

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of February 16, 2022 and is a review of the results of operations and the liquidity and capital resources of Keyera Corp. and its subsidiaries (collectively "Keyera"). The MD&A should be read in conjunction with the accompanying audited consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the years ended December 31, 2021 and 2020 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

Energy fundamentals strengthened significantly in 2021, revitalizing the outlook for the energy industry. With improved industry conditions and exceptional performance from all three operating segments, Keyera achieved outstanding financial results. New records were set for operating margin and adjusted EBITDA in 2021 which reached \$1.05 billion and \$956 million, respectively. Net earnings of \$324 million were also strong despite a non-cash impairment expense of \$116 million. The solid financial results of the business segments generated a corporate after-tax return on invested capital¹ (“ROIC”) of 14% (2020 – 14%).

The Gathering and Processing segment had a successful year as the business posted record financial results as processing throughput increased 15% over the prior year. The strong commodity price environment has improved the financial strength of customers within this segment and contributed to the increase in activity across Keyera’s integrated value chain. The segment also achieved its strategic priorities, established approximately two years earlier, with the completion of its optimization program. The program’s completion has: i) increased utilization of Keyera’s gas plants in the South region; ii) reduced greenhouse gas emissions; and iii) has resulted in ongoing annual savings, a portion of which was realized in 2021. Ensuring the reliability and safety of Keyera’s facilities remains a priority.

2021 was an outstanding year for the Liquids Infrastructure segment as the business also posted record financial results as strong customer demand was met with exceptional operational performance. Volumes through Keyera’s condensate system reached record levels, while the AEF facility also set a record for iso-octane production. Keyera’s operated assets in the Fort Saskatchewan area were highly utilized throughout the year, and this is expected to continue into 2022.

The Marketing segment also delivered exceptional financial results in 2021. As commodity prices and energy demand strengthened, the business applied its disciplined risk management program and effectively utilized Keyera’s infrastructure to capture strong margins across its portfolio of products. The cash flow generated from the Marketing business enhances Keyera’s overall return on invested capital as it can utilize its infrastructure assets to deliver product to the highest value markets. The cash flow from this segment is also used to help fund additional infrastructure investments, including the KAPS pipeline that will generate long-term, stable cash flow.

Looking ahead to 2022, Keyera intends to focus on the following priorities:

- being a safe, reliable and environmentally conscious operator of its facilities;
- demonstrating strong capital discipline with the application of stringent investment evaluation criteria;
- maintaining a strong financial position;
- advancing ESG initiatives including progressing toward meeting emissions reduction targets; and
- successful execution of the KAPS project and maintenance turnarounds.

¹ Return on Invested Capital is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Comparative information for 2020 has been restated to conform to the revised calculation of the ROIC measure that was adopted in 2021. See the sections titled “Adjusted Cash Flow from Operating Activities and Return on Invested Capital” and “Non-GAAP and Other Financial Measures” for additional details.

Keyera expects the following for 2022:

- a cash tax expense of between **\$15 million and \$30 million**;
- maintenance capital expenditures to range between **\$100 million and \$120 million**, with approximately \$60 million of the costs related to the AEF maintenance turnaround. Refer to the section of the MD&A titled, “Segmented Results: Liquids Infrastructure” for more details related to this major turnaround; and
- growth capital expenditures to range between **\$570 million and \$610 million** excluding capitalized interest, with the majority related to the construction of the KAPS pipeline system. This capital guidance range has increased over the previously provided guidance range of \$520 million to \$560 million due to approximately \$45 million in spend that was originally expected to occur in 2021 which will now occur in 2022.

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, 2021 and 2020:

<i>(Thousands of Canadian dollars, except per share data)</i>	2021	2020
Net earnings	324,206	62,030
Net earnings per share (basic)	1.47	0.28
Operating margin	1,045,300	940,538
Realized margin ¹	1,053,534	957,162
Adjusted EBITDA ²	955,848	873,582
Cash flow from operating activities	583,839	688,173
Funds from operations ³	765,872	810,436
Distributable cash flow ³	668,595	718,176
Distributable cash flow per share ³ (basic)	3.03	3.26
Dividends declared	424,364	423,485
Dividends declared per share	1.92	1.92
Payout ratio ⁴	63%	59%

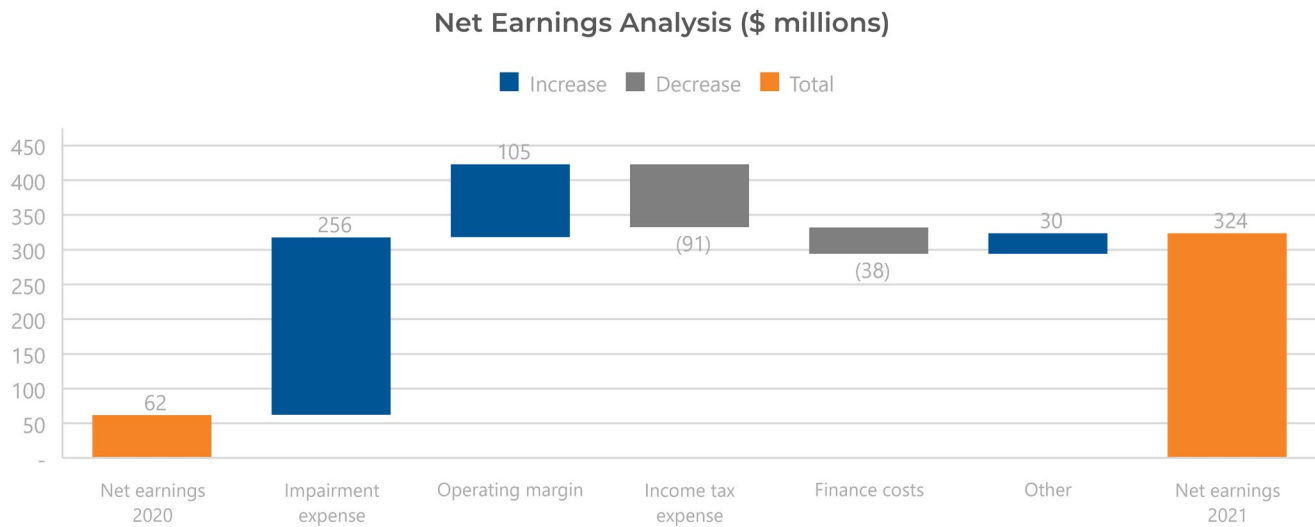
Notes:

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

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

Net Earnings

For the year ended December 31, 2021, net earnings were \$324 million, \$262 million higher than the prior year due to the following 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".

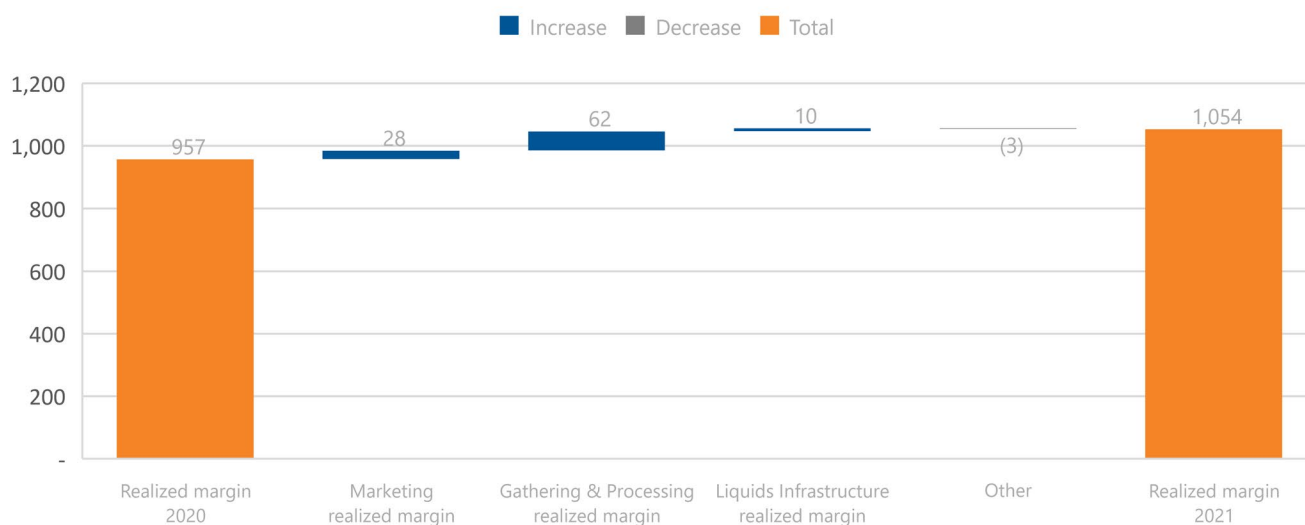
Operating Margin and Realized Margin

For the year ended December 31, 2021, operating margin was \$1 billion, \$105 million higher than the prior year due to: i) \$96 million in higher realized margin from all segments as described in more detail below; and ii) \$9 million in lower unrealized non-cash losses associated with risk management contracts from the Marketing segment.

Realized margin¹ (excludes the effect of unrealized gains and losses from commodity-related risk management contracts) was \$1.1 billion for the year ended December 31, 2021, \$96 million or 10% higher than the prior year due to the following factors:

- \$62 million in higher realized margin from the Gathering and Processing segment mainly attributable to higher processing throughput at the Wapiti and Pipestone gas plants; and
- \$28 million in higher realized margin from the Marketing segment due to: i) higher liquids blending contribution stemming from increased condensate demand; ii) higher butane margins from significantly stronger pricing in Alberta due to increased seasonal demand; and iii) higher propane margins resulting from strong winter demand and increased exports out of North America. These factors were partly offset by lower iso-octane margins due to an exceptionally strong first quarter of 2020 that benefited from historically high demand, strong product premiums and lower average butane feedstock costs.

Realized Margin¹ Analysis (\$ millions)



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

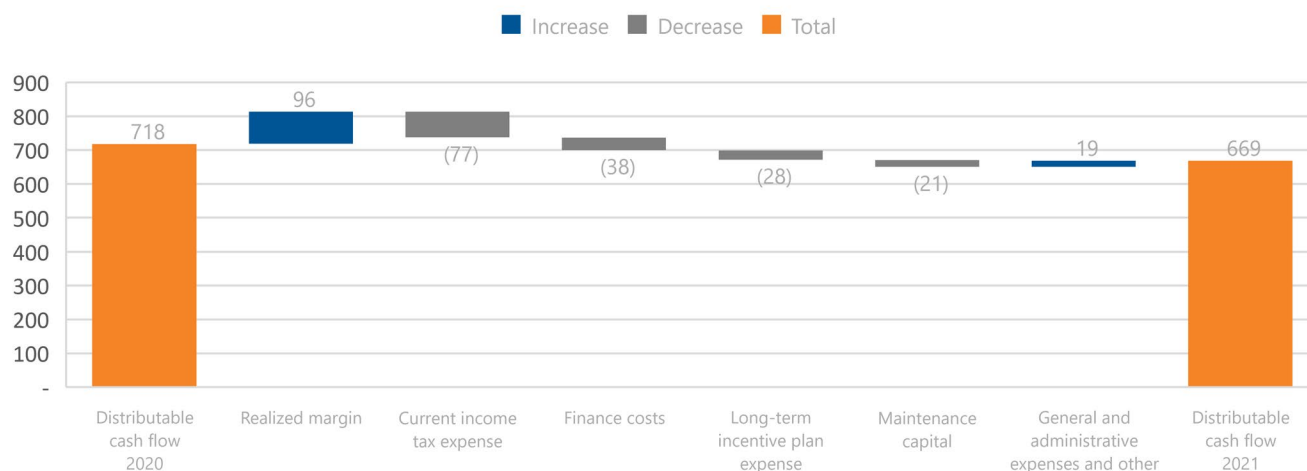
¹ Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section titled “Non-GAAP and Other Financial Measures”. For a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin,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

Cash Flow Metrics

Cash flow from operating activities for the year ended December 31, 2021 was \$584 million, \$104 million lower than the prior year primarily due to a higher cash requirement to fund inventory as a result of higher average prices and lower cash generated from changes in operating working capital. These factors were partly offset by an increase in realized margin.

Distributable cash flow¹ in 2021 was \$669 million, \$50 million lower than the prior year due to factors shown in the table below:

Distributable Cash Flow¹ Analysis (\$ millions)



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 and Distributable Cash Flow".

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, 2021 and 2020 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 and Realized Margin		
<i>(Thousands of Canadian dollars)</i>		
	2021	2020
Revenue	4,984,906	3,012,510
Operating expenses	(3,939,606)	(2,071,972)
Operating margin	1,045,300	940,538
Unrealized loss on risk management contracts	8,234	16,624
Realized margin	1,053,534	957,162

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 on January 1, 2026, approximately five years after the commencement of its operations. The Gathering and Processing segment includes raw gas gathering systems and processing plants strategically located in the natural gas production areas on the western side of the Western Canada Sedimentary Basin (“WCSB”). Several of the gas plants are interconnected by raw gas gathering pipelines, allowing raw gas to be directed to the gas plant best suited to process the gas. Most of Keyera’s facilities are also equipped with condensate handling capabilities. Keyera’s facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production activity in the WCSB. Keyera’s Simonette, Wapiti and Pipestone gas plants are generally referred to as its “Northern” or “North” gas plants due to their geographic location and proximity to one another. Gas plants in the North are generally dedicated to processing gas and handling condensate from the Montney formation. All of Keyera’s other Gathering and Processing plants, with the exception of the non-operated Edson gas plant, are generally referred to as its “Southern” or “South” gas plants.

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

Operating and Realized Margin and Throughput Information		
<i>(Thousands of Canadian dollars)</i>		
	2021	2020
Revenue ²	596,212	501,942
Operating expenses ²	(273,081)	(241,691)
Operating margin	323,131	260,251
Unrealized gain on risk management contracts	(388)	—
Realized margin³	322,743	260,251
Gross processing throughput ⁴ – (MMcf/d)	1,460	1,274
Net processing throughput ^{4,5} – (MMcf/d)	1,235	1,057

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

<p>Operating Margin</p>	<p style="text-align: center;">↑ \$63 million vs 2020</p>	<p>Increase was primarily due to \$79 million in higher operating margin from:</p> <ul style="list-style-type: none"> • higher processing throughput and lower operating costs at the Wapiti gas plant; and • incremental margin from the Pipestone gas plant that commenced operations in October 2020. <p>The above factors were partly offset by \$19 million in lower operating margin from:</p> <ul style="list-style-type: none"> • a disclaimed take-or-pay agreement with a former joint venture partner at the Alder Flats gas plant in 2020; • reduced operating margin from the Rimbey gas plant due to lower processing throughput and higher operating expenses that were not recovered from customers; and • lower ethane sales from the Rimbey gas plant, as the petrochemical company that purchases ethane under a long-term arrangement completed a major maintenance outage in the third quarter of 2021.
<p>Revenue</p>	<p style="text-align: center;">↑ \$94 million vs 2020</p>	<ul style="list-style-type: none"> • Increase in revenue was primarily due to the same factors that affected operating margin.

Gathering and Processing Activity

2021 was a successful and resurgent year for the Gathering and Processing segment as the business:

- posted record financial results with operating margin of \$323 million, a 24% increase over the prior year; and
- successfully achieved its strategic priorities, established approximately two years earlier, with the completion of its optimization program.

As commodity prices and energy demand strengthened throughout the year, renewed optimism and higher netbacks incited many producers to increase drilling activity, resulting in new processing volumes at gas plants in the North and South regions.

Keyera's gas plants in the North region were a significant contributor to the segment's strong financial results and overall gross processing throughput levels in 2021. The Wapiti gas plant achieved record processing throughput that was 64% higher than the prior year. The Pipestone gas plant, which commenced operations in mid-October 2020, also experienced three consecutive quarters of increasing volumes from the condensate-rich Montney area. The higher volumes at the Wapiti gas plant

and full year of operations at the Pipestone gas plant resulted in a 64% increase in overall gross processing throughput for the North region compared to the prior year.

For Keyera's gas plants in the South region, overall gross processing throughput stabilized in 2021 as new production volumes processed at the Brazeau River, Alder Flats and Strachan gas plants, offset natural declines at other Southern gas plants. As a result, overall gross processing throughput for this region remained virtually unchanged compared to 2020.

In 2019, Keyera developed a number of strategic priorities to improve the competitive position of the Gathering and Processing segment. In 2021, Keyera successfully completed all remaining gas plant suspensions associated with its optimization program. Through the optimization program, the business was successful in achieving the following priorities:

- reduce the overall cost structure of its portfolio of gas plants;
- deliver competitive, full-service solutions and improve customer netbacks; and
- increase the overall utilization of Keyera's gas plants thereby reducing carbon emissions on a gross and intensity basis, as well as associated compliance costs.

It remains a key priority to continue to reduce operating costs, further increase utilization and improve reliability of Keyera's facilities.

With improving business conditions, Keyera is expecting an increase in customer demand, especially in the South region. As a result, the planned suspension of the Nordegg River plant in 2022 was cancelled to allow for the future capture of volumes in the South region. All gas plant suspensions related to Keyera's overall optimization initiative are listed below:

Gas Plant	Timing of Suspension
Minnehik Buck Lake	Completed in May 2020
West Pembina	Completed in August 2020
Bigoray	Completed in September 2020
Brazeau North	Completed in July 2021
Ricinus	Completed in September 2021

With the completion of the gas plant suspensions, utilization in the South region is expected to increase from less than 50%¹ to approximately 65%¹ by early 2022. The optimization strategy also aligns with Keyera's environmental efforts by reducing its overall gross greenhouse gas emissions by approximately 12% for operated facilities in 2021 relative to 2019. The optimization program is expected to result in approximately \$15 million in ongoing annual savings by the end of 2022. A portion of these benefits were realized in 2021.

On January 24, 2022 the Wapiti gas plant experienced some mechanical issues and had to be shut down. Repairs are now complete and the plant is back in operation resulting in a total downtime of approximately 14 days. The impact to realized margin is expected to be approximately \$5 million. The maintenance cost associated with the repairs is expected to be immaterial. Keyera is committed to being a safe and reliable operator of its facilities and will continue to focus on increasing the long-term reliability and performance of its North region gas plants.

¹ Based on effective capacity.

Maintenance turnarounds were completed at the Brazeau River and Zeta Creek gas plants in the second quarter of 2021 at a combined cost of approximately \$11 million. For 2022, maintenance turnarounds are scheduled to occur at the Simonette and Nordegg gas plants at an estimated total net cost of approximately \$20 million. The costs associated with maintenance turnarounds are capitalized for accounting purposes and do not have an effect on operating expenses in the Gathering and Processing segment. Maintenance turnaround costs are generally flowed through to customers over a period of four to six years. Distributable cash flow is reduced by Keyera's share of the cost of the turnarounds, as these costs are included in its financial results as maintenance capital expenditures.

Liquids Infrastructure

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

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

The AEF facility has a licensed production capacity of 13,600 barrels per day of iso-octane. Iso-octane is a low vapour pressure, high-octane gasoline blending component that contains virtually no sulphur, aromatics or benzene, making this product a clean burning gasoline additive. AEF uses butane as the primary feedstock to produce iso-octane. As a result, AEF's business creates positive synergies with Keyera's Marketing business, which purchases, handles, stores and sells large volumes of butane.

Most of Keyera's Liquids Infrastructure assets are located in, or connected to, the Edmonton/Fort Saskatchewan area of Alberta, one of four key NGL hubs in North America. A significant portion of the NGL production from Alberta raw gas processing plants is delivered into the Edmonton/Fort Saskatchewan area via multiple NGL gathering systems for fractionation into specification products and delivery to market. Keyera's underground storage caverns at Fort Saskatchewan are used to store NGL mix and specification products. For example, propane can be stored in the summer months to meet winter demand; condensate can be stored to meet the diluent supply needs of the oil sands sector; and butane can be stored to meet blending and iso-octane feedstock requirements.

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

Keyera's Liquids Infrastructure assets are closely integrated with its Marketing segment, providing the ability to source, transport, process, store and deliver products across North America. A portion of the revenues earned by this segment relate to services provided to Keyera's Marketing segment. All of the revenues in this segment that are associated with the AEF facility, the Oklahoma Liquids Terminal and Galena Park infrastructure relate to services provided to the Marketing segment.

Operating and realized margin for the Liquids Infrastructure segment were as follows:

Operating and Realized Margin		
<i>(Thousands of Canadian dollars)</i>		
	2021	2020
Revenue ¹	591,292	567,788
Operating expenses ¹	(181,921)	(168,164)
Operating margin	409,371	399,624
Unrealized gain on risk management contracts	(184)	(477)
Realized margin²	409,187	399,147

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;">\$10 million vs 2020</p>	<p>Increase was due to the following factors:</p> <ul style="list-style-type: none"> • higher storage revenues from higher contracted volumes and incremental margin associated with caverns 16 and 17 in Fort Saskatchewan which came into service in April 2020 and September 2021, respectively; • record volumes handled within Keyera’s condensate network, including the Norlite pipeline, that exceeded take-or-pay commitment levels; and • higher revenues from Keyera’s Edmonton and Josephburg terminals due to increased rail and truck volumes. <p>These factors were partly offset by:</p> <ul style="list-style-type: none"> • lower contribution from the Alberta Crude Terminal and Baseline Tank Terminal (“BTT”). Most of the storage tanks at BTT are contracted under long-term agreements. Pembina Pipeline is the operator of this asset.
<p>Revenue</p>	<p style="text-align: center;">↑</p> <p style="text-align: center;">\$24 million vs 2020</p>	<ul style="list-style-type: none"> • Increase was mainly due to the same factors that contributed to higher operating margin as described above.

Liquids Infrastructure Activity

2021 was an outstanding year for the Liquids Infrastructure segment as the business posted record financial results with operating margin of \$409 million, a 2% increase over 2020, and continued to meet the needs of its customers with strong operational performance across its diverse range of infrastructure assets.

Crude oil prices strengthened significantly in 2021 resulting in strong oil sands production and high condensate demand. Consequently, volumes through Keyera’s condensate system reached record levels during the fourth quarter and on an annual basis in 2021. In general, higher 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. However, the record volumes in 2021 exceeded take-or-pay commitment levels with multiple customers contributing to higher operating margin. 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 2022.

In July, Keyera successfully re-contracted condensate storage and transportation agreements with two major oil sands producers. The first storage agreement extends the service term with one of the producers by approximately four years, while the second agreement provides additional condensate

transportation services to another major oil sands producer. Both agreements include increased take-or-pay commitments and reinforce the value of Keyera's integrated condensate system.

In September, Keyera's 17th underground storage cavern in Fort Saskatchewan became operational. The incremental capacity provides Keyera with the ability to accommodate expected future demand. Keyera's storage assets provide significant operational flexibility and value to customers in a dynamic commodity price environment with varying levels of demand. The demand for storage services is expected to be strong into 2022.

Utilization rates for the two fractionation units at Keyera's Fort Saskatchewan complex were at nameplate capacity in 2021. Looking ahead to 2022, fractionation demand is expected to be robust due to the strong commodity price environment and corresponding industry activity.

The AEF facility is operated by the Liquids Infrastructure segment and provides iso-octane processing services to the Marketing segment on a fee-for-service basis. The facility's operational performance was exceptional in 2021 as the facility set a record for iso-octane production. In 2022, the AEF facility is expected to be offline for approximately six weeks during the last half of the year to complete its scheduled maintenance turnaround. The cost of the turnaround is currently estimated to be \$60 million and includes the replacement of the facility's catalysts. While the facility is offline, Keyera is expecting to complete other maintenance capital projects that are included in the cost estimate above. Keyera's investment in the maintenance turnaround at AEF is to ensure the facility runs efficiently and reliably for the long-term.

In the U.S., Keyera expanded its presence with the completion of the Wildhorse Terminal in July. This crude oil storage and blending terminal is located near Cushing, Oklahoma, a major hub for liquids and crude oil. With the completion of this facility, the Liquids Infrastructure segment is well positioned to provide storage and blending services to customers as well as Keyera's Marketing segment when pricing differentials return to more historical levels. Refer to the section of this MD&A titled "Marketing" for further information.

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>Lateral pipeline construction and field installation of surface facilities commenced in the fourth quarter of 2021. Mainline pipe construction, offsite facilities fabrication, pipe fabrication and procurement activities remain ongoing.</p> <p>KAPS is anticipated to be operational in 2023.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> gross cost is approximately \$1.6 billion Keyera's net share of costs is approximately \$800 million <p><i>Total net costs to December 31, 2021:</i></p> <ul style="list-style-type: none"> \$289 million for the year ended December 31, 2021 \$328 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>Construction progressed through the fourth quarter of 2021.</p> <p>The sulphur facilities are anticipated to be operational in mid-2022.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> gross cost is approximately \$180 million Keyera's net share of costs is approximately \$90 million <p>The \$65 million increase in gross cost is primarily due to:</p> <ul style="list-style-type: none"> engineering design deficiencies that resulted in a significant increase in civil work; and supply chain disruptions for major equipment that has impacted construction sequencing and associated costs. <p><i>Total net costs to December 31, 2021:</i></p> <ul style="list-style-type: none"> \$57 million for the year ended December 31, 2021 \$65 million since inception

Liquids Infrastructure – Completed Capital Project

Facility/Area	Project Description	Project Status Update
Cushing, Oklahoma 90/10 joint venture with affiliate of Lama Energy Group	Wildhorse Terminal ("Wildhorse") Development of a crude oil storage and blending terminal in Cushing, Oklahoma which includes 12 above ground tanks with 4.5 million barrels of working storage capacity. Wildhorse is pipeline connected to two existing storage terminals in Cushing.	The terminal commenced operations at the end of July 2021. <i>Estimated total cost to complete:</i> <ul style="list-style-type: none"> gross cost is approximately US\$238 million Keyera's net share of costs is approximately US\$214 million <i>Total net costs to December 31, 2021:</i> <ul style="list-style-type: none"> \$24 million (US\$19 million) for the year ended December 31, 2021 \$274 million (US\$207 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 Information", provides more information on factors that could affect the development of these projects.

Marketing

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

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

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

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

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.

On average, Keyera expects its Marketing business to contribute a "base realized margin" of between \$180 million and \$220 million annually. This base contribution assumes: i) AEF operates near capacity; ii) butane feedstock costs are comparable to the 2018 contract year; iii) there are no significant logistics or

transportation curtailments; and iv) producers deliver their volumes according to plan. 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 and realized margin for the Marketing segment were as follows:

Operating and Realized Margin		
<i>(Thousands of Canadian dollars, except for sales volume information)</i>		
	2021	2020
Revenue ¹	4,181,557	2,276,679
Operating expenses ¹	(3,867,417)	(1,999,443)
Operating margin	314,140	277,236
Unrealized loss on risk management contracts	8,806	17,381
Realized margin²	322,946	294,617
Sales volumes (Bbl/d)	167,200	149,900

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		
<i>(Thousands of Canadian dollars)</i>		
	2021	2020
Physical sales	4,383,145	2,230,645
Realized cash (loss) gain on financial contracts ¹	(192,782)	63,415
Unrealized gain due to reversal of financial contracts existing at end of prior period	22,024	5,371
Unrealized loss due to fair value of financial contracts existing at end of current period	(31,521)	(22,024)
Unrealized gain (loss) from fixed price physical contracts ²	691	(728)
Total unrealized loss on risk management contracts	(8,806)	(17,381)
Total (loss) gain on risk management contracts	(201,588)	46,034
Total Marketing revenue	4,181,557	2,276,679

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 & Realized Margin and Revenue

Operating Margin	 \$37 million vs 2020	<ul style="list-style-type: none"> • Increase was due to \$9 million in lower unrealized non-cash losses from risk management contracts in 2021 compared to 2020; and • \$28 million in higher realized margin as described in more detail below.
Realized Margin¹	 \$28 million vs 2020	<p>Increase was due to the following factors:</p> <ul style="list-style-type: none"> • \$40 million of higher liquids blending contribution resulting from higher condensate demand relative to the prior year; • higher butane margins during the fourth quarter of 2021 due to significantly stronger pricing in Alberta stemming from increased seasonal demand; and • higher propane margins resulting from strong winter demand and increased exports out of North America. • Partly offsetting the factors above were lower iso-octane margins due to an exceptionally strong first quarter of 2020 that benefited from historically high demand, strong product premiums and lower average butane feedstock costs.
Revenue	 \$1.9 billion vs 2020	<ul style="list-style-type: none"> • Increase was due to significantly higher average sales prices for all products resulting from the significant increase in commodity prices in 2021.

Market Commentary

Energy demand strengthened significantly in 2021, lifting commodity prices and revitalizing the outlook for the energy industry. These positive factors combined with the Marketing segment's disciplined risk management program and effective utilization of Keyera's infrastructure capabilities resulted in strong financial results, as the segment recorded \$323 million in realized margin. These results were slightly higher than the 2021 realized margin guidance of \$300 million to \$320 million.

Fourth quarter results for the Marketing segment were outstanding and included approximately \$10 million of realized hedging gains that were primarily related to propane inventory. These hedging gains will reduce margins associated with the physical sale of propane in the first quarter of 2022.

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".

Gasoline fundamentals steadily improved in 2021 as U.S. driving demand increased from approximately 10% below historical levels at the start of the year to near pre-pandemic levels by the end of the year. Motor gasoline pricing was strong throughout the year as refinery throughput and motor gasoline production generally matched the underlying demand, keeping inventories in line with historical levels. Despite these positive factors, the premium for iso-octane remained below historical levels because of an increased supply of octane blending components that were imported into the U.S. at record levels during the first three quarters of the year, only easing slightly in the fourth quarter. Significant improvements to iso-octane premiums will continue to be dependent on a wider sustained global recovery from the COVID-19 pandemic and the resumption of historical mobility patterns.

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, 2021, the price for butane as a percentage of crude oil was lower than the average of the previous five years. As butane prices strengthened significantly through 2021, Keyera utilized its infrastructure capabilities to sell butane in the Alberta market to capture higher margins. Keyera expects butane feedstock costs to be higher in 2022 compared to the 2021 contract year.

Propane margins were strong in 2021, primarily due to robust fourth quarter results that benefited from stronger pricing. During this period, propane pricing strengthened significantly due to substantially higher exports out of North America and the return of colder winter weather patterns in the latter part of the quarter. Propane pricing is anticipated to remain strong in 2022 as North American export levels are expected to remain high as a result of incremental export capacity that came online in 2021. Inter Pipeline's Heartland propane dehydrogenation facility, which commences operations in 2022, is also expected to influence propane pricing this year. Access to Keyera's cavern storage and rail terminals provides the Marketing segment with a competitive advantage as it can store and transport product to the highest value domestic or export markets throughout the year.

Crude oil prices strengthened throughout 2021, contributing to strong oil sands production. Consequently, condensate demand from oil sands producers was high, resulting in solid contribution and higher condensate sales volumes compared to the prior year. Margins from Keyera's liquids blending business were strong in 2021.

In July, Keyera expanded its presence in the U.S. with the commencement of operations at the Wildhorse Terminal, a crude oil storage and blending terminal located near Cushing, Oklahoma. Crude oil blending opportunities remain a significant competitive advantage and cash flow driver for this asset. However, blending margins are currently uneconomic as butane prices landing in Cushing are at historic highs. Butane prices in the U.S. have been strong largely because of export and increased petrochemical demand combined with lower drilling activity levels that have reduced butane supply.

Risk Management

When possible, Keyera uses hedging strategies to mitigate risk in its Marketing business, including foreign currency exchange risk associated with the purchase and sale of NGLs and iso-octane. Keyera's hedging objective for iso-octane is to secure attractive margins and mitigate the effect of iso-octane price fluctuations on its future operating margins. Iso-octane is generally priced at a premium to the price of Reformulated Blendstock for Oxygen Blending ("RBOB"). RBOB is the highest volume refined product sold in the U.S. and has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize RBOB-based financial contracts to hedge a portion of its iso-octane sales.

To protect the value of its NGL inventory from fluctuations in commodity prices, Keyera typically uses physical and financial forward contracts. For propane inventory, contracts are generally put in place as inventory builds and may either: i) settle when products are expected to be withdrawn from inventory and sold; or ii) settle and reset on a month-to-month basis. Within these strategies, there may be differences in timing between when the contracts are settled and when the product is sold. In general,

the increase or decrease in the fair value of the contracts is intended to mitigate fluctuations in the value of the inventories and protect operating margin. Keyera typically uses propane physical and financial forward contracts to hedge its propane inventory.

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

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

Within these hedging strategies, there may be differences in timing between when the financial contracts are settled and when the products are purchased and sold. There may also be basis risk between the prices of crude oil and the NGL products, and therefore the financial contracts may not fully offset future butane and condensate price movements.

For the year ended December 31, 2021, the total unrealized loss on risk management contracts was \$9 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, 2021 resulted in an unrealized (non-cash) loss of \$32 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, 2021, 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>		
	2021	2020
General and administrative ¹	(80,697)	(97,795)
Finance costs	(169,309)	(131,507)
Depreciation, depletion and amortization expenses	(257,638)	(290,416)
Net foreign currency gain on U.S. debt and other	568	9,421
Long-term incentive plan (expense) recovery	(27,029)	1,122
Impairment	(115,771)	(371,305)
Gain on disposal of property, plant and equipment	20,797	—
Other	10,040	13,093
Income tax expense	(102,055)	(11,121)

Note:

¹ Net of overhead recoveries on operated facilities.

General and Administrative Expenses

General and administrative (“G&A”) expenses for 2021 were \$81 million, \$17 million lower than the prior year. This decrease was primarily due to severance costs recorded during 2020 as a result of the closure of the Nevis, Gilby, Minnehik Buck Lake and West Pembina gas plants, and workforce reductions at Keyera’s corporate office and certain field locations.

Finance Costs

Finance costs for the year ended December 31, 2021 were \$169 million, \$38 million higher than the prior year primarily due to lower interest capitalized on qualifying projects that is a reduction to finance costs. Interest capitalized on qualifying projects was \$17 million during 2021, compared to \$39 million during the prior year. In addition, Keyera recorded incremental interest expense of \$17 million during 2021 related to the issuance of \$350 million in subordinated notes in March 2021.

Depreciation, Depletion and Amortization Expenses

Depreciation, depletion and amortization (“DD&A”) expenses were \$258 million in 2021, \$33 million lower than the prior year primarily due to a decrease in Keyera’s decommissioning asset base in 2021.

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>		
	2021	2020
Translation of long-term debt and interest payable	3,456	4,676
Change in fair value of cross-currency swaps – principal and interest	(5,267)	(30,379)
Gain on cross-currency swaps – principal and interest ¹	1,238	31,771
Foreign exchange re-measurement of lease liabilities and other	1,141	3,353
Net foreign currency gain on U.S. debt and other	568	9,421

Note:

¹ Foreign currency gains resulted from the exchange of currencies related to the settlement of principal and 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) Recovery

The Long-Term Incentive Plan (“LTIP”) expense was \$27 million for the year ended December 31, 2021, compared to a recovery of \$1 million in the prior year. The higher LTIP expense was primarily due to the recovery in Keyera’s share price at the end of 2021 relative to the decline in share price that occurred during the same period of the prior year. In addition, there were 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, 2021, Keyera recorded a combined impairment expense of \$116 million. The majority of this expense (\$98 million) was recognized for the Rimbey Area cash-generating unit (“CGU”) due to the underutilization of the Rimbey gas plant, including lower processing volumes for this facility. \$15 million of the impairment expense was allocated to reduce the goodwill associated with the CGU to \$nil. The remaining impairment charge of \$83 million was then applied to reduce the carrying value of the Rimbey gas plant.

Other impairment expenses recorded during the year include the Alberta Crude Terminal, which occurred in connection with Keyera obtaining the remaining 50% ownership interest in the asset and the Hull terminal.

In comparison, for 2020, Keyera recorded a combined impairment expense of \$371 million related to the West Pembina, Ricinus and Nordegg River gas plants, the Alder Flats gas plant, the Hull terminal, the Brazeau North and Pembina North gathering and processing complex and non-core assets in the Northern Area CGU.

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, 2021 and 2020.

Gain on Disposal of Property, Plant and Equipment

In 2021, Keyera recorded a gain of \$21 million as a result of the disposition of its ownership interest in the Bonnie Glen Pipeline and Cynthia production wells.

Other

For the year ended December 31, 2021, \$10 million of income was recorded from the Canada Emergency Wage Subsidy (“CEWS”) program, compared to \$13 million in the prior year. CEWS was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan. Substantially all of the income received in 2021 relates to the 2020 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 \$32 million was recorded for the year ended December 31, 2021, compared to a recovery of \$45 million in 2020. Current taxes in 2021 are higher due to higher earnings and decreased tax pool deductions.

For 2022, it is estimated that current income tax expense will range between \$15 million and \$30 million. 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 \$70 million was recorded for the year ended December 31, 2021, compared to \$56 million in 2020, \$14 million higher than the same period in 2020.

Keyera estimates its total tax pools at December 31, 2021 were approximately \$3.3 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,	
	2021	2020
Operating Margin		
Gathering & Processing	81,775	76,965
Liquids Infrastructure	110,089	98,330
Marketing	152,188	(12,039)
Other	23	2,257
Operating margin	344,075	165,513
Realized margin ¹	315,531	187,512
Net earnings (loss)	89,986	(74,777)
Earnings (loss) per share (basic)	0.41	(0.34)
Adjusted EBITDA ²	293,739	168,145
Cashflow from operating activities	96,963	116,446
Funds from operations ³	234,699	155,812
Distributable cash flow ³	206,652	132,629
Distributable cash flow per share (basic) ³	0.93	0.60
Dividends declared	106,091	106,091
Dividends declared per share	0.48	0.48
Capital expenditures (including acquisitions)	207,119	87,258
Volumetric Information		
Gathering and Processing:		
Gross processing throughput (MMcf/d)	1,517	1,307
Net processing throughput (MMCF/d)	1,281	1,106
Liquids Infrastructure ⁴ :		
Gross fractionation throughput (Mbbbl/d)	162	155
Net fractionation throughput (Mbbbl/d)	81	75
AEF iso-octane production volumes (MMbl/d)	13	8
Marketing:		
Sales Volumes (Bbl/d)	200,500	153,900

Notes:

- 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" 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.
- 2 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.
- 3 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.
- 4 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 and Operating/Realized Margin (Thousands of Canadian dollars)	Three months ended December 31,	
	2021	2020
Physical sales	1,513,881	559,411
Realized cash loss on financial contracts ¹	(16,312)	(22,638)
Unrealized gain (loss) due to reversal of financial contracts existing at end of prior period	59,458	(189)
Unrealized loss due to fair value of financial contracts existing at end of current period	(31,521)	(22,024)
Unrealized gain (loss) from fixed price physical contracts ²	263	(979)
Total unrealized gain (loss) on risk management contracts	28,200	(23,192)
Total gain (loss) on risk management contracts	11,888	(45,830)
Revenue ³	1,525,769	513,581
Operating expenses ³	(1,373,581)	(525,620)
Marketing operating (loss) margin	152,188	(12,039)
Unrealized (gain) loss on risk management contracts	(28,200)	23,192
Marketing realized margin⁴	123,988	11,153

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,	
	2021	2020
Cash flow from operating activities	96,963	116,446
Add (deduct):		
Changes in non-cash working capital	137,736	39,366
Funds from operations	234,699	155,812
Maintenance capital	(16,227)	(10,889)
Leases	(11,190)	(12,073)
Prepaid lease asset	(630)	(221)
Distributable cash flow	206,652	132,629
Dividends declared to shareholders	106,091	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 “Non-GAAP and Other Financial Measures”.

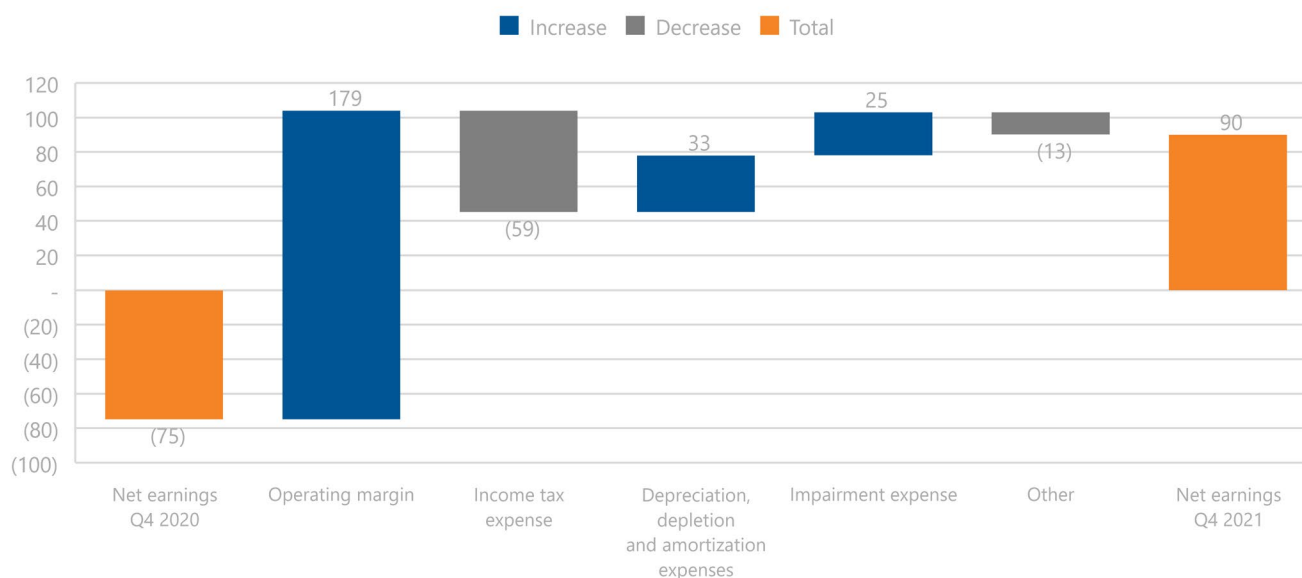
The following is a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings, for the fourth quarter.

EBITDA <i>(Thousands of Canadian dollars)</i>	Three months ended December 31,	
	2021	2020
Net earnings (loss)	89,986	(74,777)
Add (deduct):		
Finance costs	43,750	37,919
Depreciation, depletion and amortization expenses	56,517	89,798
Income tax expense (recovery)	32,356	(26,226)
EBITDA	222,609	26,714
Unrealized (gain) loss on commodity contracts	(28,544)	21,999
Net foreign currency loss (gain) on U.S. debt and other	1,584	(4,022)
Impairment expense	98,090	123,454
Adjusted EBITDA	293,739	168,145

Net Earnings

Net earnings of \$90 million were recorded in the fourth quarter of 2021 compared to a net loss of \$75 million in the fourth quarter of 2020. The decrease in earnings was due to the following:

Fourth Quarter Net Earnings Analysis (\$ millions)

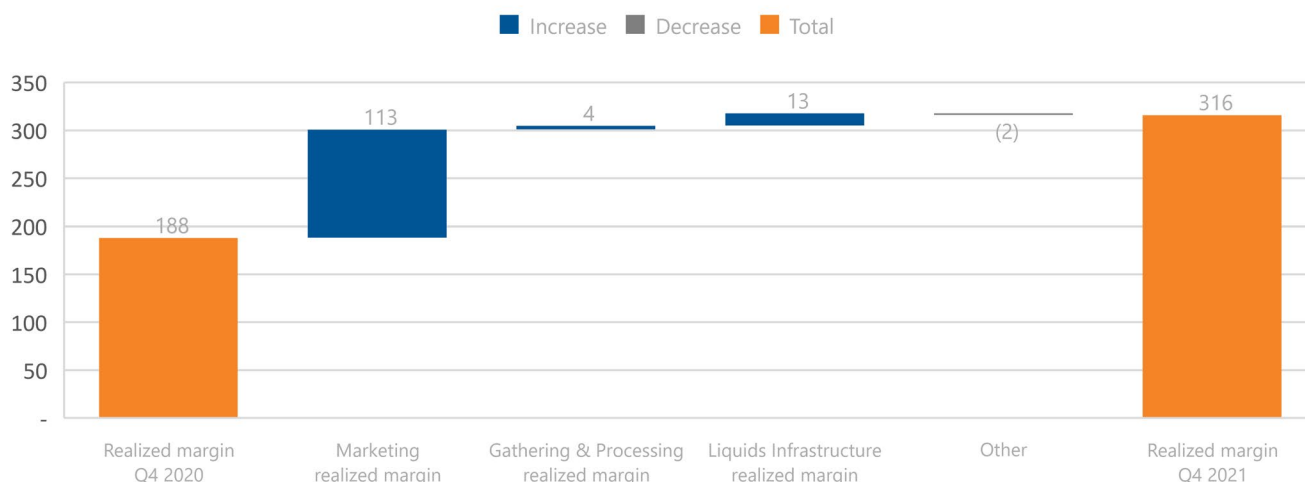


Operating Margin and Realized Margin

Total operating margin for the fourth quarter of 2021 was \$344 million, \$179 million higher than the same period in 2020 largely due to higher results from the Marketing segment which recorded operating margin of \$152 million compared to an operating loss of \$12 million during the same period in 2020.

Realized margin (excludes the non-cash gains and losses from commodity-related risk management contracts) was \$316 million, \$128 million higher than the same period in the prior year. The fourth quarter operating results are discussed in more detail below.

Fourth Quarter Realized Margin Analysis (\$ millions)





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,	
	2021	2020
Revenue	1,737,432	709,452
Operating expenses	(1,393,357)	(543,939)
Operating margin	344,075	165,513
Unrealized (gain) loss on risk management contracts	(28,544)	21,999
Realized margin	315,531	187,512

Fourth Quarter Operating & Realized Margin and Revenue




Gathering & Processing

Operating Margin	 \$5 million vs Q4 2020	<ul style="list-style-type: none"> Increase was primarily due to higher operating margin resulting from higher processing throughput at the Wapiti and Pipestone gas plants.
Revenue	 \$20 million vs Q4 2020	<ul style="list-style-type: none"> Increase in revenue was primarily due to the same factors that contributed to higher operating margin.

Liquids Infrastructure

Operating Margin	 \$12 million vs Q4 2020	<p>Increase was due to the following factors:</p> <ul style="list-style-type: none"> higher volumes and revenues from Keyera's fractionation and de-ethanization facilities in Fort Saskatchewan; incremental margin associated with cavern 17 in Fort Saskatchewan which came into service in September 2021; record volumes handled within Keyera's condensate network, including the Norlite pipeline, that exceeded take-or-pay commitment levels; and higher revenues from Keyera's Edmonton and Josephburg terminals due to increased rail and truck volumes.
Revenue	 \$11 million vs Q4 2020	<ul style="list-style-type: none"> Increase was mainly due to the same factors that contributed to higher operating margin as described above.

Marketing

Operating Margin	 \$164 million vs Q4 2020	<ul style="list-style-type: none"> • Increase was due to \$28 million in unrealized non-cash gains from risk management contracts in 2021 versus a non-cash loss of \$23 million in 2020; and • \$113 million in higher realized margin as described in more detail below.
Realized Margin¹	 \$113 million vs Q4 2020	<p>Increase was due to the following factors:</p> <ul style="list-style-type: none"> • \$50 million in higher iso-octane margins resulting from higher product premiums and significantly higher sales volumes in 2021 as the AEF facility completed a five-week maintenance outage in the prior year; • \$31 million in higher propane margins due to strong demand stemming from increased exports out of North America and the return of cold winter weather; • \$30 million in higher butane margins due to significantly stronger pricing in Alberta that was influenced by increased seasonal demand; and • higher liquids blending contribution resulting from increased condensate demand.
Revenue	 \$1 billion vs Q4 2020	<ul style="list-style-type: none"> • Increase was due to significantly higher average sales prices for all products resulting from the significant increase in commodity prices in 2021.

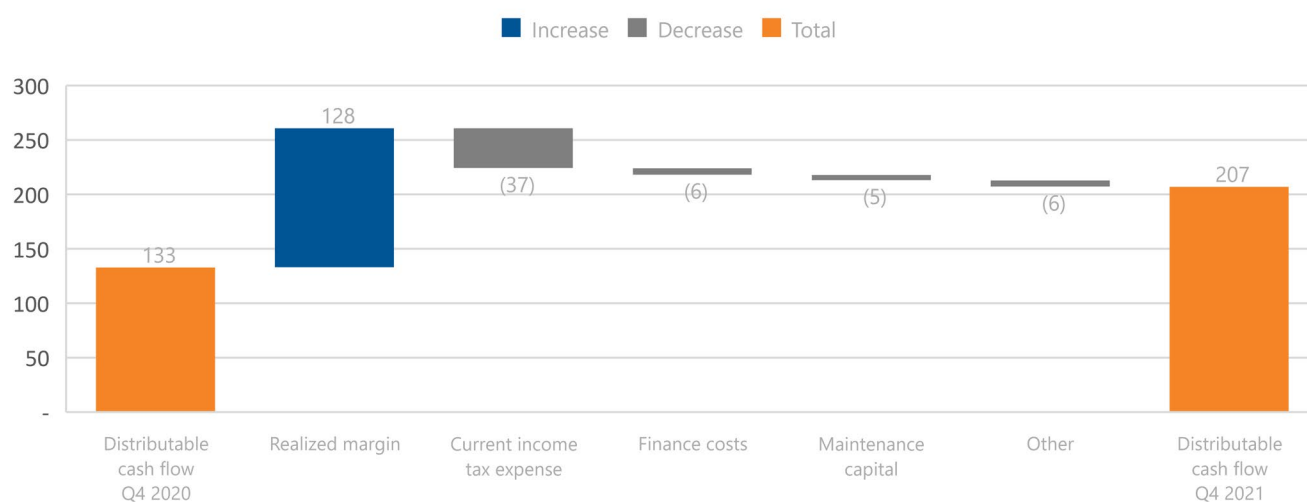
¹ Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section titled "Non-GAAP and Other Financial Measures".

Cash Flow Metrics

For the three months ended December 31, 2021, cash flow from operating activities was \$97 million, \$19 million lower than the same period in 2020.

Distributable cash flow¹ was \$207 million for the fourth quarter of 2021, \$74 million higher than the same period in the prior year due to factors shown in the table below:

Fourth Quarter Distributable Cash Flow¹ Analysis (\$ millions)



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 upon 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, 2021, operating revenues and accounts receivable for the Gathering and Processing and Liquids Infrastructure segments contained an estimate of approximately \$83 million primarily for December 2021 operations.

Marketing:

The majority of the Marketing sales revenue is recorded based upon 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 prepared based upon contract quantities and known events. The estimates are reviewed and compared to expected results to verify their accuracy.

At December 31, 2021, the Marketing sales and accounts receivable contained an estimate for December 2021 revenues of approximately \$264 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 upon 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, 2021, operating expenses and accounts payable contained an estimate of approximately \$40 million primarily for December 2021 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 upon 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 \$239 million at December 31, 2021.

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 based upon total throughput. Users of each facility are charged a fee per unit based upon 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 \$4 million was included in revenue and accounts receivable at December 31, 2021. Operating expenses and accounts payable contained an equalization adjustment of \$6 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. For assets other than production assets, 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.

Production assets are depleted using the unit-of-production method based on estimated proved reserves, which are determined by Keyera's independent qualified reserves evaluator. The estimation of reserves involves the exercise of professional judgment and is inherently subject to uncertainty. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves.

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, 2021, 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, 2021.

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, 2021.

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 is based 70% on the average annual pre-tax distributable cash flow per share over the three-year period and 30% on the relative total shareholder return over the same period. The payout multiplier determines the number of shares expected to be settled following the third anniversary of the grant date of the Performance Awards. 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 \$268 million at December 31, 2021, compared to \$298 million at December 31, 2020. The fair value of the decommissioning liability was calculated by using a credit-adjusted risk-free discount rate of 4.5% (December 31, 2020 – 4.2%).

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, 2021.

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, 2021 and 2020:

Cash inflows (outflows) <i>(Thousands of Canadian dollars)</i>				
	2021	2020	Increase (decrease)	Explanation
Operating	583,839	688,173	(104,334)	Cash generated from operating activities was lower in 2021 primarily due to a higher cash requirement to fund inventory as NGL prices increased significantly compared to the prior year. In addition, there was lower cash generated from changes in operating working capital, which are merely timing differences associated with the collection and settlement of Keyera's accounts receivable and accounts payable balances. This was offset by an increase in realized margin from all operating segments.
Investing	(397,124)	(748,307)	351,183	<p>Capital investment in 2021 was primarily related to engineering and construction activities associated with the KAPS pipeline project, and construction activities related to the South Cheecham sulphur facilities. These projects are described in more detail in the "Segmented Results of Operations" section of this MD&A.</p> <p>As phase two of the Wapiti gas plant and the Pipestone gas plant were completed in 2020, and with the completion of the Wildhorse terminal at the end of July 2021, capital spending has decreased relative to the prior year.</p>
Financing	(173,854)	53,800	(227,654)	<p>In March 2021, Keyera issued \$350 million of subordinated notes, allowing for a full repayment on its outstanding Credit Facility, which totaled \$280 million, net of borrowings.</p> <p>Comparatively, in addition to two long-term debt senior note repayments made during 2020, Keyera issued \$400 million of senior unsecured medium-term notes in the prior year. The dividend reinvestment plan was also discontinued mid-2020.</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 \$186 million existed at December 31, 2021. This is compared to a surplus of \$148 million at December 31, 2020. 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 \$230 million was drawn as at December 31, 2021. 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").

Dividend Reinvestment Plan

In April 2020, Keyera announced the discontinuation of the dividend reinvestment plan (the "Plan"). Shareholders who had been participating in either component of the Plan received the full cash dividend declared beginning with the dividend paid in May 2020.

In 2020, the Plan generated cash of \$77 million.

Corporate Credit Ratings

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

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

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

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at December 31, 2021:

As at December 31, 2021 (Thousands of Canadian dollars)	Total	2022	2023	2024	2025	2026	After 2026
Credit facilities	230,000	—	—	—	—	230,000	—
Total credit facilities	230,000	—	—	—	—	230,000	—
Canadian dollar denominated debt							
Senior unsecured notes:							
6.14% due December 3, 2022	60,000	60,000	—	—	—	—	—
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
	1,132,000	60,000	30,000	17,000	120,000	230,000	675,000
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
Subordinated hybrid notes:							
6.88% due June 13, 2079	600,000	—	—	—	—	—	600,000
5.95% due March 10, 2081	350,000	—	—	—	—	—	350,000
	2,882,000	60,000	30,000	17,000	120,000	230,000	2,425,000
Senior unsecured U.S. dollar denominated notes							
4.19% due June 19, 2024 (US\$128,000)	161,997	—	—	161,997	—	—	—
4.75% due November 20, 2025 (US\$140,000)	177,184	—	—	—	177,184	—	—
4.95% due November 20, 2028 (US\$65,000)	82,264	—	—	—	—	—	82,264
	421,445	—	—	161,997	177,184	—	82,264
Less: current portion of long-term debt	(60,000)	(60,000)	—	—	—	—	—
Total long-term debt	3,243,445	—	30,000	178,997	297,184	230,000	2,507,264

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, 2021, \$230 million was drawn under this facility (December 31, 2020 – \$280 million).

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

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

Long-term Debt

Keyera's long-term debt structure consists of a number of senior unsecured notes, medium-term notes and subordinated hybrid notes. On March 10, 2021, Keyera issued \$350 million of fixed-to-fixed rate subordinated notes due March 10, 2081 in the Canadian public debt market. The subordinated notes were issued under Keyera's short form base shelf prospectus dated November 15, 2019 and supplemented by a prospectus supplement dated March 8, 2021. 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, with the first interest payment date on September 10, 2021. 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. A portion of the proceeds were used to repay indebtedness under Keyera's Credit Facility. The remaining proceeds will be used to fund Keyera's ongoing capital program, including its ownership interest in KAPS, and for other general corporate purposes.

As at December 31, 2021, Keyera had \$2,882 million and US\$333 million of long-term debt. To manage the foreign currency exposure on the U.S. dollar denominated debt, Keyera has entered into cross-currency agreements with a syndicate of banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of \$0.98 and \$1.03 per U.S. dollar for the principal payments and \$1.22 and \$1.14 per U.S. dollar for the future interest payments. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled, "Net Foreign Currency Gain (Loss) on U.S. Debt and Other", provides more information.

Compliance with Covenants

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

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

ratio of less than 4.0; however, the company has the flexibility to increase this ratio from 4.0 to 4.5 for periods of up to four consecutive fiscal quarters.

As at December 31, 2021, 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, 2021 was 2.4x for covenant test purposes (December 31, 2020 – 2.9x). 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, 2021 and 2020:

Capital Expenditures and Acquisitions <i>(Thousands of Canadian dollars)</i>		
	2021	2020
Acquisitions	11,165	1,870
Growth capital expenditures	455,359	563,178
Maintenance capital expenditures	50,109	29,116
Total capital expenditures	516,633	594,164

Growth capital expenditures for the year ended December 31, 2021 amounted to \$455 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 2021 and since inception of the project, and estimated completion timeframes.

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 \$51 million for the year ended December 31, 2021, compared to \$66 million in 2020.

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, 2020 – \$2.2 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 estimated to earn an annual return on capital¹ of between 10% to 15% in 2022. This estimated range is still expected for the program with the exclusion of the Wildhorse Terminal. Uneconomic blending margins and historically high prices for butane landing in Cushing, Oklahoma have resulted in underutilization of the terminal. Keyera remains optimistic that earnings for the terminal will improve once pricing differentials return to more historical levels.

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

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 and Distributable Cash Flow

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>		
	2021	2020
Cash flow from operating activities	583,839	688,173
Add (deduct):		
Changes in non-cash working capital	182,033	122,263
Funds from operations	765,872	810,436
Maintenance capital	(50,109)	(29,116)
Leases	(44,645)	(49,416)
Prepaid lease asset	(2,523)	(221)
Inventory write-down	—	(13,507)
Distributable cash flow	668,595	718,176
Dividends declared to shareholders	424,364	423,485
Payout ratio	63%	59%

Distributable cash flow for the year ended December 31, 2021 was \$669 million, \$50 million lower than the same period in 2020. 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. This is a new measure that replaces the annual return on invested capital metric (defined as realized margin divided by weighted average in-service growth capital including maintenance capital and shut-in facilities and excluding decommissioning assets, depreciation, impairments, and work-in-progress capital) disclosed previously. The new metric shown is preferred as it can be calculated from amounts presented in publicly disclosed materials and can be used by investors to compare Keyera with other infrastructure companies within the oil and gas industry.

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		
<i>(Thousands of Canadian dollars)</i>		
	2021	2020 ¹
Cash flow from operating activities	583,839	688,173
Add:		
Changes in non-cash working capital	182,033	122,263
Decommissioning liability expenditures	13,192	15,617
Finance costs	169,309	131,507
Adjusted cash flow from operating activities	948,373	957,560
Invested capital	6,715,451	6,606,849
Return on invested capital	14%	14%

Note:

¹ Comparative information for ROIC has been restated to conform to the revised calculation of the ROIC measure that was adopted in 2021.

EBITDA

EBITDA and adjusted EBITDA are not standard measures under GAAP and therefore, may not be comparable to similar measures reported by other entities. EBITDA is a measure showing earnings before finance costs, taxes, depreciation and amortization. Adjusted EBITDA is calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. Management believes that these supplemental measures facilitate the understanding of Keyera's results from operations. In particular, these measures are used as an indication of earnings generated from operations after consideration of administrative and overhead costs. Refer to the section of this MD&A titled "Non-GAAP and Other Financial Measures".

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

EBITDA <i>(Thousands of Canadian dollars)</i>	2021	2020
Net earnings	324,206	62,030
Add:		
Finance costs	169,309	131,507
Depreciation, depletion and amortization expenses	257,638	290,416
Income tax expense	102,055	11,121
EBITDA	853,208	495,074
Unrealized loss on commodity contracts	8,234	16,624
Net foreign currency gain on U.S. debt and other	(568)	(9,421)
Impairment expense	115,771	371,305
Gain on disposal of property, plant and equipment	(20,797)	—
Adjusted EBITDA	955,848	873,582

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. At December 31, 2021, 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						After 2026
	Total	2022	2023	2024	2025	2026	
Derivative financial instruments	58,282	56,380	1,902	—	—	—	—
Dividends payable	35,364	35,364	—	—	—	—	—
Credit facility	230,000	—	—	—	—	230,000	—
Long-term debt ¹	3,303,445	60,000	30,000	178,997	297,184	230,000	2,507,264
Lease liabilities ²	226,989	38,388	26,610	23,504	20,717	18,994	98,776
Other liabilities ³	28,210	9,615	17,063	1,532	—	—	—
Decommissioning liabilities ⁴	268,488	18,900	—	—	—	—	249,588
Service obligations ⁵	35,919	14,284	6,525	5,210	4,987	2,236	2,677
Purchase obligations ^{6,7}	313,187	312,012	1,175	—	—	—	—
Total contractual obligations	4,499,884	544,943	83,275	209,243	322,888	481,230	2,858,305

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, 2021 spot foreign exchange rate of 1.2656.
- 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 The majority of these obligations are expected to be incurred over the next 22 – 55 years. 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, 2021 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, 2021, the allowance for expected credit losses was \$4 million (December 31, 2020 – \$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.

Risks related to the continued impact of COVID-19

Keyera’s business operations and financial condition have been and may continue to be materially and adversely affected by public health emergencies, including the COVID-19 pandemic, and related government responses. The risk of COVID-19 to Keyera includes the health and safety of its employees and contractors; the temporary suspension of operations in geographic locations in which Keyera operates; operational restrictions and restrictions on gatherings of individuals; delays in the completion, or deferral, of growth and expansion projects; counterparty credit risk; volatility in financial and commodity markets; inflation and cost pressures; and supply chain disruptions, all or any of which could materially adversely affect Keyera’s business operations and financial results.

In the event that the spread (or fear of spreading) of COVID-19 and its variants continues, governments may increase or extend restrictions, directives, orders or regulations that could adversely affect Keyera’s operations, suppliers, customers, counterparties, shippers or partners, employee health, workforce productivity, insurance premiums and coverage, and ability to advance its existing and future growth projects or carry out its ongoing business plan.

Keyera is monitoring recommendations from applicable government agencies and public health authorities to ensure the continued safe operation of its business operations and has implemented business continuity plans and steps to ensure the ongoing health of its workforce. However, such measures may not be effective, necessitating the closure of the affected facilities or projects. Such measures and mandates may increase Keyera’s expenses and limit, or potentially suspend, throughput volumes and processing handling capabilities at Keyera’s facilities.

Keyera has already deferred certain growth projects as a result of the COVID-19 pandemic and related market uncertainty that occurred in 2020. The full extent, effect and duration of the COVID-19 pandemic continues to be unknown and the degree to which it may affect Keyera’s business operations and financial results will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence.

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 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 laws, regulations and requirements imposed by various levels of government and regulatory bodies in the jurisdictions in which it operates. While these legal controls and regulations affect numerous aspects of Keyera's activities, including but not limited to, the operation of wells, pipelines and facilities, construction activities, transportation of dangerous goods, emergency response, operational safety and environmental matters, Keyera does not believe that they impact its operations in a manner materially different from other comparable businesses operating in the same jurisdictions.

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

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

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

Keyera's year-over-year compliance costs are increasing as a result of the changes in emissions regulation and are expected to continue to increase. Overall, the increased costs are not expected to be material to Keyera in the near term; however, Keyera is looking at opportunities to reduce its costs and enhance the management of its emissions profile.

SELECTED FINANCIAL INFORMATION

The following table presents selected annual financial information for Keyera:

<i>(Thousands of Canadian dollars, except per share information)</i>	2021	2020	2019
Revenue before inter-segment eliminations¹			
• Gathering and Processing	596,212	501,942	513,452
• Liquids Infrastructure	591,292	567,788	544,318
• Marketing	4,181,557	2,276,679	2,879,757
• Other	(252)	10,703	21,167
Operating margin			
• Gathering and Processing	323,131	260,251	293,716
• Liquids Infrastructure	409,371	399,624	376,400
• Marketing	314,140	277,236	324,988
• Other	(1,342)	3,427	9,029
Realized margin²			
• Gathering and Processing	322,743	260,251	294,380
• Liquids Infrastructure	409,187	399,147	377,256
• Marketing	322,946	294,617	372,900
• Other	(1,342)	3,147	9,191
Net earnings	324,206	62,030	443,609
Earnings per share (\$/share):			
• Basic	1.47	0.28	2.07
• Diluted	1.47	0.28	2.07
Dividends to shareholders	424,364	423,485	396,862
Dividends per share (basic)	1.92	1.92	1.85
Shares outstanding (thousands)			
• Weighted average (basic)	221,023	220,422	214,186
• Weighted average (diluted)	221,023	220,422	214,186
Total assets	8,130,306	7,562,586	7,514,188
Total long-term liabilities	4,559,713	4,302,352	3,643,376

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".

The Gathering and Processing segment posted record operating margin in 2021. The strong results were primarily attributable to: i) higher processing throughput at the Wapiti gas plant; and ii) incremental margin from the Pipestone gas plant that commenced operations in October 2020.

The Liquids Infrastructure operating segment also set a new record for financial results in 2021 that was mainly attributable to: i) higher storage revenues and incremental margin from caverns 16 and 17 in Fort Saskatchewan which came into service in April 2020 and September 2021, respectively; ii) higher margin from Keyera's diluent handling services that exceeded take-or-pay commitment levels; and iii) higher revenues from Keyera's Edmonton and Josephburg terminals due to increased rail and truck volumes.

The Marketing segment delivered exceptional financial results in in 2021 due to: i) higher liquids blending contribution from higher condensate demand; ii) higher butane margins due to stronger

pricing in Alberta stemming from increased seasonal demand; and iii) higher propane margins from strong winter demand and increased exports out of North America.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	June 30, 2020	Mar 31, 2020
Revenue¹								
Gathering and Processing	159,648	146,010	146,910	143,644	139,826	108,486	124,871	128,759
Liquids Infrastructure	159,843	145,518	138,194	147,737	148,487	138,630	135,884	144,787
Marketing	1,525,769	1,000,686	833,485	821,617	513,581	546,067	343,868	873,163
Other	138	(27)	34	(397)	2,892	2,700	1,625	3,486
Operating margin (loss)								
Gathering and Processing	81,775	76,536	85,837	78,983	76,965	49,404	69,411	64,471
Liquids Infrastructure	110,089	98,885	96,012	104,385	98,330	99,579	99,593	102,122
Marketing	152,188	56,295	52,427	53,230	(12,039)	52,355	(9,103)	246,023
Other	23	(424)	(318)	(623)	2,257	1,209	(106)	67
Operating margin	344,075	231,292	233,958	235,975	165,513	202,547	159,795	412,683
Realized margin (loss)²								
Gathering and Processing	81,349	76,236	85,931	79,227	76,965	49,404	69,411	64,471
Liquids Infrastructure	110,171	98,340	95,865	104,811	97,609	99,223	99,233	103,082
Marketing	123,988	58,889	79,034	61,035	11,153	64,256	54,184	165,024
Other	23	(424)	(318)	(623)	1,785	1,086	(96)	372
Realized margin²	315,531	233,041	260,512	244,450	187,512	213,969	222,732	332,949
Net earnings (loss)	89,986	69,800	78,595	85,825	(74,777)	33,436	17,763	85,608
Net earnings (loss) per share (\$/share)								
Basic	0.41	0.32	0.36	0.39	(0.34)	0.15	0.08	0.39
Diluted	0.41	0.32	0.36	0.39	(0.34)	0.15	0.08	0.39
Weighted average common shares (basic)	221,023	221,023	221,023	221,023	221,023	221,023	220,851	218,860
Weighted average common shares (diluted)	221,023	221,023	221,023	221,023	221,023	221,023	220,851	218,860
Dividends declared to shareholders	106,091	106,091	106,091	106,091	106,091	106,091	106,091	105,212

Notes:

- Keyera's Gathering and Processing and Liquids Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. Revenue before inter-segment eliminations reflects these transactions. Inter-segment transactions are eliminated on consolidation in order to arrive at operating revenues in accordance with GAAP.
- Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section of this MD&A titled "Non-GAAP and Other Financial Measures" for additional details.

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

- incremental margin from new investments including the 16th and 17th underground storage caverns in Fort Saskatchewan and the Pipestone gas plant;
- declining volumes and fees for certain gas plants in the South region of the Gathering and Processing segment that led to asset impairments;
- growth in demand for diluent handling services in the Liquids Infrastructure segment backed by long-term, take-or-pay contracts with credit worthy counterparties;
- strong demand and market fundamentals for iso-octane in the Marketing segment prior to the second quarter of 2020;

- improved energy demand and stronger commodity prices in 2021 that resulted in record operating margin for the Gathering and Processing and Liquids Infrastructure segments and strong contribution from the Marketing segment; and
- a prudent and effective risk management program.

See the section of this MD&A, “Segmented Results of Operations”, for more information on the financial results of Keyera’s operating segments for the year ended December 31, 2021.

ADOPTION OF NEW STANDARDS

There were no new IFRS standards adopted by Keyera during the year ended December 31, 2021.

FUTURE ACCOUNTING PRONOUNCEMENTS

There were no significant new accounting standards or interpretations issued during the year ended December 31, 2021

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of December 31, 2021, 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, 2021 and ending December 31, 2021 that have materially affected, or are reasonably likely to materially affect Keyera’s internal controls over financial reporting.

COMMON SHARES

Due to the discontinuation of the DRIP and Premium DRIP programs, during the year ended December 31, 2021, and subsequent to December 31, 2021, no common shares were issued to shareholder. The total common shares outstanding at December 31, 2021 was 221,022,873.

NON-GAAP AND OTHER FINANCIAL MEASURES

This discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP. Measures such as funds from operations (defined as cash flow from operating activities adjusted for changes in non-cash working capital); distributable cash flow (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 (defined as distributable cash flow divided by weighted average number of shares – basic); payout ratio (defined as dividends declared to shareholders divided by distributable cash flow); EBITDA (defined as earnings before finance costs, taxes, depreciation, and amortization); adjusted EBITDA (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); realized margin (defined as operating margin excluding unrealized gains and losses on commodity-related risk management contracts); adjusted cash flow from operating activities (defined as cash flow provided by operating activities before changes in non-cash working capital, decommissioning liability expenditures and finance costs); return on invested capital (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); annual return on capital for the growth capital program excluding KAPS (defined as 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); and annual return on capital for the KAPS project (defined as expected operating margin divided by the estimated capital cost for the development of the KAPS project) are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. Management believes that these non-GAAP and other financial measures facilitate the understanding of Keyera's results of operations, leverage, liquidity and financial position. 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. 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. Payout ratio is used to assess the sustainability of the company's dividend payment program. EBITDA and adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. 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. Return on invested capital is used to reflect the profitability of Keyera's in-service capital assets. This new measure replaces the annual return on invested capital metric (defined as realized margin divided by weighted average in-service growth capital including maintenance capital and shut-in facilities and excluding decommissioning assets, depreciation, impairments, and work-in-progress capital) disclosed previously. The new metric shown is preferred as it can be calculated from amounts presented in publicly disclosed materials and can be used by investors to compare Keyera with other infrastructure companies within the oil and gas industry. 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. 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. 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.

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 its Marketing business will contribute on average, a “base realized margin” of between \$180 million and \$220 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;
- 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 expected 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) AEF operates near capacity; (ii) butane feedstock costs are comparable to the 2018 contract year; (iii) there are no significant logistical or transportation

curtailments; and (iv) producers deliver their volumes according to plan. 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, 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 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.