

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of February 15, 2023 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 audited consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the years ended December 31, 2022 and 2021 and the notes thereto. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Keyera's website at www.keyera.com.

This MD&A contains non-GAAP 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 achieved outstanding financial results in 2022 from all three business segments, which included an 8% year over year increase in Gathering & Processing operating margin. A new record was set in 2022 for adjusted EBITDA¹ which reached \$1.03 billion (2021 – \$956 million). These strong results were achieved despite the completion of a six-week planned maintenance turnaround at the AEF facility that reduced iso-octane sales volumes in the second half of the year. Net earnings were \$328 million (2021 – \$324 million) and included a non-cash impairment expense of \$180 million. The company generated a corporate after-tax return on invested capital¹ (“ROIC”) of 16% (2021 – 14%).

In addition to the strong financial performance delivered in 2022, Keyera also focused on advancing several strategic priorities that included the following:

- **Maintaining a strong financial position** as the company ended the year with its key financial metrics within its target ranges. As of December 31, 2022, Keyera’s Net Debt to Adjusted EBITDA was 2.5x (Target: 2.5x-3.0X) for covenant test purposes and its dividend payout ratio¹ was 65% (Target: 50%-70%).
- **Progressing the KAPS pipeline project** that is currently in the commissioning and start-up phase. The latest cost estimate remains at approximately \$1 billion, net to Keyera, and the pipeline is anticipated to be operational in the second quarter of 2023.
- **Demonstrating prudent capital investment discipline** with the sanctioning of the Pipestone gas plant expansion that is underpinned by long-term, take-or-pay agreements and generates strong return on capital. The expansion involves adding an incremental 40 million cubic feet per day (“MMcf/d”) of processing capacity for an estimated cost of between \$60 million and \$70 million. The expansion is expected to be in service by the first quarter of 2024 and will increase the capacity of the facility from 220 MMcf/d to 260 MMcf/d. The Pipestone gas plant is fully contracted.
- **Growing the core of the company’s value chain** with the acquisition of an additional 21% working interest in Keyera’s Fort Saskatchewan complex, bringing its total ownership in the facility to 98%. This acquisition demonstrates Keyera’s commitment to grow stable cash flow from its core infrastructure business.

2022 Guidance Update

2022 Guidance ²	2022 Results	Commentary
Realized margin ¹ for the Marketing segment of between \$380 million and \$410 million	\$397 million	Guidance target achieved
Growth capital spending between \$770 million and \$800 million (excluding capitalized interest)	\$746 million	Lower due to KAPS related spending which has been deferred to 2023
Maintenance capital spending between \$100 million to \$120 million	\$110 million	Guidance target achieved
Cash tax between \$55 million to \$65 million	\$60 million	Guidance target achieved

¹ Not a standard measure under Generally Accepted Accounting Principles (“GAAP”) and therefore, may not be comparable to similar measures reported by other entities. See the sections titled “Non-GAAP and Other Financial Measures”, “Adjusted Cash Flow from Operating Activities and Return on Invested Capital”, and “Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio”. For a reconciliation of adjusted EBITDA and realized margin for the Marketing segment to the most directly comparable GAAP measures (net earnings and operating margin for the Marketing segment, respectively), see the sections titled “EBITDA and Adjusted EBITDA” and “Segmented Results of Operations: Marketing”.

² As disclosed in the Q3 2022 Report.

Keyera expects the following for 2023:

- growth capital expenditures to range between **\$200 million and \$240 million** excluding capitalized interest. This is higher than the previous range of between \$140 million and \$180 million, and is primarily due to KAPS related spending that has been deferred from 2022 to 2023;
- maintenance capital expenditures to range between **\$75 million and \$85 million**, which includes approximately \$40 million related to the scheduled maintenance turnarounds at the Rimbey and Pipestone gas plants. Substantially all of the costs related to the maintenance turnaround at the Pipestone gas plant will be recovered in 2023; and
- a cash tax expense of **\$nil** (previously between \$10 million and \$25 million).

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 years ended December 31, 2022 and 2021:

<i>(Thousands of Canadian dollars, except per share and ratio data)</i>	2022	2021
Net earnings	328,294	324,206
Net earnings per share (basic)	1.48	1.47
Operating margin	1,175,781	1,045,300
Realized margin ¹	1,149,134	1,053,534
Adjusted EBITDA ²	1,032,473	955,848
Cash flow from operating activities	925,327	583,839
Funds from operations ³	818,847	765,872
Distributable cash flow ³	653,523	668,595
Distributable cash flow per share ³ (basic)	2.95	3.03
Dividends declared	425,665	424,364
Dividends declared per share	1.92	1.92
Payout ratio ⁴	65%	63%

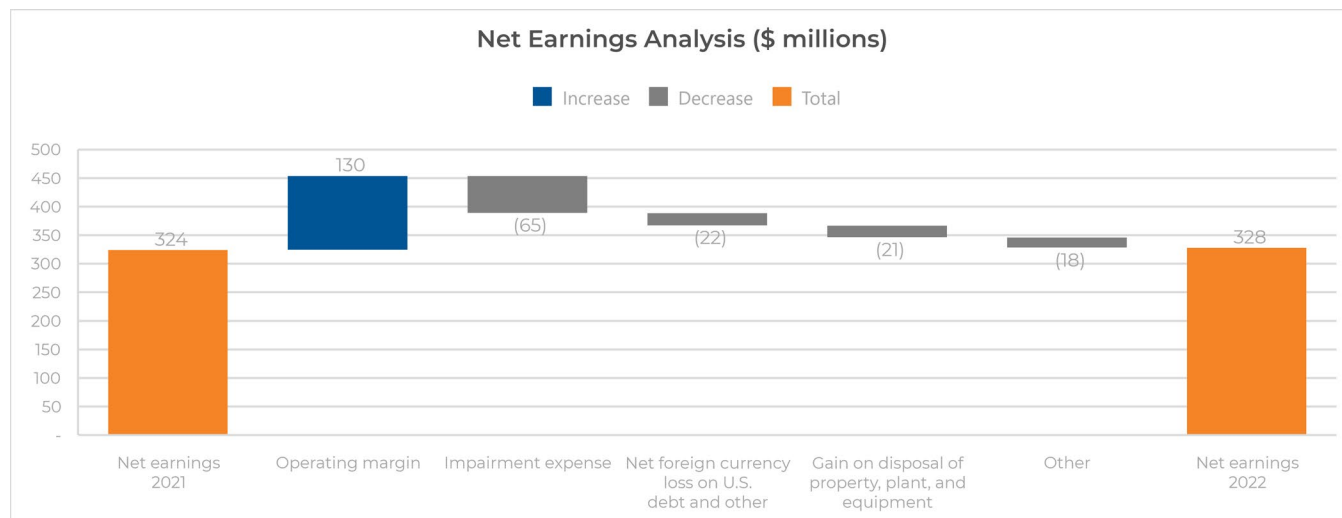
Notes:

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 and Adjusted 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

For the year ended December 31, 2022, net earnings were \$328 million, \$4 million higher than the prior year due to the factors shown in the table below:



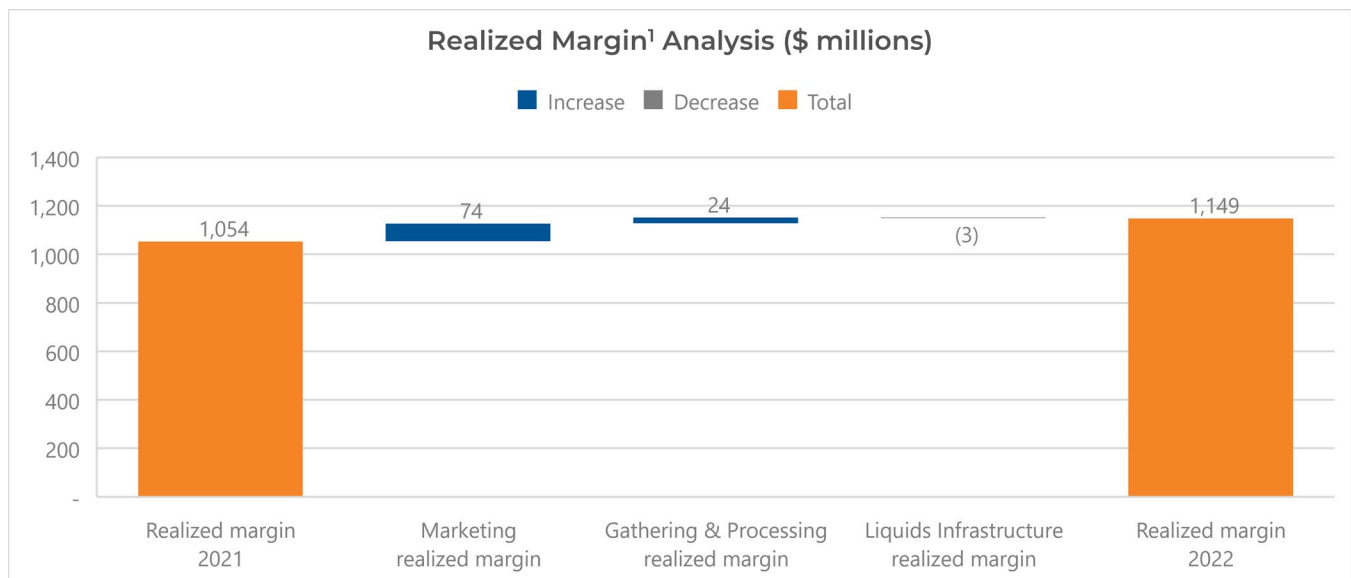
See the section below for more information related to operating margin. For all other charges mentioned above, please see the section of the MD&A titled, "Corporate and Other".

Operating Margin and Realized Margin

For the year ended December 31, 2022, operating margin was \$1.2 billion, \$130 million higher than the prior year due to: i) \$96 million in higher realized margin from all operating segments as described in more detail below; and ii) \$26 million in higher unrealized non-cash gains associated with risk management contracts from the Marketing segment.

Realized margin¹ (which excludes the effect of unrealized gains and losses from commodity-related risk management contracts) was \$1.1 billion for the year ended December 31, 2022, \$96 million or 9% higher than the prior year due to the following factors:

- \$24 million in higher realized margin from the Gathering and Processing segment primarily due to higher processing throughput at the Pipestone, Wapiti, Strachan and Brazeau River gas plants; and
- \$74 million in higher realized margin from the Marketing segment mainly due to record iso-octane margins resulting from significantly stronger product premiums and motor gasoline pricing. These results included the impact of a successfully completed six-week planned maintenance outage at the AEF facility in the second half of the year.



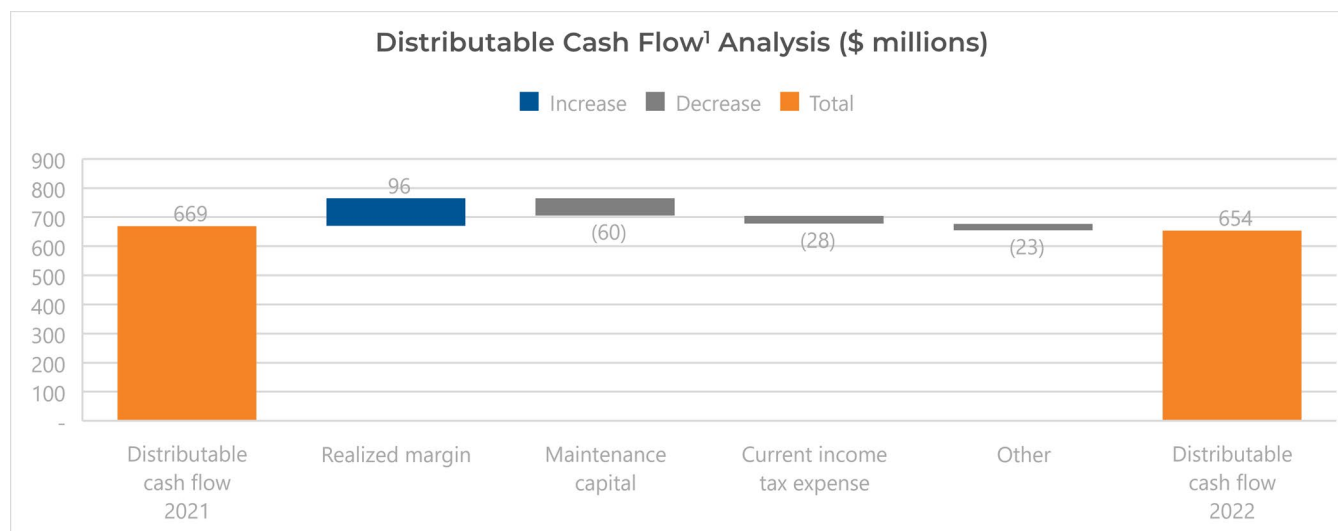
See the section titled “Segmented Results of Operations” for more information on operating results by segment.

¹ 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

Cash flow from operating activities for the year ended December 31, 2022 was \$925 million, \$341 million higher than the prior year primarily due to \$96 million of higher realized margin. This was largely offset by \$60 million of higher maintenance capital expenses and \$28 million of higher current income tax expense.

Distributable cash flow¹ in 2022 was \$654 million, \$15 million lower than the prior year 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".

¹ 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 years ended December 31, 2022 and 2021 are reported in note 30, 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.

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 Margin and Realized Margin <i>(Thousands of Canadian dollars)</i>	2022	2021
Revenue	7,060,223	4,984,906
Operating expenses	(5,884,442)	(3,939,606)
Operating margin	1,175,781	1,045,300
Unrealized (gain) loss on risk management contracts	(26,647)	8,234
Realized margin	1,149,134	1,053,534

Gathering and Processing

Keyera currently has interests in 12 active gas plants¹, 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 in the future. 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 growth 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 margin and realized margin for the Gathering and Processing segment were as follows:

Operating Margin, Realized Margin and Throughput Information		
<i>(Thousands of Canadian dollars)</i>		
	2022	2021
Revenue ²	722,395	596,212
Operating expenses ²	(374,495)	(273,081)
Operating margin	347,900	323,131
Unrealized gain on risk management contracts	(1,128)	(388)
Realized margin³	346,772	322,743
Gross processing throughput ⁴ – (MMcf/d)	1,572	1,460
Net processing throughput ^{4,5} – (MMcf/d)	1,349	1,235

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.

Annual Operating Margin and Revenue

Operating Margin	 \$25 million vs 2021	<ul style="list-style-type: none"> • Increase was primarily due to \$35 million in higher operating margin from higher processing throughput at the Pipestone, Wapiti, Strachan and Brazeau River gas plants. The increased throughput was mainly the result of incremental volumes from new wells. • The above factors were partly offset by lower operating margin from the Cynthia gas plant primarily due to higher electrical costs.
Revenue	 \$126 million vs 2021	<ul style="list-style-type: none"> • Increase in revenue was primarily due to the same factors that contributed to higher operating margin 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.

Gathering and Processing Activity

2022 was an outstanding year for the Gathering and Processing segment as the business posted record financial results with operating margin of \$348 million and achieved an overall average gross processing throughput record of 1,572 million cubic feet per day (“MMcf/d”), both of which were 8% higher than 2021. Strong commodity prices and energy demand continued to invigorate producer drilling activity levels across Western Canada, resulting in higher processing throughput at many Keyera gas plants.

In the North region, record gross processing throughput levels were achieved at both the Wapiti and Pipestone gas plants as the facilities benefited from new production volumes from the condensate-rich Montney area. As a result, overall gross processing throughput in the North region increased by 6% relative to 2021. These results were achieved despite planned and unplanned maintenance outages at all three North region gas plants in 2022. Keyera is committed to being a safe and reliable operator of its facilities and will continue to focus on increasing the long-term reliability of its North region gas plants.

To accommodate continued volume growth in the North region, Keyera added 20 MMcf/d of capacity to the Pipestone gas plant in the third quarter by relicensing the existing facility to 220 MMcf/d. In January 2023, Keyera sanctioned an expansion to the facility which will add an incremental 40 MMcf/d of processing capacity that is expected to be available in the first quarter of 2024. The project is expected to cost between \$60 million and \$70 million and is supported by long-term take-or-pay agreements.

In the South region, overall gross processing throughput increased by 10% compared to the prior year as new production volumes from multiple customers were captured at the Strachan and Brazeau River gas plants. Producer activity levels are anticipated to remain high in 2023 and Keyera is well-positioned to grow operating margin at its South region gas plants by delivering competitive, full-service solutions.

Maintenance turnarounds were successfully completed at the Simonette and Nordegg gas plants in 2022. The combined cost of the maintenance turnarounds was \$25 million. For 2023, maintenance turnarounds are scheduled to occur at the Pipestone and Rimbey gas plants. The preliminary cost estimate for both turnarounds is approximately \$40 million. Substantially all of the costs related to the maintenance turnaround at the Pipestone gas plant will be recovered in 2023. 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 an effective production capacity of approximately 14,000 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, 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 margin and realized margin for the Liquids Infrastructure segment were:

Operating Margin and Realized Margin		
<i>(Thousands of Canadian dollars)</i>		
	2022	2021
Revenue ¹	633,310	591,292
Operating expenses ¹	(219,431)	(181,921)
Operating margin	413,879	409,371
Unrealized gain on risk management contracts	(7,967)	(184)
Realized margin²	405,912	409,187

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".

Annual Operating Margin and Revenue

<p>Operating Margin</p>	<p style="text-align: center;">↑</p> <p style="text-align: center;">\$5 million vs 2021</p>	<p>Increase was primarily due to:</p> <ul style="list-style-type: none"> • \$8 million in higher unrealized non-cash gains from risk management contracts related to electricity; and • 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 interest. <p>The above factors were partly offset by a \$4 million one-time prior period revenue adjustment from the non-operated Norlite pipeline that was recorded in Q4 2022, as well as higher electricity and fuel costs across most Liquids Infrastructure assets.</p>
<p>Revenue</p>	<p style="text-align: center;">↑</p> <p style="text-align: center;">\$42 million vs 2021</p>	<ul style="list-style-type: none"> • Increase was mainly due to higher fractionation revenues that contributed to higher operating margin as described above, and higher operating revenues from the AEF facility resulting from the recovery of increased operating expenses. The operating expenses at AEF are recovered from the Marketing segment and do not have an impact on operating margin for the Liquids Infrastructure segment.

Liquids Infrastructure Activity

The Liquids Infrastructure segment had a busy and successful year that resulted in several business and operational achievements including:

- strong financial results with record operating margin of \$414 million, a 1% increase over 2021;
- high utilization levels across many of the segment's core infrastructure assets, including record condensate deliveries through Keyera's condensate system and record fractionation utilization at its Fort Saskatchewan complex; and
- continued growth and development of the segment's strategic and integrated asset base with the execution of an agreement to acquire a 21% additional working interest in its Fort Saskatchewan complex as well as significant progress on the KAPS pipeline project.

As crude oil prices were strong throughout 2022, oil sands production and the related demand for condensate from oil sands producers remained high. Consequently, volumes delivered through Keyera's condensate system reached a new annual record. The higher 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 sands producers. These contracts are a testament to the segment's stable long-term cash flow profile. Under these agreements, Keyera provides a variety of services including diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area. The strong demand for condensate is expected to continue into the first quarter of 2023.

At Keyera's Fort Saskatchewan complex ("KFS"), the facility's two fractionation units were fully utilized throughout 2022. Fractionation capacity in Alberta continues to be in very high demand as strong commodity prices have resulted in increased drilling activity. As a result, Keyera expects its fractionation units to be fully utilized into 2023.

In December, Keyera entered into an agreement to acquire an additional 21% working interest in the KFS complex from Plains Midstream Canada, bringing its total ownership in KFS to 98%, for a total cash consideration of \$365 million. The acquisition closed on February 13, 2023. With this acquisition, Keyera expands on its core asset base and integrated value chain by adding more than 25% incremental capacity to fractionation, de-ethanization, underground NGL storage and the Fort Saskatchewan Pipeline system. The acquisition also provides synergies and added operational flexibility with increased volumes available to Keyera's Marketing segment, creating opportunities for further margin capture.

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. In September, Keyera took the AEF facility offline for its scheduled maintenance turnaround which was successfully completed over a six-week period. The facility resumed operations in mid-October. The maintenance turnaround was completed on budget at a total cost of approximately \$60 million, including the replacement of the facility's catalyst. Keyera's investment in the maintenance turnaround at AEF is to ensure the facility runs efficiently and reliably for the long-term. Despite the maintenance outage, the facility achieved an annual utilization rate of 93% of nameplate capacity.

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>KAPS</p> <p>50/50 joint venture with Energy Transfer Canada ULC</p>	<p>KAPS NGL and Condensate Pipeline System</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 and lateral pipe construction and the installation of surface facilities are substantially complete. Commissioning and line-fill activities have commenced.</p> <p>KAPS is anticipated to be operational in the second quarter of 2023.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> gross cost is estimated to be approximately \$2 billion Keyera's net share of costs is estimated to be approximately \$1 billion <p>The estimated cost to complete the project was increased in 2022 due to:</p> <ol style="list-style-type: none"> weather related productivity losses; and inflationary pressures on labour and for items such as matting used to access excessively wet construction sites. <p><i>Total net costs to December 31, 2022:</i></p> <ul style="list-style-type: none"> \$576 million for the year ended December 31, 2022 \$905 million since inception
<p>South Cheecham</p> <p>50/50 joint venture with Enbridge</p>	<p>Sulphur Facilities</p> <p>Development of sulphur handling, forming, and storage facilities at the South Cheecham rail and truck terminal.</p>	<p>Commissioning activities are substantially complete and the facilities are expected to be operational by the end of the first quarter of 2023.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> gross cost is approximately \$270 million Keyera's net share of costs is approximately \$135 million <p><i>Total net costs to December 31, 2022:</i></p> <ul style="list-style-type: none"> \$53 million for the year ended December 31, 2022 \$118 million since inception

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 and other third-party 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.

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 the 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. Average annual realized margin for the most recent five years was approximately \$340 million. 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.

Operating margin and realized margin for the Marketing segment were:

Operating Margin and Realized Margin (Thousands of Canadian dollars, except for sales volume information)		
	2022	2021
Revenue ¹	6,135,499	4,181,557
Operating expenses ¹	(5,720,526)	(3,867,417)
Operating margin	414,973	314,140
Unrealized (gain) loss on risk management contracts	(17,552)	8,806
Realized margin²	397,421	322,946
Sales volumes (Bbl/d)	179,100	167,200

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".

Composition of Marketing Revenue (Thousands of Canadian dollars)		
	2022	2021
Physical sales	6,274,555	4,383,145
Realized cash loss on financial contracts ¹	(156,608)	(192,782)
Unrealized gain due to reversal of financial contracts existing at end of prior period	31,521	22,024
Unrealized loss due to fair value of financial contracts existing at end of current period	(13,784)	(31,521)
Unrealized (loss) gain from fixed price physical contracts ²	(185)	691
Total unrealized gain (loss) on risk management contracts	17,552	(8,806)
Total loss on risk management contracts	(139,056)	(201,588)
Total Marketing revenue	6,135,499	4,181,557

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.

Annual Operating Margin, Realized Margin and Revenue

Operating Margin	 \$101 million vs 2021	<ul style="list-style-type: none"> • Increase was due to \$18 million in unrealized non-cash gains from risk management contracts in 2022 versus a non-cash loss of \$9 million in 2021; and • \$74 million in higher realized margin as described in more detail below.
Realized Margin¹	 \$74 million vs 2021	<p>Increase was primarily due to the following factors:</p> <ul style="list-style-type: none"> • \$93 million of higher iso-octane margins resulting from significantly stronger product premiums and motor gasoline pricing; and • greater liquids blending contribution from higher pricing due to strong condensate demand. <p>The above factors were partly offset by \$32 million in lower butane margins due to an exceptionally strong Q4 2021 that benefited from higher pricing and increased seasonal demand in Alberta.</p>
Revenue	 \$2 billion vs 2021	<ul style="list-style-type: none"> • Increase was due to significantly higher average sales prices for all products resulting from high commodity prices in 2022.

Market Commentary

The Marketing segment had an outstanding year as the business generated record financial results that were achieved due to:

- a strong commodity price environment and a disciplined risk management program that enabled the business to capture and protect margins; and
- the effective utilization of Keyera's infrastructure capabilities as products were stored and transported to the highest value markets, particularly in relation to iso-octane.

Record iso-octane margins were achieved in 2022 despite the completion of a planned maintenance turnaround at the AEF facility that began in September. The maintenance outage at AEF was successfully completed over a six-week period and the facility resumed operations in mid-October. The exceptional margins captured in 2022 were largely due to historically high iso-octane premiums and motor gasoline pricing in the second quarter. In response to high motor gasoline prices during the peak driving season, North American driving demand declined in the second half of the year, however, the overall effect on pricing was minimal due to: i) low European refinery throughput levels that significantly reduced imported octane blending components into the U.S.; and ii) increased motor gasoline exports

¹ 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".

to Latin America. These key factors aided in keeping motor gasoline pricing and iso-octane premiums on the higher end of historical values in 2022.

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.

As crude oil prices were strong throughout the year, oil sands production and the related demand for condensate from oil sands producers remained high. As a result, condensate contribution was strong in 2022 as sales volumes and pricing were higher than the prior year. Margins from Keyera's liquids blending business were also a significant contributor to the Marketing results in 2022.

Propane contribution was strong in 2022 as cold weather patterns in the first quarter and high North American export levels supported propane pricing and margins. For 2023, propane pricing is anticipated to be strong due to: i) continued high export levels and demand from Europe and Asia; and ii) increased local demand partly influenced by Inter Pipeline's Heartland Petrochemical Complex which commenced its initial phase of operations in July 2022. 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.

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 Oxygenate 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 year ended December 31, 2022, the total unrealized gain on risk management contracts was \$18 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 December 31, 2022 resulted in an unrealized (non-cash) loss of \$14 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 December 31, 2022, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 22, Financial Instruments and Risk Management, of the accompanying financial statements.

CORPORATE AND OTHER

Non-Operating Expenses and Other Income <i>(Thousands of Canadian dollars)</i>	2022	2021
General and administrative expenses ¹	(82,843)	(80,697)
Finance costs	(165,351)	(169,309)
Depreciation, depletion and amortization expenses	(258,264)	(257,638)
Net foreign currency (loss) gain on U.S. debt and other	(21,551)	568
Long-term incentive plan expense	(33,284)	(27,029)
Impairment expense	(180,277)	(115,771)
(Loss) gain on disposal of property, plant and equipment	(477)	20,797
Other	(534)	10,040
Income tax expense	(104,906)	(102,055)

Note:

¹ Net of overhead recoveries on operated facilities.

General and Administrative Expenses

General and administrative (“G&A”) expenses for 2022 were \$83 million, \$2 million higher than the prior year.

Finance Costs

Finance costs for the year ended December 31, 2022 were \$165 million, \$4 million lower than the prior year primarily due to higher interest capitalized on qualifying projects that is a reduction to finance costs.

Depreciation, Depletion and Amortization Expenses

Depreciation, depletion and amortization (“DD&A”) expenses were \$258 million in 2022, \$1 million higher than the prior year.

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 as follows:

Net Foreign Currency Gain (Loss) on U.S. Debt and Other <i>(Thousands of Canadian dollars)</i>	2022	2021
Translation of long-term debt and interest payable	(29,548)	3,456
Change in fair value of cross-currency swaps – principal and interest	12,907	(5,267)
Gain on cross-currency swaps – interest ¹	2,355	1,238
Foreign exchange re-measurement of lease liabilities and other	(7,265)	1,141
Net foreign currency (loss) gain on U.S. debt and other	(21,551)	568

Note:

¹ 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 22, Financial Instruments and Risk Management, of the accompanying financial statements.

Long-Term Incentive Plan Expense

The Long-Term Incentive Plan (“LTIP”) expense was \$33 million for the year ended December 31, 2022, compared to \$27 million in the prior year. The higher LTIP expense was primarily due to higher estimated payout multipliers associated with certain outstanding LTIP grants when compared to 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.

For the year ended December 31, 2022, Keyera recorded a combined impairment expense of \$180 million. The majority of this impairment expense (\$168 million) was recognized for the Simonette cash-generating unit (“CGU”) due to the underutilization of the Simonette gas plant. \$9 million of the impairment expense was allocated to reduce the goodwill associated with the CGU to \$nil. The remaining impairment charge of \$159 million was then applied to reduce the carrying value of the Simonette gas plant.

Other impairment expenses recorded during the year include \$12 million of cancelled or postponed projects, which were individually immaterial and insignificant.

Refer to note 9, Property, Plant and Equipment and note 11, Goodwill, of the accompanying financial statements for further details of the impairment expenses recorded for the years ended December 31, 2022 and 2021.

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.

In 2021, Keyera recorded a gain of \$21 million, primarily related to the disposition of Keyera’s ownership interest in the Bonnie Glen Pipeline.

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 for the year ended December 31, 2022 as Keyera’s last claim was submitted in 2021. Comparatively, Keyera recorded \$10 million of income from the program in the prior year. Keyera will not be submitting any further claims under the CEWS program.

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 \$60 million was recorded for the year ended December 31, 2022, compared to an expense of \$32 million in 2021. Current taxes in 2022 are higher due to higher earnings and decreased tax pool deductions.

For 2023, it is estimated that current income tax expense will be \$nil. 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 \$45 million was recorded for the year ended December 31, 2022, \$25 million lower than the same period in 2021.

Keyera estimates its total tax pools at December 31, 2022 were approximately \$3.6 billion.

SUMMARY FOURTH QUARTER RESULTS

Fourth Quarter Financials and Operational Highlights <i>(Thousands of Canadian dollars, except per unit and volumetric information)</i>	Three months ended December 31,	
	2022	2021
Operating Margin (Loss)		
Gathering & Processing	93,017	81,775
Liquids Infrastructure	106,542	110,089
Marketing	28,293	152,188
Other	(43)	23
Operating margin	227,809	344,075
Realized margin ¹	243,278	315,531
Net (loss) earnings	(81,895)	89,986
(Loss) earnings per share (basic)	(0.37)	0.41
Adjusted EBITDA ²	212,490	293,739
Cashflow from operating activities	134,408	96,963
Funds from operations ³	156,849	234,699
Distributable cash flow ³	104,172	206,652
Distributable cash flow per share (basic) ³	0.47	0.93
Dividends declared	107,392	106,091
Dividends declared per share	0.48	0.48
Capital expenditures (including acquisitions)	207,510	207,119
Volumetric Information		
Gathering and Processing:		
Gross processing throughput ⁴ (MMcf/d)	1,638	1,517
Net processing throughput ⁴ (MMcf/d)	1,405	1,281
Liquids Infrastructure⁵:		
Gross fractionation throughput (Mbb/d)	191	162
Net fractionation throughput (Mbb/d)	90	81
AEF iso-octane production volumes (Mbb/d)	11	13
Marketing:		
Sales Volumes (Bbl/d)	198,500	200,500

Notes:

- 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" and see the section below titled "Operating Margin and Realized Margin" for a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin.
- Adjusted EBITDA 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" and see the "Adjusted EBITDA" table below for a reconciliation of adjusted EBITDA to the most directly comparable GAAP measure, net earnings.
- Funds from operations, distributable cash flow and distributable cash flow per share are not standard measures under GAAP and therefore, may not be comparable to similar measures reported by other entities. See section titled "Non-GAAP and Other Financial Measures" and see the "Funds from Operations and Distributable Cash Flow" table below for a reconciliation of funds from operations and distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities.
- Includes gas volumes and the conversion of liquids volumes handled through the processing facilities to a gas volume equivalent. Net processing throughput refers to Keyera's share of raw gas processed at its processing facilities.
- Fractionation throughput in the Liquids Infrastructure segment is the aggregation of volumes processed through the fractionators and the de-ethanizers at the Keyera and Dow Fort Saskatchewan facilities.

Composition of Marketing Revenue, Operating Margin and Realized Margin (Thousands of Canadian dollars)	Three months ended December 31,	
	2022	2021
Physical sales	1,520,892	1,513,881
Realized cash gain (loss) on financial contracts ¹	18,736	(16,312)
Unrealized (loss) gain due to reversal of financial contracts existing at end of prior period	(6,171)	59,458
Unrealized loss due to fair value of financial contracts existing at end of current period	(13,784)	(31,521)
Unrealized (loss) gain from fixed price physical contracts ²	(483)	263
Total unrealized (loss) gain on risk management contracts	(20,438)	28,200
Total (loss) gain on risk management contracts	(1,702)	11,888
Revenue ³	1,519,190	1,525,769
Operating expenses ³	(1,490,897)	(1,373,581)
Marketing operating margin	28,293	152,188
Unrealized loss (gain) on risk management contracts	20,438	(28,200)
Marketing realized margin⁴	48,731	123,988

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.
- 3 Includes inter-segment transactions.
- 4 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" and see the section below titled "Operating Margin and Realized Margin".

Funds flow from operations and distributable cash flow from operations are not standard measures under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the sections titled "Dividends: Funds from Operations and Distributable Cash Flow" and "Non-GAAP and Other Financial Measures".

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, for the fourth quarter:

Funds from Operations and Distributable Cash Flow (Thousands of Canadian dollars)	Three months ended December 31,	
	2022	2021
Cash flow from operating activities	134,408	96,963
Add (deduct):		
Changes in non-cash working capital	22,441	137,736
Funds from operations	156,849	234,699
Maintenance capital	(41,207)	(16,227)
Leases	(10,875)	(11,190)
Prepaid lease asset	(595)	(630)
Distributable cash flow	104,172	206,652
Dividends declared to shareholders	107,392	106,091

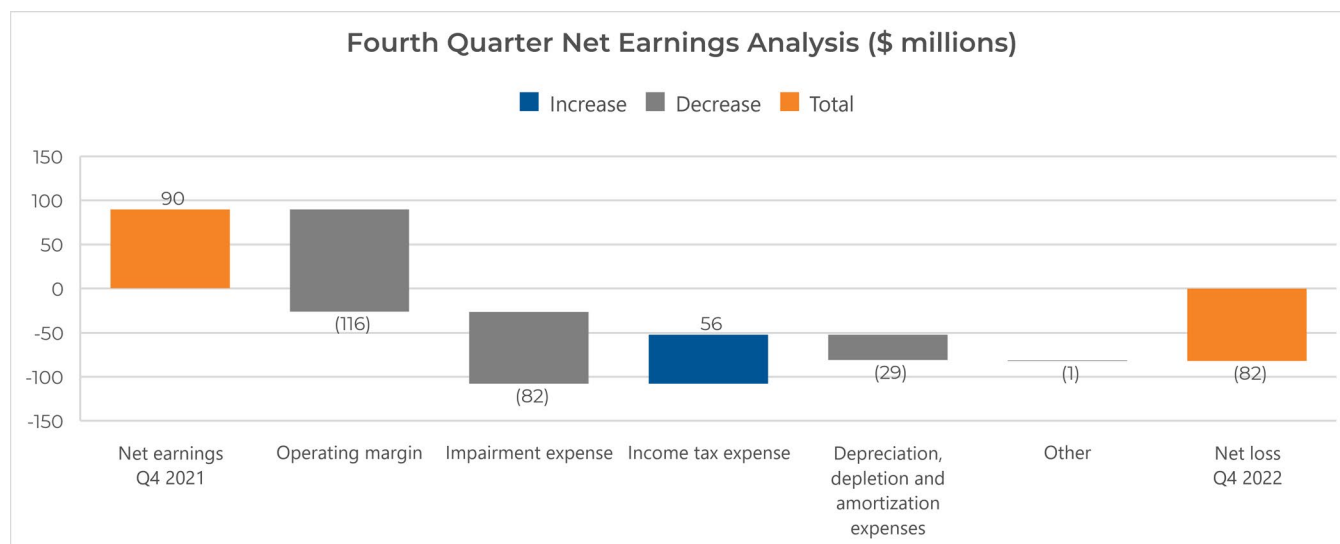
EBITDA and adjusted EBITDA are not standard measures under GAAP, and therefore may not be comparable to similar measures reported by other entities. Refer to the sections of this MD&A titled “EBITDA and Adjusted EBITDA” and “Non-GAAP and Other Financial Measures”.

The following is a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings, for the fourth quarter.

EBITDA and Adjusted EBITDA (Thousands of Canadian dollars)	Three months ended December 31,	
	2022	2021
Net (loss) earnings	(81,895)	89,986
Add (deduct):		
Finance costs	41,084	43,750
Depreciation, depletion and amortization expenses	85,630	56,517
Income tax (recovery) expense	(23,310)	32,356
EBITDA	21,509	222,609
Unrealized loss (gain) on commodity contracts	15,469	(28,544)
Net foreign currency (gain) loss on U.S. debt and other	(4,765)	1,584
Impairment expense	180,277	98,090
Adjusted EBITDA	212,490	293,739

Net Earnings

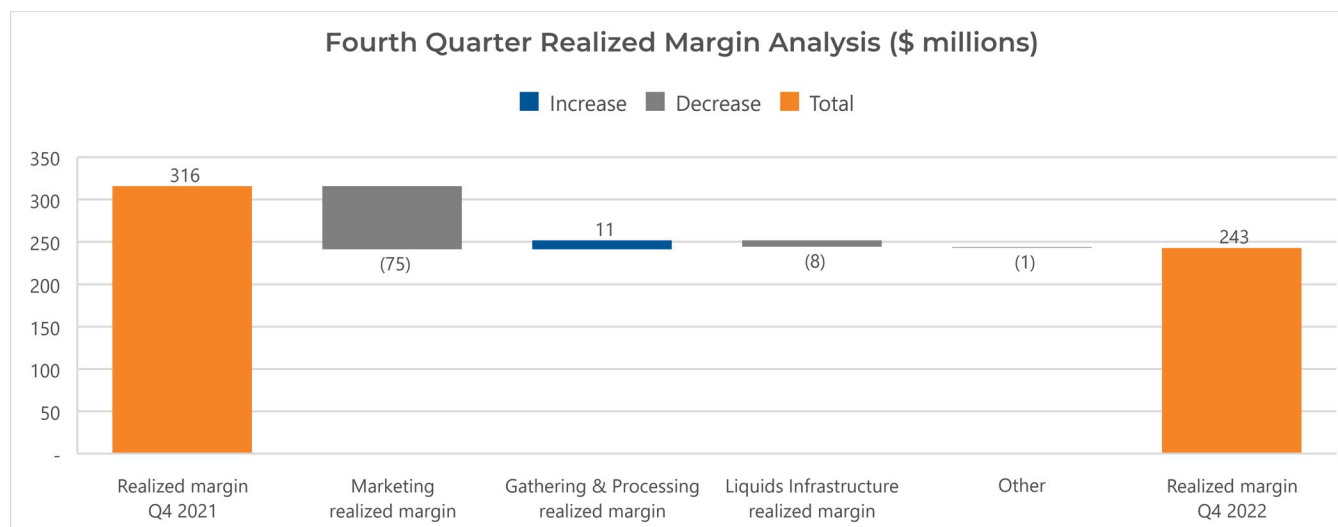
A net loss of \$82 million was recorded in the fourth quarter of 2022 compared to net earnings of \$90 million in the fourth quarter of 2021. The decrease in earnings was due to the following:



Operating Margin and Realized Margin

Total operating margin for the fourth quarter of 2022 was \$228 million, \$116 million lower than the same period in 2021 largely due to lower results from the Marketing segment which recorded operating margin of \$28 million compared to \$152 million during the same period in 2021.

Realized margin (excludes the non-cash gains and losses from commodity-related risk management contracts) was \$243 million, \$72 million lower than the same period in the prior year. The fourth quarter operating results are discussed in more detail below.





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 sections of this MD&A titled “Segmented Results of Operations” and “Non-GAAP and Other Financial Measures”.

The following is a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin, for the fourth quarter:



Operating Margin and Realized Margin (Thousands of Canadian dollars)	Three months ended December 31,	
	2022	2021
Revenue	1,775,154	1,737,432
Operating expenses	(1,547,345)	(1,393,357)
Operating margin	227,809	344,075
Unrealized loss (gain) on risk management contracts	15,469	(28,544)
Realized margin	243,278	315,531

Fourth Quarter Operating Margin, Realized Margin and Revenue




Gathering & Processing

Operating Margin	 \$11 million vs Q4 2021	<p>Increase was primarily due to:</p> <ul style="list-style-type: none"> \$14 million in higher operating margin from increased processing throughput at the Wapiti, Pipestone, Rimbey, Strachan and Brazeau River gas plants. The increased throughput was mainly the result of incremental volumes from new wells. The above factors were partly offset by lower operating margin from the Cynthia gas plant primarily due to higher electrical costs.
Revenue	 \$43 million vs Q4 2021	<ul style="list-style-type: none"> Increase in revenue was primarily due to the same factors that contributed to higher operating margin 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.

Liquids Infrastructure

Operating Margin	 \$4 million vs Q4 2021	<p>Decrease was primarily due to:</p> <ul style="list-style-type: none"> a \$4 million one-time prior period revenue adjustment from the non-operated Norlite pipeline; and higher electricity and fuel costs across most Liquids Infrastructure assets. <p>The above factors were partly offset by \$5 million in higher unrealized non-cash gains from risk management contracts related to electricity.</p>
Revenue	 \$5 million vs Q4 2021	<ul style="list-style-type: none"> Increase was due to higher operating revenues from the AEF facility resulting from the recovery of increased operating expenses. The operating expenses at AEF are recovered from the Marketing segment and do not have an impact on operating margin for the Liquids Infrastructure segment.

Marketing

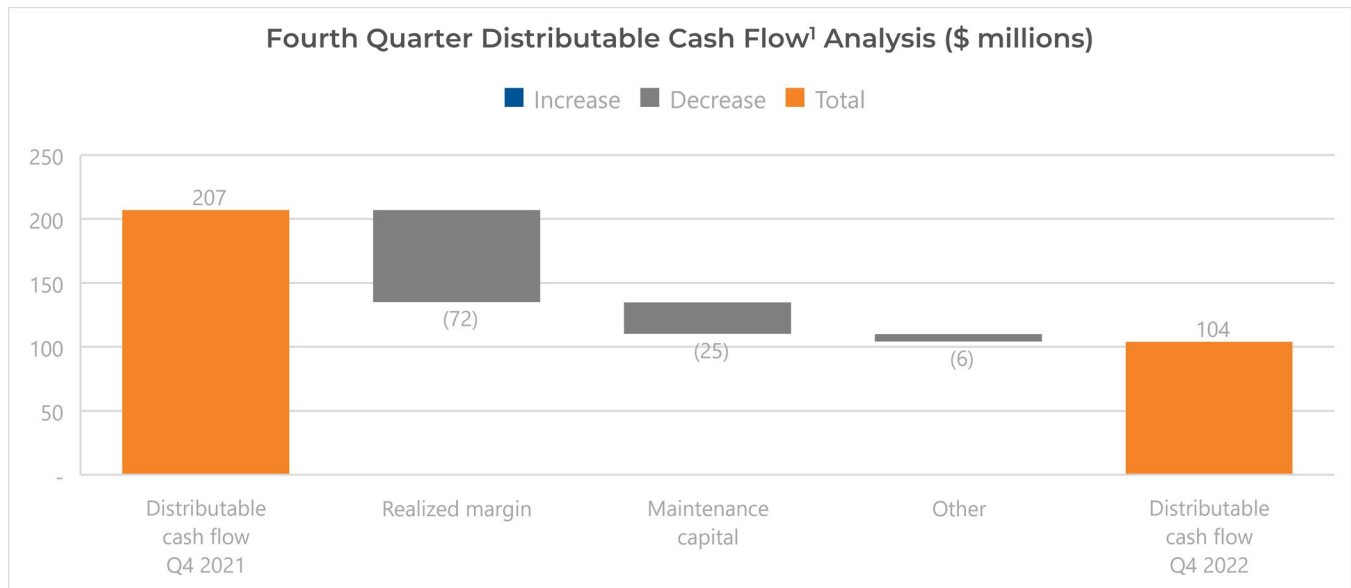
Operating Margin	 \$124 million vs Q4 2021	<ul style="list-style-type: none"> • Decrease was due to \$20 million in unrealized non-cash losses from risk management contracts in 2022 versus a \$28 million non-cash gain in 2021; and • \$75 million in lower realized margin as described in more detail below.
Realized Margin¹	 \$75 million vs Q4 2021	<p>Decrease was due to the following factors:</p> <ul style="list-style-type: none"> • \$39 million in lower butane margins due to an exceptionally strong Q4 2021 that benefited from higher pricing and increased seasonal demand in Alberta; • lower propane contribution due to a robust Q4 2021 that resulted from strong pricing attributable to high export levels out of North American and cold winter weather patterns; and • lower iso-octane margins due to reduced sales volumes as the AEF facility completed a six-week maintenance outage that concluded in the fourth quarter of 2022.
Revenue	 \$7 million vs Q4 2021	<ul style="list-style-type: none"> • Decrease was primarily due to the same factors that contributed to lower operating margin and realized margin.

¹ 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".

Cash Flow Metrics

For the three months ended December 31, 2022, cash flow from operating activities was \$134 million, \$37 million higher than the same period in 2021.

Distributable cash flow¹ was \$104 million for the fourth quarter of 2022, \$102 million lower than the same period in the prior year due to factors shown in the table below:



¹ 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 "Summary Fourth Quarter Results: Funds from Operations and Distributable Cash Flow".

CRITICAL ACCOUNTING ESTIMATES

In preparing Keyera's consolidated financial statements in accordance with GAAP, management has made appropriate decisions with respect to the formulation of estimates and assumptions that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Keyera has hired qualified individuals who have the skills required to make such estimates. These estimates and assumptions are reviewed and compared to actual results as well as to budgets in order to make more informed decisions on future estimates. The most significant estimates are those indicated below:

Operating Revenues

Gathering and Processing and Liquids Infrastructure:

For each month, actual volumes processed and fees earned from the Gathering and Processing and Liquids Infrastructure assets are not known at the end of the month. Accordingly, the financial statements contain an estimate of one month's revenue based on a review of historical trends. This estimate is adjusted for events that are known to have a significant effect on the month's operations such as non-routine maintenance projects.

At December 31, 2022, operating revenues and accounts receivable for the Gathering and Processing and Liquids Infrastructure segments contained an estimate of approximately \$143 million primarily for December 2022 operations.

Marketing:

The majority of the Marketing sales revenue is recorded using actual volumes and prices; however, in many cases actual product lifting volumes have not yet been confirmed and sales prices that are dependent on other variables are not yet known. Accordingly, the financial statements contain an estimate for these sales. Estimates are based on contract quantities and known events. The estimates are reviewed and compared to expected results to verify their accuracy.

At December 31, 2022, the Marketing sales and accounts receivable contained an estimate for December 2022 revenues of approximately \$352 million.

Operating Expenses and Product Purchases

Gathering and Processing and Liquids Infrastructure:

The period in which invoices are rendered for the supply of goods and services necessary for the operation of the Gathering and Processing and Liquids Infrastructure assets is generally later than the period in which the goods or services were provided. Accordingly, the financial statements contain an estimate of one month's operating costs based on a review of historical trends. This estimate is adjusted for events that are known to have a significant effect on the month's operations such as non-routine maintenance projects.

At December 31, 2022, operating expenses and accounts payable contained an estimate of approximately \$44 million primarily for December 2022 operations.

Marketing:

NGL mix feedstock and specification products such as propane, butane and condensate are purchased from facilities located throughout Western Canada and in some locations in the U.S. The majority of NGL mix purchases are estimated each month as actual volume information is generally not available until the next month. Specification product volumes and prices are based on contract volumes and prices. Accordingly, the financial statements contain an estimate for one month of these purchases.

Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of approximately \$306 million at December 31, 2022.

Equalization Adjustments

Much of the revenue from the Gathering and Processing assets includes a recovery of operating costs. Under this method, the operating component of the fee is a pro rata share of the operating costs for the facility, calculated using total throughput. Users of each facility are charged a fee per unit based on estimated costs and throughput, with an adjustment to actual throughput completed after the end of the year. Each quarter, throughput volumes and operating costs are reviewed to determine whether the estimated unit fee charged during the quarter properly reflects the actual volumes and costs, and the allocation of revenues and operating costs to other plant owners is also reviewed. Appropriate adjustments to revenue and operating expenses are recognized in the quarter and allocations to other owners are recorded.

For the Gathering and Processing segment, an equalization adjustment of \$5 million was included in revenue and accounts receivable at December 31, 2022. Operating expenses and accounts payable contained an equalization adjustment of \$7 million.

Depreciation of Property, Plant and Equipment

For purposes of determining depreciation, depletion and amortization expense, estimates and judgments are required to establish depreciation methods, useful lives, and residual values for Keyera's assets. Determining depreciation methods requires management to make judgments that most appropriately reflect the pattern of an asset's future economic benefit expected to be consumed by Keyera. Useful life estimates include management's assumptions regarding the period over which the asset is expected to be available for use by the company. This includes assessing the assets' physical and economic lives and, if applicable, may include an estimation of the associated reserve lives and production activity related to the assets' respective capture areas.

Allowance for Expected Credit Losses

The allowance for expected credit losses is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counterparty. The allowance for expected credit losses was \$4 million as at December 31, 2022, which is unchanged from the prior year.

Derivative Financial Instruments

Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spreads. Refer to note 22, Financial Instruments and Risk Management, of the accompanying financial statements for a summary of the fair value of derivative financial instruments existing at December 31, 2022.

Fair Value Estimates of Property, Plant and Equipment

Determination of the fair value of identifiable assets acquired in a business combination requires Keyera's management to make assumptions and estimates about future events. The fair value of identifiable assets such as gathering and processing, storage and fractionation facilities, pipelines, terminals and other equipment is estimated with reference to the expected discounted future cash flows expected to be derived from the acquired assets. These assumptions and estimates generally require judgment and include estimates of future revenues, costs and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to the net assets acquired in a business combination.

Impairment of Property, Plant and Equipment and Goodwill

In the absence of quoted market prices when determining the recoverable amount of assets, estimates are made regarding the present value of future cash flows. The useful lives of property, plant and equipment is determined by the present value of future cash flows. Future cash flow estimates are based on future production profiles and reserves for surrounding wells, commodity prices and

costs. Estimates are also made in determining the discount rate used to calculate the present value of future cash flows.

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from the CGU and the discount rate in order to calculate present value. The determination of CGUs is subject to management's judgment.

Refer to note 9, Property, Plant and Equipment and note 11, Goodwill, of the accompanying financial statements for further details of the impairment expense recorded for the year ended December 31, 2022.

Long-term Incentive Plan Liability

The LTIP is accounted for using the liability method and is measured at fair value. Determining the fair value requires management to estimate Keyera's financial performance over a three-year period to determine the appropriate payout multiplier associated with the Performance Awards. The payout multiplier determines the number of shares expected to be settled following the third anniversary of the grant date of the Performance Awards and is based on the following performance measures: i) average annual pre-tax distributable cash flow per share over the three-year period, and ii) the relative total shareholder return over the same period. Refer to note 21, Share-based Compensation and Pension Plans, of the accompanying financial statements for further details.

Decommissioning Liability

Keyera will be responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its gathering and processing, fractionation, iso-octane and storage facilities, pipelines and terminals at the end of their economic life. The majority of decommissioning obligations are generally expected to be incurred over the next 25 to 55 years. While the provision is based on the best estimate of future costs and the economic lives of these assets, there is uncertainty regarding the amount and timing of these costs. No assets have been legally restricted for settlement of the liability.

The process, overseen by Keyera's Health, Safety and Environment Committee, is undertaken by professionals involved in activities that deal with the design, construction, operation and decommissioning of assets. Specialists with knowledge and assessment processes specific to environmental and decommissioning activities and costs are also utilized in the process. Ultimately, all medium and large facilities will be independently assessed in accordance with regulatory requirements.

Keyera has estimated the net present value of its total decommissioning liability to be approximately \$179 million at December 31, 2022, compared to \$268 million at December 31, 2021. The fair value of the decommissioning liability was calculated by using a credit-adjusted risk-free discount rate of 6.5% (December 31, 2021 – 4.5%).

Refer to note 14, Decommissioning Liability, of the accompanying financial statements for a reconciliation of the beginning and ending carrying amount of the decommissioning liability. Additional information related to decommissioning, abandonment and reclamation is also provided in Keyera's Annual Information Form, which is available on SEDAR at www.sedar.com.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is used when assessing the extent to which deferred tax assets should be recognized with consideration given to the timing and level of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. Refer to note 17, Income Taxes, of the accompanying financial statements for a reconciliation of income taxes to the income tax provision recognized for the year ended December 31, 2022.

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the year ended December 31, 2022 and 2021:

Cash inflows (outflows) (Thousands of Canadian dollars)				
	2022	2021	Increase (decrease)	Explanation
Operating	925,327	583,839	341,488	<p>Cash generated from operating activities was higher in 2022 primarily as a result of: i) a lower net cash requirement to fund operating working capital associated with accounts receivable and accounts payable, which are merely timing differences associated with the collection and settlement of these balances, ii) a decrease in the cash required to fund inventory, and iii) higher realized margin.</p> <p>These increases were offset by higher current income tax expense.</p>
Investing	(843,921)	(397,124)	(446,797)	<p>Capital investment in 2022 was higher than the prior year as a result of the increased construction activities associated with the KAPS pipeline project and the South Cheecham sulphur facilities. These projects are described in more detail in the "Segmented Results of Operations" section of this MD&A.</p>
Financing	(100,650)	(173,854)	73,204	<p>In 2022, Keyera issued: i) common shares for net proceeds of \$220 million, after deducting issuance costs related to the offering, and ii) \$400 million of senior unsecured medium-term notes, allowing for a full repayment of its outstanding Credit Facility. During the year, repayments under the Credit Facility totaled \$190 million, net of borrowings, and \$60 million of senior notes were repaid.</p> <p>Comparatively, Keyera issued \$350 million of subordinated notes in 2021, allowing for a full repayment of its outstanding Credit Facility. During 2021, repayments under the Credit Facility totaled \$50 million, net of borrowings.</p>

Refer to the 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 \$108 million existed at December 31, 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 \$40 million was drawn as at December 31, 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

Keyera has been assigned the following ratings by S&P Global ("S&P") and DBRS Limited ("DBRS"). Both credit agencies currently treat the subordinated hybrid notes as 50% equity.

	S&P	DBRS
Corporate credit rating	"BBB-/stable"	"BBB" with a "stable" trend
Issuer rating on medium-term notes ¹	"BBB-"	"BBB" with a "stable" trend
Issuer rating on subordinated hybrid notes ²	"BB"	"BB (high)"

Notes:

1 Medium-term notes issued in June 2018.

2 Subordinated hybrid notes issued in June 2019.

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 December 31, 2022:

As at December 31, 2022 (Thousands of Canadian dollars)	Total	2023	2024	2025	2026	2027	After 2027
Credit facilities	40,000	—	—	—	—	40,000	—
Total credit facilities	40,000	—	—	—	—	40,000	—
Canadian dollar denominated debt							
Senior unsecured notes:							
3.50% due June 16, 2023	30,000	30,000	—	—	—	—	—
4.91% due June 19, 2024	17,000	—	17,000	—	—	—	—
4.92% due October 10, 2025	100,000	—	—	100,000	—	—	—
5.05% due November 20, 2025	20,000	—	—	20,000	—	—	—
4.15% due June 16, 2026	30,000	—	—	—	30,000	—	—
3.96% due October 13, 2026	200,000	—	—	—	200,000	—	—
3.68% due September 20, 2027	400,000	—	—	—	—	400,000	—
5.09% due October 10, 2028	100,000	—	—	—	—	—	100,000
4.11% due October 13, 2028	100,000	—	—	—	—	—	100,000
5.34% due April 8, 2029	75,000	—	—	—	—	—	75,000
	1,072,000	30,000	17,000	120,000	230,000	400,000	275,000
Senior unsecured medium-term notes:							
3.93% due June 21, 2028	400,000	—	—	—	—	—	400,000
3.96% due May 29, 2030	400,000	—	—	—	—	—	400,000
5.02% due March 28, 2032	400,000	—	—	—	—	—	400,000
Subordinated hybrid notes:							
6.88% due June 13, 2079	600,000	—	—	—	—	—	600,000
5.95% due March 10, 2081	350,000	—	—	—	—	—	350,000
	3,222,000	30,000	17,000	120,000	230,000	400,000	2,425,000
Senior unsecured U.S. dollar denominated notes							
4.19% due June 19, 2024 (US\$128,000)	173,229	—	173,229	—	—	—	—
4.75% due November 20, 2025 (US\$140,000)	189,469	—	—	189,469	—	—	—
4.95% due November 20, 2028 (US\$65,000)	87,968	—	—	—	—	—	87,968
	450,666	—	173,229	189,469	—	—	87,968
Less: current portion of long-term debt	(30,000)	(30,000)	—	—	—	—	—
Total long-term debt	3,642,666	—	190,229	309,469	230,000	400,000	2,512,968

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 December 31, 2022, \$40 million was drawn under this facility (December 31, 2021 – \$230 million).

In December 2022, the Credit Facility was amended to extend the term from December 6, 2026 to December 6, 2027 for \$1.3175 billion of the \$1.5 billion total. The remaining \$182.5 million is subject to the original maturity date of 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, to fund capital projects, including Keyera's ownership in KAPS, to repay debt that matured during the fourth quarter of 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:

Interest Reset Periods	Interest Rate
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 December 31, 2022, Keyera had \$3.2 billion 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 December 31, 2022, Keyera was in compliance with all covenants under its Credit Facility and outstanding notes. Keyera's Net Debt to Adjusted EBITDA ratio at December 31, 2022 was 2.5x 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.

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the year ended December 31, 2022 and 2021:

Capital Expenditures and Acquisitions <i>(Thousands of Canadian dollars)</i>	2022	2021
Acquisitions	—	11,165
Growth capital expenditures	786,206	455,359
Maintenance capital expenditures	109,723	50,109
Total capital expenditures	895,929	516,633

Growth capital expenditures for the year ended December 31, 2022 amounted to \$786 million. 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.

In December 2022, Keyera entered into an agreement to acquire an additional 21% working interest in KFS for total cash consideration of \$365 million. The acquisition closed on February 13, 2023 and has increased Keyera's total ownership interest in KFS to 98%.

During 2021, Keyera acquired the remaining 50 percent ownership interest in the Alberta Crude Terminal for cash consideration of \$11 million. Refer to note 9, Property, Plant and Equipment, of the accompanying financial statements for additional details.

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 \$81 million for the year ended December 31, 2022, compared to \$51 million in 2021.

Over the past several years, Keyera has invested a significant amount of capital dedicated to establishing a strong footprint in the liquids-rich Montney and Duvernay development areas, as well as enhancing its integrated value chain with the KAPS pipeline system. This capital program excluding KAPS, was approximately \$2.3 billion (December 31, 2021 – approximately \$2.3 billion). With the exception of the South Cheecham Sulphur Facilities, all capital projects in the program are complete and operational.

The \$2.3 billion capital program was originally estimated to earn an annual return on capital¹ of between 10% to 15% in 2022. Keyera achieved a return within this range in 2022 with the exclusion of the South Cheecham Sulphur Facilities, which were not yet operational, and the Wildhorse Terminal. Uneconomic blending margins and historically high prices for butane landing in Cushing, Oklahoma have resulted

¹ Annual return on capital is a supplementary financial measure. Refer to the section titled "Non-GAAP and Other Financial Measures" for additional details.

in underutilization of the terminal. Keyera remains optimistic that earnings for the terminal will improve once pricing differentials return to more historical levels.

The KAPS pipeline project is anticipated to earn an annual return on capital¹ of 10% to 15% starting in 2025 based on existing contracts plus the ability to attract incremental volumes. This assumes the project is completed on a timely basis and energy demand and commodity prices continue to stabilize.

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.

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>		
	2022	2021
Cash flow from operating activities	925,327	583,839
Add (deduct):		
Changes in non-cash working capital	(106,480)	182,033
Funds from operations	818,847	765,872
Maintenance capital	(109,723)	(50,109)
Leases	(43,566)	(44,645)
Prepaid lease asset	(2,440)	(2,523)
Inventory write-down	(9,595)	—
Distributable cash flow	653,523	668,595
Dividends declared to shareholders	425,665	424,364
Payout ratio	65%	63%

Distributable cash flow for the year ended December 31, 2022 was \$654 million, \$15 million lower than the same period in 2021. Refer to the section of this MD&A titled, “Consolidated Financial Results: Cash Flow Metrics”, for additional details.

¹ Annual return on capital is a supplementary financial measure. Refer to the section titled “Non-GAAP and Other Financial Measures” for additional details.

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.

Adjusted Cash Flow from Operating Activities and Return on Invested Capital

Adjusted cash flow from operating activities and return on invested capital ("ROIC") 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".

Adjusted cash flow from operating activities is defined as cash flow provided by operating activities before changes in non-cash working capital, decommissioning liability expenditures and finance costs. Adjusted cash flow from operating activities is used solely for the purpose of calculating ROIC and therefore, management does not use this measure on a stand-alone basis.

Return on invested capital is defined as 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. ROIC is used to reflect the profitability of Keyera's in-service capital assets.

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

Adjusted Cash Flow from Operating Activities and Return on Invested Capital		
<i>(Thousands of Canadian dollars)</i>		
	2022	2021
Cash flow from operating activities	925,327	583,839
Add:		
Changes in non-cash working capital	(106,480)	182,033
Decommissioning liability expenditures	17,455	13,192
Finance costs	165,351	169,309
Adjusted cash flow from operating activities	1,001,653	948,373
Invested capital	6,315,348	6,715,451
Return on invested capital	16%	14%

EBITDA and Adjusted 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 and Adjusted EBITDA		
<i>(Thousands of Canadian dollars)</i>		
	2022	2021
Net earnings	328,294	324,206
Add:		
Finance costs	165,351	169,309
Depreciation, depletion and amortization expenses	258,264	257,638
Income tax expense	104,906	102,055
EBITDA	856,815	853,208
Unrealized (gain) loss on commodity contracts	(26,647)	8,234
Net foreign currency loss (gain) on U.S. debt and other	21,551	(568)
Impairment expense	180,277	115,771
Loss (gain) on disposal of property, plant and equipment	477	(20,797)
Adjusted EBITDA	1,032,473	955,848

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. At December 31, 2022, the obligations that represent known future cash payments that are required under existing contractual arrangements were as follows:

Contractual obligations (Thousands of Canadian dollars)	Payment Due by Period						
	Total	2023	2024	2025	2026	2027	After 2027
Bank indebtedness	1,803	1,803	—	—	—	—	—
Derivative financial instruments	86,726	80,843	5,883	—	—	—	—
Dividends payable	36,665	36,665	—	—	—	—	—
Credit facility	40,000	—	—	—	—	40,000	—
Long-term debt ¹	3,672,666	30,000	190,229	309,469	230,000	400,000	2,512,968
Lease liabilities ²	229,488	35,698	32,336	29,317	26,960	19,763	85,414
Other liabilities ³	45,987	36,251	7,063	2,673	—	—	—
Decommissioning liabilities ⁴	179,354	15,933	—	—	—	—	163,421
Service obligations ⁵	24,570	11,024	6,647	2,797	1,452	1,026	1,624
Purchase obligations ^{6,7}	138,846	138,846	—	—	—	—	—
Total contractual obligations	4,456,105	387,063	242,158	344,256	258,412	460,789	2,763,427

Note:

- 1 Long-term debt obligations are principal only and exclude interest payments. For the U.S. denominated senior unsecured notes, the principal obligations are converted at the December 31, 2022 spot foreign exchange rate of 1.3534.
- 2 Lease liabilities include the expected undiscounted cash payments related to leases.
- 3 Other liabilities include the current portion of the LTIP and certain trade and other payable balances.
- 4 No assets have been legally restricted for settlement of the liability.
- 5 Keyera service obligations related to terminal storage and natural gas transportation.
- 6 Purchase obligations include third party contractual commitments related to assets under construction.
- 7 Keyera through its operating entities has assumed commitments in various contractual purchase agreements in the normal course of its operations. The agreements involve the purchase of NGL production from producers in the areas specified in the agreements. The purchase prices are based on current market prices. The future volumes and prices for these contracts cannot be reasonably determined and therefore no amount has been included in purchase obligations to reflect these contractual agreements.

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, 2022 annual audited financial statements.

RISK FACTORS

The majority of Keyera's cash flow is derived from the Gathering and Processing and Liquids Infrastructure fee-for-service business segments. The contribution generated from Gathering and Processing facilities can be exposed to changes in operating costs, depending on the fee structures of the facilities which may or may not provide a mechanism for the recovery of operating costs.

The most significant exposure faced by the Gathering and Processing and Liquids Infrastructure segments over the long term is related to declines in throughput volumes. Without reserve additions, third party production will decline over time, as reserves are depleted. Declining production volumes may translate into lower throughput and revenues at Keyera's plants and facilities; however, the effect of any reduction in throughput would likely be gradual. Many of Keyera's facilities are located in significant liquids-rich natural gas supply areas of the Western Canada Sedimentary Basin or major liquids hubs, and capital costs present barriers to entry for new competitors.

The most significant exposure faced by the Marketing business is the fluctuation in the prices of the commodities that Keyera buys and sells. Refer to the section below titled, "Marketing Risk", for more information related to these risks.

For a further discussion of the risks identified in this MD&A, other risks and trends that could affect Keyera's performance and the steps that Keyera takes to mitigate these risks, readers are referred to the descriptions in this MD&A and Keyera's Annual Information Form, which is available on SEDAR at www.sedar.com.

Regulatory Risk

Keyera is subject to a range of laws and regulations imposed by various levels of government and regulatory bodies in the jurisdictions in which it operates. In particular, income tax laws, environmental laws and regulatory requirements can have a significant financial and operational impact on Keyera's business.

While these laws and regulations affect all dimensions of Keyera's activities, Keyera does not believe that they affect its operations in a manner materially different from other comparable businesses operating in the same jurisdictions. Refer to the section of this MD&A titled, "Environmental Regulation and Climate Change", for more information.

Credit Risk

Keyera assumes credit risk with respect to its fee-for-service business, the purchase and sale of commodities in its Marketing business, the hedging of commodity prices and the other financial contracts into which it enters. In particular, Keyera is exposed to credit-related losses in the event that counterparties to contracts become insolvent or otherwise fail to fulfill their present or future financial obligations to Keyera. The majority of Keyera's accounts receivable are due from entities in the oil and gas business and are subject to normal industry credit risks. Concentration of credit risk is mitigated to some degree by having a broad based domestic and international customer base. With respect to counterparties for financial instruments used for economic hedging purposes, Keyera limits its credit risk by dealing with recognized futures exchanges, or investment grade financial institutions, or by adherence to credit policies that significantly reduce overall counterparty credit risk.

Keyera regularly monitors accounts receivable for collection purposes and reviews exposure to customers and counterparties. It has also implemented other credit risk management strategies including but not limited to the following: i) obtaining netting agreements in order to reduce the net exposure to a particular customer or producer; ii) obtaining letters of credit that may be used as collateral; or iii) requiring pre-payment prior to the sale of product or rendering of services where deemed appropriate. Management believes these measures reduce Keyera's overall credit risk; however, there can be no assurance that these processes will protect against all losses from non-performance.

As at December 31, 2022, the allowance for expected credit losses was \$4 million (December 31, 2021 – \$4 million) to provide for specific accounts receivable amounts that may be uncollectible. Despite Keyera's efforts in the monitoring and collection of accounts receivable, actual losses from defaults may be greater than that provided for.

For a discussion of the risks that could affect Keyera's liquidity and working capital and the steps Keyera takes to mitigate these risks, readers are referred to note 22, Financial Instruments and Risk Management, of the accompanying financial statements.

Credit Ratings

With the assignment of two long-term corporate credit ratings, 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. There can be no assurance that one or more of Keyera's credit ratings will not be downgraded. 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 and increase the costs of borrowing.

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.

Marketing Risk

Keyera enters into contracts to purchase and sell natural gas, NGLs, iso-octane and crude oil. Most of these contracts are priced at floating market prices. These activities expose Keyera to market risks resulting from movements in commodity prices between the time volumes are purchased and the time they are sold, from fluctuations in the margins between purchase prices and sales prices and, in some cases, may also expose Keyera to foreign currency risk.

The prices of the products that are marketed by Keyera are subject to fluctuations as a result of such factors as seasonal demand changes, changes in crude oil, gasoline and natural gas markets and other factors. In many circumstances, particularly in NGL marketing, purchase and sale contracts are not perfectly matched as they are entered into at different times, locations and values. Further, Keyera normally has a long position in propane that it markets and in butane that it uses as a feedstock for the production of iso-octane, and it may store these products in order to meet seasonal demand and take advantage of seasonal pricing differentials, resulting in inventory price risk. In Keyera's NGL, iso-octane and liquids blending marketing businesses, margins can vary significantly from period to period and volatility in the markets for these products may cause distortions in financial results from period to period that are not replicable.

To some extent, Keyera can lessen certain elements of risk exposure through the integration of its marketing business with its facilities businesses. In spite of this integration, Keyera remains exposed to market and commodity price risk. Keyera manages this commodity risk in a number of ways, including the use of financial and physical hedging contracts and by offsetting some physical and financial contracts in terms of volumes, timing of performance and delivery obligations. There is no guarantee that hedging and other efforts to manage the marketing and inventory risks will generate profits or mitigate all the market and inventory risk associated with these activities. If Keyera hedges its commodity price exposure, it may forego the benefits that may otherwise be experienced if commodity prices were to change and it is subject to credit risks associated with the counterparties with whom it contracts. Refer to the section of this MD&A titled, "Segmented Results of Operations - Marketing: Risk Management", for more information of Keyera's risk management strategies.

Operational Risk

Keyera's cash flows may be adversely affected by the occurrence of common hazards and environmental risks related to the natural gas gathering, processing and pipeline transportation business, such as the failure of equipment, systems or processes, operator error, labour disputes, disputes with owners of interconnected facilities, catastrophic events or acts of terrorism. To mitigate these operational and environmental risks, Keyera provides training to its employees, maintains written standard operating practices, formally assesses and documents employee competency, and maintains formal inspection, maintenance, safety and environmental programs. In addition, Keyera carries property, casualty and business interruption insurance, although there can be no assurance that the proceeds of such insurance will compensate Keyera fully for any losses, nor can it be assured that such insurance will be available in the future.

Foreign Currency Risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency. Keyera's functional currency is the Canadian dollar. The Marketing segment has foreign currency risk associated with its sales and purchases denominated in U.S. dollars; however, the Gathering and Processing and Liquids Infrastructure segments have very little foreign currency risk as sales and purchases are primarily denominated in Canadian dollars. Foreign currency risk is actively managed by using forward currency contracts and cross-currency swaps. Management monitors the exposure to foreign currency risk and regularly reviews its risk management strategies and all outstanding positions.

Keyera is also exposed to foreign currency risk related to its U.S. dollar denominated long-term debt. To manage this currency exposure, Keyera has entered into cross-currency swap contracts related to the principal portion and future interest payments for all U.S. dollar denominated debt. These cross-currency swap contracts are discussed further in the “Liquidity and Capital Resources” section of this MD&A.

Cyber Security

There is a risk that failure of one or more technology systems could lead to failure of other systems. In addition, the risk of cyber-attacks in general are increasing. A breach in Keyera’s security or information technology could result in operational outages, financial loss, loss of material data, reputational harm and other adverse outcomes. These risks are somewhat mitigated through Keyera’s technology strategy that focuses on employing a multilayer security framework and incident management system to protect and detect issues within its information technology infrastructure.

COVID-19 Related Impacts

Keyera’s business operations and financial condition have been and may continue to be materially and adversely affected by the outbreak of epidemics, pandemics and other public health emergencies, including the ongoing COVID-19 pandemic, and related government responses. Actions that have, and may be, taken by governmental authorities in response to the pandemic have resulted, and may continue to result in, among other things: fluctuations in the status of the global economy, including changes in global energy demand; the temporary suspension of operations in geographic locations in which Keyera operates; reductions in trade volumes; temporary operational restrictions and restrictions on gatherings of individuals, as well as shelter-in-place declarations and quarantine orders; labour shortages; significant impacts to the workforce; delays in the completion, or deferral, of growth and expansion projects; counterparty credit risk; increased volatility in financial and commodity markets; inflation and cost pressures; supply chain disruptions; business closures and travel bans; political and economic instability; and civil unrest, all or any of which could materially adversely affect Keyera’s business operations and financial results. The occurrence of new variants of the COVID-19 virus in certain geographical areas, including certain areas in which Keyera operates, and the possibility that a resurgence of the COVID-19 virus or the spread of such new or other variants or mutations thereof may occur in other areas, may result in the reimposition of certain of the foregoing restrictions or further restrictions by governmental authorities in certain jurisdictions, including certain jurisdictions in which Keyera operates.

Depending on the duration and severity of the COVID-19 pandemic, such events may increase the effect of the other risks described above, including, but not limited to, risks relating to Keyera’s exposure to commodity prices; the successful completion of Keyera’s growth and expansion projects and expected return on investments; its ability to maintain its credit ratings; restricted access to capital and increased borrowing costs; its ability to pay dividends and service obligations under its debt securities and other debt obligations; and otherwise complying with Keyera’s existing debt covenants.

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

Keyera is subject to a range of operational 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, emissions, 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 in Alberta 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 notices of non-compliance, 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. Keyera's facilities also require the combustion of fossil fuels in engines, turbines, heaters and boilers, as well as the use of electricity, all of which release carbon dioxide, methane and other minor greenhouse gases. As such, Keyera is subject to various greenhouse gas reporting requirements and emission intensity and reduction requirements. 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.

The regulatory framework in respect of greenhouse gases and other emissions is evolving rapidly. An increasing area of risk relates to the ongoing development, change and costs associated with federal and provincial emissions-related regulation, including emissions management and direct costs related to compliance and monitoring.

In 2022, Keyera's management and Board continued to advance the integration of climate-related risks and opportunities into corporate strategy, risk management processes, and capital investment frameworks. These advancements support Keyera's energy transition strategy, founded on a parallel path approach designed to lower both emissions and operating costs from Keyera's base operations, while at the same time pursuing strategic, lower-carbon commercial opportunities arising from the energy transition. Keyera intends to continue to reduce emissions from base operations by pursuing operational efficiency, optimizing the utilization of our assets, investing in technology, supporting renewables, and exploring the use of carbon capture, utilization, and storage (CCUS) in operations. With regards to pursuing energy transition opportunities, Keyera is exploring low-carbon services and new business models that leverage Keyera's existing asset base, core competencies, and strong customer relationships.

SELECTED FINANCIAL INFORMATION

The following table presents selected annual financial information for Keyera:

<i>(Thousands of Canadian dollars, except per share information)</i>	2022	2021	2020
Revenue before inter-segment eliminations¹			
• Gathering and Processing	722,395	596,212	501,942
• Liquids Infrastructure	633,310	591,292	567,788
• Marketing	6,135,499	4,181,557	2,276,679
• Other	58	(252)	10,703
Operating margin			
• Gathering and Processing	347,900	323,131	260,251
• Liquids Infrastructure	413,879	409,371	399,624
• Marketing	414,973	314,140	277,236
• Other	(971)	(1,342)	3,427
Realized margin²			
• Gathering and Processing	346,772	322,743	260,251
• Liquids Infrastructure	405,912	409,187	399,147
• Marketing	397,421	322,946	294,617
• Other	(971)	(1,342)	3,147
Net earnings	328,294	324,206	62,030
Earnings per share (\$/share):			
• Basic	1.48	1.47	0.28
• Diluted	1.48	1.47	0.28
Dividends to shareholders	425,665	424,364	423,485
Dividends per share (basic)	1.92	1.92	1.92
Shares outstanding (thousands)			
• Weighted average (basic)	221,290	221,023	220,422
• Weighted average (diluted)	221,290	221,023	220,422
Total assets	8,568,188	8,130,306	7,562,586
Total long-term liabilities	4,749,473	4,559,713	4,302,352

Notes:

1 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 includes these transactions. Inter-segment transactions are eliminated on consolidation in order to arrive at Operating Revenues in accordance with GAAP.

2 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 a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin, see the section titled "Segmented Results of Operations".

Keyera achieved outstanding financial results in 2022 from all three operating segments.

The Gathering and Processing segment posted record operating margin in 2022 that was primarily attributable to higher processing throughput at the Pipestone, Wapiti, Strachan and Brazeau River gas plants.

The Liquids Infrastructure operating segment also set a new record for operating margin in 2022 that was mainly attributable to: i) higher unrealized non-cash gains from risk management contracts related to electricity; ii) higher fractionation revenues from higher volumes at Keyera's fractionation facilities.

The Marketing segment delivered outstanding financial results in 2022 primarily due to record iso-octane margins resulting from significantly stronger product premiums and motor gasoline pricing.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021
Revenue¹								
Gathering and Processing	202,837	186,302	179,382	153,874	159,648	146,010	146,910	143,644
Liquids Infrastructure	164,749	153,403	156,543	158,615	159,843	145,518	138,194	147,737
Marketing	1,519,190	1,476,268	1,653,814	1,486,227	1,525,769	1,000,686	833,485	821,617
Other	22	11	(7)	32	138	(27)	34	(397)
Operating margin (loss)								
Gathering and Processing	93,017	89,628	88,686	76,569	81,775	76,536	85,837	78,983
Liquids Infrastructure	106,542	102,993	99,472	104,872	110,089	98,885	96,012	104,385
Marketing	28,293	124,235	170,196	92,249	152,188	56,295	52,427	53,230
Other	(43)	(72)	(92)	(764)	23	(424)	(318)	(623)
Operating margin	227,809	316,784	358,262	272,926	344,075	231,292	233,958	235,975
Realized margin (loss)²								
Gathering and Processing	92,837	89,066	88,182	76,687	81,349	76,236	85,931	79,227
Liquids Infrastructure	101,753	101,414	97,825	104,920	110,171	98,340	95,865	104,811
Marketing	48,731	83,680	161,985	103,025	123,988	58,889	79,034	61,035
Other	(43)	(72)	(92)	(764)	23	(424)	(318)	(623)
Realized margin²	243,278	274,088	347,900	283,868	315,531	233,041	260,512	244,450
Net (loss) earnings	(81,895)	123,389	173,006	113,794	89,986	69,800	78,595	85,825
Net (loss) earnings per share (\$/share)								
Basic	(0.37)	0.56	0.78	0.51	0.41	0.32	0.36	0.39
Diluted	(0.37)	0.56	0.78	0.51	0.41	0.32	0.36	0.39
Weighted average number of shares (basic)	222,083	221,023	221,023	221,023	221,023	221,023	221,023	221,023
Weighted average number of shares (diluted)	222,083	221,023	221,023	221,023	221,023	221,023	221,023	221,023
Dividends declared to shareholders	107,392	106,091	106,091	106,091	106,091	106,091	106,091	106,091

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:

- improved energy demand and stronger commodity prices in 2021 and 2022 that resulted in periods of record operating margin for the Gathering and Processing and Liquids Infrastructure segments and strong contribution from the Marketing segment;
- growth in demand for diluent handling services in the Liquids Infrastructure segment backed by long-term, take-or-pay contracts with credit worthy counterparties;
- record gross processing throughput levels for the Wapiti and Pipestone gas plants in the Gathering and Processing segment that contributed to higher operating margin;
- underutilization of the Rimbey and Simonette gas plants in the Gathering and Processing segment that led to asset impairments; 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 year ended December 31, 2022.

ADOPTION OF NEW STANDARDS

There were no significant new IFRS standards or interpretations adopted by Keyera during the year ended December 31, 2022.

FUTURE ACCOUNTING PRONOUNCEMENTS

There were no significant new accounting standards or interpretations issued during the year ended December 31, 2022.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of December 31, 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 December 31, 2022 that have materially affected, or are reasonably likely to materially affect Keyera's internal controls over financial reporting.

COMMON SHARES

In December 2022, Keyera issued an aggregate of 8,130,500 common shares, including 1,060,500 common shares pursuant to the over-allotment option in connection with the public offering, for gross consideration of \$230 million.

The total common shares outstanding at December 31, 2022 was 229,153,373.

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
Funds from Operations	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>
Distributable Cash Flow	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>
Distributable Cash Flow per Share	Distributable cash flow divided by weighted average number of shares – basic.	
Payout Ratio	Dividends declared to shareholders divided by distributable cash flow.	Payout ratio is used to assess the sustainability of the company's dividend payment program.
EBITDA	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.
Adjusted EBITDA	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 and Adjusted EBITDA".

Measure	Definition	Utilization
Realized Margin	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>
Adjusted Cash Flow from Operating Activities	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&A.</p>
Return on Invested Capital	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.
Annual return on capital for the growth capital program excluding KAPS	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.
Annual return on capital for the KAPS project	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;
- 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.