with GAAP as an indication of Keyera's performance.

Measure	Definition	Utilization
<b>Funds from Operations</b>	Cash flow from operating activities adjusted for changes in non-cash working capital.	<p>Funds from operations is used to assess the level of cash flow generated from operating activities excluding the effect of changes in non-cash working capital, as they are primarily the result of seasonal fluctuations in product inventories or other temporary changes. Funds from operations is also a valuable measure that allows investors to compare Keyera with other companies within the midstream oil and gas industry.</p> <p>For a reconciliation of funds from operations to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section titled, "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".</p>
<b>Distributable Cash Flow</b>	Cash flow from operating activities adjusted for changes in non-cash working capital, inventory write-downs, maintenance capital expenditures and lease payments, including the periodic costs related to prepaid leases.	<p>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.</p> <p>For a reconciliation of distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section titled, "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".</p>
<b>Distributable Cash Flow per Share</b>	Distributable cash flow divided by weighted average number of shares – basic.	
<b>Payout Ratio</b>	Dividends declared to shareholders divided by distributable cash flow.	Payout ratio is used to assess the sustainability of the company's dividend payment program.
<b>EBITDA</b>	Earnings before finance costs, taxes, depreciation, and amortization.	EBITDA and adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs.
<b>Adjusted EBITDA</b>	EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment.	For a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings, refer to the section titled, "EBITDA".

Measure	Definition	Utilization
<b>Realized margin</b>	Operating margin excluding unrealized gains and losses on commodity-related risk management contracts.	<p>Realized margin is used to assess the financial performance of Keyera's ongoing operations without the effect of unrealized gains and losses on commodity-related risk management contracts related to future periods.</p> <p>For a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin, refer to the section titled, "Segmented Results of Operations".</p>
<b>Adjusted Cash Flow from Operating Activities</b>	Cash flow provided by operating activities before changes in non-cash working capital, decommissioning liability expenditures and finance costs.	<p>Adjusted cash flow from operating activities is used solely for purposes of calculating return on invested capital and is therefore not used by management on a stand-alone basis.</p> <p>Since the return on invested capital measure is intended to be calculated on an annual basis, the reconciliation of adjusted cash flow from operating activities to the most directly comparable GAAP measure, cash flow from operating activities, can be found in the section titled, "Adjusted Cash Flow from Operating Activities and Return on Invested Capital" included in Keyera's most recent annual MD&amp;A.</p>
<b>Return on Invested Capital</b>	Adjusted cash flow from operating activities, divided by invested capital, which includes property, plant and equipment, right-of-use assets, inventory, trade and other receivables, goodwill, intangible assets, less work-in-progress assets and trade and other payables, and provisions.	Return on invested capital is used to reflect the profitability of Keyera's in-service capital assets. This measure replaces the annual return on invested capital metric (defined as realized margin divided by weighted average in-service growth capital including maintenance capital and shut-in facilities and excluding decommissioning assets, depreciation, impairments, and work-in-progress capital) disclosed previous to December 31, 2021. The new metric shown is preferred as it can be calculated from amounts presented in publicly disclosed materials and can be used by investors to compare Keyera with other infrastructure companies within the oil and gas industry.
<b>Annual return on capital for the growth capital program excluding KAPS</b>	Expected operating margin divided by the estimated capital cost for the Simonette projects, the Wapiti and Pipestone gas plants and associated gathering infrastructure, the Wildhorse Terminal, the South Cheecham sulphur handling project, and storage cavern capital projects.	Annual return on capital for the growth capital program excluding KAPS and annual return on capital for the KAPS project are used to reflect the expected profitability and value-creating potential for: (i) certain growth projects that have been sanctioned and are currently under development, or have been completed, as of the date hereof, and (ii) for the KAPS project.
<b>Annual return on capital for the KAPS project</b>	Expected operating margin divided by the estimated capital cost for the development of the KAPS project.	

## FORWARD-LOOKING STATEMENTS

In order to provide readers with information regarding Keyera, including its assessment of future plans and operations, its financial outlook and future prospects overall, this MD&A contains certain statements that constitute “forward-looking information” within the meaning of applicable Canadian securities legislation (collectively, “forward-looking information”). Forward-looking information is typically identified by words such as “anticipate”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “should”, “plan”, “intend”, “believe”, and similar words or expressions, including the negatives or variations thereof. All statements other than statements of historical fact contained in this document are forward-looking information, including, without limitation, statements regarding:

- industry, market and economic conditions and any anticipated effects on Keyera;
- Keyera’s future financial position and operational performance and future financial contributions and margins from its business segments including, but not limited to, Keyera’s expectation that between the years 2023 and 2025, its Marketing business will contribute on average, a “base realized margin” of between \$250 million and \$280 million annually and a 2022 contribution of between \$380 million and \$410 million;
- estimated costs and benefits associated with reductions in operating and G&A expenses and optimization of gas plants, estimated maintenance and turnaround costs and estimated decommissioning expenses;
- the expectation that demand for Keyera’s liquid infrastructure service offerings will remain strong;
- future dividends and taxes;
- business strategy, anticipated growth and plans of management;
- budgets, including future growth capital, operating and other expenditures and projected costs;
- cost escalations, including inflationary pressures on operating costs, such as labour, materials, natural gas and other energy sources used in Keyera’s operations and increased insurance deductibles or premiums;
- estimated utilization rates and throughputs;
- expected costs, in-service dates and schedules for KAPS and other capital projects (including projects under construction/development and proposed projects) and sources of funding for such projects;
- anticipated timing for future revenue streams and optimization plans;
- treatment of Keyera and its projects under existing and proposed governmental regulatory regimes;
- the operation and effectiveness of risk management programs;
- expected outcomes with respect to legal proceedings and potential insurance recoveries;
- expectations regarding Keyera’s ability to maintain its competitive position, raise capital and add to its assets through acquisitions or internal growth opportunities;
- expectations as to the financial impact of Keyera’s compliance with future environmental and carbon tax regulation;
- the ongoing impact of the COVID-19 pandemic on Keyera and the economy generally;
- plans, targets, and strategies with respect to reducing greenhouse gas emissions and anticipated reductions in emissions levels; and
- Keyera’s ESG, climate change and risk management initiatives and their implementation generally.

All forward-looking information reflects Keyera’s beliefs and assumptions based on information available at the time the applicable forward-looking information is made and in light of Keyera’s current expectations with respect to such things as the outlook for general economic trends, industry trends, commodity prices, Keyera’s access to the capital markets and the cost of raising capital, the integrity and reliability of Keyera’s assets, the governmental, regulatory and legal environment, the COVID-19 pandemic and the duration and impact thereof, general compliance with Keyera’s plans,

strategies, programs, and goals across its reporting and monitoring systems among employees, stakeholders and service providers. Keyera's expectation as to the "base realized margin" to be contributed by its Marketing segment assumes: (i) a crude oil price of between US\$65 and US\$75 per barrel; (ii) butane feedstock costs comparable to the 10-year average; and (iii) AEF utilization near nameplate capacity. For all construction projects, estimated completion times and costs assume that construction proceeds as planned on schedule and on budget and that, where required, all regulatory approvals and other third-party approvals or consents are received on a timely basis. In some instances, this MD&A may also contain forward-looking information attributed to third parties. Forward-looking information does not guarantee future performance. Management believes that its assumptions and expectations reflected in the forward-looking information contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct.

All forward-looking information is subject to 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 information. Such risks, uncertainties and other factors include, without limitation, the following:

- Keyera's ability to implement its strategic priorities and business plan and achieve the expected benefits;
- general industry, market and economic conditions;
- activities of customers, producers and other facility owners;
- operational hazards and performance;
- the effectiveness of Keyera's risk management programs;
- competition;
- changes in commodity composition and prices, inventory levels, supply/demand trends and other market conditions and factors;
- disruptions to global supply chains and labour shortages;
- processing and marketing margins;
- climate change risks, including the effects of unusual weather and natural catastrophes;
- climate change effects and regulatory and market compliance and other costs associated with climate change;
- variables associated with capital projects, including the potential for increased costs, including inflationary pressures, timing, delays, cooperation of partners, and access to capital on favourable terms;
- fluctuations in interest, tax and foreign currency exchange rates;
- counterparty performance and credit risk;
- changes in operating and capital costs;
- cost and availability of financing;
- ability to expand, update and adapt infrastructure on a timely and effective basis;
- decommissioning, abandonment and reclamation costs;
- reliance on key personnel and third parties;
- relationships with external stakeholders, including Indigenous stakeholders;
- ongoing global supply chain constraints;
- technology, security and cybersecurity risks;
- potential litigation and disputes;
- uninsured and underinsured losses;
- ability to service debt and pay dividends;
- changes in credit ratings;
- reputational risks;
- changes in environmental and other laws and regulations;

- the ability to obtain regulatory, stakeholder and third-party approvals;
- actions by governmental authorities;
- global health crisis, such as pandemics and epidemics, including the ongoing COVID-19 pandemic and the unexpected impact related thereto;
- the effectiveness of Keyera's existing and planned ESG and risk management programs;
- the ability of Keyera to achieve specific targets that are part of its ESG initiatives, including those relating to emissions reduction targets, as well as other climate-change related initiatives.

and other risks, uncertainties and other factors, many of which are beyond the control of Keyera, and some of which are discussed under "Risk Factors" herein and in Keyera's Annual Information Form. Further, because there is interconnectivity between many of the risks Keyera faces, it is possible that different constellations of risk could materialize which could result in unanticipated outcomes or consequences.

Proposed construction and completion schedules and budgets for capital projects described herein 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; Keyera's ability to secure adequate land rights and water supply; and macro socio-economic trends. As a result, expected timing, costs and benefits associated with these projects may differ materially from the descriptions contained herein. Further, some of the projects described are subject to securing sufficient producer/customer interest and may not proceed if sufficient commitments are not obtained.

Readers are cautioned that the foregoing list of important factors is not exhaustive and they should not unduly rely on the forward-looking information included in this MD&A. Further, readers are cautioned that the forward-looking information contained herein is made as of the date of this MD&A. Unless required by law, Keyera does not intend and does not assume any obligation to update any forward-looking information. All forward-looking information contained in this MD&A is expressly qualified by this cautionary statement. Further information about the factors affecting forward-looking information and management's assumptions and analysis thereof, is available in filings made by Keyera with Canadian provincial securities commissions available on SEDAR at [www.sedar.com](http://www.sedar.com).