2022
Year End Report

2022 Year-End Report

For the period ended December 31, 2022

"Keyera delivered more than $1 billion in annual adjusted EBITDA for the first time in the company's history," said Dean Setoguchi, President and CEO, "As we continue to execute on our strategy, some notable strategic achievements include sanctioning a capacity expansion at our Pipestone gas plant, acquiring incremental capacity at our Keyera Fort Saskatchewan complex, and continuing to progress KAPS towards completion. With KAPS now in the line-fill phase we are excited to integrate our North region Gathering and Processing assets with the heart of our integrated value chain at Fort Saskatchewan, unlocking opportunities for future growth."

Fourth Quarter and Year-End Highlights

- **Strong Annual Results**
    - Adjusted earnings before interest, taxes, depreciation, and amortization[1] ("adjusted EBITDA") were $212 million for the quarter (Q4 2021 – $294 million) and a record $1.03 billion for the full year (2021 – $956 million). The year-over-year increase was driven by record contributions from the Gathering and Processing and Marketing segments.
    - Distributable cash flow[1] ("DCF") was $104 million for the quarter (Q4 2021 – $207 million) and $654 million for the full year (2021 – $669 million). The decrease was due to higher maintenance capital spending.
    - Net loss of $82 million for the fourth quarter (Q4 2021 – net earnings of $90 million) and net earnings of $328 million for the full year 2022 (2021 – $324 million). The fourth quarter results were impacted by a non-cash impairment charge of $180 million that was primarily related to the Simonette gas plant.
    - Return on invested capital[1] for the year was 16% (2021 – 14%).
- **KAPS 99% Complete as Line-Fill Begins** – Construction of the KAPS pipeline is substantially complete and commissioning and line-fill activities are underway. The final cost estimate remains unchanged at $1.0 billion net to Keyera.
- **Acquired Additional Core Infrastructure** – The company has acquired an additional 21% working interest in the Keyera Fort Saskatchewan ("KFS") complex, adding significant and immediate capacity that offers meaningful synergies with Keyera's integrated platform.
- **Pipestone Gas Plant Expansion Sanctioned** – In January, the company sanctioned a 40 million cubic feet per day ("MMcf/d") capacity expansion at its Pipestone gas plant, which will increase overall capacity from 220 MMcf/d to 260 MMcf/d, subject to final regulatory approval anticipated to be forthcoming in March 2023. The project, supported by long-term take-or-pay agreements, is expected to cost between $60 million and $70 million and be completed in the first quarter of 2024.
- **Filling Available Capacity for Record Results** – The Gathering and Processing ("G&P") segment delivered record realized margin[1,3] of $93 million in the quarter (Q4 2021 – $81 million), and an annual record of $347 million (2021 – $323 million), with volumes increasing by 8% quarter-over-quarter and year-over-year.
- **Marketing Segment Delivers Record Year** – The Marketing segment delivered record annual realized margin[1,3] of $397 million (2021 – $323 million), within the previously announced 2022 guidance range of $380 million and $410 million. This result included the impact of a successful six-week planned turnaround at the Alberta EnviroFuels facility ("AEF"), completed in the fourth quarter.
- **Strong Financial Position** – The company ended the year with net debt to adjusted EBITDA[2] at 2.5 times, at the low end of our target range of 2.5 to 3.0 times.

- **Managing Long-Term Risk Through Sustainability Efforts** – The company published its latest ESG Report in September, detailing progress towards its ESG priorities, which include meaningful emissions reductions and the creation of a new Governance & Sustainability Committee of the Board.

2022 Guidance Update

- Growth capital spending excluding capitalized interest was $746 million, below the latest guidance range of $770 million to $800 million. The decrease was primarily driven by KAPS spending that shifted from 2022 to 2023.
- Maintenance capital spending was $110 million, within the original guidance range of $100 million to $120 million.
- Cash taxes were $60 million, within the latest guidance range of $55 million to $65 million.

2023 Guidance Update

- Growth capital expenditures are expected to range between $200 million and $240 million excluding capitalized interest. This is up from the previous range of between $140 million to $180 million and is primarily related to KAPS spending deferred from 2022 to 2023.
- Maintenance capital expenditures are expected to remain unchanged at between $75 million and $85 million.
- Consistent with prior years, Marketing segment realized margin[1] guidance will be provided with the first quarter results in early May, after the conclusion of the NGL contracting season.
- Cash tax expense is expected to be $nil (previously $10 million to $25 million).

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[1] Keyera uses certain non-GAAP and other financial measures such as EBITDA, adjusted EBITDA, funds from operations, distributable cash flow, distributable cash flow per share, payout ratio, realized margin and return on invested capital. Since these measures are not standard measures under GAAP, they may not be comparable to similar measures reported by other entities. For a reconciliation of the historical non-GAAP financial measures to the most directly comparable GAAP measure, refer to the section of this news release titled “Non-GAAP and Other Financial Measures”. For the assumptions associated with the realized margin guidance for the Marketing segment, refer to the section titled “Segmented Results of Operations: Marketing” of Management’s Discussion and Analysis.

[2] Ratio is calculated in accordance with the covenant test calculations related to the company’s credit facility and senior note agreements and excludes hybrid notes.

[3] Realized margin is not a standard measure under GAAP and excludes the effect of $27 million in non-cash gains from commodity-related risk management contracts (Marketing segment - $18 million, Liquids Infrastructure segment - $8 million, Gathering and Processing segment - $1 million). See the section of this news release titled “Non-GAAP and Other Financial Measures”.

Summary of Key Measures

(Thousands of Canadian dollars, except where noted)	Three months ended December 31, **2022**	2021	Twelve months ended December 31, **2022**	2021
Net (loss) earnings	**(81,895)**	89,986	**328,294**	324,206
Per share ($/share) – basic	**(0.37)**	0.41	**1.48**	1.47
Cash flow from operating activities	**134,408**	96,963	**925,327**	583,839
Funds from operations[1]	**156,849**	234,699	**818,847**	765,872
Distributable cash flow[1]	**104,172**	206,652	**653,523**	668,595
Per share ($/share)[1]	**0.47**	0.93	**2.95**	3.03
Dividends declared	**107,392**	106,091	**425,665**	424,364
Per share ($/share)	**0.48**	0.48	**1.92**	1.92
Payout ratio %[1]	**103%**	51%	**65%**	63%
Adjusted EBITDA[1]	**212,490**	293,739	**1,032,473**	955,848
Operating margin	**227,809**	344,075	**1,175,781**	1,045,300
Realized margin[1]	**243,278**	315,531	**1,149,134**	1,053,534
Gathering and Processing				
Operating margin	**93,017**	81,775	**347,900**	323,131
Realized margin[1]	**92,837**	81,349	**346,772**	322,743
Gross processing throughput[2] (MMcf/d)	**1,638**	1,517	**1,572**	1,460
Net processing throughput[2] (MMcf/d)	**1,405**	1,281	**1,349**	1,235
Liquids Infrastructure				
Operating margin	**106,542**	110,089	**413,879**	409,371
Realized margin[1]	**101,753**	110,171	**405,912**	409,187
Gross processing throughput[3] (Mbbl/d)	**191**	162	**181**	143
Net processing throughput[3] (Mbbl/d)	**90**	81	**85**	78
AEF iso-octane production volumes (Mbbl/d)	**11**	13	**13**	14
Marketing				
Operating margin	**28,293**	152,188	**414,973**	314,140
Realized margin[1]	**48,731**	123,988	**397,421**	322,946
Inventory value	**300,883**	280,736	**300,883**	280,736
Sales volumes (Bbl/d)	**198,500**	200,500	**179,100**	167,200
Acquisitions	**—**	—	**—**	11,165
Growth capital expenditures	**166,303**	190,892	**786,206**	455,359
Maintenance capital expenditures	**41,207**	16,227	**109,723**	50,109
Total capital expenditures	**207,510**	207,119	**895,929**	516,633
Weighted average number of shares outstanding – basic and diluted	**222,083**	221,023	**221,290**	221,023

As at December 31,	**2022**	2021
Long-term debt[4]	**3,622,745**	3,224,485
Credit facility	**40,000**	230,000
Working capital surplus *(current assets less current liabilities)*	**(108,133)**	(186,169)
Net debt	**3,554,612**	3,268,316
Common shares outstanding – end of period	**229,153**	221,023

Notes:

1 Not a standard measure under Generally Accepted Accounting Principles ("GAAP") and therefore, may not be comparable to similar measures reported by other entities. For additional details regarding the composition of the measure, how management utilizes it, and for a reconciliation of the measure to the most directly comparable GAAP measure, refer to the section of this news release titled "Non-GAAP and Other Financial Measures".

2 Includes gas volumes and the conversion of liquids volumes handled through the processing facilities to a gas volume equivalent. Net processing throughput refers to Keyera's share of raw gas processed at its processing facilities.

3 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.

4 Long-term debt includes the total value of Keyera's hybrid notes which receive 50% equity treatment by Keyera's rating agencies. The hybrid notes are also excluded from Keyera's covenant test calculations related to the company's credit facility and senior note agreements.

CEO's Message to Shareholders

Keyera delivered outstanding results in 2022, achieving record annual adjusted EBITDA, driven by best-ever Gathering & Processing and Marketing contributions. We are well positioned to continue to earn strong returns for shareholders by executing our strategy and leveraging our integrated assets within a supportive macro-economic backdrop of growing energy demand and continued growth in the Western Canada Sedimentary Basin.

Delivering on the strategy. About a year ago, at our March 2022 Investor Day, we shared the four pillars of our strategy. They are – demonstrate ESG leadership; maintain financial discipline; increase the competitiveness of our assets; and to enhance and extend our integrated value chain. We've successfully advanced all four pillars in 2022 and this has led to the strong results we're reporting today. For the first time in our history, Keyera has delivered more than $1 billion in annual adjusted EBITDA. The company also delivered another strong annual return on invested capital of 16% for 2022. We achieved these results while maintaining our strong financial position, exiting the year with net debt to adjusted EBITDA at 2.5 times, at the low end of our target range of 2.5 to 3.0 times.

Solid operational performance led to strong financial results. Our Gathering and Processing business grew volumes by 8% year-over-year, leading to record annual realized margin of $347 million for this segment. Our AEF team delivered record consecutive run-time before taking the facility offline in the fall to complete a six-week planned turnaround. AEF's strong run-time helped drive a record Marketing year and the successful turnaround will support continued strong performance from this facility in 2023.

We acquired capacity at KFS, increasing our competitiveness. In the fourth quarter we announced an agreement to acquire an additional 21% ownership at our KFS complex adding significant and immediate fractionation, de-ethanization, storage and pipeline capacity, while eliminating new build risk in a high inflation environment. This immediate addition of fractionation capacity in a high demand fractionation market strengthens Keyera's ability to add incremental volumes and long-term contracts across our entire value chain, including the soon to be in-service KAPS pipeline.

Highly strategic growth investment in KAPS integrates our value chain. With KAPS in service, Keyera can provide Montney producers a complete, and much-needed, competitive alternative for gas processing, liquids transportation on a newer pipeline, fractionation, storage, and product marketing. Our fully integrated value chain allows us to better compete for volumes and provides more opportunity to earn returns at each step of the way. KAPS has been years in the making, and it's the platform that propels us forward and lets us focus on what we do best – delivering value for customers and shareholders.

Fee-for-service cash flow growth and lower spending. In the last five years we have invested significantly in strengthening our value chain with the Wapiti and Pipestone gas plants, our KAPS pipeline and additional capacity at KFS. These investments support our annual adjusted EBITDA growth rate of 6% to 7% from our fee-for-service business out to 2025, laying the groundwork for sustainable dividend growth. Consistent with our investor day outlook last March, our go forward capital allocation priorities are to ensure continued financial strength and to balance increasing returns to shareholders with lower capital spending relative to the last five years.

Keyera benefits from basin volume growth. Our basin set new records for both natural gas and crude oil production in 2022. Looking further ahead, we see energy security, demand growth and energy transition as catalysts supporting long-term natural gas and natural gas liquids demand. Keyera infrastructure will continue to play an important role enabling basin growth.

On behalf of Keyera's board of directors and management team I want to thank our employees, customers, shareholders, Indigenous peoples, and other stakeholders for their continued support.

Dean Setoguchi
President and CEO
Keyera Corp.

Management's Discussion and Analysis

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

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

Keyera's Business

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

1. **Gathering and Processing** – Keyera owns and operates raw gas gathering pipelines and processing plants, which collect and process raw natural gas, remove waste products and separate the economic components, primarily natural gas liquids ("NGLs"), before the sales gas is delivered into long-distance pipeline systems for transportation to end-use markets. Keyera also provides condensate handling services through its condensate gathering pipelines and stabilization facilities.

2. **Liquids Infrastructure** – Keyera owns and operates a network of facilities for the gathering, processing, storage and transportation of the by-products of natural gas processing, including NGLs in mix form and specification NGLs such as ethane, propane, butane and condensate. In addition, this segment includes Keyera's iso-octane facilities at Alberta EnviroFuels ("AEF"), its liquids blending facilities, its 50% interest in the crude oil storage facility at the Base Line Terminal, and its 90% interest in the Wildhorse Terminal in Cushing, Oklahoma.

3. **Marketing** – Keyera markets a range of products associated with its two infrastructure business lines, primarily propane, butane, condensate and iso-octane, and also engages in liquids blending.

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

Overview

Keyera achieved outstanding financial results in 2022 from all three business segments, which included an 8% year over year increase in Gathering & Processing operating margin. A new record was set in 2022 for adjusted EBITDA[1] which reached $1.03 billion (2021 – $956 million). These strong results were achieved despite the completion of a six-week planned maintenance turnaround at the AEF facility that reduced iso-octane sales volumes in the second half of the year. Net earnings were $328 million (2021 – $324 million) and included a non-cash impairment expense of $180 million. The company generated a corporate after-tax return on invested capital[1] ("ROIC") of 16% (2021 – 14%).

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

- **Maintaining a strong financial position** as the company ended the year with its key financial metrics within its target ranges. As of December 31, 2022, Keyera's Net Debt to Adjusted EBITDA was 2.5x (Target: 2.5x-3.0X) for covenant test purposes and its dividend payout ratio[1] was 65% (Target: 50%-70%).

- **Progressing the KAPS pipeline project** that is currently in the commissioning and start-up phase. The latest cost estimate remains at approximately $1 billion, net to Keyera, and the pipeline is anticipated to be operational in the second quarter of 2023.

- **Demonstrating prudent capital investment discipline** with the sanctioning of the Pipestone gas plant expansion that is underpinned by long-term, take-or-pay agreements and generates strong return on capital. The expansion involves adding an incremental 40 million cubic feet per day ("MMcf/d") of processing capacity for an estimated cost of between $60 million and $70 million. The expansion is expected to be in service by the first quarter of 2024 and will increase the capacity of the facility from 220 MMcf/d to 260 MMcf/d. The Pipestone gas plant is fully contracted.

- **Growing the core of the company's value chain** with the acquisition of an additional 21% working interest in Keyera's Fort Saskatchewan complex, bringing its total ownership in the facility to 98%. This acquisition demonstrates Keyera's commitment to grow stable cash flow from its core infrastructure business.

2022 Guidance Update

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

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

2 As disclosed in the Q3 2022 Report.

Keyera expects the following for 2023:

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

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

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the years ended December 31, 2022 and 2021:

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

Notes:

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

1 Realized margin is defined as operating margin excluding unrealized gains and losses on commodity-related risk management contracts. See the section titled "Segmented Results of Operations" for a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin.

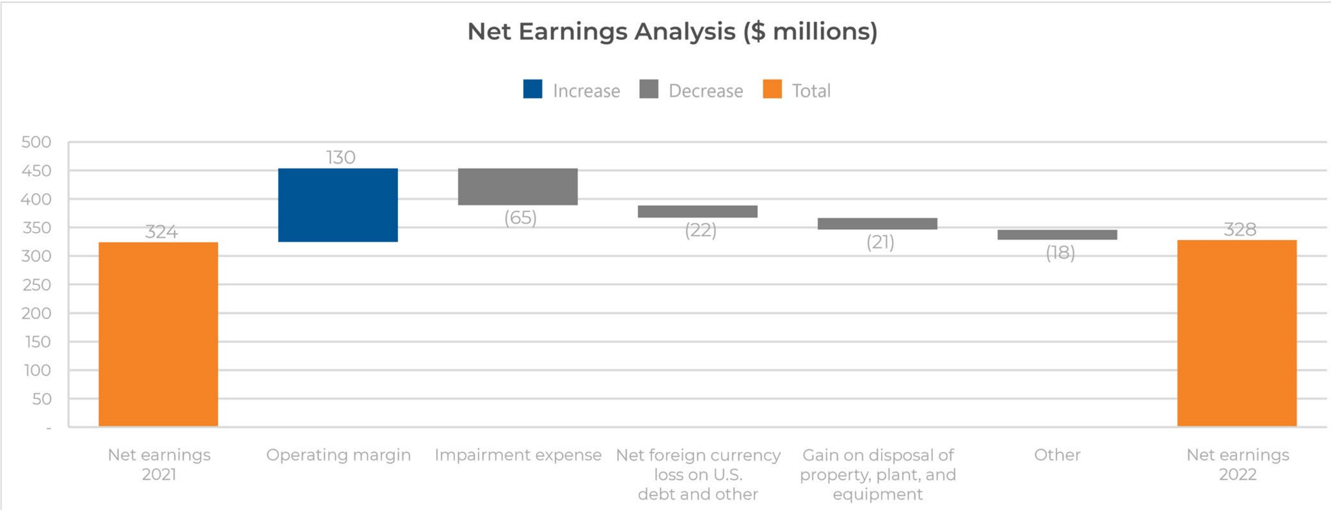
2 EBITDA is defined as earnings before finance costs, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. See the section titled "EBITDA and Adjusted EBITDA" for a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings.

3 Funds from operations is defined as cash flow from operating activities adjusted for changes in non-cash working capital. Distributable cash flow is defined as cash flow from operating activities adjusted for changes in non-cash working capital, inventory write-downs, maintenance capital expenditures and lease payments, including the periodic costs related to prepaid leases. Distributable cash flow per share is defined as distributable cash flow divided by weighted average number of shares – basic. See the section titled "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio" for a reconciliation of funds from operations and distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities.

4 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow. See the section titled "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".

Net Earnings

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



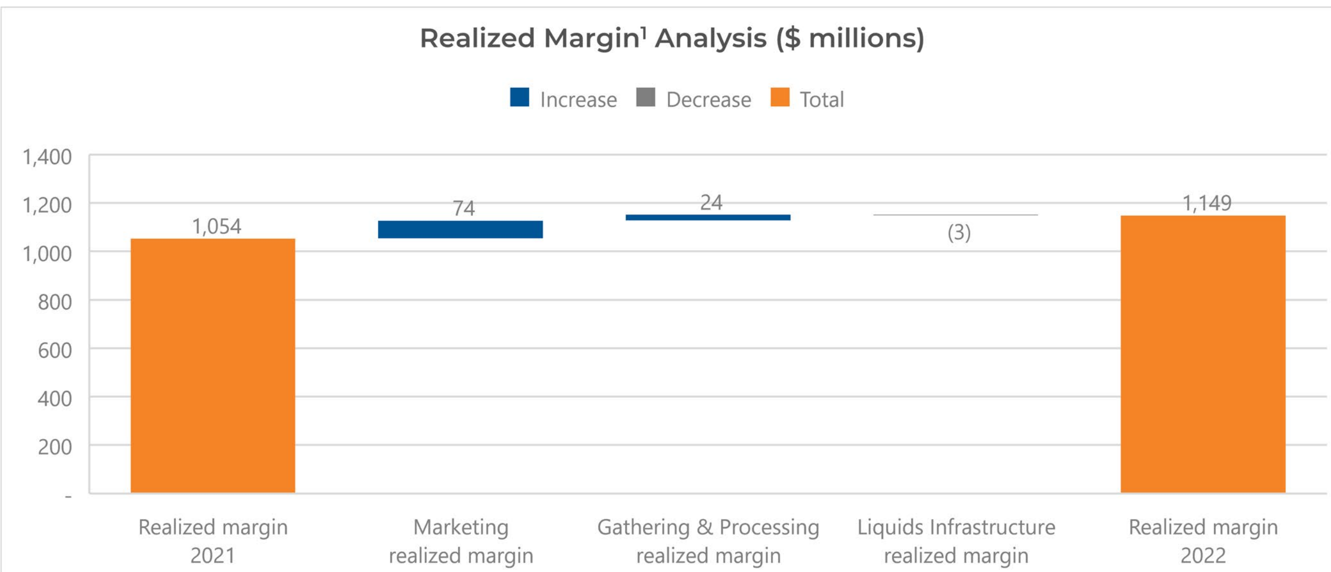
See the section below for more information related to operating margin. For all other charges mentioned above, please see the section of the MD&A titled, "Corporate and Other".

Operating Margin and Realized Margin

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

Realized margin[1] (which excludes the effect of unrealized gains and losses from commodity-related risk management contracts) was $1.1 billion for the year ended December 31, 2022, $96 million or 9% higher than the prior year due to the following factors:

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



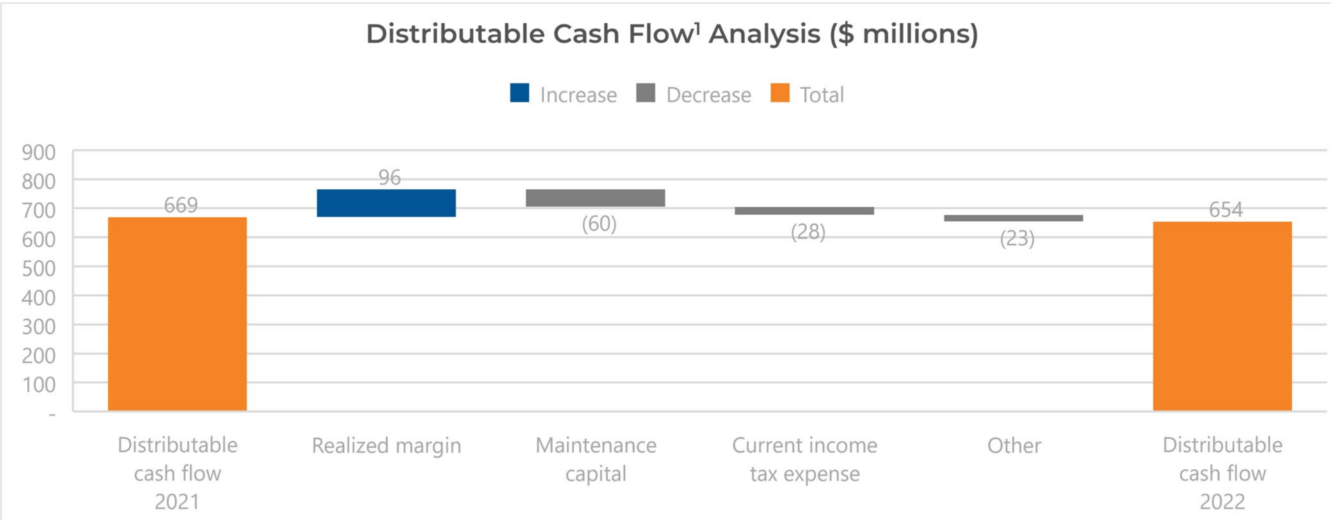
See the section titled "Segmented Results of Operations" for more information on operating results by segment.

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

Cash Flow Metrics

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

Distributable cash flow[1] in 2022 was $654 million, $15 million lower than the prior year due to factors shown in the table below:



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

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

SEGMENTED RESULTS OF OPERATIONS

The discussion of the results of operations for each of the operating segments focuses on operating margin and realized margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and Liquids Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the years ended December 31, 2022 and 2021 are reported in note 30, Segment Information, of the accompanying financial statements. A complete description of Keyera's businesses by segment can be found in Keyera's Annual Information Form, which is available at www.sedar.com.

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

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

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

Gathering and Processing

Keyera currently has interests in 12 active gas plants[1], all of which are located in Alberta. Keyera operates 9 of the 12 active gas plants and has the option to become the operator of the Pipestone gas plant in the future. The Gathering and Processing segment includes raw gas gathering systems and processing plants strategically located in the natural gas production areas on the western side of the Western Canada Sedimentary Basin ("WCSB"). Several of the gas plants are interconnected by raw gas gathering pipelines, allowing raw gas to be directed to the gas plant best suited to process the gas. Most of Keyera's facilities are also equipped with condensate handling capabilities. Keyera's facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production growth in the WCSB. Keyera's Simonette, Wapiti and Pipestone gas plants are generally referred to as its "Northern" or "North" gas plants due to their geographic location and proximity to one another. Gas plants in the North are generally dedicated to processing gas and handling condensate from the Montney formation. All of Keyera's other Gathering and Processing plants, with the exception of the non-operated Edson gas plant, are generally referred to as its "Southern" or "South" gas plants.

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

Operating Margin, Realized Margin and Throughput Information *(Thousands of Canadian dollars)*	**2022**	2021
Revenue[2]	**722,395**	596,212
Operating expenses[2]	**(374,495)**	(273,081)
Operating margin	**347,900**	323,131
Unrealized gain on risk management contracts	**(1,128)**	(388)
Realized margin[3]	**346,772**	322,743
Gross processing throughput[4] – (MMcf/d)	**1,572**	1,460
Net processing throughput[4,5] – (MMcf/d)	**1,349**	1,235

1 Excludes gas plants where Keyera has suspended operations.
2 Includes inter-segment transactions.
3 Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section titled "Non-GAAP and Other Financial Measures".
4 Includes gas volumes and the conversion of liquids volumes handled through the processing facilities to a gas volume equivalent.
5 Net processing throughput refers to Keyera's share of raw gas processed at its processing facilities.

Annual Operating Margin and Revenue

Operating Margin	↑ $25 million vs 2021	• Increase was primarily due to $35 million in higher operating margin from higher processing throughput at the Pipestone, Wapiti, Strachan and Brazeau River gas plants. The increased throughput was mainly the result of incremental volumes from new wells. • The above factors were partly offset by lower operating margin from the Cynthia gas plant primarily due to higher electrical costs.
Revenue	↑ $126 million vs 2021	• Increase in revenue was primarily due to the same factors that contributed to higher operating margin as well as higher ethane sales revenues. Ethane sales are generally based on index pricing and can significantly influence revenues; however the effect on operating margin is minimal as ethane purchases from producers are also based on index pricing and are included in operating expenses.

Gathering and Processing Activity

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

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

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

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

Maintenance turnarounds were successfully completed at the Simonette and Nordegg gas plants in 2022. The combined cost of the maintenance turnarounds was $25 million. For 2023, maintenance turnarounds are scheduled to occur at the Pipestone and Rimbey gas plants. The preliminary cost estimate for both turnarounds is approximately $40 million. Substantially all of the costs related to the maintenance turnaround at the Pipestone gas plant will be recovered in 2023. The costs associated with maintenance turnarounds are capitalized for accounting purposes and do not have an effect on operating expenses in the Gathering and Processing segment. Maintenance turnaround costs are generally flowed through to customers over a period of four to six years. Distributable cash flow is reduced by Keyera's share of the cost of the turnarounds, as these costs are included in its financial results as maintenance capital expenditures.

Liquids Infrastructure

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

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

The AEF facility has an effective production capacity of approximately 14,000 barrels per day of iso-octane. Iso-octane is a low vapour pressure, high-octane gasoline blending component that contains virtually no sulphur, aromatics or benzene, making this product a clean burning gasoline additive. AEF uses butane as the primary feedstock to produce iso-octane. As a result, AEF's business creates positive synergies with Keyera's Marketing business, which purchases, handles, stores and sells large volumes of butane.

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

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

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

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

Operating Margin and Realized Margin *(Thousands of Canadian dollars)*	**2022**	2021
Revenue[1]	**633,310**	591,292
Operating expenses[1]	**(219,431)**	(181,921)
Operating margin	**413,879**	409,371
Unrealized gain on risk management contracts	**(7,967)**	(184)
Realized margin[2]	**405,912**	409,187

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

Annual Operating Margin and Revenue

Operating Margin	↑ $5 million vs 2021	Increase was primarily due to: • $8 million in higher unrealized non-cash gains from risk management contracts related to electricity; and • higher fractionation revenues from higher volumes at Keyera's Fort Saskatchewan complex and at a non-operated fractionation facility in which Keyera owns a minority interest. The above factors were partly offset by a $4 million one-time prior period revenue adjustment from the non-operated Norlite pipeline that was recorded in Q4 2022, as well as higher electricity and fuel costs across most Liquids Infrastructure assets.
Revenue	↑ $42 million vs 2021	• Increase was mainly due to higher fractionation revenues that contributed to higher operating margin as described above, and higher operating revenues from the AEF facility resulting from the recovery of increased operating expenses. The operating expenses at AEF are recovered from the Marketing segment and do not have an impact on operating margin for the Liquids Infrastructure segment.

Liquids Infrastructure Activity

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

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

As crude oil prices were strong throughout 2022, oil sands production and the related demand for condensate from oil sands producers remained high. Consequently, volumes delivered through Keyera's condensate system reached a new annual record. The higher condensate volumes do not have a significant financial impact to Keyera due to long-term, take-or-pay arrangements in place with several major oil sands producers. These contracts are a testament to the segment's stable long-term cash flow profile. Under these agreements, Keyera provides a variety of services including diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area. The strong demand for condensate is expected to continue into the first quarter of 2023.

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

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

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

Keyera continues to focus on enhancing its infrastructure to meet the needs of its customers. The table below is a status update of major projects in the Liquids Infrastructure segment:

Liquids Infrastructure – Capital Projects Status Update

Facility/Area	Project Description	Project Status Update
KAPS 50/50 joint venture with Energy Transfer Canada ULC	**KAPS NGL and Condensate Pipeline System** 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.	All major construction activities including mainline and lateral pipe construction and the installation of surface facilities are substantially complete. Commissioning and line-fill activities have commenced. KAPS is anticipated to be operational in the second quarter of 2023. *Estimated total cost to complete:* • gross cost is estimated to be approximately $2 billion • Keyera's net share of costs is estimated to be approximately $1 billion The estimated cost to complete the project was increased in 2022 due to: i) weather related productivity losses; and ii) inflationary pressures on labour and for items such as matting used to access excessively wet construction sites. *Total net costs to December 31, 2022:* • $576 million for the year ended December 31, 2022 • $905 million since inception
South Cheecham 50/50 joint venture with Enbridge	**Sulphur Facilities** Development of sulphur handling, forming, and storage facilities at the South Cheecham rail and truck terminal.	Commissioning activities are substantially complete and the facilities are expected to be operational by the end of the first quarter of 2023. *Estimated total cost to complete:* • gross cost is approximately $270 million • Keyera's net share of costs is approximately $135 million *Total net costs to December 31, 2022:* • $53 million for the year ended December 31, 2022 • $118 million since inception

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

Marketing

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

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

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

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

Keyera's primary markets for iso-octane are in the Gulf Coast, Midwestern United States, and Western Canada. Demand for iso-octane is seasonal, with higher demand in the spring and summer, typically resulting in higher sales prices during these months. There can be significant variability in iso-octane margins. As with Keyera's other marketing activities, various strategies are utilized to mitigate the risks associated with the commodity price exposure, including the use of financial contracts. The section of this MD&A titled "Risk Management" provides more information on the risks associated with the sale of iso-octane and Keyera's related hedging strategy.

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

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

For the years 2023 to 2025, Keyera expects its Marketing business to contribute on average, a "base realized margin" of between $250 million and $280 million. This guidance assumes: i) a crude oil price of between US$65 and US$75 per barrel; ii) butane feedstock costs comparable to the 10-year average; and iii) AEF utilization near nameplate capacity. Average annual realized margin for the most recent five years was approximately $340 million. There are numerous variables that can affect the results from

Keyera's Marketing segment. For a detailed discussion of risk factors that affect Keyera, see Keyera's Annual Information Form which is available at www.sedar.com.

Operating margin and realized margin for the Marketing segment were:

Operating Margin and Realized Margin *(Thousands of Canadian dollars, except for sales volume information)*	**2022**	2021
Revenue[1]	**6,135,499**	4,181,557
Operating expenses[1]	**(5,720,526)**	(3,867,417)
Operating margin	**414,973**	314,140
Unrealized (gain) loss on risk management contracts	**(17,552)**	8,806
Realized margin[2]	**397,421**	322,946
Sales volumes (Bbl/d)	**179,100**	167,200

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

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

Notes:
1 Realized cash gains and losses represent actual cash settlements or receipts under the respective contracts.
2 Unrealized gains and losses represent the change in fair value of fixed price physical contracts that meet the GAAP definition of a derivative instrument.

Annual Operating Margin, Realized Margin and Revenue

Operating Margin	↑ $101 million vs 2021	• Increase was due to $18 million in unrealized non-cash gains from risk management contracts in 2022 versus a non-cash loss of $9 million in 2021; and • $74 million in higher realized margin as described in more detail below.
Realized Margin[1]	↑ $74 million vs 2021	Increase was primarily due to the following factors: • $93 million of higher iso-octane margins resulting from significantly stronger product premiums and motor gasoline pricing; and • greater liquids blending contribution from higher pricing due to strong condensate demand. The above factors were partly offset by $32 million in lower butane margins due to an exceptionally strong Q4 2021 that benefited from higher pricing and increased seasonal demand in Alberta.
Revenue	↑ $2 billion vs 2021	• Increase was due to significantly higher average sales prices for all products resulting from high commodity prices in 2022.

Market Commentary

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

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

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

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

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

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

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

Propane contribution was strong in 2022 as cold weather patterns in the first quarter and high North American export levels supported propane pricing and margins. For 2023, propane pricing is anticipated to be strong due to: i) continued high export levels and demand from Europe and Asia; and ii) increased local demand partly influenced by Inter Pipeline's Heartland Petrochemical Complex which commenced its initial phase of operations in July 2022. Access to Keyera's cavern storage and rail terminals provides the Marketing segment with a competitive advantage as it can store and transport product to the highest value domestic or export markets throughout the year.

Risk Management

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

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

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

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

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

For the year ended December 31, 2022, the total unrealized gain on risk management contracts was $18 million. Further details are provided in the "Composition of Marketing Revenue" table above.

The fair value of outstanding fixed price physical and financial risk management contracts as at December 31, 2022 resulted in an unrealized (non-cash) loss of $14 million. These fair values will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at December 31, 2022, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 22, Financial Instruments and Risk Management, of the accompanying financial statements.

CORPORATE AND OTHER

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

Note:
1 Net of overhead recoveries on operated facilities.

General and Administrative Expenses

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

Finance Costs

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

Depreciation, Depletion and Amortization Expenses

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

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

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

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

Note:
1 Foreign currency gains resulted from the exchange of currencies related to the settlement of interest payments on the long-term cross-currency swaps.

To manage the foreign currency exposure on U.S. dollar denominated debt, Keyera has entered into cross-currency agreements with a syndicate of banks to swap the U.S. dollar principal and future interest payments into Canadian dollars. The cross-currency agreements are accounted for as derivative instruments and are marked-to-market at the end of each period. The fair value of the cross-currency swap agreements will fluctuate between periods due to changes in the forward curve for foreign exchange rates, as well as an adjustment to reflect credit risk. Additional information on the swap agreements can be found in note 22, Financial Instruments and Risk Management, of the accompanying financial statements.

Long-Term Incentive Plan Expense

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

Net Impairment Expense

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

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

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

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

Disposal of Property, Plant and Equipment

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

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

Other

The Canada Emergency Wage Subsidy ("CEWS") program was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan. No income has been recorded from the program for the year ended December 31, 2022 as Keyera's last claim was submitted in 2021. Comparatively, Keyera recorded $10 million of income from the program in the prior year. Keyera will not be submitting any further claims under the CEWS program.

Taxes

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

Current Income Taxes

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

For 2023, it is estimated that current income tax expense will be $nil. The current income tax estimates assume that Keyera's business performs as planned and its capital projects are completed as expected.

Deferred Income Taxes

A deferred income tax expense of $45 million was recorded for the year ended December 31, 2022, $25 million lower than the same period in 2021.

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

SUMMARY FOURTH QUARTER RESULTS

Fourth Quarter Financials and Operational Highlights *(Thousands of Canadian dollars, except per unit and volumetric information)*	**Three months ended December 31, 2022**	2021
Operating Margin (Loss)		
Gathering & Processing	**93,017**	81,775
Liquids Infrastructure	**106,542**	110,089
Marketing	**28,293**	152,188
Other	**(43)**	23
Operating margin	**227,809**	344,075
Realized margin[1]	**243,278**	315,531
Net (loss) earnings	**(81,895)**	89,986
(Loss) earnings per share (basic)	**(0.37)**	0.41
Adjusted EBITDA[2]	**212,490**	293,739
Cashflow from operating activities	**134,408**	96,963
Funds from operations[3]	**156,849**	234,699
Distributable cash flow[3]	**104,172**	206,652
Distributable cash flow per share (basic)[3]	**0.47**	0.93
Dividends declared	**107,392**	106,091
Dividends declared per share	**0.48**	0.48
Capital expenditures (including acquisitions)	**207,510**	207,119
Volumetric Information		
Gathering and Processing:		
Gross processing throughput[4] (MMcf/d)	**1,638**	1,517
Net processing throughput[4] (MMcf/d)	**1,405**	1,281
Liquids Infrastructure[5]:		
Gross fractionation throughput (Mbbl/d)	**191**	162
Net fractionation throughput (Mbbl/d)	**90**	81
AEF iso-octane production volumes (Mbbl/d)	**11**	13
Marketing:		
Sales Volumes (Bbl/d)	**198,500**	200,500

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. Includes gas volumes and the conversion of liquids volumes handled through the processing facilities to a gas volume equivalent. Net processing throughput refers to Keyera's share of raw gas processed at its processing facilities.
5. Fractionation throughput in the Liquids Infrastructure segment is the aggregation of volumes processed through the fractionators and the de-ethanizers at the Keyera and Dow Fort Saskatchewan facilities.

Composition of Marketing Revenue, Operating Margin and Realized Margin *(Thousands of Canadian dollars)*	**Three months ended December 31, 2022**	2021
Physical sales	**1,520,892**	1,513,881
Realized cash gain (loss) on financial contracts[1]	**18,736**	(16,312)
Unrealized (loss) gain due to reversal of financial contracts existing at end of prior period	**(6,171)**	59,458
Unrealized loss due to fair value of financial contracts existing at end of current period	**(13,784)**	(31,521)
Unrealized (loss) gain from fixed price physical contracts[2]	**(483)**	263
Total unrealized (loss) gain on risk management contracts	**(20,438)**	28,200
Total (loss) gain on risk management contracts	**(1,702)**	11,888
Revenue[3]	**1,519,190**	1,525,769
Operating expenses[3]	**(1,490,897)**	(1,373,581)
Marketing operating margin	**28,293**	152,188
Unrealized loss (gain) on risk management contracts	**20,438**	(28,200)
Marketing realized margin[4]	**48,731**	123,988

Notes:
1 Realized cash gains and losses represent actual cash settlements or receipts under the respective contracts.
2 Unrealized gains and losses represent the change in fair value of fixed price physical contracts that meet the GAAP definition of a derivative instrument.
3 Includes inter-segment transactions.
4 Realized margin is not a standard measure under GAAP, and therefore, may not be comparable to similar measures reported by other entities. Refer to the section titled "Non-GAAP and Other Financial Measures" and see the section below titled "Operating Margin and Realized Margin".

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

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

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

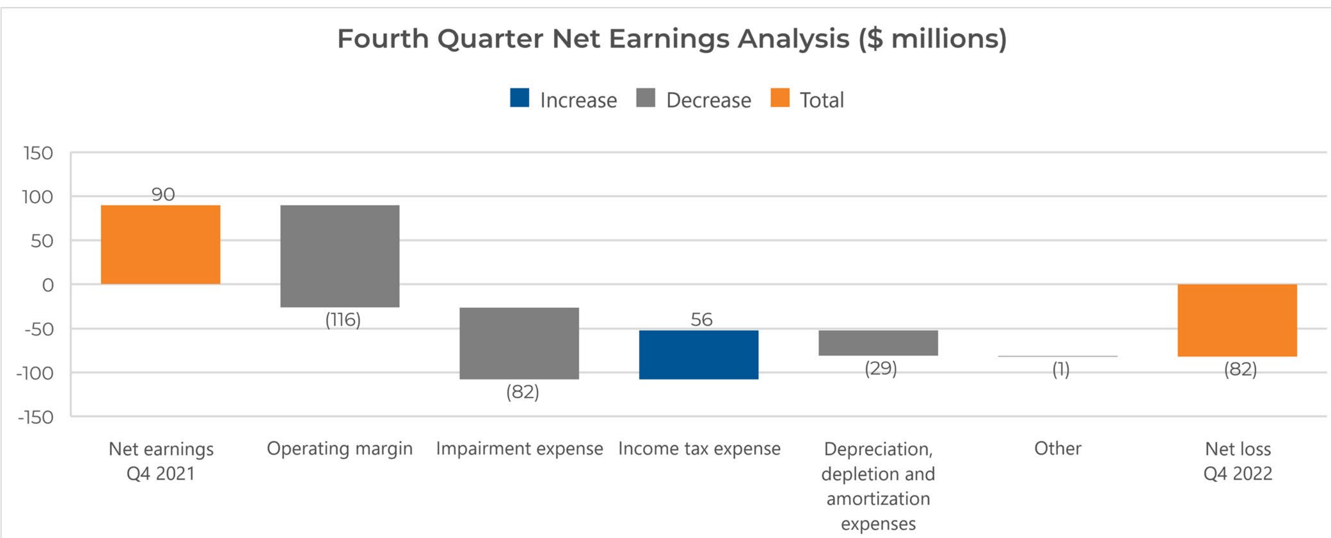
EBITDA and adjusted EBITDA are not standard measures under GAAP, and therefore may not be comparable to similar measures reported by other entities. Refer to the sections of this MD&A titled "EBITDA and Adjusted EBITDA" and "Non-GAAP and Other Financial Measures".

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

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

Net Earnings

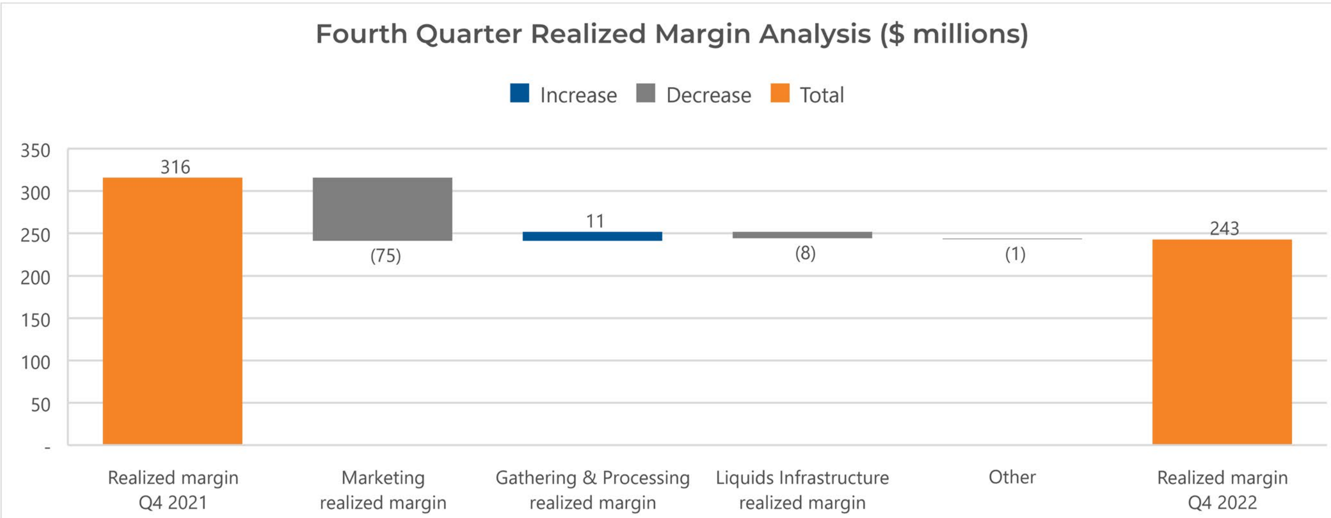
A net loss of $82 million was recorded in the fourth quarter of 2022 compared to net earnings of $90 million in the fourth quarter of 2021. The decrease in earnings was due to the following:



Operating Margin and Realized Margin

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

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



Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the sections of this MD&A titled "Segmented Results of Operations" and "Non-GAAP and Other Financial Measures".

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

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

Fourth Quarter Operating Margin, Realized Margin and Revenue

Gathering & Processing

Operating Margin	↑ $11 million vs Q4 2021	Increase was primarily due to: • $14 million in higher operating margin from increased processing throughput at the Wapiti, Pipestone, Rimbey, Strachan and Brazeau River gas plants. The increased throughput was mainly the result of incremental volumes from new wells. • The above factors were partly offset by lower operating margin from the Cynthia gas plant primarily due to higher electrical costs.
Revenue	↑ $43 million vs Q4 2021	• Increase in revenue was primarily due to the same factors that contributed to higher operating margin as well as higher ethane sales revenues. Ethane sales are generally based on index pricing and can significantly influence revenues; however the effect on operating margin is minimal as ethane purchases from producers are also based on index pricing and are included in operating expenses.

Liquids Infrastructure

Operating Margin	↓ $4 million vs Q4 2021	Decrease was primarily due to: • a $4 million one-time prior period revenue adjustment from the non-operated Norlite pipeline; and • higher electricity and fuel costs across most Liquids Infrastructure assets. The above factors were partly offset by $5 million in higher unrealized non-cash gains from risk management contracts related to electricity.
Revenue	↑ $5 million vs Q4 2021	• Increase was due to higher operating revenues from the AEF facility resulting from the recovery of increased operating expenses. The operating expenses at AEF are recovered from the Marketing segment and do not have an impact on operating margin for the Liquids Infrastructure segment.

Marketing

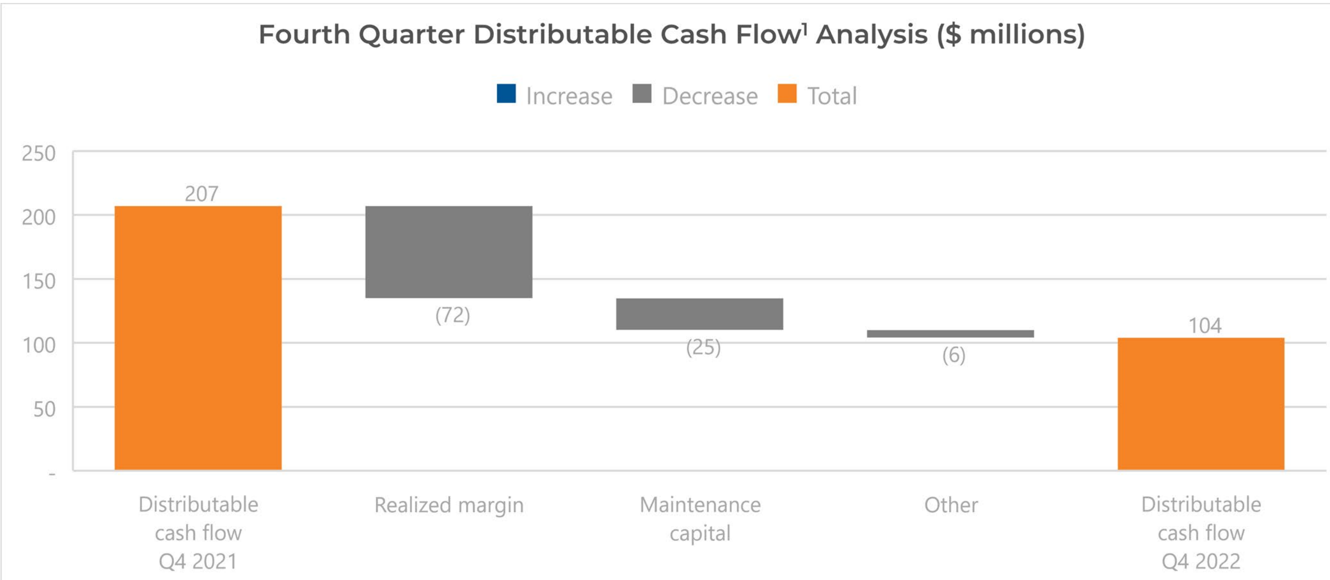
Operating Margin	↓ $124 million vs Q4 2021	• Decrease was due to $20 million in unrealized non-cash losses from risk management contracts in 2022 versus a $28 million non-cash gain in 2021; and • $75 million in lower realized margin as described in more detail below.
Realized Margin[1]	↓ $75 million vs Q4 2021	Decrease was due to the following factors: • $39 million in lower butane margins due to an exceptionally strong Q4 2021 that benefited from higher pricing and increased seasonal demand in Alberta; • lower propane contribution due to a robust Q4 2021 that resulted from strong pricing attributable to high export levels out of North American and cold winter weather patterns; and • lower iso-octane margins due to reduced sales volumes as the AEF facility completed a six-week maintenance outage that concluded in the fourth quarter of 2022.
Revenue	↓ $7 million vs Q4 2021	• Decrease was primarily due to the same factors that contributed to lower operating margin and realized margin.

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

Cash Flow Metrics

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

Distributable cash flow[1] was $104 million for the fourth quarter of 2022, $102 million lower than the same period in the prior year due to factors shown in the table below:



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

CRITICAL ACCOUNTING ESTIMATES

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

Operating Revenues

Gathering and Processing and Liquids Infrastructure:

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

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

Marketing:

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

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

Operating Expenses and Product Purchases

Gathering and Processing and Liquids Infrastructure:

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

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

Marketing:

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

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

Equalization Adjustments

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

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

Depreciation of Property, Plant and Equipment

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

Allowance for Expected Credit Losses

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

Derivative Financial Instruments

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

Fair Value Estimates of Property, Plant and Equipment

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

Impairment of Property, Plant and Equipment and Goodwill

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

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

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

Long-term Incentive Plan Liability

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

Decommissioning Liability

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

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

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

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

Deferred Tax Assets and Liabilities

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

A working capital surplus (current assets less current liabilities) of $108 million existed at December 31, 2022. This is compared to a surplus of $186 million at December 31, 2021. To meet its current obligations and growth capital program, Keyera has access to a credit facility in the amount of $1.5 billion, of which $40 million was drawn as at December 31, 2022. Refer to the section of this MD&A titled "Long-term Debt", for more information related to Keyera's unsecured revolving credit facility ("Credit Facility").

Corporate Credit Ratings

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

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

Notes:
1 Medium-term notes issued in June 2018.
2 Subordinated hybrid notes issued in June 2019.

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

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

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at December 31, 2022:

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

Credit Facilities

Keyera's Credit Facility is with a syndicate of seven lenders under which it can borrow up to $1.5 billion, with the potential to increase that limit to $2.0 billion subject to certain conditions. As at December 31, 2022, $40 million was drawn under this facility (December 31, 2021 – $230 million).

In December 2022, the Credit Facility was amended to extend the term from December 6, 2026 to December 6, 2027 for $1.3175 billion of the $1.5 billion total. The remaining $182.5 million is subject to the original maturity date of December 6, 2026. Management expects to extend the Credit Facility prior to maturity, and in the event of reaching maturity, expects an adequate replacement will be established.

Keyera also has two unsecured revolving demand facilities, one with the Toronto Dominion Bank in the amount of $25 million and the other with the Royal Bank of Canada in the amount of $50 million.

These facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, LIBOR loans or bankers' acceptances.

Long-term Debt

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

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

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

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

As at December 31, 2022, Keyera had $3.2 billion and US$333 million of long-term debt. To manage the foreign currency exposure on the U.S. dollar denominated debt, Keyera has entered into cross-currency agreements with a syndicate of banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of $0.98 and $1.03 per U.S. dollar for the principal payments and $1.22 and $1.14 per U.S. dollar for the future interest payments. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled, "Net Foreign Currency Gain (Loss) on U.S. Debt and Other", provides more information.

Compliance with Covenants

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

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

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

For additional information regarding these financial covenants, refer to the Credit Facility and the Note Agreements which are available on SEDAR at www.sedar.com.

Capital Expenditures and Acquisitions

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

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

Growth capital expenditures for the year ended December 31, 2022 amounted to $786 million. Refer to the section of this MD&A, "Segmented Results of Operations", for information related to the various growth capital projects in the Liquids Infrastructure segment, including estimated costs to complete, costs incurred in 2022 and since inception of the project, and estimated completion timeframes.

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

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

Keyera has comprehensive inspection, monitoring and maintenance programs in place. The objectives of these programs are to keep Keyera's facilities in good working order and to maintain their ability to operate reliably for many years. In addition to the maintenance capital expenditures, Keyera incurred maintenance and repair expenses of $81 million for the year ended December 31, 2022, compared to $51 million in 2021.

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

The $2.3 billion capital program was originally estimated to earn an annual return on capital[1] of between 10% to 15% in 2022. Keyera achieved a return within this range in 2022 with the exclusion of the South Cheecham Sulphur Facilities, which were not yet operational, and the Wildhorse Terminal. Uneconomic blending margins and historically high prices for butane landing in Cushing, Oklahoma have resulted

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

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

The KAPS pipeline project is anticipated to earn an annual return on capital[1] of 10% to 15% starting in 2025 based on existing contracts plus the ability to attract incremental volumes. This assumes the project is completed on a timely basis and energy demand and commodity prices continue to stabilize.

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

Dividends

Funds from Operations, Distributable Cash Flow and Payout Ratio

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

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

Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. Deducted from the determination of distributable cash flow are maintenance capital expenditures, lease expenditures, including the periodic costs related to prepaid leases, and inventory write-downs.

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

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

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

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

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

Dividend Policy

Keyera currently pays a dividend of $0.16 per share per month, or $1.92 per share annually. One of Keyera's priorities is to maintain the current monthly dividend while preserving a low dividend payout ratio and strong financial position. In determining the level of cash dividends to shareholders, Keyera's board of directors considers current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors.

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

Adjusted Cash Flow from Operating Activities and Return on Invested Capital

Adjusted cash flow from operating activities and return on invested capital ("ROIC") are not standard measures under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section of this MD&A titled "Non-GAAP and Other Financial Measures".

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

Return on invested capital is defined as adjusted cash flow from operating activities divided by invested capital, which includes property, plant and equipment, right-of-use assets, inventory, trade and other receivables, goodwill, intangible assets, less work-in-progress assets and trade and other payables, and provisions. ROIC is used to reflect the profitability of Keyera's in-service capital assets.

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

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

EBITDA and Adjusted EBITDA

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

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

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

CONTRACTUAL OBLIGATIONS

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

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

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

RELATED PARTY TRANSACTIONS

Keyera has provided compensation to key management personnel who are comprised of its directors and executive officers. There have been no other material related party transactions or significant changes to the annual compensation amounts disclosed in the December 31, 2022 annual audited financial statements.

RISK FACTORS

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

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

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

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

Regulatory Risk

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

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

Credit Risk

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

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

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

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

Credit Ratings

With the assignment of two long-term corporate credit ratings, rating agencies will regularly evaluate Keyera, including its financial strength. In addition, factors not entirely within Keyera's control may also be considered, including conditions affecting the industry in which it operates. There can be no assurance that one or more of Keyera's credit ratings will not be downgraded. A credit rating downgrade could impair Keyera's ability to enter into arrangements with suppliers or counterparties and could limit its access to private and public credit markets and increase the costs of borrowing.

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

Marketing Risk

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

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

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

Operational Risk

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

Foreign Currency Risk

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

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

Cyber Security

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

COVID-19 Related Impacts

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

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

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

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

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

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

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

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

SELECTED FINANCIAL INFORMATION

The following table presents selected annual financial information for Keyera:

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

Notes:

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

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

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

Notes:

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 reflects 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 additional details.

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

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

See the section of this MD&A, "Segmented Results of Operations", for more information on the financial results of Keyera's operating segments for the year ended December 31, 2022.

ADOPTION OF NEW STANDARDS

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

FUTURE ACCOUNTING PRONOUNCEMENTS

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

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of December 31, 2022, Keyera's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to Keyera and its consolidated subsidiaries has been brought to their attention and that information required to be disclosed pursuant to applicable securities legislation has been recorded, processed, summarized and reported in an appropriate and timely manner.

Internal Controls Over Financial Reporting

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

No changes were made for the period beginning January 1, 2022 and ending December 31, 2022 that have materially affected, or are reasonably likely to materially affect Keyera's internal controls over financial reporting.

COMMON SHARES

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

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

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Measure	Definition	Utilization
Funds from Operations	Cash flow from operating activities adjusted for changes in non-cash working capital.	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. For a reconciliation of funds from operations to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section titled, "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".
Distributable Cash Flow **Distributable Cash Flow per Share**	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 divided by weighted average number of shares – basic.	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. For a reconciliation of distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section titled, "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".
Payout Ratio	Dividends declared to shareholders divided by distributable cash flow.	Payout ratio is used to assess the sustainability of the company's dividend payment program.
EBITDA **Adjusted EBITDA**	Earnings before finance costs, taxes, depreciation, and amortization. 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.	EBITDA and adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. For a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings, refer to the section titled, "EBITDA and Adjusted EBITDA".

Measure	Definition	Utilization
Realized Margin	Operating margin excluding unrealized gains and losses on commodity-related risk management contracts.	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. For a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin, refer to the section titled, "Segmented Results of Operations".
Adjusted Cash Flow from Operating Activities	Cash flow provided by operating activities before changes in non-cash working capital, decommissioning liability expenditures and finance costs.	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. Since the return on invested capital measure is intended to be calculated on an annual basis, the reconciliation of adjusted cash flow from operating activities to the most directly comparable GAAP measure, cash flow from operating activities, can be found in the section titled, "Adjusted Cash Flow from Operating Activities and Return on Invested Capital' included in Keyera's most recent annual MD&A.
Return on Invested Capital	Adjusted cash flow from operating activities, divided by invested capital, which includes property, plant and equipment, right-of-use assets, inventory, trade and other receivables, goodwill, intangible assets, less work-in-progress assets and trade and other payables, and provisions.	Return on invested capital is used to reflect the profitability of Keyera's in-service capital assets.
Annual return on capital for the growth capital program excluding KAPS **Annual return on capital for the KAPS project**	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. Expected operating margin divided by the estimated capital cost for the development of the KAPS project.	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.

FORWARD-LOOKING STATEMENTS

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

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

All forward-looking information reflects Keyera's beliefs and assumptions based on information available at the time the applicable forward-looking information is made and in light of Keyera's current expectations with respect to such things as the outlook for general economic trends, industry trends, commodity prices, Keyera's access to the capital markets and the cost of raising capital, the integrity and reliability of Keyera's assets, the governmental, regulatory and legal environment, the COVID-19 pandemic and the duration and impact thereof, general compliance with Keyera's plans, strategies, programs, and goals across its reporting and monitoring systems among employees, stakeholders and service providers. Keyera's expectation as to the "base realized margin" to be contributed by its Marketing segment assumes: (i) a crude oil price of between US$65 and US$75 per barrel; (ii) butane feedstock costs comparable to the 10-year average; and (iii) AEF utilization near nameplate capacity. For all construction projects, estimated completion times and costs assume that construction proceeds as planned on schedule and on budget and that, where required, all regulatory approvals and other third-party approvals or consents are received on a timely basis. In some instances, this MD&A may also contain forward-looking information attributed to third parties. Forward-looking information does not guarantee future performance. Management believes that its assumptions and expectations reflected in the forward-looking information contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct.

All forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause actual results, events, levels of activity and achievements to differ materially from those anticipated in the forward-looking information. Such risks, uncertainties and other factors include, without limitation, the following:

- Keyera's ability to implement its strategic priorities and business plan and achieve the expected benefits;
- general industry, market and economic conditions;
- activities of customers, producers and other facility owners;
- operational hazards and performance;
- the effectiveness of Keyera's risk management programs;
- competition;
- changes in commodity composition and prices, inventory levels, supply/demand trends and other market conditions and factors;
- disruptions to global supply chains and labour shortages;
- processing and marketing margins;
- climate change risks, including the effects of unusual weather and natural catastrophes;
- climate change effects and regulatory and market compliance and other costs associated with climate change;
- variables associated with capital projects, including the potential for increased costs, including inflationary pressures, timing, delays, cooperation of partners, and access to capital on favourable terms;
- fluctuations in interest, tax and foreign currency exchange rates;
- counterparty performance and credit risk;
- changes in operating and capital costs;
- cost and availability of financing;
- ability to expand, update and adapt infrastructure on a timely and effective basis;
- decommissioning, abandonment and reclamation costs;
- reliance on key personnel and third parties;
- relationships with external stakeholders, including Indigenous stakeholders;
- ongoing global supply chain constraints;
- technology, security and cybersecurity risks;
- potential litigation and disputes;
- uninsured and underinsured losses;
- ability to service debt and pay dividends;
- changes in credit ratings;
- reputational risks;
- changes in environmental and other laws and regulations;
- the ability to obtain regulatory, stakeholder and third-party approvals;
- actions by governmental authorities;
- global health crisis, such as pandemics and epidemics, including the ongoing COVID-19 pandemic and the unexpected impact related thereto;
- the effectiveness of Keyera's existing and planned ESG and risk management programs;

- the ability of Keyera to achieve specific targets that are part of its ESG initiatives, including those relating to emissions reduction targets, as well as other climate-change related initiatives;

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

Proposed construction and completion schedules and budgets for capital projects described herein are subject to many variables, including weather; availability and prices of materials; labour; customer project schedules and expected in-service dates; contractor productivity; contractor disputes; quality of cost estimating; decision processes and approvals by joint venture partners; changes in project scope at the time of project sanctioning; regulatory approvals, conditions or delays; Keyera's ability to secure adequate land rights and water supply; and macro socio-economic trends. As a result, expected timing, costs and benefits associated with these projects may differ materially from the descriptions contained herein. Further, some of the projects described are subject to securing sufficient producer/customer interest and may not proceed if sufficient commitments are not obtained.

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

Investor Information

DIVIDENDS TO SHAREHOLDERS

Dividends declared to shareholders of Keyera were $0.48 per share in the fourth quarter of 2022.

TAXABILITY OF DIVIDENDS

Keyera's dividends are considered to be eligible dividends for the purpose of the Income Tax Act (Canada). For non-resident shareholders, Keyera's dividends are subject to Canadian withholding tax.

SUPPLEMENTARY INFORMATION

A breakdown of Keyera's operational and financial results, including volumetric and operating margin information by business segment, is available on our website at www.keyera.com/ir/reports.

YEAR END AND FOURTH QUARTER 2022 RESULTS CONFERENCE CALL AND WEBCAST

Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the financial results for the fourth quarter and year-end of 2022 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Wednesday, February 15, 2023. Callers may participate by dialing 888-664-6392 or 416-764-8659. A recording of the call will be available for replay until 10:00 p.m. Mountain Time (12:00 a.m. Eastern Time) on March 1, 2023, by dialing 888-390-0541 or 416-764-8677 and entering pass code 517367.

Internet users can listen to the call live on Keyera's website at www.keyera.com/news/events. Shortly after the call, an audio archive will be posted on the website for 90 days.

QUESTIONS

We welcome questions from interested parties. Calls should be directed to Keyera's Investor Relations Department at 403-205-7670, toll free at 1-888-699-4853 or via email at ir@keyera.com. Information about Keyera can also be found on our website at www.keyera.com.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The management of Keyera Corp. (the "Company") is responsible for the preparation of the financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and include certain estimates that reflect management's best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects.

Management has developed and maintains an extensive system of internal accounting controls that provide reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the Company's operating and financial results, and that the Company's assets are safeguarded. Management believes that this system of internal controls has operated effectively for the year ended December 31, 2022. The Company has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to the Company which complies with the requirements of Canadian securities legislation.

Deloitte LLP, an independent firm of chartered professional accountants, was appointed by a resolution of the Board of Directors to audit the financial statements of the Company and to provide an independent professional opinion. Deloitte LLP was appointed to hold such office until the next such annual meeting of the shareholders of the Company.

The Board of Directors, through its Audit Committee, has reviewed the financial statements including notes thereto with management and Deloitte LLP. The members of the Audit Committee are composed of independent directors who are not employees of the Company. The Board of Directors has approved the information contained in the financial statements based on the recommendation of the Audit Committee.

/s/ C. Dean Setoguchi

C. Dean Setoguchi
Chief Executive Officer
Keyera Corp.

/s/ Eileen Marikar

Eileen Marikar
Chief Financial Officer
Keyera Corp.

February 14, 2023
Calgary, Alberta

Deloitte.

Deloitte LLP
700, 850 2 Street SW
Calgary, AB T2P 0R8
Canada

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www.deloitte.ca

Independent Auditor's Report

To the Shareholders of Keyera Corp.

Opinion

We have audited the consolidated financial statements of Keyera Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of net earnings and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2022. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill and Property, Plant and Equipment — Simonette Gas Complex Cash Generating Unit ("identified CGU") — Refer to Notes 3, 9 and 11 to the financial statements

Key Audit Matter Description

The Company assesses goodwill for impairment annually at the cash generating unit ("CGU") level by comparing the recoverable amount of each CGU to its carrying value. The Company used the discounted future cash flow model to estimate the recoverable amount, which requires management to make significant estimates and assumptions. Changes in these assumptions could have a significant impact on either the recoverable amount, the amount of any impairment charge, or both. As at December 31, 2022, the carrying amount of the identified

CGU exceeded its recoverable amount, which resulted in an impairment charge. The impairment charge was first allocated to reduce the goodwill of the identified CGU to nil and the remaining charge was allocated to property, plant and equipment.

While there are several key estimates and assumptions that are required to estimate the recoverable amount of the identified CGU, the assumptions with the highest degree of subjectivity and impact on the recoverable amount are forecast operating margin and discount rate. This required a high degree of auditor attention as these estimates and assumptions are subject to estimation uncertainty and auditing them required auditor judgment in applying audit procedures and in evaluating the results of those procedures. This resulted in an increased extent of audit effort including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the forecast operating margin and discount rate used to estimate the recoverable amount of the identified asset included the following, among others:

- Evaluated management's ability to accurately forecast operating margins by comparing actual results to management's historical forecasts.

- Evaluated the reasonableness of forecast operating margin by comparing the forecasts to:

    - Historical operating margins;
    - Internal communications to management and the Board of Directors; and
    - Whether these assumptions were consistent with evidence obtained in other areas of the audit.

- With the assistance of fair value specialists:

    - Evaluated the reasonableness of the discount rate by developing a range of independent estimates and comparing those to the discount rate selected by management; and
    - Assessed management's estimate of the recoverable amount by comparing management's implied valuation multiple to market multiples for comparable entities.

Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis; and

- The information, other than the financial statements and our auditor's report thereon, in the 2022 Year-End Report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis and the 2022 Year-End Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Mandeep Singh.

/s/ Deloitte LLP

Chartered Professional Accountants
Calgary, Alberta
February 14, 2023

Keyera Corp.
Consolidated Statements of Financial Position
(Thousands of Canadian dollars)

As at	Note	December 31, 2022	December 31, 2021
ASSETS			
Cash		—	15,940
Trade and other receivables	6	**708,781**	750,420
Derivative financial instruments	22	**79,369**	28,756
Inventory	7	**300,883**	280,736
Other assets	8	**19,099**	23,276
Total current assets		**1,108,132**	1,099,128
Derivative financial instruments	22	**105,229**	87,844
Property, plant and equipment	9	**6,992,196**	6,582,276
Right-of-use assets	10	**238,685**	226,757
Intangible assets		**59,691**	63,294
Goodwill	11	**32,015**	40,814
Deferred tax assets	17	**32,240**	30,193
Total assets		**8,568,188**	8,130,306
LIABILITIES AND EQUITY			
Bank indebtedness		**1,803**	—
Trade and other payables, and provisions	12	**806,526**	710,770
Derivative financial instruments	22	**80,843**	56,380
Dividends payable	20	**36,665**	35,364
Current portion of long-term debt	13	**30,000**	60,000
Current portion of decommissioning liability	14	**15,933**	18,900
Current portion of lease liabilities	15	**28,229**	31,545
Total current liabilities		**999,999**	912,959
Derivative financial instruments	22	**5,883**	1,902
Credit facilities	13	**40,000**	230,000
Long-term debt	13	**3,622,745**	3,224,485
Decommissioning liability	14	**163,421**	249,588
Long-term lease liabilities	15	**181,170**	151,745
Other long-term liabilities	16	**9,736**	18,595
Deferred tax liabilities	17	**726,518**	683,398
Total liabilities		**5,749,472**	5,472,672
Equity			
Share capital	18	**3,372,738**	3,150,104
Accumulated deficit		**(577,006)**	(479,635)
Accumulated other comprehensive income (loss)		**22,984**	(12,835)
Total equity		**2,818,716**	2,657,634
Total liabilities and equity		**8,568,188**	8,130,306

See accompanying notes to the consolidated financial statements.
Commitments and contingencies (note 32)

These consolidated financial statements were approved by the board of directors of Keyera Corp. on February 14, 2023.

(Signed) Michael Norris
Director

(Signed) C. Dean Setoguchi
Director

Keyera Corp.
Consolidated Statements of Net Earnings and Comprehensive Income
For the Years Ended December 31,
(Thousands of Canadian dollars, except share information)

	Note	2022	2021
Revenue	30	**7,060,223**	4,984,906
Expenses	30	**(5,884,442)**	(3,939,606)
Operating margin		**1,175,781**	1,045,300
General and administrative expenses	25	**(82,843)**	(80,697)
Finance costs	26	**(165,351)**	(169,309)
Depreciation, depletion and amortization expenses	27	**(258,264)**	(257,638)
Net foreign currency (loss) gain on U.S. debt and other	23	**(21,551)**	568
Long-term incentive plan expense	21	**(33,284)**	(27,029)
Impairment expense	9, 11	**(180,277)**	(115,771)
(Loss) gain on disposal of property, plant and equipment	9	**(477)**	20,797
Other	31	**(534)**	10,040
Earnings before income tax		**433,200**	426,261
Income tax expense	17	**(104,906)**	(102,055)
Net earnings		**328,294**	324,206
Other comprehensive income (loss)			
Foreign currency translation adjustment		**35,819**	(3,416)
Comprehensive income		**364,113**	320,790
Earnings per share			
Basic earnings per share	19	**1.48**	1.47
Diluted earnings per share	19	**1.48**	1.47

See accompanying notes to the consolidated financial statements.

Keyera Corp.
Consolidated Statements of Cash Flows
For the Years Ended December 31,
(Thousands of Canadian dollars)

	Note	2022	2021
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net earnings		**328,294**	324,206
Adjustments for items not affecting cash:			
Finance costs	26	**21,633**	22,584
Depreciation, depletion and amortization expenses	27	**258,264**	257,638
Unrealized (gain) loss on derivative financial instruments	22	**(39,554)**	13,501
Unrealized loss (gain) on foreign exchange		**32,101**	(3,868)
Inventory write-down	7	**9,595**	—
Deferred income tax expense	17	**45,215**	70,029
Impairment expense	9, 11	**180,277**	115,771
Loss (gain) on disposal of property, plant and equipment	9	**477**	(20,797)
Decommissioning liability expenditures	14	**(17,455)**	(13,192)
Changes in non-cash working capital	29	**106,480**	(182,033)
Net cash provided by operating activities		**925,327**	583,839
INVESTING ACTIVITIES			
Acquisitions	9	**—**	(11,165)
Capital expenditures	9	**(895,929)**	(505,468)
Prepaid lease asset	10	**3,360**	3,194
Proceeds on disposal of property, plant and equipment	9	**39,815**	18,191
Changes in non-cash working capital	29	**8,833**	98,124
Net cash used in investing activities		**(843,921)**	(397,124)
FINANCING ACTIVITIES			
Borrowings under credit facility	13, 29	**700,000**	620,000
Repayments under credit facility	13, 29	**(890,000)**	(670,000)
Proceeds from issuance of long-term debt	13, 29	**400,000**	350,000
Repayments of long-term debt	13, 29	**(60,000)**	—
Financing costs related to credit facility/long-term debt	13, 29	**(3,126)**	(4,845)
Proceeds from equity offering	18	**230,093**	—
Issuance costs related to equity offering	18	**(9,687)**	—
Lease payments	15, 29	**(43,566)**	(44,645)
Dividends paid to shareholders	20	**(424,364)**	(424,364)
Net cash used in financing activities		**(100,650)**	(173,854)
Effect of exchange rate fluctuations on foreign cash held		**1,501**	178
Net (decrease) increase in cash		**(17,743)**	13,039
Cash at the beginning of the year		**15,940**	2,901
(Bank indebtedness) cash at the end of the year		**(1,803)**	15,940
Income taxes paid (received) in cash		**62,613**	(42,342)
Interest paid in cash		**186,648**	165,125

See accompanying notes to the consolidated financial statements.

Keyera Corp.
Consolidated Statements of Changes in Equity
(Thousands of Canadian dollars)

	Share Capital (Note 18)	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2020	**3,150,104**	**(379,477)**	**(9,419)**	**2,761,208**
Net earnings	—	324,206	—	324,206
Dividends declared to shareholders	—	(424,364)	—	(424,364)
Other comprehensive loss	—	—	(3,416)	(3,416)
Balance at December 31, 2021	**3,150,104**	**(479,635)**	**(12,835)**	**2,657,634**
Common shares issued pursuant to equity offering[1]	222,634	—	—	222,634
Net earnings	—	328,294	—	328,294
Dividends declared to shareholders	—	(425,665)	—	(425,665)
Other comprehensive income	—	—	35,819	35,819
Balance at December 31, 2022	**3,372,738**	**(577,006)**	**22,984**	**2,818,716**

Note:
1 Net of issuance costs and a related deferred income tax asset recorded. See note 18 for further information.

See accompanying notes to the consolidated financial statements.

Keyera Corp.

Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2022 and 2021

(All amounts expressed in thousands of Canadian dollars, except as otherwise noted)

1. GENERAL BUSINESS DESCRIPTION

The operating subsidiaries of Keyera Corp. include Keyera Partnership (the "Partnership"), Keyera Energy Ltd. ("KEL"), Keyera Energy Inc. ("KEI"), Keyera Rimbey Ltd. ("KRL"), Keyera RP Ltd. ("KRPL"), Rimbey Pipeline Limited Partnership ("RPLP"), Alberta Diluent Terminal Ltd. ("ADT") and Alberta EnviroFuels Inc. ("AEF"). Keyera Corp. and its subsidiaries are involved in the business of natural gas gathering and processing; transportation, storage and marketing of natural gas liquids ("NGLs") and iso-octane in Canada and the United States ("U.S."); the production of iso-octane; and liquids blending in Canada and the U.S.

Keyera Corp. and its subsidiaries are collectively referred to herein as "Keyera". The address of Keyera's registered office and principal place of business is Suite 200, The Ampersand, West Tower, 144 – 4th Avenue S.W., Calgary, AB, Canada.

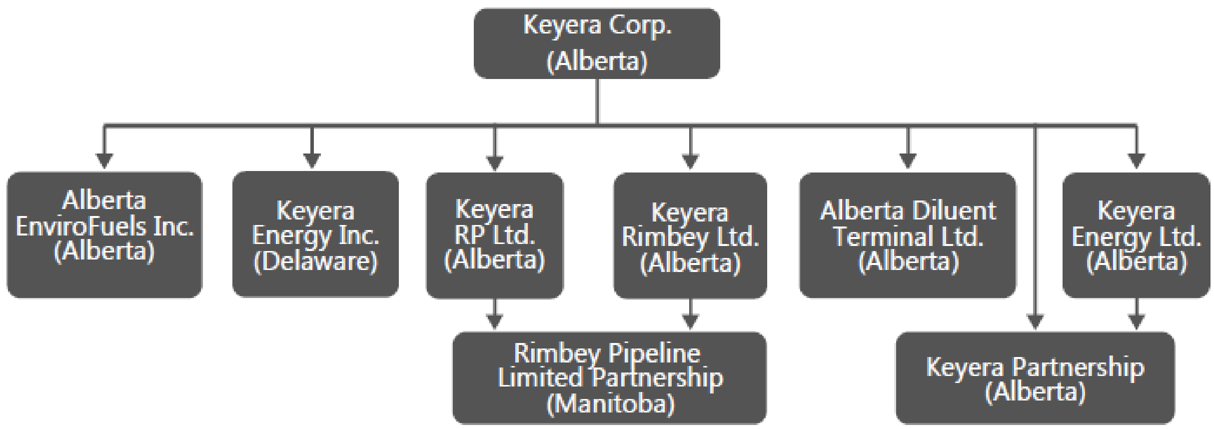
Pursuant to its Articles of Amalgamation, Keyera Corp. is authorized to issue an unlimited number of common shares (the "Shares"). The Shares trade on the Toronto Stock Exchange under the symbol "KEY".

Keyera is approved to issue two classes of preferred shares (one class referred to as the "First Preferred Shares", a second class referred to as the "Second Preferred Shares"), and collectively both classes being referred to as the "Preferred Shares". Each are issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the board of directors may at any time and from time to time determine, subject to an aggregate maximum number of authorized Preferred Shares. No preferred shares have been issued as at December 31, 2022.

Interests in Subsidiaries

Keyera Corp. directly or indirectly owns 100% of the voting interests in all of its operating subsidiaries and is the managing partner of the Partnership, Keyera's primary Canadian operating subsidiary.

The following diagram sets out the name and jurisdiction of formation of the operating subsidiaries of Keyera Corp. as of December 31, 2022.



The Partnership owns and operates the majority of Keyera's Canadian assets and businesses. In accordance with the Partnership Agreement, the Partnership is authorized to carry on a number of business activities including: (i) directly or indirectly, alone or in conjunction with other persons, gathering, processing, transporting, delivering, fractionating, extracting, storing, blending, buying, selling, marketing, investing in, developing, producing, and disposing of natural gas, NGLs, iso-octane, crude oil, bitumen and other petroleum products (including any by-products associated with the foregoing), petroleum based solvents, and electricity; (ii) constructing, owning, operating, managing, acquiring and investing in facilities and infrastructure related to the foregoing; (iii) other business activities as the board of directors may determine; and (iv) all activities ancillary or incidental to any of the foregoing.

Keyera's only Canadian assets that are not owned and operated by the Partnership are the Rimbey Pipeline, which is owned and operated by RPLP, and the Alberta Diluent Terminal, which is owned and operated by ADT.

Keyera Energy Inc. is Keyera's U.S. operating subsidiary. It carries out Keyera's NGL, iso-octane, liquids blending, storage and marketing activities in the United States.

Interests in Material Jointly Controlled Operations

For all of the material jointly controlled operations below, Keyera recognizes its proportionate share of revenues, expenses, and property, plant and equipment.

Name of Joint Arrangement	Place of Business	% Ownership	Nature of Relationship
Alberta Crude Terminal[1]	Alberta	100%	Rail Loading, Offloading and Storage
Alder Flats Gas Plant	Alberta	70%	Gathering and Processing Facilities
Base Line Terminal	Alberta	50%	Crude Oil Storage
Brazeau River Gas Plant	Alberta	94%	Gathering and Processing Facilities
Cynthia Gas Plant	Alberta	94%	Gathering and Processing Facilities
Keyera Fort Saskatchewan Facilities	Alberta	77%	NGL Processing, Storage and Pipelines
Minnehik Buck Lake Gas Plant[2]	Alberta	80%	Gathering and Processing Facilities
Norlite Pipeline	Alberta	30%	NGL Pipelines
Ricinus Gas Plant[3]	Alberta	71%	Gathering and Processing Facilities
Rimbey Gas Plant	Alberta	99%	Gathering and Processing Facilities, NGL Processing, and Rail Loading
South Cheecham Rail and Truck Terminal	Alberta	50%	Rail Loading, Offloading and Storage
South Grand Rapids Pipeline	Alberta	50%	NGL Pipelines
West Pembina Gas Plant[4]	Alberta	83%	Gathering and Processing Facilities
Zeta Creek Gas Plant	Alberta	60%	Gathering and Processing Facilities

Notes:
1 In 2021, Keyera acquired the remaining 50% ownership interest in ACT (refer to note 9).
2 Operations were suspended in May 2020.
3 Operations were suspended in September 2021.
4 Operations were suspended in August 2020.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

2. BASIS OF PREPARATION

International Financial Reporting Standards ("IFRS") are the generally accepted accounting principles in Canada ("GAAP"). As such, the accompanying consolidated financial statements were prepared in accordance with the respective IFRS.

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value; and
- liabilities for Keyera's long-term incentive plan are measured at fair value.

The consolidated financial statements were authorized for issuance on February 14, 2023 by the board of directors.

Adoption of new accounting standards

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

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of Keyera and all of its subsidiaries. Subsidiaries are entities over which Keyera has control. Generally, control is achieved where Keyera has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of subsidiaries are prepared for the same reporting period as Keyera, using consistent accounting policies. All intercompany accounts and transactions have been eliminated upon consolidation.

Jointly controlled operations

Jointly controlled operations are assets over which Keyera has joint ownership with one or more unaffiliated entities. Keyera undertakes a number of Gathering and Processing and Liquids Infrastructure activities through jointly controlled operations.

Jointly controlled operations are accounted for using the proportionate consolidation method as follows:

- the consolidated statements of financial position includes Keyera's share of the assets that it controls jointly and the liabilities for which it is jointly responsible; and
- the consolidated statements of net earnings and comprehensive income includes Keyera's share of the income and expenses generated by the jointly controlled operation.

Business combinations

Business combinations are accounted for using the acquisition method. Assets and liabilities acquired in a business combination and any contingent consideration are measured at their fair values as of the date of acquisition and subsequently remeasured at fair value with changes recorded through the consolidated statements of net earnings and comprehensive income each period until settled. In addition, acquisition related and restructuring costs are recognized separately from the business combination and are expensed to the consolidated statements of net earnings and comprehensive income. Business combinations also applies to the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.

Currency

The functional currency and presentation currency of Keyera and the majority of its subsidiaries is Canadian dollars. Keyera's only foreign subsidiary, KEI, has a functional currency of U.S. dollars as the primary economic environment in which it operates is in the U.S.

Transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange on the statement of financial position date. Any resulting exchange differences are included in the consolidated statements of net earnings and comprehensive income. Non-monetary assets and liabilities denominated in a foreign currency are measured at historical cost and are translated into the functional currency using the rates of exchange as at the dates of the initial transactions.

Foreign subsidiary translation

The accounts of KEI are translated into Keyera Corp.'s presentation currency at period-end exchange rates for assets and liabilities, and using the rates in effect at the date of the transaction for revenues and expenses. The resulting translation gains and losses related to the foreign operations of KEI are recognized as foreign currency translation adjustments in other comprehensive income ("OCI") in the consolidated statements of net earnings and comprehensive income.

The foreign currency translation adjustments accumulate in accumulated other comprehensive income ("AOCI"), which is a separate component of equity in the consolidated statements of financial position. These adjustments remain in equity until there is a disposal of the foreign operation. When the gain or loss on disposal is recognized, the cumulative amount of exchange differences relating to the foreign operation are reclassified from equity to net earnings.

If there is a disposal of a partial interest in a foreign operation that continues to be a subsidiary, a proportionate amount of the accumulated foreign currency translation adjustments will be allocated between controlling and non-controlling interests.

Revenue recognition

Keyera's performance obligations include the products or services that are promised to a customer. Revenues are recognized when Keyera satisfies its performance obligations by transferring control of the promised products or services to its customers, in an amount that reflects the consideration Keyera expects to be entitled to in exchange for those products or services. Customer credit worthiness is assessed prior to the signing of any contract, as well as throughout the contract duration. Revenues are generally invoiced and received on a monthly basis. Inter-segment and intra-segment revenues are recorded at current market prices and are eliminated upon consolidation to arrive at net earnings in accordance with IFRS.

Keyera derives its revenue from its four operating segments:

1. Gathering and Processing ("G&P");
2. Liquids Infrastructure;
3. Marketing;
4. Corporate and Other.

Gathering and Processing segment

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, before the sales gas is injected into pipeline systems for transportation to end-use markets. The services performed in the G&P operating segment largely consist of gas handling services and other ancillary services such as NGL extraction, NGL handling and loading services, and condensate stabilization.

Revenue is recognized for each unit of raw gas volumes handled and processed by Keyera on a fee-for-service basis. The fee structure is stipulated in the contract and is based on either a fixed fee structure or a flow-through operating cost structure.

- **Fixed fee arrangements**: The fee is a fixed charge per unit transported or processed.

- **Flow-through operating cost arrangements**: The fees are generally comprised of a capital component and a flow-through operating component. The capital component is usually a function of the replacement cost of capital invested in the facility with a rate of return, in light of market conditions. The operating component is based on the customer's pro rata share of the operating costs for the facility calculated based on total throughput. Customers of each facility are charged a fee per unit based upon estimated operating costs and throughput, with an adjustment to actual costs and 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 facility owners is also reviewed. Amounts collected in excess of the recoverable amounts under flow-through arrangements are recorded as a current liability. Recoverable amounts in excess of the amounts collected under flow-through arrangements are recorded as a current receivable.

Given that there are physical capacity limits at Keyera's gathering and processing facilities, customers may enter into one of two service categories, or a combination of both, to determine how the raw gas is handled and processed:

(a) Firm service contracts: Firm service contracts generally have the highest priority of service in the event of apportionment. Keyera's obligation is to process and handle volumes nominated under firm service contracts above other service contracts. These contracts frequently contain a take-or-pay provision and/or dedication of reserves whereby a producer agrees to deliver all gas produced from specified reserves to a facility.

(b) Interruptible-service contracts: Under interruptible-service contracts, services are provided to the customer only if the facility has capacity after all firm-service contracts, or other contracts with higher priority, have been satisfied. Enforceable rights and obligations are present when Keyera has capacity to process these lower priority volumes. Revenue from interruptible-service contracts is recognized when services are performed.

Keyera's gas handling agreements are generally either evergreen or long term in nature. Evergreen contracts continue in force until terminated by either party by providing notice to the other party.

In addition to providing services to third party customers at Keyera's gathering and processing facilities, the G&P segment charges fees, at market rates, to Keyera's Marketing segment for the use of the gathering and processing facilities.

Liquids Infrastructure segment

Keyera owns and operates a network of facilities including underground NGL storage caverns, above ground storage tanks, NGL fractionation facilities, NGL pipelines as well as rail and truck terminals for the processing, fractionation, storage and transportation of the by-products of natural gas processing, including NGLs such as ethane, propane, butane and condensate.

Most of Keyera's Liquids Infrastructure assets are located in, or connected to, the Edmonton/Fort Saskatchewan area in Alberta, one of four key energy hubs in North America. This area also serves as a condensate hub which supports the operations of customers in the oil sands sector. Condensate is used as a diluent to facilitate movement of bitumen by pipeline.

Diluent handling services provided to oil sands customers involves providing capacity for diluent transportation services, including the provision of operational storage on a temporary basis as well as rail and truck terminalling services.

In addition, the Liquids Infrastructure segment produces iso-octane at the Alberta EnviroFuels facility ("AEF"). Iso-octane is a low vapour pressure, high-octane content component used in the blending of gasoline. The AEF facility is entirely reserved for the proprietary use of Keyera's Marketing segment which sells this product to customers operating in the gasoline blending market.

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 products of higher value. As a result, these products are exposed to variability in price and quality differential between various product streams.

Customers who utilize the Liquids Infrastructure services enter into contracts with Keyera on a fee-for-service basis. Revenue is recognized for each unit of volume fractionated, processed, stored, transported and handled by Keyera based on the fee structure stipulated in the service contract with its customers. These contracts provide Keyera with an enforceable right to payment for services completed to date. The fees charged for services performed in the Liquids Infrastructure segment are negotiated on a customer-by-customer basis depending on the various assets required to fulfill the services stipulated in the contracts.

Given that there are physical capacity limits to the Liquids Infrastructure assets, customers may enter into one of two service categories, or a combination of both, to determine how services are to be prioritized and handled:

(a) *Firm capacity reservation contracts*: Firm capacity reservation contracts generally have the highest priority of service in the event of capacity constraints. Keyera's obligation is to process and handle volumes nominated under firm capacity reservation contracts above other service contracts.

(b) *Interruptible-service contracts*: Under interruptible-service contracts, services are provided to the customer only if the facility has capacity after all firm-service contracts, or other contracts with higher priority, have been satisfied. Under interruptible-service arrangements, enforceable rights and obligations are present once the customer nominates the volumes to be processed and Keyera has the capacity to process the nominated volumes. Revenue from interruptible-service contracts is recognized when services are performed.

In addition to including firm capacity and/or interruptible service terms, the Liquids Infrastructure contracts may also include volumetric tariffs, rate of return components, take-or-pay components and/or the flow through of certain costs.

Keyera's Liquids Infrastructure segment provides a significant amount of processing, fractionation, storage, blending and/or de-ethanization services to Keyera's Marketing segment, which pays market prices for the services it utilizes.

Take-or-pay arrangements
In both the Liquids Infrastructure and G&P segments, certain contracts are entered into under take-or-pay arrangements whereby the customer has committed to minimum volume deliveries, regardless of whether the committed volumes are utilized. In these instances, Keyera recognizes revenue either rateably over the term of the fixed fee arrangement, or as volumes are handled and processed.

Take-or-pay arrangements may contain make-up rights, which are rights earned by the customer when the minimum volume commitments are not utilized during the period, but under certain circumstances can be used to offset excess volumes in future periods, subject to expiry. Consideration associated with take-or-pay contracts which have make-up rights are deferred and revenue is recognized at the earlier of (i) when the make-up volume is processed; (ii) the make-up right expires; or (iii) when it is determined the likelihood that the customer will exercise its make-up right is remote.

Non-cash consideration
For any revenue contracts whereby a customer provides consideration in a form other than cash, such consideration is measured at fair value. If an estimate of fair value is not reasonably estimable, the consideration is measured by reference to the stand-alone selling price of the products or services promised to the customer in exchange for the consideration. When non-cash consideration is received in exchange for future services that have yet to be performed, revenue is deferred as a contract liability and recognized over the period that the performance obligation is expected to be satisfied.

Marketing segment
Keyera markets a range of products associated with its two infrastructure business lines, and revenue generated from this operating segment consists of primarily selling NGLs (ethane, propane, butane, condensate), iso-octane, as well as natural gas and crude oil. In addition, Keyera's Marketing segment will enter into product purchase and processing contracts whereby NGL products are purchased from the customer at the delivery point to one or more of Keyera's facilities.

Revenue contracts within the Marketing segment are typically short term in nature (one year or less). Revenue from selling NGLs, iso-octane, natural gas and crude oil is recognized based on volumes delivered to customers at specified delivery points and at contracted prices, depending on the hydrocarbon product being sold. The contracted sales price is generally based on a market index price or is transacted at a fixed price. Keyera also enters into financial instruments and physical hedging contracts as risk mitigating measures to either protect the value of its NGL inventory, protect the sales price for iso-octane, or to hedge the foreign currency exposure on sales prices based in U.S. dollars.

The unrealized gains/losses representing the change in fair value of financial instruments contracts are recorded in Marketing revenue along with the realized gains/losses resulting from the settlement of the financial instruments.

Share-based compensation

Keyera has a Long-Term Incentive Plan ("LTIP"), which is described in note 21. The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The liability is measured by using a fair value pricing model. The compensation expense is recognized over the vesting period, with a corresponding liability recognized in the consolidated statements of financial position.

Cash

Cash is comprised of cash on hand at year end.

Trade and other receivables

Trade receivables are amounts due from customers from the rendering of services or sale of goods in the ordinary course of business. Trade receivables are classified as current assets if payment is due within one year or less. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost, less allowance for expected credit losses.

Keyera maintains an allowance for expected credit losses to provide for impairment of trade receivables. The expense or recovery relating to doubtful accounts is included within general and administrative expenses in the consolidated statements of net earnings and comprehensive income.

Inventory

Inventory is comprised primarily of NGL and iso-octane products for sale through the Marketing operations. Inventory is measured at the lower of weighted average cost and net realizable value. Net realizable value represents the estimated selling price for inventories less selling expenses at the statement of financial position date. The reversal of previous net realizable value write-downs is recorded when there is a subsequent increase in the value of inventories.

Property, plant and equipment

Items of property, plant and equipment, which include plant and processing equipment, are measured at cost less accumulated depreciation, depletion and accumulated impairment losses net of recoveries. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning liability, and for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Major maintenance programs (turnaround costs) are capitalized and amortized over the period to the next scheduled maintenance. The costs of day-to-day servicing of property, plant and equipment are recognized in the consolidated statements of net earnings and comprehensive income as incurred.

The cost of replacing part of an item of property, plant and equipment is capitalized if it is probable that future economic benefits will flow to Keyera and its cost can be measured reliably.

An item of property, plant and equipment is derecognized upon disposal, replacement or when no future economic benefits are expected to arise from the continued use of the asset. Any gains or losses arising on the disposal or retirement of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item, and are recognized in the consolidated statements of net earnings and comprehensive income.

Depreciation is recognized to expense the cost of significant components of assets less their residual values over their useful lives, using the straight-line method. Land and linefill are not depreciated. Depreciation methods, useful lives and residual values are reviewed on an annual basis and, if necessary, any changes would be accounted for prospectively.

The estimated useful lives of Keyera's property, plant and equipment are as follows:

General plant and processing equipment	4 - 45 years
Other properties and equipment	5 - 10 years
Turnarounds	4 - 10 years

Borrowing costs

Borrowing costs that Keyera incurs in connection with the borrowing of funds that are attributable to the acquisition, construction or production of a qualifying asset are capitalized when the assets take a significant period of time to get ready for use or sale. Other borrowing costs are expensed as incurred.

Impairment of property, plant and equipment

Keyera assesses assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units or CGUs). Impairment losses are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, and are recognized immediately in the consolidated statements of net earnings and comprehensive income.

The recoverable amount is the greater of:

i) an asset's fair value less costs of disposal; and
ii) its value in use.

Fair value is the price that would be expected to be received in a sale transaction less costs of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Keyera evaluates impairment losses for potential reversals, other than goodwill impairment, when events or changes in circumstances warrant such consideration. Reversals of impairment losses are evaluated and if deemed necessary are recognized immediately in the consolidated statements of net earnings and comprehensive income.

Goodwill

Goodwill arising in a business combination is recognized as an asset and initially measured at cost, being the excess of the consideration transferred in the business combination over Keyera's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If Keyera's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized immediately in the consolidated statements of net earnings and comprehensive income.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized.

Impairment of goodwill

Goodwill impairment is assessed at least annually and is determined by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount, an impairment loss is recognized in the consolidated statements of net earnings and comprehensive income. The impairment loss is allocated first to reduce the carrying amount of any goodwill and then on a pro-rata basis to the other assets within the CGU. An impairment loss recognized for goodwill is not reversed in a subsequent period.

The recoverable amount for CGUs with allocated goodwill is determined based on a value in use calculation or fair value less costs of disposal. Value in use is calculated by discounting future cash flow projections that are based on Keyera's internal cash flow estimates. These forecasts include estimates of the future cash flows expected to be derived from continued use of the asset and involve the use of various assumptions, the most significant of which are operating margin, inter-segment allocations, discount rates, and terminal growth and decline rates.

The discount rate used in the value in use calculation represents a weighted average cost of capital ("WACC"). The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU.

Financial assets and financial liabilities

Financial assets and financial liabilities are initially recognized at fair value, and for financial assets and liabilities not measured at fair value through profit or loss, net of transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The subsequent measurement of financial assets and financial liabilities depends on their classification as follows:

Financial assets

Financial assets include cash, trade and other receivables and derivative financial instruments. Keyera determines the classification of its financial assets at initial recognition.

a) Financial assets measured at amortized cost

These are non-derivative financial assets composed of contractual cash flows that are held to collect and are solely payments of principal and interest on the principal amount outstanding with fixed or determinable payments that are not quoted in an active market. These assets are subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statements of net earnings and comprehensive income when the financial assets are derecognized or impaired. Assets in this category include cash, and trade and other receivables that are classified as current assets in the consolidated statements of financial position.

b) Financial assets measured at fair value

Financial assets not measured at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss in the consolidated statements of net earnings and comprehensive income. Derivatives, other than those designated as effective hedging instruments, are included in this category. Keyera has not designated any derivative instruments as hedges.

These assets are carried on the consolidated statements of financial position at fair value with gains or losses recognized in the consolidated statements of net earnings and comprehensive income in the period in which they arise. The estimated fair value of assets and liabilities classified as fair value through profit or loss in the consolidated statements of net earnings and comprehensive income is determined by reference to observable market data, including commodity price curves, foreign currency curves and credit spreads. Transaction costs are charged to the consolidated statements of net earnings and comprehensive income as incurred.

Impairment of financial assets

Keyera assesses at each statement of financial position date whether there is objective evidence that a financial asset is impaired based on expected credit loss information. Impairments arising from expected credit losses are recognized in the consolidated statements of net earnings and comprehensive income.

Financial liabilities

Financial liabilities consist of bank indebtedness, derivative financial instruments, trade and other payables, dividends payable, current and long-term lease liabilities, credit facilities, current and long-term debt, and certain other long-term liabilities.

a) Financial liabilities measured at fair value through profit or loss

Derivatives are included in this category. These liabilities are carried on the consolidated statements of financial position at fair value with gains or losses recognized in the consolidated statements of net earnings and comprehensive income in the period in which they arise. Keyera has not designated any derivative instruments as hedges. Transaction costs are charged to the consolidated statements of net earnings and comprehensive income as incurred.

b) Financial liabilities measured at amortized cost

If a financial liability is not measured at fair value through profit or loss, it is measured at amortized cost. For interest bearing debt, this is the fair value of the proceeds received net of transaction costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Keyera has classified bank indebtedness, current and long-term debt, credit facilities, trade and other payables, dividends payable and finance lease liabilities in this category.

Derivatives and embedded derivatives

Derivative instruments include financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates, credit spreads, commodity prices, equities or other financial measures. Keyera uses derivative instruments such as commodity price swaps (NGLs, crude oil, natural gas, motor gasoline), electricity price swaps, foreign exchange forward contracts, and cross-currency swaps to manage its risks.

Natural gas, NGL and crude oil contracts that require physical delivery at fixed prices and do not meet Keyera's expected purchase, sale or usage requirements are accounted for as derivative instruments.

Derivative instruments are recorded on the consolidated statements of financial position at fair value. Changes in the fair value of derivatives are recognized in the consolidated statements of net earnings and comprehensive income in the period in which they arise and are included in Marketing revenues, Liquids Infrastructure operating expenses, Gathering and Processing revenues and operating expenses, Corporate and Other operating expenses and foreign currency gain (loss) on U.S. debt and other. The grouping of these gains and losses in the consolidated statements of net earnings and comprehensive income is consistent with the underlying nature and purpose of the derivative instruments (see note 22).

Derivatives may include those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. For embedded derivatives within a financial asset host contract, the embedded derivative is not separated from the host contract and instead, the whole contract is accounted for as a single instrument. For embedded derivatives within a financial liability host contract, the embedded derivative is separated from the host contract and accounted for as a derivative instrument.

Provisions

Provisions are recognized when Keyera has a present obligation (legal or constructive) as a result of a past event, it is probable that Keyera will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Decommissioning Liability

Liabilities for decommissioning costs are recognized for the reclamation of Keyera's facilities at the end of their economic life. Any change in the present value, as a result of a change in discount rate or expected future costs, of the estimated obligation is reflected as an adjustment to the provision and the corresponding item of property, plant and equipment. Keyera's discount rate is a credit-adjusted risk-free rate based on the Government of Canada's benchmark long-term bond yield. The liability for decommissioning costs is increased each period through the unwinding of the discount, which is included in finance costs in the consolidated statements of net earnings and comprehensive income. Actual expenditures incurred are charged against the decommissioning liability.

Taxation

Income tax expense represents the sum of current and deferred tax. Tax is recognized in the consolidated statements of net earnings and comprehensive income except to the extent it relates to items recognized in other comprehensive income or directly in equity.

a) Current tax

The tax currently payable is based on taxable profit for the year. Current tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current tax is calculated using tax rates and laws that were enacted or substantively enacted at the end of the reporting period.

b) Deferred tax

Deferred tax is recognized using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts on the consolidated statements of financial position. Deferred tax is calculated using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period, and which are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax liabilities:

- are generally recognized for all taxable temporary differences;
- are not recognized for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, where the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future; and
- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

- are recognized to the extent it is probable that taxable income will be available against which the deductible temporary differences can be utilized; and
- are reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Keyera intends to settle its current tax assets and liabilities on a net basis.

Leases

Lease identification and initial measurement

Lessee lease arrangements are identified whenever the contract terms provide Keyera with the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized at the commencement of the lease, which is the date that the underlying asset is made available for use, by recording a lease liability and a corresponding right-of-use asset. The lease liability is initially recognized at the present value of the minimum lease payments that have not been paid at that date. Minimum lease payments include: (i) fixed payments (including in-substance fixed payments), (ii) variable lease payments that depend on an index or a rate, (iii) amounts expected to be payable under residual value guarantees, (iv) if the contract includes a purchase option, the exercise price of the purchase price if Keyera is reasonably certain to exercise the option; and (v) if the contract includes a termination option, payments of penalties for terminating the lease if the lease term reflects Keyera's exercise of the termination option. Variable lease payments that are dependent on future performance or use of the underlying asset are excluded from the measurement of the lease liability, and instead are recognized in the consolidated statements of net earnings and comprehensive income in the period that such payments are incurred.

Minimum lease payments are discounted using Keyera's weighted average incremental borrowing rate when the rate implicit in the lease is not readily determinable. Individual weighted average incremental borrowing rates are calculated for lease payments denominated in Canadian dollars and U.S. dollars.

The right-of-use asset is initially measured at cost, which includes: (i) the amount of the initial measurement of the lease liability, (ii) any lease payments made at or before the lease commencement date, less any lease incentives received, (iii) any initial direct costs incurred, and (iv) an estimate of restoration costs. Prepaid lease assets include long-term arrangements which provide Keyera with the exclusive use of an asset over a specified period time, whereby Keyera has fully reimbursed the construction of such assets upon the commencement of initial operations. Since the investment is paid in advance, a prepaid lease asset is recorded without the recognition of a corresponding lease liability.

Subsequent measurement – lease liabilities
Subsequent to initial measurement, lease payments are allocated to: (i) interest expense on the lease liability, and (ii) repayment of the carrying value of the lease liability. The interest expense in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability and is included in finance costs in the consolidated statements of net earnings and comprehensive income. If there is a change in future lease payments resulting from a change in an index or rate used to determine the payments, the lease liability is remeasured to reflect such changes. For lease payments denominated in U.S. dollars, the lease liability is remeasured to reflect the applicable foreign exchange rate at each reporting period, with the offset recognized in the consolidated statements of net earnings and comprehensive income.

Subsequent measurement – right-of-use assets
If the lease term reflects that Keyera will exercise a purchase option, the right-of-use asset is depreciated from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the earlier of the end of the useful life of the underlying asset or to the end of the lease term. For prepaid lease assets, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the agreement term.

Impairment – right-of-use assets
Similar to property plant and equipment, right-of-use assets are subject to the impairment requirements of IAS 36, Impairment of Assets. Keyera assesses right-of-use assets for impairment whenever events or changes in circumstances indicate that the carrying value of the right-of-use asset may not be recoverable. A right-of-use asset may be assessed for impairment individually, or as part of a cash-generating unit ("CGU") if the cash flows related to the lease are not independent from the cash flows of the CGU. An impairment loss is recognized immediately in the consolidated statements of net earnings and comprehensive income for the amount that the right-of-use asset's carrying amount exceeds its recoverable amount.

Finance costs

Finance costs include interest expense on debt, interest charges related to leases, non-cash expense related to the unwinding of the debt discount, and non-cash accretion expense related to decommissioning liabilities, net of interest capitalized for qualifying projects and interest income.

All finance costs are recognized in the consolidated statements of net earnings and comprehensive income in the period in which they are incurred.

Earnings per share

Basic earnings per share are calculated by dividing net earnings by the weighted average number of shares outstanding during the period. For the calculation of the weighted average number, shares are determined to be outstanding from the date they are issued. Diluted earnings per share are calculated by adding the weighted average number of shares outstanding during the period to the additional shares that would have been outstanding if potentially dilutive shares had been issued as a result of any convertible debentures outstanding, using the "if converted" method.

Accumulated deficit
Accumulated deficit includes opening deficit, net earnings for the period to date, and dividends declared to shareholders.

Reclassification
Certain information provided for the prior year has been reclassified to conform to a change in presentation adopted in 2021.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of Keyera's accounting policies, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from the estimates.

The most significant estimates and judgments contained in the consolidated financial statements are described below:

Allowance for expected credit losses
Keyera provides services and sells NGLs and iso-octane to a number of counterparties on credit terms. The allowance for credit losses is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on expected credit losses, which includes the number of days outstanding and the likelihood of collection from the counterparty.

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

Depreciation methods, useful lives and residual values are reviewed on an annual basis and, if necessary, any changes are accounted for prospectively.

Fair value estimates of property, plant and equipment
Determination of the fair value of identifiable assets acquired in a business combination requires 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
In determining the recoverable amount of assets, in the absence of quoted market prices, estimates are made regarding the present value of future cash flows. Future cash flow estimates are based on a number of factors, including 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.

Impairment of goodwill

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.

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 is based on observable market data, including commodity price curves, foreign currency curves and credit spreads.

Long-term incentive plan liability

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

Decommissioning liabilities

Keyera estimates future site restoration costs for its gathering and processing, fractionation, iso-octane and storage facilities, pipelines and terminals. The ultimate costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other processing sites.

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.

Leases

To account for Keyera's lease obligations, the following significant judgments and estimates are utilized which affect the valuation of the lease liabilities and the right-of-use assets:

a) Determination of lease term

In determining lease term, management must consider all relevant facts and circumstances that create an economic incentive for Keyera, and as a result, make it reasonably certain, that Keyera will exercise a lease extension option or not exercise a termination option. Upon the occurrence of a significant event or change in circumstances, Keyera reviews its assessment and if required, revises the lease term.

b) *Estimation uncertainty arising from variable lease payments*

Some of Keyera's lessee lease contracts contain lease payments that are only payable if certain options are elected under the arrangement. In these scenarios, there is more than one set of payments that Keyera can be expected to make: (i) $nil if the option is not elected, or (ii) the fixed payment outlined in the arrangement if the option is elected. As a result, these payments are only included in the measurement of the lease liability when they become in-substance fixed lease payments, which is if and when the variability associated with electing the option is resolved.

Revenue recognition

To determine the timing and amount of revenue recognition, management must utilize significant judgments and estimates, which include: (i) the nature and type of performance obligations under contract, (ii) the timing of when such performance obligations have been satisfied, (iii) the amount of any variable consideration associated with a revenue contract and whether such consideration is constrained or not reasonably estimable, (iv) the contract term, and (v) the likelihood that customers will have the ability to exercise any make-up rights that have accumulated before they expire.

Operating revenues and operating expenses

a) *Gathering and Processing and Liquids Infrastructure*

Each month, actual volumes processed and fees earned from the Gathering and Processing and Liquids Infrastructure assets are not known until the following month. In addition, 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. Estimates of one month's revenue and one month's operating costs are recorded in the consolidated financial statements based upon a review of historical trends that is adjusted for events that are known to have a significant effect on the month's operations.

b) *Marketing*

Marketing sales revenue is recorded based on actual volumes and prices. However, in many cases actual volumes have not yet been confirmed and sales prices that are dependent on other variables are not yet known. In addition, the majority of NGL supply purchases are estimated each month as actual volume information is not available until the following month. At the end of the period, estimates for sales and purchases are recorded in the consolidated financial statements. Estimates are prepared based on contracted volumes and known events.

Equalization adjustments

Much of the revenue from the Gathering and Processing segment includes a recovery of operating costs. Users of each facility are charged a per unit fee based upon estimated costs and throughput, with an adjustment to actual throughput completed after the end of the year. On a quarterly basis, throughput volumes and operating costs are reviewed and adjustments are made to revenue and operating expenses based on actual operating costs incurred to date.

Uncertainty related to the COVID-19 pandemic

The emergence and rapid transmission of a novel strain of the coronavirus ("COVID-19") that prompted the World Health Organization to declare a pandemic in March 2020 has significantly affected the global economy, disrupting business operations and economic activity worldwide, and has adversely impacted the global demand for crude oil since the pandemic began. Although recommendations from applicable government agencies and public health authorities to help limit the spread of the virus have since been relaxed, the subsequent economic recovery has continued to contribute volatility in market conditions. As a result, these fluctuations introduce additional uncertainties, risks and complexities in management's determination of the estimates and assumptions used to prepare Keyera's financial results.

While Keyera has incorporated the anticipated effects of the ongoing COVID-19 pandemic and subsequent economic recovery in the estimates and judgments used to prepare the consolidated financial statements; management cannot reasonably estimate the extent, duration or severity of the implications. Actual results may differ from estimates and the effect of such differences may be material.

5. FUTURE ACCOUNTING PRONOUNCEMENTS

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

6. TRADE AND OTHER RECEIVABLES

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Trade and other receivables	**713,022**	754,661
Allowance for expected credit losses:		
Beginning of the year	**(4,241)**	(4,241)
Impairment losses – trade receivables	**—**	—
End of the year	**(4,241)**	(4,241)
Total trade and other receivables	**708,781**	750,420

Trade and other receivables are non-interest bearing and are generally on 5 to 30 day terms which are classified as neither past due or impaired in the aging analysis below.

Aging of receivables that are not impaired

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Neither past due or impaired	**645,915**	720,599
Past due 31 to 60 days	**14,948**	17,250
Past due over 60 days	**47,918**	12,571
Total trade and other receivables	**708,781**	750,420

7. INVENTORY

The total carrying amount and classification of inventory was:

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
NGLs and iso-octane	**291,134**	272,836
Other	**9,749**	7,900
Total inventory	**300,883**	280,736

For the year ended December 31, 2022, $278,955 of inventory was carried at cost (2021 – $280,736) and $21,928 was carried at net realizable value (2021 – $nil). During the year, a write-down of $9,595 was recorded to adjust the carrying amount of inventory to net realizable value (2021 – $nil). The cost of inventory expensed for the year ended December 31, 2022 was $5,116,246 (2021 – $3,296,550).

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

8. OTHER ASSETS

As at December 31, *(Thousands of Canadian dollars)*	2022	2021
Prepaid deposits	**1,832**	8,766
Other	**17,267**	14,510
Total other assets	**19,099**	23,276

9. PROPERTY, PLANT, AND EQUIPMENT

Cost *(Thousands of Canadian dollars)*	General plant & processing equipment	Other properties & equipment	Turnarounds	Land & linefill	Total
Balance at December 31, 2020	**8,256,207**	**291,219**	**321,666**	**186,363**	**9,055,455**
Additions	476,698	20,227	19,708	—	516,633
Disposals	(15,273)	(78,701)	(52)	—	(94,026)
Decommissioning asset	(12,168)	—	—	—	(12,168)
Foreign currency translation	(2,187)	(4)	—	(119)	(2,310)
Balance at December 31, 2021	**8,703,277**	**232,741**	**341,322**	**186,244**	**9,463,584**
Additions	812,729	30,577	52,623	—	895,929
Disposals	(100,680)	(442)	—	(12,920)	(114,042)
Decommissioning asset	(82,730)	—	—	—	(82,730)
Foreign currency translation	15,161	366	—	**300**	15,827
Balance at December 31, 2022	**9,347,757**	**263,242**	**393,945**	**173,624**	**10,178,568**

Accumulated depreciation, depletion and impairment *(Thousands of Canadian dollars)*	General plant & processing equipment	Other properties & equipment	Turnarounds	Land & linefill	Total
Balance at December 31, 2020	**(2,158,525)**	**(211,437)**	**(282,017)**	**(2,291)**	**(2,654,270)**
Impairment expense	(100,824)	—	—	—	(100,824)
Depreciation and depletion expenses	(175,838)	(16,259)	(14,553)	—	(206,650)
Disposals and other	(2,141)	82,174	67	—	80,100
Foreign currency translation	317	19	—	—	336
Balance at December 31, 2021	**(2,437,011)**	**(145,503)**	**(296,503)**	**(2,291)**	**(2,881,308)**
Impairment expense	(171,478)	—	—	—	(171,478)
Depreciation and depletion expenses	(174,539)	(19,822)	(17,452)	—	(211,813)
Disposals and other	74,939	101	—	—	75,040
Foreign currency translation	3,254	(67)	—	—	3,187
Balance at December 31, 2022	**(2,704,835)**	**(165,291)**	**(313,955)**	**(2,291)**	**(3,186,372)**

Carrying value *(Thousands of Canadian dollars)*	General plant & processing equipment	Other properties & equipment	Turnarounds	Land & linefill	Total
Balance at December 31, 2020	6,097,682	79,782	39,649	184,072	6,401,185
Balance at December 31, 2021	6,266,266	87,238	44,819	183,953	6,582,276
Balance at December 31, 2022	**6,642,922**	**97,951**	**79,990**	**171,333**	**6,992,196**

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

Property, plant and equipment under construction included in carrying value *(Thousands of Canadian dollars)*	**Cost**
As at December 31, 2021	518,076
As at December 31, 2022	**1,210,377**

Acquisition and disposal of property, plant and equipment

In January 2022, Keyera completed the sale of the Hull terminal and Hull terminal pipeline system, including all hydrocarbon inventory owned by Keyera in relation to the asset. The transaction included net proceeds of $50,806 (US$40,016), $39,815 (US$31,360) related to the terminal and pipeline system and $10,991 (US$8,656) related to the closing value of the inventory, resulting in the recognition of a loss of $477. The transaction included a nominal assumed decommissioning liability.

In December 2022, Keyera entered into an agreement to acquire an additional 21 percent working interest in the Keyera Fort Saskatchewan complex ("KFS") for total cash consideration of $365,000. The acquisition closed on February 13, 2023 and has increased Keyera's total ownership interest in KFS to 98 percent.

For the year ended December 31, 2021, Keyera disposed of its 50 percent ownership interest in the Bonnie Glen Pipeline for cash proceeds of $16,177, resulting in a gain on disposal of $19,158. At the same time, Keyera also completed the acquisition of the remaining 50 percent ownership interest in the Alberta Crude Terminal ("ACT") for cash consideration of $11,165. This transaction was accounted for as an asset acquisition and included the assumption of a nominal associated decommissioning liability.

A gain of $1,639 was also recorded in 2021 related to the disposition of Keyera's ownership interest in the Cynthia production wells.

2022 Impairment expense

For the year ended December 31, 2022, Keyera identified through its impairment review that certain assets had carrying values that were greater than their recoverable amounts. The recoverable amount for each asset was calculated based on value in use which represents the estimated net present value of the cash flows expected to be derived from the asset, or fair value less costs of disposal ("FVLCOD").

The following impairment expenses with a combined value of $171,478 were recognized during the year ended December 31, 2022 in relation to property, plant and equipment:

(Thousands of Canadian dollars, except rate information)	**Period impairment was recorded**	**Determination of recoverable amount**	**Applicable discount rate**	**Impairment expense recognized**
Simonette gas plant[1]	Q4 2022	Value in use	14.1%	159,201
Cancelled or postponed projects[2]	Q4 2022	—	—	12,277
Total impairment expense				**171,478**

Notes:
1 Included in the Simonette CGU in the Gathering and Processing operating segment.
2 Projects that were cancelled or postponed during 2022 were individually immaterial and insignificant. The associated capitalized costs were impaired to $nil. $6,384 of the impairment expense recorded relates to the Liquids Infrastructure operating segment. The remaining $5,893 relates to the Gathering and Processing operating segment.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

The impairment expense recorded for the Simonette CGU was the result of underutilization of the Simonette gas plant. The total impairment expense for the Simonette CGU was $168,000; however, since the CGU included associated goodwill in the amount of $8,799, the impairment expense was first allocated to reduce the total value of goodwill to $nil. The remaining impairment expense of $159,201 was then allocated to reduce the carrying amount of the Simonette gas plant.

2021 Impairment expense

The following impairment expenses with a combined value of $100,824 were recognized during the year ended December 31, 2021 in relation to property, plant and equipment:

(Thousands of Canadian dollars, except rate information)	Period impairment was recorded	Determination of recoverable amount	Applicable discount rate	Impairment expense recognized
Alberta Crude Terminal[1]	Q2 2021	FVLCOD	—	9,494
Hull terminal[2]	Q3 2021	FVLCOD	—	8,187
Rimbey gas plant[3]	Q4 2021	Value in use	11.3%	83,143
Total impairment expense				**100,824**

Notes:
1 Included in the Liquids Infrastructure – Canada CGU in the Liquids Infrastructure operating segment.
2 Included in the United States CGU in the Liquids Infrastructure operating segment.
3 Included in the Rimbey Area CGU in the Gathering and Processing operating segment.

The impairment expense recorded for the Rimbey Area CGU was the result of underutilization of the Rimbey gas plant, including lower processing volumes for this facility. The total impairment expense for the Rimbey Area CGU was $98,090; however, since the CGU included associated goodwill in the amount of $14,947, the impairment expense was first allocated to reduce the total value of goodwill to $nil. The remaining impairment expense of $83,143 was then allocated to reduce the carrying amount of the Rimbey gas plant.

In connection with its acquisition of the remaining 50 percent ownership interest in the ACT facility during the year, Keyera recorded an impairment expense of $9,494 related to its original working interest in the ACT facility to reduce the carrying value to its recoverable amount.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

10. RIGHT-OF-USE ASSETS

Cost *(Thousands of Canadian dollars)*	Rail Cars	Pipeline Transportation	Real Estate	Prepaid Lease Asset	Other	Total
Balance at December 31, 2020	**238,910**	**44,669**	**17,968**	**66,166**	**2,115**	**369,828**
Additions and adjustments	9,254	—	—	(3,194)	—	6,060
Balance at December 31, 2021	**248,164**	**44,669**	**17,968**	**62,972**	**2,115**	**375,888**
Additions and adjustments	54,040	—	—	(3,360)	—	50,680
Balance at December 31, 2022	**302,204**	**44,669**	**17,968**	**59,612**	**2,115**	**426,568**

Accumulated depreciation *(Thousands of Canadian dollars)*	Rail Cars	Pipeline Transportation	Real Estate	Prepaid Lease Asset	Other	Total
Balance at December 31, 2020	**(98,263)**	**(3,574)**	**(3,111)**	**(221)**	**(381)**	**(105,550)**
Depreciation expense	(37,237)	(1,787)	(1,839)	(2,524)	(194)	(43,581)
Balance at December 31, 2021	**(135,500)**	**(5,361)**	**(4,950)**	**(2,745)**	**(575)**	**(149,131)**
Depreciation expense	(32,494)	(1,787)	(1,838)	(2,439)	(194)	(38,752)
Balance at December 31, 2022	**(167,994)**	**(7,148)**	**(6,788)**	**(5,184)**	**(769)**	**(187,883)**

Carrying Value *(Thousands of Canadian dollars)*	Rail Cars	Pipeline Transportation	Real Estate	Prepaid Lease Asset	Other	Total
Balance at December 31, 2020	140,647	41,095	14,857	65,945	1,734	264,278
Balance at December 31, 2021	112,664	39,308	13,018	60,227	1,540	226,757
Balance at December 31, 2022	**134,210**	**37,521**	**11,180**	**54,428**	**1,346**	**238,685**

11. GOODWILL

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Goodwill – beginning of the year	**40,814**	55,761
Impairment of goodwill	**(8,799)**	(14,947)
Goodwill – end of the year	**32,015**	40,814

Allocation of goodwill to cash-generating units

For the purpose of impairment testing, goodwill is allocated to Keyera's CGUs which represent the lowest level within Keyera at which the goodwill is monitored for internal management purposes.

The carrying amount of goodwill was allocated to CGUs as follows:

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Liquids Infrastructure – Canada CGU	**32,015**	32,015
Simonette CGU	**—**	8,799
Total goodwill	**32,015**	40,814

Impairment test of goodwill

Keyera performed its annual tests for goodwill impairment on December 31, 2022 and 2021 in accordance with its policy described in note 3. It was determined that the Simonette CGU was impaired at December 31, 2022 as a result of the underutilization of the Simonette gas plant. A goodwill impairment expense of $8,799 was recorded, which was equal to the total amount of goodwill allocated to this CGU. The remainder of the impairment expense ($159,201) was recorded against property, plant and equipment to reduce the carrying value of the Simonette gas plant. Refer to note 9 for additional details.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

The recoverable amount for these CGUs was determined based on a value in use calculation. At December 31, 2022, the discount rate used was 13.3% for the Liquids Infrastructure facilities, and 14.1% for the Simonette gas plant (December 31, 2021 – 11.3% and 12.1%, respectively).

12. TRADE AND OTHER PAYABLES, AND PROVISIONS

The components of trade and other payables, and provisions were:

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Trade and accrued payables	**717,261**	650,392
Other payables	**27,262**	22,258
Current portion of long-term incentive plan	**34,339**	7,698
Current income taxes payable	**27,664**	30,422
Total trade and other payables, and provisions	**806,526**	710,770

13. LONG-TERM DEBT

Carrying value

The carrying value of debt is reflected in current debt and long-term debt on the consolidated statements of financial position.

Fair value

The fair value of long-term debt is based on third party estimates for similar issues or current rates offered to Keyera for debt of the same maturity. The fair value of Keyera's senior unsecured notes at December 31, 2022 and 2021, as noted below, was determined by reference to valuation inputs under Level 2 of the fair value hierarchy as referenced in note 22.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

The following is a summary of Keyera's current and long-term debt:

As at December 31, 2022	Effective Interest Rate	Notes	Carrying Value	Fair Value
			(Thousands of Canadian dollars)	
Bank credit facilities	6.95%	(a)	40,000	40,000
Total credit facilities			**40,000**	**40,000**
Canadian dollar denominated debt				
Senior unsecured notes:				
3.50% due June 16, 2023	3.55%		30,000	29,600
4.91% due June 19, 2024	4.97%		17,000	16,700
4.92% due October 10, 2025	4.94%		100,000	97,300
5.05% due November 20, 2025	5.14%		20,000	19,500
4.15% due June 16, 2026	4.19%		30,000	28,500
3.96% due October 13, 2026	4.01%		200,000	187,900
3.68% due September 20, 2027	3.72%		400,000	368,900
5.09% due October 10, 2028	5.10%		100,000	97,900
4.11% due October 13, 2028	4.16%		100,000	93,100
5.34% due April 8, 2029	5.38%		75,000	74,300
			1,072,000	1,013,700
Senior unsecured medium-term notes:				
3.93% due June 21, 2028	4.00%		400,000	374,200
3.96% due May 29, 2030	4.02%		400,000	360,500
5.02% due March 28, 2032	5.08%	(b)	400,000	377,700
Subordinated hybrid notes:				
6.88% due June 13, 2079	6.89%		600,000	570,000
5.95% due March 10, 2081	5.97%	(c)	350,000	304,500
			3,222,000	3,000,600
U.S. dollar denominated debt				
Senior unsecured notes:				
4.19% due June 19, 2024 (US$128,000)	4.24%		173,229	167,800
4.75% due November 20, 2025 (US$140,000)	4.81%		189,469	183,000
4.95% due November 20, 2028 (US$65,000)	4.99%		87,968	83,500
			450,666	434,300
Less: Issuance costs			(19,921)	—
Less: Current portion of long-term debt			(30,000)	(29,600)
Total long-term debt			**3,622,745**	**3,405,300**

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

As at December 31, 2021	Effective Interest Rate	Notes	Carrying Value	Fair Value
			(Thousands of Canadian dollars)	
Bank credit facilities	2.95%	(a)	230,000	230,000
Total credit facilities			**230,000**	**230,000**
Canadian dollar denominated debt				
Senior unsecured notes:				
6.14% due December 3, 2022	6.21%		60,000	61,900
3.50% due June 16, 2023	3.55%		30,000	30,300
4.91% due June 19, 2024	4.97%		17,000	17,700
4.92% due October 10, 2025	4.94%		100,000	105,400
5.05% due November 20, 2025	5.14%		20,000	21,200
4.15% due June 16, 2026	4.19%		30,000	30,900
3.96% due October 13, 2026	4.01%		200,000	204,400
3.68% due September 20, 2027	3.72%		400,000	402,700
5.09% due October 10, 2028	5.10%		100,000	109,100
4.11% due October 13, 2028	4.16%		100,000	103,200
5.34% due April 8, 2029	5.38%		75,000	83,300
			1,132,000	1,170,100
Senior unsecured medium-term notes:				
3.93% due June 21, 2028	4.00%		400,000	426,500
3.96% due May 29, 2030	4.02%		400,000	424,500
Subordinated hybrid notes:				
6.88% due June 13, 2079	6.89%		600,000	658,500
5.95% due March 10, 2081	5.97%	(c)	350,000	361,400
			2,882,000	3,041,000
U.S. dollar denominated debt				
Senior unsecured notes:				
4.19% due June 19, 2024 (US$128,000)	4.24%		161,997	167,900
4.75% due November 20, 2025 (US$140,000)	4.81%		177,184	188,100
4.95% due November 20, 2028 (US$65,000)	4.99%		82,264	90,000
			421,445	446,000
Less: Issuance costs			(18,960)	—
Less: Current portion of long-term debt			(60,000)	(61,900)
Total long-term debt			**3,224,485**	**3,425,100**

(a) The Partnership has an unsecured revolving credit facility ("Credit Facility") with a syndicate of seven financial institutions under which it can borrow up to $1,500,000 with the potential to increase this limit to $2,000,000 subject to certain conditions. On December 6, 2022, the Credit Facility was amended to extend the term from December 6, 2026 to December 6, 2027 for $1,317,500 of the $1,500,000 total. The remaining $182,500 is subject to the original maturity date of December 6, 2026. As at December 31, 2022, $40,000 was drawn under this facility (December 31, 2021 – $230,000). The entire outstanding balance will mature on December 6, 2027.

Financing costs of $651 were incurred upon the renewal and extension of the Credit Facility and have been deferred and are amortized using the effective interest method over the remaining term of the Credit Facility.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

In addition, the Toronto Dominion Bank has provided a $25,000 unsecured revolving demand facility and the Royal Bank of Canada has provided a further unsecured revolving demand facility that is equal to the amount of outstanding letters of credit, up to $50,000. These unsecured revolving credit facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, LIBOR loans, or bankers' acceptances. As at December 31, 2022, outstanding letters of credit issued were $6,366 (2021 – $6,025).

(b) On March 28, 2022, Keyera closed a public note offering of $400,000, 10-year senior unsecured medium-term notes to investors in Canada. The notes bear interest at 5.022%, which is payable semi-annually, and mature on March 28, 2032.

The associated financing costs of $2,381 have been deferred and are amortized using the effective interest method over the remaining term of the debt.

(c) On March 10, 2021, Keyera issued $350,000 of fixed-to-fixed rate subordinated notes due March 10, 2081 in the Canadian public debt market. The interest rate of 5.95% is payable in equal semi-annual payments for the period from March 10, 2021 to, but not including, March 10, 2031, 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%

On or after December 10, 2030, the notes are subject to optional redemption by Keyera without the consent of the holders, whereby Keyera may redeem the notes in whole at any time, or in part from time to time, and dependent upon certain conditions. The notes are also subject to an automatic conversion feature under certain bankruptcy or insolvency events. Upon an automatic conversion event, the notes will automatically be converted, without the consent of the note holders, into a newly issued series of Preferred Shares (2021-A Conversion Preference Shares), that will carry the right to receive cumulative preferential cash dividends at the same rate as the interest rate that would have accrued on the notes. The fair value of the automatic conversion feature was deemed to be nominal at inception.

The associated financing costs of approximately $3,262 have been deferred and are amortized using the effective interest method over the remaining term of the debt.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

14. DECOMMISSIONING LIABILITY

Keyera estimates the future costs of decommissioning for its gathering and processing, fractionation, iso-octane and storage facilities, pipelines and terminals on a discounted basis upon acquisition or installation of these assets. The total undiscounted amount of cash flows required to settle the decommissioning liability is $1,102,067 (2021 – $1,087,540) which has been discounted using a credit-adjusted risk-free rate of 6.5% (2021 – 4.5%). The majority of these costs are 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 the facilities and pipelines, there is uncertainty regarding the amount and timing of these costs. No assets have been legally restricted for settlement of the liability.

The following is a reconciliation of the beginning and ending carrying amounts of the obligation associated with the decommissioning of Keyera's assets:

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Decommissioning liability – beginning of the year	**268,488**	298,178
Liabilities acquired	**—**	522
Liabilities disposed	**(395)**	(16,507)
Liabilities settled	**(17,455)**	(13,192)
Change in estimated cash flows and additions	**11,724**	24,819
Change in discount rate	**(99,330)**	(20,859)
Change in estimated timing of settlement	**4,956**	(16,464)
Unwinding of discount included in finance costs	**11,339**	12,262
Foreign currency translation	**27**	(271)
Decommissioning liability – end of the year	**179,354**	268,488

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Current portion of decommissioning liability	**15,933**	18,900
Long-term portion of decommissioning liability	**163,421**	249,588
Decommissioning liability – end of the year	**179,354**	268,488

15. LEASE LIABILITIES

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Lease liabilities – beginning of the year	**183,290**	211,924
Additions	**54,040**	9,254
Interest on leases	**7,873**	7,996
Lease payments	**(43,566)**	(44,645)
Foreign exchange re-measurement and other	**7,762**	(1,239)
Lease liabilities – end of the year	**209,399**	183,290

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Current portion of lease liabilities	**28,229**	31,545
Long-term portion of lease liabilities	**181,170**	151,745
Lease liabilities – end of the year	**209,399**	183,290

Keyera's most significant lease payments are incurred for rail car, pipeline transportation and real estate arrangements. The longest initial lease term for Keyera's lease contracts is 15 years. For certain lease arrangements, Keyera has the option to extend the lease for additional terms, up to 5 years each. As at December 31, 2022, the incremental borrowing rates used to measure lease liabilities was 3.9% for Canadian dollar denominated leases, and between 2.9% and 6.3%

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

for U.S. dollar denominated leases (2021 – 3.9% for Canadian dollar denominated leases and between 2.9% and 4.5% for U.S. dollar denominated leases).

(Thousands of Canadian dollars)	**2022**	2021
Variable lease payments	**4,957**	3,167
Low-value leases	**2,343**	3,017
Total lease payments expensed	**7,300**	6,184

The variable lease payments primarily relate to operating expenses and property taxes for real estate contracts and ancillary costs associated with the rail car leases. The amounts recorded have been reduced for lease incentives received, which are immaterial.

16. OTHER LONG-TERM LIABILITIES

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Long-term incentive plan	**9,736**	16,807
Other liabilities	**—**	1,788
Total other long-term liabilities	**9,736**	18,595

17. INCOME TAXES

The components of the income tax expense were:

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Current income taxes:		
Current income tax charge	**59,085**	30,572
Adjustments with respect to current income tax of previous year	**606**	1,454
Current income tax expense	**59,691**	32,026
Deferred income taxes:		
Related to the origination and reversal of temporary differences	**45,646**	71,754
Adjustments to the opening deferred tax balances	**(431)**	(1,725)
Deferred income tax expense	**45,215**	70,029
Total income tax expense	**104,906**	102,055

The following is a reconciliation of income taxes, calculated at the combined federal and provincial income tax rate, to the income tax provision included in the consolidated statements of net earnings and comprehensive income.

(Thousands of Canadian dollars)	**2022**	2021
Earnings before income tax	**433,200**	426,261
Income tax at statutory rate of 23.00% (2021 – 23.00%)	**99,636**	98,040
Goodwill impairment	**2,024**	3,438
Valuation allowances	**215**	250
Permanent differences	**3,434**	379
Tax rate differences and adjustments	**(462)**	(56)
Adjustments to tax pool balances	**59**	4
Total income tax expense	**104,906**	102,055

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

Deferred tax balances

(Thousands of Canadian dollars)	**2022**	2021
Deferred tax assets	**32,240**	30,193
Deferred tax liabilities	**(726,518)**	(683,398)
Net deferred tax liabilities	**(694,278)**	(653,205)

The deferred tax (liabilities) assets relate to losses and to the (taxable) deductible temporary differences in the carrying values and tax bases as follows:

	Consolidated Statements of Financial Position as at December 31,		**Consolidated Statements of Net Earnings for the years ended December 31,**	
(Thousands of Canadian dollars)	**2022**	2021	**2022**	2021
Property, plant and equipment	**(830,889)**	(792,709)	**37,878**	64,243
Intangible assets	**1,861**	(721)	**(2,416)**	485
Lease liabilities	**48,286**	42,219	**(3,690)**	6,580
Non-capital losses	**29,166**	17,844	**(9,652)**	(1,737)
Decommissioning liability	**41,293**	61,838	**20,624**	6,826
Other	**16,005**	18,324	**2,471**	(6,368)
Net deferred tax liabilities	**(694,278)**	(653,205)		
Deferred income tax expense			**45,215**	70,029

Reconciliation of net deferred tax liabilities

(Thousands of Canadian dollars)	**2022**	2021
Net deferred tax liabilities – beginning of the year	**(653,205)**	(582,907)
Income tax expense recognized in net earnings	**(45,215)**	(70,029)
Deferred income tax related to share issuance costs	**2,228**	—
Revaluation of foreign net deferred tax liabilities	**1,914**	(269)
Net deferred tax liabilities – end of the year	**(694,278)**	(653,205)

Deferred tax assets are recognized for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The ability to realize the tax benefits of these losses is dependent upon a number of factors, including the future profitability of operations in the jurisdictions in which the tax losses arose.

As at December 31, 2022, Keyera and its subsidiaries have non-capital losses carried forward of $118,576 (2021 – $74,357) which are available to offset income of specific entities of the consolidated group in future periods. The amount of unrecognized net capital losses and other assets as at December 31, 2022 was $9,935 (2021 – $5,585).

18. SHARE CAPITAL

	Number of Common Shares	*(Thousands of Canadian dollars)* Share Capital
Balance at December 31, 2020	**221,022,873**	**3,150,104**
Balance at December 31, 2021	**221,022,873**	**3,150,104**
Common shares issued pursuant to equity offering[1]	8,130,500	222,634
Balance at December 31, 2022	**229,153,373**	**3,372,738**

Note:
1 Net of issuance costs and a related deferred income tax asset recorded.

On December 20, 2022 Keyera issued an aggregate of 8,130,500 common shares at a price of $28.30 per common share, which includes 1,060,500 common shares pursuant to the over-allotment option with the public offering. The net proceeds were $222,634 after underwriters' fees and issuance costs of $9,687 and net of a deferred tax asset balance of $2,228.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

For the year ended December 31, 2022, dividends declared totaled $425,665 or $1.92 per common share (2021 – $424,364 or $1.92 per common share).

19. EARNINGS PER SHARE

Basic earnings per share was calculated by dividing net earnings by the weighted average number of shares outstanding for the related period:

	2022	2021
Earnings per share – basic and diluted *($/share)*	**1.48**	1.47
Net earnings – basic and diluted *(Thousands of Canadian dollars)*	**328,294**	324,206
Weighted average number of shares – basic and diluted *(Thousands)*	**221,290**	221,023

20. ACCUMULATED DIVIDENDS TO SHAREHOLDERS

The following table presents the reconciliation between the beginning and ending accumulated dividends to shareholders:

(Thousands of Canadian dollars)	
Balance at December 31, 2020	**3,368,713**
Dividends declared and paid	389,000
Dividends declared	35,364
Balance at December 31, 2021	**3,793,077**
Dividends declared and paid	389,000
Dividends declared	36,665
Balance at December 31, 2022	**4,218,742**

Keyera's general practice is to pay a monthly dividend on the closest business day to the 15th of each calendar month to shareholders of record as of the dividend record date, which is usually 20 to 26 days prior to the dividend payment date.

Keyera's dividend policy is to provide shareholders with relatively stable and predictable monthly dividends, while retaining a portion of cash flow to fund ongoing growth projects. The amount of dividends to be paid on the common shares, if any, is subject to the discretion of the board of directors and may vary depending on a variety of factors. In determining the level of dividends to be declared each month, the board of directors takes into consideration such factors as current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors.

21. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-Term Incentive Plan

Keyera has a Long-Term Incentive Plan ("LTIP") which compensates officers and key employees by delivering shares of Keyera or paying cash in lieu of shares. Participants in the LTIP are granted rights ("share awards") to receive shares of Keyera on specified dates in the future. Grants of share awards are authorized by the board of directors. Shares delivered to employees are acquired in the marketplace and not issued from treasury. The acquired shares are placed in a trust account established for the benefit of the participants until the share awards vest.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

The LTIP consists of two types of share awards, which are described below:

Performance Awards

All Performance Awards issued and outstanding are settled on or before September 1st following the third anniversary of the grant date. The number of shares to be delivered will be determined by the financial performance of Keyera over the three-year period, and will be calculated by multiplying the number of share awards by an adjustment ratio and a payout multiplier. The adjustment ratio adjusts the number of shares to be delivered to reflect the per share cash dividends paid by Keyera to its shareholders during the term that the share award is outstanding.

Commencing with the 2021 Performance Award grant, the payout multiplier was based 50% on the average annual pre-tax distributable cash flow per share over the performance period of three years and 50% on the relative total shareholder return in a defined peer group over the performance period of three years (for Performance Award grants made prior to 2021 – 70% and 30%, respectively).

Time Vested Awards ("Restricted Awards")

Restricted Awards are settled in three equal installments over a three-year period regardless of the performance of Keyera. The number of shares to be delivered will be multiplied by an adjustment ratio which reflects the per share cash dividends paid by Keyera to its shareholders during the term that the share award is outstanding.

The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The fair value of the liability is measured by applying a fair value pricing model whereby one of the valuation inputs was the December 31, 2022 share price of Keyera, which was $29.59 per share (December 31, 2021 – $28.53 per share).

The compensation cost recorded for the LTIP was:

(Thousands of Canadian dollars)	**2022**	2021
Performance Awards	**27,281**	22,509
Restricted Awards	**6,003**	4,520
Total long-term incentive plan expense	**33,284**	27,029

The table below shows the number of share awards granted:

	Share awards granted as at December 31,	
Share Award Series	**2022**	2021
Performance Awards		
Issued July 1, 2019	**—**	468,227
Issued July 1, 2020	**794,874**	820,288
Issued July 1, 2021	**454,766**	467,505
Issued July 1, 2022	**543,217**	—
Restricted Awards		
Issued July 1, 2019	**—**	26,548
Issued July 1, 2020	**43,096**	93,147
Issued July 1, 2021	**112,217**	173,885
Issued July 1, 2022	**203,213**	—

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

Employee Stock Purchase Plan

Keyera maintains an employee stock purchase plan ("ESPP") whereby eligible employees can purchase common shares of Keyera. Keyera will contribute an amount equal to 5% of the employee's contribution. To participate in the ESPP, eligible employees select an amount to be deducted from their semi-monthly remuneration. Employees may elect to withhold up to 25% of their base compensation for the stock purchases. The shares of Keyera are acquired on the Toronto Stock Exchange on a semi-monthly basis consistent with the timing of the semi-monthly remuneration. The cost of the shares purchased to match the employee's contribution is expensed as incurred and recorded in general and administrative expenses.

Defined Contribution Pension Plan

For the year ended December 31, 2022, Keyera made pension contributions of $10,730 (2021 – $9,650) on behalf of its employees. The contributions were recorded in general and administrative expenses.

Deferred Share Unit Plan

Effective January 1, 2016, Keyera implemented a deferred share unit ("DSU") plan, for non-employee directors. Each DSU vests on the date the grant is awarded but cannot be redeemed until a director ceases to be a member of the board of directors. The grant value is determined based on a 20 day weighted average trading share price. DSUs are settled in cash (on an after-tax basis) based on the 20 day weighted average Keyera share price up to the date of termination. For the year ended December 31, 2022, Keyera recorded $2,145 (2021 – $2,211) in general and administrative expenses related to the DSU plan.

The following table reconciles the number of DSUs outstanding:

	2022	2021
DSUs outstanding – beginning of the year	**207,330**	155,602
Granted	**61,633**	51,728
DSUs outstanding – end of the year	**268,963**	207,330

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include cash, trade and other receivables, derivative financial instruments, bank indebtedness, trade and other payables, dividends payable, current and long-term lease liabilities, credit facilities, current and long-term debt, and certain other long-term liabilities. Derivative financial instruments include foreign exchange contracts, cross-currency swaps, NGLs, crude oil, motor gasoline and natural gas price contracts, electricity price contracts and physical fixed price commodity contracts. Derivative instruments are recorded on the consolidated statements of financial position at fair value. Changes in the fair value of these financial instruments are recognized through profit or loss in the consolidated statements of net earnings and comprehensive income in the period in which they arise. All other financial instruments are measured at amortized cost.

Financial Instruments

Fair value

Fair value represents Keyera's estimate of the price at which a financial instrument could be exchanged between knowledgeable and willing parties in an orderly arm's length transaction motivated by normal business considerations.

Fair value measurement of assets and liabilities recognized on the consolidated statements of financial position are categorized into levels within a fair value hierarchy based on the nature of valuation inputs.

The fair value hierarchy has the following levels:

- **Level 1:** quoted prices in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- **Level 3:** inputs for the asset or liability that are not based on observable market data.

All of Keyera's derivative instruments are classified as Level 2 as their fair value is derived by using observable inputs, including commodity price curves, foreign currency curves and credit spreads. For fixed price forward contracts, fair value is derived from observable NGL market prices.

Financial instruments with fair value equal to carrying value

The carrying values of cash, trade and other receivables, bank indebtedness, trade and other payables and dividends payable approximate their fair values because the instruments are either near maturity, have 5 to 30 days payment terms or have no fixed repayment terms. The carrying value of the credit facilities approximates fair value due to their floating rates of interest.

Fair value of senior fixed rate debt

Refer to note 13 for the fair value amounts of the senior unsecured notes, the senior unsecured medium-term notes, and the subordinated hybrid notes.

Fair value of derivative instruments

The fair values and carrying values of the derivative instruments are listed below and represent an estimate of the amount that Keyera would receive (pay) if these instruments were settled at the end of the period.

As at December 31, 2022	Notional Volume[1]	Weighted Average Price	Fair Value Hierarchy Level	Net Fair Value	Carrying Value Asset	Carrying Value Liability
				(Thousands of Canadian dollars)		
Marketing (NGLs and Iso-octane)						
Financial contracts:						
Seller of fixed price WTI[2] swaps (maturing by March 31, 2024)	3,927,696 Bbls	110.28/Bbl	Level 2	8,802	19,389	(10,587)
Buyer of fixed price WTI[2] swaps (maturing by December 31, 2023)	1,123,810 Bbls	109.17/Bbl	Level 2	(1,454)	3,332	(4,786)
Seller of fixed price NGL swaps (maturing by December 31, 2024)	5,369,500 Bbls	65.22/Bbl	Level 2	40,887	44,570	(3,683)
Buyer of fixed price NGL swaps (maturing by December 31, 2024)	4,410,000 Bbls	62.08/Bbl	Level 2	(35,110)	2,462	(37,572)
Seller of fixed price RBOB[3] basis spreads (iso-octane) (maturing by June 30, 2024)	2,975,000 Bbls	29.29/Bbl	Level 2	(12,448)	2,338	(14,786)
Physical contracts:						
Seller of fixed price NGL forward contracts (maturing by January 31, 2023)	160,000 Bbls	43.09/Bbl	Level 2	(291)	16	(307)
Currency:						
Seller of forward contracts (maturing by December 31, 2023)	US$242,800,000	1.33/USD	Level 2	(6,144)	183	(6,327)
Buyer of forward contracts (maturing by March 31, 2023)	US$8,720,000	1.31/USD	Level 2	361	361	—
Other foreign exchange contracts[4]			Level 2	(8,678)	—	(8,678)
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2023)	87,672 MWhs	80.82/MWh	Level 2	8,772	8,772	—
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2023)	21,936 MWhs	94.00/MWh	Level 2	1,905	1,905	—
Corporate and Other						
Long-term Debt:						
Buyer of cross-currency swaps (maturing June 19, 2024 – November 20, 2028)	US$380,299,800	0.98/USD - 1.22/USD	Level 2	101,270	101,270	—
				97,872	**184,598**	**(86,726)**

Notes:
1 All notional amounts represent actual volumes or actual prices and are not expressed in thousands.
2 West Texas Intermediate ("WTI") crude oil.
3 Reformulated Blendstock for Oxygenate Blending ("RBOB").
4 Keyera has entered into other foreign exchange contracts to protect against fluctuations in the U.S. dollar to Canadian dollar exchange rate.

					(Thousands of Canadian dollars)	
As at December 31, 2021	Notional Volume[1]	Weighted Average Price	Fair Value Hierarchy Level	Net Fair Value	Carrying Value Asset	Carrying Value Liability
Marketing (NGLs and Iso-octane)						
Financial contracts:						
Seller of fixed price WTI[2] swaps (maturing by December 31, 2022)	2,673,775 Bbls	85.35/Bbl	Level 2	(23,478)	295	(23,773)
Buyer of fixed price WTI[2] swaps (maturing by March 31, 2022)	85,250 Bbls	79.08/Bbl	Level 2	1,354	1,354	—
Seller of fixed price NGL swaps (maturing by December 31, 2023)	2,940,250 Bbls	62.42/Bbl	Level 2	(26,049)	763	(26,812)
Buyer of fixed price NGL swaps (maturing by December 31, 2023)	1,260,000 Bbls	45.51/Bbl	Level 2	17,848	19,301	(1,453)
Seller of fixed price RBOB[3] basis spreads (iso-octane) (maturing by March 31, 2023)	2,535,000 Bbls	24.12/Bbl	Level 2	(4,632)	1,218	(5,850)
Physical contracts:						
Seller of fixed price NGL forward contracts (maturing by January 31, 2022)	20,000 Bbls	55.02/Bbl	Level 2	(106)	—	(106)
Currency:						
Seller of forward contracts (maturing by June 30, 2022)	US$161,500,000	1.27/USD	Level 2	1,056	1,307	(251)
Other foreign exchange contracts[4]			Level 2	2,380	2,380	—
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2022)	43,800 MWhs	72.55/MWh	Level 2	805	813	(8)
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2022)	43,800 MWhs	73.20MWh	Level 2	777	806	(29)
Corporate and Other						
Long-term Debt:						
Buyer of cross-currency swaps (maturing June 19, 2024 – November 20, 2028)	US$395,530,500	0.98/USD - 1.22/USD	Level 2	88,363	88,363	—
				58,318	**116,600**	**(58,282)**

Notes:
1 All notional amounts represent actual volumes or actual prices and are not expressed in thousands.
2 West Texas Intermediate ("WTI") crude oil.
3 Reformulated Blendstock for Oxygenate Blending ("RBOB").
4 Keyera has entered into other foreign exchange contracts to protect against fluctuations in the U.S. dollar to Canadian dollar exchange rate.

Unrealized gains (losses), representing the change in fair value of derivative contracts, were:

(Thousands of Canadian dollars)	**2022**	2021
Risk management contracts:		
Marketing	**17,552**	(8,806)
Liquids infrastructure	**7,967**	184
Gathering and processing	**1,128**	388
Change in fair value of the cross-currency swaps on U.S. debt[1]	**12,907**	(5,267)
Total unrealized gain (loss)	**39,554**	(13,501)

Note:
1. Includes principal and interest portion.

Risk Management

Market risk is the risk that the fair value of future cash flows of a financial asset or a financial liability will fluctuate because of changes in market prices. Market risk is comprised of commodity price risk, foreign currency risk, and interest rate risk, as well as credit and liquidity risks.

Commodity price risk

Subsidiaries of Keyera enter into contracts to purchase and sell primarily NGLs and iso-octane, as well as natural gas and crude oil. These contracts are exposed to commodity price risk between the time when contracted volumes are purchased and sold, and foreign currency risk for those sales denominated in U.S. dollars. These risks are actively managed by utilizing physical and financial contracts which include commodity-related forward contracts, price swaps and forward currency contracts. A risk management committee meets regularly to review and assess the risks inherent in existing contracts and the effectiveness of the risk management strategies. This is achieved by modeling future sales and purchase contracts to monitor the sensitivity of changing prices and volumes.

Significant amounts of electricity and natural gas are consumed by certain facilities. In order to mitigate the exposure to fluctuations in the prices of electricity and natural gas, price swap agreements may be used. These agreements are accounted for as derivative instruments.

Certain NGL contracts that require physical delivery at fixed prices are accounted for as derivative instruments.

Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency. Keyera's foreign currency risk largely arises from the Marketing segment where a significant portion of sales and purchases are denominated in U.S. 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 financial instrument activities and all outstanding positions.

The Gathering and Processing and Liquids Infrastructure segments have very little foreign currency risk as sales and purchases are primarily denominated in Canadian dollars.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

Keyera is also exposed to foreign currency risk related to its U.S. dollar denominated long-term debt and U.S. dollar denominated LIBOR loans when drawn under Keyera's bank credit facility. To manage this currency exposure, Keyera has entered into long-term cross-currency swap contracts relating to the principal portion and future interest payments of the U.S. dollar denominated debt as well as short-term cross-currency swaps relating to the LIBOR loans drawn under the credit facility. These cross-currency contracts are accounted for as derivative instruments. Refer to note 23 for a summary of the foreign currency gains (losses) associated with the U.S. dollar denominated long-term debt.

Interest rate risk

The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. As at December 31, 2022, fixed rate borrowings comprised 99% of total debt outstanding (December 31, 2021 – 93%). The fair value of future cash flows for fixed rate debt fluctuates with changes in market interest rates. It is Keyera's intention to not repay fixed rate debt until maturity and therefore future cash flows would not fluctuate.

Credit risk

The majority of trade and other receivables are due from entities in the oil and gas industry and are subject to normal industry credit risks. Concentration of credit risk is mitigated by having a broad domestic and international customer base. Keyera evaluates and monitors the financial strength of its customers in accordance with its credit policy. Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at December 31, 2022.

With respect to counterparties for derivative financial instruments, the credit risk is managed through dealing primarily with recognized futures exchanges or investment grade financial institutions and by maintaining credit policies which significantly reduce overall counterparty credit risk. In addition, Keyera incorporates the credit risk associated with counterparty default, as well as Keyera's own credit risk, into the estimates of fair value.

The allowance for credit losses is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on expected credit losses, which includes the number of days outstanding and the likelihood of collection from the counterparty. As at December 31, 2022, the total allowance was $4,241 (2021 – $4,241). The carrying amount of financial assets on the consolidated statements of financial position approximates Keyera's maximum exposure to credit risk.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for Keyera's business activities may not be available. Keyera manages liquidity risk by maintaining bank credit facilities, continuously managing forecasted and actual cash flows, and monitoring the maturity profiles of financial assets and financial liabilities. Keyera has access to a wide range of funding at competitive rates through capital markets and banks to meet the immediate and ongoing requirements of the business.

The following table shows the contractual maturities for financial liabilities of Keyera as at December 31, 2022:

(Thousands of Canadian dollars)	Total	2023	2024	2025	2026	2027	After 2027
Bank indebtedness	**1,803**	1,803	—	—	—	—	—
Trade and other payables	**806,526**	806,526	—	—	—	—	—
Derivative financial instruments	**86,726**	80,843	5,883	—	—	—	—
Dividends payable	**36,665**	36,665	—	—	—	—	—
Credit facility	**40,000**	—	—	—	—	40,000	—
Long-term debt[1]	**3,672,666**	30,000	190,229	309,469	230,000	400,000	2,512,968
Lease liabilities[2]	**229,488**	35,698	32,336	29,317	26,960	19,763	85,414
Other liabilities	**9,736**	—	7,063	2,673	—	—	—
	4,883,610	**991,535**	**235,511**	**341,459**	**256,960**	**459,763**	**2,598,382**

Notes:

1 Amounts represent principal only and exclude accrued interest.

2 Amounts represent the expected undiscounted cash payments related to leases.

Risk Management Sensitivities

The following table summarizes the sensitivity of the fair value of Keyera's risk management positions to fluctuations in commodity price, interest rate, and foreign currency rate. Fluctuations in commodity prices, foreign currency rates and interest rates could have resulted in unrealized gains (losses) affecting income before tax as follows:

	Impact on income before tax December 31, 2022		Impact on income before tax December 30, 2021	
(Thousands of Canadian dollars)	**Increase**	**(Decrease)**	Increase	(Decrease)
Commodity price changes				
+ 10% in electricity price	**1,982**	—	797	—
- 10% in electricity price	—	**(1,982)**	—	(797)
+ 10% in NGL, crude oil and iso-octane prices	—	**(48,238)**	—	(44,498)
- 10% in NGL, crude oil and iso-octane prices	**48,238**	—	44,498	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	—	**(3,121)**	—	(1,061)
- $0.01 in U.S./Canadian dollar exchange rate	**3,121**	—	1,061	—
Interest rate changes				
+ 1% in interest rate	—	**(400)**	—	(2,300)
- 1% in interest rate	**400**	—	2,300	—

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

23. NET FOREIGN CURRENCY GAIN (LOSS) ON U.S. DEBT AND OTHER

The components of net foreign currency gain (loss) were:

(Thousands of Canadian dollars)	**2022**	2021
Foreign currency gain (loss) resulting from:		
Translation of long-term debt and interest payable	**(29,548)**	3,456
Change in fair value of the cross-currency swaps – principal and interest	**12,907**	(5,267)
Gain from cross-currency swaps – interest[1]	**2,355**	1,238
Foreign exchange re-measurement of lease liabilities and other	**(7,265)**	1,141
Total net foreign currency (loss) gain on U.S. debt and other	**(21,551)**	568

Note:
1 Foreign currency gains resulted from the exchange of currencies related to the settlement of interest payments on the long-term cross-currency swaps.

24. CAPITAL MANAGEMENT

Keyera's objectives when managing capital are:

- to safeguard Keyera's ability to continue as a going concern;
- to maintain financial flexibility in order to fund investment opportunities and meet financial obligations; and
- to distribute to shareholders a portion of the current cash flow of its subsidiaries, after
  I. satisfaction of debt service obligations (principal and interest) and income tax expenses,
  II. satisfaction of any reclamation funding requirements,
  III. providing for maintenance capital expenditures, and
  IV. retaining reasonable reserves for administrative and other expense obligations and reasonable reserves for working capital and capital expenditures as may be considered appropriate.

Keyera defines its capital as shareholders' equity, long-term debt, credit facilities, and working capital (defined as current assets less current liabilities). Keyera manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Keyera may adjust the amount of dividends paid to shareholders, issue new shares, issue new debt or replace existing debt with new debt having different characteristics.

For the year ended December 31, 2022, Keyera's capital management strategy was unchanged from the prior year. Keyera monitors its capital structure primarily based on its consolidated net debt to consolidated earnings before interest, taxes, depreciation, amortization, accretion, unrealized gains and losses, impairment expenses and any other non-cash items ("adjusted EBITDA") ratio. The definition of adjusted EBITDA for capital management purposes is similar, but not identical to the adjusted EBITDA financial measure used in the calculation of Keyera's financial covenants on its credit facilities and private long-term debt agreements. This ratio is calculated as consolidated net debt divided by a twelve-month trailing adjusted EBITDA, which are non-GAAP measures. For purposes of this financial covenant, Keyera has the ability to increase its Net Debt to EBITDA ratio from 4.0 to 4.5 for periods of up to four consecutive fiscal quarters. In addition, Keyera can utilize the cross-currency swap rates in the calculation of debt rather than the spot rate as at each statement of financial position date.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

Keyera is also subject to the following financial covenants: (i) adjusted EBITDA to consolidated interest charges, and (ii) priority debt to consolidated total assets. The calculation for each of these financial covenants is based on specific definitions and is not in accordance with GAAP, and cannot be directly derived from the consolidated financial statements. Keyera was in compliance with all financial covenants as at December 31, 2022.

25. GENERAL AND ADMINISTRATIVE EXPENSES

The components of general and administrative expenses were:

(Thousands of Canadian dollars)	**2022**	2021
Salaries and benefits	**82,236**	70,889
Professional fees and consulting	**16,485**	14,682
Other	**19,700**	19,612
Overhead recoveries on operated facilities	**(35,578)**	(24,486)
Total general and administrative expenses	**82,843**	80,697

As operator of most of its facilities, Keyera is compensated for its administrative work by collecting an overhead recovery fee equal to a certain percentage of operating costs. The reimbursement of such costs is included in overhead recoveries.

26. FINANCE COSTS

The components of finance costs were:

(Thousands of Canadian dollars)	**2022**	2021
Interest on bank indebtedness and credit facilities	**7,712**	6,479
Interest on long-term debt	**177,118**	157,417
Interest capitalized[1]	**(39,803)**	(17,187)
Interest on leases	**7,873**	7,996
Other interest (income) expense	**(1,309)**	16
Total interest expense on leases, and current and long-term debt	**151,591**	154,721
Unwinding of discount on decommissioning liabilities	**11,339**	12,262
Unwinding of discount on long-term debt	**2,165**	1,926
Other	**256**	400
Non-cash expenses in finance costs	**13,760**	14,588
Total finance costs	**165,351**	169,309

Note:

1 For the year ended December 31, 2022, borrowing (interest) costs were capitalized at a weighted average capitalization rate of 5.0% on funds borrowed (2021 – 5.0%).

27. DEPRECIATION, DEPLETION AND AMORTIZATION

The components of depreciation, depletion and amortization expense were:

(Thousands of Canadian dollars)	**2022**	2021
Depreciation and depletion on property, plant and equipment	**211,813**	206,650
Depreciation on right-of-use assets	**38,752**	43,581
Amortization of intangible assets	**7,699**	7,407
Total depreciation, depletion and amortization expenses	**258,264**	257,638

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

28. RELATED PARTY TRANSACTIONS

Key management personnel are comprised of Keyera's board of directors and executive officers.

Compensation of key management personnel was:

(Thousands of Canadian dollars)	**2022**	2021
Salaries and other short-term benefits	**12,424**	11,464
Post-employment benefits	**399**	400
Termination benefits	**—**	18
Share-based payments	**4,121**	4,337
Total related party transactions	**16,944**	16,219

29. SUPPLEMENTAL CASH FLOW INFORMATION

Details of changes in non-cash working capital from operating activities were:

(Thousands of Canadian dollars)	**2022**	2021
Inventory	**(21,427)**	(117,427)
Trade and other receivables	**48,088**	(302,670)
Other assets	**3,764**	(10,527)
Trade and other payables, and provisions	**76,055**	248,591
Changes in non-cash working capital from operating activities	**106,480**	(182,033)

Details of changes in non-cash working capital from investing activities were:

(Thousands of Canadian dollars)	**2022**	2021
Trade and other payables, and provisions	**8,833**	98,124
Changes in non-cash working capital from investing activities	**8,833**	98,124

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

Reconciliation of liabilities arising from financing activities

(Thousands of Canadian dollars)	Credit Facilities	Current and Long-term Debt	Derivative Financial Assets Related to U.S. Long-term Borrowings	Current and Long-term Lease Liabilities
As at December 31, 2020	**280,000**	**2,940,701**	**93,630**	**211,924**
Cash changes:				
Inflows from borrowings	620,000	350,000	—	—
Outflows related to repayments	(670,000)	—	—	(44,645)
Outflows related to financing costs	—	(4,845)	—	7,996
Non-cash and other changes:				
Lease additions	—	—	—	9,254
Fair value changes	—	—	(5,267)	—
Unrealized foreign exchange and other	—	(3,297)	—	(1,239)
Unwinding of discount on long-term debt	—	1,926	—	—
As at December 31, 2021	**230,000**	**3,284,485**	**88,363**	**183,290**
Cash changes:				
Inflows from borrowings	700,000	400,000	—	—
Outflows related to repayments	(890,000)	(60,000)	—	(43,566)
Outflows related to financing costs	—	(3,126)	—	7,873
Non-cash and other changes:				
Lease additions	—	—	—	54,040
Fair value changes	—	—	12,907	—
Unrealized foreign exchange and other	—	29,221	—	7,762
Unwinding of discount on long-term debt	—	2,165	—	—
As at December 31, 2022	**40,000**	**3,652,745**	**101,270**	**209,399**

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

30. SEGMENT INFORMATION

Keyera has the following three key reportable operating segments based on the nature of its business activities. Keyera also has a Corporate and Other segment, which primarily includes corporate functions.

Gathering and Processing

The Gathering and Processing segment includes raw gas gathering systems and processing plants located in the natural gas production areas primarily on the western side of the Western Canada Sedimentary Basin. The operations primarily involve providing natural gas gathering and processing, including liquids extraction and condensate stabilization services to customers. This segment also includes sales of ethane volumes extracted from the Rimbey facility and sold to a third-party customer under a long-term commercial arrangement.

Liquids Infrastructure

The Liquids Infrastructure segment provides fractionation, storage, transportation and terminalling services for NGLs and crude oil. As well, it provides processing services to Keyera's Marketing business related to NGLs, iso-octane and liquids blending. These services are provided to customers through an extensive network of facilities that include underground NGL storage caverns, NGL fractionation and de-ethanization facilities, NGL pipelines, rail and truck terminals, the AEF facility, a 50% interest in the Base Line Terminal, the Oklahoma Liquids Terminal and a 90% interest in the Wildhorse Terminal.

Marketing

The Marketing segment is primarily involved in the marketing of NGLs, such as propane, butane, and condensate; and iso-octane to customers in Canada and the United States, as well as liquids blending.

Inter-segment and intra-segment sales and expenses are recorded at current market prices at the date of the transaction. These transactions are eliminated on consolidation in order to arrive at net earnings in accordance with IFRS.

The following table shows the operating margin from each of Keyera's operating segments and includes inter-segment transactions. Operating margin is a key measure used by management to monitor profitability by segment.

Year ended December 31, 2022 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	722,395	633,310	6,135,499	58	(431,039)	7,060,223
Segmented expenses	(374,495)	(219,431)	(5,720,526)	(1,029)	431,039	(5,884,442)
Operating margin (loss)	347,900	413,879	414,973	(971)	—	1,175,781
General and administrative expenses	—	—	—	(82,843)	—	(82,843)
Finance costs	—	—	—	(165,351)	—	(165,351)
Depreciation, depletion and amortization expenses	—	—	—	(258,264)	—	(258,264)
Net foreign currency loss on U.S. debt and other	—	—	—	(21,551)	—	(21,551)
Long-term incentive plan expense	—	—	—	(33,284)	—	(33,284)
Impairment expense	(173,893)	(6,384)	—	—	—	(180,277)
Loss on disposal of property, plant and equipment	—	(477)	—	—	—	(477)
Other	—	—	—	(534)	—	(534)
Earnings (loss) before income tax	174,007	407,018	414,973	(562,798)	—	433,200
Income tax expense	—	—	—	(104,906)	—	(104,906)
Net earnings (loss)	**174,007**	**407,018**	**414,973**	**(667,704)**	**—**	**328,294**

Year ended December 31, 2021 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	596,212	591,292	4,181,557	(252)	(383,903)	4,984,906
Segmented expenses	(273,081)	(181,921)	(3,867,417)	(1,090)	383,903	(3,939,606)
Operating margin (loss)	323,131	409,371	314,140	(1,342)	—	1,045,300
General and administrative expenses	—	—	—	(80,697)	—	(80,697)
Finance costs	—	—	—	(169,309)	—	(169,309)
Depreciation, depletion and amortization expenses	—	—	—	(257,638)	—	(257,638)
Net foreign currency gain on U.S. debt and other	—	—	—	568	—	568
Long-term incentive plan expense	—	—	—	(27,029)	—	(27,029)
Impairment expense	(98,090)	(17,681)	—	—	—	(115,771)
Gain on disposal of property, plant and equipment	—	19,158	—	1,639	—	20,797
Other	—	—	—	10,040	—	10,040
Earnings (loss) before income tax	225,041	410,848	314,140	(523,768)	—	426,261
Income tax expense	—	—	—	(102,055)	—	(102,055)
Net earnings (loss)	**225,041**	**410,848**	**314,140**	**(625,823)**	**—**	**324,206**

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

DISAGGREGATION OF REVENUE

The following table shows revenue disaggregated by the major service lines offered by Keyera in its four reportable operating segments:

Year ended December 31, 2022 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Gas handling and processing services[1]	598,416	126,060	—	—	724,476
Fractionation and storage services	15,988	261,244	—	—	277,232
Transportation and terminalling services	—	246,006	—	—	246,006
Marketing of NGLs and iso-octane	—	—	6,135,499	—	6,135,499
Other[2]	107,991	—	—	58	108,049
Revenue before inter-segment eliminations	**722,395**	**633,310**	**6,135,499**	**58**	**7,491,262**
Inter-segment revenue eliminations	(30,470)	(367,481)	(33,059)	(29)	(431,039)
Revenue from external customers	**691,925**	**265,829**	**6,102,440**	**29**	**7,060,223**

Year ended December 31, 2021 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Gas handling and processing services[1]	503,776	117,028	—	—	620,804
Fractionation and storage services	12,821	245,827	—	—	258,648
Transportation and terminalling services	—	228,437	—	—	228,437
Marketing of NGLs and iso-octane	—	—	4,181,557	—	4,181,557
Other[2]	79,615	—	—	(252)	79,363
Revenue before inter-segment eliminations	**596,212**	**591,292**	**4,181,557**	**(252)**	**5,368,809**
Inter-segment revenue eliminations	(24,239)	(333,758)	(25,840)	(66)	(383,903)
Revenue from external customers	**571,973**	**257,534**	**4,155,717**	**(318)**	**4,984,906**

Notes:

1 Processing services revenue recognized in Keyera's Liquids Infrastructure segment represents the processing fees charged to Keyera's Marketing segment for the production of iso-octane at the Keyera AEF facility.

2 Other revenue in Keyera's Gathering and Processing segment includes sales of ethane volumes extracted from the Rimbey facility and sold to a third-party customer, and other miscellaneous revenue.

Contract Balances

Contract liabilities are recorded when consideration has been received from a customer prior to Keyera's fulfillment of its obligation to provide future services. Contract liabilities primarily relate to consideration received under take-or-pay contract arrangements whereby the customer has the ability to exercise accumulated make-up rights prior to their expiry. Contract liabilities also arise when Keyera receives non-cash consideration or up-front payments from customers for the performance of future services. As at December 31, 2022 contract liabilities were $nil (December 31, 2021 – $nil) as there were no unperformed obligations related to customer make-up rights that were material and Keyera did not receive any non-cash consideration or up-front customer payments that required revenue deferral.

Contract assets are recorded when Keyera performs services for customers in advance of receiving consideration from the customer or before payment is due. As at December 31, 2022 contract assets were $nil (December 31, 2021 – $nil). All instances whereby Keyera's performance obligations were satisfied prior to receiving consideration from the customer were unconditional and therefore have been presented as a receivable.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

Geographical information

Keyera operates in two geographical areas, Canada and the U.S. Keyera's revenue from external customers and information about its non-current assets by geographical location are detailed below based on the country of origin.

Revenue from external customers

(Thousands of Canadian dollars)	**2022**	2021
Canada	**5,725,497**	3,898,297
U.S.	**1,334,726**	1,086,609
Total revenue	**7,060,223**	4,984,906

Non-current assets[1]

As at December 31, *(Thousands of Canadian dollars)*	**2022**	2021
Canada	**6,885,982**	6,435,668
U.S.	**436,605**	477,473
Total non-current assets	**7,322,587**	6,913,141

Note:
1 Non-current assets are comprised of property, plant and equipment, right-of-use assets, intangible assets, and goodwill.

Information about major customers

Attributable to the Marketing and Liquids Infrastructure segments, Keyera earned revenues from a single external customer that accounted for more than 10% of its total revenue for the year ended December 31, 2022 (2021 – none). Revenues to this customer, who is recognized as a large and established energy company with investment grade credit ratings, were approximately $950,000 for the year ended December 31, 2022.

31. OTHER

The Canada Emergency Wage Subsidy ("CEWS") program was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan. Since Keyera's last claim submitted under the program was in 2021, no income was recorded from the program for the year ended December 31, 2022 (2021 – $10,040 of income was recorded). Keyera will not be submitting any further claims under the CEWS program.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

32. COMMITMENTS AND CONTINGENCIES

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 then 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.

In addition, Keyera has service obligations relating to terminal storage and natural gas transportation, and third party contractual obligations related to assets under construction. The estimated annual minimum payments due for these commitments are:

Year	*(Thousands of Canadian dollars)*
2023	149,870
2024	6,647
2025	2,797
2026	1,452
2027	1,026
Thereafter	1,624
Total commitments	**163,416**

33. SUBSEQUENT EVENTS

On January 11, 2023, Keyera declared a dividend of $0.16 per share, payable on February 15, 2023 to shareholders of record as of January 23, 2023.

On February 9, 2023, Keyera declared a dividend of $0.16 per share, payable on March 15, 2023 to shareholders of record as of February 23, 2023.

On February 14, 2023, the board of directors approved a decision to revise Keyera’s dividend payments from a monthly to quarterly distribution, effective with the dividend that will be declared in the second quarter of 2023.

All amounts expressed in thousands of Canadian dollars, except as otherwise noted

Additional Information

Fourth Quarter Results

Consolidated Statements of Net Earnings (Loss) and Comprehensive Income (Loss) *(Thousands of Canadian Dollars)* *(Unaudited)*	**Three months ended December 31,** **2022**	2021
Revenue	**1,775,154**	1,737,432
Expenses	**(1,547,345)**	(1,393,357)
Operating margin	**227,809**	344,075
General and administrative expenses	**(22,193)**	(22,520)
Finance costs	**(41,084)**	(43,750)
Depreciation, depletion and amortization expenses	**(85,630)**	(56,517)
Net foreign currency gain (loss) on U.S. debt and other	**4,765**	(1,584)
Long-term incentive plan (expense) recovery	**(8,526)**	728
Impairment expense	**(180,277)**	(98,090)
Other	**(69)**	—
(Loss) earnings before income tax	**(105,205)**	122,342
Income tax recovery (expense)	**23,310**	(32,356)
Net (loss) earnings	**(81,895)**	89,986
Other comprehensive loss		
Foreign currency translation adjustment	**(6,289)**	(4,418)
Comprehensive (loss) income	**(88,184)**	85,568
Weighted average number of shares (in thousands)		
Basic	**222,083**	221,023
Diluted	**222,083**	221,023
(Loss) earnings per share		
Basic (loss) earnings per share	**(0.37)**	0.41
Diluted (loss) earnings per share	**(0.37)**	0.41

Consolidated Statements of Cash Flows *(Thousands of Canadian Dollars)* *(Unaudited)*	Three months ended December 31, 2022	 2021
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net (loss) earnings	**(81,895)**	89,986
Adjustments for items not affecting cash:		
Finance costs	**5,519**	5,544
Depreciation, depletion and amortization expenses	**85,630**	56,517
Unrealized loss (gain) on derivative financial instruments	**19,255**	(22,222)
Unrealized gain on foreign exchange	**(6,295)**	(3,078)
Deferred income tax (recovery) expense	**(34,014)**	15,391
Impairment expense	**180,277**	98,090
Decommissioning liability expenditures	**(11,628)**	(5,529)
Changes in non-cash working capital	**(22,441)**	(137,736)
Net cash provided by operating activities	**134,408**	96,963
INVESTING ACTIVITIES		
Capital expenditures	**(207,510)**	(207,119)
Proceeds on disposal of property, plant and equipment	**—**	2,014
Changes in non-cash working capital	**(35,569)**	44,483
Net cash used in investing activities	**(243,079)**	(160,622)
FINANCING ACTIVITIES		
Borrowings under credit facility	**420,000**	440,000
Repayments under credit facility	**(410,000)**	(280,000)
Repayment of long-term debt	**(60,000)**	—
Financing costs related to credit facility/long-term debt	**(651)**	(1,583)
Proceeds from equity offering	**230,093**	—
Issuance costs related to equity offering	**(9,687)**	—
Lease payments	**(10,875)**	(11,190)
Dividends paid to shareholders	**(106,091)**	(106,091)
Net cash provided by financing activities	**52,789**	41,136
Effect of exchange rate fluctuations on foreign cash held	**(123)**	(282)
Net decrease in cash	**(56,005)**	(22,805)
Cash at the beginning of the period	**54,202**	38,745
(Bank indebtedness) cash at the end of the period	**(1,803)**	15,940
Income taxes paid in cash	**9,380**	—
Interest paid in cash	**68,939**	67,001

SUPPLEMENTAL CASH FLOW INFORMATION

Details of changes in non-cash working capital from operating activities were:

(Thousands of Canadian dollars)	Three months ended December 31,	
(Unaudited)	**2022**	2021
Inventory	**77,123**	53,905
Trade and other receivables	**(132,299)**	13,774
Other assets	**12,404**	3,259
Trade and other payables, and provisions	**20,331**	(208,674)
Changes in non-cash working capital from operating activities	**(22,441)**	(137,736)

Details of changes in non-cash working capital from investing activities were:

(Thousands of Canadian dollars)	Three months ended December 31,	
(Unaudited)	**2022**	2021
Trade and other payables, and provisions	**(35,569)**	44,483
Changes in non-cash working capital from investing activities	**(35,569)**	44,483

SEGMENT INFORMATION

The following table shows the operating margin from each of Keyera's operating segments and includes inter-segment transactions. Operating margin is a key measure used by management to monitor profitability by segment.

Three months ended December 31, 2022 *(Thousands of Canadian dollars) (Unaudited)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	202,837	164,749	1,519,190	22	(111,644)	1,775,154
Segmented expenses	(109,820)	(58,207)	(1,490,897)	(65)	111,644	(1,547,345)
Operating margin (loss)	93,017	106,542	28,293	(43)	—	227,809
General and administrative expenses	—	—	—	(22,193)	—	(22,193)
Finance costs	—	—	—	(41,084)	—	(41,084)
Depreciation, depletion and amortization expenses	—	—	—	(85,630)	—	(85,630)
Net foreign currency gain on U.S. debt and other	—	—	—	4,765	—	4,765
Long-term incentive plan expense	—	—	—	(8,526)	—	(8,526)
Impairment expense	(173,893)	(6,384)	—	—	—	(180,277)
Other	—	—	—	(69)	—	(69)
(Loss) earnings before income tax	(80,876)	100,158	28,293	(152,780)	—	(105,205)
Income tax recovery	—	—	—	23,310	—	23,310
Net (loss) earnings	**(80,876)**	**100,158**	**28,293**	**(129,470)**	**—**	**(81,895)**

Three months ended December 31, 2021 *(Thousands of Canadian dollars) (Unaudited)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	159,648	159,843	1,525,769	138	(107,966)	1,737,432
Segmented expenses	(77,873)	(49,754)	(1,373,581)	(115)	107,966	(1,393,357)
Operating margin	81,775	110,089	152,188	23	—	344,075
General and administrative expenses	—	—	—	(22,520)	—	(22,520)
Finance costs	—	—	—	(43,750)	—	(43,750)
Depreciation, depletion and amortization expenses	—	—	—	(56,517)	—	(56,517)
Net foreign currency loss on U.S. debt and other	—	—	—	(1,584)	—	(1,584)
Long-term incentive plan recovery	—	—	—	728	—	728
Impairment expense	(98,090)	—	—	—	—	(98,090)
Earnings (loss) before income tax	(16,315)	110,089	152,188	(123,620)	—	122,342
Income tax expense	—	—	—	(32,356)	—	(32,356)
Net earnings (loss)	**(16,315)**	**110,089**	**152,188**	**(155,976)**	**—**	**89,986**

DISAGGREGATION OF REVENUE

The following table shows revenue disaggregated by the major service lines offered by Keyera in its four reportable operating segments:

Three months ended December 31, 2022 *(Thousands of Canadian dollars)* *(Unaudited)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Total**
Gas handling and processing services[1]	175,293	32,198	—	—	207,491
Fractionation and storage services	3,993	69,189	—	—	73,182
Transportation and terminalling services	—	63,362	—	—	63,362
Marketing of NGLs and iso-octane	—	—	1,519,190	—	1,519,190
Other[2]	23,551	—	—	22	23,573
Revenue before inter-segment eliminations	**202,837**	**164,749**	**1,519,190**	**22**	**1,886,798**
Inter-segment revenue eliminations	(4,744)	(98,790)	(8,100)	(10)	(111,644)
Revenue from external customers	**198,093**	**65,959**	**1,511,090**	**12**	**1,775,154**

Three months ended December 31, 2021 *(Thousands of Canadian dollars)* *(Unaudited)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Total**
Gas handling and processing services[1]	135,278	30,984	—	—	166,262
Fractionation and storage services	3,834	66,458	—	—	70,292
Transportation and terminalling services	—	62,401	—	—	62,401
Marketing of NGLs and iso-octane	—	—	1,525,769	—	1,525,769
Other[2]	20,536	—	—	138	20,674
Revenue before inter-segment eliminations	**159,648**	**159,843**	**1,525,769**	**138**	**1,845,398**
Inter-segment revenue eliminations	(6,735)	(91,264)	(9,952)	(15)	(107,966)
Revenue from external customers	**152,913**	**68,579**	**1,515,817**	**123**	**1,737,432**

Notes:

1 Processing services revenue recognized in Keyera's Liquids Infrastructure segment represents the processing fees charged to Keyera's Marketing segment for the production of iso-octane at the Keyera AEF facility.

2 Other revenue in Keyera's Gathering and Processing segment includes sales of ethane volumes extracted from the Rimbey facility and sold to a third-party customer, and other miscellaneous revenue.

Corporate Information

Board of Directors

Jim V. Bertram (1)
Corporate Director
Calgary, Alberta

Douglas Haughey (2)(4)(6)
Corporate Director
Calgary, Alberta

Isabelle Brassard (4)(5)
Corporate Director
Montreal, Quebec

Michael Crothers (5)(6)
Corporate Director
Calgary, Alberta

Blair Goertzen (5)
Corporate Director
Red Deer, Alberta

Gianna Manes (4)
Corporate Director
Salem, South Carolina

Michael Norris (3)
Corporate Director
Toronto, Ontario

Thomas C. O'Connor (3)(5)
Corporate Director
Denver, Colorado

Charlene Ripley (4)(6)
Senior Vice President
and General Counsel
Teck Resources Limited
Vancouver, British Columbia

C. Dean Setoguchi
President and Chief Executive Officer
Keyera Corp.
Calgary, Alberta

Janet Woodruff (3)(6)
Corporate Director
West Vancouver, British Columbia

(1) Chair of the Board
(2) Independent Lead Director
(3) Member of the Audit Committee
(4) Member of the Human Resources Committee
(5) Member of the Health, Safety and Environment Committee
(6) Member of the Governance and Sustainability Committee

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Officers

C. Dean Setoguchi
President and Chief Executive Officer

Eileen Marikar
Senior Vice President and Chief Financial Officer

Jamie Urquhart
Senior Vice President and Chief Commercial Officer

Jarrod Beztilny
Senior Vice President, Operations & Engineering

Nancy L. Brennan
Senior Vice President, Sustainability, External Affairs & General Counsel

Desiree Crawford
Senior Vice President, Safety, People & Technology

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol KEY

Trading Summary for Q4 2022

TSX:KEY – Cdn $	
High	$31.36
Low	$27.59
Close December 31, 2022	$29.59
Volume	88,162,837
Average Daily Volume	1,421,981

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Chartered Professional Accountants
Calgary, Canada

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