Year End Report February 10, 2016

2015 Year End Report

For the year ended December 31, 2015

HIGHLIGHTS

- Keyera had a record year, generating adjusted earnings before interest, taxes, depreciation and amortization (“Adjusted EBITDA”)[1,2] of $705 million, 33% higher than the $530 million in 2014.
- All three business segments contributed to the record financial results. The Gathering and Processing Business Unit reported operating margin[3] of $259 million in 2015 (2014 - $218 million) mainly due to new and expanded facilities; the NGL Infrastructure segment generated operating margin[3] of $220 million (2014 - $189 million) as demand for our enhanced services increased; and the Marketing segment’s operating margin[3] was $244 million (2014 - $237 million) as a result of strong iso-octane margins and an effective risk management strategy.
- Distributable cash flow[1,2] was $482 million ($2.84 per share[4]) for the year, 24% higher than the $389 million ($2.37 per share[4]) recorded in 2014.
- With continued growth in cash flow, Keyera increased its monthly dividend by 16% in 2015 to $0.125 per share per month. Keyera’s payout ratio remained conservative at 50% in 2015 compared to 53% in 2014.
- Net earnings were $202 million ($1.19 per share[4]) for the year compared to $230 million ($1.40 per share[4]) in 2014.
- Growth capital investment in 2015, excluding acquisitions, was $641 million[5], with several capital projects completed during the year and generating incremental cash flow.
- Gathering and processing projects completed during the year included the Simonette gas plant expansion and condensate stabilizer, the Twin Rivers pipeline system, the turbo expander at the Rimbey gas plant and the newly constructed Alder Flats and Zeta Creek gas plants.
- Projects completed in 2015 to enhance the natural gas liquids handling capabilities included the de-ethanizer at Keyera’s Fort Saskatchewan (“KFS”) facility and the Josephburg Rail Terminal.
- During the fourth quarter, progress was made on a number of other projects that will support the long-term infrastructure needs of the industry and generate future incremental cash flow. These projects include the fractionation expansion and additional underground storage at KFS, the Norlite and South Grand Rapids diluent pipelines, and the Base Line Terminal above ground storage project.
- In 2016, growth capital investment, excluding acquisitions, is expected to range between $600 million and $700 million[5] and will focus on NGL Infrastructure projects backed by customer demand.
- Keyera amended its bank credit facility in December 2015 by extending the term to December 2020 and increasing the limit from $1 billion to $1.5 billion, with the potential to increase to $1.85 billion subject to certain conditions. At December 31, 2015, $370 million was drawn under this facility.

[1] See “Non-GAAP Financial Measures” on page 47 of the MD&A.
[2] See pages 39 and 40 of the MD&A for a reconciliation of distributable cash flow to cash flow from operating activities and Adjusted EBITDA to net earnings.
[3] See note 29 to the accompanying financial statements.
[4] On April 1, 2015, Keyera’s outstanding common shares were split on a two-for-one basis. All per share information is presented on a post-share split basis.
[5] See “Capital Expenditures and Acquisitions” on page 37 of the MD&A for further discussion of Keyera’s capital investment program.

Summary of Key Measures (Thousands of Canadian dollars, except where noted)	**Three months ended December 31,** **2015**	 2014	**Twelve months ended December 31,** **2015**	 2014
Net earnings	**20,215**	29,387	**201,920**	229,989
Per share ($/share) – basic[1]	**0.12**	0.17	**1.19**	1.40
Cash flow from operating activities	**126,444**	179,759	**648,155**	460,594
Distributable cash flow[2]	**123,176**	102,356	**482,118**	388,961
Per share ($/share)[1]	**0.72**	0.61	**2.84**	2.37
Dividends declared	**64,259**	54,353	**240,685**	207,228
Per share ($/share)[1]	**0.38**	0.32	**1.42**	1.26
Payout ratio %[2]	**52%**	53%	**50%**	53%
Adjusted EBITDA[3]	**175,249**	127,879	**704,640**	530,051
Gathering and Processing:				
Gross processing throughput (MMcf/d)	**1,541**	1,562	**1,498**	1,420
Net processing throughput (MMcf/d)	**1,174**	1,292	**1,155**	1,177
NGL Infrastructure[6]:				
Gross processing throughput (Mbbl/d)	**137**	114	**133**	116
Net processing throughput (Mbbl/d)	**41**	34	**41**	32
Marketing:				
Inventory value	**76,989**	124,292	**76,989**	124,292
Sales volumes (Bbl/d)	**118,300**	112,100	**110,500**	94,800
Acquisitions	**6,949**	92,849	**24,644**	221,388
Growth capital expenditures	**129,089**	213,019	**641,427**	734,812
Maintenance capital expenditures	**6,103**	3,516	**64,831**	51,983
Total capital expenditures	**142,141**	309,384	**730,902**	1,008,183

	As at December 31, **2015**	 2014
Long-term debt[5]	**1,156,486**	1,152,133
Credit facilities	**370,000**	90,000
Working capital deficit (surplus)[4]	**73,622**	(80,726)
Net debt	**1,600,108**	1,161,407
Common shares outstanding – end of period[1]	**171,702**	168,677
Weighted average number of shares outstanding – basic[1]	**169,936**	164,366
Weighted average number of shares outstanding – diluted[1]	**169,936**	164,366

Notes:

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

2 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow. Payout ratio and distributable cash flow are not standard measures under GAAP. See page 39 for a reconciliation of distributable cash flow to its most closely related GAAP measure.

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

4 Working capital is defined as current assets less current liabilities.

5 Net of issuance costs.

6 Throughput from the NGL Infrastructure segment includes only fractionation and de-ethanization volumes at the Keyera and Dow Fort Saskatchewan facilities.

Message to Shareholders

Keyera's network of strategically located and interconnected gas plants, pipelines and facilities, as well as our diverse service offering, continued to generate impressive results in 2015. For the third consecutive year, all three of Keyera's business segments generated record results. Our key financial and operating metrics were impressive, reporting a year-over-year increase of 24% in distributable cash flow and a 33% increase in Adjusted EBITDA. Given the strength in our business, we increased our dividend by 16% during 2015 while still maintaining a conservative balance sheet and payout ratio.

Our results reflect the strength of our strategy and contributions from our growth capital program. To further enhance our integrated infrastructure and service offering, we invested $641 million in growth capital during the year and completed a number of projects that are adding incremental cash flow. Keyera's customers continue to benefit from our integrated services, delivering increasing amounts of natural gas and natural gas liquids to our facilities and moving more condensate barrels through our system in 2015. With a disciplined strategy, strategically located assets and a strong balance sheet, Keyera is well positioned to continue to create shareholder value.

Gathering and Processing Business Unit

The Gathering and Processing Business Unit reported record results in 2015 even as third-party sales gas pipeline restrictions affected certain facilities and planned maintenance turnarounds were completed at four gas plants. Operating margin of $259 million was 19% higher than in 2014, primarily as a result of incremental cash flow from growth capital projects.

During the year, we expanded the Simonette gas plant, adding 100 million cubic feet per day of processing capacity and a 10,000 barrel per day condensate stabilizer. With our recent capital investments, the Simonette gas plant and Wapiti pipeline are well positioned to support future development of the Montney and Duvernay zones in the area. At the Rimbey gas plant, we enhanced our liquids extraction capability by adding a 400 million cubic feet per day turbo expander. The project was completed in July and allows us to extract ethane for sale to a large consumer in Alberta under a long-term sales agreement. During the year, we also completed the Twin Rivers pipeline system that is delivering incremental gas to our Brazeau River and West Pembina gas plants, and we began processing volumes at the newly constructed Alder Flats and Zeta Creek gas plants.

Overall, gross throughput volumes for the year increased 5% to an average of 1,498 million cubic feet per day as incremental volumes from our capital investments more than offset the effect of curtailments by TransCanada on certain sales gas pipelines and the scheduled turnarounds at four of our facilities. In the fourth quarter, gross throughput volumes averaged 1,541 million cubic feet per day, an increase over the prior quarter as third-party curtailments were lifted on many of our affected facilities in mid-December.

The low commodity price environment has resulted in a slower pace of drilling and development in the Western Canada Sedimentary Basin. While our throughput volumes have decreased at certain gas plants, to date there has not been a material impact on our aggregate volumes or cash flows. Producers continue to develop resource plays around certain core Keyera facilities, including the Rimbey, Strachan, Brazeau River, West Pembina, Simonette and Minnehik Buck Lake gas plants, but continued reduced drilling activity across the entire basin will eventually affect our aggregate throughput volumes.

Liquids Business Unit - NGL Infrastructure Segment

The NGL Infrastructure segment also delivered record operating results in 2015, reporting operating margin of $220 million, a 16% increase over the prior year. Growing demand for Keyera's NGL and diluent handling services supports the success of this business segment and we continue to enhance and expand our asset base in the Edmonton/Fort Saskatchewan area.

Our KFS complex provides fractionation, storage and transportation services for oil and gas producers. To complement our service offering, during the year we completed the 30,000 barrel per day de-ethanizer that is underpinned by a long-term take-or-pay agreement. The 13th underground storage cavern and fourth brine

pond were brought into service and we are currently washing two additional caverns that will add to our 12.5 million gross barrels of underground storage capacity at KFS. The Josephburg Rail Terminal, located just east of KFS, was also completed in 2015 and provides needed additional capacity for the export of propane from Western Canada. In 2016, we will more than double our propane-plus fractionation capacity at KFS once we complete the 35,000 barrel per day fractionator expansion. Construction is well underway and assuming construction schedules are met, the additional capacity will be available late in the second quarter of 2016.

Keyera's industry-leading condensate system in the Edmonton/Fort Saskatchewan area provides our oil sands customers with the most receipt and delivery connections to meet their growing condensate needs. In 2015, we increased the flexibility and capacity of this system by accessing a pipeline between Redwater and Edmonton. Assuming completion of final due diligence and receipt of regulatory approvals, we will use the northern segment of the pipeline between Redwater and Fort Saskatchewan to receive incremental diluent from the North West Sturgeon Refinery under a long-term handling agreement. During the year, we also agreed to acquire a 50% interest in the southern portion of TransCanada's proposed Grand Rapids Pipeline that is expected to provide Keyera with at least 225,000 net barrels per day of additional diluent transportation capacity between Edmonton and Fort Saskatchewan. In late 2015, all regulatory approvals were received and construction began on the Norlite diluent pipeline, our joint venture with Enbridge.

In 2016, we expect to invest $600 million to $700 million on growth capital projects, excluding acquisitions. A significant portion of the program is focused on our previously announced NGL Infrastructure projects. These projects are backed by customer demand and are expected to add meaningful incremental cash flow in 2018 and beyond.

Liquids Business Unit - Marketing Segment

Our Marketing segment continues to manage risk effectively, generating record results even in the low commodity price environment. Operating margin was $244 million in 2015 compared to $237 million in the prior year. Our iso-octane business was the main contributor to these results primarily due to the combination of low butane feedstock costs, a strong North American summer driving season and attractive foreign currency exchange rates. In addition, our iso-octane production facility, Alberta EnviroFuels (AEF), operated near its capacity of 13,600 barrels per day throughout the year. In 2016, our iso-octane sales volumes will be lower due to a six week planned maintenance turnaround scheduled to begin in September.

Our marketing services also include the supply and sale of ethane, propane, butane and condensate. All of these products contributed positively to the Marketing segment's operating margin in 2015.

Outlook

It remains a challenging time for the oil and gas industry and for our customers. However, Keyera is well positioned to weather this difficult period as we manage the business for the long term. Our assets are strategically located within the Western Canada Sedimentary Basin above some of the most economic liquids-rich geological zones where producers remain active. For oil sands producers, we've developed the largest and most flexible system to source and trade condensate. With oil sands production expected to continue to increase over the next few years, demand for our condensate services should also increase. Our strong balance sheet, conservative payout ratio and access to capital allow us to manage the downturn while maintaining the flexibility to prudently pursue infrastructure projects and acquisitions and deliver long-term growth and value to investors. We continue to work with our customers to provide midstream solutions that are efficient and cost-effective to help support the overall competitiveness of the Western Canada Sedimentary Basin in the global market.

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

David G. Smith
President & Chief Executive Officer
Keyera Corp.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of February 10, 2016, 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, 2015 and 2014 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 measures and forward-looking statements and readers are cautioned that the MD&A should be read in conjunction with Keyera's disclosure under "NON-GAAP FINANCIAL MEASURES" and "FORWARD-LOOKING STATEMENTS" included at the end of this MD&A.

Keyera's Business

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

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

2. Liquids Business Unit, consisting of the following operating segments:

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

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

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the years ended December 31, 2015 and 2014:

(Thousands of Canadian dollars, except per share data)	**2015**	2014
Net earnings	**201,920**	**229,989**
Net earnings per share (basic) [1]	**1.19**	**1.40**
Total operating margin[2]	**742,338**	**671,195**
Adjusted EBITDA[3]	**704,640**	**530,051**
Cash flow from operating activities	**648,155**	**460,594**
Distributable cash flow[4]	**482,118**	**388,961**
Distributable cash flow per share[1,4] (basic)	**2.84**	**2.37**
Dividends declared	**240,685**	**207,228**
Dividends declared per share[1]	**1.42**	**1.26**

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

[2] Total operating margin refers to total operating revenues less total operating expenses and general and administrative expenses associated with the Marketing segment. See note 29 of the accompanying financial statements.

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

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

Keyera posted outstanding financial results for the year ended December 31, 2015. Despite continued low commodity prices, each of Keyera's business segments set a new record for operating margin in 2015. These strong results were achieved largely due to the strategic location and capabilities of Keyera's gas plants and NGL Infrastructure assets, its strong iso-octane business, its effective and disciplined approach to risk management, and incremental cash flow generated from several major capital projects that were completed in the year.

Net Earnings

For the year ended December 31, 2015 net earnings were $201.9 million, $28.1 million lower than the prior year. The effect of higher operating margin and a lower long-term incentive plan expense was more than offset by the following non-cash items:

- a net foreign currency non-cash loss of $29.7 million in 2015 compared to a non-cash gain of $4.6 million in 2014;

- higher depreciation charges associated with the growth in Keyera's asset base, as well as an increase in depletion relating to oil and gas reserves acquired in mid-2014; and

- an impairment charge of $95.3 million in 2015 compared to an impairment charge of $80.2 million in the prior year. The 2015 impairment expense related to reducing the carrying values of the Caribou and Nevis gas plants, the Bonnie Glen Pipeline and Keyera's oil and gas reserves.

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

Operating Margin

Keyera posted record operating results in 2015 despite the ongoing low commodity price environment and restrictions on the TransCanada PipeLines Limited ("TransCanada") sales gas pipelines that affected throughput at several gas plants in the year. Operating margin for the year ended December 31, 2015 was $742.3 million, $71.1 million higher than the prior year. The strong operating results in 2015 were a result of:

- continued demand for NGL fractionation, storage and transportation services in the Edmonton/Fort Saskatchewan area;

- incremental cash flow from Keyera's investments in strategic assets, including the Alberta Crude Terminal, the de-ethanizer at Fort Saskatchewan, the Simonette plant expansion, the Rimbey turbo expander and several new gathering systems that are delivering gas to core Keyera facilities such as the Rimbey and Simonette gas plants;

- strong iso-octane margins resulting from robust gasoline and iso-octane prices relative to crude oil; favourable butane prices (the primary feedstock for iso-octane); steady sales volumes; and attractive foreign currency exchange rates; and

- Keyera's effective and disciplined approach to risk management in its Marketing business.

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

Cash Flow Metrics

Cash flow metrics were also strong in 2015. For the year ended December 31, 2015, cash flow from operating activities was $648.2 million, $187.6 million higher than the same period last year primarily due to:

- strong operating results from all business segments;

- a reduction in cash required to fund inventory purchases as a result of significantly lower NGL prices compared to the prior year; and

- the inclusion of approximately $40 million of cash gains in the first quarter of 2015 relating to the settlement of risk management contracts associated with Keyera's year-end 2014 inventory.

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

Distributable cash flow for the year ended December 31, 2015 was $482.1 million, $93.2 million higher than the same period last year. The higher distributable cash flow was achieved despite recording a current tax

expense of $88.0 million in 2015. This is compared to a current tax expense of $32.5 million recorded in the prior year.

SEGMENTED RESULTS OF OPERATIONS

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

The discussion of the results of operations for each of the operating segments focuses on operating margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and NGL Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the years ended December 31, 2015 and 2014 are reported in note 29, Segment Information, of the accompanying financial statements.

Gathering and Processing

Keyera currently has interests in 17 active gas plants in western Canada and is operator of 15 of these facilities, making it one of the largest gas processors in Alberta. The Gathering and Processing segment includes raw gas gathering systems and processing plants strategically located in the natural gas production areas on the western side of the Western Canada Sedimentary Basin ("WCSB"). Several of the gas plants are interconnected by raw gas gathering pipelines, allowing raw gas to be directed to the gas plant best suited to process the gas. Keyera's facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production activity in the WCSB.

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

Operating Margin and Throughput Information (Thousands of Canadian dollars)	**2015**	2014
Revenue including inter-segment transactions	**466,733**	426,455
Operating expenses	**(207,639)**	(208,159)
Operating margin	**259,094**	218,296
Gross processing throughput – (MMcf/d)	**1,498**	1,420
Net processing throughput[1] – (MMcf/d)	**1,155**	1,177

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

Operating Margin and Revenues

The Gathering and Processing segment recorded strong financial results in 2015. Operating margin for the year ended December 31, 2015 was $259.1 million, $40.8 million higher than the prior year primarily due to the following:

- incremental cash flow and associated ethane sales revenue from the new turbo expander at the Rimbey gas plant that became operational in July 2015;
- incremental cash flow associated with the Simonette plant expansion that was completed in the first quarter of 2015 and additional throughput delivered to the facility on the Wapiti pipeline system which became operational in the fourth quarter of 2014;

- additional volume delivered to the West Pembina gas plant from the Twin Rivers pipeline system which became operational in April 2015; and

- incremental revenue from the Alder Flats and Zeta Creek gas plants that commenced operation in May and September 2015, respectively.

The impact of these higher revenues was partly offset by lower throughput at certain facilities due to restrictions on various segments of TransCanada's sales gas pipelines as well as lower volumes and revenue at certain facilities, resulting from reduced producer activity in these areas.

Gathering and Processing revenues for the year ended December 31, 2015 was $40.3 million higher compared to the same periods in 2014. The variance in revenues was largely due to the same factors that contributed to the variance in operating margin in the respective periods.

Gathering and Processing Activity

The Gathering and Processing segment experienced a significant amount of activity in 2015 as several large projects were completed and began delivering incremental cash flow. Refer to the table below, "Capital Projects Completed in 2015 – Gathering and Processing", for a detailed summary of the major projects completed in 2015.

The Gathering and Processing segment was faced with many challenges in 2015, including continued low commodity prices that led to the suspension of operations at Keyera's Paddle River gas plant in February and the Caribou gas plant in December due to reduced producer activity in these areas. The financial contribution to operating margin from these two facilities has not been material over the past few years.

The Gathering and Processing segment was also challenged by ongoing curtailments imposed by TransCanada on its sales gas pipelines related to capacity constraints and maintenance and integrity work. These curtailments resulted in reduced throughput at several facilities, but in particular at Keyera's Strachan, Brazeau River and Minnehik Buck Lake Facilities. The restrictions imposed by TransCanada for a significant part of 2015 were lifted in mid-December for several facilities, including the Strachan, Brazeau River and Minnehik Buck Lake gas plants.

Overall, gross average annual processing throughput for 2015 was 1,498 million cubic feet per day, an increase of 5% over the prior year. The increase in throughput in 2015 was due to incremental volume from: i) the various gathering systems that became operational in late 2014 and 2015; and ii) the new Alder Flats and Zeta Creek gas plants that became operational in May and September respectively. These incremental volumes mitigated the effect of lower throughput associated with the restrictions on the TransCanada sales gas pipelines, the four major scheduled turnarounds completed by Keyera during the year, and lower industry drilling activity.

In 2015, scheduled turnarounds were completed at the Rimbey, Brazeau River, Bigoray and Minnehik Buck Lake facilities for a total cost of approximately $40 million. The majority of the costs associated with turnarounds completed in 2015 are expected to be recovered through higher operating fee revenue over a period of four years, with the exception of the turnaround at Minnehik Buck Lake.

For 2016, maintenance turnarounds are scheduled to be completed at the Nevis and Nordegg River gas plants at a combined estimated cost of $15 million. The costs associated with maintenance turnarounds are capitalized for accounting purposes and do not have an effect on operating expenses in the Gathering and Processing segment. However, as many of Keyera's facilities follow a flow-through operating cost structure, the cost of turnarounds will generally be recovered through higher operating fee revenue. Keyera expects to recover the majority of turnaround costs over varying periods depending on the fee arrangement at each plant. Distributable cash flow is reduced by Keyera's share of the cost of the turnarounds, as these costs are included in its financial results as maintenance capital expenditures.

Looking ahead to 2016, throughput volumes may be lower as several producers have slowed down their pace of drilling and development activities in Western Canada in response to the ongoing low commodity price environment. However, producers are continuing to develop resource plays around certain core Keyera facilities, although at a slower pace compared to prior years.

The Wilson Creek pipeline expansion that was completed in early 2016 is expected to bring incremental volumes to the Rimbey gas plant in the first quarter. At the Minnehik Buck Lake gas plant, a producer recently extended their take-or-pay throughput commitment to the end of 2018. So far in 2016, a significant amount of previously curtailed gas has resumed its flow to the Strachan, Minnehik Buck Lake and Brazeau River gas plants for processing. The strategic location of Keyera's network of processing assets and gathering systems within the Western Canada Sedimentary Basin provides it with the competitive advantage required to remain successful for the long term.

The table below is a summary of major projects that were completed in 2015 in the Gathering and Processing operating segment:

Capital Projects Completed in 2015 – Gathering and Processing		
Facility/Area	**Project Description**	**Time of Completion and Approximate Cost** [1]
Simonette	***Simonette gas plant expansion:*** i) addition of a refrigeration process to increase the plant's raw gas handling capacity by 100 million cubic feet per day; and ii) construction of a 10,000 bbl/day condensate stabilization facility to handle the expected growth in condensate volumes being delivered to the plant.	The refrigeration process began operation in April 2015 and the condensate stabilization facility became operational in March 2015. *Approximate total cost of project:* • $90 million *Total net costs incurred by Keyera in 2015:* • $21 million
Rimbey	***Rimbey turbo expander:*** addition of a 400 million cubic feet per day turbo expander designed to extract up to 20,000 barrels per day of ethane.	The project was completed and became operational in July 2015. *Approximate total cost of project:* • $257 million *Total net costs incurred by Keyera in 2015:* • $62 million
Rimbey	***Rimbey fractionation and NGL truck offload expansion:*** i) de-bottleneck to expand fractionation capacity from 21,000 barrels per day to 28,000 barrels per day of capacity. The fractionation expansion has increased the total liquids handling capacity for the facility from 31,500 barrels per day to 38,500 barrels per day, including 10,500 barrels per day of condensate stabilization capacity. ii) modification of the NGL truck rack to increase offload capacity from 6,300 barrels per day to 9,400 barrels per day.	The project was completed and became operational in the second quarter of 2015. *Approximate total cost of project:* • $33 million *Total net costs incurred by Keyera in 2015:* • $28 million

<table>
<tr><th>Facility/Area</th><th>Project Description</th><th>Time of Completion and Approximate Cost [1]</th></tr>
<tr><td>Rimbey</td><td>Extension of the Wilson Creek gathering system which currently delivers raw gas and condensate to the Rimbey gas plant.

The extension consists of two 17-kilometre pipelines (a 12-inch raw gas pipeline and a 6-inch condensate pipeline) and a jointly owned compressor station.</td><td>Construction of the pipelines was completed in the fourth quarter of 2015 and was put into service in the first quarter of 2016.

Approximate total cost of project:
• $25 million

Total net costs incurred by Keyera to December 31, 2015:
• $18 million since inception
• $14 million incurred in 2015

Approximately $7 million in costs are expected to be incurred in 2016 to complete the pipelines and acquire the jointly owned compressor station.</td></tr>
<tr><td>Twin Rivers pipeline</td><td>The project was developed in two phases:

• Phase One consisted of a 20-kilometre, 12-inch gathering system that delivers raw gas to Keyera’s Brazeau River gas plant.

• Phase Two involved extending the Twin Rivers pipeline an additional 25 kilometres further southeast of the Brazeau River gas plant.

• The scope of the project included: upgrades to TransCanada meter stations at the West Pembina and Brazeau River gas plants, and modifications to existing gathering systems so that raw gas from the capture area can also be delivered to the West Pembina gas plant for processing.</td><td>Phase One was completed in February 2015 and Phase Two became operational in April 2015.

Approximate total cost of project:
• $67 million for Phases One and Two combined

Total net costs incurred by Keyera in 2015:
• $42 million for Phases One and Two combined.</td></tr>
</table>

Facility/Area	Project Description	Time of Completion and Approximate Cost[1]
Alder Flats Gas Plant Phase One: Licensed capacity of 110 million cubic feet per day Phase Two: additional inlet capacity of 110 million cubic feet per day	• Keyera is a 35% owner in the Alder Flats deep-cut gas plant and related pipelines (a 16-inch raw gas gathering line, a 4-inch condensate pipeline and a fuel gas line) • The gas plant was constructed by Bellatrix Exploration Ltd. ("Bellatrix"). Bellatrix is also the operator of the gas plant.	Construction of the new gas plant (phase one) was completed and the plant became operational at the end of May 2015. Bellatrix has indicated that phase two will be delayed to the first half of 2018. *Approximate total cost of project (phase one only):* • Gross cost of $145 million for phase one. • Net cost to Keyera of approximately $51 million for phase one. *Total net costs incurred by Keyera in 2015:* • $28 million
Zeta Creek Gas Plant (Licensed capacity of 54 million cubic feet per day)	• Keyera is a 60% owner in the gas plant and a 75% owner in the sales gas lateral pipeline that was constructed from the Zeta Creek gas plant to the TransCanada mainline. • The gas plant was constructed by Velvet Energy ("Velvet") and Keyera is the operator of the plant.	The Zeta Creek gas plant became operational in September. *Approximate total cost of project:* • Net cost to Keyera of approximately $40 million *Total net costs incurred by Keyera in 2015:* • $35 million

[1]A portion of the costs incurred are based on estimates. Actual costs may differ when invoices are received or contracts are settled. Costs exclude carrying charges (i.e. capitalized interest).

In 2015, Keyera and Sulvaris (50/50 joint venture) agreed to delay completing construction of a sulphur handling fertilizer production facility at Keyera's Strachan gas plant site. Both parties are currently reviewing the business and execution plans. Total net costs to Keyera associated with this project were: i) $18 million incurred in 2015; and ii) $44 million since the project's inception.

NGL Infrastructure

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

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

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

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

Keyera's NGL Infrastructure assets also support 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 relates to services provided to Keyera's Marketing segment. All of the revenues in this segment that are associated with the AEF facility relate to processing services provided to the Marketing segment for the production of iso-octane.

Operating margin for the NGL Infrastructure segment was as follows:

Operating Margin (Thousands of Canadian dollars)	**2015**	2014
Revenue including inter-segment transactions	**347,191**	306,065
Operating expenses	**(127,365)**	(116,675)
Unrealized gain (loss) on electricity financial contracts	**32**	(634)
Total operating expenses	**(127,333)**	(117,309)
Operating margin	**219,858**	188,756

Operating Margin and Revenues

The NGL Infrastructure segment posted another year of record financial results in 2015. For the year ended December 31, 2015, operating margin was $219.9 million, an increase of $31.1 million or 16% over the prior year. The higher financial results were largely due to the following:

- higher volumes and operating margin on Keyera's Fort Saskatchewan Condensate System resulting from long-term, take-or-pay arrangements with several oil sands producers;

- incremental margins from the de-ethanizer facility that became operational in April 2015;
- incremental margins from the Alberta Crude Terminal, which commenced operation in October 2014;
- higher revenue at the Alberta Diluent Terminal resulting from increased rail offloading activity associated with the growth in demand for condensate imports; and
- higher volumes and revenues for NGL fractionation and storage.

NGL Infrastructure revenues for the year ended December 31, 2015, were $41.1 million higher than 2014, primarily due to the same factors that contributed to higher operating margin.

NGL Infrastructure Activity

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

Over the past several years, Keyera has continued to focus on developing natural gas liquids and oil sands related projects that provide long-term, fee-for-service revenues to enhance shareholder value. As bitumen production is forecast to grow for the next few years, Keyera continues to invest in its extensive diluent handling network in order to provide its oil sands customers with comprehensive and reliable service solutions.

An example of Keyera's investment in its diluent handling network is the agreement to acquire a 50% interest in the southern portion of the Grand Rapids Pipeline. The 45-kilometre, 20-inch pipeline is expected to provide Keyera with proprietary access to at least 225,000 net barrels per day of additional diluent transportation capacity between Edmonton and Fort Saskatchewan. A portion of this capacity will be used to meet Keyera's commitments under existing agreements with customers for diluent transportation and the remaining capacity will be available for new diluent transportation business. Keyera also plans to add connectivity between its existing Fort Saskatchewan Condensate System and the new pipeline. Refer to the table below, "Capital Projects Status Update – NGL Infrastructure", for more information relating to this project and for an estimate of the cost and expected timing of completion for this project.

In the fourth quarter of 2015, Keyera entered into an agreement with Praxair Canada Inc. ("Praxair") to purchase the northern segment of a 49-kilometre, 8-inch pipeline (the "Praxair pipeline") for proceeds of approximately $18 million, which is expected to close in the fourth quarter of 2016. Keyera plans to use the northern segment of this pipeline between Redwater and Fort Saskatchewan to receive diluent from the North West Sturgeon Refinery under a long-term diluent handling agreement. The southern segment of this pipeline will be leased by Keyera to provide increased flexibility and capacity (up to 60,000 bbls per day) for transportation services in the Edmonton/Fort Saskatchewan area. The purchase and lease of both segments of the pipeline are subject to completion of final due diligence and receipt of regulatory approvals.

The Josephburg Rail Terminal, which is located near Keyera's Fort Saskatchewan fractionation and storage facility, became operational in July. The terminal currently facilitates propane movements out of western Canada by rail and is also designed to handle butane. Keyera is currently expanding the terminal to provide additional flexibility for rail car storage and the ability to handle increased product volumes over the long term.

The AEF facility is operated by the NGL Infrastructure operating segment and provides iso-octane processing services to the Marketing segment on a fee-for-service basis. Beginning in September 2016, the

facility is expected to be off-line for approximately six weeks to complete a scheduled maintenance turnaround that occurs every four years. The cost of the turnaround is currently estimated to range between $40 million and $45 million, including the replacement of the Oleflex catalyst and related precious metals. Compared to the turnaround completed in 2012, the estimated cost of the turnaround scheduled for 2016 is projected to be between $15 million and $20 million higher largely due to: i) an increase in scope of work being undertaken in 2016; ii) general inflation; and iii) higher cost of catalyst and associated precious metals which are priced in U.S. dollars. Keyera's investment in the maintenance turnaround at AEF is to ensure the facility runs efficiently and reliably for the long term.

Keyera continues to focus on creating solutions and enhancing its infrastructure to meet the needs of its customers. The table below provides a list of projects completed in 2015 in the NGL Infrastructure segment. These projects are examples of Keyera's commitment to meet its customers' needs for infrastructure development in Alberta.

Capital Projects Completed in 2015 – NGL Infrastructure		
Facility/Area	**Project Description**	**Time of Completion and Approximate Cost**
Keyera Fort Saskatchewan	***De-ethanizer Project:*** construction of a 30,000 barrel per day C2+ mix fractionation facility in Fort Saskatchewan. Keyera's share of the capacity is contracted under a long-term, take-or-pay agreement.	The de-ethanizer project was operational in April 2015. *Total cost of project:* • Gross cost was approximately $214 million (Keyera's share was approximately $165 million) *Total net costs incurred by Keyera in 2015:* • $26 million
Josephburg	***Josephburg Rail Terminal (JRT):*** construction of a rail loading terminal at Josephburg, located near Keyera's Fort Saskatchewan fractionation and storage facility. The terminal facilitates propane movements out of western Canada by rail. This facility is also able to handle butane.	The terminal became operational in July 2015. The original scope for the project included a single pipeline between Keyera's Fort Saskatchewan facility and JRT. The scope was subsequently augmented to: i) expand the existing rail facility in order to handle increased activity and have the flexibility to store rail cars; and ii) include three additional pipelines that provide long-term flexibility for incremental product movements in and out of the Fort Saskatchewan area. *Total cost to complete project including scope enhancement:* • approximately $120 million *Total net costs incurred by Keyera in 2015:* • $70 million Approximately $10 million in costs are expected to be incurred in 2016 to complete the expansion of the existing rail facility and complete connection of certain pipelines.

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

Capital Projects Status Update – NGL Infrastructure		
Facility/Area	**Project Description**	**Project Status Update**
Keyera Fort Saskatchewan	***NGL Fractionation Expansion:*** construction of a 35,000 barrel per day C3+ mix fractionation facility, more than doubling the facility's existing capacity to 65,000 barrels per day. The project includes the construction of new receipt facilities, operational storage and pipeline connections.	Construction is well underway and is expected to be complete in the second quarter of 2016. *Estimated total cost to complete:* • Gross cost is approximately $230 million (Keyera's share is approximately $176 million) *Total net costs incurred by Keyera to December 31, 2015:* • $125 million since inception • $98 million incurred in 2015
Keyera Fort Saskatchewan	***Underground Storage Development:*** development of the 13th, 14th and 15th underground storage caverns.	Washing of the 13th cavern was completed in the second quarter and the cavern was put into service in October 2015. Washing of the 14th cavern continued and the cavern is anticipated to be in service in the second quarter of 2017. Drilling of the well bore for the 15th cavern was completed in the first quarter of 2015 and washing began early in the fourth quarter.
Norlite Pipeline (30/70 joint venture with Enbridge Pipelines (Athabasca) Inc. ("Enbridge"))	***Norlite Pipeline:*** Keyera has committed to participate as a 30% non-operating owner in the Norlite Pipeline. Enbridge will construct and operate the pipeline which is expected to be in service in 2017. The scope includes a 24-inch pipeline, providing an initial capacity of approximately 224,000 barrels per day of diluent and the potential to be further expanded to 400,000 barrels per day of capacity with the addition of pump stations. Keyera's diluent transportation system in the Fort Saskatchewan area will deliver product into the Norlite Pipeline, providing the Norlite shippers with access to multiple sources of diluent supply.	Regulatory approval was received and construction is currently underway. *Estimated total cost to complete:* • Gross cost as estimated by Enbridge is approximately $1.3 billion (Keyera's net share is approximately $390 million) *Total net costs incurred by Keyera to December 31, 2015:* • $65 million since inception • $54 million incurred in 2015

Facility/Area	Project Description	Project Status Update
Edmonton	***Condensate Tanks:*** construction of four condensate storage tanks, each having a working capacity of approximately 60,000 barrels, to provide Keyera with enhanced operational reliability and flexibility.	Keyera is currently working through the regulatory process. Engineering work progressed and the tanks are expected to be operational in 2017. *Estimated total cost to complete:* • Cost to Keyera of approximately $90 million. *Total net costs incurred by Keyera to December 31, 2015:* • $5 million since inception • $2 million incurred in 2015
Edmonton (50/50 joint venture with Kinder Morgan)	***Base Line Terminal:*** construction of 12 above ground crude oil storage tanks with the ability to provide customers with 4.8 million barrels of storage capacity. Kinder Morgan will construct the project and operate the terminal once it is in service. The project is expected to be commissioned in phases, with the first tanks scheduled to be commissioned in the second half of 2017, based on the most recent construction schedule.	Civil work commenced in the fourth quarter of 2015 and is currently underway. *Estimated total cost to complete:* • Keyera's net share is approximately $330 million. *Total net costs incurred by Keyera to December 31, 2015:* • $11 million since inception and incurred in 2015
Edmonton (50/50 joint venture with Grand Rapids Pipeline Limited Partnership)	***Grand Rapids Pipeline (Southern Portion):*** Keyera has committed to acquire a 50% interest in the southern portion of the 20-inch, 45-kilometre diluent Grand Rapids Pipeline when it is completed in 2017. The pipeline will be constructed by Grand Rapids Pipeline Limited Partnership ("GRPLP"), an affiliate of TransCanada PipeLines Limited and Brion Energy Corporation. The pipeline will extend from Keyera's Edmonton Terminal to TransCanada's Heartland Terminal near Fort Saskatchewan. Keyera will be operator of the pipeline. As part of this project, Keyera is constructing a pump station at its Edmonton Terminal where the pipeline will connect and will sell a 50% ownership interest in the pump station to GRPLP once the pipeline is complete.	The pipeline and associated pump station is expected to be in service in the second half of 2017. *Estimated total cost to complete:* • Keyera's 50% share is $105 million for acquisition of the pipeline and $35 million for construction of the pump station for a total combined cost of approximately $140 million. *Total net costs incurred by Keyera to December 31, 2015:* • $1 million since inception and incurred in 2015

Facility/Area	Project Description	Project Status Update
Edmonton	***Fort Saskatchewan Condensate System Expansion:*** construction of a 24-inch pipeline and manifold that will connect the Norlite Pipeline and the Grand Rapids Pipeline (southern portion) to Keyera's existing condensate transportation infrastructure.	Construction of the 24-inch pipeline is currently underway and is expected to be in service in the first half of 2017. Engineering work is progressing on the manifold and is expected to be incorporated into Keyera's system in the second half of 2017. *Estimated total cost to complete:* • Cost is expected to range between $40 and $60 million. *Total net costs incurred by Keyera to December 31, 2015:* • $3 million since inception and incurred in 2015

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

Marketing

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

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

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

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

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

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

Operating margin for the Marketing segment was as follows:

Operating Margin and Sales Volumes Information (Thousands of Canadian dollars)	**2015**	2014
Revenue	**1,967,726**	3,123,535
Operating expenses including inter-segment transactions	**(1,723,945)**	(2,886,096)
Operating margin	**243,781**	237,439
Sales volumes (Bbl/d)	**110,500**	94,800

Composition of Marketing Revenue (Thousands of Canadian dollars)	**2015**	2014
Physical sales	**1,943,280**	3,006,975
Realized cash gain on financial contracts[1]	**68,339**	59,449
Unrealized (loss) gain due to reversal of financial contracts existing at end of prior period	**(42,528)**	4,161
Unrealized gain due to fair value of financial contracts existing at end of current period	**6,178**	42,528
Unrealized (loss) gain due to reversal of fixed price physical contracts existing at end of prior period	**(8,845)**	1,577
Unrealized gain due to fair value of fixed price physical contracts existing at end of current period[2]	**1,302**	8,845
Total unrealized (loss) gain on risk management contracts	**(43,893)**	57,111
Total gain on risk management contracts	**24,446**	116,560
Total Marketing revenue	**1,967,726**	3,123,535

Notes:

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

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

Revenue and Operating Margin

The Marketing segment posted another year of outstanding financial results in spite of continued low commodity prices. Operating margin for the year ended December 31, 2015 was $243.8 million, $6.3 million higher than the same period last year. Excluding the effect of non-cash unrealized gains and losses from risk management contracts in both periods, operating margin was $107.3 million higher in 2015 compared to the prior year. The factors that contributed to the strong operating results in 2015 included the following:

- higher margins from the sale of iso-octane resulting from: i) steady sales volumes; ii) strong premiums for gasoline and iso-octane relative to crude oil in the second and third quarters; iii) favourable North American butane feedstock costs; and iv) attractive foreign currency exchange rates as the product is sold in U.S. dollars;

- lower inventory costs for all NGL products; and
- the inclusion of approximately $40 million of realized cash gains and physical margins associated with the settlement of risk management contracts in the first quarter of 2015 that related to inventory existing at the end of 2014.

Operating margin in 2014 was unusually low due to the inclusion of an approximately $59 million inventory write-down recorded in the fourth quarter that primarily related to propane and to a lesser extent butane. Substantially all of the loss in value of inventory was offset by realized cash gains and margins associated with the settlement of financial and physical risk management contracts in the fourth quarter of 2014 and the first quarter of 2015. Cash margins associated with the settlement of fixed price physical forward contracts are included in physical sales in the Composition of Revenue table above.

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

For the year ended December 31, 2015, revenue from physical sales was $1.1 billion lower than in 2014. However, sales volumes were higher in 2015 partly due to higher propane sales in the fourth quarter and an increase in sales of ethane associated with Keyera's de-ethanizer facility in Fort Saskatchewan that became operational in April. The effect of higher sales volumes in 2015 was more than offset by significantly lower average prices for NGLs and iso-octane that resulted in lower overall gross revenue compared to the prior year.

Market Overview

Margins from the sale of iso-octane were strong in 2015. Demand for iso-octane typically increases in the summer months as driving activity and gasoline demand increase. This seasonal demand was particularly robust in the second and third quarters of 2015 resulting in premium pricing for gasoline and iso-octane relative to crude oil, and relative to the cost of butane as the primary feedstock. Butane feedstock costs have continued to be soft in North America which directly benefits iso-octane margins. It takes approximately 1.4 barrels of butane to yield a barrel of iso-octane when the facility is near full utilization. In the fourth quarter of 2015, iso-octane prices decreased as expected; however, realized margins were strong in the quarter due to Keyera's effective risk management strategy with respect to declining commodity prices. These factors, combined with the increase in value of the U.S. dollar, contributed to strong margins for iso-octane in 2015.

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

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

Although butane prices were low in 2015, margins were solid due to maintaining a balanced sales strategy, low inventory costs and an effective risk management program. As butane prices seasonally decline in the spring and summer months, Keyera utilized its storage and transportation capabilities to import butane during these low demand periods. This was accomplished to effectively manage supply requirements, including the feedstock necessary for the production of iso-octane.

As expected, demand and pricing for North American butane increased in the fourth quarter of 2015 and early part of 2016 due to the seasonal demand for cold weather gasoline blending. However, due to the overall surplus of butane inventory in North America, butane prices are expected to be weak again in 2016. Low butane prices benefit Keyera's iso-octane business.

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

Propane prices were historically low in the second half of 2015 and this trend has continued into 2016 due to unseasonably warm winter weather and a surplus of inventory in North America. Despite the significant decrease in prices in 2015, Keyera was able to export propane at its Josephburg Rail Terminal out of Western Canada to meet demand in other markets. Propane margins were protected as a result of Keyera's effective risk management strategy.

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 mitigate the effect of iso-octane price fluctuations on its future operating margins. The sales price for iso-octane is generally based at a premium to the price of Reformulated Blendstock for Oxygen Blending ("RBOB"). RBOB is the highest volume refined product sold in the United States and has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize RBOB 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 in particular, contracts are generally put in place as inventory builds and are settled when products are expected to be withdrawn from inventory and sold. In general, the increase or decrease in the fair value of the contracts is intended to mitigate fluctuations in the value of the inventories and protect operating margin. For the past few years, Keyera has used propane physical and financial forward contracts to hedge its propane inventory.

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

- Keyera may enter into financial contracts to lock in the supply price at a specified percentage of WTI, as the sales contracts are also generally priced 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 sold from inventory. There may also be basis risk between the prices of

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

For the year ended December 31, 2015, the total unrealized loss on risk management contracts was $43.9 million primarily due to the reversal of the fair value of financial and physical contracts existing at December 31, 2014. Further details are provided in the “Composition of Marketing Revenue” table above.

The fair value of outstanding financial contracts as at December 31, 2015 resulted in an unrealized (non-cash) gain of $6.2 million that includes the following significant items:

- a $7.4 million non-cash gain relating to butane and condensate supply and inventory risk management contracts;
- a $5.3 million non-cash gain relating to iso-octane risk management contracts; and
- a $6.5 million non-cash loss relating to foreign currency and other financial contracts.

Fixed price physical contracts are also marked-to-market at the end of each period. The fair value of outstanding fixed price physical contracts as at December 31, 2015, resulted in an unrealized non-cash gain of $1.3 million.

The fair value of financial and fixed price physical contracts will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at December, 2015, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 21, Financial Instruments and Risk Management, of the accompanying financial statements.

NON-OPERATING EXPENSES AND OTHER INCOME

Non-Operating Expenses and Other Income		
(Thousands of Canadian dollars)	**2015**	2014
Other income (operating margin)	**19,605**	26,704
General and administrative	**(51,010)**	(43,890)
Finance costs	**(63,168)**	(50,519)
Depreciation, depletion and amortization expenses	**(169,318)**	(138,697)
Net foreign currency (loss) gain on U.S. debt	**(29,668)**	4,633
Long-term incentive plan expense	**(32,146)**	(38,513)
Impairment expense	**(95,305)**	(80,243)
Tax expense	**(99,803)**	(93,977)

Other Income

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

Other income for the year ended December 31, 2015 was $19.6 million. Production for the year ended December 31, 2015 averaged 6,473 barrels of oil equivalent per day compared to 4,777 barrels of oil equivalent per day in 2014. Keyera acquired the Bigoray and Cynthia reserves in May 2014.

In 2015, an impairment charge of $16.4 million was recorded against the Cynthia and Minnehik Buck Lake reserves to reduce their carrying value to their respective recoverable amounts as prescribed by GAAP. The section below titled, Impairment, provides more information related to these impairment charges. The reserves and production are not core to Keyera’s business.

General and Administrative Expenses
General and administrative ("G&A") expenses for the year ended December 31, 2015 were $51.0 million, $7.1 million higher than the prior year primarily due to the following factors:

- higher staffing and related costs required to support the growth in Keyera's business; and
- a $1.5 million charge to increase Keyera's Allowance for Doubtful Accounts

Finance Costs (including accretion)
Finance costs for the year ended December 31, 2015 were $63.2 million, $12.6 million higher than 2014, largely due to higher short-term borrowings in 2015 and the effect of a weaker Canadian dollar on U.S. denominated debt. To manage the foreign currency exposure on U.S. dollar denominated debt, Keyera has entered into cross currency agreements to swap the U.S. dollar principal and interest payments into Canadian dollars. The benefit of these cross currency agreements is recorded in Net Foreign Currency Gain (Loss) on U.S. Debt below.

On a year-to-date basis, interest capitalized on qualifying projects was $21.6 million, virtually unchanged from the prior year.

Depreciation, Depletion and Amortization Expenses
Depreciation, depletion and amortization expenses were $169.3 million in 2015, $30.6 million higher than 2014. The increase in depreciation expense was largely due to: i) an increase in Keyera's asset base resulting from significant growth capital expenditures in 2014 and 2015; and ii) higher depletion expense associated with the acquisition of the Cynthia reserves in the second quarter of 2014.

Net Foreign Currency (Loss) Gain on U.S. Debt
The net foreign currency (loss) gain associated with the U.S. debt was as follows:

Net Foreign Currency (Loss) Gain on U.S. Debt		
(Thousands of Canadian dollars)	**2015**	2014
Translation of US$489 million (2014 – US$504 million) long-term debt and interest payable	**(112,615)**	(49,020)
Change in fair value of cross currency swap – principal and interest portion	**76,287**	55,588
Gain (loss) on cross currency swap – principal and interest portion[1]	**6,660**	(1,935)
Net foreign currency (loss) gain on U.S. debt	**(29,668)**	4,633

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

To manage the foreign currency exposure on U.S. dollar denominated debt, Keyera has entered into cross currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars. The cross currency agreements are accounted for as derivative instruments and are marked-to-market at the end of each period. The fair value of the cross currency swap agreements will fluctuate between periods due to changes in the forward curve for foreign exchange rates, as well as an adjustment to reflect credit risk. Note 21, "Financial Instruments and Risk Management", to the accompanying financial statements contains more information on the swap agreements.

A net foreign currency loss of $29.7 million was recorded for the year ended December 31, 2015. The translation of U.S. dollar denominated debt into Canadian dollars resulted in a $112.6 million non-cash loss as the Canadian dollar significantly weakened in relation to the U.S. dollar at the end of 2015 relative to the

end of 2014. This unrealized loss was partly offset by a $76.3 million non-cash gain resulting from the change in fair value of cross currency swap agreements in 2015.

Long-Term Incentive Plan Expense

The Long-Term Incentive Plan ("LTIP") expense was $32.1 million for the year ended December 31, 2015, $6.4 million lower than the prior year. The decrease was primarily due to Keyera's share price remaining relatively unchanged as at December 31, 2015 relative to the end of 2014. This is compared to an approximate 27% increase in Keyera's share price at the end of 2014, relative to the end of 2013.

Impairment Expense

Keyera reviews its assets for indications of impairment on a quarterly basis and in 2015 an impairment expense of $95.3 million was recorded and related to the following long-term assets:

- $20 million associated with the Bonnie Glen pipeline (including line-fill), a crude oil transportation pipeline owned 50% by Keyera. The operator of the pipeline determined there was not sufficient business to warrant keeping the pipeline in active service;

- $35 million related to the Caribou gas plant that ceased operation effective December 1, 2015 due to a producer shutting in their production;

- $24 million related to the Nevis gas plant due to lower producer activity and throughput in the capture areas surrounding this facility; and

- $16 million to write-down the Cynthia and Minnehik Buck Lake reserves to the net present value of the proven reserves. The impairment resulted from a lower commodity price outlook.

In 2014, an impairment expense of $80.2 million was recorded that related to the Cynthia and Minnehik Buck Lake reserves as well as the Caribou, Nevis and Paddle River gas plants. GAAP requires assets that have subsequently recovered in value to be written-up (i.e., reversal of previous impairments).

Impairment expenses are non-cash charges and do not affect operating margin, distributable cash flow, EBITDA, or Adjusted EBITDA.

Taxes

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

Deferred Income Taxes

For the year ended December 31, 2015, a deferred income tax expense of $11.8 million was recorded. This is compared to a deferred income tax expense of $61.5 million recorded in the prior year. The lower deferred income tax expense in 2015 was largely due to: i) the shift between deferred income taxes to higher current taxes as sufficient tax pools were not available to shelter taxable income in 2015; and ii) a reduction in the valuation allowance associated with non-capital losses residing in Keyera's U.S. subsidiary due to certain corporate tax filing adjustments between Keyera's Canadian and U.S. subsidiaries.

The factors that contributed to a lower deferred income tax expense in 2015 were partly offset by the increase in the provincial corporate tax rate from 10% to 12% that was substantively enacted on July 1, 2015.

Current Income Taxes

Current income tax expense for the year ended December 31, 2015 was $88.0 million, compared to a current income tax expense of $32.5 million in the prior year. The 2015 current tax expense is largely based on 2014 taxable income from the Partnership that was allocated to Keyera Corp. in 2015. This income deferral is available to Keyera as its corporate structure includes a deferral partnership. The current tax expense for 2015 reflects the increase in the Alberta corporate tax rate that was effective July 1, 2015.

For 2016, current income tax expense is expected to range between $15 million and $25 million, substantially lower than 2015 as a result of increased capital cost allowance deductions related to several major capital expenditures that are now available for use. Keyera estimates its tax pools at December 31, 2015 were approximately $1.6 billion consisting primarily of class 41 undepreciated capital costs ("UCC"), which are generally depreciated at a rate of 25%.

SUMMARY FOURTH QUARTER RESULTS

Fourth Quarter Financial and Operational Highlights (Thousands of Canadian dollars, except per unit and volumetric information)	**Three Months Ended December 31,**	
	2015	2014
Operating Margin[1]		
Gathering and Processing	**73,564**	52,079
NGL Infrastructure	**55,886**	54,976
Marketing	**54,731**	67,769
Other	**4,441**	12,829
	188,622	187,653
Net earnings	**20,215**	29,387
Net earnings per share (basic) [4]	**0.12**	0.17
Cash flow from operating activities	**126,444**	179,759
Distributable cash flow[2]	**123,176**	102,356
Distributable cash flow per share (basic)[2,4]	**0.72**	0.61
Dividends declared	**64,259**	54,353
Dividends declared per share [4]	**0.38**	0.32
Adjusted EBITDA[3]	**175,249**	127,879
Capital expenditures (including acquisitions)	**142,141**	309,384
Dispositions	**(1,587)**	—
Volumetric Information		
Gathering and Processing:		
Gross processing throughput (MMcf/d)	**1,541**	1,562
Net processing throughput (MMcf/d)	**1,174**	1,292
NGL Infrastructure[5]:		
Gross processing throughput (Mbbl/d)	**137**	114
Net processing throughput (Mbbl/d)	**41**	34
Marketing:		
Sales volumes (bbl/d)	**118,300**	112,100

Notes:

1 Total operating margin refers to total operating revenues less total operating expenses and general and administrative expenses associated with the Marketing segment. See note 29 of the accompanying financial statements.

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

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

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

5 Throughput from the NGL Infrastructure segment includes only fractionation and de-ethanization volumes at the Keyera and Dow Fort Saskatchewan facilities.

Composition of Marketing Revenue and Operating Margin	**Three months ended December 31,**	
(Thousands of Canadian dollars)	**2015**	2014
Physical sales	**454,093**	690,341
Realized cash gain on financial contracts[1]	**28,572**	68,365
Unrealized loss due to reversal of financial contracts existing at end of prior period	**(16,761)**	(9,605)
Unrealized gain due to fair value of financial contracts existing at end of current period	**6,178**	42,528
Unrealized gain resulting from change in fair value of fixed price physical contracts[2]	**32**	8,497
Total unrealized (loss) gain on risk management contracts	**(10,551)**	41,420
Total gain (loss) on risk management contracts	**18,021**	109,785
Total Marketing revenue	**472,114**	800,126
Operating expenses including inter-segment transactions	**(417,383)**	(732,357)
Marketing Operating margin	**54,731**	67,769

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.

Net Earnings
Net earnings in the fourth quarter of 2015 were $20.2 million, $9.2 million lower than the same period in 2014 primarily due to the following:

- lower interest capitalized on certain capital projects in 2015 as several major projects were completed in the first half of the year;
- a net foreign currency non-cash loss of $5.5 million in 2015 compared to a non-cash gain of $4.0 million in the same period in 2014; and
- higher LTIP expense in 2015 as Keyera's share price increased in value by approximately 10% at the end of December relative to the end of the third quarter of 2015. This is compared to an approximately 10% decrease in share price for the same periods in 2014.

Offsetting a portion of these charges was an impairment expense of $59.0 million recorded in the fourth quarter of 2015 compared to an impairment expense of $80.2 million in the same period of 2014. The section of this MD&A titled, "Non-Operating Expenses and Other Income", provides more information related to these charges.

Operating Margin
Total operating margin for the fourth quarter of 2015 was $188.6 million, $1.0 million higher than the same period in 2014. These strong financial results were achieved despite continued low commodity prices.

Gathering and Processing
Operating margin for the Gathering and Processing business was $73.6 million in the fourth quarter of 2015, $21.5 million higher than the same period in 2014, mainly due to incremental cash flow associated with

Keyera's investments in extensive gathering systems, plant expansions and the acquisition of ownership interests in new gas plants. Refer to the section of this MD&A titled, "Segmented Results of Operations: Gathering and Processing" for more information related to these investments and their impact on operating results.

Partly offsetting the incremental cash flow from new investments in 2015 were the following factors:

- curtailments imposed by TransCanada on its sales gas pipelines that reduced throughput at several facilities in the quarter. Most of these restrictions were lifted in mid-December; and
- lower throughput resulting from operational problems at the Minnehik Buck Lake gas plant that were resolved late in the quarter.

Operating margin in the fourth quarter of 2014 was unusually low due to the following: i) a $1.3 million downward adjustment to revenue at the Strachan gas plant relating to a prior period; and ii) a $1.5 million downward adjustment to revenue relating to the recovery of turnaround costs at the Cynthia gas plant (offsetting adjustment was recorded to the "Corporate and Other" segment).

NGL Infrastructure

Operating margin from the NGL Infrastructure segment was $55.9 million in the fourth quarter of 2015, $0.9 million higher than the same period in 2014. Financial results were strong in 2015 for the same reasons as discussed for the year-end 2015 results as well as due to incremental revenue from the Josephburg rail terminal that ramped up operation in the fourth quarter and transported propane out of western Canada.

The strong 2015 fourth quarter results were partly offset by: i) a reduction in tariffs offered to a customer on the Fort Saskatchewan pipeline in order to secure a long-term commitment for service; and ii) higher operating expenses at the Hull Terminal including property taxes and staff costs.

Marketing

Operating margin from the Marketing segment was $54.7 million in the fourth quarter of 2015. Excluding the unrealized loss of $10.6 million relating to risk management contracts, operating margin in 2015 was $65.3 million. These strong financial results were achieved largely due to the following:

- strong iso-octane margins resulting from an effective risk management strategy, favourable butane feedstock costs and attractive foreign currency exchange rates; and
- steady margins from the sale of propane resulting from low inventory costs and Keyera's hedging strategy that mitigated the effect of ongoing low propane prices.

Operating margin in the fourth quarter of 2014 included:

- approximately $59 million in inventory write-downs; and
- $41.4 million in unrealized gains relating to risk management contracts that were put in place to protect the value of inventory. The majority of these contracts were realized into cash gains in the first quarter of 2015.

Refer to the section of the MD&A titled, "Results of Operations: Marketing", for more information relating to the inventory write-down in the prior year and Keyera's various risk management strategies.

Corporate and Other
Keyera reports operating margin (net of royalties and operating expenses) from the production associated with all of its reserves as other income. Other income was $8.4 million lower in the fourth quarter of 2015 compared to the same period in 2014 due to significantly lower commodity prices. Production for the three months ended December 31, 2015 averaged 6,200 barrels of oil equivalent per day compared to 7,039 barrels of oil equivalent per day in the same period in 2014.

Cash Flow Metrics
Cash flow from operating activities was $126.4 million and distributable cash flow was $123.2 million in the fourth quarter of 2015. Cash flow metrics were strong in the fourth quarter of 2015 primarily due to the robust financial performance by all operating segments. In the fourth quarter of 2014, distributable cash flow was unusually low due to recording a $59.1 million inventory write-down.

CRITICAL ACCOUNTING ESTIMATES

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

At December 31, 2015, operating revenues and accounts receivable for the Gathering and Processing and NGL Infrastructure segments contained an estimate of approximately $51 million primarily for December 2015 operations.

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

At December 31, 2015, the Marketing sales and accounts receivable contained an estimate for December 2015 revenues of approximately $80 million.

Operating Expenses and Product Purchases

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

At December 31, 2015, operating expenses and accounts payable contained an estimate of approximately $18 million primarily for December 2015 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 United States. The majority of NGL mix purchases are estimated each month as actual volume information is generally not available until the next month. The estimates are prepared based upon a three month rolling average of production volumes for each facility and an estimate of price based upon historical information. Specification product volumes and prices are based upon contract volumes and prices. Accordingly, the financial statements contain an estimate for one month of these purchases.

Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of approximately $64 million at December 31, 2015.

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

For the Gathering and Processing segment, an equalization adjustment of $8 million was included in revenue and accounts receivable at December 31, 2015. Operating expenses and accounts payable contained an equalization adjustment of $24 million.

Decommissioning Liability
Keyera will be responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its facilities at the end of their economic life. The decommissioning obligation is generally expected to be incurred over the next 25 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 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 $485.0 million at December 31, 2015, compared to $433.8 million at December 31, 2014. The increase in the liability since the end of 2014 largely relates to the following: i) reduction in the risk free rate, which is used to calculate the fair value of the decommissioning liability, from 2.33% to 2.15%; ii) the addition of the Alder Flats and Zeta Creek gas plants in 2015; and iii) updated cost estimates at certain Keyera facilities.

Refer to note 15, 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.

Derivative Financial Instruments

Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spreads. Note 21, "Financial Instruments and Risk Management", of the accompanying financial statements provides a summary of the fair value of derivative financial instruments existing at December 31, 2015.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counter-party. The allowance for doubtful accounts was $4.0 million as at December 31, 2015 compared to $2.6 million at December 31, 2014.

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the years ended December 31, 2015 and December 31, 2014:

Cash inflows (outflows) (Thousands of Canadian dollars)				
	2015	2014	**Increase (decrease)**	**Explanation**
Operating	**648,155**	460,594	187,561	Increase in cash was primarily due to: i) higher operating results from all business segments; ii) the inclusion of approximately $40 million of realized cash gains from the settlement of risk management contracts in the first quarter that related to 2014 inventory; and iii) a lower cash requirement to fund inventory stemming from significantly lower NGL prices in 2015 compared to the prior year.
Investing	**(757,416)**	(966,837)	209,421	Capital spending in 2015 was lower as several large scale projects were completed in the first half of the year, including the Simonette plant expansion, the de-ethanizer project at Fort Saskatchewan; the Rimbey turbo expander project; and the fractionation de-bottleneck and NGL truck off-load expansion at Rimbey. Capital spending in 2014 included the acquisition of the Cynthia gas plant and associated reserves, as well as the Ricinus gas plant for purchase prices of approximately $113 million and $65 million respectively.
Financing	**109,692**	326,549	(216,857)	In 2015, net cash proceeds of $280 million from Keyera's bank credit facility and receipts from the dividend reinvestment plan were used to repay approximately $50 million of long-term debt that was due in September and to fund capital expenditures in the year. In 2014, Keyera issued 4,312,500 common shares (pre-share split) for gross proceeds of approximately $318 million. In addition, $75 million of proceeds were received from the second closing of the private long-term debt placement entered into in 2013. A portion of these funds were used to fund Keyera's capital expenditures.

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

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

A working capital deficit (current assets less current liabilities) of $73.6 million existed at December 31, 2015 largely due to $104 million of long-term debt that is due in May 2016. This is compared to a surplus of $80.7 million at December 31, 2014. Keyera has access to a credit facility in the amount of $1.5 billion, of which $370 million was drawn as at December 31, 2015, to meet its current obligations and growth capital program. Refer to the section below of this MD&A, "Long-term Debt", for more information related to Keyera's Credit Facility.

Equity Financing

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

Dividend Reinvestment Plan

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

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

The DRIP and Premium DRIP™ generated cash of $118.9 million for the year ended December 31, 2015. In 2014, the plan generated cash of $63.3 million.

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at December 31, 2015:

As at December 31, 2015 (Thousands of Canadian dollars)	**Total**	**2016**	**2017**	**2018**	**2019**	**2020**	**After 2020**
Credit Facilities							
Bank credit facilities	370,000	—	—	—	—	370,000	—
	370,000	—	—	—	—	370,000	—
Canadian dollar denominated debt							
7.87% due May 1, 2016	35,000	35,000	—	—	—	—	—
5.89% due December 3, 2017	60,000	—	60,000	—	—	—	—
5.01% due January 4, 2019	70,000	—	—	—	70,000	—	—
4.35% due June 19, 2019	52,000	—	—	—	52,000	—	—
5.68% due September 8, 2020	2,000	—	—	—	—	2,000	—
6.14% due December 3, 2022	60,000	—	—	—	—	—	60,000
4.91% due June 19, 2024	17,000	—	—	—	—	—	17,000
4.92% due October 10, 2025	100,000	—	—	—	—	—	100,000
5.05% due November 20, 2025	20,000	—	—	—	—	—	20,000
5.09% due October 10, 2028	100,000	—	—	—	—	—	100,000
5.34% due April 8, 2029	75,000	—	—	—	—	—	75,000
	591,000	35,000	60,000	—	122,000	2,000	372,000
US dollar denominated debt							
8.40% due May 1, 2016 (US$50,000)	69,200	69,200	—	—	—	—	—
3.42% due June 19, 2019 (US$3,000)	4,152	—	—	—	4,152	—	—
5.14% due September 8, 2020 (US$103,000)	142,552	—	—	—	—	142,552	—
4.19% due June 19, 2024 (US$128,000)	177,152	—	—	—	—	—	177,152
4.75% due November 20, 2025 (US$140,000)	193,760	—	—	—	—	—	193,760
4.95% due November 20, 2028 (US$65,000)	89,960	—	—	—	—	—	89,960
	676,776	69,200	—	—	4,152	142,552	460,872
Less: current portion of long-term debt	(104,200)	(104,200)	—	—	—	—	—
Total long-term debt	**1,533,576**	**—**	**60,000**	**—**	**126,152**	**514,552**	**832,872**

As at December 31, 2015, Keyera had $591 million and US$489 million of unsecured senior notes including amounts drawn under the uncommitted facility. To manage the foreign currency exposure on the U.S. dollar denominated debt existing at December 31, 2015, Keyera had entered into cross-currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of $1.2425, $1.0425, $0.9838 and $1.029 per U.S. dollar. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled “Net Foreign Currency Gain (Loss) on U.S. Debt” provides more information.

In December 2015, Keyera amended its existing unsecured revolving credit facility (the "Credit Facility") with a syndicate of nine lenders to increase the Credit Facility from $1 billion to $1.5 billion, with the potential to increase to $1.85 billion subject to certain conditions. As at December 31, 2015, $370 million was drawn under these facilities (December 31, 2014 - $90 million). The term of the Credit Facility is through to December 6, 2020. Management expects that upon maturity of the Credit Facility, an adequate replacement will be established.

Keyera also has an uncommitted private shelf agreement with the Prudential Capital Group (“Prudential”) allowing it to issue up to US$350 million of notes. As at December 31, 2015, there was approximately US$67 million of capacity remaining under the amended shelf facility.

The Credit Facility and senior note agreements contain a number of covenants, all of which were met as at December 31, 2015. The agreements are available at www.sedar.com. Failure to adhere to the covenants may impair Keyera’s ability to pay dividends and such a circumstance could affect its ability to execute future growth plans. The primary covenant for all of Keyera’s long-term debt, including its Credit Facility, is the Debt to EBITDA ratio. In the calculation of debt, Keyera is required to deduct working capital surpluses or add working capital deficits. As at December 31, 2015, Keyera’s Debt to EBITDA ratio was 2.31 for covenant test purposes (December 31, 2014 – 2.16).

In addition, the Royal Bank of Canada has provided a $10 million unsecured revolving demand facility and the Toronto Dominion Bank has provided a further $25 million unsecured revolving demand facility. The 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.

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the years ended December 31, 2015 and 2014:

Capital Expenditures and Acquisitions (Thousands of Canadian dollars)	**2015**	2014
Acquisitions	**24,644**	221,388
Growth capital expenditures	**641,427**	734,812
Maintenance capital expenditures	**64,831**	51,983
Total capital expenditures	**730,902**	1,008,183

Growth capital expenditures for the year ended December 31, 2015 amounted to $641.4 million. Actual growth capital spent in 2015 was lower than Keyera’s guidance of $700 million to $800 million largely due to lower than estimated costs on certain completed projects and slower than anticipated spending on certain active projects. Refer to the section of this MD&A, “Results of Operations: Gathering and Processing and NGL Infrastructure”, for information related to the various growth capital projects, including estimated costs to complete, costs incurred in 2015 and since inception of the project, and estimated completion timeframes.

For 2015, acquisitions included:

- the purchase of land in the Edmonton/Fort Saskatchewan area that may be used for future development;
- an additional 0.9% working interest in the Rimbey gas plant bringing Keyera's ownership interest in this facility to 99%; and
- an additional 8% ownership interest in the Cynthia gas plant bringing Keyera's ownership interest in this facility to 93%.

In 2014, acquisitions included the purchase of ownership interests in the: i) Cynthia gas plant and associated oil and gas reserves for a total purchase price of approximately $113 million; and ii) Ricinus gas plant for approximately $65 million.

Major turnarounds were completed in 2015 at the Rimbey, Brazeau River, Bigoray and Minnehik Buck Lake gas plants at a combined cost of approximately $40 million. Turnaround costs are included in maintenance capital. This is compared to approximately $38 million in costs associated with turnarounds completed in 2014.

Keyera has comprehensive inspection, monitoring and maintenance programs in place. The objectives of these programs are to keep Keyera's facilities in good working order, and to maintain their ability to operate reliably for many years. In addition to the maintenance capital expenditures, Keyera incurred maintenance and repair expenses of $51.3 million for the year ended December 31, 2015, and $65.2 million in the prior year. The majority of these expenditures will be recovered over varying periods of time, depending upon the fee structure at each facility.

Keyera's ongoing operations are not heavily dependent on capital expenditures to maintain current levels of cash flow. However, to grow future cash flow, Keyera is investing growth capital to expand its current asset base and capture new opportunities. Keyera anticipates that its growth capital investment, excluding acquisitions, for 2016 will be between $600 million and $700 million. Maintenance capital for 2016 is expected to be between $85 million and $95 million, including the scheduled turnaround at AEF and replacement of catalyst. This capital is expected to be funded by cash flow from operating activities, the DRIP and Premium DRIP™ program and existing credit facilities, augmented if necessary by incremental debt and equity financing. Access to debt and equity financing is dependent on Keyera's ongoing financial performance and general market conditions. Readers are referred to the section of the MD&A titled, "Forward-Looking Information" for a further discussion of the assumptions and risks that could affect future performance and plans.

Dividends

Distributable Cash Flow

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

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

Distributable Cash Flow (Thousands of Canadian dollars)	**2015**	2014
Cash flow from operating activities	**648,155**	460,594
Add (deduct):		
Changes in non-cash working capital	**(65,672)**	79,502
Long-term incentive plan expense	**(32,146)**	(38,513)
Maintenance capital	**(64,831)**	(51,983)
Inventory write-down	**(3,388)**	(60,639)
Distributable cash flow	**482,118**	388,961
Dividends declared to shareholders	**240,685**	207,228

For the year ended December 31, 2015, dividends declared were $240.7 million, or 50% of distributable cash flow, compared to dividends declared of $207.2 million, or 53% of distributable cash flow in 2014.

Keyera posted strong distributable cash flow in 2015, $93.2 million or 24% higher than the prior year. The significantly higher distributable cash flow in 2015 stems primarily from the steady throughput delivered to Keyera's core gas plants, the ongoing demand for storage, fractionation and transportation services, strong margins from the sale of iso-octane, and incremental cash flow from capital projects completed in the year. Keyera posted strong distributable cash flow despite recording current taxes of $88.0 million in 2015, approximately $56 million higher than the prior year.

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

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

Dividend Policy

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

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

EBITDA

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

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

EBITDA **For the year ended** (Thousands of Canadian dollars)	**December 31, 2015** **$**	December 31, 2014 $
Net earnings	**201,920**	229,989
Add (deduct):		
Finance costs	**63,168**	50,519
Depreciation, depletion and amortization expenses	**169,318**	138,697
Income tax expense	**99,803**	93,977
EBITDA	**534,209**	513,182
Unrealized loss (gain) on commodity contracts	**45,056**	(58,741)
Net foreign currency loss (gain) on U.S. debt	**29,668**	(4,633)
Loss on disposal of property, plant and equipment	**402**	—
Impairment expense	**95,305**	80,243
Adjusted EBITDA	**704,640**	530,051

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. At December 31, 2015, the obligations that represent known future cash payments that are required under existing contractual arrangements were as follows:

Payments Due by Period

Contractual obligations (Thousands of Canadian dollars)	**Total** **$**	**2016** **$**	**2017** **$**	**2018** **$**	**2019** **$**	**2020** **$**	**After 2020** **$**
Dividends payable	21,463	21,463	—	—	—	—	—
Derivative financial instruments	27,661	27,309	352	—	—	—	—
Credit facility	370,000	—	—	—	—	370,000	—
Long-term debt[1,6]	1,267,776	104,200	60,000	—	126,152	144,552	832,872
Long-term incentive plan	40,120	23,774	13,551	2,795	—	—	—
Decommissioning liabilities[2]	485,046	10,569	—	—	—	—	474,477
Operating leases[3]	211,616	52,597	42,522	36,362	26,363	20,100	33,672
Purchase obligations[4,5]	719,381	346,641	339,530	33,210	—	—	—
Total contractual obligations	3,143,063	586,553	455,955	72,367	152,515	534,652	1,341,021

Notes:

1 Long-term debt obligations do not include interest payments.

2 The majority of these obligations are expected to be settled between 2016 and 2040. No assets have been legally restricted for settlement of the liability.

3 Keyera has lease commitments relating to railway tank cars, vehicles, computer hardware, office space, terminal lease space and natural gas transportation.

4 Purchase obligations include the construction of pipelines and other major capital projects which are contracted out to third parties.

5 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 and expire in 2018. 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.

6 Long-term debt, net of issuance costs, includes US$3,000, US$50,000, US$103,000, US$128,000, US$65,000 and US$140,000 of senior unsecured notes converted at the December 31, 2015 spot foreign exchange rate of 1.3840.

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 note 27 of the December 31, 2015, annual audited financial statements.

RISK FACTORS

Historically, the majority of Keyera's cash flow is derived from the Gathering and Processing and NGL Infrastructure business segments. The contribution generated from Gathering and Processing facilities is not significantly exposed to changes in operating costs, due to the nature of most fee structures, which provide a mechanism for the recovery of operating costs.

The most significant exposure faced by the Gathering and Processing and NGL 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. Keyera's facilities are located in significant natural gas supply areas of the Western Canada Sedimentary Basin 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. A more complete discussion of regulatory risks can be found in the Annual Information Form available on SEDAR at www.sedar.com.

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 price changes 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, 2015, the allowance for doubtful accounts was increased to $4.0 million (December 31, 2014 - $2.6 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 21, Financial Instruments and Risk Management, to the accompanying financial statements and to Keyera's Annual Information Form, which are available on SEDAR at www.sedar.com.

Marketing Risk

Keyera enters into contracts to purchase and sell natural gas, NGLs, crude oil and iso-octane. 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 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 most of the NGL products that it markets, and may store NGLs 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 crude oil 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. While hedging and other efforts to manage market and inventory risk are intended to mitigate Keyera's risk exposure, because of the inherent nature and risk of such transactions, those activities can result in losses. 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, 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 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. For a further discussion of operational risks and the steps that Keyera takes to mitigate these risks, readers are referred to Keyera's Annual Information Form which is available on SEDAR at www.sedar.com.

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 Gathering and Processing and NGL Infrastructure segments are not subject to foreign currency risk as all sales and virtually all purchases are denominated in Canadian dollars. In the Marketing business, approximately US$0.7 billion of sales and US$0.4 billion of purchases were priced in U.S. dollars in 2015 compared to US$1.2 billion of sales and US$0.8 billion of purchases denominated in U.S. dollars in 2014. 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 relating to the principal portion and future interest payments for substantially all of the U.S. dollar denominated debt. These cross currency swap contracts are discussed further in the Liquidity and Capital Resources section of this MD&A.

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

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

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

For a detailed discussion of environmental regulations that affect Keyera, political and legislative developments as they relate to climate change and the risks associated therewith, see Keyera's Annual Information Form which is available at www.sedar.com.

SELECTED FINANCIAL INFORMATION

The following table presents selected annual financial information for Keyera:

(Thousands of Canadian dollars, except per share information)	**2015**	2014	2013
Revenue before intersegment eliminations[1]			
- Gathering and Processing	**466,733**	426,455	343,639
- NGL Infrastructure	**347,191**	306,065	223,501
- Marketing	**1,967,726**	3,123,535	2,887,375
- Other	**40,188**	46,863	11,775
Operating Margin			
- Gathering and Processing	**259,094**	218,296	157,474
- NGL Infrastructure	**219,858**	188,756	123,300
- Marketing	**243,781**	237,439	132,945
- Other	**19,605**	26,704	6,617
Net earnings	**201,920**	229,989	146,836
Net earnings per share ($/share): [2]			
- Basic	**1.19**	1.40	0.94
- Diluted	**1.19**	1.40	0.94
Dividends to shareholders	**240,685**	207,228	177,132
Dividends per share (basic) [2]	**1.42**	1.26	1.13
Shares outstanding (thousands) [2]			
- Weighted average (basic)	**169,936**	164,366	156,632
- Weighted average (diluted)	**169,936**	164,366	157,456
Total assets	**4,296,569**	3,850,826	3,051,065
Total long-term liabilities	**2,334,513**	1,991,661	1,647,051

Notes:
[1] Keyera's Gathering and Processing and NGL Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. Revenue before inter-segment eliminations includes these transactions. Inter-segment transactions are eliminated on consolidation in order to arrive at Operating Revenues in accordance with GAAP.
[2] On April 1, 2015, Keyera's outstanding common shares were split on a two-for-one basis. All per share information has been presented on a post-share split basis.

Each of Keyera's business segments set a new record for operating margin in 2015 despite the ongoing low commodity price environment. Keyera's facilities segments (Gathering and Processing and NGL Infrastructure) are now receiving the benefit of incremental cash flows associated with major capital projects that were completed in late 2014 and the first half of 2015. Some examples of these projects include construction of extensive gathering systems and plant expansions that are bringing incremental throughput to Keyera's gas plants for processing, the Rimbey turbo expander, and the addition of new rail terminals and the de-ethanizer facility at Fort Saskatchewan. Although drilling activity has slowed down in Western Canada, Keyera believes that the location of its assets within the Western Canada Sedimentary Basin, where attractive geological opportunities exist, and its network of gathering systems and processing solutions will provide it with the competitive advantage required to be successful for the long term.

In the Marketing segment, access to Kinder Morgan's Galena Park rail, storage and marine facility on the Gulf Coast starting in early 2014 allowed Keyera to enhance its iso-octane distribution network in the United States. As a result, sales volumes and margins from the sale of iso-octane grew in 2014. Iso-octane margins continued to grow in 2015 largely due to low feedstock costs and strong premiums for gasoline and

iso-octane during the peak driving season. As iso-octane is primarily sold in U.S. dollars, the increase in value of the U.S. dollar relative to the Canadian dollar also contributed to strong margins in 2015. 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, 2015.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Dec 31, 2015	Sep 30, 2015	Jun 30, 2015	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014
Revenue before inter-segment eliminations [2]								
Gathering and Processing	**129,074**	123,752	107,169	106,738	115,131	105,355	113,524	92,445
NGL Infrastructure	**90,958**	87,310	85,095	83,828	84,784	77,067	75,034	69,180
Marketing	**472,114**	497,951	480,590	517,071	800,126	746,591	735,513	841,305
Other	**9,141**	10,600	10,723	9,724	16,463	17,525	9,117	3,758
Operating Margin								
Gathering and Processing	**73,564**	69,237	56,147	60,146	52,079	53,982	63,981	48,254
NGL Infrastructure	**55,886**	55,531	54,869	53,572	54,976	45,775	48,955	39,050
Marketing	**54,731**	99,307	53,483	36,260	67,769	79,931	52,791	36,948
Other	**4,441**	4,400	6,691	4,073	12,829	10,947	445	2,483
Net earnings [1]	**20,215**	109,538	15,587	56,580	29,387	82,439	62,930	55,233
Net earnings per share[3] ($/share)								
Basic	**0.12**	0.64	0.09	0.33	0.17	0.49	0.39	0.35
Diluted	**0.12**	0.64	0.09	0.33	0.17	0.49	0.39	0.35
Weighted average[3] common shares (basic)	**171,199**	170,191	169,411	168,915	168,470	168,080	162,162	158,602
Weighted average[3] common shares (diluted)	**171,199**	170,191	169,411	168,915	168,470	168,080	162,162	158,602
Dividends declared to shareholders	**64,259**	62,178	58,479	55,769	54,353	54,226	51,044	47,605

Notes:

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

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

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

The Gathering and Processing segment has continued to grow as a result of acquiring ownership interests in new or existing facilities as well as its investment in extensive gathering systems and plant expansions that are now generating incremental cash flow. However, throughput and revenue were lower in 2015 at certain facilities, including the Strachan, Brazeau River and Minnehik Buck Lake gas plants, due to curtailments imposed by TransCanada on its sales gas pipelines. These restrictions were lifted at several facilities in mid-December.

In the NGL Infrastructure segment, continued demand for storage, fractionation, transportation and rail services have contributed to the growth in operating margin. The demand for diluent services increased in 2015 as Imperial Oil began producing from the next phase of its Kearl project and Husky's Sunrise project also commenced production. Keyera has long-term agreements in place to provide diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area for the Sunrise and Kearl oil sands projects, as well as for other customers.

Operating margin from the Marketing segment can be affected by seasonal factors. The demand for iso-octane is typically highest in the second and third quarters as the demand for gasoline tends to be higher in the summer months. In contrast, propane sales are typically higher in the first and fourth quarters when propane demand is higher. Changes in foreign currency exchange rates can have an effect on iso-octane margins as the sales price is primarily in U.S. dollars. Keyera manages its exposure to foreign currency exchange rate fluctuations through its hedging strategy. Unrealized non-cash gains and losses resulting from the change in value of risk management contracts can also have a material effect on operating margin for this segment. Keyera continues to maintain its disciplined approach to risk management for its NGL and iso-octane products.

FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 9, Financial Instruments

In July 2014, the IASB completed the final phase of its project to replace IAS 39, the current standard on the recognition and measurement of financial instruments. IFRS 9 is now the new standard which sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. IFRS 9 provides a single model of classifying and measuring financial assets and liabilities and provides for only two classification categories: amortized cost and fair value. Hedge accounting requirements have also been updated in the new standard and are now more aligned with the risk management activities of an entity. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted; however, if an entity elects to apply this standard early, it must disclose that fact and apply all of the requirements in this standard at the same time.

Expected Impact

In 2015, Keyera reviewed the standard to determine whether there would be any changes to how Keyera currently recognizes and measures financial instruments. Based on Keyera's initial assessment, there would likely not be material differences to Keyera's financial statements upon the adoption of IFRS 9 with respect to the recognition and measurement of financial instruments. Keyera currently does not follow hedge accounting to reflect its risk management activities and would likely not adopt the new standard on hedge accounting in IFRS 9.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, the new standard which sets out the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes:

(a) IAS 11 Construction Contracts;
(b) IAS 18 Revenue;
(c) IFRIC 13 Customer Loyalty Programmes;
(d) IFRIC 15 Agreements for the Construction of Real Estate;
(e) IFRIC 18 Transfers of Assets from Customers; and
(f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.

IFRS 15 also provides guidance for the recognition and measurement of gains and losses on the sale of certain non-financial assets, such as property, plant and equipment. In July 2015, the IASB unanimously affirmed its proposal to defer the effective date of IFRS 15 to January 1, 2018. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted.

Expected Impact

Keyera is in the process of developing an implementation plan to identify the contracts and arrangement which will fall within the scope of IFRS 15. Once the applicable contracts and arrangements are identified,

they will be reviewed to determine the impact, if any, on the recognition and measurement of revenue on Keyera's financial statements. IFRS 15 will be adopted by Keyera on January 1, 2018.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which provides a single lease accounting model for lessees, which require the recognition of most leases as finance leases on the balance sheet.

This will result in the recognition of a lease liability and a corresponding recognition of a leased asset called right-of-use asset. On the statement of net earnings and comprehensive income, lease expense will be recognized and will consist of two components, depreciation expense of the right-of-use asset and interest expense related to the lease liability. Finance lease exemptions exist for short-term leases where the term is 12 months or less and for leases of low value items.

For lessors, the accounting treatment remains the same which provides a lessor the choice of classifying a lease as either a finance or operating lease. IFRS 16 comes into effect on January 1, 2019.

Expected impact

Keyera is currently reviewing this new standard in detail and will determine the impact on its financial statements.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of December 31, 2015, Keyera's disclosure controls and procedures have provided reasonable assurance that material information relating to Keyera and its consolidated subsidiaries has been brought to their attention and that information required to be disclosed pursuant to applicable securities legislation has been recorded, processed, summarized and reported in an appropriate and timely manner.

Internal Controls Over Financial Reporting

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

No changes were made for the period beginning January 1, 2015 and ending December 31, 2015 that have materially affected, or are reasonably likely to materially affect Keyera's internal controls over financial reporting.

COMMON SHARES

There were 3,024,288 common shares issued under the DRIP and the Premium DRIP™ for consideration of $118.9 million, bringing the total common shares outstanding at December 31, 2015 to 171,701,715.

Subsequent to December 31, 2015, 352,198 common shares were issued to shareholders enrolled in the DRIP and Premium DRIP™ for consideration of $13.4 million, bringing the total common shares outstanding at February 10, 2016 to 172,053,913.

NON-GAAP FINANCIAL MEASURES

This discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP. Measures such as distributable cash flow (cash flow from operating activities adjusted for changes in non-cash working capital, long-term incentive plan costs, inventory write-down and maintenance capital expenditures); distributable cash flow per share (distributable cash flow divided by weighted average number of shares – basic); EBITDA (earnings before finance costs, taxes, depreciation, and amortization); and Adjusted EBITDA (calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses, impairment expenses and any other non-cash items such as gains/losses on the

disposal of property, plant and equipment) are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. Management believes that these supplemental measures facilitate the understanding of Keyera's results of operations, leverage, liquidity and financial position. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. EBITDA and Adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. Investors are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Keyera's performance.

FORWARD-LOOKING STATEMENTS

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

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

All forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events, levels of activity and achievements to differ materially from those anticipated in the forward-looking statements. Such factors include but are not limited to: general economic, market and business conditions; access to capital and debt markets; operational matters, including potential hazards inherent in our operations; risks arising from co-ownership of facilities; activities of other facility owners; access to third party facilities, competitive action by other companies; activities of producers and other customers and overall industry activity levels; changes in gas composition; fluctuations in commodity prices and supply/demand trends; processing and marketing margins; effects of weather conditions; availability of construction crews and materials; fluctuations in interest rates and foreign currency exchange rates; changes in operating and capital costs, including fluctuations in input costs; actions by governmental authorities; compliance with regulatory requirements; decisions or approvals of administrative tribunals; changes in environmental and other regulations; reliance on key personnel; competition for, among other things, capital, acquisition opportunities and skilled personnel; changes in tax laws, including the effects that such changes may have on shareholders, and in particular any differential effects relating to shareholder's country of residence; and other factors, many of which are beyond the control of Keyera, some of which are discussed in this MD&A and in Keyera's Annual Information Form dated February 10, 2016, filed on SEDAR and available on the Keyera website at *www.keyera.com*.

Proposed construction and completion schedules and budgets for capital projects are subject to many variables, including weather; availability and prices of materials; labour; customer project schedules and expected in service dates; contractor productivity; contractor disputes; quality of cost estimating; decision processes and approvals by joint venture partners; changes in project scope at the time of project sanctioning; regulatory approvals, conditions or delays (including possible intervention by third parties); and macro socio-economic trends. Pipeline projects are also subject to Keyera's ability to secure the necessary rights of way; and underground cavern development is dependent on sufficient water supply. As a result, expected timing, costs and benefits associated with these projects may differ materially from the descriptions in this MD&A. Further, some of the projects discussed in this MD&A are subject to securing

sufficient producer/customer interest and may not proceed if sufficient commitments are not obtained. Typically, the earlier in the engineering process that projects are sanctioned, the greater the likelihood that the schedule and budget may change.

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

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

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

Investor Information

DIVIDENDS TO SHAREHOLDERS

Adjusted to reflect Keyera's two-for-one split of its outstanding common shares effective April 1, 2015, dividends declared to shareholders totaled $1.415 per share in 2015. Effective with the March 2015 dividend and payable to shareholders on April 15, 2015, Keyera's dividend increased by 7% from $0.1075 per share per month to $0.115 per share per month or $1.38 per share annually. Effective with the August 2015 dividend and payable to shareholders on September 15, 2015, Keyera's dividend increased by 9% to $0.125 per share per month or $1.50 per share annually. Keyera is focused on providing stable long-term dividends per share that grow over time.

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 major business unit, is available on our website at www.keyera.com/ir/reports.

YEAR END 2015 RESULTS CONFERENCE CALL AND WEBCAST

Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2015 results at 8:00 am mountain time (10:00 am eastern) on February 11, 2016. Callers may participate by dialing either 1-888-231-8191 or 647-427-7450. An audio recording of the call will be available for replay until midnight, February 25, 2016, by dialing 1-855-859-2056 or 1-416-849-0833 and entering pass code 31557217.

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.

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

As at	Note	**December 31, 2015 $**	December 31, 2014 $
ASSETS			
Cash		**13,447**	11,309
Trade and other receivables	7	**344,006**	402,965
Derivative financial instruments	21	**46,862**	77,810
Inventory	8	**76,989**	124,292
Other assets	9	**8,860**	5,334
Total current assets		**490,164**	621,710
Derivative financial instruments	21	**141,770**	75,303
Property, plant and equipment	10	**3,610,427**	3,099,129
Intangible assets	11	**584**	1,060
Goodwill	12	**53,624**	53,624
Total assets		**4,296,569**	3,850,826
LIABILITIES AND EQUITY			
Trade and other payables	13	**400,245**	446,122
Derivative financial instruments	21	**27,309**	19,770
Dividends payable	19	**21,463**	18,133
Current portion of long-term debt	14	**104,200**	47,402
Current portion of decommissioning liability	15	**10,569**	9,557
Total current liabilities		**563,786**	540,984
Derivative financial instruments	21	**352**	3,602
Credit facilities	14	**370,000**	90,000
Long-term debt	14	**1,156,486**	1,152,133
Long-term incentive plan	20	**16,346**	16,653
Decommissioning liability	15	**474,477**	424,212
Deferred tax liabilities	16	**316,852**	305,061
Total liabilities		**2,898,299**	2,532,645
Equity			
Share capital	17	**1,483,376**	1,364,522
Accumulated deficit		**(85,106)**	(46,341)
Total equity		**1,398,270**	1,318,181
Total liabilities and equity		**4,296,569**	3,850,826

See accompanying notes to the audited consolidated financial statements.
Commitments and contingencies (note 30)

These audited consolidated financial statements were approved by the board of directors of Keyera Corp. on February 10, 2016.

(Signed) Michael Norris
Director

(Signed) David G. Smith
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	**2015** **$**	2014 $
Operating revenues	29	**2,521,080**	3,623,701
Operating expenses	29	**(1,778,742)**	(2,952,506)
		742,338	671,195
General and administrative expenses	24	**(51,010)**	(43,890)
Finance costs	25	**(63,168)**	(50,519)
Depreciation, depletion and amortization expenses	26	**(169,318)**	(138,697)
Net foreign currency (loss) gain on U.S. debt	22	**(29,668)**	4,633
Long-term incentive plan expense	20	**(32,146)**	(38,513)
Impairment expense	10	**(95,305)**	(80,243)
Earnings before income tax		**301,723**	323,966
Income tax expense	16	**(99,803)**	(93,977)
Net earnings		**201,920**	229,989
Other comprehensive income		**—**	—
Total comprehensive income		**201,920**	229,989
Earnings per share			
Basic earnings per share	18	**1.19**	1.40
Diluted earnings per share	18	**1.19**	1.40

See accompanying notes to the audited consolidated financial statements.

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

	Note	**2015** $	2014 $
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net earnings:		**201,920**	229,989
Adjustments for items not affecting cash:			
Finance costs	25	**10,930**	10,705
Depreciation, depletion and amortization expenses	26	**169,318**	138,697
Long-term incentive plan expense	20	**32,146**	38,513
Unrealized gain on derivative financial instruments	21	**(31,231)**	(114,329)
Unrealized loss on foreign exchange		**95,517**	40,156
Deferred income tax expense	16	**11,791**	61,524
Inventory write-down	8	**3,388**	60,639
Impairment expense	10	**95,305**	80,243
Loss on disposal of property, plant and equipment	10	**402**	—
Decommissioning liability expenditures	15	**(7,003)**	(6,041)
Changes in non-cash working capital	28	**65,672**	(79,502)
Net cash provided by operating activities		**648,155**	460,594
INVESTING ACTIVITIES			
Acquisitions	10	**(24,644)**	(221,388)
Capital expenditures	10	**(706,258)**	(786,795)
Proceeds on sale of assets	10	**3,478**	630
Changes in non-cash working capital	28	**(29,992)**	40,716
Net cash used in investing activities		**(757,416)**	(966,837)
FINANCING ACTIVITIES			
Borrowings under credit facilities	14	**1,300,000**	250,000
Repayments under credit facilities	14	**(1,020,000)**	(160,000)
Proceeds from issuance of long-term debt	14	**—**	75,000
Repayment of long-term debt	14	**(49,799)**	—
Financing costs related to credit facilities/long-term debt	14	**(2,008)**	(2,070)
Proceeds from equity offering		**—**	318,047
Issuance costs related to equity offering		**—**	(12,833)
Proceeds from issuance of shares related to DRIP	17	**118,854**	63,304
Dividends paid to shareholders	19	**(237,355)**	(204,899)
Net cash provided by financing activities		**109,692**	326,549
Effect of exchange rate fluctuations on foreign cash held		**1,707**	4,352
Net increase (decrease) in cash		**2,138**	(175,342)
Cash at the beginning of the year		**11,309**	186,651
Cash at the end of the year		**13,447**	11,309
Income taxes paid in cash		**61,492**	2,540
Interest paid in cash		**74,383**	61,270

See accompanying notes to the audited consolidated financial statements.

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

As at	Stated Share Capital $	Accumulated Deficit $	Total $
Balance at December 31, 2013	**992,811**	**(69,102)**	**923,709**
Common shares issued pursuant to dividend reinvestment plans	63,304	—	63,304
Common shares issued pursuant to equity offering[1]	308,407	—	308,407
Net earnings and comprehensive income	—	229,989	229,989
Dividends declared to shareholders	—	(207,228)	(207,228)
Balance at December 31, 2014	**1,364,522**	**(46,341)**	**1,318,181**
Common shares issued pursuant to dividend reinvestment plans	118,854	—	118,854
Net earnings and comprehensive income	—	201,920	201,920
Dividends declared to shareholders	—	(240,685)	(240,685)
Balance at December 31, 2015	**1,483,376**	**(85,106)**	**1,398,270**

Notes:
[1] Net of issuance costs and related deferred income tax asset of $3,193 recorded.

Keyera Corp.
Notes to Consolidated Financial Statements
As at and for the years ended December 31, 2015 and 2014
(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 Midstream Ltd. ("KML"), 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; as well as transportation, storage and marketing of natural gas liquids ("NGLs"), and iso-octane in Canada and the U.S. In addition, Keyera Partnership is involved in crude oil midstream activities in Canada.

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, Sun Life Plaza West Tower, 144 – 4th Avenue S.W., Calgary, AB, Canada.

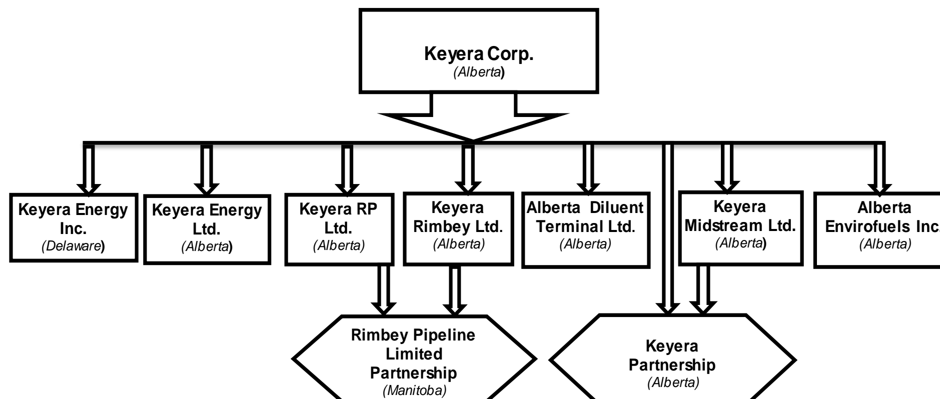
Pursuant to its Articles of Amalgamation, Keyera Corp. is authorized to issue an unlimited number of common shares (the "Shares"). The Shares trade on the Toronto Stock Exchange under the symbol "KEY".

In 2013, shareholders of Keyera approved a special resolution to amend the articles of Keyera (the "Articles of Amendment") to create two new 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 had been issued as at December 31, 2015.

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 each subsidiary of Keyera Corp.



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 Edmonton Terminal and the Rimbey Pipeline, both of which are 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. subsidiary. It carries out Keyera's NGL and iso-octane 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 and expenses and property, plant and equipment.

Name of Joint Arrangement	***Place of Business***	***% Ownership***	***Nature of Relationship***
Alberta Crude Terminal	*Alberta*	*50%*	*Rail Loading, Offloading and Storage*
Alder Flats Gas Plant	*Alberta*	*35%*	*Gathering and Processing Facilities*
Brazeau River Gas Plant	*Alberta*	*94%*	*Gathering and Processing Facilities*
Cynthia Gas Plant	*Alberta*	*93%*	*Gathering and Processing Facilities*
Keyera Fort Saskatchewan Facilities	*Alberta*	*77%*	*NGL Processing, Storage and Pipelines*
Minnehik Buck Lake Gas Plant	*Alberta*	*80%*	*Gathering and Processing Facilities*
Ricinus Gas Plant	*Alberta*	*71%*	*Gathering and Processing Facilities*
Rimbey Gas Plant	*Alberta*	*99%*	*Gathering and Processing Facilities*
South Cheecham Rail and Truck Terminal	*Alberta*	*50%*	*Rail Loading, Offloading and Storage*
West Pembina Gas Plant	*Alberta*	*77%*	*Gathering and Processing Facilities*
Zeta Creek Gas Plant	*Alberta*	*60%*	*Gathering and Processing Facilities*

2. BASIS OF PREPARATION

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

The audited 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 audited consolidated financial statements were authorized for issuance on February 10, 2016 by the Board of Directors.

New and amended IFRS standards adopted by Keyera

There are no new IFRS standards or amendments that Keyera has adopted in the year ended December 31, 2015.

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 NGL Infrastructure activities through jointly controlled operations.

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

- the statement 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 statement of net earnings 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 re-measured at fair value with changes recorded through the statement of net earnings each period until settled. In addition, acquisition related and restructuring costs are recognized separately from the business combination and are expensed to the statement of net earnings.

Currency

The functional currency and presentation currency of Keyera and its subsidiaries is Canadian dollars. Keyera's only foreign subsidiary, KEI, has a functional currency of Canadian dollars as its operations are carried out as an extension of the Canadian Marketing business and is integrated with the Canadian reporting entity.

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 retranslated into the functional currency at the rate of exchange on the statement of financial position date. Any resulting exchange differences are included in the statement of net earnings. 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, after eliminating intercompany sales.

Revenue from the rendering of services is recognized when the following criteria are met:

- the amount of revenue can be measured reliably;
- the stage of completion can be measured reliably;
- the receipt of economic benefits is probable; and
- costs incurred can be measured reliably.

Revenue from the sale of products is recognized when the following criteria are met:

- the risks and rewards of ownership have transferred to the customer;
- the amount of revenue can be measured reliably;
- the receipt of economic benefits is probable; and
- costs incurred can be measured reliably.

In addition to the above general principles, Keyera applies the following specific revenue recognition policies:

Marketing revenue

Revenue from marketing NGLs, iso-octane and natural gas as well as from crude oil midstream activities is recognized based on volumes delivered to customers at contracted rates and delivery points.

Gathering and Processing revenue

Gathering and Processing revenue is generated through fixed fee arrangements or flow-through arrangements that are designed to recover operating costs and provide a return on capital. Under fixed fee arrangements, the fee is a fixed charge per unit transported or processed. Under the flow-through method, the operating costs for the facility are recovered from each customer based upon that customer's pro rata share of total throughput. Users 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 plant 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.

Revenue from take or pay arrangements is recognized as service is provided or in accordance with the terms of the agreement.

NGL Infrastructure revenue
Revenue from transportation, processing and storage of NGLs is generated through fee-for-service arrangements. The fee is generally comprised of a fixed charge per unit transported, processed or stored. Revenue is recognized when services have been performed and collection is reasonably assured.

Share-based compensation
Keyera has a Long-Term Incentive Plan ("LTIP"), which is described in note 20. 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 on the statement 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 doubtful accounts.

Keyera maintains an allowance for doubtful accounts to provide for impairment of trade receivables. The expense or recovery relating to doubtful accounts is included within general and administrative expenses in the statement of net earnings.

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 and production assets, are measured at cost less accumulated depreciation, depletion and accumulated impairment losses. 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 statement of net earnings 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 statement of net earnings.

Depreciation is recognized so as to expense the cost of significant components of assets less their residual values over their useful lives, using the straight-line method. Production assets are depleted using the unit-of-production method based on estimated proved reserves. 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 - 26 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.

Intangible assets

Intangible assets consist of long-term contracts relating to the marketing business acquired in previous business combinations and asset purchases. Intangible assets are reported at cost less any accumulated amortization and any impairment losses.

Amortization is recognized in the statement of net earnings on a straight-line basis over the estimated useful lives of the intangible assets. The amortization methods and expected useful lives of intangible assets are reviewed on an annual basis and, if necessary, changes are accounted for prospectively.

These assets are being amortized over the remaining economic life of the related assets, generally over a three year period.

Impairment of intangible assets and 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). Any impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of net earnings.

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 to sell.

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 statement of net earnings.

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 statement of net earnings.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortized but is reviewed for impairment at least annually.

Impairment of goodwill
Impairment is assessed 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 statement of net earnings. 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.

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. Financial assets are recognized initially at fair value net of transaction costs. The subsequent measurement of financial assets depends on their classification, as follows:

a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognized at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest method. Gains and losses are recognized in the statement of net earnings when the loans and receivables are derecognized or impaired. Assets in this category include trade and other receivables that are classified as current assets on the statement of financial position.

b) Financial assets at fair value through the statement of net earnings
A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Derivatives, other than those designated as effective hedging instruments, are classified as fair value through the statement of net earnings and are included in this category. Keyera has not designated any derivative instruments as hedges.

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

c) Available for sale
Financial assets available for sale are non-derivatives that are either designated in this category or not classified in any of the other categories. These assets are measured at fair value, with changes in those fair values recognized in other comprehensive income. Transaction costs are initially recognized as part of the carrying amount of the financial asset. The costs are then amortized through the statement of net earnings over the term of the instrument using the effective interest method. Currently, Keyera does not have any financial assets classified as available for sale.

Impairment of financial assets
Keyera assesses at each statement of financial position date whether there is objective evidence that a financial asset is impaired. Impairments are measured as the excess of the carrying amount over the fair value and are recognized in the statement of net earnings.

Financial liabilities
Financial liabilities consist of current and long-term debt, credit facilities, trade and other payables, derivative financial instruments, and dividends payable. Financial liabilities are classified in the following categories at the time of initial recognition:

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

b) Financial liabilities measured at amortized cost
All other financial liabilities are initially recognized at fair value. 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 current and long-term debt, credit facilities, trade and other payables, and dividends payable 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.

Derivatives may include those derivatives that are embedded in financial or non-financial contracts that are not closely related to the host contracts. Embedded derivatives are accounted for as derivative instruments.

Changes in the fair value of derivatives are recognized in the statement of net earnings and are included in Marketing revenue, NGL Infrastructure operating expenses, Gathering and Processing operating expenses, Corporate and Other revenue and expenses and net foreign currency gain (loss). The grouping of these gains and losses in the statement of net earnings is consistent with the underlying nature and purpose of the derivative instruments (see note 21).

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 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 statement of net earnings. 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 statement of net earnings 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 statement 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, except 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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to Keyera. All other leases are classified as operating leases and are expensed to the statement of net earnings based on the terms of the lease. Keyera currently does not have any material finance leases.

Finance costs

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

All finance costs are recognized in the statement of net earnings 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, total comprehensive income for the period to date, and dividends declared to shareholders.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 judgements contained in the consolidated financial statements are described below:

Allowance for doubtful accounts

Keyera provides services 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 the number of days outstanding and the likelihood of collection from the counterparty.

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. 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.

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 judgement.

Decommissioning liabilities
Keyera estimates future site restoration costs for its gathering and processing facilities, pipelines and storage facilities. 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 judgement in determining the amounts to be recognized. In particular, judgement 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.

Operating revenues and operating expenses
a) Gathering and Processing and NGL Infrastructure:
Each month, actual volumes processed and fees earned from the Gathering and Processing and NGL 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 NGL 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 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 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 fee per unit 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.

5. FUTURE ACCOUNTING PRONOUNCEMENTS

IFRS 9, Financial Instruments

In July 2014, the IASB completed the final phase of its project to replace IAS 39, the current standard on the recognition and measurement of financial instruments. IFRS 9 is now the new standard which sets out the recognition and measurement requirements for financial instruments and some contracts to buy or sell non-financial items. IFRS 9 provides a single model of classifying and measuring financial assets and liabilities and provides for only two classification categories: amortized cost and fair value. Hedge accounting requirements have also been updated in the new standard and are now more aligned with the risk management activities of an entity. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted; however, if an entity elects to apply this standard early, it must disclose that fact and apply all of the requirements in this standard at the same time

Expected Impact

In 2015, Keyera reviewed the standard to determine whether there would be any changes to how Keyera currently recognizes and measures financial instruments. Based on our initial assessment, there would likely not be material differences to Keyera's financial statements upon the adoption of IFRS 9 with respect to the recognition and measurement of financial instruments. Keyera currently does not follow hedge accounting to reflect its risk management activities and would likely not adopt the new standard on hedge accounting in IFRS 9.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers, the new standard which sets out the recognition and measurement requirements for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes:

(a) IAS 11 Construction Contracts;
(b) IAS 18 Revenue;
(c) IFRIC 13 Customer Loyalty Programmes;
(d) IFRIC 15 Agreements for the Construction of Real Estate;
(e) IFRIC 18 Transfers of Assets from Customers; and
(f) SIC-31 Revenue—Barter Transactions Involving Advertising Services.

IFRS 15 also provides guidance for the recognition and measurement of gains and losses on the sale of certain non-financial assets, such as property, plant and equipment. In July 2015, the IASB unanimously affirmed its proposal to defer the effective date of IFRS 15 to January 1, 2018. The standard is required to be adopted either retrospectively or using a modified transition approach for fiscal years beginning on or after January 1, 2018, with earlier adoption permitted.

Expected Impact

Keyera is in the process of developing an implementation plan to identify the contracts and arrangements which will fall within the scope of IFRS 15. Once the applicable contracts and arrangements are identified, they will be reviewed to determine the impact, if any, on the recognition and measurement of revenue on Keyera's financial statements. IFRS 15 will be adopted by Keyera on January 1, 2018.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 Leases which provides a single lease accounting model for lessees, which require the recognition of most leases as finance leases on the balance sheet.

This will result in the recognition of a lease liability and a corresponding recognition of a leased asset called right-of-use asset. On the statement of net earnings and comprehensive income, lease expense will be recognized and will consist of two components, depreciation expense of the right-of-use asset and

interest expense related to the lease liability. Finance lease exemptions exist for short-term leases where the term is 12 months or less and for leases of low value items.

For lessors, the accounting treatment remains the same which provides a lessor the choice of classifying a lease as either a finance or operating lease. IFRS 16 comes into effect on January 1, 2019.

Expected impact
Keyera is currently reviewing this new standard in detail and will determine the impact on its financial statements.

6. ACQUISITIONS

Ricinus Gas Plant
On December 31, 2014, Keyera acquired a 70.79% ownership interest in the Ricinus gas plant. Total consideration paid was $65,000. The acquisition was funded using Keyera's existing cash balances. Keyera has accounted for the purchase as an asset acquisition.

The final allocation of the total consideration to the net assets acquired is summarized below:

Net assets acquired	$
Property, plant and equipment	65,000
Decommissioning asset	6,068
Decommissioning liability	(6,068)
Total net assets acquired	65,000

Consideration	$
Cash	65,000
Total consideration paid	65,000

Cynthia Gas Plant
On May 1, 2014, Keyera acquired the following assets:

- an 85% ownership interest in the Cynthia gas plant, along with the corresponding working interest in lands from which gas is produced into the plant;
- an additional 4.6% ownership interest in the Bigoray gas plant (bringing its ownership in that plant to 100%), along with certain associated reserves which produce into the plant; and
- varying ownership interests in certain associated oil batteries, compressors and gathering pipelines.

The acquired reserves are all from the Nisku formation and all of these assets are located in Alberta. Total consideration paid was $113,061. The acquisition was funded using Keyera's existing cash balances. Keyera has accounted for the purchase as an asset acquisition.

The final allocation of the total consideration to the net assets acquired is summarized below:

Net assets acquired	$
Property, plant and equipment	113,061
Decommissioning asset	18,972
Decommissioning liability	(18,972)
Total net assets acquired	113,061

Consideration	$
Cash	113,061
Total consideration paid	113,061

7. TRADE AND OTHER RECEIVABLES

As at December 31,	**2015** **$**	2014 $
Trade and accrued receivables	**348,039**	405,538
Allowance for doubtful accounts	**(4,033)**	(2,573)
Trade and other receivables	**344,006**	402,965

Trade receivables are non-interest bearing and are generally on 5 to 30 day terms.

The aging of gross trade receivables at each reporting date was as follows:

As at December 31,	**2015** **$**	2014 $
Neither impaired nor past due	**333,744**	382,602
Impaired	**4,033**	2,573
Not impaired but past due in the following periods:		
31 to 60 days	**10,120**	11,479
Over 60 days	**142**	8,884
Trade accounts receivable	**348,039**	405,538

Movement in allowance for doubtful accounts	**2015** **$**	2014 $
Balance at beginning of the year	**(2,573)**	(3,368)
(Increase)/decrease to provision	**(1,460)**	795
Balance at the end of the year	**(4,033)**	(2,573)

In determining the recoverability of a trade receivable, Keyera considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date in addition to normal credit risks associated with entities in the oil and gas industry. The allowance for doubtful accounts is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counter-party. The concentration of credit risk is mitigated by having a broad domestic and U.S. customer base.

8. INVENTORY

The total carrying amount and classification of inventory was as follows:

As at December 31,	2015 $	2014 $
NGLs and iso-octane	**71,148**	119,726
Other	**5,841**	4,566
Total inventory	**76,989**	124,292

For the year ended December 31, 2015, $66,100 (2014 – $24,502) of inventory was carried at cost and $10,889 (2014 – $99,790) was carried at net realizable value. During the year $3,388 (2014 - $60,639) of inventory was written down to net realizable value.

9. OTHER ASSETS

As at December 31,	2015 $	2014 $
Prepaid deposits	**1,414**	150
Other	**7,446**	5,184
Total other assets	**8,860**	5,334

10. PROPERTY, PLANT, AND EQUIPMENT

Cost	General plant & processing equipment $	Other properties & equipment $	Turnarounds $	Land & linefill $	Total $
Balance at December 31, 2013	**2,730,197**	**65,559**	**120,996**	**65,119**	**2,981,871**
Additions	864,797	84,923	40,100	18,363	1,008,183
Disposals	(630)	—	—	—	(630)
Other:					
Decommissioning asset	121,965	—	—	—	121,965
Balance at December 31, 2014	**3,716,329**	**150,482**	**161,096**	**83,482**	**4,111,389**
Additions	658,489	18,034	44,117	10,262	730,902
Disposals	—	—	—	(3,877)	(3,877)
Other:					
Decommissioning asset	48,423	—	—	—	48,423
Balance at December 31, 2015	**4,423,241**	**168,516**	**205,213**	**89,867**	**4,886,837**

Accumulated depreciation, depletion and impairment	General plant & processing equipment $	Other properties & equipment $	Turnarounds $	Land & linefill $	Total $
Balance at December 31, 2013	**(698,183)**	**(18,449)**	**(77,414)**	**—**	**(794,046)**
Impairment expense	(49,422)	(30,821)	—	—	(80,243)
Depreciation and depletion expenses	(80,271)	(30,806)	(26,894)	—	(137,971)
Balance at December 31, 2014	**(827,876)**	**(80,076)**	**(104,308)**	**—**	**(1,012,260)**
Impairment expense	(76,581)	(16,433)	—	(2,291)	(95,305)
Depreciation and depletion expenses	(106,999)	(29,691)	(32,155)	—	(168,845)
Balance at December 31, 2015	**(1,011,456)**	**(126,200)**	**(136,463)**	**(2,291)**	**(1,276,410)**

Net book value	General plant & processing equipment $	Other properties & equipment $	Turnarounds $	Land & linefill $	Total $
As at December 31, 2014	2,888,453	70,406	56,788	83,482	3,099,129
As at December 31, 2015	**3,411,785**	**42,316**	**68,750**	**87,576**	**3,610,427**

Property, plant and equipment under construction included in net book value	Cost $
As at December 31, 2014	636,447
As at December 31, 2015	**412,678**

Impairment loss recognized in the year

Impairment expense	2015 $	2014 $
Gathering and processing segment	**58,964**	49,422
NGL Infrastructure segment	**19,908**	—
Corporate & other segment	**16,433**	30,821
Total impairment expense	**95,305**	80,243

Gathering and processing impairment

Keyera identified through its impairment review two Cash Generating Units (“CGUs”) in the Gathering and Processing segment where the recoverable amount of the facilities was less than its carrying value. The recoverable amount for each CGU was calculated based on the higher of its value in use, which represents the estimated net present value of the cash flows expected to be derived from the CGU, or fair value less costs of disposal. The impairment loss recognized in this segment was $58,964 for the year ended December 31, 2015 (2014 – $49,422).

Lower producer activity and throughput in the capture areas surrounding the Caribou and Nevis gas plants were the primary factors that led to a reduction in the carrying value of these CGUs.

CGU	Applicable Value in Use Discount Rate	Recoverable Amount as at December 31, 2015 $	Impairment Expense Recognized For Year Ended December 31, 2015 $
Caribou	Note (1)	20,130	35,115
Nevis	11.61%	8,157	23,849
Total for Gathering and Processing segment		**28,287**	**58,964**

Note:
[1] The recoverable amount of this CGU was based on fair value less costs of disposal.

NGL Infrastructure impairment
In the first quarter of 2015, Keyera received a request from the operator of the Bonnie Glenn pipeline to remove it from service in late September 2015. The operator of the pipeline had determined there was not sufficient commercial business to warrant keeping the pipeline in active service. This non-core pipeline, including the related linefill, are assets within the Keyera Fort Saskatchewan cash generating unit which is part of the NGL Infrastructure operating segment. As a result, the carrying value of the pipeline was written down to its recoverable amount which was $nil and the related linefill was written down to a recoverable amount of $4,211. An impairment expense of $19,908 was recorded in the NGL Infrastructure reporting segment for the first quarter of 2015. In September 2015, the linefill was disposed but the final analysis of the crude oil quality of the linefill was not received until late December 2015, and as a result, the revised estimated gross proceeds was $3,042, resulting in a loss on disposal of $1,169.

Corporate and other impairment
The carrying values of Keyera's oil and gas producing properties are included in the Corporate and Other segment. Through Keyera's impairment review process conducted throughout the year, the carrying values of the oil and gas producing properties ("reserves") related to the Minnehik Buck Lake ("MBL") and Cynthia CGUs were found to be impaired and were written down to their recoverable amounts at September 30, 2015. The recoverable amounts for the reserves related to the MBL and Cynthia CGUs were based on the higher of value in use or fair value less costs to sell.

As a result of the reduced forward commodity price outlook, an impairment loss of $16,433 was recorded in the third quarter of 2015. No additional impairments were required in the fourth quarter of 2015 and therefore for the year ended December 31, 2015, impairment charges on Keyera's oil and gas producing properties totaled $16,433 (2014 – $30,821). This charge was recognized in the Corporate and Other segment where the oil and gas producing properties reside.

The recoverable amounts of the reserves and the discount rates used at September 30, 2015 were as follows:

CGU	Applicable Value in Use Discount Rate	Recoverable Amount as at September 30, 2015 $	Impairment Expense Recognized at September 30, 2015 $
Minnehik Buck Lake reserves	13.00%	7,954	6,921
Cynthia reserves	13.00%	28,271	9,512
Total for Corporate and Other reporting segment		**36,225**	**16,433**

In relation to the impairment test conducted in the third quarter of 2015, estimates of the recoverable amounts for CGUs containing reserves were determined based on the net present value of the CGUs' proven oil and gas reserves as determined by Keyera's independent reserves evaluator.

Key input estimates used in the determination of cash flows from oil and gas reserves included the following:

i) Reserves – Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, production costs or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.

ii) Oil and natural gas prices – Forward price estimates of oil and natural gas prices are used in the cash flow model. Commodity prices have fluctuated widely in recent years due to global and regional factors including supply and demand fundamentals, inventory levels, exchange rates, weather, economic and geopolitical factors.

iii) Discount rate – The discount rate used to calculate the net present value of cash flows is based on an approximate weighted average cost of capital. Changes in the general economic environment could result in significant changes to this estimate.

The following forward commodity price estimates were used in the impairment test carried out for the reserves in the third quarter of 2015:

Year	Edmonton Light Crude[1] (Cdn$/bbl)	AECO Gas[1] (Cdn$/mmbtu)	WTI Oil[1] (US$/bbl)	Foreign exchange rate (US$/Cdn$)
2015	56.00	2.97	45.00	0.750
2016	61.33	3.43	50.00	0.750
2017	64.52	3.62	55.00	0.775
2018	68.75	3.72	60.00	0.800
2019	72.73	3.81	65.00	0.825
2020	76.47	3.90	70.00	0.850
2021	82.35	4.10	75.00	0.850
2022	88.24	4.30	80.00	0.850
2023	94.12	4.50	85.00	0.850
2024	98.41	4.78	89.63	0.850
Thereafter	+2.0% per year	+2.0% per year	+2.0% per year	0.850

Notes:
[1] Prices represent forecasted amounts as at October 1, 2015 by Keyera's independent reserves evaluator.

Disposal of Assets

During 2015, Keyera disposed of the Bonnie Glen pipeline linefill for total proceeds of $3,042, which resulted in a loss on disposal of $1,169. This asset was classified in the NGL Infrastructure reporting segment.

11. INTANGIBLE ASSETS

	Cost $	Accumulated amortization and impairment $	Net book value $
Balance at December 31, 2013	**24,623**	**(22,837)**	**1,786**
Amortization expense	—	(726)	(726)
Balance at December 31, 2014	**24,623**	**(23,563)**	**1,060**
Amortization expense	—	(476)	(476)
Balance at December 31, 2015	**24,623**	**(24,039)**	**584**

As at December 31, 2015, the remaining intangible assets related to marketing contracts.

12. GOODWILL

Cost and Net Book Value

As at December 31,	**2015** **$**	2014 $
Balance at end of the year	**53,624**	53,624

Impairment test of goodwill

Keyera performed its annual test for goodwill impairment at December 31, 2015, in accordance with its policy described in note 3. Keyera assessed the recoverable amount of goodwill and determined that goodwill was not impaired.

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,	**2015** **$**	2014 $
NGL infrastructure facilities	**32,015**	32,015
Rimbey gas plant	**12,810**	12,810
Simonette gas plant	**8,799**	8,799
Total goodwill	**53,624**	53,624

The recoverable amount for Keyera's CGUs was determined based on a value in use calculation. Value in use was calculated by discounting future cash flow projections that are based on Keyera's internal budget. Keyera projected cash flows for a period of five years, and then applied a perpetual long-term declining rate thereafter. In arriving at its forecasts, Keyera considered past experience, economic trends such as inflation as well as industry and market trends.

The discount rate used in the calculation of value in use represented 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. The discount rate used for the NGL Infrastructure CGU and the Rimbey and Simonette gas plant CGUs was 9.41% at December 31, 2015 (December 31, 2014 – 10.02% for the same CGUs).

13. TRADE AND OTHER PAYABLES

The components of trade and other payables were as follows:

As at December 31,	**2015** **$**	2014 $
Trade and accrued payables	**310,610**	382,262
Current portion of long-term incentive plan	**23,774**	24,866
Current income taxes payable	**54,581**	27,706
Other payables	**11,280**	11,288
Total trade and other payables	**400,245**	446,122

14. LONG-TERM DEBT

Carrying value

Amounts recorded in the consolidated financial statements are referred to as carrying value. The carrying value of debt is reflected in current debt and long-term debt on the statement 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, 2015, as noted below was determined by reference to quoted market prices in active markets for identical liabilities under Level 2 of the fair value hierarchy as referenced in note 21.

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

As at December 31, 2015	**Effective Interest Rate**	**Notes**	**Carrying Value $**	**Fair Value $**
Bank credit facilities	3.79%	(a)	370,000	370,000
Credit facilities			**370,000**	**370,000**
Canadian dollar denominated debt (unsecured)				
7.87% due May 1, 2016	7.94%		35,000	35,500
5.89% due December 3, 2017	5.98%		60,000	63,000
5.01% due January 4, 2019	5.03%		70,000	72,900
4.35% due June 19, 2019	4.45%		52,000	53,300
5.68% due September 8, 2020	5.73%		2,000	2,200
6.14% due December 3, 2022	6.20%		60,000	67,200
4.91% due June 19, 2024	4.96%		17,000	17,400
4.92% due October 10, 2025	4.92%		100,000	102,600
5.05% due November 20, 2025	5.14%		20,000	20,700
5.09% due October 10, 2028	5.09%		100,000	104,600
5.34% due April 8, 2029	5.37%		75,000	80,100
			591,000	619,500
US dollar denominated debt (unsecured)				
8.40% due May 1, 2016 (US$50,000)	8.48%		69,200	70,446
3.42% due June 19, 2019 (US$3,000)	3.49%		4,152	4,014
5.14% due September 8, 2020 (US$103,000)	5.20%		142,552	146,566
4.19% due June 19, 2024 (US$128,000)	4.23%		177,152	167,049
4.75% due November 20, 2025 (US$140,000)	4.80%		193,760	189,746
4.95% due November 20, 2028 (US$65,000)	5.00%		89,960	88,576
			676,776	666,397
Less: Issuance costs			(7,090)	—
Less: Current portion of long-term debt			(104,200)	(105,946)
Long-term debt			**1,156,486**	**1,179,951**

As at December 31, 2014	Effective Interest Rate	Notes	Carrying Value $	Fair Value $
Bank credit facilities	3.65%	(a)	90,000	90,000
Credit facilities			**90,000**	**90,000**
Canadian dollar denominated debt (unsecured)				
4.66% due September 8, 2015	4.75%		30,000	30,300
7.87% due May 1, 2016	7.94%		35,000	37,200
5.89% due December 3, 2017	5.98%		60,000	64,300
5.01% due January 4, 2019	5.03%		70,000	74,200
4.35% due June 19, 2019	4.45%		52,000	53,700
5.68% due September 8, 2020	5.73%		2,000	2,200
6.14% due December 3, 2022	6.20%		60,000	68,600
4.91% due June 19, 2024	4.96%		17,000	18,100
4.92% due October 10, 2025	4.92%		100,000	107,200
5.05% due November 20, 2025	5.14%		20,000	21,700
5.09% due October 10, 2028	5.09%		100,000	109,400
5.34% due April 8, 2029	5.37%		75,000	84,200
			621,000	671,100
US dollar denominated debt (unsecured)				
3.91% due September 8, 2015 (US$15,000)	4.00%		17,402	17,634
8.40% due May 1, 2016 (US$50,000)	8.48%		58,004	62,645
3.42% due June 19, 2019 (US$3,000)	3.49%		3,480	3,480
5.14% due September 8, 2020 (US$103,000)	5.20%		119,490	127,263
4.19% due June 19, 2024 (US$128,000)	4.23%		148,493	148,725
4.75% due November 20, 2025 (US$140,000)	4.80%		162,414	170,535
4.95% due November 20, 2028 (US$65,000)	5.00%		75,407	80,743
			584,690	611,025
Less: Issuance costs			(6,155)	—
Less: Current portion of long-term debt			(47,402)	(47,934)
Long-term debt			**1,152,133**	**1,234,191**

(a) On December 9, 2015, the Partnership amended its unsecured revolving credit facility ("Credit Facility") with a syndicate of Canadian financial institutions, one foreign bank and one U.S. bank, co-lead arranged by the Royal Bank of Canada and the National Bank of Canada. The Credit Facility increased from $1,000,000 to $1,500,000, with the potential to increase to $1,850,000, subject to certain conditions. The Credit Facility has a five-year revolving term and matures on December 6, 2020.

Financing costs of $2,008 were incurred upon the renewal of the Credit Facility and have been deferred and are amortized using the effective interest method over the remaining term of the Credit Facility.

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 $10,000. As at December 31, 2015, outstanding letters of credit were $3,492 (December 31, 2014 – $2,695). The 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.

15. DECOMMISSIONING LIABILITY

Keyera makes full provision for the future cost of decommissioning its gathering and processing facilities, pipelines and storage facilities on a discounted basis upon acquisition or installation of these facilities. The total undiscounted amount of cash flows required to settle the decommissioning liability is $768,812 (2014 – $728,171) which has been discounted using a risk-free rate of 2.15% (2014 – 2.33%). These costs are generally expected to be incurred over the next 30 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 amount of the obligation associated with the decommissioning of Keyera's assets.

As at December 31,	**2015** **$**	2014 $
Decommissioning liability, beginning of the period	**433,769**	307,968
Liabilities acquired	**2,174**	26,770
Liabilities settled	**(7,003)**	(6,041)
Revision in estimated cash flows	**29,011**	26,353
Revision due to change in discount rate	**17,238**	68,842
Unwinding of discount included in finance costs	**9,857**	9,877
	485,046	433,769
Less: Current portion of decommissioning liability	**(10,569)**	(9,557)
Decommissioning liability, end of the period	**474,477**	424,212

16. INCOME TAXES

The components of the tax expense were as follows:

	2015 **$**	2014 $
Current income taxes		
Current income tax charge	**93,729**	32,453
Adjustments in respect of current income tax of the previous year	**(5,717)**	—
Current income tax expense	**88,012**	32,453
Deferred income taxes		
Relating to the origination and reversal of temporary differences	**(6,621)**	61,524
Adjustments in respect of changes in tax rates	**24,405**	—
Benefit from previously unrecognized loss	**(815)**	—
Adjustments to opening deferred tax balances	**(5,178)**	—
Deferred income tax expense	**11,791**	61,524
Total income tax expense	**99,803**	93,977

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 statement of net earnings.

Reconciliation of income tax expense	**2015** **$**	2014 $
Earnings before income tax	**301,723**	323,966
Income tax at statutory rate of 26% (25% in 2014)	**78,448**	80,992
(Decrease)/Increase in valuation allowance	**(815)**	14,141
Non-deductible items excluded from income for tax purposes	**8,931**	4,194
Tax rate differences and adjustments	**22,938**	(5,849)
Adjustments to tax pool balances	**(10,801)**	(166)
Other	**1,102**	665
Total income tax expense	**99,803**	93,977

Deferred income tax balances

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

	Balance at December 31, 2015 **$**	Deferred income tax recognized on the statement of net earnings $	Balance at December 31, 2014 $
Deferred tax liabilities			
Property, plant and equipment	**(444,831)**	(80,306)	(364,525)
Decommissioning liabilities	**131,036**	22,558	108,478
Long-term incentive plan	**10,839**	453	10,386
Non-capital losses	**2,846**	870	1,976
Intangible assets	**2,411**	(1,124)	3,535
Partnership deferral	**(15,914)**	31,270	(47,184)
Other	**(3,239)**	14,488	(17,727)
Total deferred tax liabilities	**(316,852)**	(11,791)	(305,061)

	Balance at December 31, 2014 **$**	Deferred income tax recognized on the statement of net earnings $	Deferred income tax related to share issuance costs $	Balance at December 31, 2013 $
Deferred tax liabilities				
Property, plant and equipment	**(364,525)**	(46,700)	—	(317,825)
Decommissioning liabilities	**108,478**	31,442	—	77,036
Long-term incentive plan	**10,386**	3,427	—	6,959
Non-capital losses	**1,976**	(6,796)	—	8,772
Intangible assets	**3,535**	(1,142)	3,193	1,484
Partnership deferral	**(47,184)**	(23,884)		(23,300)
Other	**(17,727)**	(17,871)	—	144
Total deferred tax liabilities	**(305,061)**	(61,524)	3,193	(246,730)

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, 2015, Keyera and its subsidiaries have non-capital losses carried forward of $39,207 (2014 – $32,372) which are available to offset income of specific entities of the consolidated group in future periods. The benefit related to $8,044 of these losses has been recorded.

The future utilization of most of the losses residing in Keyera's U.S. subsidiary is unlikely and as a result, the cumulative valuation allowance at December 31, 2015 is $31,163 (2014 – $27,276).

17. CAPITAL

Keyera Corp. Share Capital	Number of Common Shares	Share Capital $
Balance at December 31, 2013	**158,373,278**	**992,811**
Common shares issued pursuant to equity offering[1]	8,625,000	308,407
Common shares issued pursuant to dividend reinvestment plans	1,679,150	63,304
Balance at December 31, 2014	**168,677,428**	**1,364,522**
Common shares issued pursuant to dividend reinvestment plans	3,024,287	118,854
Balance at December 31, 2015	**171,701,715**	**1,483,376**

Note:
[1] Net of issuance costs and related deferred income tax asset of $3,193 recorded.

Effective April 1, 2015, Keyera's outstanding common shares were split on a two-for-one basis. All common share and per share amounts have been shown on a post-split basis.

On May 5, 2015, Keyera amended and reinstated the Premium DRIP™ that was previously suspended since April 2010. Effective with the May 2015 dividend, the Premium DRIP™ now permits eligible shareholders to elect to have additional shares issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) delivered to the designated Plan Broker in exchange for a premium cash payment equal to 101% of the regular, declared cash dividend.

For the year ended December 31, 2015, dividends declared totaled $240,685 or $1.42 per common share (2014 – $207,228 or $1.26 per common share).

18. 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.

	2015 **$**	2014 $
Basic earnings per share	**1.19**	1.40
Diluted earnings per share	**1.19**	1.40

Net earnings – basic	**201,920**	229,989
Net earnings – diluted	**201,920**	229,989

(in thousands)	**2015**	2014
Weighted average number of shares – basic	**169,936**	164,366
Weighted average number of shares – diluted	**169,936**	164,366

19. ACCUMULATED DIVIDENDS TO SHAREHOLDERS

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

	$
Balance, December 31, 2013	**1,150,963**
Dividends declared and paid	189,095
Dividends declared	18,133
Balance, December 31, 2014	**1,358,191**
Dividends declared and paid	219,222
Dividends declared	21,463
Balance, December 31, 2015	**1,598,876**

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.

20. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-term incentive plan

The Long-Term Incentive Plan (“LTIP”) 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.

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

(a) 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. The number of shares to be delivered will be 00calculated 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.

The payout multiplier is based 70% on the average annual pre-tax distributable cash flow per share over the performance period of three years and 30% on the relative total shareholder return in a defined peer group over the performance period of three years. The table below describes the determination of the payout multipliers for the 2013, 2014 and 2015 grants.

	July 1, 2013 Grant			
	70% Performance Weighting		**30% Performance Weighting**	
	Three-year average annual pre-tax distributable cash flow per share	**Payout Multiplier**	**Total Shareholder Return Percentile Rank**	**Payout Multiplier**
	Less than 1.60	Nil	Less than 25th	Nil
First range	1.60 – 1.76	50% – 99%	25th – 49th	50% – 99%
Second range	1.77 – 2.09	100% – 199%	50th – 74th	100% – 199%
Third range	2.10 and greater	200%	75th and greater	200%

	July 1, 2014 Grant			
	70% Performance Weighting		**30% Performance Weighting**	
	Three-year average annual pre-tax distributable cash flow per share	**Payout Multiplier**	**Total Shareholder Return Percentile Rank**	**Payout Multiplier**
	Less than 2.00	Nil	Less than 25th	Nil
First range	2.00 – 2.19	50% – 99%	25th – 49th	50% – 99%
Second range	2.20 – 2.59	100% – 199%	50th – 74th	100% – 199%
Third range	2.60 and greater	200%	75th and greater	200%

	July 1, 2015 Grant			
	70% Performance Weighting		**30% Performance Weighting**	
	Three-year average annual pre-tax distributable cash flow per share	**Payout Multiplier**	**Total Shareholder Return Percentile Rank**	**Payout Multiplier**
	Less than 2.70	Nil	Less than 25th	Nil
First range	2.70 – 3.30	50% – 99%	25th – 49th	50% – 99%
Second range	3.31 – 3.89	100% – 199%	50th – 74th	100% – 199%
Third range	3.90 and greater	200%	75th and greater	200%

(b) 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. The fair value of shares granted at December 31, 2015, was $40.26 per share (December 31, 2014 – $40.54 per share).

The compensation cost recorded for the LTIP was as follows:

	2015	2014
	$	$
Performance Awards	**29,514**	33,628
Restricted Awards	**2,632**	4,885
Total long-term incentive plan expense	**32,146**	38,513

The table below shows the number of share awards granted:

	Share awards granted as at	
Share Award Series	**December 31, 2015**	December 31, 2014
Issued July 1, 2012 – Performance Awards	**—**	320,754
Issued July 1, 2013 – Performance Awards	**307,050**	311,580
Issued July 1, 2014 – Performance Awards	**339,182**	338,532
Issued July 1, 2015 – Performance Awards	**333,412**	—
Issued July 1, 2012 – Restricted Awards	**—**	23,224
Issued July 1, 2013 – Restricted Awards	**18,604**	38,430
Issued July 1, 2014 – Restricted Awards	**40,422**	59,430
Issued July 1, 2015 – Restricted Awards	**61,508**	—

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 plan, 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.

Defined Contribution Pension Plan

For the year ended December 31, 2015, Keyera made pension contributions of $8,625 (2014 – $7,475) on behalf of its employees. The contributions were recorded in general and administrative expenses.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include cash, trade and other receivables, derivative financial instruments, trade and other payables, dividends payable, credit facilities, and current and long-term debt. 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 classified as fair value through the statement of net earnings and are measured at fair value. All other financial instruments are measured at amortized cost.

Financial Instruments

(a) 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 statement 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, trade and other payables and dividends payable approximate their fair values because the instruments are near maturity 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 14 for the fair value amounts of the senior fixed rate debt.

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 closed out at the end of the period.

As at December 31, 2015	Notional Volume[1]	Weighted Average Price $	Fair Value Hierarchy Level [2]	Net Fair Value $	Carrying Value Asset $	Carrying Value Liability $
Marketing: NGLs and Iso-octane						
Financial contracts:						
Seller of fixed price WTI swaps (maturing by December 31, 2016)	2,057,441 Bbls	64.87/Bbl	Level 2	25,274	25,446	(172)
Buyer of fixed price WTI swaps (maturing by September 30, 2016)	445,562 Bbls	57.36/Bbl	Level 2	(981)	108	(1,089)
Seller of fixed price NGL swaps (maturing by September 30, 2016)	1,505,290 Bbls	27.01/Bbl	Level 2	3,784	4,521	(737)
Buyer of fixed price NGL swaps (maturing by March 31,2016)	840,524 Bbls	44.67/Bbl	Level 2	(9,961)	—	(9,961)
Seller of fixed price NGL basis spreads (maturing by September 30, 2016)	125,550 Bbls	28.06/Bbl	Level 2	75	132	(57)
Buyer of fixed price NGL basis spreads (maturing by March 31, 2017)	465,000 Bbls	8.32/Bbl	Level 2	908	916	(8)
Seller of fixed price RBOB basis spreads (iso-octane) (maturing by June 30, 2016)	1,640,000 Bbls	25.24/Bbl	Level 2	(5,452)	522	(5,974)
Physical contracts:						
Seller of fixed price forward NGL contracts (maturing by March 31, 2016)	680,000 Bbls	21.80/Bbl	Level 2	1,302	1,623	(321)
Currency:						
Seller of forward contracts (maturing by March 1, 2016)	USD 117,000,000	1.32/USD	Level 2	(7,767)	51	(7,818)
Buyer of forward contracts (maturing by February 28, 2016)	USD 10,000,000	1.35/USD	Level 2	298	298	—
NGL Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31,2017)	254,664 MWhs	40.50/MWh	Level 2	(1,070)	187	(1,257)
Corporate and Other						
Natural Gas:						
Seller of fixed price swaps (maturing by April 30, 2016)	3,404,000 Gjs	2.33/Gj	Level 2	(12)	255	(267)
Crude Oil & NGLs:						
Seller of fixed price swaps (maturing March 31, 2016)	68,400 Bbls	60.74/Bbl	Level 2	1,533	1,533	—
Long-term Debt						
Buyer of cross-currency swaps (maturing May 1, 2016 – November 20, 2028)	US$668,485,700	0.98/USD - 1.24/USD	Level 2	153,040	153,040	—
				160,971	**188,632**	**(27,661)**

Notes:

[1] All notional amounts represent actual volumes or actual prices and are not expressed in thousands.

[2] A description of the fair value hierarchy is discussed in the fair value section.

As at December 31, 2014	Notional Volume[1]	Average Price $	Fair Value Hierarchy Level [2]	Net Fair Value $	Carrying Value Asset $	Carrying Value Liability $
Marketing: NGLs and Iso-octane						
Financial contracts:						
Seller of fixed price WTI swaps (maturing by March 31, 2015)	1,929,475 Bbls	78.41/Bbl	Level 2	31,724	31,728	(4)
Buyer of fixed price WTI swaps (maturing by February 28, 2015)	37,750 Bbls	78.32/Bbl	Level 2	(617)	—	(617)
Seller of fixed price NGL swaps (maturing by July 31, 2015)	1,262,400 Bbls	36.32/Bbl	Level 2	18,115	18,147	(32)
Buyer of fixed price NGL swaps (maturing by March 31, 2015)	425,606 Bbls	71.75/Bbl	Level 2	(14,812)	—	(14,812)
Buyer of fixed price NGL basis spreads (maturing by March 31, 2015)	261,606 Bbls	11.22/Bbl	Level 2	(935)	148	(1,083)
Seller of fixed price RBOB basis spreads (maturing by September 30, 2015)	2,040,000 Bbls	21.94/Bbl	Level 2	9,967	10,775	(808)
Physical contracts:						
Seller of fixed price forward NGL contracts (maturing by March 31, 2015)	520,900 Bbls	38.67/Bbl	Level 2	8,845	8,845	—
Currency:						
Seller of forward contracts (maturing by February 1, 2015)	USD 115,000,000	1.15/USD	Level 2	(908)	146	(1,054)
Buyer of forward contracts (maturing by January 1, 2015)	USD 10,000,000	1.16/USD	Level 2	(7)	1	(8)
NGL Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2015)	179,064 MWhs	47.49/MWh	Level 2	(941)	118	(1,059)
Corporate and Other						
Natural Gas:						
Buyer of fixed price swaps (maturing by October 31, 2015)	2,945,000 Gjs	3.44/Gj	Level 2	2,557	2,557	—
Long-term Debt						
Buyer of cross-currency swaps (maturing September 8, 2015 – November 20, 2028)	US$708,797,100	0.98/USD - 1.28/USD	Level 2	76,753	80,648	(3,895)
				129,741	**153,113**	**(23,372)**

Notes:
1 All notional amounts represent actual volumes or actual prices and are not expressed in thousands.
2 A description of the fair value hierarchy is discussed in the fair value section.

Derivative instruments are recorded on the consolidated statement of financial position at fair value. Changes in the fair value of these financial instruments are recognized in the statement of net earnings and comprehensive income in the period in which they arise.

For the Marketing, NGL Infrastructure and Corporate and Other segments, unrealized gains (losses), representing the change in fair value of derivative contracts, are recorded in Marketing operating revenue, NGL Infrastructure operating expense, Gathering and Processing expense and Corporate and Other revenue (for derivative contracts related to natural gas, crude oil and NGLs) and Corporate and Other expense (for derivative contracts related to electricity). Unrealized gains (losses) relating to the cross-currency swaps are recorded in net foreign currency gain (loss).

The unrealized gains (losses) representing the change in fair value relating to derivative instruments were as follows:

Unrealized gain (loss)	2015 $	2014 $
Marketing revenue	**(43,893)**	57,111
NGL Infrastructure operating expense	**32**	(634)
Gathering and Processing expense	**27**	—
Corporate and Other:		
Other revenue and expense	**(1,222)**	2,264
Foreign currency gain on U.S. debt	**76,287**	55,588
Total unrealized gain	**31,231**	114,329

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, interest rate risk, and foreign currency risk, as well as credit and liquidity risks.

(b) 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 times 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. Due to the fixed fee nature of some service contracts in place with customers, these facilities are unable to flow increases in the cost of electricity and natural gas to customers in all situations. In order to mitigate this 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.

(c) 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. 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 NGL Infrastructure segments are not subject to foreign currency risk as all sales and virtually all purchases are denominated in Canadian dollars.

U.S. dollar sales and purchases in the Marketing segment were as follows:

U.S. dollar sales and purchases	**2015** **$**	2014 $
Sales priced in U.S. dollars	**679,125**	1,195,254
Purchases priced in U.S. dollars	**(352,493)**	(771,934)

Portions of Keyera's trade and other receivables and trade and other payables are denominated in U.S. dollars and, as a result, are subject to foreign currency risk.

Keyera is also exposed to foreign currency risk related to its U.S. dollar denominated long-term debt (refer to note 14). To manage this currency exposure, Keyera has entered into cross-currency swap contracts relating to the principal portion and future interest payments of the U.S. dollar denominated debt. These cross-currency contracts are accounted for as derivative instruments. Refer to note 22 for a summary of the foreign currency gains (losses) associated with the U.S. dollar denominated long-term debt.

(d) 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. At December 31, 2015, fixed rate borrowings comprised 77% of total debt outstanding (December 31, 2014 – 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.

(e) 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 U.S. customer base. Keyera evaluates and monitors the financial strength of its customers in accordance with its credit policy.

Keyera's maximum exposure to credit risk, which is a worst case scenario and does not reflect results expected by Keyera, is $344,006 at December 31, 2015 (December 31, 2014 – $402,965). Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at December 31, 2015. 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 counter party 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 quarterly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counter party.

(f) 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 forecast 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, 2015:

	2016	**2017**	**2018**	**2019**	**2020**	**After 2020**
	$	**$**	**$**	**$**	**$**	**$**
Trade and other payables	376,471	—	—	—	—	—
Derivative financial instruments [1]	27,309	352				
Dividends payable	21,463	—	—	—	—	—
Long-term debt[2]	104,200	60,000	—	126,152	144,552	832,872
Credit facilities	—	—	—	—	370,000	—
Long-term incentive plan	23,774	13,551	2,795	—	—	—
	553,217	**73,903**	**2,795**	**126,152**	**514,552**	**832,872**

Notes:
1 Derivative instruments include cross currency swaps related to U.S. long-term debt (note 22).
2 Amounts represent principal only and exclude accrued interest.

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 rate and interest rate could have resulted in unrealized gains (losses) affecting income before tax as follows:

Risk sensitivities	**Impact on income before tax December 31, 2015** Increase	(Decrease)	Impact on income before tax December 31, 2014 Increase	(Decrease)
Commodity price changes				
+ 10% in natural gas price	—	**(797)**	—	(757)
- 10% in natural gas price	**797**	—	757	—
+ 10% in electricity price	**924**	—	756	—
- 10% in electricity price	—	**(924)**	—	(756)
+ 10% in NGL and iso-octane price	—	**(15,654)**	—	(17,919)
- 10% in NGL and iso-octane price	**15,654**	—	17,919	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**90**	—	2,711	—
- $0.01 in U.S./Canadian dollar exchange rate	—	**(90)**	—	(2,711)
Interest rate changes				
+ 1% in interest rate	—	**(2,270)**	—	(36)
- 1% in interest rate	**2,270**	—	36	—

22. NET FOREIGN CURRENCY (LOSS) GAIN ON U.S. DEBT

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

	2015 $	2014 $
Net foreign currency (loss) gain resulting from:		
Translation of long-term debt and interest payable	**(112,615)**	(49,020)
Change in fair value of the cross currency swap – principal and interest portion	**76,287**	55,588
Gain (loss) from cross currency swaps – principal and interest portion [1]	**6,660**	(1,935)
Total net foreign currency (loss) gain on U.S. debt	**(29,668)**	4,633

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

23. 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 significant 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 follows:

- 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.

As at December 31,	**2015** **$**	2014 $
Long-term debt	**1,156,486**	1,152,133
Credit facilities	**370,000**	90,000
Current assets	**(490,164)**	(621,710)
Current liabilities	**563,786**	540,984
Consolidated net debt	**1,600,108**	1,161,407
Share capital	**1,483,376**	1,364,522
Accumulated deficit	**(85,106)**	(46,341)
Total capitalization	**2,998,378**	2,479,588

For the year ended December 31, 2015, 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 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. These agreements require Keyera to maintain a consolidated net debt to adjusted EBITDA ratio of less than 4.0. However, Keyera currently intends to maintain a consolidated net debt to adjusted EBITDA ratio of less than 3.5, unchanged from the prior year.

Consolidated net debt **As at December 31,**	**2015** **$**	2014 $
Long-term debt	**1,156,486**	1,152,133
Credit facilities	**370,000**	90,000
Working capital surplus (deficit)[1]	**73,622**	(80,726)
Consolidated net debt	**1,600,108**	1,161,407

EBITDA **Twelve months ended**	**December 31, 2015** **$**	December 31, 2014 $
Net earnings	**201,920**	229,989
Add:		
Finance costs	**63,168**	50,519
Depreciation and amortization	**169,318**	138,697
Income tax expense	**99,803**	93,977
EBITDA	**534,209**	513,182
Unrealized loss (gain) on commodity contracts	**45,056**	(58,741)
Net foreign currency loss (gain) on U.S. debt	**29,668**	(4,633)
Loss on disposal of assets	**402**	—
Impairment expense	**95,305**	80,243
Adjusted EBITDA	**704,640**	530,051

Consolidated net debt to adjusted EBITDA	**Guideline[2]** **< 3.5**	**2.27**	2.19

Notes:
[1] Working capital is defined as current assets less current liabilities.
[2] Keyera currently intends to maintain a consolidated net debt to adjusted EBITDA ratio of less than 3.5.

Keyera is also subject to the following financial covenants:

- Adjusted EBITDA to consolidated interest charges
- Priority debt to consolidated total assets

The calculation for each financial covenant is based on specific definitions and is not in accordance with IFRS and cannot be directly derived from the financial statements. Keyera was in compliance with all financial covenants as at December 31, 2015.

24. GENERAL AND ADMINISTRATIVE EXPENSES

The components of general and administrative expenses were as follows:

	2015	2014
	$	$
Salaries and benefits	**69,727**	59,876
Professional fees and consulting	**12,378**	12,431
Bad debt expense	**1,460**	26
Other	**14,687**	13,441
Loss on disposal of property, plant and equipment	**402**	—
Overhead recoveries on operated facilities	**(47,644)**	(41,884)
Total general and administrative expenses	**51,010**	43,890

Other expenses include operating lease charges, insurance and advertising and promotional expenditures. 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 called overhead recoveries.

25. FINANCE COSTS

The components of finance costs were as follows:

	2015	2014
	$	$
Interest on bank overdrafts and credit facilities	**8,628**	2,839
Interest on long-term debt	**65,127**	60,196
Interest capitalized	**(21,577)**	(22,331)
Other interest expense (income)	**60**	(890)
Total interest expense on current and long-term debt	**52,238**	39,814
Unwinding of discount on decommissioning liability	**9,857**	9,877
Unwinding of discount on long-term debt	**1,073**	828
Non-cash expenses in finance costs	**10,930**	10,705
Total finance costs	**63,168**	50,519

For the year ended December 31, 2015, $21,577 of borrowing (interest) costs were capitalized (2014 – $22,331) at a weighted average capitalization rate of 5.23% on funds borrowed (2014 – 5.60%).

26. DEPRECIATION, DEPLETION AND AMORTIZATION

The components of depreciation, depletion and amortization expense were as follows:

	2015 $	2014 $
Depreciation and depletion on property, plant and equipment and other properties	**168,845**	137,971
Amortization of intangible assets	**473**	726
Total depreciation, depletion and amortization expenses	**169,318**	138,697

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel was as follows:

	2015 $	2014 $
Salaries and other short term benefits	**9,405**	9,658
Post-employment benefits	**328**	293
Share-based payments	**16,376**	12,613
Total related party transactions	**26,109**	22,564

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

28. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2015 $	2014 $
Inventories	**43,915**	(9,273)
Trade and other receivables	**63,112**	4,868
Other assets	**(5,231)**	(4,041)
Trade and other payables	**(36,124)**	(71,056)
Changes in non-cash working capital from operating activities	**65,672**	(79,502)

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

	2015 $	2014 $
Trade and other payables	**(29,992)**	40,716
Changes in non-cash working capital from investing activities	**(29,992)**	40,716

29. SEGMENT INFORMATION

Keyera has the following four reportable operating segments based on the nature of its business activities:

Marketing
The Marketing segment is involved in the marketing of NGLs, such as propane, butane, condensate, and iso-octane to customers in Canada and the United States, as well as various crude oil midstream activities.

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 services to customers.

NGL Infrastructure
The NGL Infrastructure segment provides fractionation, storage, transportation and terminalling services for NGLs and crude oil. As well, it provides manufacturing services of iso-octane to Keyera's Marketing business. These services are provided to customers through an extensive network of facilities that include underground NGL storage caverns, NGL fractionation facilities, NGL and crude oil pipelines as well as rail and truck terminals and the AEF facility.

Corporate and Other
The Corporate and Other segment includes corporate functions and the production of crude oil, natural gas and natural gas liquids.

Inter-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, 2015	Marketing $	Gathering & Processing $	NGL Infrastructure $	Corporate and Other $	Total $
Revenue before inter-segment eliminations	1,967,726	466,733	347,191	40,188	2,821,838
Operating expenses before inter-segment eliminations	(1,723,945)	(207,639)	(127,333)	(20,583)	(2,079,500)
Operating margin	243,781	259,094	219,858	19,605	742,338
Inter-segment revenue eliminations	—	(32,678)	(222,041)	(46,039)	(300,758)
Inter-segment expenses eliminations	286,117	—	—	14,641	300,758
	529,898	226,416	(2,183)	(11,793)	742,338
General and administrative expenses	—	—	—	(51,010)	(51,010)
Finance costs	—	—	—	(63,168)	(63,168)
Depreciation, depletion and amortization expenses	—	—	—	(169,318)	(169,318)
Net foreign currency loss on U.S. debt	—	—	—	(29,668)	(29,668)
Long-term incentive plan expense	—	—	—	(32,146)	(32,146)
Impairment expense	—	(58,964)	(19,908)	(16,433)	(95,305)
Earnings (loss) before income tax	529,898	167,452	(22,091)	(373,536)	301,723
Income tax expense	—	—	—	(99,803)	(99,803)
Net earnings (loss)	**529,898**	**167,452**	**(22,091)**	**(473,339)**	**201,920**
Revenue from external customers	1,967,726	434,055	125,150	(5,851)	2,521,080

Year ended December 31, 2014	**Marketing $**	**Gathering & Processing $**	**NGL Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	3,123,535	426,455	306,065	46,863	3,902,918
Operating expenses before inter-segment eliminations	(2,886,096)	(208,159)	(117,309)	(20,159)	(3,231,723)
Operating margin	237,439	218,296	188,756	26,704	671,195
Inter-segment revenue eliminations	—	(33,233)	(195,876)	(50,108)	(279,217)
Inter-segment expenses eliminations	263,739	—	—	15,478	279,217
	501,178	185,063	(7,120)	(7,926)	671,195
General and administrative expenses	—	—	—	(43,890)	(43,890)
Finance costs	—	—	—	(50,519)	(50,519)
Depreciation, depletion and amortization expenses	—	—	—	(138,697)	(138,697)
Net foreign currency gain on U.S. debt	—	—	—	4,633	4,633
Long-term incentive plan expense	—	—	—	(38,513)	(38,513)
Impairment expense	—	(49,422)	—	(30,821)	(80,243)
Earnings (loss) before income tax	501,178	135,641	(7,120)	(305,733)	323,966
Income tax expense	—	—	—	(93,977)	(93,977)
Net earnings (loss)	**501,178**	**135,641**	**(7,120)**	**(399,710)**	**229,989**
Revenue from external customers	3,123,535	393,222	110,189	(3,245)	3,623,701

Geographical information

Keyera operates in two geographical areas, Canada and the United States (US). 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 located in	Canada $	US $
For the year ended December 31, 2015	**1,998,805**	**522,275**
For the year ended December 31, 2014	2,895,582	728,119

	Canada $	US $
Non-current assets[1] at December 31, 2015	**3,758,932**	**47,473**
Non-current assets[1] at December 31, 2014	3,182,951	46,165

Notes:

[1] Non-current assets are comprised of non-current derivative financial instruments, property, plant and equipment, intangible assets, and goodwill.

Information about major customers

Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue for the years ended December 31, 2015 and 2014.

30. 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 and expire in 2018. 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.

There are operating lease commitments relating to railway tank cars, vehicles, computer hardware, office space, terminal space, natural gas transportation and pipeline construction contracted with third parties. The estimated annual minimum operating lease rental payments for these commitments are as follows:

	$
2016	**399,238**
2017	**382,052**
2018	**69,572**
2019	**26,363**
2020	**20,100**
Thereafter	**33,672**
	930,997

There are legal actions for which the ultimate results cannot be ascertained at this time. Management does not expect the outcome of any of these proceedings to have a material effect on the financial position or results of operations.

31. SUBSEQUENT EVENTS

In January 2016, Keyera declared a dividend of $0.125 per share, payable on February 16, 2016 to shareholders of record as of January 22, 2016.

In February 2016, Keyera declared a dividend of $0.125 per share, payable on March 15, 2016 to shareholders of record as of February 23, 2016.

Additional Information

Fourth Quarter Results

Statements of Net Earnings **(Thousands of Canadian dollars)**	**(Unaudited) Three months ended December 31,** **2015** **$**	 2014 $
Operating revenues	**622,463**	938,718
Operating expenses	**(433,841)**	(751,065)
	188,622	187,653
General and administrative expenses	**(15,854)**	(14,239)
Finance costs	**(19,881)**	(9,526)
Depreciation, depletion and amortization expenses	**(44,686)**	(42,022)
Net foreign currency (loss) gain on U.S. debt	**(5,479)**	3,970
Long-term incentive plan expense	**(10,058)**	(2,477)
Impairment expense	**(58,964)**	(80,243)
Earnings before income tax	**33,700**	43,116
Income tax expense	**(13,485)**	(13,729)
Net earnings	**20,215**	29,387
Weighted average number of shares (in thousands)		
- basic	**171,199**	168,470
- diluted	**171,199**	168,470
Net earnings per share		
- basic	**0.12**	0.17
- diluted	**0.12**	0.17

Statements of Cash Flows **(Thousands of Canadian dollars)**	**(Unaudited)** **Three months ended** **December 31,**	
	2015	2014
Net inflow (outflow) of cash:	**$**	$
OPERATING ACTIVITIES		
Net earnings	**20,215**	29,387
Adjustments for items not affecting cash:		
Finance costs	**2,532**	2,356
Depreciation, depletion and amortization expenses	**44,686**	42,022
Long-term incentive plan expense	**10,058**	2,477
Unrealized gain on derivative financial instruments	**(3,043)**	(67,436)
Unrealized loss on foreign exchange	**19,149**	15,461
Deferred income tax (recovery) expense	**(9,572)**	5,311
Inventory write-down	**863**	59,106
Impairment expense	**58,964**	80,243
Loss on disposal of property, plant and equipment	**823**	—
Decommissioning liability expenditures	**(4,475)**	(1,472)
Changes in non-cash working capital	**(13,756)**	12,304
Net cash provided by operating activities	**126,444**	179,759
INVESTING ACTIVITIES		
Acquisitions	**(6,949)**	(92,849)
Capital expenditures	**(135,192)**	(216,535)
Proceeds on sale of assets	**(1,587)**	630
Changes in non-cash working capital	**6,032**	7,580
Net cash used in investing activities	**(137,696)**	(301,174)
FINANCING ACTIVITIES		
Borrowings under credit facilities	**510,000**	170,000
Repayments under credit facilities	**(465,000)**	(80,000)
Financing costs related to credit facilities/long-term debt	**(1,950)**	(1,676)
Issuance costs related to equity offering	**—**	(3)
Proceeds from issuance of shares related to DRIP	**39,314**	17,446
Dividends paid to shareholders	**(64,131)**	(54,309)
Net cash provided by financing activities	**18,233**	51,458
Effect of exchange rate fluctuations on foreign cash held	**356**	1,028
Net increase (decrease) in cash	**7,337**	(68,929)
Cash, start of period	**6,110**	80,238
Cash, end of period	**13,447**	11,309

SUPPLEMENTAL CASH FLOW INFORMATION

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

	(Unaudited) Three months ended December 31,	
	2015	2014
	$	$
Inventory	**15,886**	89,016
Trade and other receivables	**(36,932)**	28,512
Other assets	**6,179**	4,517
Trade and other payables	**1,111**	(109,741)
Changes in non-cash working capital from operating activities	**(13,756)**	12,304

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

	(Unaudited) Three months ended December 31,	
	2015	2014
	$	$
Trade and other payables	**6,032**	7,580
Changes in non-cash working capital from investing activities	**6,032**	7,580

The following amounts are included in Cash Flows from Operating Activities:

	(Unaudited) Three months ended December 31,	
	2015	2014
	$	$
Income taxes paid in cash	**8,103**	—
Interest paid in cash	**30,067**	25,968

The following table is a reconciliation of Distributable Cash Flow to its most closely related GAAP measure, Cash Flows from Operating Activities:

	(Unaudited) Three months ended December 31,	
	2015	2014
Distributable Cash Flow	**$**	$
Cash flow from operating activities	**126,444**	179,759
Add (deduct):		
Changes in non-cash working capital (surplus) deficit	**13,756**	(12,304)
Long-term incentive plan expense	**(10,058)**	(2,477)
Maintenance capital	**(6,103)**	(3,516)
Inventory write-down	**(863)**	(59,106)
Distributable cash flow	**123,176**	102,356
Dividends declared to shareholders	**64,259**	54,353

The following tables show the operating margin from each of Keyera's operating segments and includes inter-segment transactions:

(Unaudited) Three months ended December 31, 2015	**Marketing $**	**Gathering & Processing $**	**NGL Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	472,114	129,074	90,958	9,141	701,287
Operating expenses before inter-segment eliminations	(417,383)	(55,510)	(35,072)	(4,700)	(512,665)
Operating margin	54,731	73,564	55,886	4,441	188,622
Inter-segment revenue eliminations	—	(9,999)	(56,964)	(11,861)	(78,824)
Inter-segment expenses eliminations	75,921	—	—	2,903	78,824
	130,652	63,565	(1,078)	(4,517)	188,622
General and administrative expenses	—	—	—	(15,854)	(15,854)
Finance costs	—	—	—	(19,881)	(19,881)
Depreciation, depletion and amortization expenses	—	—	—	(44,686)	(44,686)
Net foreign currency loss on U.S. debt	—	—	—	(5,479)	(5,479)
Long-term incentive plan expense	—	—	—	(10,058)	(10,058)
Impairment expense	—	(58,964)	—	—	(58,964)
Earnings (loss) before income tax	130,652	4,601	(1,078)	(100,475)	33,700
Income tax expense	—	—	—	(13,485)	(13,485)
Net earnings (loss)	**130,652**	**4,601**	**(1,078)**	**(113,960)**	**20,215**
Revenue from external customers	472,114	119,075	33,994	(2,720)	622,463

(Unaudited) **Three months ended** **December 31, 2014**	**Marketing** **$**	**Gathering &** **Processing** **$**	**NGL** **Infrastructure** **$**	**Corporate** **and Other** **$**	**Total** **$**
Revenue before inter-segment eliminations	800,126	115,131	84,784	16,463	1,016,504
Operating expenses before inter-segment eliminations	(732,357)	(63,052)	(29,808)	(3,634)	(828,851)
Operating margin	67,769	52,079	54,976	12,829	187,653
Inter-segment revenue eliminations	—	(7,018)	(53,003)	(17,765)	(77,786)
Inter-segment expenses eliminations	75,639	—	—	2,147	77,786
	143,408	45,061	1,973	(2,789)	187,653
General and administrative expenses	—	—	—	(14,239)	(14,239)
Finance costs	—	—	—	(9,526)	(9,526)
Depreciation, depletion and amortization expenses	—	—	—	(42,022)	(42,022)
Net foreign currency gain on U.S. debt	—	—	—	3,970	3,970
Long-term incentive plan expense	—	—	—	(2,477)	(2,477)
Impairment expense	—	(49,422)	—	(30,821)	(80,243)
Earnings (loss) before income tax	143,408	(4,361)	1,973	(97,904)	43,116
Income tax expense	—	—	—	(13,729)	(13,729)
Net earnings (loss)	**143,408**	**(4,361)**	**1,973**	**(111,633)**	**29,387**
Revenue from external customers	800,126	108,113	31,781	(1,302)	938,718

Corporate Information

Board of Directors

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

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

Nancy M. Laird (3)(5)
Corporate Director
Calgary, Alberta

Donald J. Nelson (4)(5)
President
Fairway Resources Inc.
Calgary, Alberta

H. Neil Nichols (3)
Corporate Director
Smiths Cove, Nova Scotia

Michael Norris (3)
Corporate Director
Toronto, Ontario

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

David G. Smith
President and Chief Executive Officer
Keyera Corp.
Calgary, Alberta

William R. Stedman (4)(5)
Chairman and CEO
ENTx Capital Corporation
Calgary, Alberta

Janet Woodruff (5)
Corporate Director
Vancouver, British Columbia

(1) Executive Chair of the Board
(2) Independent Lead Director
(3) Member of the Audit Committee
(4) Member of the Compensation and Governance Committee
(5) Member of the Health, Safety and Environment Committee

Officers

Jim V. Bertram
Executive Chair of the Board of Directors

David G. Smith
President and Chief Executive Officer

Graham Balzun
Vice President, Corporate Responsibility

Jarrod Beztilny
Vice President Operations, Liquids Business Unit

Michael Freeman
Vice President, Commercial

Suzanne Hathaway
Vice President, General Counsel and Corporate Secretary

Jim Hunter
Vice President, NGL Facilities

Rick Koshman
Vice President, Engineering

Dion O. Kostiuk
Vice President, Human Resources and Corporate Services

Steven B. Kroeker
Senior Vice President and Chief Financial Officer

Bradley W. Lock
Senior Vice President, Gathering and Processing Business Unit

Eileen Marikar
Vice President, Controller

Brian Martin
Vice President, Business Development, NGL Facilities

C. Dean Setoguchi
Senior Vice President, Liquids Business Unit

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbols KEY

Trading Summary Q4 2015:

TSX:KEY – Cdn $	
High	$42.92
Low	$35.97
Close December 31, 2015	$40.26
Volume	47,195,987
Average Daily Volume	749,143

Head Office

Keyera Corp.
Suite 200, Sun Life Plaza West Tower
144 – 4th Avenue S.W.
Calgary, Alberta T2P 3N4
Main phone: 403-205-8300
Website: www.keyera.com

Auditors

Deloitte LLP
Chartered Accountants
Calgary, Canada

Investor Relations

Contact:
Lavonne Zdunich or Nick Kuzyk
Toll Free: 1-888-699-4853
Direct: 403-205-7670
Email: ir@keyera.com