2021
First Quarter Report

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For the period ended March 31, 2021

First Quarter Financial Highlights

- Adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA" [1]) was $225 million, compared to $327 million in Q1 2020. Distributable cash flow[1] ("DCF") was $165 million, compared to $253 million for the same period last year. The year-over-year decrease in both figures is mostly due to exceptional quarterly performance in the marketing segment in the prior year period.
- Net earnings were $86 million, equal to the same period in 2020.
- Trailing-twelve-month dividend payout ratio[1] of 67%, which is within the company's targeted range of 50% to 70%.
- Growth capital spending was $48 million and is expected to ramp up through the year as the construction of the KAPS project progresses, to reach the annual guidance range of $400 million to $450 million.
- In March, the company completed a $350 million hybrid note offering, in part to fund its proportional interest for the construction of the KAPS pipeline project.
- Keyera maintained its strong financial position with a net debt to adjusted EBITDA ratio[1,2] of 2.7x. The company has $1.5 billion in available liquidity with minimal near-term debt maturities.
- In the second half of 2021, Keyera plans to provide an environment, social and governance ("ESG") performance summary for the year 2020. The company also plans to release formal emissions reduction targets, and its first climate report, in-line with the recommendations from the Task Force on Climate-related Financial Disclosures ("TCFD") in 2021.

Increasing 2021 Marketing Segment Guidance

- For 2021, realized margin[3] for the Marketing segment is expected to range between $260 million and $290 million. This replaces the previous annual guidance range of between $180 million and $220 million. The increase is based on year-to-date performance and negotiations for natural gas liquids ("NGL") supply agreements for the contract year beginning April 1, 2021.
- Readers are referred to the section of the Q1 2021 MD&A titled, "Segmented Results: Marketing", for the assumptions associated with the updated 2021 guidance.
- 2021 maintenance capital guidance range is now expected to be $30 million to $40 million (previously $25 million to $35 million) to accommodate additional work being completed at the Alberta Envirofuels facility.
- All other previously disclosed guidance for 2021 remains unchanged.

[1] Keyera uses certain "Non-GAAP Measures" such as EBITDA, adjusted EBITDA, funds from operations, distributable cash flow, distributable cash flow per share, payout ratio and return on invested capital. See section titled "Non-GAAP Financial Measures", "Dividends: Funds from Operations and Distributable Cash Flow" and "EBITDA" of the MD&A for further details.

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

[3] Realized margin is not a standard measure under GAAP and excludes the effect of $8 million in non-cash losses from commodity-related risk management contracts. See "Non-GAAP Financial Measures" in the MD&A.

First Quarter Business Segment Highlights

- The **Gathering and Processing** segment generated a realized margin of $79 million, compared to $64 million in the same period last year. This represents an increase of 23%, mostly attributable to increased processing volumes at the Wapiti gas plant and contributions from the Pipestone gas plant, which began operations in October 2020.
- The **Liquids Infrastructure** segment delivered a record quarterly realized margin of $105 million, compared to $103 million in the first quarter of 2020. This performance represents continued strong demand for Keyera's fractionation, condensate handling and storage services.
- The **Marketing** segment contributed realized margin of $61 million, compared to $165 million in the first quarter of 2021. The year-over-year decrease reflects exceptional performance in the marketing segment in the prior year period.

Growth project updates:

- The KAPS pipeline project is set to begin construction in the summer with completion expected in 2023. The clearing of the first 146 kilometers of right-of-way was completed in Q1 and pipe fabrication is underway.
- At the Wildhorse crude oil storage and blending terminal in Cushing Oklahoma, mechanical completion was declared on January 29, 2021 and commissioning activities are underway with the expectation to be operational in mid-2021.

Summary of Key Measures

(Thousands of Canadian dollars, except where noted)

	Three months ended March 31, 2021	2020
Net earnings	**85,825**	85,608
Per share ($/share) – basic	**0.39**	0.39
Cash flow from operating activities	**268,429**	316,684
Funds from operations[1]	**181,065**	286,348
Distributable cash flow[1]	**164,751**	253,039
Per share ($/share) [1]	**0.75**	1.16
Dividends declared	**106,091**	105,212
Per share ($/share)	**0.48**	0.48
Payout ratio %[1]	**64%**	42%
Adjusted EBITDA[2]	**224,830**	327,115
Gathering and Processing		
Gross processing throughput[3] (MMcf/d)	**1,402**	1,386
Net processing throughput[3] (MMcf/d)	**1,193**	1,142
Liquids Infrastructure		
Gross processing throughput[4] (Mbbl/d)	**154**	163
Net processing throughput[4] (Mbbl/d)	**85**	80
AEF iso-octane production volumes (Mbbl/d)	**15**	14
Marketing		
Inventory value	**159,007**	57,710
Sales volumes (Bbl/d)	**173,500**	171,000
Acquisitions	**—**	—
Growth capital expenditures	**48,028**	210,614
Maintenance capital expenditures	**3,905**	8,208
Total capital expenditures	**51,933**	218,822
Weighted average number of shares outstanding – basic and diluted	**221,023**	218,860
	As at March 31, 2021	2020
Long-term debt[5]	**3,281,982**	2,587,197
Credit facility	**—**	70,000
Working capital (surplus) deficit[6]	**(224,779)**	101,476
Net debt	**3,057,203**	2,758,673
Common shares outstanding – end of period	**221,023**	219,905

Notes:

1 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow. Payout ratio, funds from operations, and distributable cash flow are not standard measures under Generally Accepted Accounting Principles ("GAAP"). See the section titled, "Dividends: Funds from Operations and Distributable Cash Flow", for a reconciliation of funds from operations and distributable cash flow to the most closely related GAAP measure.

2 Adjusted EBITDA is defined as earnings before finance costs, taxes, depreciation, amortization, 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.

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

4 Fractionation throughput in the Liquids Infrastructure segment is the aggregation of volumes processed through the fractionators and the de-ethanizers at the Keyera and Dow Fort Saskatchewan facilities.

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

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

Message to Shareholders

It was about this time last year, following the historic occurrence of negative crude oil prices, that global energy markets were facing unprecedented uncertainty. Throughout this time, Keyera remained resilient, delivering record annual distributable cash flow in 2020 and maintaining balance sheet strength. One year later, energy markets appear to have stabilized and there are many reasons to be encouraged by the opportunities that lie ahead. Our 2021 first quarter results reflect strong performance across all three business segments.

In the Gathering and Processing segment, we are encouraged to see the increase in drilling activity and volumes from our customers. Gas processing throughput at our Pipestone and Wapiti gas plants continue to reach new highs and we are seeing interest to further utilize our available capacity. In the South region, volumes have stabilized, and we see the potential for volume growth from financially stronger producers who are focused on increasing drilling activity.

The Liquids Infrastructure segment delivered a new quarterly record for operating margin with strong deliveries from our condensate system as oil sands production continued to ramp up, and our storage and fractionation assets remained highly utilized. These assets provide essential services to a wide range of customers throughout the basin and continue to deliver the best returns in our portfolio with stable, contracted cash flow. Therefore, we will continue to allocate capital toward growing this segment. This includes the KAPS project which will serve to strengthen these positive attributes.

Current fundamentals for our Marketing segment are strong. This combined with our disciplined risk management program has led us to increase our 2021 realized margin contribution guidance for this segment.

We continue to progress the KAPS project, a great example of a made-in-Alberta story. The clearing work involved five different local Indigenous-affiliated contractors and pipeline manufacturing is currently underway in Camrose, Alberta. The project is highly desired by industry and provides a much-needed alternative transportation solution for condensate and natural gas liquids from the growing Montney and Duvernay plays in northwestern Alberta to the liquids hub in Fort Saskatchewan.

More broadly, a number of supportive developments are occurring within the Canadian energy industry. Pipeline export capacity for both oil and natural gas is expanding, and for the first time in many years, capacity will soon be able to adequately meet industry needs. Demand trends for natural gas liquids, like propane, are also encouraging with increasing local demand from the petrochemical industry and increased connectivity to overseas markets. We have also seen increased consolidation amongst producers, which is creating financially stronger customers.

Growing Distributable Cash Flow Through Efficiency Gains

We continue to focus on being the most efficient operator for our customers and connecting their products to the highest value markets. Across our organization we continue to focus on reducing costs, improving efficiency and ultimately increasing profitability. This includes the $45 to $65 million in annual optimization and cost reduction efforts announced last year. We are pleased with the results of these efforts so far, with most of the run-rate benefit expected to materialize by the end of this year.

Going forward, we see an opportunity to apply technology and innovation to enable our operations and corporate functions to deliver better solutions resulting in higher margins, lower costs and greater reliability. We have formalized a team that is dedicated to focus on advancing this opportunity.

Emissions Reductions

Our mission is “Connecting Energy for Life”, and we will do so in a sustainable and responsible manner. The world is undergoing a transition toward a lower carbon future with investor momentum and government policy further enabling this transition. Keyera is well positioned to adapt to these changes, which will bring new opportunities with them. When considering these opportunities, we want to ensure we remain focused on generating returns for shareholders and leveraging our existing core competencies and asset base.

We continue to look at ways to reduce the emissions produced by the facilities we operate. This includes our current optimization initiative which will drive higher utilization to reduce emissions on both an absolute and intensity basis, acid gas injection which we currently conduct at several of our facilities, and other carbon capture and sequestration technologies. We also look for options to reduce the emissions from the power we use at our facilities, including the use of solar, cogeneration or wind. Lastly, we are seeking out ways to help our customers reduce their emissions. Later this year, we will set emissions reduction targets that will take into account some of these efforts.

Keyera’s value proposition continues to be the delivery of a sustainable dividend, underpinned by low debt leverage and a rich inventory of investment opportunities aimed at expanding distributable cash flow per share.

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

Dean Setoguchi
President and Chief Executive Officer
Keyera Corp.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of May 11, 2021, and is a review of the results of operations and the liquidity and capital resources of Keyera Corp. and its subsidiaries (collectively "Keyera"). The MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements ("accompanying financial statements") of Keyera for the three months ended March 31, 2021 and the notes thereto as well as the audited consolidated financial statements of Keyera for the year ended December 31, 2020, and the related MD&A. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com 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 an integrated Canadian-based energy infrastructure business with extensive interconnected assets and depth of expertise in delivering energy infrastructure solutions. Keyera operates assets in the oil and gas industry between the upstream sector, which includes oil and gas exploration and production, and the downstream sector, which includes the refining and marketing of finished products. Keyera is organized into three highly integrated operating segments:

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

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

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

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

Overview

Approximately one year after the onset of the COVID-19 pandemic that created significant economic uncertainty, energy markets appear to have stabilized. Keyera continues to focus on the things that are within its control to ensure the continued well-being of its employees and other stakeholders as well as the profitability of the company. This includes a focus on managing costs, relentless capital discipline, capital project execution and continuing to advance its ESG priorities.

Keyera recorded strong first quarter 2021 financial results as global energy demand and commodity prices continued to strengthen during the quarter. In the Gathering and Processing segment, both the Wapiti and Pipestone gas plants achieved their highest throughput volumes since these facilities became operational. Strong producer activity in the North region combined with improved operational performance and stable volumes at Keyera's South region facilities contributed to these solid results.

The Liquids Infrastructure segment set another record for quarterly financial results as high utilization of Keyera's fractionation and storage assets in Fort Saskatchewan continue to generate strong, stable margin. In addition, condensate volumes delivered through Keyera's industry leading condensate system increased relative to the fourth quarter of 2020 by 2% and reached a new record in April. The Liquids Infrastructure segment continues to deliver long-term, stable cash flow. Through Keyera's capital allocation criteria, it is these attributes that the company is focused on growing over time while generating strong returns. The KAPS project is not only a highly strategic asset but it also embodies the important attribute of generating long-term, stable cash flow.

The Marketing segment also delivered solid results in the first quarter because of the portfolio of products that are sold within this segment. Due to improving market fundamentals for NGLs and iso-octane combined with a disciplined risk management program, 2021 annual realized margin guidance for the Marketing segment was increased from the previous range. See below for the revised 2021 annual Marketing realized margin guidance.

In the first quarter of 2021, Keyera issued $350 million in hybrid subordinated notes at a coupon rate of 5.95% to fund its capital projects, including its 50% ownership interest in the KAPS project. With the completion of this financing and Keyera's strong balance sheet, it is well positioned to fund this project without issuing common equity. Keyera's net debt to adjusted EBITDA ratio as of March 31, 2021 was 2.7x[1] as calculated for covenant test purposes. Keyera's long-term target is to maintain net debt to adjusted EBITDA in the 2.5x to 3.0x range. This conservative range provides ample room to maintain its investment grade credit ratings and protect against any potential future economic events.

Keyera expects the following for 2021:

- annual realized margin for the Marketing segment to range between **$260 million and $290 million**, which exceeds the "base realized margin" range of between $180 million and $220 million;
- a cash tax expense of between **$20 million and $30 million**;
- maintenance capital expenditures to range between **$30 million and $40 million**; and
- growth capital expenditures to range between **$400 million and $450 million** excluding capitalized interest, with the majority related to the construction of the KAPS pipeline system.

Readers are referred to the section of the MD&A titled, "Segmented Results: Marketing" for the assumptions associated with the 2021 Marketing realized margin guidance and "Forward-Looking Statements" for a further discussion of the assumptions and risks that could affect future performance and plans.

[1] Keyera's Net Debt to Adjusted EBITDA calculation for covenant test purposes excludes $950 million of total outstanding subordinated hybrid notes.

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the three months ended March 31, 2021 and 2020:

	Three months ended March 31,	
(Thousands of Canadian dollars, except per share data)	**2021**	2020
Net earnings	**85,825**	85,608
Net earnings per share (basic)	**0.39**	0.39
Operating margin	**235,975**	412,683
Realized margin[1]	**244,450**	332,949
Adjusted EBITDA[2]	**224,830**	327,115
Cash flow from operating activities	**268,429**	316,684
Funds from operations[3]	**181,065**	286,348
Distributable cash flow[3]	**164,751**	253,039
Distributable cash flow per share[3] (basic)	**0.75**	1.16
Dividends declared	**106,091**	105,212
Dividends declared per share	**0.48**	0.48
Payout ratio[4]	**64%**	42%

Notes:

1 Realized margin is defined as operating margin excluding unrealized gains and losses on commodity-related risk management contracts. Realized margin is not a standard measure under GAAP. See the section titled "Non-GAAP Financial Measures". For a reconciliation of operating margin to realized margin as it relates to the Marketing, Gathering and Processing, and Liquids Infrastructure segments, see the section titled "Segmented Results of Operations".

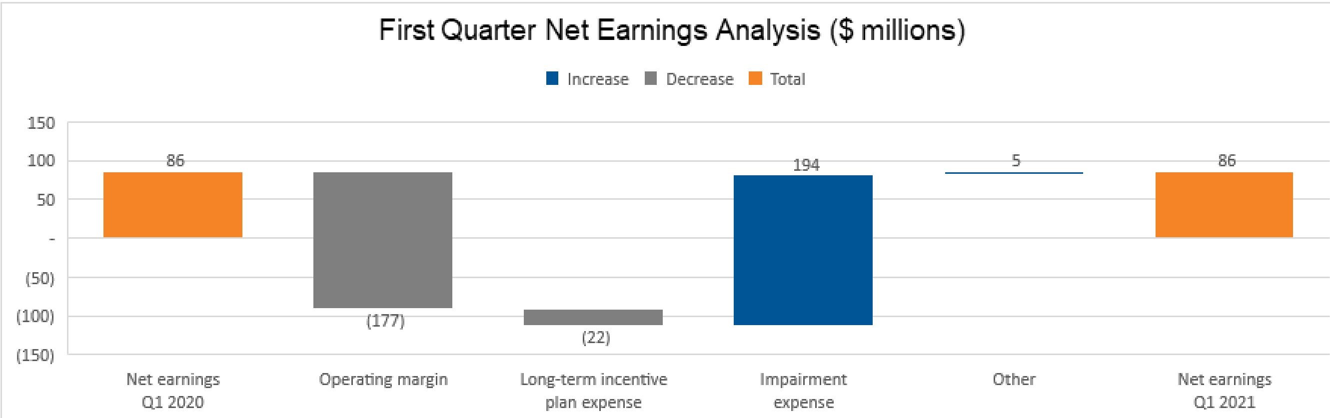
2 Adjusted EBITDA is defined as earnings before finance costs, taxes, depreciation, amortization, impairment expenses, unrealized gains/losses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. EBITDA and adjusted EBITDA are not standard measures under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

3 Funds from operations and distributable cash flow are not standard measures under GAAP. See the section titled, "Dividends: Funds from Operations and Distributable Cash Flow", for a reconciliation of funds from operations and distributable cash flow to the most closely related GAAP measure.

4 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow and is not a standard measure under GAAP.

Net Earnings

For the three months ended March 31, 2021, net earnings were $86 million, virtually unchanged from the same period in 2020 due to the following:



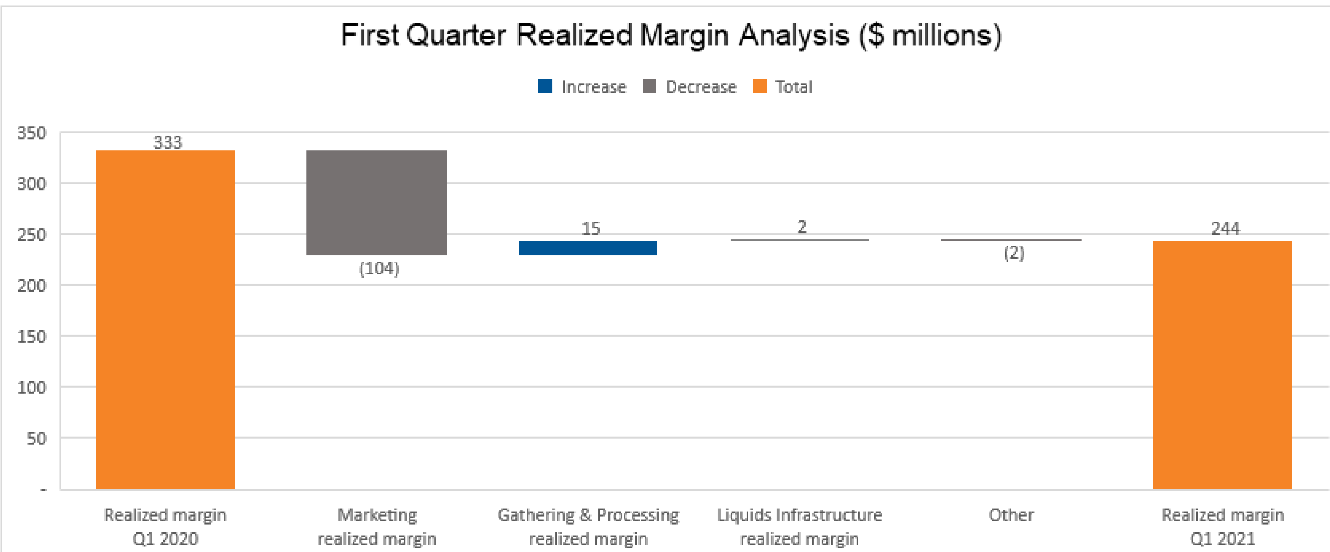
See the section below for more information related to operating margin. For more information related to impairment expense, please see the section of this MD&A titled, "Corporate and Other: Net Impairment Expense". For all other charges mentioned above, please see the section of the MD&A titled, "Corporate and Other", for more information related to these charges.

Operating Margin and Realized Margin

For the three months ended March 31, 2021, operating margin was $236 million, $177 million lower than the same period in 2020 due to: i) the inclusion of an unrealized non-cash loss of $8 million associated with risk management contracts from the Marketing segment in 2021 compared to an unrealized non-cash gain of $81 million in 2020; and ii) $88 million in lower realized margin as described in more detail below.

In the first quarter of 2021, realized margin (excluding the effect of unrealized gains and losses from commodity-related risk management contracts) was $244 million, $88 million lower than the same period in 2020 due to $104 million in lower realized margin from the Marketing segment. The lower results from the Marketing segment were primarily attributable to significantly lower iso-octane margins due to an exceptionally strong Q1 2020 that benefited from historically high demand, strong product premiums and lower average butane feedstock costs.

Partly offsetting the lower realized margin from the Marketing segment was $17 million of higher realized margin mainly related to the Gathering and Processing segment. Higher processing throughput and lower operating costs at the Wapiti gas plant and incremental margin from the Pipestone gas plant that commenced operations in October 2020, resulted in higher realized margin for the Gathering and Processing segment in the first quarter of 2021 compared to the same period in the prior year.

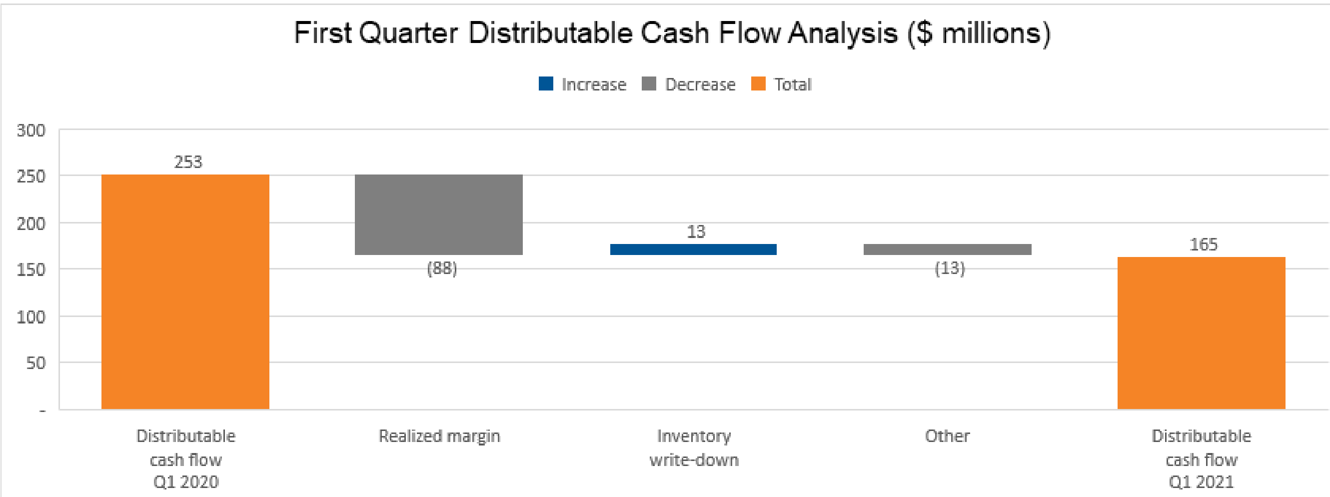


See the section titled "Segmented Results of Operations" for more information on operating results by segment.

Cash Flow Metrics

Cash flow from operating activities for the first quarter of 2021 was $268 million, $48 million lower than the same period in 2020 due to lower financial results from the Marketing segment that were partly offset by higher cash generated from operating working capital since year-end.

Distributable cash flow was $165 million for the three months ended March 31, 2021, $88 million lower than the same period in 2020 primarily due to lower financial results from the Marketing segment.



Refer to the sections of this MD&A titled, “Dividends: Funds from Operations and Distributable Cash Flow”, for a reconciliation of cash flow from operating activities to funds from operations and distributable cash flow and “Segmented Results of Operations”, for a reconciliation of operating margin to realized margin related to the Marketing, Gathering and Processing and Liquids Infrastructure segments.

SEGMENTED RESULTS OF OPERATIONS

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 Liquids Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the three months ended March 31, 2021 and 2020 are reported in note 15, Segment Information, of the accompanying financial statements. A complete description of Keyera's businesses by segment can be found in Keyera's Annual Information Form, which is available at www.sedar.com.

Gathering and Processing

Keyera currently has interests in 14 active gas plants[1], all of which are located in Alberta. Keyera operates 11 of the 14 active gas plants and has the option to become the operator of the Pipestone gas plant on January 1, 2026, approximately five years after the commencement of its operations. The Gathering and Processing segment includes raw gas gathering systems and processing plants strategically located in the natural gas production areas on the western side of the Western Canada Sedimentary Basin ("WCSB"). Several of the gas plants are interconnected by raw gas gathering pipelines, allowing raw gas to be directed to the gas plant best suited to process the gas. Most of Keyera's facilities are also equipped with condensate handling capabilities. Keyera's facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production activity in the WCSB. Keyera's Simonette, Wapiti and Pipestone gas plants, as well as the non-operated Edson gas plant, are generally referred to as its "Northern" or "North" gas plants due to their geographic location and proximity to one another. Gas plants in the North are generally dedicated to processing gas and handling condensate from the Montney formation. All of Keyera's other Gathering and Processing plants are generally referred to as its "Southern" or "South" gas plants.

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

Operating and Realized Margin and Throughput Information (Thousands of Canadian dollars)	**Three months ended March 31,** **2021**	2020
Revenue[2]	**143,644**	128,759
Operating expenses[2]	**(64,661)**	(64,288)
Operating margin	**78,983**	64,471
Unrealized loss on risk management contracts	**244**	—
Realized margin[3]	**79,227**	64,471
Gross processing throughput[4] – (MMcf/d)	**1,402**	1,386
Net processing throughput[4,5] – (MMcf/d)	**1,193**	1,142

[1] Excludes gas plants where Keyera has suspended operations.
[2] Includes inter-segment transactions.
[3] Realized margin is not a standard measure under GAAP. Management believes that this supplemental measure facilitates the understanding of the financial results for the operating segments in the period without the effect of mark-to-market changes from risk management contracts related to future periods.
[4] Includes gas volumes and the conversion of liquids volumes handled through the processing facilities to a gas volume equivalent.
[5] Net processing throughput refers to Keyera's share of raw gas processed at its processing facilities.

First Quarter Operating Margin and Revenue

Operating Margin	↑ $15 million vs Q1 2020	Increase was primarily due to $25 million in higher operating margin from: • higher processing throughput and lower operating costs at the Wapiti gas plant; and • incremental margin from the Pipestone gas plant that commenced operations in October 2020. The above factors were partly offset by $7 million in lower operating margin from: • lower processing throughput at the Strachan gas plant due to natural declines; • reduced operating margin from the Brazeau River gas plant resulting from a customer diverting volumes to their own facility beginning in April 2020; and • lower operating margin from the Alder Flats gas plant due to a disclaimed take-or-pay agreement with a former joint venture partner of the facility in March 2020.
Revenue	↑ $15 million vs Q1 2020	• Increase in revenue was primarily due to the same factors that contributed to higher operating margin.

Gathering and Processing Activity

The Gathering and Processing segment recorded solid financial results in the first quarter of 2021 with operating margin of $79 million, 23% and 3% higher than the first and fourth quarters of 2020, respectively.

Keyera's North region gas plants were a significant contributor to these positive results due to strong operational performance at the Wapiti and Pipestone gas plants that reached their highest gross processing throughput levels since inception of their operations. These facilities as well as the Simonette gas plant also benefited from new production volumes as stronger condensate prices revitalized producer activity levels in the condensate-rich Montney area surrounding Keyera's Northern gas plants.

Stronger commodity prices combined with Keyera's continued efforts to reduce per unit operating costs has incented producers to bring on new volumes to its facilities in the North region and has stabilized processing throughput at Keyera's South region gas plants. As a result, Keyera is encouraged by the early indications of a positive financial rebound for the Gathering and Processing business in 2021 relative to 2020.

Through the first quarter of 2021, Keyera continued to focus on improving the competitive position of the Gathering and Processing segment by adhering to the following strategic priorities:

- reduce the overall cost structure and optimize the portfolio of gas plants;
- deliver competitive, full-service solutions and improve customer netbacks; and

- increase the overall utilization of Keyera's gas plants thereby reducing carbon emissions on a gross and intensity basis, as well as associated compliance costs.

Keyera advanced these priorities during the first quarter of 2021 with preparation activities focused on the upcoming suspension of operations at the Ricinus and Brazeau North gas plants. Keyera is working closely with its customers and partners to ensure that substantially all volumes for the remaining facilities to be suspended will be redirected to other Keyera facilities, thereby increasing overall utilization, reducing per unit operating costs and enhancing the company's competitive positioning.

The timing for completing the overall optimization plan is as follows:

Gas Plant	Timing of Suspension
Minnehik Buck Lake	Completed in May 2020
West Pembina	Completed in August 2020
Bigoray	Completed in September 2020
Ricinus	Second half of 2021
Brazeau North	Mid-2021
Nordegg River	2022

Upon completion of the optimization plan, utilization of Keyera's gas plants in the South region is expected to increase from less than 50% to approximately 70% by mid-2022. The optimization strategy also aligns with Keyera's environmental efforts by reducing its overall gross greenhouse gas emissions by approximately 12% in 2021 relative to 2019. The operating cost reductions and optimization of gas plants are expected to result in an improvement in operating margin of $20 million to $30 million per year, with the majority of the annual benefit expected to materialize by the end of 2021. A portion of these benefits were realized in the first quarter of 2021.

In the third quarter of 2021, the Wapiti gas plant will be taken offline for approximately 10 days to install new waste heat recovery infrastructure and to perform other minor maintenance work. This planned outage will support the future reliability of the facility. The cost of the new waste heat recovery infrastructure is approximately $5 million and will be included as a growth capital expenditure. The estimated impact to operating margin from the outage is under $5 million.

For 2021, maintenance turnarounds are scheduled to be completed at the Brazeau River and Zeta Creek gas plants at an estimated combined cost of approximately $10 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. Distributable cash flow is reduced by Keyera's share of the cost of the turnarounds, as these costs are included in its financial results as maintenance capital expenditures.

Liquids Infrastructure

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

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

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

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

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

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

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

Operating and Realized Margin (Thousands of Canadian dollars)	**Three months ended March 31, 2021**	2020
Revenue[1]	**147,737**	144,787
Operating expenses[1]	**(43,352)**	(42,665)
Operating margin	**104,385**	102,122
Unrealized loss on risk management contracts	**426**	960
Realized margin[2]	**104,811**	103,082

Notes:
[1] Includes inter-segment transactions.
[2] Realized margin is not a standard measure under GAAP. Management believes that this supplemental measure facilitates the understanding of the financial results for the operating segments in the period without the effect of mark-to-market changes from risk management contracts related to future periods.

First Quarter Operating Margin and Revenue

Operating Margin	↑ $2 million vs Q1 2020	• Increase was primarily due to higher storage revenues as strong demand resulted in higher contracted volumes and incremental margin associated with cavern 16 in Fort Saskatchewan which came into service in April 2020.
Revenue	↑ $3 million vs Q1 2020	• Increase was due to the same factor that contributed to higher operating margin as described above.

Liquids Infrastructure Activity

The Liquids Infrastructure segment posted record financial results in the first quarter of 2021. The segment's operational performance was exceptional while demand for its diverse range of infrastructure service offerings continued to strengthen amidst the improving commodity price environment.

Demand for services from Keyera's Fort Saskatchewan storage assets remained strong after a robust year in 2020. This strong demand is expected to continue through 2021 and be met with incremental storage capacity as the 17th underground storage cavern is scheduled to come into service in the fourth quarter. Keyera's storage assets provide significant operational flexibility and value to customers in a dynamic commodity price environment with varying levels of demand.

As crude oil prices steadily increased through the first quarter 2021, oil sands production continued to be strong resulting in higher condensate demand. As a result, volumes through Keyera's condensate system in the first quarter of 2021 were 2% higher than the fourth quarter of 2020 and reached a new record in April. The strong volumes do not have a significant financial impact to Keyera due to long-term, take-or-pay arrangements in place with several major oil sands producers. Under these agreements, Keyera provides a variety of services including diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area.

The two fractionation units at Keyera's Fort Saskatchewan complex were fully utilized in the first quarter of 2021. For the contract year beginning April 1, 2021, Keyera has contracted fractionation fees that are comparable to the prior year and expects utilization of its fractionation units to remain near nameplate capacity in 2021. This is due to strong demand from Keyera's customer base that includes several of the largest NGL producers active in the WCSB.

The AEF facility is operated by the Liquids Infrastructure segment and provides iso-octane processing services to the Marketing segment on a fee-for-service basis. The facility's operational performance was strong in the first quarter of 2021 as iso-octane production averaged slightly above AEF's nameplate capacity.

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

Liquids Infrastructure – Capital Projects Status Update		
Facility/Area	**Project Description**	**Project Status Update**
KAPS (50/50 joint venture with Energy Transfer Canada ULC)	***KAPS NGL and Condensate Pipeline System:*** Development of a 12-inch and 16-inch NGL and condensate pipeline system that will transport Montney and Duvernay production in northwestern Alberta to Keyera's fractionation assets and condensate system in Fort Saskatchewan. Along its route, KAPS will be connected to Keyera's Pipestone, Wapiti and Simonette gas plants and several third-party gas plants.	Approvals from the Alberta Energy Regulator to proceed with the construction of the main line were received in 2020. Pipe fabrication related to the main line commenced in the first quarter of 2021 while engineering and other regulatory work continued. KAPS is anticipated to be operational in 2023. *Estimated total cost to complete:* • gross cost is approximately $1.6 billion • Keyera's net share of costs is approximately $800 million *Total net costs to March 31, 2021:* • $19 million for the first quarter of 2021 • $64 million since inception
Cushing, Oklahoma (90/10 joint venture with affiliate of Lama Energy Group)	***Wildhorse Terminal ("Wildhorse"):*** Development of a crude oil storage and blending terminal in Cushing, Oklahoma which will include 12 above ground tanks with 4.5 million barrels of working storage capacity. Wildhorse will initially be pipeline connected to two existing storage terminals in Cushing.	The terminal was mechanically complete at the end of January 2021 and commissioning activities have commenced. The terminal is expected to be operational in mid-2021. *Estimated total cost to complete:* • gross cost is approximately US$231 million • Keyera's net share of costs is approximately US$208 million *Total net costs to March 31, 2021:* • $4 million (US$3 million) for the first quarter of 2021 • $255 million (US$192 million) since inception

Liquids Infrastructure – Capital Projects Status Update		
Facility/Area	**Project Description**	**Project Status Update**
South Cheecham (50/50 joint venture with Enbridge)	***Sulphur Facilities:*** Development of sulphur handling, forming, and storage facilities at the South Cheecham rail and truck terminal.	Regulatory approvals were received and construction commenced during the first quarter of 2021. The sulphur facilities are anticipated to be operational in 2022. *Estimated total cost to complete:* • gross cost is approximately $139 million • Keyera's net share of costs is approximately $70 million *Total net costs to March 31, 2021:* • $5 million for the first quarter of 2021 • $13 million since inception

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

Marketing

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

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

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

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

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

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

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

Operating and realized margin for the Marketing segment were as follows:

Operating and Realized Margin (Thousands of Canadian dollars, except for sales volume information)	**Three months ended March 31,** **2021**	 2020
Revenue[1]	**821,617**	873,163
Operating expenses[1]	**(768,387)**	(627,140)
Operating margin	**53,230**	246,023
Unrealized loss (gain) on risk management contracts	**7,805**	(80,999)
Realized margin[2]	**61,035**	165,024
Sales volumes (Bbl/d)	**173,500**	171,000

Notes:
[1] Includes inter-segment transactions.
[2] Realized margin is not a standard measure under GAAP. Management believes that this supplemental measure facilitates the understanding of the financial results for the operating segments in the period without the effect of mark-to-market changes from risk management contracts related to future periods.

Composition of Marketing Revenue (Thousands of Canadian dollars)	**Three months ended March 31,** **2021**	 2020
Physical sales	**903,562**	736,170
Realized cash (loss) gain on financial contracts[1]	**(74,140)**	55,994
Unrealized gain due to reversal of financial contracts existing at end of prior period	**22,024**	5,371
Unrealized (loss) gain due to fair value of financial contracts existing at end of current period	**(30,613)**	75,810
Unrealized gain (loss) from fixed price physical contracts[2]	**784**	(182)
Total unrealized (loss) gain on risk management contracts	**(7,805)**	80,999
Total (loss) gain on risk management contracts	**(81,945)**	136,993
Total Marketing revenue	**821,617**	873,163

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.

First Quarter Operating & Realized Margin and Revenue

Operating Margin	↓ $193 million vs Q1 2020	• Decrease was due to the inclusion of an $8 million unrealized non-cash loss from risk management contracts compared to an $81 million unrealized non-cash gain in Q1 2020; and • $104 million in lower realized margin as described in more detail below.
Realized Margin	↓ $104 million vs Q1 2020	• Decrease was primarily due to $95 million in lower iso-octane margins due to an exceptionally strong Q1 2020 that benefited from historically high demand, strong product premiums and lower average butane feedstock costs.
Revenue	↓ $52 million vs Q1 2020	• Decrease was due to an $82 million loss on risk management contracts compared to a gain of $137 million in Q1 2020. The loss from risk management contracts in Q1 2021 was partly offset by higher average sales volumes and prices for all products compared to the same time in the prior year.

Market Commentary

On average, Keyera expects its Marketing business to contribute a "base realized margin" of between $180 million and $220 million annually. This base contribution assumes: i) AEF operates near capacity; ii) butane feedstock costs are comparable to the 2018 contract year; iii) there are no significant logistics or transportation curtailments; and iv) producers deliver their volumes according to plan. There are numerous variables that can affect the results from Keyera's Marketing segment. For a detailed discussion of risk factors that affect Keyera, see Keyera's Annual Information Form which is available at www.sedar.com.

For 2021, the Marketing segment is expected to generate annual realized margin between $260 million and $290 million, which exceeds the "base realized margin" because of lower term butane supply costs and the following additional assumptions: i) weaker iso-octane premiums compared to a typical peak demand season; and ii) current forward pricing for any unhedged volumes for the remainder of 2021.

For the first three months of 2021, gasoline fundamentals remained relatively consistent with the fourth quarter of 2020 as demand, outside of short-term storm related disruptions in the U.S., held at 10% below historical levels. Despite the continued roll out of the COVID-19 vaccines, regional spikes in case numbers and corresponding lockdown measures have largely prevented further demand improvement. However, refinery throughput and motor gasoline production continue to match the underlying demand, keeping inventories in line with historical levels and lending itself to strong motor gasoline prices.

While motor gasoline pricing has remained robust, the premium for iso-octane remained weak in the first quarter of 2021 compared to historical levels because of an increased supply of imported octane blending components. For the remainder of 2021, achieving higher product premiums will be dependent on further improvement in mobility trends and the return of normal global gasoline demand levels.

As butane is the primary feedstock to produce iso-octane, butane costs directly affect iso-octane margins. The majority of Keyera's butane supply is purchased on a one-year term basis. For the annual term supply contracts that began on April 1, 2021, the price for butane as a percentage of crude oil is lower than the average of the previous five years. Keyera's butane inventory levels have remained high since the AEF facility was taken offline for maintenance work in the fourth quarter of 2020.

As crude oil prices continued to strengthen through the first quarter of 2021, oil sands production remained strong. Consequently, condensate demand from oil sands producers was high, resulting in solid contribution from the sale of condensate that was comparable to the first quarter of 2020, prior to the pandemic. Margins from Keyera's liquids blending business were also strong in the first quarter due to high volumes and enhanced prices that have continued into the early part of the second quarter.

In the first quarter of 2021, the return of colder winter weather patterns and an increase in propane exports resulted in significantly higher propane pricing and demand in North America. As a result, propane sales and margins were robust. The outlook for propane pricing is anticipated to strengthen significantly, as incremental export capacity in North America came online in the early part of the second quarter of 2021 and Inter Pipeline's Heartland propane dehydrogenation facility becomes operational in 2022. Access to Keyera's cavern storage, Josephburg Terminal and Edmonton Terminal provides the Marketing segment with a competitive advantage as it can store and rail product to the highest value markets in North America throughout the year.

During the first quarter of 2021, Keyera realized approximately $15 million in hedging losses associated with products that remained in inventory at March 31, 2021. These risk management losses will be offset by higher physical margin when the products are sold in the second quarter of 2021.

Risk Management

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

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

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

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

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

For the three months ended March 31, 2021, the total unrealized loss on risk management contracts was $8 million. Further details are provided in the "Composition of Marketing Revenue" table above.

The fair value of outstanding financial risk management contracts as at March 31, 2021 resulted in an unrealized (non-cash) loss of $31 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 March 31, 2021, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 11, Financial Instruments and Risk Management, of the accompanying financial statements.

CORPORATE AND OTHER

Non-Operating Expenses and Other Income (Thousands of Canadian dollars)	**Three months ended March 31, 2021**	**2020**
Other (loss) income (operating margin)	**(623)**	67
General and administrative (net of overhead recoveries on operated facilities)	**(19,455)**	(22,761)
Finance costs	**(40,108)**	(31,136)
Depreciation, depletion and amortization expenses	**(66,336)**	(52,230)
Net foreign currency gain (loss) on U.S. debt and other	**89**	(12,013)
Long-term incentive plan (expense) recovery	**(5,154)**	16,927
Impairment expense	**—**	(194,001)
Gain on disposal of property, plant, and equipment	**1,639**	—
Other	**4,989**	—
Income tax expense	**(25,814)**	(31,861)

Other Income (Loss)

Keyera 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 to offset natural production declines. The West Pembina production wells are inactive and the production wells associated with the Minnehik Buck Lake facility were shut-in when operations were suspended at the facility during the second quarter of 2020. During the first quarter of 2021, Keyera disposed of its ownership interest in the Cynthia production wells, resulting in remaining reserves and production that are insignificant. The reserves and production are not material to Keyera's business and do not have a material effect on its financial results.

Other income (loss) for the three months ended March 31, 2021 was a loss of $1 million, $1 million lower than the same period in 2020. Production for the three months ended March 31, 2021 was nominal compared to 2,500 barrels of oil equivalent per day for the same period in 2020.

General and Administrative Expenses

G&A expenses for the three months ended March 31, 2021 were $19 million, $3 million lower than the same period in 2020, primarily due to severance costs recorded during the first quarter of the prior year as a result of the closure of the Nevis and Gilby gas plants. In addition, due to the decline in economic conditions at the onset of the pandemic, the company increased its allowance for expected credit losses during the first quarter of 2020.

Lower salaries and short-term incentive expenses resulting from Keyera's corporate workforce reductions in 2020 are materializing as expected.

Finance Costs

Finance costs for the three months ended March 31, 2021 were $40 million, $9 million higher than the same period in 2020 primarily due to lower interest capitalized on qualifying projects that is a reduction to finance costs. Interest capitalized on qualifying projects was $4 million during the first quarter of 2021, compared to $10 million in the same period of 2020.

Depreciation, Depletion and Amortization Expenses

Depreciation, depletion and amortization ("DD&A") expenses for the three months ended March 31, 2021 were $66 million, $14 million higher than the same period in 2020 primarily due to: (i) an increase in Keyera's overall asset base including phase two of the Wapiti gas plant, the gathering system expansion at Wapiti, the Pipestone gas plant and underground storage cavern 16 at Fort Saskatchewan; and (ii) a reduction in Keyera's decommissioning asset base during the first quarter of the prior year.

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

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

Net Foreign Currency Gain (Loss) on U.S. Debt and Other (Thousands of Canadian dollars)	**Three months ended March 31,** **2021**	2020
Translation of long-term debt and interest payable	**6,160**	(50,808)
Change in fair value of cross-currency swaps – principal and interest portion	**(7,824)**	52,322
Gain on cross-currency swaps – interest portion[1]	**—**	354
Foreign exchange re-measurement of lease liabilities and other	**1,753**	(13,881)
Net foreign currency gain (loss) on U.S. debt and other	**89**	(12,013)

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

To manage the foreign currency exposure on U.S. dollar denominated debt, Keyera has entered into cross-currency agreements with a syndicate of banks to swap the U.S. dollar principal and future interest payments into Canadian dollars. The cross-currency agreements are accounted for as derivative instruments and are marked-to-market at the end of each period. The fair value of the cross-currency swap agreements will fluctuate between periods due to changes in the forward curve for foreign exchange rates, as well as an adjustment to reflect credit risk. Additional information on the swap agreements can be found in note 11, Financial Instruments and Risk Management, of the accompanying financial statements.

Long-Term Incentive Plan (Expense) Recovery

The Long-Term Incentive Plan ("LTIP") expense was $5 million for the three months ended March 31, 2021, compared to a recovery of $17 million in the same period in 2020. The LTIP expense in the first quarter of 2021 was primarily due to the recovery in Keyera's share price at the end of March 31, 2021 relative to the significant decline in share price that occurred during the same period of the prior year.

Net Impairment Expense

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

Keyera did not record any impairment expenses or reversals of previously recorded impairment expenses during the first quarter of 2021.

In the first quarter of 2020, Keyera recorded an impairment expense of $194 million in relation to the Central Foothills and Drayton Valley North Cash-Generating Units ("CGUs"). The impairment expense recorded for the Central Foothills CGU was the result of the planned suspension of the West Pembina, Ricinus and Nordegg River gas plants as part of the gathering and processing optimization strategy. The impairment expense recorded for the Drayton Valley North CGU was the result of the low utilization at the Brazeau North and Pembina North gathering and processing complex.

Gain on Disposal of Property, Plant and Equipment

For the three months ended March 31, 2021, Keyera recorded a gain of $2 million as a result of the disposition of its ownership interest in the Cynthia production wells.

Other

For the three months ended March 31, 2021, $5 million of income was recorded from the Canada Emergency Wage Subsidy ("CEWS") program, which was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan.

Taxes

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

Current Income Taxes

A current income tax expense of $10 million was recorded for the three months ended March 31, 2021, compared to an expense of $19 million from the same period in 2020. The lower current income tax expense in 2021 is due to lower taxable income.

For 2021, it is estimated that current income tax expense will be between $20 million and $30 million. The current income tax estimates for 2021 assumes that Keyera's business performs as planned and its capital projects are completed as expected.

Deferred Income Taxes

A deferred income tax expense of $16 million was recorded for the three months ended March 31, 2021, compared to an expense of $13 million during the same period in 2020. The deferred income tax expense in 2021 is due to a reduction in tax pools available to shelter taxable income.

Keyera estimates its total tax pools at March 31, 2021 were approximately $3.4 billion.

CRITICAL ACCOUNTING ESTIMATES

In preparing Keyera's accompanying financial statements in accordance with GAAP, management is required to make estimates and assumptions that are not readily apparent from other sources, and are subject to change based on revised circumstances and the availability of new information. Actual results may differ from the estimates, which could materially affect the company's consolidated financial statements. Management has made appropriate decisions with respect to the formulation of estimates and assumptions that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Keyera has hired qualified individuals who have the skills required to make such estimates. These estimates and assumptions are reviewed and compared to actual results as well as to budgets in order to make more informed decisions on future estimates. The methodologies and assumptions used in developing these estimates have not significantly changed since December 31, 2020. A description of the accounting estimates and the methodologies and assumptions underlying the estimates are described in the 2020 annual MD&A and note 4 of the audited consolidated financial statements for the year ended December 31, 2020, which are available at www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the three months ended March 31, 2021 and 2020:

Cash inflows (outflows) (Thousands of Canadian dollars)	**Three months ended March 31,**		**Increase (decrease)**	**Explanation**
	2021	2020		
Operating	**268,429**	316,684	(48,255)	Cash generated from operating activities was lower in the first quarter of 2021 due to $88 million in lower realized margin primarily from the Marketing segment. This was partly offset by higher cash generated from changes in operating working capital since year-end. These changes in operating working capital are merely timing differences associated with the collection and settlement of Keyera's accounts receivable and accounts payable balances.
Investing	**(48,599)**	(218,669)	170,070	Capital investment in the first quarter of 2021 was primarily related to engineering and regulatory activities associated with the KAPS pipeline project and construction activities related to the South Cheecham sulphur facilities and the Wildhorse terminal. These projects are described in more detail in the "Segmented Results of Operations" section of this MD&A. As phase two of the Wapiti gas plant and the Pipestone gas plant were completed in 2020, and with the Wildhorse terminal nearing completion, capital spending has decreased relative to the prior year.
Financing	**(50,966)**	(75,775)	24,809	In March 2021, Keyera issued $350 million of subordinated notes, allowing for a full repayment on its outstanding Credit Facility, which totaled $280 million, net of borrowings.
Refer to the consolidated statements of cash flows of the accompanying financial statements for more detailed information.				

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

Butane inventory is maintained for the production of iso-octane. When market conditions enable Keyera to source additional butane at favourable prices, butane may be held in storage for use in future periods.

Inventory levels for iso-octane may fluctuate depending on market conditions. Demand for iso-octane is typically stronger in the second and third quarters, associated with the higher gasoline demand in the summer months.

A working capital surplus (current assets less current liabilities) of $225 million existed at March 31, 2021. This is compared to a surplus of $148 million at December 31, 2020. To meet its current obligations and growth capital program, Keyera has access to a credit facility in the amount of $1.5 billion, of which $nil was drawn as at March 31, 2021. Refer to the section below of this MD&A, "Long-term Debt", for more information related to Keyera's unsecured revolving credit facility ("Credit Facility").

Dividend Reinvestment Plan

In April 2020, Keyera announced the discontinuation of the dividend reinvestment plan (the "Plan"). Shareholders who had been participating in either component of the Plan received the full cash dividend declared beginning with the dividend paid in May 2020. For the three months ended March 31, 2020, the Plan generated cash of $62 million. Refer to Keyera's 2020 year end MD&A for more information related to the Plan.

Corporate Credit Ratings

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

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

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

Long-term Debt (including Credit Facilities)

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

As at March 31, 2021 (Thousands of Canadian dollars)	**Total**	**2021**	**2022**	**2023**	**2024**	**2025**	**After 2025**
Credit facilities	—	—	—	—	—	—	—
Total credit facilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Canadian dollar denominated debt							
Senior unsecured notes	1,132,000	—	60,000	30,000	17,000	120,000	905,000
Senior unsecured medium-term notes	800,000	—	—	—	—	—	800,000
Subordinated hybrid notes	950,000	—	—	—	—	—	950,000
	2,882,000	**—**	**60,000**	**30,000**	**17,000**	**120,000**	**2,655,000**
Senior unsecured U.S. dollar denominated notes	418,648	—	—	—	160,922	176,008	81,718
Total debt	**3,300,648**	**—**	**60,000**	**30,000**	**177,922**	**296,008**	**2,736,718**
Less: current portion of long-term debt	—	—	—	—	—	—	—
Total long-term debt	**3,300,648**	**—**	**60,000**	**30,000**	**177,922**	**296,008**	**2,736,718**

Credit Facilities

Keyera's Credit Facility is with a syndicate of eight lenders under which it can borrow up to $1.5 billion, with the potential to increase that limit to $1.85 billion subject to certain conditions. As at March 31, 2021, $nil was drawn under this facility (December 31, 2020 – $280 million). The Credit Facility matures on December 6, 2024. Management expects to extend the Credit Facility prior to maturity, and in the event of reaching maturity, expects an adequate replacement will be established.

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

Long-term Debt

Keyera's long-term debt structure consists of a number of senior unsecured notes, medium-term notes and subordinated hybrid notes. On March 10, 2021, Keyera issued $350 million of fixed-to-fixed rate subordinated notes due March 10, 2081 in the Canadian public debt market. The subordinated notes were issued under Keyera's short form base shelf prospectus dated November 15, 2019 and supplemented by a prospectus supplement dated March 8, 2021. The interest rate of 5.95% is payable in equal semi-annual payments for the period from March 10, 2021 to, but not including, March 10, 2031, with the first interest payment date on September 10, 2021. Commencing on March 10, 2031 until maturity, on each interest reset date (March 10, 2031 and every five years thereafter whereby any of the notes are outstanding), the interest rate will reset to a fixed rate per annum as follows:

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

The notes are subject to optional redemption by Keyera, whereby on or after December 10, 2030, Keyera may redeem the notes in whole at any time, or in part from time to time, and dependent upon certain conditions. A portion of the proceeds were used to repay indebtedness under Keyera's Credit Facility. The remaining proceeds will be used to fund Keyera's ongoing capital program, including its ownership interest in KAPS, and for other general corporate purposes.

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

Compliance with Covenants

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

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

As at March 31, 2021, Keyera was in compliance with all covenants under its Credit Facility and outstanding notes. Keyera's Net Debt to Adjusted EBITDA ratio at March 31, 2021 was 2.7x for covenant test purposes (December 31, 2020 – 2.9x). As a long-term target, Keyera's objective is to maintain a Net Debt to Adjusted EBITDA ratio of between 2.5x to 3.0x. This range results in a leverage profile that supports Keyera's investment grade credit ratings.

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

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the three months ended March 31, 2021 and 2020:

Capital Expenditures and Acquisitions (Thousands of Canadian dollars)	**Three months ended March 31,** **2021**	2020
Acquisitions	**—**	—
Growth capital expenditures	**48,028**	210,614
Maintenance capital expenditures	**3,905**	8,208
Total capital expenditures	**51,933**	218,822

Growth capital expenditures for the three months ended March 31, 2021 amounted to $48 million. Refer to the section of this MD&A, “Segmented Results of Operations”, for information related to the various growth capital projects in the Liquids Infrastructure segment, including estimated costs to complete, costs incurred in 2021 and since inception of the project, and estimated completion timeframes.

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 $11 million for the three months ended March 31, 2021, $2 million lower than the same period in the prior year.

Dividends

Funds from Operations and Distributable Cash Flow

Funds from operations and distributable cash flow are not standard measures under GAAP, and therefore may not be comparable to similar measures reported by other entities. Funds from operations is used to assess the level of cash flow generated from operating activities excluding the effect of changes in non-cash working capital, as they are primarily the result of seasonal fluctuations in product inventories or other temporary changes. Funds from operations is also a valuable measure that allows investors to compare Keyera with other infrastructure companies within the oil and gas industry.

Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. Deducted from the determination of distributable cash flow are maintenance capital expenditures, lease expenditures, including the periodic costs related to prepaid leases, and inventory write-downs. Refer to the section of the MD&A tilted “Non-GAAP Financial Measures”.

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

Funds from Operations and Distributable Cash Flow (Thousands of Canadian dollars)	**Three months ended March 31, 2021**	2020
Cash flow from operating activities	**268,429**	316,684
Add (deduct):		
Changes in non-cash working capital	**(87,364)**	(30,336)
Funds from operations	**181,065**	286,348
Maintenance capital	**(3,905)**	(8,208)
Leases	**(11,778)**	(12,316)
Prepaid lease asset	**(631)**	—
Inventory write-down	**—**	(12,785)
Distributable cash flow	**164,751**	253,039
Dividends declared to shareholders	**106,091**	105,212
Payout ratio	**64%**	42%

Distributable cash flow for the three months ended March 31, 2021 was $165 million, $88 million lower than the same period in 2020 primarily due to $88 million in lower realized margin.

Dividend Policy

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

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

EBITDA

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

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

EBITDA (Thousands of Canadian dollars)	**Three months ended March 31, 2021**	**2020**
Net earnings	**85,825**	85,608
Add (deduct):		
Finance costs	**40,108**	31,136
Depreciation, depletion and amortization expenses	**66,336**	52,230
Income tax expense	**25,814**	31,861
EBITDA	**218,083**	200,835
Unrealized loss (gain) on commodity-related contracts	**8,475**	(79,734)
Net foreign currency (gain) loss on U.S. debt and other	**(89)**	12,013
Impairment expense	**—**	194,001
Gain on disposal of property, plant, and equipment	**(1,639)**	—
Adjusted EBITDA	**224,830**	327,115

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. There were no material changes in contractual obligations since December 31, 2020.

RELATED PARTY TRANSACTIONS

Keyera has provided compensation to key management personnel who are comprised of its directors and executive officers. There have been no other material related party transactions or significant changes to the annual compensation amounts disclosed in the December 31, 2020 annual audited financial statements.

RISK FACTORS

For a detailed discussion of the risks and trends that could affect the financial performance of Keyera and the steps that Keyera takes to mitigate these risks, see the December 31, 2020 MD&A and Keyera's Annual Information Form, which are available on SEDAR at www.sedar.com.

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019	Sep 30, 2019	June 30, 2019
Revenue[1]								
Gathering and Processing	**143,644**	139,826	108,486	124,871	128,759	143,736	133,057	120,012
Liquids Infrastructure	**147,737**	148,487	138,630	135,884	144,787	142,885	137,657	130,955
Marketing	**821,617**	513,581	546,067	343,868	873,163	783,899	644,141	785,736
Other	**(397)**	2,892	2,700	1,625	3,486	5,772	3,338	5,570
Operating margin (loss)								
Gathering and Processing	**78,983**	76,965	49,404	69,411	64,471	80,878	74,803	69,713
Liquids Infrastructure	**104,385**	98,330	99,579	99,593	102,122	91,305	98,085	92,560
Marketing	**53,230**	(12,039)	52,355	(9,103)	246,023	87,375	138,262	117,479
Other	**(623)**	2,257	1,209	(106)	67	2,883	252	2,513
Operating margin	**235,975**	165,513	202,547	159,795	412,683	262,441	311,402	282,265
Realized margin (loss)[2]								
Gathering and Processing	**79,227**	76,965	49,404	69,411	64,471	80,910	74,851	69,707
Liquids Infrastructure	**104,811**	97,609	99,223	99,233	103,082	91,628	98,535	92,655
Marketing	**61,035**	11,153	64,256	54,184	165,024	120,008	115,734	114,687
Other	**(623)**	1,785	1,086	(96)	372	2,913	388	2,531
Realized margin[2]	**244,450**	187,512	213,969	222,732	332,949	295,459	289,508	279,580
Net earnings (loss)[3]	**85,825**	(74,777)	33,436	17,763	85,608	29,718	154,428	224,511
Net earnings (loss) per share[3] **($/share)**								
Basic	**0.39**	(0.34)	0.15	0.08	0.39	0.14	0.72	1.05
Diluted	**0.39**	(0.34)	0.15	0.08	0.39	0.14	0.72	1.05
Weighted average common shares (basic)	**221,023**	221,023	221,023	220,851	218,860	216,938	215,016	213,239
Weighted average common shares (diluted)	**221,023**	221,023	221,023	220,851	218,860	216,938	215,016	213,239
Dividends declared to shareholders	**106,091**	106,091	106,091	106,091	105,212	104,280	101,198	96,085

Notes:

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

2 Realized margin is defined as operating margin excluding unrealized gains and losses on commodity-related risk management contracts. Realized margin is not a standard measure under GAAP. See the section titled "Non-GAAP Financial Measures". For a reconciliation of operating margin to realized margin as it relates to the Marketing, Gathering and Processing, and Liquids Infrastructure segments, see the section titled "Segmented Results of Operations".

3 Comparative June 30, 2019 and September 30, 2019 periods have been restated. Refer to the "Voluntary Change in Accounting Policy" section of the audited consolidated financial statements as at and for the year ended December 31, 2019 for additional information.

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

- incremental margin from new investments including the 16th underground storage cavern in Fort Saskatchewan, the Base Line Terminal, the Wapiti gas plant and related infrastructure, and the Pipestone gas plant and liquids hub;
- declining volumes and fees for certain gas plants in the South region of the Gathering and Processing segment that has led to asset impairments;
- growth in demand for diluent handling services in the Liquids Infrastructure segment backed by long-term, take-or-pay contracts with credit worthy counterparties;

- strong demand and market fundamentals for iso-octane in the Marketing segment prior to the second quarter of 2020; and
- a prudent and effective risk management program.

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

ADOPTION OF NEW STANDARDS

There were no new IFRS standards adopted by Keyera during the three months ended March 31, 2021.

FUTURE ACCOUNTING PRONOUNCEMENTS

There were no significant new accounting standards or interpretations issued during the three months ended March 31, 2021.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of March 31, 2021, Keyera’s disclosure controls and procedures are designed to provide reasonable assurance that material information relating to Keyera and its consolidated subsidiaries has been brought to their attention and that information required to be disclosed pursuant to applicable securities legislation has been recorded, processed, summarized and reported in an appropriate and timely manner.

Internal Controls Over Financial Reporting

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

No changes were made for the period beginning January 1, 2021 and ending March 31, 2021 that have materially affected, or are reasonably likely to materially affect Keyera’s internal controls over financial reporting.

COMMON SHARES

Due to the discontinuation of the DRIP and Premium DRIP programs, during the three months ended March 31, 2021, and subsequent to March 31, 2021, there were no common shares issued to shareholders. The total common shares outstanding at March 31, 2021 was 221,022,873.

NON-GAAP FINANCIAL MEASURES

This discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP. Measures such as funds from operations (defined as cash flow from operating activities adjusted for changes in non-cash working capital); distributable cash flow (defined as cash flow from operating activities adjusted for changes in non-cash working capital, inventory write-downs, maintenance capital expenditures and lease payments, including the periodic costs related to prepaid leases); distributable cash flow per share (defined as distributable cash flow divided by weighted average number of shares – basic); payout ratio (defined as dividends declared to shareholders divided by distributable cash flow); EBITDA (defined as earnings before finance costs, taxes, depreciation, and amortization); adjusted EBITDA (defined as EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment); realized margin (defined as operating margin excluding unrealized gains and losses on commodity-related risk management contracts); and compound annual growth rate for distributable cash flow per share, calculated as:

$$\text{Compound Annual Growth Rate for Distributable Cash Flow per Share} = \left(\frac{\text{Distributable Cash Flow per Share at the end of the period}}{\text{Distributable Cash Flow per Share at the beginning of the period}}\right)^{\left(\frac{1}{\text{Number of Years}}\right)} - 1$$

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. Funds from operations is used to assess the level of cash flow generated from operating activities excluding the effect of changes in non-cash working capital, as they are primarily the result of seasonal fluctuations in product inventories or other temporary changes. Funds from operations is also a valuable measure that allows investors to compare Keyera with other companies within the midstream oil and gas industry. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. EBITDA and adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. Realized margin is used to assess the financial performance of Keyera’s ongoing operations without the effect of unrealized gains and losses on commodity-related risk management contracts related to future periods. Compound annual growth rate provides investors with the rate at which distributable cash flow per share has grown over a defined period of time. 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

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

- industry, market and economic conditions and any anticipated effects on Keyera;
- Keyera’s future financial position and operational performance and future financial contributions and margins from its business segments including, but not limited to, Keyera’s expectation that its Marketing business will contribute realized margin between $260 million and $290 million in 2021, and on average, a “base realized margin” of between $180 million and $220 million annually;
- estimated costs and benefits associated with reductions in operating and G&A expenses and optimization of gas plants, estimated maintenance and turnaround costs and estimated decommissioning expenses;
- the expectation that demand for Keyera’s liquid infrastructure service offerings will remain strong;
- future dividends and taxes;
- business strategy, anticipated growth and plans of management;
- budgets, including future growth capital, operating and other expenditures and projected costs;
- estimated utilization rates and throughputs;
- expected costs, in-service dates and schedules for capital projects (including projects under construction/development and proposed projects) and sources of funding for such projects;
- anticipated timing for future revenue streams and optimization plans;
- treatment of Keyera and its projects under existing and proposed governmental regulatory regimes;
- the operation and effectiveness of risk management programs;
- expected outcomes with respect to legal proceedings and potential insurance recoveries;
- expectations regarding Keyera’s ability to maintain its competitive position, raise capital and add to its assets through acquisitions or internal growth opportunities;
- expectations as to the financial impact of Keyera’s compliance with future environmental and carbon tax regulation; and
- the expected impact of the COVID-19 pandemic on Keyera and the economy generally.

All forward-looking information reflects Keyera’s beliefs and assumptions based on information available at the time the applicable forward-looking information is made and in light of Keyera’s current expectations with respect to such things as the outlook for general economic trends, industry trends, commodity prices, Keyera’s access to the capital markets and the cost of raising capital, the integrity and reliability of Keyera’s assets, and the governmental, regulatory and legal environment. Keyera’s expectation as to the “base realized margin” to be contributed by its Marketing segment assumes: (i) AEF operates near capacity; (ii) butane feedstock costs are comparable to the 2018 contract year; (iii) there are no significant logistical or transportation curtailments; and (iv) producers deliver their volumes according to plan. For all construction projects, estimated completion times and costs assume that construction proceeds as planned on schedule and on budget and that, where required, all regulatory approvals and other third-party approvals or consents are received on a timely basis. In some instances, this MD&A may also contain forward-looking information attributed to third parties. Forward-looking information does not guarantee future performance. Management believes that its assumptions and expectations reflected in the forward-looking information contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct.

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

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

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

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

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

Investor Information

DIVIDENDS TO SHAREHOLDERS

Dividends declared to shareholders of Keyera were $0.48 per share in the first quarter of 2021.

TAXABILITY OF DIVIDENDS

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

SUPPLEMENTARY INFORMATION

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

FIRST QUARTER 2021 RESULTS CONFERENCE CALL AND WEBCAST

Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the financial results for the first quarter 2021 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Wednesday, May 12, 2021. Callers may participate by dialing 888-231-8191 or 647-427-7450. A recording of the call will be available for replay until 10:00 p.m. Mountain Time (12:00 a.m. Eastern Time) on May 26, 2021 by dialing 855-859-2056 or 416-849-0833 and entering pass code 7849407.

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.
Condensed Interim Consolidated Statements of Financial Position
(Thousands of Canadian dollars)
(Unaudited)

As at	Note	March 31, 2021	December 31, 2020
ASSETS			
Cash		**171,230**	2,901
Trade and other receivables		**473,548**	447,723
Derivative financial instruments	11	**30,787**	20,625
Inventory	3	**159,007**	162,823
Other assets		**10,212**	12,778
Total current assets		**844,784**	646,850
Derivative financial instruments	11	**84,653**	93,632
Property, plant and equipment	4	**6,386,984**	6,401,185
Right-of-use assets		**247,974**	264,278
Intangible assets		**68,441**	71,320
Goodwill		**55,761**	55,761
Deferred tax assets	10	**31,094**	29,560
Total assets		**7,719,691**	7,562,586
LIABILITIES AND EQUITY			
Trade and other payables, and provisions		**475,642**	369,622
Derivative financial instruments	11	**59,326**	42,438
Dividends payable		**35,364**	35,364
Current portion of decommissioning liability		**14,681**	15,520
Current portion of lease liabilities		**34,992**	36,082
Total current liabilities		**620,005**	499,026
Derivative financial instruments	11	**594**	—
Credit facilities		**—**	280,000
Long-term debt	5	**3,281,982**	2,940,701
Decommissioning liability		**275,916**	282,658
Long-term lease liabilities		**163,824**	175,842
Other long-term liabilities	6	**13,041**	10,684
Deferred tax liabilities		**630,039**	612,467
Total liabilities		**4,985,401**	4,801,378
Equity			
Share capital	7	**3,150,104**	3,150,104
Accumulated deficit		**(399,743)**	(379,477)
Accumulated other comprehensive income (loss)		**(16,071)**	(9,419)
Total equity		**2,734,290**	2,761,208
Total liabilities and equity		**7,719,691**	7,562,586

See accompanying notes to the unaudited condensed interim consolidated financial statements.

These unaudited condensed interim consolidated financial statements were approved by the board of directors of Keyera Corp. on May 11, 2021.

Keyera Corp.
Condensed Interim Consolidated Statements of Net Earnings and Comprehensive Income
(Thousands of Canadian dollars, except share information)
(Unaudited)

	Note	Three months ended March 31, 2021	Three months ended March 31, 2020
Revenues	15	**1,017,983**	1,060,299
Expenses	15	**(782,008)**	(647,616)
Operating margin		**235,975**	412,683
General and administrative expenses		**(19,455)**	(22,761)
Finance costs	13	**(40,108)**	(31,136)
Depreciation, depletion and amortization expenses		**(66,336)**	(52,230)
Net foreign currency gain (loss) on U.S. debt and other	12	**89**	(12,013)
Long-term incentive plan (expense) recovery	9	**(5,154)**	16,927
Impairment expense	4	**—**	(194,001)
Gain on disposal of property, plant, and equipment	4	**1,639**	—
Other	16	**4,989**	—
Earnings before income tax		**111,639**	117,469
Income tax expense	10	**(25,814)**	(31,861)
Net earnings		**85,825**	85,608
Other comprehensive (loss) income			
Foreign currency translation adjustment		**(6,652)**	37,670
Comprehensive income		**79,173**	123,278
Earnings per share			
Basic earnings per share	8	**0.39**	0.39
Diluted earnings per share	8	**0.39**	0.39

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Keyera Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Thousands of Canadian dollars)
(Unaudited)

	Note	Three months ended March 31, 2021	2020
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net earnings		**85,825**	85,608
Adjustments for items not affecting cash:			
Finance costs	13	**5,796**	5,867
Depreciation, depletion and amortization expenses		**66,336**	52,230
Unrealized loss (gain) on derivative financial instruments	11	**16,299**	(132,056)
Unrealized (gain) loss on foreign exchange		**(6,725)**	59,413
Inventory write-down	3	**—**	12,785
Deferred income tax expense	10	**15,651**	13,175
Impairment expense	4	**—**	194,001
Gain on disposal of property, plant, and equipment	4	**(1,639)**	—
Decommissioning liability expenditures		**(478)**	(4,675)
Changes in non-cash working capital	14	**87,364**	30,336
Net cash provided by operating activities		**268,429**	316,684
INVESTING ACTIVITIES			
Capital expenditures		**(51,933)**	(218,822)
Prepaid lease asset		**3,194**	—
Changes in non-cash working capital	14	**140**	153
Net cash used in investing activities		**(48,599)**	(218,669)
FINANCING ACTIVITIES			
Borrowings under credit facility		**60,000**	90,000
Repayments under credit facility		**(340,000)**	(110,000)
Proceeds from issuance of long-term debt		**350,000**	—
Financing costs related to credit facility/long-term debt	5	**(3,097)**	(214)
Proceeds from issuance of shares related to DRIP	7	**—**	61,649
Lease payments		**(11,778)**	(12,316)
Dividends paid to shareholders		**(106,091)**	(104,894)
Net cash used in financing activities		**(50,966)**	(75,775)
Effect of exchange rate fluctuations on foreign cash held		**(535)**	1,725
Net increase in cash		**168,329**	23,965
Cash at the beginning of the period		**2,901**	9,314
Cash at the end of the period		**171,230**	33,279
Income taxes paid in cash		**—**	63,636
Interest paid in cash		**11,443**	15,352

See accompanying notes to the unaudited condensed interim consolidated financial statements.

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

	Share Capital (Note 7)	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2019	**3,073,200**	**(18,022)**	**(1,327)**	**3,053,851**
Common shares issued pursuant to dividend reinvestment plans	61,649	—	—	61,649
Net earnings	—	85,608	—	85,608
Dividends declared to shareholders	—	(105,212)	—	(105,212)
Other comprehensive income	—	—	37,670	37,670
Balance at March 31, 2020	**3,134,849**	**(37,626)**	**36,343**	**3,133,566**

	Share Capital (Note 7)	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2020	**3,150,104**	**(379,477)**	**(9,419)**	**2,761,208**
Net earnings	—	85,825	—	85,825
Dividends declared to shareholders	—	(106,091)	—	(106,091)
Other comprehensive loss	—	—	(6,652)	(6,652)
Balance at March 31, 2021	**3,150,104**	**(399,743)**	**(16,071)**	**2,734,290**

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Keyera Corp.
Notes to the Condensed Interim Consolidated Financial Statements
As at and for the three months ended March 31, 2021 and 2020
(All amounts expressed in thousands of Canadian dollars, except as otherwise noted)
(Unaudited)

1. GENERAL BUSINESS DESCRIPTION

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

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

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

Keyera is approved to issue two classes of preferred shares (one class referred to as the "First Preferred Shares", a second class referred to as the "Second Preferred Shares"), and collectively both classes being referred to as the "Preferred Shares". Each are issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the board of directors may at any time and from time to time determine, subject to an aggregate maximum number of authorized Preferred Shares. No preferred shares had been issued as at March 31, 2021.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements are in accordance with *IAS 34, Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with Keyera Corp.'s consolidated financial statements as at and for the year ended December 31, 2020.

These condensed interim consolidated financial statements as at and for the three months ended March 31, 2021 and 2020 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with Keyera Corp.'s consolidated financial statements as at and for the year ended December 31, 2020.

The condensed interim consolidated financial statements were authorized for issuance on May 11, 2021 by the board of directors.

Adoption of new standards
For the three months ended March 31, 2021, Keyera did not adopt any new IFRS standards.

Future accounting pronouncements update
There were no significant new accounting standards or interpretations issued during the three months ended March 31, 2021.

3. INVENTORY

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

As at *(Thousands of Canadian dollars)*	**March 31, 2021**	December 31, 2020
NGLs and iso-octane	**150,162**	153,915
Other	**8,845**	8,908
Total inventory	**159,007**	162,823

For the period ended March 31, 2021, $159,007 of inventory was carried at cost (December 31, 2020 – $162,823) and $nil was carried at net realizable value (December 31, 2020 – $nil). For the three months ended March 31, 2021, a write-down of $nil was recorded to adjust the carrying amount of inventory to net realizable value (three months ended March 31, 2020 – $12,785). The cost of inventory expensed for the three months ended March 31, 2021 was $626,804 (three months ended March 31, 2020 – $506,138).

4. PROPERTY, PLANT, AND EQUIPMENT

Disposal of property, plant and equipment
For the three months ended March 31, 2021, a gain of $1,639 was recorded on the disposition of Keyera's ownership interest in the Cynthia production wells.

Impairment expense
For the three months ended March 31, 2021, Keyera did not record any impairment expenses or reversals of previously recorded impairment expenses.

In the first quarter of 2020, Keyera identified through its impairment review that certain assets had carrying values that were greater than their recoverable amounts.

The following impairment expenses with a combined value of $194,001 were recognized in the Gathering and Processing segment during the three months ended March 31, 2020:

(Thousands of Canadian dollars, except rate information)	**Applicable discount rate**	**Impairment expense recognized**
Central Foothills Cash-Generating Unit		
Ricinus gas plant	13.0%	73,222
West Pembina gas plant	13.0%	52,634
Nordegg River gas plant	13.0%	42,167
Drayton Valley North Cash-Generating Unit		
Brazeau North and Pembina North gathering and processing complex	13.0%	25,978
Total impairment expense		**194,001**

The impairment expense recorded for the Central Foothills Cash-Generating Unit ("CGU") was the result of the planned suspension of the West Pembina, Ricinus and Nordegg River gas plants as part of the gathering and processing optimization strategy. The impairment expense recorded for the Drayton Valley North CGU was a result of the low utilization at the Brazeau and Pembina North gathering and processing complex, including lower producer activity in the capture areas for this complex.

5. LONG-TERM DEBT

On March 10, 2021, Keyera issued $350,000 of fixed-to-fixed rate subordinated notes due March 10, 2081 in the Canadian public debt market. The interest rate of 5.95% is payable in equal semi-annual payments for the period from March 10, 2021 to, but not including, March 10, 2031, with the first interest payment date on September 10, 2021. Commencing on March 10, 2031 until maturity, on each interest reset date (March 10, 2031 and every five years thereafter whereby any of the notes are outstanding), the interest rate will reset to a fixed rate per annum as follows:

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

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

The associated financing costs of approximately $3,097 have been deferred and are amortized using the effective interest method over the remaining term of the debt.

6. OTHER LONG-TERM LIABILITIES

As at *(Thousands of Canadian dollars)*	**March 31, 2021**	December 31, 2020
Long-term incentive plan	**9,361**	6,951
Other	**3,680**	3,733
Total other long-term liabilities	**13,041**	10,684

7. SHARE CAPITAL

	Number of Common Shares	*(Thousands of Canadian dollars)* **Share Capital**
Balance at December 31, 2020	221,022,873	3,150,104
Balance at March 31, 2021	**221,022,873**	**3,150,104**

In April 2020, Keyera discontinued the regular and premium components of the Dividend Reinvestment Plan (“DRIP”), effective with the May 2020 dividend payout. As a result, shareholders who were participating in either component of the DRIP received the full cash dividend declared beginning with the dividend paid in May 2020.

8. 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.

(Thousands of Canadian dollars, except per share amounts)	**Three months ended March 31, 2021**	2020
Basic and diluted earnings per share	**0.39**	0.39
Net earnings – basic and diluted	**85,825**	85,608

(Thousands)	**Three months ended March 31, 2021**	2020
Weighted average number of shares – basic and diluted	**221,023**	218,860

9. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-Term Incentive Plan

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

The LTIP consists of two types of share awards, the Performance Award and the Time Vested (“Restricted”) Award.

The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The fair value of the liability is measured by applying a fair value pricing model whereby one of the valuation inputs was the March 31, 2021 share price of Keyera, which was $26.12 per share (December 31, 2020 – $22.62 per share).

The compensation cost recorded for the LTIP was as follows:

(Thousands of Canadian dollars)	**Three months ended March 31, 2021**	2020
Performance Awards	**3,996**	(15,691)
Restricted Awards	**1,158**	(1,236)
Total long-term incentive plan expense (recovery)	**5,154**	(16,927)

Employee Stock Purchase Plan

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

Defined Contribution Pension Plan
For the three months ended March 31, 2021, Keyera made pension contributions of $2,355 (three months ended March 31, 2020 – $2,664) on behalf of its employees. The contributions were recorded in general and administrative expenses.

Deferred Share Unit Plan
Effective January 1, 2016, Keyera implemented a deferred share unit ("DSU") plan, for non-employee directors. Each DSU vests on the date the grant is awarded but cannot be redeemed until a director ceases to be a member of the board of directors. The grant value is determined based on a 20 day weighted average trading share price. DSUs are settled in cash (on an after-tax basis) based on the 20 day weighted average Keyera share price up to the date of termination. For the three months ended March 31, 2021, Keyera recorded an expense of $851 (three months ended March 31, 2020 – recovery of $1,376) in general and administrative expenses related to the DSU plan.

The following table reconciles the number of DSUs outstanding:

	March 31, 2021	December 31, 2020
Balance at beginning of period	**155,602**	97,573
Granted	**13,445**	58,029
Balance at end of period	**169,047**	155,602

10. INCOME TAXES

The components of the income tax expense were as follows:

	Three months ended March 31,	
(Thousands of Canadian dollars)	**2021**	2020
Current	**10,163**	18,686
Deferred	**15,651**	13,175
Total income tax expense	**25,814**	31,861

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include cash, trade and other receivables, derivative financial instruments, trade and other payables, dividends payable, current and long-term lease liabilities, credit facilities, current and long-term debt, and certain other long-term liabilities. 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 measured at fair value through profit or loss in the consolidated statements of net earnings and comprehensive income. All other financial instruments are measured at amortized cost.

Financial Instruments

Fair value

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

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

The fair value hierarchy has the following levels:

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

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

Financial instruments with fair value equal to carrying value

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

Fair value of senior fixed rate debt

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 total fair value of Keyera's unsecured senior notes, medium-term notes, and subordinated hybrid notes at March 31, 2021 was $3,441,000 (December 31, 2020 – $3,151,100) and this was determined by reference to inputs other than quoted market prices in active markets for identical liabilities under Level 2 of the fair value hierarchy.

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

As at March 31, 2021	Notional Volume[1]	Weighted Average Price	Fair Value Hierarchy Level	Net Fair Value	Carrying Value Asset	Carrying Value Liability
				(Thousands of Canadian dollars)		
Marketing (NGLs and Iso-octane)						
Financial contracts:						
Seller of fixed price WTI[2] swaps (maturing by March 31, 2022)	4,021,983 Bbls	68.47/Bbl	Level 2	(20,321)	7,607	(27,928)
Buyer of fixed price WTI[2] swaps (maturing by March 31, 2022)	650,300 Bbls	61.97/Bbl	Level 2	7,155	7,736	(581)
Seller of fixed price NGL swaps (maturing by March 31, 2022)	1,375,000 Bbls	48.23/Bbl	Level 2	(6,773)	876	(7,649)
Buyer of fixed price NGL swaps (maturing by March 31, 2022)	648,500 Bbls	40.69/Bbl	Level 2	4,984	5,521	(537)
Seller of fixed price RBOB[3] basis spreads (iso-octane) (maturing by December 31, 2022)	3,295,000 Bbls	17.74/Bbl	Level 2	(21,462)	542	(22,004)
Physical contracts:						
Seller of fixed price NGL forward contracts (maturing by April 30, 2021)	10,000 Bbls	45.15/Bbl	Level 2	11	11	—
Buyer of fixed price NGL forward contracts (maturing by April 30, 2021)	52,000 Bbls	44.55/Bbl	Level 2	(24)	10	(34)
Currency:						
Seller of forward contracts (maturing by December 31, 2021)	US$155,000,000	1.28/USD	Level 2	3,974	4,260	(286)
Buyer of forward contracts (maturing by October 31, 2021)	US$7,500,000	1.26/USD	Level 2	6	7	(1)
Other foreign exchange contracts[4]			Level 2	1,824	1,824	—
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2021)	16,500 MWhs	55.75/MWh	Level 2	195	196	(1)
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2021)	66,000 MWhs	52.08/MWh	Level 2	1,024	1,024	—
Natural gas:						
Seller of fixed price swaps (maturing by December 31, 2021)	113,400 Bbls	33.73/Bbl	Level 2	(861)	—	(861)
Buyer of fixed price swaps (maturing by December 31, 2021)	450,000 Gjs	2.56/Gj	Level 2	(18)	20	(38)
Corporate and Other						
Long-term Debt:						
Buyer of cross-currency swaps (maturing June 19, 2024 – November 20, 2028)	US$410,761,200	0.98/USD - 1.22/USD	Level 2	85,806	85,806	—
				55,520	**115,440**	**(59,920)**

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

As at December 31, 2020	Notional Volume[1]	Weighted Average Price	Fair Value Hierarchy Level	Net Fair Value (Thousands of Canadian Dollars)	Carrying Value Asset	Carrying Value Liability
Marketing NGLs and Iso-octane						
Financial contracts:						
Seller of fixed price WTI[2] swaps (maturing by December 31, 2021)	3,715,994 Bbls	56.70/Bbl	Level 2	(17,971)	1,377	(19,348)
Buyer of fixed price WTI[2] swaps (maturing by December 31, 2021)	405,400 Bbls	51.72/Bbl	Level 2	3,921	3,921	—
Seller of fixed price NGL swaps (maturing by December 31, 2021)	2,034,000 Bbls	33.88/Bbl	Level 2	(13,229)	—	(13,229)
Buyer of fixed price NGL swaps (maturing by December 31, 2021)	689,750 Bbls	32.23/Bbl	Level 2	5,126	5,126	—
Seller of fixed price RBOB[3] basis spreads (iso-octane) (maturing by December 31, 2021)	2,490,000 Bbls	13.34/Bbl	Level 2	(8,263)	176	(8,439)
Physical contracts:						
Seller of fixed price NGL forward contracts (maturing by January 31, 2021)	165,000 Bbls	30.29/Bbl	Level 2	(1,321)	—	(1,321)
Buyer of fixed price NGL forward contracts (maturing by January 31, 2021)	50,000 Bbls	31.12/Bbl	Level 2	524	524	—
Currency:						
Seller of forward contracts (maturing by December 31, 2021)	US$199,500,000	1.31/USD	Level 2	7,526	7,622	(96)
Buyer of forward contracts (maturing by January 31, 2021)	US$2,500,000	1.27/USD	Level 2	11	11	—
Other foreign exchange contracts[4]			Level 2	855	855	—
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2021)	65,700 MWhs	52.58/MWh	Level 2	621	626	(5)
Corporate and Other						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2021)	43,800 MWhs	53.15/MWh	Level 2	389	389	—
Long-term Debt						
Buyer of cross-currency swaps (maturing June 19, 2024 – November 20, 2028)	US$410,761,200	0.98/USD - 1.22/USD	Level 2	93,630	93,630	—
				71,819	**114,257**	**(42,438)**

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

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

Unrealized gains (losses), representing the change in fair value of derivative contracts, are recorded in the following consolidated statements of net earnings and comprehensive income line items and the related reportable operating segments:

Derivative Contracts Related To	Reportable Operating Segments	Consolidated Net Earnings and Comprehensive Income Line Item
Natural gas, crude oil and NGLs, and iso-octane	Marketing; Gathering and Processing	Marketing revenue; Gathering and Processing revenue
Electricity	Liquids Infrastructure; Gathering and Processing; Corporate and Other	Liquids Infrastructure expenses; Gathering and Processing expenses; Corporate and Other expenses
Cross-currency swaps	Corporate and Other	Net foreign currency gain (loss) on U.S. debt and other

	Three months ended March 31,	
(Thousands of Canadian dollars)	**2021**	2020
Risk management contracts:		
Marketing	**(7,805)**	80,999
Liquids infrastructure	**(426)**	(960)
Gathering and processing	**(244)**	—
Corporate and other	**—**	(305)
Change in fair value of the cross-currency swaps on U.S. debt[1]	**(7,824)**	52,322
Total unrealized (loss) gain	**(16,299)**	132,056

Note:
[1] Includes principal and interest portion.

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

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

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

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

Foreign currency risk
Foreign currency risk arises on financial instruments that are denominated in a foreign currency. Keyera's foreign currency risk largely arises from the Marketing segment where a significant portion of sales and purchases are denominated in U.S. dollars. Foreign currency risk is actively managed by using forward currency contracts and cross-currency swaps. Management monitors the exposure to foreign currency risk and regularly reviews its financial instrument activities and all outstanding positions.

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

Keyera is also exposed to foreign currency risk related to its U.S. dollar denominated long-term debt and U.S. dollar denominated LIBOR loans when drawn under Keyera's bank credit facility. To manage this currency exposure, Keyera has entered into long-term cross-currency swap contracts relating to the principal portion and future interest payments of the U.S. dollar denominated debt as well as short-term cross-currency swaps relating to the LIBOR loans drawn under the credit facility. These cross-currency contracts are accounted for as derivative instruments. Refer to note 12 for a summary of the foreign currency gains (losses) associated with the U.S. dollar denominated long-term debt.

Interest rate risk
The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. As at March 31, 2021, fixed rate borrowings comprised 100% of total debt outstanding (December 31, 2020 – 91%). The fair value of future cash flows for fixed rate debt fluctuates with changes in market interest rates. It is Keyera's intention to not repay fixed rate debt until maturity and therefore future cash flows would not fluctuate.

Credit risk
The majority of trade and other receivables are due from entities in the oil and gas industry and are subject to normal industry credit risks. Concentration of credit risk is mitigated by having a broad domestic and international customer base. Keyera evaluates and monitors the financial strength of its customers in accordance with its credit policy. Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at March 31, 2021.

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

The allowance for credit losses is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on expected credit losses, which includes the number of days outstanding and the likelihood of collection from the counterparty. As at March 31, 2021, the total allowance was $4,241 (December 31, 2020 – $4,241). The carrying amount of financial assets on the consolidated statements of financial position approximates Keyera's maximum exposure to credit risk.

Liquidity risk

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

Risk Management Sensitivities

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

(Thousands of Canadian dollars)	**Impact on income before tax March 31, 2021**		Impact on income before tax March 31, 2020	
	Increase	**(Decrease)**	Increase	(Decrease)
Commodity price changes				
+ 10% in electricity price	**558**	**—**	976	—
- 10% in electricity price	**—**	**(558)**	—	(976)
+ 10% in NGL, crude oil and iso-octane prices	**—**	**(37,158)**	—	(8,970)
- 10% in NGL, crude oil and iso-octane prices	**37,158**	**—**	8,970	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**—**	**(1,533)**	—	(2,174)
- $0.01 in U.S./Canadian dollar exchange rate	**1,533**	**—**	2,174	—
Interest rate changes				
+ 1% in interest rate	**—**	**—**	—	(700)
- 1% in interest rate	**—**	**—**	700	—

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

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

(Thousands of Canadian dollars)	**Three months ended March 31, 2021**	2020
Foreign currency gain (loss) resulting from:		
Translation of long-term debt and interest payable	**6,160**	(50,808)
Change in fair value of the cross-currency swaps – principal and interest	**(7,824)**	52,322
Gain from cross-currency swaps – interest portion[1]	**—**	354
Foreign exchange re-measurement of lease liabilities and other	**1,753**	(13,881)
Total net foreign currency gain (loss) on U.S. debt and other	**89**	(12,013)

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

13. FINANCE COSTS

The components of finance costs were as follows:

(Thousands of Canadian dollars)	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Interest on bank indebtedness and credit facilities	**2,176**	1,812
Interest on long-term debt	**36,455**	33,368
Interest capitalized	**(4,354)**	(9,978)
Interest on leases	**2,146**	2,527
Other interest expense	**35**	67
Total interest expense on leases, and current and long-term debt	**36,458**	27,796
Unwinding of discount on decommissioning liabilities	**3,060**	2,687
Unwinding of discount on long-term debt	**472**	482
Other	**118**	171
Non-cash expenses in finance costs	**3,650**	3,340
Total finance costs	**40,108**	31,136

For the three months ended March 31, 2021, $4,354 of borrowing (interest) costs were capitalized (three months ended March 31, 2020 – $9,978) at a weighted average capitalization rate of 5.0% on funds borrowed (three months ended March 31, 2020 – 5.0%).

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

(Thousands of Canadian dollars)	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Inventory	**3,105**	27,422
Trade and other receivables	**(26,963)**	124,499
Other assets	**2,873**	2,772
Trade and other payables, and provisions	**108,349**	(124,357)
Changes in non-cash working capital from operating activities	**87,364**	30,336

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

(Thousands of Canadian dollars)	**Three months ended March 31, 2021**	Three months ended March 31, 2020
Trade and other payables, and provisions	**140**	153
Changes in non-cash working capital from investing activities	**140**	153

15. SEGMENT INFORMATION

Keyera has the following four reportable operating segments based on the nature of its business 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, including liquids extraction and condensate stabilization services to customers. This segment also includes sales of ethane volumes extracted from the Rimbey facility and sold to a third-party customer under a long-term commercial arrangement.

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

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

Corporate and Other
The Corporate and Other segment includes corporate functions and the production of natural gas, NGLs and crude oil. During the three months ended March 31, 2021, Keyera disposed of its ownership interest in the Cynthia production wells. The majority of the remaining production wells are either inactive or were shut-in prior to March 31, 2021. As a result, Keyera's residual ownership interest in the production wells is insignificant.

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

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

Three months ended March 31, 2021 *(Thousands of Canadian dollars)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Inter-segment Eliminations**	**Total**
Segmented revenue	143,644	147,737	821,617	(397)	(94,618)	1,017,983
Segmented expenses	(64,661)	(43,352)	(768,387)	(226)	94,618	(782,008)
Operating margin (loss)	78,983	104,385	53,230	(623)	—	235,975
General and administrative expenses	—	—	—	(19,455)	—	(19,455)
Finance costs	—	—	—	(40,108)	—	(40,108)
Depreciation, depletion and amortization expenses	—	—	—	(66,336)	—	(66,336)
Net foreign currency gain on U.S. debt and other	—	—	—	89	—	89
Long-term incentive plan expense	—	—	—	(5,154)	—	(5,154)
Gain on disposal of property, plant, and equipment	—	—	—	1,639	—	1,639
Other	—	—	—	4,989	—	4,989
Earnings (loss) before income tax	78,983	104,385	53,230	(124,959)	—	111,639
Income tax expense	—	—	—	(25,814)	—	(25,814)
Net earnings (loss)	**78,983**	**104,385**	**53,230**	**(150,773)**	**—**	**85,825**

Three months ended March 31, 2020 *(Thousands of Canadian dollars)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Inter-segment Eliminations**	**Total**
Segmented revenue	128,759	144,787	873,163	3,486	(89,896)	1,060,299
Segmented expenses	(64,288)	(42,665)	(627,140)	(3,419)	89,896	(647,616)
Operating margin	64,471	102,122	246,023	67	—	412,683
General and administrative expenses	—	—	—	(22,761)	—	(22,761)
Finance costs	—	—	—	(31,136)	—	(31,136)
Depreciation, depletion and amortization expenses	—	—	—	(52,230)	—	(52,230)
Net foreign currency loss on U.S. debt and other	—	—	—	(12,013)	—	(12,013)
Long-term incentive plan recovery	—	—	—	16,927	—	16,927
Impairment expense	(194,001)	—	—	—	—	(194,001)
Earnings (loss) before income tax	(129,530)	102,122	246,023	(101,146)	—	117,469
Income tax expense	—	—	—	(31,861)	—	(31,861)
Net earnings (loss)	**(129,530)**	**102,122**	**246,023**	**(133,007)**	**—**	**85,608**

DISAGGREGATION OF REVENUE

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

Three months ended March 31, 2021 *(Thousands of Canadian dollars)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Total**
Gas handling and processing services[1]	119,774	28,137	—	—	147,911
Fractionation and storage services	2,713	62,054	—	—	64,767
Transportation and terminalling services	—	57,546	—	—	57,546
Marketing of NGLs and iso-octane	—	—	821,617	—	821,617
Other[2]	21,157	—	—	(397)	20,760
Revenue before inter-segment eliminations	**143,644**	**147,737**	**821,617**	**(397)**	**1,112,601**
Inter-segment revenue eliminations	(5,170)	(84,306)	(5,141)	(1)	(94,618)
Revenue from external customers	**138,474**	**63,431**	**816,476**	**(398)**	**1,017,983**

Three months ended March 31, 2020 *(Thousands of Canadian dollars)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Total**
Gas handling and processing services[1]	107,784	25,986	—	—	133,770
Fractionation and storage services	3,417	58,424	—	—	61,841
Transportation and terminalling services	—	60,047	—	—	60,047
Marketing of NGLs and iso-octane	—	—	873,163	—	873,163
Other[2]	17,558	330	—	3,486	21,374
Revenue before inter-segment eliminations	**128,759**	**144,787**	**873,163**	**3,486**	**1,150,195**
Inter-segment revenue eliminations	(6,101)	(75,447)	(4,767)	(3,581)	(89,896)
Revenue from external customers	**122,658**	**69,340**	**868,396**	**(95)**	**1,060,299**

Notes:

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

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

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

Revenue from external customers located in *(Thousands of Canadian dollars)*	Three months ended March 31, 2021	2020
Canada	**831,106**	885,855
U.S.	**186,877**	174,444
Total revenue	**1,017,983**	1,060,299

Non-current assets[1] as at *(Thousands of Canadian dollars)*	March 31, 2021	December 31, 2020
Canada	**6,279,817**	6,307,491
U.S.	**479,343**	485,053
Total non-current assets	**6,759,160**	6,792,544

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

Information about major customers
For the three months ended March 31, 2021 and 2020, Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue.

16. OTHER

For the three months ended March 31, 2021, $4,989 (March 31, 2020 – $nil) of income was recorded from the Canada Emergency Wage Subsidy ("CEWS") program, which was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan.

17. SUBSEQUENT EVENTS

On April 12, 2021, Keyera declared a dividend of $0.16 per share, payable on May 17, 2021, to shareholders of record as of April 22, 2021.

On May 11, 2021, Keyera declared a dividend of $0.16 per share, payable on June 15, 2021, to shareholders of record as of May 25, 2021.

Corporate Information

Board of Directors

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

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

Blair Goertzen [(5)]
Corporate Director
Red Deer, Alberta

Gianna Manes [(5)]
Corporate Director
Fort Mill, South Carolina

Michael Norris [(3)]
Corporate Director
Toronto, Ontario

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

Charlene Ripley [(4)]
Executive Vice President
and General Counsel
SNC-Lavalin
Vancouver, British Columbia

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

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

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

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Officers

C. Dean Setoguchi
President and Chief Executive Officer

Bradley W. Lock
Senior Vice President and Chief Operating Officer

Eileen Marikar
Senior Vice President and Chief Financial Officer

Jamie Urquhart
Senior Vice President and Chief Commercial Officer

Nancy L. Brennan
Senior Vice President, General Counsel and Corporate Secretary

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

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol KEY

Trading Summary for Q1 2021

TSX:KEY – Cdn $	
High	$27.56
Low	$22.71
Close March 31, 2021	$26.12
Volume	98,714,438
Average Daily Volume	1,592,168

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