



KEYERA



2021

Year End Report

2021 Year-End Report

For the period ended December 31, 2021

Fourth Quarter and Year-end Financial Highlights

- Keyera delivered fourth quarter adjusted earnings before interest, taxes, depreciation, and amortization (“adjusted EBITDA”¹) of \$294 million, and \$956 million, an annual record, for the full year 2021. Comparative results for the same periods in 2020 were \$168 million and \$874 million. This full year result represents a year-over-year increase of 9% from 2020, which was driven largely by a general recovery in industry activity and strong performance from all three business segments.
- Cash flow from operating activities (“CFO”) was \$97 million in the fourth quarter and \$584 million for the full year 2021, compared with \$116 million and \$688 million for the same periods in 2020. This year-over-year decrease was primarily due to a higher cash requirement to fund inventory.
- Distributable cash flow¹ (“DCF”) was \$207 million in the fourth quarter, and \$669 million for full year 2021, compared with \$133 million and \$718 million for the same periods in 2020. The year-over-year decrease reflects higher maintenance capital spending and cash taxes.
- Net earnings were \$90 million for the fourth quarter and \$324 million for the full year 2021, compared to a loss of \$75 million and earnings of \$62 million for the same periods in 2020. The year-over-year increase was a result of higher operating margin and lower 2021 impairment expense.
- Growth capital spending excluding capitalized interest was \$438 million, below the previously provided guidance range of \$460 million to \$490 million. The difference is due to the timing of approximately \$45 million in spending, mostly related to the KAPS project, that was expected to occur in 2021 which will now occur in 2022. This does not affect the timing of project completion. As a result, the capital guidance range for 2022 is being revised upwards to \$570 million to \$610 million (previously \$520 million to \$560 million). All other previously provided guidance ranges for 2022 remain unchanged.
- Dividends declared and paid for the year were \$1.92 per share, resulting in a dividend payout ratio¹ of 63%, which is well within the company’s targeted range of 50 to 70% of DCF.
- The company continues to preserve balance sheet strength, ending the year with a net debt to adjusted EBITDA ratio² of 2.4x, which is stronger than the targeted range of 2.5 to 3.0 times.
- Return on Invested Capital^{1,3} for the year was 14% (2020 – 14%).
- Keyera published its first Climate Report, which included targets to reduce its emissions intensity 25% by 2025, and 50% by 2035, for scope 1 and scope 2 emissions relative to 2019 levels.

¹ Keyera uses certain “Non-GAAP and Other Financial Measures” such as EBITDA, adjusted EBITDA, funds from operations, distributable cash flow, distributable cash flow per share, payout ratio, realized margin and return on invested capital. Since these measures are not standard measures under GAAP, they may not be comparable to similar measures reported by other entities. For a reconciliation of funds from operations, distributable cash flow, and realized margin to the most directly comparable GAAP measure, refer to the section of this news release titled “Non-GAAP and Other Financial Measures”.

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 Comparative information for 2020 has been restated to conform to the revised calculation of the Return on Invested Capital measure that was adopted in 2021. Refer to the section of this news release titled “Non-GAAP and Other Financial Measures” for additional information.

Business Segment Highlights

- The **Gathering and Processing** (“G&P”) segment delivered realized margin^{3,4} of \$81 million in the fourth quarter and a record \$323 million for the full year 2021, compared to \$77 million and \$260 million for the same periods in 2020. These results were driven mainly by strong performance at the Pipestone gas plant, which operated above 90% utilization through the second half of 2021.
- The **Liquids Infrastructure** segment delivered a record quarterly realized margin^{3,4} of \$110 million in the fourth quarter and a record \$409 million for the full year, compared to \$98 million and \$399 million for the same periods in 2020. These results reflect record deliveries through Keyera’s condensate system, continued high demand for fractionation and cavern storage services, and increased seasonal propane loading.
- The **Marketing** segment contributed a realized margin^{3,4} of \$124 million in the fourth quarter, and \$323 million for the full year, compared to \$11 million and \$295 million for the same periods in 2020. The fourth quarter result included approximately \$10 million of realized hedging gains related to propane inventory. These hedging gains will reduce margins in the first quarter of 2022 when the physical product is sold.

Major Project Update

- Construction on the KAPS pipeline project progressed steadily through the quarter and the project is over 40% complete to the end of January 2022. Construction remains on schedule in support of a first quarter 2023 start-up.
- The project has experienced some modest cost pressures due to inflation. Despite these challenges, the current estimate to complete KAPS is not expected to materially exceed the project sanction cost of \$800 million net to Keyera. The project is benefitting from Keyera’s proactive effort early in the development phase to lock in the majority of the costs.

Non-Core Asset Sale

Subsequent to the quarter, the company closed the sale of its Hull Terminal. Net proceeds to Keyera were approximately US\$40 million, which includes approximately US\$32 million for the asset, and US\$8 million for the value of the inventory. Hull contributed approximately \$1.1 million in realized margin for the Liquids Infrastructure segment in 2021. Proceeds from the sale will be applied to further strengthening the company’s balance sheet.

2022 Investor Day

Keyera will be hosting a virtual investor day on the morning of March 29th, 2022. Details to join the event will be made available in the coming weeks.

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 the section of this news release titled “Non-GAAP and Other Financial Measures”.

⁴ Keyera uses certain “Non-GAAP and Other Financial Measures” such as EBITDA, adjusted EBITDA, funds from operations, distributable cash flow, distributable cash flow per share, payout ratio, realized margin and return on invested capital. Since these measures are not standard measures under GAAP, they may not be comparable to similar measures reported by other entities. For a reconciliation of funds from operations, distributable cash flow, and realized margin to the most directly comparable GAAP measure, refer to the section of this news release titled “Non-GAAP and Other Financial Measures”.

Summary of Key Measures <i>(Thousands of Canadian dollars, except where noted)</i>	Three months ended December 31,		Twelve months ended December 31,	
	2021	2020	2021	2020
Net earnings (loss)	89,986	(74,777)	324,206	62,030
Per share (\$/share) – basic	0.41	(0.34)	1.47	0.28
Cash flow from operating activities	96,963	116,446	583,839	688,173
Funds from operations ¹	234,699	155,812	765,872	810,436
Distributable cash flow ¹	206,652	132,629	668,595	718,176
Per share (\$/share) ¹	0.93	0.60	3.03	3.26
Dividends declared	106,091	106,091	424,364	423,485
Per share (\$/share)	0.48	0.48	1.92	1.92
Payout ratio % ¹	51%	80%	63%	59%
Adjusted EBITDA ²	293,739	168,145	955,848	873,582
Gathering and Processing				
Gross processing throughput ³ (MMcf/d)	1,517	1,307	1,460	1,274
Net processing throughput ³ (MMcf/d)	1,281	1,106	1,235	1,057
Liquids Infrastructure				
Gross processing throughput ⁴ (Mbbbl/d)	162	155	143	149
Net processing throughput ⁴ (Mbbbl/d)	81	75	78	73
AEF iso-octane production volumes (Mbbbl/d)	13	8	14	12
Marketing				
Inventory value	280,736	162,823	280,736	162,823
Sales volumes (Bbl/d)	200,500	153,900	167,200	149,900
Acquisitions	—	240	11,165	1,870
Growth capital expenditures	190,892	76,129	455,359	563,178
Maintenance capital expenditures	16,227	10,889	50,109	29,116
Total capital expenditures	207,119	87,258	516,633	594,164
Weighted average number of shares outstanding – basic and diluted	221,023	221,023	221,023	220,442
			As at December 31,	
			2021	2020
Long-term debt ⁵			3,224,485	2,940,701
Credit facility			230,000	280,000
Working capital surplus ⁶			(186,169)	(147,824)
Net debt			3,268,316	3,072,877
Common shares outstanding – end of period			221,023	221,023

Notes:

- Funds from operations, distributable cash flow, distributable cash flow per share and payout ratio are not standard measures under Generally Accepted Accounting Principles ("GAAP") and therefore, may not be comparable to similar measures reported by other entities. For additional details regarding the composition of these measures, how management utilizes them, and for a reconciliation of funds from operations and distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section of this news release titled "Non-GAAP and Other Financial Measures".
- Adjusted EBITDA is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. For additional details regarding the composition of this measure, how management utilizes it, and for a reconciliation of adjusted EBITDA to the most directly comparable GAAP measure, net earnings, refer to the section of this news release titled "Non-GAAP and Other Financial Measures".
- Includes gas volumes and the conversion of liquids volumes handled through the processing facilities to a gas volume equivalent. Net processing throughput refers to Keyera's share of raw gas processed at its processing facilities.
- Fractionation throughput in the Liquids Infrastructure segment is the aggregation of volumes processed through the fractionators and the de-ethanizers at the Keyera and Dow Fort Saskatchewan facilities.
- 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.
- Working capital is defined as current assets less current liabilities.

CEO's Message to Shareholders

Reflecting on my first year as CEO, I'm proud of the results we delivered, which reinforce the effectiveness of our strategy and our ability to create value for our customers and shareholders. These efforts, supported by higher commodity prices and a more favourable industry outlook, drove excellent results in all three of our business segments during 2021.

We achieved these results through focused improvements in various aspects of our business. For instance, we:

- **Improved our safety performance** this year as our total recordable injury frequency ("TRIF") decreased to 0.55 from 0.82 in 2020, while our total hours worked increased by approximately 85% to 5.4 million. We continue to mature our Operational Excellence framework, and reinforce the cultural expectation that each of us is responsible for ensuring no one ever gets hurt at a Keyera work site.
- **Demonstrated Environment, Social and Governance ("ESG") leadership** by setting meaningful Emissions Reductions Targets to reduce scope 1 and scope 2 emissions intensity 25% by 2025, and 50% by 2035, both relative to 2019 levels. In 2021, we made progress towards these goals by suspending operations at the Ricinus and Brazeau North gas plants and redirecting volumes to other more efficient facilities. We also tied our compensation metrics to ESG based metrics, advanced our Diversity and Inclusion ("DI") initiatives, and further improved our strong ESG Ratings.
- **Demonstrated financial discipline** by maintaining conservative leverage metrics and financial flexibility; and implementing a new rigorous capital investment criteria, while delivering a Return on Invested Capital of 14%.
- **Increased competitiveness** through completion of the optimization program in our South Gathering & Processing portfolio, resulting in lower per-unit costs and higher per-unit margins for the segment as customer volumes recovered. At our Alberta EnviroFuels ("AEF") facility, higher reliability led to record production as we achieved a new annual utilization record of 103%. Continued reliability of our facilities remains a high priority.
- **Strengthened our value chain** by interconnecting the Alder Flats gas plant with the rest of our South Gathering and Processing portfolio. We also brought additional cavern storage into service in our Liquids Infrastructure business segment and completed construction of a direct propane supply pipeline connection to the Heartland Petrochemical complex near Fort Saskatchewan. We continued to make good progress towards bringing our KAPS Natural Gas Liquids ("NGL") and Condensate Pipeline system into service in the first quarter of 2023.

A few words about Keyera's 2021 business segment performance:

In **Gathering and Processing**, we delivered a record realized margin for the year and processed 1.5 billion cubic feet per day (bcf/d) of gas in the fourth quarter, as volumes reached levels not seen since early 2019. These results were driven by strong performance at the Pipestone plant, which operated above 90% utilization through the second half of 2021, higher throughput at our Wapiti gas plant, and positive momentum in our South region where quarterly volumes grew by 15% year-over-year.

The **Liquids Infrastructure** segment achieved record margin contributions, both for the quarter and the year, driven by record condensate volumes flowing through our industry-leading condensate system, best-ever contributions from our underground storage business, and consistently strong performance from our fractionation business, which operated at near name-plate capacity for the year. These franchise assets continue to provide highly contracted and stable cash flows and form the cornerstone of our NGL business, whose competitiveness will be further enhanced, when KAPS is complete.

In our **Marketing** segment, we delivered \$323 million of realized margin, exceeding the top-end of our revised guidance. These results were supported by strong NGL pricing and access to a secure supply of NGL volumes through our upstream network, that we deliver to the highest value markets.

A look ahead at our priorities for 2022:

We expect continued strong industry tailwinds, and we are well positioned to benefit through our operating leverage and our disciplined approach to running the business. Our main priorities for 2022 are as follows:

- **Manage our balance sheet and maintain our strong financial position.** We will continue to manage our leverage profile to ensure investment grade credit ratings are maintained. As we fund the KAPS pipeline project in 2022, we expect our net debt to adjusted EBITDA to go above our corporate target range of between 2.5 and 3 times. That said, we expect our leverage to return within the target range in 2023 as capital expenditures are reduced and KAPS and other areas of the business bring on additional margins. In addition, we are actively evaluating options to sell non-core assets to recycle capital into higher return, more strategic opportunities. The sale of Keyera's Hull Terminal was part of this strategy.
- **Successful project execution of KAPS and maintenance turnarounds.** This means delivering our KAPS project in line with our sanction expectations. The same goes for our fall maintenance outage at AEF, where work will be completed to ensure the long-term reliability of the facility.
- **Optimize returns on previously deployed capital.** We will accomplish this by increasing utilization, debottlenecking assets with minimal incremental capital, and continuing to improve reliability.
- **Further advance our ESG Strategy.** We will take another meaningful step towards meeting our emissions targets when we begin supplementing approximately 10% of our annual power consumption through a long-term solar power purchase and environmental offset agreement in the second half of 2022. Continued progress of our DI program remains another key priority, and in the fall of 2022, we plan to release our second ESG Report which will outline our progress.

There are several macro factors that contribute to our positive longer-term view on the growth prospects for Keyera. Canada's ample reserves of cleaner, reliable and cost-efficient natural gas resources will play an important role in the energy transition. We expect to see continued demand growth for natural gas due to fuel-source switching for electrification, expanding egress options to U.S. and Eastern markets, and the start-up of LNG Canada in 2025. For natural gas liquids, we see robust demand growth with the increasing needs to service the petrochemical industry, continued oilsands diluent and solvent demand, and increased capability to access overseas markets. We will continue to focus on reducing our emissions footprint and leveraging our assets to provide services that will allow customers to also reduce theirs. Keyera is in a strong position to play a key role in Canada's energy future.

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. We also look forward to sharing a more fulsome update on the business and our strategy at our upcoming virtual Investor Day on March 29, 2022.

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 February 16, 2022 and is a review of the results of operations and the liquidity and capital resources of Keyera Corp. and its subsidiaries (collectively "Keyera"). The MD&A should be read in conjunction with the accompanying audited consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the years ended December 31, 2021 and 2020 and the notes thereto. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Keyera's website at www.keyera.com.

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

Keyera's Business

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

1. **Gathering and Processing** – Keyera owns and operates raw gas gathering pipelines and processing plants, which collect and process raw natural gas, remove waste products and separate the economic components, primarily natural gas liquids ("NGLs"), before the sales gas is delivered into long-distance pipeline systems for transportation to end-use markets. Keyera also provides condensate handling services through its condensate gathering pipelines and stabilization facilities.
2. **Liquids Infrastructure** – Keyera owns and operates a network of facilities for the gathering, processing, storage and transportation of the by-products of natural gas processing, including NGLs in mix form and specification NGLs such as ethane, propane, butane and condensate. In addition, this segment includes Keyera's iso-octane facilities at Alberta EnviroFuels ("AEF"), its liquids blending facilities, its 50% interest in the crude oil storage facility at the Base Line Terminal, and its 90% interest in the Wildhorse Terminal in Cushing, Oklahoma.
3. **Marketing** – Keyera markets a range of products associated with its two infrastructure business lines, primarily propane, butane, condensate and iso-octane, and also engages in liquids blending.

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

Overview

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

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

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

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

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

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

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

Keyera expects the following for 2022:

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

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

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the years ended December 31, 2021 and 2020:

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

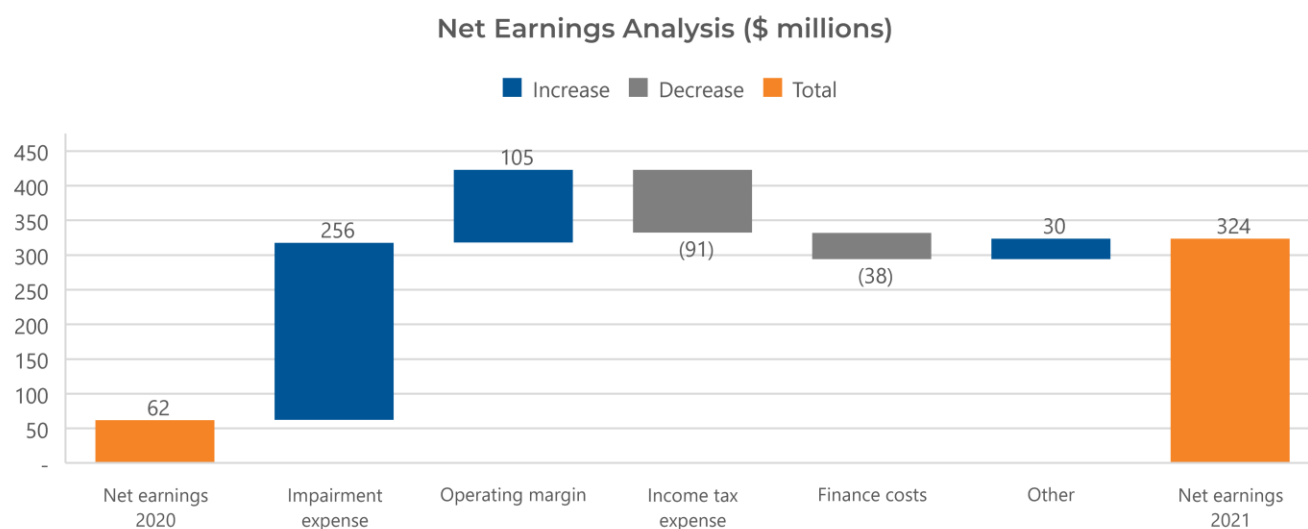
Notes:

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

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

Net Earnings

For the year ended December 31, 2021, net earnings were \$324 million, \$262 million higher than the prior year due to the following factors shown in the table below:



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

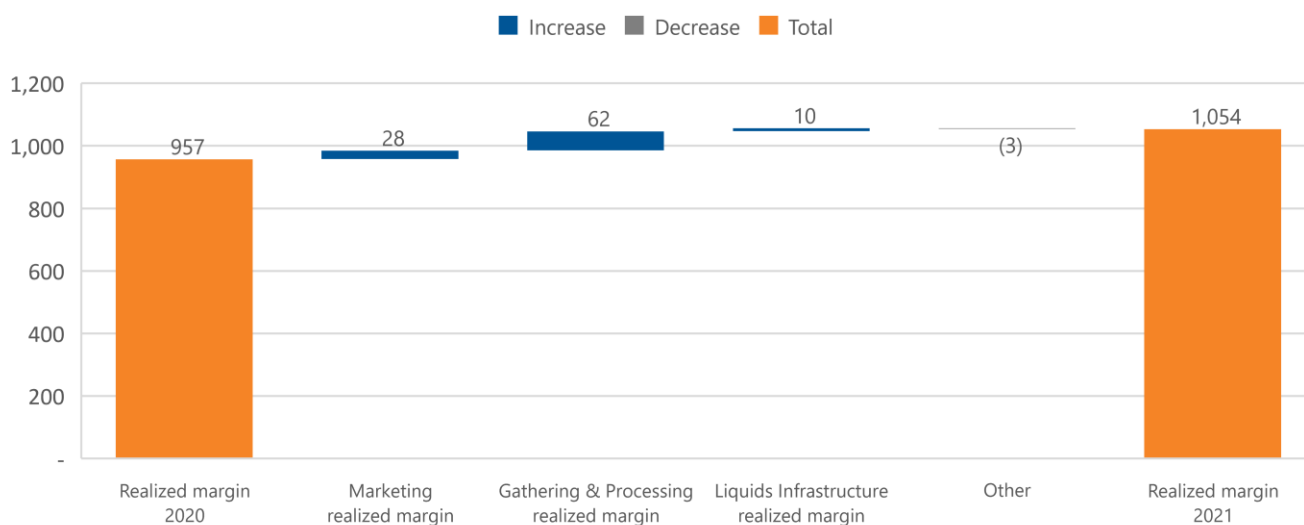
Operating Margin and Realized Margin

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

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

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

Realized Margin¹ Analysis (\$ millions)



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

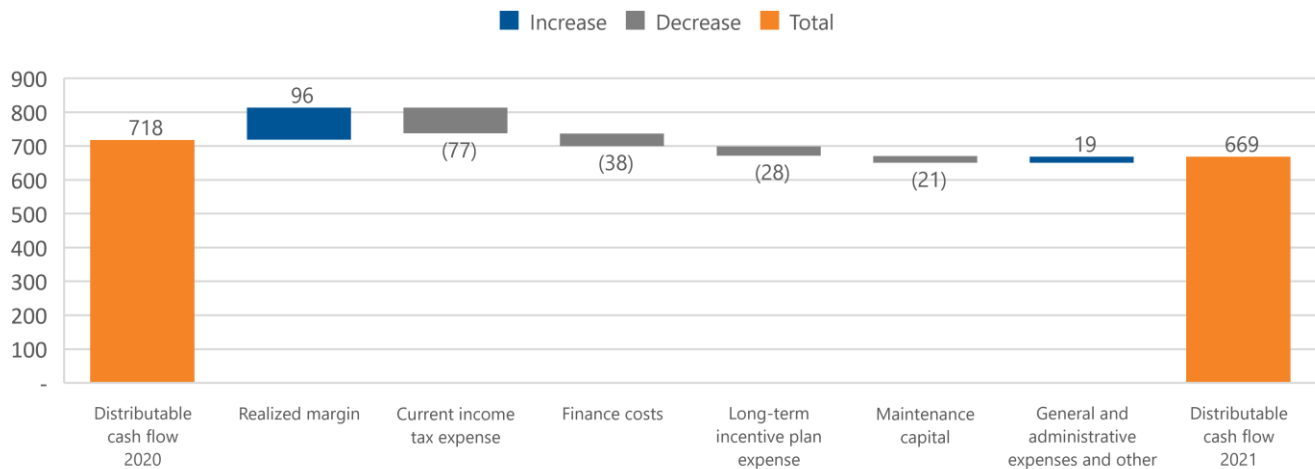
¹ Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section titled “Non-GAAP and Other Financial Measures”. For a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin,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

Cash Flow Metrics

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

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

Distributable Cash Flow¹ Analysis (\$ millions)



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

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

SEGMENTED RESULTS OF OPERATIONS

The discussion of the results of operations for each of the operating segments focuses on operating margin and realized margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and Liquids Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the years ended December 31, 2021 and 2020 are reported in note 30, Segment Information, of the accompanying financial statements. A complete description of Keyera's businesses by segment can be found in Keyera's Annual Information Form, which is available at www.sedar.com.

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

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

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

Gathering and Processing

Keyera currently has interests in 12 active gas plants¹, all of which are located in Alberta. Keyera operates 9 of the 12 active gas plants and has the option to become the operator of the Pipestone gas plant on January 1, 2026, approximately five years after the commencement of its operations. The Gathering and Processing segment includes raw gas gathering systems and processing plants strategically located in the natural gas production areas on the western side of the Western Canada Sedimentary Basin (“WCSB”). Several of the gas plants are interconnected by raw gas gathering pipelines, allowing raw gas to be directed to the gas plant best suited to process the gas. Most of Keyera’s facilities are also equipped with condensate handling capabilities. Keyera’s facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production activity in the WCSB. Keyera’s Simonette, Wapiti and Pipestone gas plants are generally referred to as its “Northern” or “North” gas plants due to their geographic location and proximity to one another. Gas plants in the North are generally dedicated to processing gas and handling condensate from the Montney formation. All of Keyera’s other Gathering and Processing plants, with the exception of the non-operated Edson gas plant, are generally referred to as its “Southern” or “South” gas plants.

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

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

¹ Excludes gas plants where Keyera has suspended operations.

² Includes inter-segment transactions.

³ Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section titled “Non-GAAP and Other Financial Measures”.

⁴ Includes gas volumes and the conversion of liquids volumes handled through the processing facilities to a gas volume equivalent.

⁵ Net processing throughput refers to Keyera’s share of raw gas processed at its processing facilities.

Annual Operating Margin and Revenue

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

Gathering and Processing Activity

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

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

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

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

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

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

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

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

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

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

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

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

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

¹ Based on effective capacity.

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

Liquids Infrastructure

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

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

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

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

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

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

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

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

Notes:

1 Includes inter-segment transactions.

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

Annual Operating Margin and Revenue

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

Liquids Infrastructure Activity

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

Crude oil prices strengthened significantly in 2021 resulting in strong oil sands production and high condensate demand. Consequently, volumes through Keyera’s condensate system reached record levels during the fourth quarter and on an annual basis in 2021. In general, higher volumes do not have a significant financial impact to Keyera due to long-term, take-or-pay arrangements in place with several major oil sands producers. However, the record volumes in 2021 exceeded take-or-pay commitment levels with multiple customers contributing to higher operating margin. Under these agreements, Keyera provides a variety of services including diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area. The strong demand for condensate is expected to continue into the first quarter of 2022.

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

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

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

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

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

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

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

Liquids Infrastructure – Capital Projects Status Update		
Facility/Area	Project Description	Project Status Update
<p>KAPS</p> <p>50/50 joint venture with Energy Transfer Canada ULC</p>	<p>KAPS NGL and Condensate Pipeline System</p> <p>Development of a 12-inch and 16-inch NGL and condensate pipeline system that will transport Montney and Duvernay production in northwestern Alberta to Keyera's fractionation assets and condensate system in Fort Saskatchewan. Along its route, KAPS will be connected to Keyera's Pipestone, Wapiti and Simonette gas plants and several third-party gas plants.</p>	<p>Lateral pipeline construction and field installation of surface facilities commenced in the fourth quarter of 2021. Mainline pipe construction, offsite facilities fabrication, pipe fabrication and procurement activities remain ongoing.</p> <p>KAPS is anticipated to be operational in 2023.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> gross cost is approximately \$1.6 billion Keyera's net share of costs is approximately \$800 million <p><i>Total net costs to December 31, 2021:</i></p> <ul style="list-style-type: none"> \$289 million for the year ended December 31, 2021 \$328 million since inception
<p>South Cheecham</p> <p>50/50 joint venture with Enbridge</p>	<p>Sulphur Facilities</p> <p>Development of sulphur handling, forming, and storage facilities at the South Cheecham rail and truck terminal.</p>	<p>Construction progressed through the fourth quarter of 2021.</p> <p>The sulphur facilities are anticipated to be operational in mid-2022.</p> <p><i>Estimated total cost to complete:</i></p> <ul style="list-style-type: none"> gross cost is approximately \$180 million Keyera's net share of costs is approximately \$90 million <p>The \$65 million increase in gross cost is primarily due to:</p> <ul style="list-style-type: none"> engineering design deficiencies that resulted in a significant increase in civil work; and supply chain disruptions for major equipment that has impacted construction sequencing and associated costs. <p><i>Total net costs to December 31, 2021:</i></p> <ul style="list-style-type: none"> \$57 million for the year ended December 31, 2021 \$65 million since inception

Liquids Infrastructure – Completed Capital Project

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

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

Marketing

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

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

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

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

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

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

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

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

transportation curtailments; and iv) producers deliver their volumes according to plan. There are numerous variables that can affect the results from Keyera's Marketing segment. For a detailed discussion of risk factors that affect Keyera, see Keyera's Annual Information Form which is available at www.sedar.com.

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

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

Notes:

¹ Includes inter-segment transactions.

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




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

Notes:

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

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

Annual Operating & Realized Margin and Revenue

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

Market Commentary

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

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

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

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

As butane is the primary feedstock to produce iso-octane, butane costs directly affect iso-octane margins. The majority of Keyera's butane supply is purchased on a one-year term basis. For the annual term supply contracts that began on April 1, 2021, the price for butane as a percentage of crude oil was lower than the average of the previous five years. As butane prices strengthened significantly through 2021, Keyera utilized its infrastructure capabilities to sell butane in the Alberta market to capture higher margins. Keyera expects butane feedstock costs to be higher in 2022 compared to the 2021 contract year.

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

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

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

Risk Management

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

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

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

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

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

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

For the year ended December 31, 2021, the total unrealized loss on risk management contracts was \$9 million. Further details are provided in the “Composition of Marketing Revenue” table above.

The fair value of outstanding fixed price physical and financial risk management contracts as at December 31, 2021 resulted in an unrealized (non-cash) loss of \$32 million. These fair values will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at December 31, 2021, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 22, Financial Instruments and Risk Management, of the accompanying financial statements.

CORPORATE AND OTHER

Non-Operating Expenses and Other Income		
<i>(Thousands of Canadian dollars)</i>		
	2021	2020
General and administrative ¹	(80,697)	(97,795)
Finance costs	(169,309)	(131,507)
Depreciation, depletion and amortization expenses	(257,638)	(290,416)
Net foreign currency gain on U.S. debt and other	568	9,421
Long-term incentive plan (expense) recovery	(27,029)	1,122
Impairment	(115,771)	(371,305)
Gain on disposal of property, plant and equipment	20,797	—
Other	10,040	13,093
Income tax expense	(102,055)	(11,121)

Note:

1 Net of overhead recoveries on operated facilities.

General and Administrative Expenses

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

Finance Costs

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

Depreciation, Depletion and Amortization Expenses

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

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

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

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

Note:

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

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

Long-Term Incentive Plan (Expense) Recovery

The Long-Term Incentive Plan (“LTIP”) expense was \$27 million for the year ended December 31, 2021, compared to a recovery of \$1 million in the prior year. The higher LTIP expense was primarily due to the recovery in Keyera’s share price at the end of 2021 relative to the decline in share price that occurred during the same period of the prior year. In addition, there were higher estimated payout multipliers associated with certain outstanding LTIP grants when compared to the prior year.

Net Impairment Expense

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

For the year ended December 31, 2021, Keyera recorded a combined impairment expense of \$116 million. The majority of this expense (\$98 million) was recognized for the Rimbey Area cash-generating unit (“CGU”) due to the underutilization of the Rimbey gas plant, including lower processing volumes for this facility. \$15 million of the impairment expense was allocated to reduce the goodwill associated with the CGU to \$nil. The remaining impairment charge of \$83 million was then applied to reduce the carrying value of the Rimbey gas plant.

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

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

Refer to note 9, Property, Plant and Equipment and note 11, Goodwill, of the accompanying financial statements for further details of the impairment expenses recorded for the years ended December 31, 2021 and 2020.

Gain on Disposal of Property, Plant and Equipment

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

Other

For the year ended December 31, 2021, \$10 million of income was recorded from the Canada Emergency Wage Subsidy (“CEWS”) program, compared to \$13 million in the prior year. CEWS was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan. Substantially all of the income received in 2021 relates to the 2020 year. Keyera will not be submitting any further claims under the CEWS program.

Taxes

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

Current Income Taxes

A current income tax expense of \$32 million was recorded for the year ended December 31, 2021, compared to a recovery of \$45 million in 2020. Current taxes in 2021 are higher due to higher earnings and decreased tax pool deductions.

For 2022, it is estimated that current income tax expense will range between \$15 million and \$30 million. The current income tax estimates assume that Keyera's business performs as planned and its capital projects are completed as expected.

Deferred Income Taxes

A deferred income tax expense of \$70 million was recorded for the year ended December 31, 2021, compared to \$56 million in 2020, \$14 million higher than the same period in 2020.

Keyera estimates its total tax pools at December 31, 2021 were approximately \$3.3 billion.

SUMMARY FOURTH QUARTER RESULTS

Fourth Quarter Financials and Operational Highlights <i>(Thousands of Canadian dollars, except per unit and volumetric information)</i>	Three months ended December 31,	
	2021	2020
Operating Margin		
Gathering & Processing	81,775	76,965
Liquids Infrastructure	110,089	98,330
Marketing	152,188	(12,039)
Other	23	2,257
Operating margin	344,075	165,513
Realized margin ¹	315,531	187,512
Net earnings (loss)	89,986	(74,777)
Earnings (loss) per share (basic)	0.41	(0.34)
Adjusted EBITDA ²	293,739	168,145
Cashflow from operating activities	96,963	116,446
Funds from operations ³	234,699	155,812
Distributable cash flow ³	206,652	132,629
Distributable cash flow per share (basic) ³	0.93	0.60
Dividends declared	106,091	106,091
Dividends declared per share	0.48	0.48
Capital expenditures (including acquisitions)	207,119	87,258
Volumetric Information		
Gathering and Processing:		
Gross processing throughput (MMcf/d)	1,517	1,307
Net processing throughput (MMCF/d)	1,281	1,106
Liquids Infrastructure ⁴ :		
Gross fractionation throughput (Mbb/d)	162	155
Net fractionation throughput (Mbb/d)	81	75
AEF iso-octane production volumes (MMb/d)	13	8
Marketing:		
Sales Volumes (Bbl/d)	200,500	153,900

Notes:

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

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

Notes:

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

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

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

Funds from Operations and Distributable Cash Flow (Thousands of Canadian dollars)	Three months ended December 31,	
	2021	2020
Cash flow from operating activities	96,963	116,446
Add (deduct):		
Changes in non-cash working capital	137,736	39,366
Funds from operations	234,699	155,812
Maintenance capital	(16,227)	(10,889)
Leases	(11,190)	(12,073)
Prepaid lease asset	(630)	(221)
Distributable cash flow	206,652	132,629
Dividends declared to shareholders	106,091	106,091

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

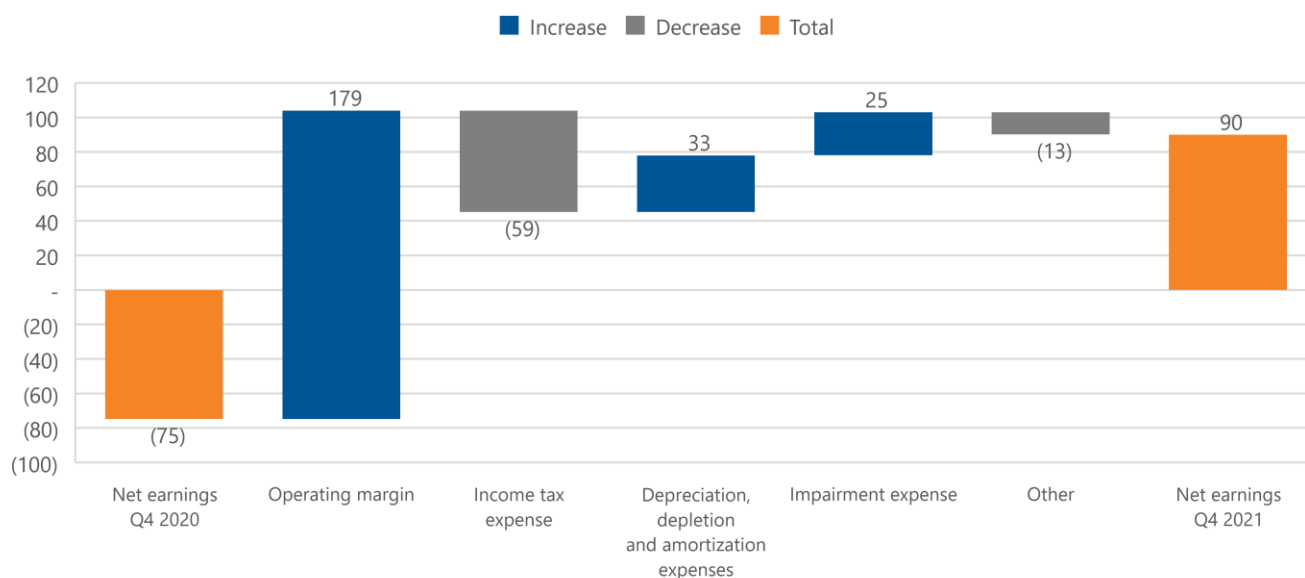
The following is a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings, for the fourth quarter.

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

Net Earnings

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

Fourth Quarter Net Earnings Analysis (\$ millions)

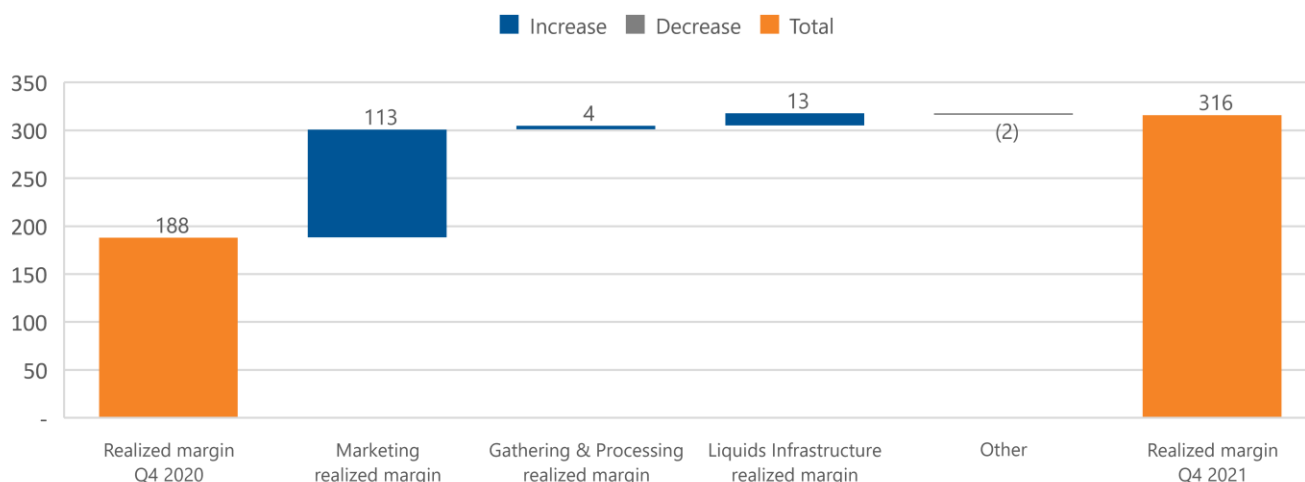


Operating Margin and Realized Margin

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

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

Fourth Quarter Realized Margin Analysis (\$ millions)





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

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



Operating Margin and Realized Margin (Thousands of Canadian dollars)	Three months ended December 31,	
	2021	2020
Revenue	1,737,432	709,452
Operating expenses	(1,393,357)	(543,939)
Operating margin	344,075	165,513
Unrealized (gain) loss on risk management contracts	(28,544)	21,999
Realized margin	315,531	187,512

Fourth Quarter Operating & Realized Margin and Revenue




Gathering & Processing

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

Liquids Infrastructure

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

Marketing

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

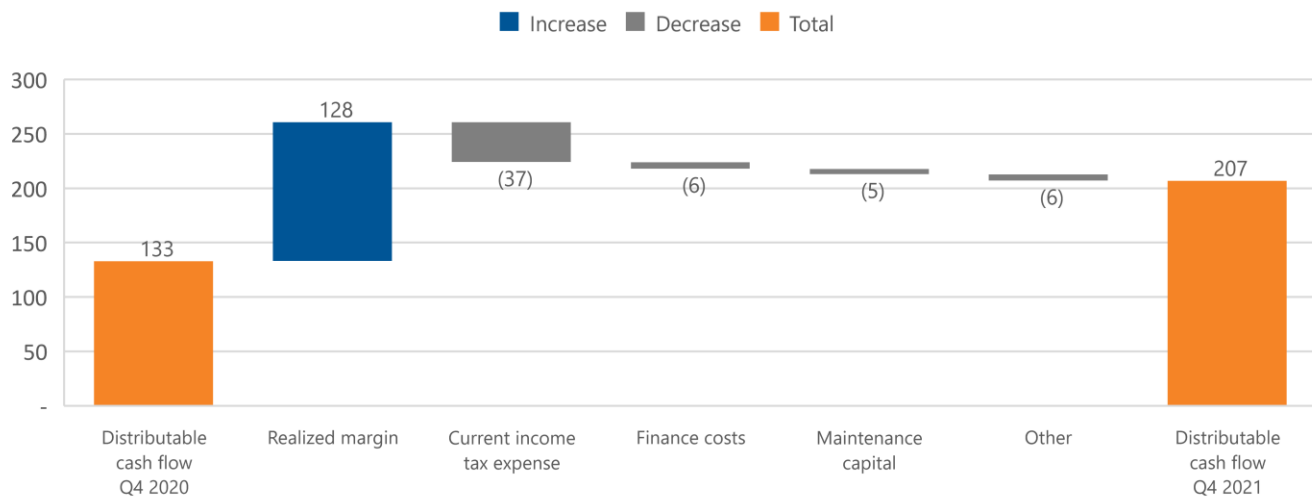
¹ Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. Refer to the section titled "Non-GAAP and Other Financial Measures".

Cash Flow Metrics

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

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

Fourth Quarter Distributable Cash Flow¹ Analysis (\$ millions)



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

CRITICAL ACCOUNTING ESTIMATES

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

Operating Revenues

Gathering and Processing and Liquids Infrastructure:

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

At December 31, 2021, operating revenues and accounts receivable for the Gathering and Processing and Liquids Infrastructure segments contained an estimate of approximately \$83 million primarily for December 2021 operations.

Marketing:

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

At December 31, 2021, the Marketing sales and accounts receivable contained an estimate for December 2021 revenues of approximately \$264 million.

Operating Expenses and Product Purchases

Gathering and Processing and Liquids Infrastructure:

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

At December 31, 2021, operating expenses and accounts payable contained an estimate of approximately \$40 million primarily for December 2021 operations.

Marketing:

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

Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of approximately \$239 million at December 31, 2021.

Equalization Adjustments

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

For the Gathering and Processing segment, an equalization adjustment of \$4 million was included in revenue and accounts receivable at December 31, 2021. Operating expenses and accounts payable contained an equalization adjustment of \$6 million.

Depreciation of Property, Plant and Equipment

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

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

Allowance for Expected Credit Losses

The allowance for expected credit losses is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counterparty. The allowance for expected credit losses was \$4 million as at December 31, 2021, which is unchanged from the prior year.

Derivative Financial Instruments

Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spreads. Refer to note 22, Financial Instruments and Risk Management, of the accompanying financial statements for a summary of the fair value of derivative financial instruments existing at December 31, 2021.

Fair Value Estimates of Property, Plant and Equipment

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

of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to the net assets acquired in a business combination.

Impairment of Property, Plant and Equipment and Goodwill

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

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

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

Long-term Incentive Plan Liability

The LTIP is accounted for using the liability method and is measured at fair value. Determining the fair value requires management to estimate Keyera's financial performance over a three-year period to determine the appropriate payout multiplier associated with the Performance Awards. The payout multiplier is based 70% on the average annual pre-tax distributable cash flow per share over the three-year period and 30% on the relative total shareholder return over the same period. The payout multiplier determines the number of shares expected to be settled following the third anniversary of the grant date of the Performance Awards. Refer to note 21, Share-based Compensation and Pension Plans, of the accompanying financial statements for further details.

Decommissioning Liability

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

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

Keyera has estimated the net present value of its total decommissioning liability to be approximately \$268 million at December 31, 2021, compared to \$298 million at December 31, 2020. The fair value of the decommissioning liability was calculated by using a credit-adjusted risk-free discount rate of 4.5% (December 31, 2020 – 4.2%).

Refer to note 14, Decommissioning Liability, of the accompanying financial statements for a reconciliation of the beginning and ending carrying amount of the decommissioning liability.

Additional information related to decommissioning, abandonment and reclamation is also provided in Keyera's Annual Information Form, which is available on SEDAR at www.sedar.com.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is used when assessing the extent to which deferred tax assets should be recognized with consideration given to the timing and level of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. Refer to note 17, Income Taxes, of the accompanying financial statements for a reconciliation of income taxes to the income tax provision recognized for the year ended December 31, 2021.

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

A working capital surplus (current assets less current liabilities) of \$186 million existed at December 31, 2021. This is compared to a surplus of \$148 million at December 31, 2020. To meet its current obligations and growth capital program, Keyera has access to a credit facility in the amount of \$1.5 billion, of which \$230 million was drawn as at December 31, 2021. Refer to the section of this MD&A titled "Long-term Debt", for more information related to Keyera's unsecured revolving credit facility ("Credit Facility").

Dividend Reinvestment Plan

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

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

Corporate Credit Ratings

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

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

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

Long-term Debt (including Credit Facilities)

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

As at December 31, 2021 (Thousands of Canadian dollars)	Total	2022	2023	2024	2025	2026	After 2026
Credit facilities	230,000	—	—	—	—	230,000	—
Total credit facilities	230,000	—	—	—	—	230,000	—

Canadian dollar denominated debt

Senior unsecured notes:

6.14% due December 3, 2022	60,000	60,000	—	—	—	—	—
3.50% due June 16, 2023	30,000	—	30,000	—	—	—	—
4.91% due June 19, 2024	17,000	—	—	17,000	—	—	—
4.92% due October 10, 2025	100,000	—	—	—	100,000	—	—
5.05% due November 20, 2025	20,000	—	—	—	20,000	—	—
4.15% due June 16, 2026	30,000	—	—	—	—	30,000	—
3.96% due October 13, 2026	200,000	—	—	—	—	200,000	—
3.68% due September 20, 2027	400,000	—	—	—	—	—	400,000
5.09% due October 10, 2028	100,000	—	—	—	—	—	100,000
4.11% due October 13, 2028	100,000	—	—	—	—	—	100,000
5.34% due April 8, 2029	75,000	—	—	—	—	—	75,000
	1,132,000	60,000	30,000	17,000	120,000	230,000	675,000

Senior unsecured medium-term notes:

3.93% due June 21, 2028	400,000	—	—	—	—	—	400,000
3.96% due May 29, 2030	400,000	—	—	—	—	—	400,000

Subordinated hybrid notes:

6.88% due June 13, 2079	600,000	—	—	—	—	—	600,000
5.95% due March 10, 2081	350,000	—	—	—	—	—	350,000
	2,882,000	60,000	30,000	17,000	120,000	230,000	2,425,000

Senior unsecured U.S. dollar denominated notes

4.19% due June 19, 2024 (US\$128,000)	161,997	—	—	161,997	—	—	—
4.75% due November 20, 2025 (US\$140,000)	177,184	—	—	—	177,184	—	—
4.95% due November 20, 2028 (US\$65,000)	82,264	—	—	—	—	—	82,264
	421,445	—	—	161,997	177,184	—	82,264

Less: current portion of long-term debt

	(60,000)	(60,000)	—	—	—	—	—
Total long-term debt	3,243,445	—	30,000	178,997	297,184	230,000	2,507,264

Credit Facilities

Keyera's Credit Facility is with a syndicate of seven lenders under which it can borrow up to \$1.5 billion, with the potential to increase that limit to \$2.0 billion subject to certain conditions. As at December 31, 2021, \$230 million was drawn under this facility (December 31, 2020 – \$280 million).

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

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

Long-term Debt

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

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

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

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

Compliance with Covenants

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

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

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

As at December 31, 2021, Keyera was in compliance with all covenants under its Credit Facility and outstanding notes. Keyera's Net Debt to Adjusted EBITDA ratio at December 31, 2021 was 2.4x for covenant test purposes (December 31, 2020 – 2.9x). As a long-term target, Keyera's objective is to maintain a Net Debt to Adjusted EBITDA ratio of between 2.5x to 3.0x. This range results in a leverage profile that supports Keyera's investment grade credit ratings.

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

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the year ended December 31, 2021 and 2020:

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

Growth capital expenditures for the year ended December 31, 2021 amounted to \$455 million. Refer to the section of this MD&A, "Segmented Results of Operations", for information related to the various growth capital projects in the Liquids Infrastructure segment, including estimated costs to complete, costs incurred in 2021 and since inception of the project, and estimated completion timeframes.

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

Keyera has comprehensive inspection, monitoring and maintenance programs in place. The objectives of these programs are to keep Keyera's facilities in good working order and to maintain their ability to operate reliably for many years. In addition to the maintenance capital expenditures, Keyera incurred maintenance and repair expenses of \$51 million for the year ended December 31, 2021, compared to \$66 million in 2020.

Over the past several years, Keyera has invested a significant amount of capital dedicated to establishing a strong footprint in the liquids-rich Montney and Duvernay development areas, as well as enhancing its integrated value chain with the KAPS pipeline system. This capital program excluding KAPS, was approximately \$2.3 billion (December 31, 2020 – \$2.2 billion). With the exception of the South Cheecham Sulphur Facilities, all capital projects in the program are complete and operational. The \$2.3 billion capital program was estimated to earn an annual return on capital¹ of between 10% to 15% in 2022. This estimated range is still expected for the program with the exclusion of the Wildhorse Terminal. Uneconomic blending margins and historically high prices for butane landing in Cushing, Oklahoma have resulted in underutilization of the terminal. Keyera remains optimistic that earnings for the terminal will improve once pricing differentials return to more historical levels.

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

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

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

Dividends

Funds from Operations and Distributable Cash Flow

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

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

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

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

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

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

Distributable cash flow for the year ended December 31, 2021 was \$669 million, \$50 million lower than the same period in 2020. Refer to the section of this MD&A titled, “Consolidated Financial Results: Cash Flow Metrics”, for additional details.

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

Dividend Policy

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

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

Adjusted Cash Flow from Operating Activities and Return on Invested Capital

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

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

Return on invested capital is defined as adjusted cash flow from operating activities divided by invested capital, which includes property, plant and equipment, right-of-use assets, inventory, trade and other receivables, goodwill, intangible assets, less work-in-progress assets and trade and other payables, and provisions. ROIC is used to reflect the profitability of Keyera's in-service capital assets. This is a new measure that replaces the annual return on invested capital metric (defined as realized margin divided by weighted average in-service growth capital including maintenance capital and shut-in facilities and excluding decommissioning assets, depreciation, impairments, and work-in-progress capital) disclosed previously. The new metric shown is preferred as it can be calculated from amounts presented in publicly disclosed materials and can be used by investors to compare Keyera with other infrastructure companies within the oil and gas industry.

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

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

Note:

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

EBITDA

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

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

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

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. At December 31, 2021, the obligations that represent known future cash payments that are required under existing contractual arrangements were as follows:

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

Note:

- Long-term debt obligations are principal only and exclude interest payments. For the U.S. denominated senior unsecured notes, the principal obligations are converted at the December 31, 2021 spot foreign exchange rate of 1.2656.
- Lease liabilities include the expected undiscounted cash payments related to leases.
- Other liabilities include the current portion of the LTIP and certain trade and other payable balances.
- The majority of these obligations are expected to be incurred over the next 22 – 55 years. No assets have been legally restricted for settlement of the liability.
- Keyera service obligations related to terminal storage and natural gas transportation.
- Purchase obligations include third party contractual commitments related to assets under construction.
- Keyera through its operating entities has assumed commitments in various contractual purchase agreements in the normal course of its operations. The agreements involve the purchase of NGL production from producers in the areas specified in the agreements. The purchase prices are based on current market prices. The future volumes and prices for these contracts cannot be reasonably determined and therefore no amount has been included in purchase obligations to reflect these contractual agreements.

RELATED PARTY TRANSACTIONS

Keyera has provided compensation to key management personnel who are comprised of its directors and executive officers. There have been no other material related party transactions or significant changes to the annual compensation amounts disclosed in the December 31, 2021 annual audited financial statements.

RISK FACTORS

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

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

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

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

Regulatory Risk

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

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

Credit Risk

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

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

As at December 31, 2021, the allowance for expected credit losses was \$4 million (December 31, 2020 – \$4 million) to provide for specific accounts receivable amounts that may be uncollectible. Despite Keyera's efforts in the monitoring and collection of accounts receivable, actual losses from defaults may be greater than that provided for.

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

Credit Ratings

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

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

Marketing Risk

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

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

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

Operational Risk

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

Foreign Currency Risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency. Keyera's functional currency is the Canadian dollar. The Marketing segment has foreign currency risk associated with its sales and purchases denominated in U.S. dollars; however, the Gathering and Processing and Liquids Infrastructure segments have very little foreign currency risk as sales and

purchases are primarily denominated in Canadian dollars. Foreign currency risk is actively managed by using forward currency contracts and cross-currency swaps. Management monitors the exposure to foreign currency risk and regularly reviews its risk management strategies and all outstanding positions.

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

Cyber Security

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

Risks related to the continued impact of COVID-19

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

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

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

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

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

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

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

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

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

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

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

SELECTED FINANCIAL INFORMATION

The following table presents selected annual financial information for Keyera:

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

Notes:

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

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

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

Notes:

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

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

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

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

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

ADOPTION OF NEW STANDARDS

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

FUTURE ACCOUNTING PRONOUNCEMENTS

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

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

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

Internal Controls Over Financial Reporting

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

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

COMMON SHARES

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

NON-GAAP AND OTHER FINANCIAL MEASURES

This discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP. Measures such as funds from operations (defined as cash flow from operating activities adjusted for changes in non-cash working capital); distributable cash flow (defined as cash flow from operating activities adjusted for changes in non-cash working capital, inventory write-downs, maintenance capital expenditures and lease payments, including the periodic costs related to prepaid leases); distributable cash flow per share (defined as distributable cash flow divided by weighted average number of shares – basic); payout ratio (defined as dividends declared to shareholders divided by distributable cash flow); EBITDA (defined as earnings before finance costs, taxes, depreciation, and amortization); adjusted EBITDA (defined as EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment); realized margin (defined as operating margin excluding unrealized gains and losses on commodity-related risk management contracts); adjusted cash flow from operating activities (defined as cash flow provided by operating activities before changes in non-cash working capital, decommissioning liability expenditures and finance costs); return on invested capital (defined as adjusted cash flow from operating activities, divided by invested capital, which includes property, plant and equipment, right-of-use assets, inventory, trade and other receivables, goodwill, intangible assets, less work-in-progress assets and trade and other payables, and provisions); annual return on capital for the growth capital program excluding KAPS (defined as expected operating margin divided by the estimated capital cost for the Simonette projects, the Wapiti and Pipestone gas plants and associated gathering infrastructure, the Wildhorse Terminal, the South Cheecham sulphur handling project, and storage cavern capital projects); and annual return on capital for the KAPS project (defined as expected operating margin divided by the estimated capital cost for the development of the KAPS project) are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. Management believes that these non-GAAP and other financial measures facilitate the understanding of Keyera's results of operations, leverage, liquidity and financial position. Funds from operations is used to assess the level of cash flow generated from operating activities excluding the effect of changes in non-cash working capital, as they are primarily the result of seasonal fluctuations in product inventories or other temporary changes. Funds from operations is also a valuable measure that allows investors to compare Keyera with other companies within the midstream oil and gas industry. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. Payout ratio is used to assess the sustainability of the company's dividend payment program. EBITDA and adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. Realized margin is used to assess the financial performance of Keyera's ongoing operations without the effect of unrealized gains and losses on commodity-related risk management contracts related to future periods. Return on invested capital is used to reflect the profitability of Keyera's in-service capital assets. This new measure replaces the annual return on invested capital metric (defined as realized margin divided by weighted average in-service growth capital including maintenance capital and shut-in facilities and excluding decommissioning assets, depreciation, impairments, and work-in-progress capital) disclosed previously. The new metric shown is preferred as it can be calculated from amounts presented in publicly disclosed materials and can be used by investors to compare Keyera with other infrastructure companies within the oil and gas industry. Adjusted cash flow from operating activities is used solely for purposes of calculating return on invested capital and is therefore not used by management on a stand-alone basis. Annual return on capital for the growth capital program excluding KAPS and annual return on capital for the KAPS project are used to reflect the expected profitability and value-creating potential for: (i) certain growth projects that have been sanctioned and are currently under development, or have been completed, as of the date hereof, and (ii) for the KAPS project. Investors are cautioned, however, that these measures should not be construed as an alternative to net earnings or other measures determined in accordance with GAAP as an indication of Keyera's performance.

FORWARD-LOOKING STATEMENTS

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

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

All forward-looking information reflects Keyera’s beliefs and assumptions based on information available at the time the applicable forward-looking information is made and in light of Keyera’s current expectations with respect to such things as the outlook for general economic trends, industry trends, commodity prices, Keyera’s access to the capital markets and the cost of raising capital, the integrity and reliability of Keyera’s assets, the governmental, regulatory and legal environment, the COVID-19 pandemic and the duration and impact thereof, general compliance with Keyera’s plans, strategies, programs, and goals across its reporting and monitoring systems among employees, stakeholders and service providers. Keyera’s expectation as to the “base realized margin” to be contributed by its Marketing segment assumes: (i) AEF operates near capacity; (ii) butane feedstock costs are comparable to the 2018 contract year; (iii) there are no significant logistical or transportation

curtailments; and (iv) producers deliver their volumes according to plan. For all construction projects, estimated completion times and costs assume that construction proceeds as planned on schedule and on budget and that, where required, all regulatory approvals and other third-party approvals or consents are received on a timely basis. In some instances, this MD&A may also contain forward-looking information attributed to third parties. Forward-looking information does not guarantee future performance. Management believes that its assumptions and expectations reflected in the forward-looking information contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct.

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

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

- the effectiveness of Keyera's existing and planned ESG and risk management programs;
- the ability of Keyera to achieve specific targets that are part of its ESG initiatives, including those relating to emissions reduction targets, as well as other climate-change related initiatives.

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

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

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

Investor Information

DIVIDENDS TO SHAREHOLDERS

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

YEAR END AND FOURTH 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 fourth quarter and year-end of 2021 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Wednesday, February 16, 2022. Callers may participate by dialing 888-664-6392 or 416-764-8659. A recording of the call will be available for replay until 10:00 p.m. Mountain Time (12:00 a.m. Eastern Time) on March 2, 2022 by dialing 888-390-0541 or 416-764-8677 and entering pass code 523095.

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

QUESTIONS

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



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Management has developed and maintains an extensive system of internal accounting controls that provide reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the Company's operating and financial results, and that the Company's assets are safeguarded. Management believes that this system of internal controls has operated effectively for the year ended December 31, 2021. The Company has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to the Company which complies with the requirements of Canadian securities legislation.

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

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

/s/ C. Dean Setoguchi

C. Dean Setoguchi
Chief Executive Officer
Keyera Corp.

/s/ Eileen Marikar

Eileen Marikar
Chief Financial Officer
Keyera Corp.

February 15, 2022
Calgary, Alberta

Independent Auditor's Report

To the Shareholders of Keyera Corp.

Opinion

We have audited the consolidated financial statements of Keyera Corp. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of net earnings and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (“IFRS”).

Basis for Opinion

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

Key Audit Matters

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the financial statements for the year ended December 31, 2021. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Goodwill and Property, Plant and Equipment — Rimbey Area Cash Generating Unit (“identified CGU”) — Refer to Notes 3, 9 and 11 to the financial statements

Key Audit Matter Description

The Company assesses goodwill for impairment annually at the CGU level by comparing the recoverable amount of each CGU to its carrying value. The Company used the discounted future cash flow model to estimate the recoverable amount, which requires management to make significant estimates and assumptions. Changes in these assumptions could have a significant impact on either the recoverable amount, the amount of any impairment charge, or both. As at December 31, 2021, the carrying amount of the identified CGU exceeded its

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

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

How the Key Audit Matter Was Addressed in the Audit

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

- Evaluated management's ability to accurately forecast operating margins by comparing actual results to management's historical forecasts.
- Evaluated the reasonableness of forecast operating margin by comparing the forecasts to:
 - Historical operating margins;
 - Internal communications to management and the Board of Directors; and
 - Whether these assumptions were consistent with evidence obtained in other areas of the audit.
- With the assistance of fair value specialists:
 - Evaluated the reasonableness of the discount rate by developing a range of independent estimates and comparing those to the discount rate selected by management; and
 - Assessed management's estimate of the recoverable amount by comparing management's implied valuation multiple to market multiples for comparable entities.

Other Information

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

- Management's Discussion and Analysis; and
- The information, other than the financial statements and our auditor's report thereon, in the 2021 Year-End Report.

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

We obtained Management's Discussion and Analysis and the 2021 Year-End Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants

Calgary, Alberta

February 15, 2022

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

As at	Note	December 31, 2021	December 31, 2020
ASSETS			
Cash		15,940	2,901
Trade and other receivables	6	750,420	447,723
Derivative financial instruments	22	28,756	20,625
Inventory	7	280,736	162,823
Other assets	8	23,276	12,778
Total current assets		1,099,128	646,850
Derivative financial instruments	22	87,844	93,632
Property, plant and equipment	9	6,582,276	6,401,185
Right-of-use assets	10	226,757	264,278
Intangible assets		63,294	71,320
Goodwill	11	40,814	55,761
Deferred tax assets	17	30,193	29,560
Total assets		8,130,306	7,562,586
LIABILITIES AND EQUITY			
Trade and other payables, and provisions	12	710,770	369,622
Derivative financial instruments	22	56,380	42,438
Dividends payable	20	35,364	35,364
Current portion of long-term debt	13	60,000	—
Current portion of decommissioning liability	14	18,900	15,520
Current portion of lease liabilities	15	31,545	36,082
Total current liabilities		912,959	499,026
Derivative financial instruments	22	1,902	—
Credit facilities	13	230,000	280,000
Long-term debt	13	3,224,485	2,940,701
Decommissioning liability	14	249,588	282,658
Long-term lease liabilities	15	151,745	175,842
Other long-term liabilities	16	18,595	10,684
Deferred tax liabilities	17	683,398	612,467
Total liabilities		5,472,672	4,801,378
Equity			
Share capital	18	3,150,104	3,150,104
Accumulated deficit		(479,635)	(379,477)
Accumulated other comprehensive loss		(12,835)	(9,419)
Total equity		2,657,634	2,761,208
Total liabilities and equity		8,130,306	7,562,586

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

These consolidated financial statements were approved by the board of directors of Keyera Corp. on February 15, 2022.

(Signed) Michael Norris
 Director

(Signed) C. Dean Setoguchi
 Director

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

	Note	2021	2020
Revenues	30	4,984,906	3,012,510
Expenses	30	(3,939,606)	(2,071,972)
Operating margin		1,045,300	940,538
General and administrative expenses	25	(80,697)	(97,795)
Finance costs	26	(169,309)	(131,507)
Depreciation, depletion and amortization expenses	27	(257,638)	(290,416)
Net foreign currency gain on U.S. debt and other	23	568	9,421
Long-term incentive plan (expense) recovery	21	(27,029)	1,122
Impairment expense	9, 11	(115,771)	(371,305)
Gain on disposal of property, plant and equipment	9	20,797	—
Other	31	10,040	13,093
Earnings before income tax		426,261	73,151
Income tax expense	17	(102,055)	(11,121)
Net earnings		324,206	62,030
Other comprehensive loss			
Foreign currency translation adjustment		(3,416)	(8,092)
Comprehensive income		320,790	53,938
Earnings per share			
Basic earnings per share	19	1.47	0.28
Diluted earnings per share	19	1.47	0.28

See accompanying notes to the consolidated financial statements.

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

	Note	2021	2020
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net earnings		324,206	62,030
Adjustments for items not affecting cash:			
Finance costs	26	22,584	23,755
Depreciation, depletion and amortization expenses	27	257,638	290,416
Unrealized loss on derivative financial instruments	22	13,501	47,003
Unrealized gain on foreign exchange		(3,868)	(37,988)
Inventory write-down	7	—	13,507
Deferred income tax expense	17	70,029	56,025
Impairment expense	9, 11	115,771	371,305
Gain on disposal of property, plant and equipment	9	(20,797)	—
Decommissioning liability expenditures	14	(13,192)	(15,617)
Changes in non-cash working capital	29	(182,033)	(122,263)
Net cash provided by operating activities		583,839	688,173
INVESTING ACTIVITIES			
Acquisitions	9	(11,165)	(1,870)
Capital expenditures	9	(505,468)	(592,294)
Prepaid lease asset	10	3,194	(66,166)
Proceeds on disposal of property, plant and equipment	9	18,191	—
Changes in non-cash working capital	29	98,124	(87,977)
Net cash used in investing activities		(397,124)	(748,307)
FINANCING ACTIVITIES			
Borrowings under credit facility	13, 29	620,000	560,000
Repayments under credit facility	13, 29	(670,000)	(370,000)
Proceeds from issuance of long-term debt	13, 29	350,000	400,000
Repayments of long-term debt	13, 29	—	(137,893)
Financing costs related to credit facility/long-term debt	13, 29	(4,845)	(2,807)
Issuance costs	18	—	(250)
Proceeds from issuance of shares related to DRIP	18	—	77,154
Lease payments	15, 29	(44,645)	(49,416)
Dividends paid to shareholders	20	(424,364)	(422,988)
Net cash (used in) provided by financing activities		(173,854)	53,800
Effect of exchange rate fluctuations on foreign cash held		178	(79)
Net increase (decrease) in cash		13,039	(6,413)
Cash at the beginning of the year		2,901	9,314
Cash at the end of the year		15,940	2,901
Income taxes (received) paid in cash		(42,342)	63,373
Interest paid in cash		165,125	157,546

See accompanying notes to the consolidated financial statements.

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

	Share Capital (Note 18)	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2019	3,073,200	(18,022)	(1,327)	3,053,851
Common shares issued pursuant to dividend reinvestment plans	77,154	—	—	77,154
Issuance costs	(250)	—	—	(250)
Net earnings	—	62,030	—	62,030
Dividends declared to shareholders	—	(423,485)	—	(423,485)
Other comprehensive loss	—	—	(8,092)	(8,092)
Balance at December 31, 2020	3,150,104	(379,477)	(9,419)	2,761,208
Net earnings	—	324,206	—	324,206
Dividends declared to shareholders	—	(424,364)	—	(424,364)
Other comprehensive loss	—	—	(3,416)	(3,416)
Balance at December 31, 2021	3,150,104	(479,635)	(12,835)	2,657,634

See accompanying notes to the consolidated financial statements.

Keyera Corp.

Notes to the Consolidated Financial Statements

As at and for the years ended December 31, 2021 and 2020

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

1. GENERAL BUSINESS DESCRIPTION

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

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

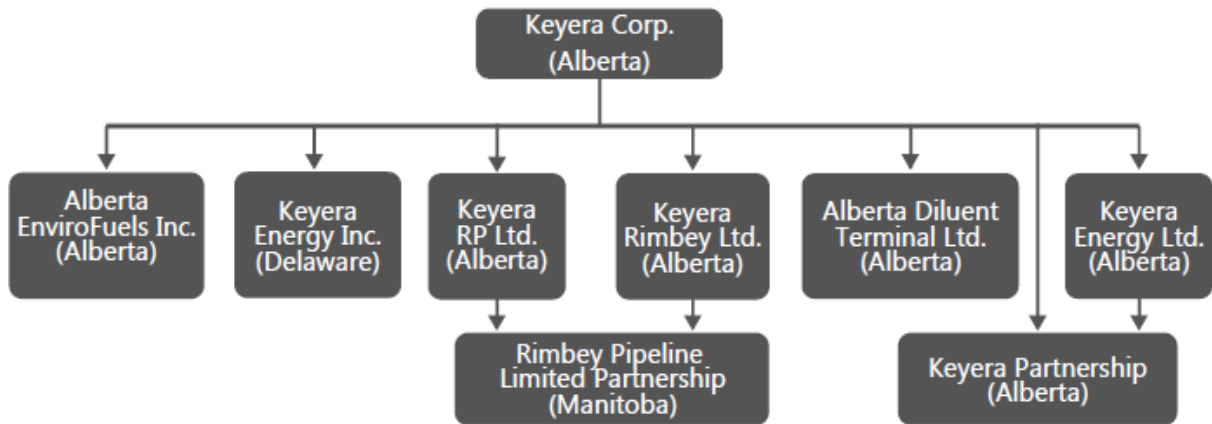
Pursuant to its Articles of Amalgamation, Keyera Corp. is authorized to issue an unlimited number of common shares (the “Shares”). The Shares trade on the Toronto Stock Exchange under the symbol “KEY”.

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

Interests in Subsidiaries

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

The following diagram sets out the name and jurisdiction of formation of the operating subsidiaries of Keyera Corp. as of December 31, 2021.



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

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

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

Interests in Material Jointly Controlled Operations

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

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

Notes:

- 1 During the second quarter of 2021, Keyera acquired the remaining 50% ownership interest in ACT (refer to note 9).
- 2 Operations were suspended in May 2020.
- 3 Operations were suspended in September 2021.
- 4 Operations were suspended in August 2020.

2. BASIS OF PREPARATION

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

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

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

The consolidated financial statements were authorized for issuance on February 15, 2022 by the board of directors.

Adoption of new accounting standards

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

3. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

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

Jointly controlled operations

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

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

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

Business combinations

Business combinations are accounted for using the acquisition method. Assets and liabilities acquired in a business combination and any contingent consideration are measured at their fair values as of the date of acquisition and subsequently remeasured at fair value with changes recorded through the consolidated statements of net earnings and comprehensive income each period until settled. In addition, acquisition related and restructuring costs are

recognized separately from the business combination and are expensed to the consolidated statements of net earnings and comprehensive income. Business combinations also applies to the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.

Currency

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

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

Foreign subsidiary translation

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

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

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

Revenue recognition

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

Keyera derives its revenue from its four operating segments:

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

Gathering and Processing segment

Keyera owns and operates raw gas gathering pipelines and processing plants, which collect and process raw natural gas, remove waste products and separate the economic components, primarily natural gas liquids, before the sales gas is injected into pipeline systems for transportation to end-use markets. The services performed in the G&P operating segment largely consist of gas handling services and other ancillary services such as NGL extraction, NGL handling and loading services, and condensate stabilization.

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

- **Fixed fee arrangements:** The fee is a fixed charge per unit transported or processed.
- **Flow-through operating cost arrangements:** The fees are generally comprised of a capital component and a flow-through operating component. The capital component is usually a function of the replacement cost of capital invested in the facility with a rate of return, in light of market conditions. The operating component is based on the customer's pro rata share of the operating costs for the facility calculated based on total throughput. Customers of each facility are charged a fee per unit based upon estimated operating costs and throughput, with an adjustment to actual costs and throughput completed after the end of the year.

Each quarter, throughput volumes and operating costs are reviewed to determine whether the estimated unit fee charged during the quarter properly reflects the actual volumes and costs, and the allocation of revenues and operating costs to other facility owners is also reviewed. Amounts collected in excess of the recoverable amounts under flow-through arrangements are recorded as a current liability. Recoverable amounts in excess of the amounts collected under flow-through arrangements are recorded as a current receivable.

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

- (a) Firm service contracts:* Firm service contracts generally have the highest priority of service in the event of apportionment. Keyera's obligation is to process and handle volumes nominated under firm service contracts above other service contracts. These contracts frequently contain a take-or-pay provision and/or dedication of reserves whereby a producer agrees to deliver all gas produced from specified reserves to a facility.
- (b) Interruptible-service contracts:* Under interruptible-service contracts, services are provided to the customer only if the facility has capacity after all firm-service contracts, or other contracts with higher priority, have been satisfied. Enforceable rights and obligations are present when Keyera has capacity to process these lower priority volumes. Revenue from interruptible-service contracts is recognized when services are performed.

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

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

Liquids Infrastructure segment

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

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

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

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

Keyera also engages in liquids blending, where it operates facilities at various locations, allowing it to transport, process and blend various product streams. Margins are earned by blending products of lower value into products of higher value. As a result, these products are exposed to variability in price and quality differential between various product streams.

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

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

- (a) *Firm capacity reservation contracts*: Firm capacity reservation contracts generally have the highest priority of service in the event of capacity constraints. Keyera's obligation is to process and handle volumes nominated under firm capacity reservation contracts above other service contracts.
- (b) *Interruptible-service contracts*: Under interruptible-service contracts, services are provided to the customer only if the facility has capacity after all firm-service contracts, or other contracts with higher priority, have been satisfied. Under interruptible-service arrangements, enforceable rights and obligations are present once the customer nominates the volumes to be processed and Keyera has the capacity to process the nominated volumes. Revenue from interruptible-service contracts is recognized when services are performed.

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

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

Take-or-pay arrangements

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

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

Non-cash consideration

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

Marketing segment

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

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

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

Share-based compensation

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

Cash

Cash is comprised of cash on hand at year end.

Trade and other receivables

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

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

Inventory

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

Property, plant and equipment

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

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

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

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

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

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

Borrowing costs

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

Impairment of property, plant and equipment

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

The recoverable amount is the greater of:

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

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

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

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

Goodwill

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

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

Impairment of goodwill

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

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

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

Financial assets and financial liabilities

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

Financial assets

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

a) Financial assets measured at amortized cost

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

b) Financial assets measured at fair value

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

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

Impairment of financial assets

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

Financial liabilities

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

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

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

b) Financial liabilities measured at amortized cost

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

Derivatives and embedded derivatives

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

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

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

the consolidated statements of net earnings and comprehensive income is consistent with the underlying nature and purpose of the derivative instruments (see note 22).

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

Provisions

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

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

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

Decommissioning Liability

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

Taxation

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

a) Current tax

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

b) Deferred tax

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

Deferred tax liabilities:

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

Deferred tax assets:

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

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

Leases*Lease identification and initial measurement*

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

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

The right-of-use asset is initially measured at cost, which includes: (i) the amount of the initial measurement of the lease liability, (ii) any lease payments made at or before the lease commencement date, less any lease incentives received, (iii) any initial direct costs incurred, and (iv) an estimate of restoration costs.

Subsequent measurement – lease liabilities

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

Subsequent measurement – right-of-use assets

If the lease term reflects that Keyera will exercise a purchase option, the right-of-use asset is depreciated from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the earlier of the end of the useful life of the underlying asset or to the end of the lease term.

Impairment – right-of-use assets

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

Finance costs

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

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

Earnings per share

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

Accumulated deficit

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

Reclassification

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Allowance for expected credit losses

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

Depreciation of property, plant and equipment and amortization of intangible assets

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

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

Fair value estimates of property, plant and equipment

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

Impairment of property, plant and equipment

In determining the recoverable amount of assets, in the absence of quoted market prices, estimates are made regarding the present value of future cash flows. Future cash flow estimates are based on a number of factors, including future production profiles and reserves for surrounding wells, commodity prices and costs. Estimates are also made in determining the discount rate used to calculate the present value of future cash flows.

Impairment of goodwill

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

Derivative financial instruments

Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments is based on observable market data, including commodity price curves, foreign currency curves and credit spreads.

Long-term incentive plan liability

The LTIP is accounted for using the liability method and is measured at fair value. Determining the fair value requires management to estimate Keyera's financial performance over a three-year period to determine the appropriate payout multiplier associated with the Performance Awards. The payout multiplier is based 70% on the average annual pre-tax distributable cash flow per share over the performance period of three years and 30% on the relative total shareholder return in a defined peer group over the performance period of three years. The payout multiplier determines the number of shares expected to be settled following the third anniversary of the grant date of the Performance Awards.

Decommissioning liabilities

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

Deferred tax assets and liabilities

Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is used when assessing the extent to which deferred tax assets should be recognized with consideration given to the timing and level of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period.

Leases

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

a) Determination of lease term

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

b) Estimation uncertainty arising from variable lease payments

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

Revenue recognition

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

Operating revenues and operating expenses

a) *Gathering and Processing and Liquids Infrastructure*

Each month, actual volumes processed and fees earned from the Gathering and Processing and Liquids Infrastructure assets are not known until the following month. In addition, the period in which invoices are rendered for the supply of goods and services necessary for the operation of the Gathering and Processing and Liquids Infrastructure assets is generally later than the period in which the goods or services were provided. Estimates of one month's revenue and one month's operating costs are recorded in the consolidated financial statements based upon a review of historical trends that is adjusted for events that are known to have a significant effect on the month's operations.

b) *Marketing*

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

Equalization adjustments

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

Uncertainty related to the COVID-19 pandemic

The emergence and rapid transmission of a novel strain of the coronavirus ("COVID-19") has significantly affected the global economy, disrupting business operations and economic activity worldwide, and has adversely impacted the global demand for crude oil. This ongoing pandemic, along with the recommendations from applicable government agencies and public health authorities to help limit the spread of the virus and the subsequent economic recovery, have contributed to volatility in market conditions. As a result, these fluctuations introduce additional uncertainties, risks and complexities in management's determination of the estimates and assumptions used to prepare Keyera's financial results.

Examples of key estimates used to prepare the consolidated financial statements that are impacted by this volatility include fair value measurements, the determination of triggering events for the impairment of non-financial assets, the measurement of recoverable amounts related to non-financial asset impairment testing, the measurement of the decommissioning liability, the assessment of expected credit losses, and the determination of the amounts to be recognized for deferred tax assets and liabilities. While Keyera monitors recommendations from applicable government agencies and public health authorities, the COVID-19 pandemic and volatility in financial markets is an evolving situation. Management has incorporated the

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

5. FUTURE ACCOUNTING PRONOUNCEMENTS

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

6. TRADE AND OTHER RECEIVABLES

As at December 31, (Thousands of Canadian dollars)	2021	2020
Trade and other receivables	754,661	451,964
Allowance for expected credit losses:		
Beginning of the year	(4,241)	(1,741)
Impairment losses – trade receivables	—	(2,500)
End of the year	(4,241)	(4,241)
Total trade and other receivables	750,420	447,723

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

Aging of receivables that are not impaired

As at December 31, (Thousands of Canadian dollars)	2021	2020
Neither past due or impaired	720,599	447,723
Past due 31 to 60 days	17,250	—
Past due over 60 days	12,571	—
Total trade and other receivables	750,420	447,723

7. INVENTORY

The total carrying amount and classification of inventory was:

As at December 31, (Thousands of Canadian dollars)	2021	2020
NGLs and iso-octane	272,836	153,915
Other	7,900	8,908
Total inventory	280,736	162,823

For the year ended December 31, 2021, \$280,736 (2020 – \$162,823) of inventory was carried at cost and \$nil (2020 – \$nil) was carried at net realizable value. During the year, no write-downs of inventory were required to adjust the carrying amount of inventory to net realizable value (2020 – \$13,507). The cost of inventory expensed for the year ended December 31, 2021 was \$3,296,550 (2020 – \$1,510,811).

8. OTHER ASSETS

As at December 31, (Thousands of Canadian dollars)	2021	2020
Prepaid deposits	8,766	2,916
Other	14,510	9,862
Total other assets	23,276	12,778

9. PROPERTY, PLANT, AND EQUIPMENT

Cost (Thousands of Canadian dollars)	General plant & processing equipment	Other properties & equipment	Turnarounds	Land & linefill	Total
Balance at December 31, 2019	7,636,329	271,432	320,482	185,337	8,413,580
Additions	571,720	19,979	1,184	1,281	594,164
Decommissioning asset	52,842	—	—	—	52,842
Foreign currency translation	(4,684)	(192)	—	(255)	(5,131)
Balance at December 31, 2020	8,256,207	291,219	321,666	186,363	9,055,455
Additions	476,698	20,227	19,708	—	516,633
Disposals	(15,273)	(78,701)	(52)	—	(94,026)
Decommissioning asset	(12,168)	—	—	—	(12,168)
Foreign currency translation	(2,187)	(4)	—	(119)	(2,310)
Balance at December 31, 2021	8,703,277	232,741	341,322	186,244	9,463,584

Accumulated depreciation, depletion and impairment (Thousands of Canadian dollars)	General plant & processing equipment	Other properties & equipment	Turnarounds	Land & linefill	Total
Balance at December 31, 2019	(1,587,339)	(196,649)	(261,469)	(2,291)	(2,047,748)
Impairment expense	(371,305)	—	—	—	(371,305)
Depreciation and depletion expenses	(197,477)	(14,792)	(20,548)	—	(232,817)
Foreign currency translation	(2,404)	4	—	—	(2,400)
Balance at December 31, 2020	(2,158,525)	(211,437)	(282,017)	(2,291)	(2,654,270)
Impairment expense	(100,824)	—	—	—	(100,824)
Depreciation and depletion expenses	(175,838)	(16,259)	(14,553)	—	(206,650)
Disposals and other	(2,141)	82,174	67	—	80,100
Foreign currency translation	317	19	—	—	336
Balance at December 31, 2021	(2,437,011)	(145,503)	(296,503)	(2,291)	(2,881,308)

Carrying value (Thousands of Canadian dollars)	General plant & processing equipment	Other properties & equipment	Turnarounds	Land & linefill	Total
Balance at December 31, 2019	6,048,990	74,783	59,013	183,046	6,365,832
Balance at December 31, 2020	6,097,682	79,782	39,649	184,072	6,401,185
Balance at December 31, 2021	6,266,266	87,238	44,819	183,953	6,582,276

Property, plant and equipment under construction included in carrying value (Thousands of Canadian dollars)	Cost
As at December 31, 2020	426,619
As at December 31, 2021	518,076

Acquisition and disposal of property, plant and equipment

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

In addition, a gain of \$1,639 was recorded during the year related to the disposition of Keyera’s ownership interest in the Cynthia production wells.

2021 Impairment expense

For the year ended December 31, 2021, Keyera identified through its impairment review that certain assets had carrying values that were greater than their recoverable amounts. The recoverable amount for each asset was calculated based on value in use which represents the estimated net present value of the cash flows expected to be derived from the asset, or fair value less costs of disposal (“FVLCD”).

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

(Thousands of Canadian dollars, except rate information)	Period impairment was recorded	Determination of recoverable amount	Applicable discount rate	Impairment expense recognized
Liquids Infrastructure – Canada CGU¹				
Alberta Crude Terminal	Q2 2021	FVLCD	—	9,494
United States CGU¹				
Hull terminal	Q3 2021	FVLCD	—	8,187
Rimbey Area CGU²				
Rimbey gas plant	Q4 2021	Value in use	11.3%	83,143
Total impairment expense				100,824

Notes:

1 Included in the Liquids Infrastructure operating segment.

2 Included in the Gathering and Processing operating segment.

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

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

2020 Impairment expense

The following impairment expenses with a combined value of \$371,305 were recognized during the year ended December 31, 2020 in relation to property, plant and equipment:

<i>(Thousands of Canadian dollars, except rate information)</i>	Period impairment was recorded	Determination of recoverable amount	Applicable discount rate	Impairment expense recognized
Central Foothills CGU				
Ricinus gas plant ¹	Q1 2020	Value in use	13.0%	73,222
West Pembina gas plant ¹	Q1 2020	Value in use	13.0%	52,634
Nordegg River gas plant ¹	Q1 2020	Value in use	13.0%	42,167
Alder Flats gas plant ¹	Q4 2020	Value in use	11.9%	103,342
Drayton Valley North CGU				
Brazeau North and Pembina North gathering and processing complex ¹	Q1 2020	Value in use	13.0%	25,978
Northern Area CGU				
Edson gas plant ¹	Q4 2020	Value in use	11.9%	14,220
Gregg-Lake Obed pipeline system ¹	Q4 2020	Value in use	11.9%	5,892
United States CGU				
Hull terminal ²	Q3 2020	FVLCOD	—	53,850
Total impairment expense				371,305

Notes:

1 Included in the Gathering and Processing operating segment.

2 Included in the Liquids Infrastructure operating segment.

Asset underutilization and Keyera's gathering and processing optimization strategy were the primary factors that contributed to the impairment expenses recorded during 2020. For the Central Foothills CGU, this was a result of the planned suspension of the Ricinus, West Pembina and Nordegg River gas plants.

10. RIGHT-OF-USE ASSETS

Cost (Thousands of Canadian dollars)	Rail Cars	Pipeline Transportation	Real Estate	Prepaid Lease Asset	Other	Total
Balance at December 31, 2019	233,275	44,669	17,255	—	2,115	297,314
Additions and adjustments	5,635	—	713	66,166	—	72,514
Balance at December 31, 2020	238,910	44,669	17,968	66,166	2,115	369,828
Additions and adjustments	9,254	—	—	(3,194)	—	6,060
Balance at December 31, 2021	248,164	44,669	17,968	62,972	2,115	375,888

Accumulated depreciation (Thousands of Canadian dollars)	Rail Cars	Pipeline Transportation	Real Estate	Prepaid Lease Asset	Other	Total
Balance at December 31, 2019	(52,602)	(1,787)	(1,287)	—	(186)	(55,862)
Additions and adjustments	(45,661)	(1,787)	(1,824)	(221)	(195)	(49,688)
Balance at December 31, 2020	(98,263)	(3,574)	(3,111)	(221)	(381)	(105,550)
Additions and adjustments	(37,237)	(1,787)	(1,839)	(2,524)	(194)	(43,581)
Balance at December 31, 2021	(135,500)	(5,361)	(4,950)	(2,745)	(575)	(149,131)

Carrying Value (Thousands of Canadian dollars)	Rail Cars	Pipeline Transportation	Real Estate	Prepaid Lease Asset	Other	Total
Balance at December 31, 2019	180,673	42,882	15,968	—	1,929	241,452
Balance at December 31, 2020	140,647	41,095	14,857	65,945	1,734	264,278
Balance at December 31, 2021	112,664	39,308	13,018	60,227	1,540	226,757

In December 2020, Keyera entered into a long-term arrangement, which provides Keyera with the exclusive use of a butane-on-demand distribution system at Kinder Morgan's Galena Park Products Terminal in Texas over a 25-year period. The associated facilities were constructed by Kinder Morgan and reimbursed by Keyera at a cost of \$66,166 (US\$51,383) upon the commencement of initial operations. Since the consideration associated with this investment was paid in advance, a prepaid lease asset has been recorded without the recognition of a corresponding lease liability.

11. GOODWILL

As at December 31, (Thousands of Canadian dollars)	2021	2020
Goodwill – beginning of the year	55,761	55,761
Impairment of goodwill	(14,947)	—
Goodwill – end of the year	40,814	55,761

Allocation of goodwill to cash-generating units

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

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

As at December 31, (Thousands of Canadian dollars)	2021	2020
Liquids Infrastructure Canada CGU – Liquids Infrastructure facilities	32,015	32,015
Rimbey Area CGU – Rimbey gas plant	—	14,947
Simonette CGU – Simonette gas plant	8,799	8,799
Total goodwill	40,814	55,761

Impairment test of goodwill

Keyera performed its annual tests for goodwill impairment on December 31, 2021 and 2020 in accordance with its policy described in note 3. It was determined that the Rimbey Area CGU was impaired at December 31, 2021 as a result of the underutilization of the Rimbey gas plant. A goodwill impairment expense of \$14,947 was recorded, which was equal to the total amount of goodwill allocated to this CGU. The remainder of the impairment expense (\$83,143) was recorded against property, plant and equipment to reduce the carrying value of the Rimbey gas plant. Refer to note 9 for additional details.

The recoverable amount for these CGUs was determined based on a value in use calculation. At December 31, 2021, the discount rate used was 11.3% for the Liquids Infrastructure facilities and Rimbey gas plant, and 12.1% for the Simonette gas plant (December 31, 2020 – 11.2% and 11.9%, respectively).

12. TRADE AND OTHER PAYABLES, AND PROVISIONS

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

As at December 31, (Thousands of Canadian dollars)	2021	2020
Trade and accrued payables	650,392	347,894
Other payables	22,258	15,813
Current portion of long-term incentive plan	7,698	5,915
Current income taxes payable	30,422	—
Total trade and other payables, and provisions	710,770	369,622

13. LONG-TERM DEBT

Carrying value

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

Fair value

The fair value of long-term debt is based on third party estimates for similar issues or current rates offered to Keyera for debt of the same maturity. The fair value of Keyera's senior unsecured notes at December 31, 2021 and 2020, as noted below, was determined by reference to valuation inputs under Level 2 of the fair value hierarchy as referenced in note 22.

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

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

<i>(Thousands of Canadian dollars)</i>				
As at December 31, 2020	Effective Interest Rate	Notes	Carrying Value	Fair Value
Bank credit facilities	2.95%	(a)	280,000	280,000
Total credit facilities			280,000	280,000
Canadian dollar denominated debt				
Senior unsecured notes:				
6.14% due December 3, 2022	6.21%		60,000	63,500
3.50% due June 16, 2023	3.55%		30,000	30,300
4.91% due June 19, 2024	4.97%		17,000	18,000
4.92% due October 10, 2025	4.94%		100,000	106,200
5.05% due November 20, 2025	5.14%		20,000	21,400
4.15% due June 16, 2026	4.19%		30,000	30,900
3.96% due October 13, 2026	4.01%		200,000	204,100
3.68% due September 20, 2027	3.72%		400,000	400,400
5.09% due October 10, 2028	5.10%		100,000	109,200
4.11% due October 13, 2028	4.16%		100,000	102,600
5.34% due April 8, 2029	5.38%		75,000	83,200
			1,132,000	1,169,800
Senior unsecured medium-term notes:				
3.93% due June 21, 2028	4.00%		400,000	443,200
3.96% due May 29, 2030	4.02%		400,000	440,000
Subordinated hybrid notes:				
6.88% due June 13, 2079	6.89%		600,000	646,300
			2,532,000	2,699,300
U.S. dollar denominated debt				
Senior unsecured notes:				
4.19% due June 19, 2024 (US\$128,000)	4.24%		163,264	170,100
4.75% due November 20, 2025 (US\$140,000)	4.81%		178,570	191,300
4.95% due November 20, 2028 (US\$65,000)	4.99%		82,908	90,400
			424,742	451,800
Less: Issuance costs			(16,041)	—
Less: Current portion of long-term debt			—	—
Total long-term debt			2,940,701	3,151,100

(a) On December 6, 2021, the Partnership amended its unsecured revolving credit facility ("Credit Facility") with a syndicate of seven financial institutions under which it can borrow up to \$1,500,000, with the potential to increase this limit to \$2,000,000 subject to certain conditions. The Credit Facility has a five-year revolving term and the maturity date is December 6, 2026.

Financing costs of \$1,583 were incurred upon the renewal and extension of the Credit Facility and have been deferred and are amortized using the effective interest method over the remaining term of the Credit Facility.

In addition, the Toronto Dominion Bank has provided a \$25,000 unsecured revolving demand facility and the Royal Bank of Canada has provided a further unsecured revolving demand facility that is equal to the amount of outstanding letters of credit, up to \$50,000. These unsecured revolving credit facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, LIBOR loans, or bankers'

acceptances. As at December 31, 2021, outstanding letters of credit issued were \$6,025 (2020 – \$6,904).

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

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

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

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

14. DECOMMISSIONING LIABILITY

Keyera estimates the future costs of decommissioning for its gathering and processing, fractionation, iso-octane and storage facilities, pipelines and terminals on a discounted basis upon acquisition or installation of these assets. The total undiscounted amount of cash flows required to settle the decommissioning liability is \$1,087,540 (2020 – \$1,062,815) which has been discounted using a credit-adjusted risk-free rate of 4.5% (2020 – 4.2%). The majority of these costs are expected to be incurred over the next 25 to 55 years. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding the amount and timing of these costs. No assets have been legally restricted for settlement of the liability.

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

As at December 31, <i>(Thousands of Canadian dollars)</i>	2021	2020
Decommissioning liability – beginning of the year	298,178	249,753
Liabilities acquired	522	—
Liabilities disposed	(16,507)	—
Liabilities settled	(13,192)	(15,617)
Change in estimated cash flows and additions	24,819	19,912
Change in discount rate	(20,859)	6,757
Change in estimated timing of settlement	(16,464)	26,109
Unwinding of discount included in finance costs	12,262	11,203
Foreign currency translation	(271)	61
Decommissioning liability – end of the year	268,488	298,178

As at December 31, <i>(Thousands of Canadian dollars)</i>	2021	2020
Current portion of decommissioning liability	18,900	15,520
Long-term portion of decommissioning liability	249,588	282,658
Decommissioning liability – end of the year	268,488	298,178

15. LEASE LIABILITIES

As at December 31, <i>(Thousands of Canadian dollars)</i>	2021	2020
Lease liabilities – beginning of the year	211,924	248,457
Additions	9,254	6,349
Interest on leases	7,996	9,938
Lease payments	(44,645)	(49,416)
Foreign exchange re-measurement and other	(1,239)	(3,404)
Lease liabilities – end of the year	183,290	211,924

As at December 31, <i>(Thousands of Canadian dollars)</i>	2021	2020
Current portion of lease liabilities	31,545	36,082
Long-term portion of lease liabilities	151,745	175,842
Lease liabilities – end of the year	183,290	211,924

Keyera's most significant lease payments are incurred for rail car, pipeline transportation and real estate arrangements. The longest initial lease term for Keyera's lease contracts is 15 years. For certain lease arrangements, Keyera has the option to extend the lease for additional terms, up to 5 years each. As at December 31, 2021, the incremental borrowing rates used to measure lease liabilities was 3.9% for Canadian dollar denominated leases, and between 2.9% and 4.5%

for U.S. dollar denominated leases (2020 – 3.9% for Canadian dollar denominated leases and 4.2% or 4.5% for U.S. dollar denominated leases).

<i>(Thousands of Canadian dollars)</i>	2021	2020
Variable lease payments ¹	3,167	1,939
Short-term and low-value leases	3,017	2,439
Total lease payments expensed for the period	6,184	4,378

Note:

¹ The variable lease payments recognized have been reduced for lease incentives received. Total variable lease payments prior to the inclusion of the lease incentives was \$3,167 for the year ended December 31, 2021 (2020 – \$2,860).

The variable lease payments primarily relate to operating expenses and property taxes for real estate contracts and ancillary costs associated with the rail car leases. Short-term leases include certain contracts which have a lease term that is 12 months or less. Low-value lease arrangements include certain contracts whereby the value of the underlying asset is of low-value, and are therefore insignificant to Keyera.

16. OTHER LIABILITIES

<i>As at December 31, (Thousands of Canadian dollars)</i>	2021	2020
Long-term incentive plan	16,807	6,951
Other liabilities	1,788	3,733
Total other liabilities	18,595	10,684

17. INCOME TAXES

The components of the income tax expense were:

<i>As at December 31, (Thousands of Canadian dollars)</i>	2021	2020
Current income taxes:		
Current income tax charge	30,572	(43,326)
Adjustments with respect to current income tax of previous year	1,454	(1,578)
Current income tax expense (recovery)	32,026	(44,904)
Deferred income taxes:		
Related to the origination and reversal of temporary differences	71,754	54,251
Adjustments to the opening deferred tax balances	(1,725)	1,774
Deferred income tax expense	70,029	56,025
Total income tax expense	102,055	11,121

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

<i>(Thousands of Canadian dollars)</i>	2021	2020
Earnings before income tax	426,261	73,151
Income tax at statutory rate of 23.00% (2020 – 23.99%)	98,040	17,549
Goodwill impairment	3,438	—
Valuation allowances	250	189
Permanent differences	379	(1,147)
Effect of reduction in tax rate	—	(1,164)
Tax rate differences and adjustments	(56)	(4,864)
Adjustments to tax pool balances	4	145
Other	—	413
Total income tax expense	102,055	11,121

Deferred tax balances

<i>(Thousands of Canadian dollars)</i>	2021	2020
Deferred tax assets	30,193	29,560
Deferred tax liabilities	(683,398)	(612,467)
Net deferred tax liabilities	(653,205)	(582,907)

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

<i>(Thousands of Canadian dollars)</i>	Consolidated Statements of Financial Position as at December 31,		Consolidated Statements of Net Earnings for the years ended December 31,	
	2021	2020	2021	2020
Property, plant and equipment	(792,709)	(728,448)	64,243	56,694
Intangible assets	(721)	(238)	485	989
Lease liabilities	42,219	48,839	6,580	9,437
Non-capital losses	17,844	16,255	(1,737)	(2,955)
Decommissioning liability	61,838	68,699	6,826	(11,210)
Other	18,324	11,986	(6,368)	3,070
Net deferred tax liabilities	(653,205)	(582,907)		
Deferred income tax expense			70,029	56,025

Reconciliation of net deferred tax liabilities

<i>(Thousands of Canadian dollars)</i>	2021	2020
Net deferred tax liabilities – beginning of the year	(582,907)	(525,963)
Income tax expense recognized in net earnings	(70,029)	(56,025)
Revaluation of foreign net deferred tax liabilities	(269)	(919)
Net deferred tax liabilities – end of the year	(653,205)	(582,907)

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

As at December 31, 2021, Keyera and its subsidiaries have non-capital losses carried forward of \$74,357 (2020 – \$67,536) which are available to offset income of specific entities of the consolidated group in future periods. The amount of unrecognized net capital losses and other assets as at December 31, 2021 was \$5,585 (2020 – \$7,909).

18. SHARE CAPITAL

	Number of Common Shares	(Thousands of Canadian dollars)
		Share Capital
Balance at December 31, 2019	217,915,793	3,073,200
Common shares issued pursuant to dividend reinvestment plans	3,107,080	77,154
Issuance costs	—	(250)
Balance at December 31, 2020	221,022,873	3,150,104
Balance at December 31, 2021	221,022,873	3,150,104

For the year ended December 31, 2021, dividends declared totaled \$424,364 or \$1.92 per common share (2020 – \$423,485 or \$1.92 per common share).

Dividend Reinvestment Plan

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.

19. EARNINGS PER SHARE

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

(Thousands of Canadian dollars, except per share amounts)	2021	2020
Earnings per share – basic and diluted	1.47	0.28
Net earnings – basic and diluted	324,206	62,030

(Thousands)	2021	2020
Weighted average number of shares – basic and diluted	221,023	220,442

20. ACCUMULATED DIVIDENDS TO SHAREHOLDERS

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

(Thousands of Canadian dollars)	
Balance at December 31, 2019	2,945,228
Dividends declared and paid	388,121
Dividends declared	35,364
Balance at December 31, 2020	3,368,713
Dividends declared and paid	389,000
Dividends declared	35,364
Balance at December 31, 2021	3,793,077

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

Keyera's dividend policy is to provide shareholders with relatively stable and predictable monthly dividends, while retaining a portion of cash flow to fund ongoing growth projects. The amount of dividends to be paid on the common shares, if any, is subject to the discretion of

the board of directors and may vary depending on a variety of factors. In determining the level of dividends to be declared each month, the board of directors takes into consideration such factors as current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors.

21. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-Term Incentive Plan

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

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

Performance Awards

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

For Performance Award grants that were made prior to 2021, the payout multiplier was based 70% on the average annual pre-tax distributable cash flow per share over the performance period of three years and 30% on the relative total shareholder return in a defined peer group over the performance period of three years.

For the 2021 Performance Award grant, the payout multiplier was based 50% on the average annual pre-tax distributable cash flow per share over the performance period of three years and 50% on the relative total shareholder return in a defined peer group over the performance period of three years.

Time Vested Awards ("Restricted Awards")

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

The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The fair value of the liability is measured by applying a fair value pricing model whereby one of the valuation inputs was the December 31, 2021 share price of Keyera, which was \$28.53 per share (December 31, 2020 – \$22.62 per share).

The compensation cost recorded for the LTIP was:

<i>(Thousands of Canadian dollars)</i>	2021	2020
Performance Awards	22,509	(2,665)
Restricted Awards	4,520	1,543
Total long-term incentive plan expense (recovery)	27,029	(1,122)

The table below shows the number of share awards granted:

Share Award Series	Share awards granted as at	
	December 31, 2021	December 31, 2020
Issued July 1, 2018 – Performance Awards	—	341,477
Issued July 1, 2019 – Performance Awards	468,227	483,536
Issued July 1, 2020 – Performance Awards	820,288	833,981
Issued July 1, 2021 – Performance Awards	467,505	—
Issued July 1, 2018 – Restricted Awards	—	25,134
Issued July 1, 2019 – Restricted Awards	26,548	57,008
Issued July 1, 2020 – Restricted Awards	93,147	146,708
Issued July 1, 2021 – Restricted Awards	173,885	—

Employee Stock Purchase Plan

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

Defined Contribution Pension Plan

For the year ended December 31, 2021, Keyera made pension contributions of \$9,650 (2020 – \$10,151) on behalf of its employees. The contributions were recorded in general and administrative expenses.

Deferred Share Unit Plan

Effective January 1, 2016, Keyera implemented a deferred share unit (“DSU”) plan, for non-employee directors. Each DSU vests on the date the grant is awarded but cannot be redeemed until a director ceases to be a member of the board of directors. The grant value is determined based on a 20 day weighted average trading share price. DSUs are settled in cash (on an after-tax basis) based on the 20 day weighted average Keyera share price up to the date of termination. For the year ended December 31, 2021, Keyera recorded \$2,211 (2020 – \$377) in general and administrative expenses related to the DSU plan.

The following table reconciles the number of DSUs outstanding:

	2021	2020
DSUs outstanding – beginning of the year	155,602	97,573
Granted	51,728	58,029
DSUs outstanding – end of the year	207,330	155,602

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

Financial Instruments

Fair value

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

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

The fair value hierarchy has the following levels:

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

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

Financial instruments with fair value equal to carrying value

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

Fair value of senior fixed rate debt

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

Fair value of derivative instruments

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

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

Notes:

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

<i>(Thousands of Canadian dollars)</i>						
As at December 31, 2020	Notional Volume ¹	Weighted Average Price	Fair Value Hierarchy Level	Net Fair Value	<u>Carrying Value</u> Asset 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.

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

<i>(Thousands of Canadian dollars)</i>	2021	2020
Risk management contracts:		
Marketing	(8,806)	(17,381)
Liquids infrastructure	184	477
Gathering and processing	388	—
Corporate and other	—	280
Change in fair value of the cross-currency swaps on U.S. debt ¹	(5,267)	(30,379)
Total unrealized loss	(13,501)	(47,003)

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 23 for a summary of the foreign currency gains (losses) associated with the U.S. dollar denominated long-term debt.

Interest rate risk

The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. As at December 31, 2021, fixed rate borrowings comprised 93% 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 December 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 December 31, 2021, the total allowance was \$4,241 (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.

The following table shows the contractual maturities for financial liabilities of Keyera as at December 31, 2021:

<i>(Thousands of Canadian dollars)</i>	Total	2022	2023	2024	2025	2026	After 2026
Trade and other payables	710,770	710,770	—	—	—	—	—
Derivative financial instruments	58,282	56,380	1,902	—	—	—	—
Dividends payable	35,364	35,364	—	—	—	—	—
Credit facility	230,000	—	—	—	—	230,000	—
Long-term debt ¹	3,303,445	60,000	30,000	178,997	297,184	230,000	2,507,264
Lease liabilities ²	226,989	38,388	26,610	23,504	20,717	18,994	98,776
Other liabilities	18,595	—	17,063	1,532	—	—	—
	4,583,445	900,902	75,575	204,033	317,901	478,994	2,606,040

Notes:

1 Amounts represent principal only and exclude accrued interest.

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

Risk Management Sensitivities

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

	Impact on income before tax December 31, 2021		Impact on income before tax December 30, 2020	
	Increase	(Decrease)	Increase	(Decrease)
<i>(Thousands of Canadian dollars)</i>				
Commodity price changes				
+ 10% in electricity price	797	—	679	—
- 10% in electricity price	—	(797)	—	(679)
+ 10% in NGL, crude oil and iso-octane prices	—	(44,498)	—	(30,513)
- 10% in NGL, crude oil and iso-octane prices	44,498	—	30,513	—
Foreign currency rate changes				
+ \$0.01 in U.S./Canadian dollar exchange rate	—	(1,061)	—	(2,273)
- \$0.01 in U.S./Canadian dollar exchange rate	1,061	—	2,273	—
Interest rate changes				
+ 1% in interest rate	—	(2,300)	—	(2,800)
- 1% in interest rate	2,300	—	2,800	—

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

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

<i>(Thousands of Canadian dollars)</i>	2021	2020
Foreign currency gain (loss) resulting from:		
Translation of long-term debt and interest payable	3,456	4,676
Change in fair value of the cross-currency swaps – principal and interest	(5,267)	(30,379)
Gain from cross-currency swaps – principal and interest ¹	1,238	31,771
Foreign exchange re-measurement of lease liabilities and other	1,141	3,353
Total net foreign currency gain on U.S. debt and other	568	9,421

Note:

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

24. CAPITAL MANAGEMENT

Keyera's objectives when managing capital are:

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

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

For the year ended December 31, 2021, Keyera's capital management strategy was unchanged from the prior year. Keyera monitors its capital structure primarily based on its consolidated net debt to consolidated earnings before interest, taxes, depreciation, amortization, accretion, unrealized gains and losses, impairment expenses and any other non-cash items ("adjusted EBITDA") ratio. The definition of adjusted EBITDA for capital management purposes is similar, but not identical to the adjusted EBITDA financial measure used in the calculation of Keyera's financial covenants on its credit facilities and private long-term debt agreements. This ratio is calculated as consolidated net debt divided by a twelve-month trailing adjusted EBITDA, which are non-GAAP measures. For purposes of this financial covenant, Keyera has the ability to increase its Net Debt to EBITDA ratio from 4.0 to 4.5 for periods of up to four consecutive fiscal quarters. In addition, Keyera can utilize the cross-currency swap rates in the calculation of debt rather than the spot rate as at each statement of financial position date.

Keyera is also subject to the following financial covenants: (i) adjusted EBITDA to consolidated interest charges, and (ii) priority debt to consolidated total assets. The calculation for each of these financial covenants is based on specific definitions and is not in accordance with GAAP, and cannot be directly derived from the consolidated financial statements. Keyera was in compliance with all financial covenants as at December 31, 2021.

25. GENERAL AND ADMINISTRATIVE EXPENSES

The components of general and administrative expenses were:

<i>(Thousands of Canadian dollars)</i>	2021	2020
Salaries and benefits	63,074	62,840
Severance	3,881	22,740
Professional fees and consulting	15,558	14,297
Other	22,670	20,752
Overhead recoveries on operated facilities	(24,486)	(22,834)
Total general and administrative expenses	80,697	97,795

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

26. FINANCE COSTS

The components of finance costs were:

<i>(Thousands of Canadian dollars)</i>	2021	2020
Interest on bank indebtedness and credit facilities	6,479	6,495
Interest on long-term debt	157,417	140,333
Interest capitalized	(17,187)	(38,969)
Interest on leases	7,996	9,938
Other interest expense (income)	16	(107)
Total interest expense on leases, and current and long-term debt	154,721	117,690
Unwinding of discount on decommissioning liabilities	12,262	11,203
Unwinding of discount on long-term debt	1,926	2,032
Other	400	582
Non-cash expenses in finance costs	14,588	13,817
Total finance costs	169,309	131,507

For the year ended December 31, 2021, \$17,187 of borrowing (interest) costs were capitalized (2020 – \$38,969) at a weighted average capitalization rate of 5.0% on funds borrowed (2020 – 5.0%).

27. DEPRECIATION, DEPLETION AND AMORTIZATION

The components of depreciation, depletion and amortization expense were:

<i>(Thousands of Canadian dollars)</i>	2021	2020
Depreciation and depletion on property, plant and equipment	206,650	232,817
Depreciation on right-of-use assets	43,581	49,688
Amortization of intangible assets	7,407	7,911
Total depreciation, depletion and amortization expenses	257,638	290,416

28. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel was:

<i>(Thousands of Canadian dollars)</i>	2021	2020
Salaries and other short-term benefits	11,464	9,076
Post-employment benefits	400	365
Termination benefits	18	4,626
Share-based payments	4,337	5,364
Total related party transactions	16,219	19,431

29. SUPPLEMENTAL CASH FLOW INFORMATION

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

<i>(Thousands of Canadian dollars)</i>	2021	2020
Inventory	(117,427)	(82,413)
Trade and other receivables	(302,670)	68,531
Other assets	(10,527)	(2,131)
Trade and other payables, and provisions	248,591	(106,250)
Changes in non-cash working capital from operating activities	(182,033)	(122,263)

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

<i>(Thousands of Canadian dollars)</i>	2021	2020
Trade and other payables, and provisions	98,124	(87,977)
Changes in non-cash working capital from investing activities	98,124	(87,977)

Reconciliation of liabilities arising from financing activities

<i>(Thousands of Canadian dollars)</i>	Credit Facilities	Current and Long-term Debt	Derivative Financial Assets Related to U.S. Long- term Borrowings	Current and Long-term Lease Liabilities
At as December 31, 2019	90,000	2,684,008	124,009	248,457
<i>Cash changes:</i>				
Inflows from borrowings	560,000	400,000	—	—
Outflows related to repayments	(370,000)	(137,893)	—	(49,416)
Outflows related to financing costs	—	(2,807)	—	9,938
<i>Non-cash and other changes:</i>				
Lease additions	—	—	—	6,349
Fair value changes	—	—	(30,379)	—
Unrealized foreign exchange and other	—	(4,639)	—	(3,404)
Unwinding of discount on long-term debt	—	2,032	—	—
As at December 31, 2020	280,000	2,940,701	93,630	211,924
<i>Cash changes:</i>				
Inflows from borrowings	620,000	350,000	—	—
Outflows related to repayments	(670,000)	—	—	(44,645)
Outflows related to financing costs	—	(4,845)	—	7,996
<i>Non-cash and other changes:</i>				
Lease additions	—	—	—	9,254
Fair value changes	—	—	(5,267)	—
Unrealized foreign exchange and other	—	(3,297)	—	(1,239)
Unwinding of discount on long-term debt	—	1,926	—	—
As at December 31, 2021	230,000	3,284,485	88,363	183,290

30. 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, the Oklahoma Liquids Terminal and a 90% interest in the Wildhorse Terminal.

Marketing

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

Corporate and Other

The Corporate and Other segment includes corporate functions and the production of natural gas, NGLs and crude oil. During the first quarter of 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 the date of disposition. 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.

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

Year ended December 31, 2020 (Thousands of Canadian dollars)	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	501,942	567,788	2,276,679	10,703	(344,602)	3,012,510
Segmented expenses	(241,691)	(168,164)	(1,999,443)	(7,276)	344,602	(2,071,972)
Operating margin	260,251	399,624	277,236	3,427	—	940,538
General and administrative expenses	—	—	—	(97,795)	—	(97,795)
Finance costs	—	—	—	(131,507)	—	(131,507)
Depreciation, depletion and amortization expenses	—	—	—	(290,416)	—	(290,416)
Net foreign currency gain on U.S. debt and other	—	—	—	9,421	—	9,421
Long-term incentive plan recovery	—	—	—	1,122	—	1,122
Impairment expense	(317,455)	(53,850)	—	—	—	(371,305)
Other	—	—	—	13,093	—	13,093
Earnings (loss) before income tax	(57,204)	345,774	277,236	(492,655)	—	73,151
Income tax expense	—	—	—	(11,121)	—	(11,121)
Net earnings (loss)	(57,204)	345,774	277,236	(503,776)	—	62,030

DISAGGREGATION OF REVENUE

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

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

Year ended December 31, 2020 (Thousands of Canadian dollars)	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Gas handling and processing services ¹	426,975	106,100	—	—	533,075
Fractionation and storage services	11,890	239,843	—	—	251,733
Transportation and terminalling services	—	220,768	—	—	220,768
Marketing of NGLs and iso-octane	—	—	2,276,679	—	2,276,679
Other ²	63,077	1,077	—	10,703	74,857
Revenue before inter-segment eliminations	501,942	567,788	2,276,679	10,703	3,357,112
Inter-segment revenue eliminations	(19,763)	(298,892)	(15,344)	(10,603)	(344,602)
Revenue from external customers	482,179	268,896	2,261,335	100	3,012,510

Notes:

- 1 Processing services revenue recognized in Keyera's Liquids Infrastructure segment represents the processing fees charged to Keyera's Marketing segment for the production of iso-octane at the Keyera AEF facility.
- 2 Other revenue in Keyera's Gathering and Processing segment includes sales of ethane volumes extracted from the Rimbey facility and sold to a third-party customer, and other miscellaneous revenue.

Contract Balances

Contract liabilities are recorded when consideration has been received from a customer prior to Keyera's fulfillment of its obligation to provide future services. Contract liabilities primarily relate to consideration received under take-or-pay contract arrangements whereby the customer has the ability to exercise accumulated make-up rights prior to their expiry. Contract liabilities also arise when Keyera receives non-cash consideration or up-front payments from customers for the performance of future services. As at December 31, 2021 contract liabilities were \$nil (December 31, 2020 – \$nil) as there were no unperformed obligations related to customer make-up rights that were material and Keyera did not receive any non-cash consideration or up-front customer payments that required revenue deferral.

Contract assets are recorded when Keyera performs services for customers in advance of receiving consideration from the customer or before payment is due. As at December 31, 2021 contract assets were \$nil (December 31, 2020 – \$nil). All instances whereby Keyera's performance obligations were satisfied prior to receiving consideration from the customer were unconditional and therefore have been presented as a receivable.

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

<i>(Thousands of Canadian dollars)</i>	2021	2020
Canada	3,898,297	2,461,614
U.S.	1,086,609	550,896
Total revenue	4,984,906	3,012,510

Non-current assets¹

As at December 31, <i>(Thousands of Canadian dollars)</i>	2021	2020
Canada	6,435,668	6,307,491
U.S.	477,473	485,053
Total non-current assets	6,913,141	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

Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue for the years ended December 31, 2021 and 2020.

31. OTHER

For the year ended December 31, 2021, \$10,040 (2020 – \$13,093) 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. Substantially all of the income received for the year ended December 31, 2021 relates to the 2020 year. Keyera will not be submitting any further claims under the CEWS program.

32. COMMITMENTS AND CONTINGENCIES

Keyera, through its operating entities, has assumed commitments in various contractual purchase agreements in the normal course of its operations. The agreements involve the purchase of NGL production from producers in the areas specified in the agreements. The purchase prices are based on then current market prices. The future volumes and prices for these contracts cannot be reasonably determined and therefore no amount has been included in purchase obligations to reflect these contractual agreements.

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

Year	<i>(Thousands of Canadian dollars)</i>
2022	326,296
2023	7,700
2024	5,210
2025	4,987
2026	2,236
Thereafter	2,677
Total commitments	349,106

33. SUBSEQUENT EVENTS

In January 2022, Keyera completed the sale of the Hull terminal and Hull terminal pipeline system, including all liquid hydrocarbon inventory owned by Keyera in relation to the assets. The transaction includes net proceeds of approximately US\$40,000, US\$32,000 for the terminal and pipeline system, plus the final closing inventory value of approximately US\$8,000, and is subject to normal closing adjustments. As part of the arrangement, the purchaser will assume a nominal decommissioning liability associated with the disposed assets.

On January 12, 2022, Keyera declared a dividend of \$0.16 per share, payable on February 15, 2022 to shareholders of record as of January 24, 2022.

On February 9, 2022, Keyera declared a dividend of \$0.16 per share, payable on March 15, 2022 to shareholders of record as of February 23, 2022.

Additional Information

Fourth Quarter Results

Consolidated Statements of Net Earnings and Comprehensive Income (Thousands of Canadian Dollars) (Unaudited)	Three months ended December 31,	
	2021	2020
Revenues	1,737,432	709,452
Expenses	(1,393,357)	(543,939)
Operating margin	344,075	165,513
General and administrative expenses	(22,520)	(22,863)
Finance costs	(43,750)	(37,919)
Depreciation, depletion and amortization expenses	(56,517)	(89,798)
Net foreign currency (loss) gain on U.S. debt and other	(1,584)	4,022
Long-term incentive plan recovery (expense)	728	(6,161)
Impairment expense	(98,090)	(123,454)
Other	—	9,657
Earnings (loss) before income tax	122,342	(101,003)
Income tax (expense) recovery	(32,356)	26,226
Net earnings (loss)	89,986	(74,777)
Other comprehensive loss		
Foreign currency translation adjustment	(4,418)	(18,759)
Comprehensive income (loss)	85,568	(93,536)
Weighted average number of shares (in thousands)		
Basic	221,023	221,023
Diluted	221,023	221,023
Earnings (loss) per share		
Basic earnings (loss) per share	0.41	(0.34)
Diluted earnings (loss) per share	0.41	(0.34)

Consolidated Statements of Cash Flows (Thousands of Canadian Dollars) (Unaudited)	Three months ended December 31,	
	2021	2020
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings (loss)	89,986	(74,777)
Adjustments for items not affecting cash:		
Finance costs	5,544	5,836
Depreciation, depletion and amortization expenses	56,517	89,798
Unrealized (gain) loss on derivative financial instruments	(22,222)	46,433
Unrealized gain on foreign exchange	(3,078)	(24,893)
Deferred income tax expense (recovery)	15,391	(5,742)
Impairment expense	98,090	123,454
Decommissioning liability expenditures	(5,529)	(4,297)
Changes in non-cash working capital	(137,736)	(39,366)
Net cash provided by operating activities	96,963	116,446
INVESTING ACTIVITIES		
Acquisitions	—	(240)
Capital expenditures	(207,119)	(87,018)
Proceeds on disposal of property, plant and equipment	2,014	—
Prepaid lease asset	—	(66,166)
Changes in non-cash working capital	44,483	(22,690)
Net cash used in investing activities	(160,622)	(176,114)
FINANCING ACTIVITIES		
Borrowings under credit facility	440,000	250,000
Repayments under credit facility	(280,000)	(80,000)
Financing costs related to credit facility/long-term debt	(1,583)	(35)
Lease payments	(11,190)	(12,073)
Dividends paid to shareholders	(106,091)	(106,091)
Net cash provided by financing activities	41,136	51,801
Effect of exchange rate fluctuations on foreign cash held	(282)	(836)
Net decrease in cash	(22,805)	(8,703)
Cash at the beginning of the period	38,745	11,604
Cash at the end of the period	15,940	2,901
Income taxes paid in cash	—	468
Interest paid in cash	67,001	67,648

SUPPLEMENTAL CASH FLOW INFORMATION

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

<i>(Thousands of Canadian dollars)</i> <i>(Unaudited)</i>	Three months ended December 31,	
	2021	2020
Inventory	53,905	(20,141)
Trade and other receivables	13,774	(66,358)
Other assets	3,259	6,780
Trade and other payables, and provisions	(208,674)	40,353
Changes in non-cash working capital from operating activities	(137,736)	(39,366)

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

<i>(Thousands of Canadian dollars)</i> <i>(Unaudited)</i>	Three months ended December 31,	
	2021	2020
Trade and other payables, and provisions	44,483	(22,690)
Changes in non-cash working capital from investing activities	44,483	(22,690)

SEGMENT INFORMATION

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

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

Three months ended December 31, 2020 (Thousands of Canadian dollars) (Unaudited)						
	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter- segment Eliminations	Total
Segmented revenue	139,826	148,487	513,581	2,892	(95,334)	709,452
Segmented expenses	(62,861)	(50,157)	(525,620)	(635)	95,334	(543,939)
Operating margin (loss)	76,965	98,330	(12,039)	2,257	—	165,513
General and administrative expenses	—	—	—	(22,863)	—	(22,863)
Finance costs	—	—	—	(37,919)	—	(37,919)
Depreciation, depletion and amortization expenses	—	—	—	(89,798)	—	(89,798)
Net foreign currency gain on U.S. debt and other	—	—	—	4,022	—	4,022
Long-term incentive plan expense	—	—	—	(6,161)	—	(6,161)
Impairment expense	(123,454)	—	—	—	—	(123,454)
Other	—	—	—	9,657	—	9,657
Earnings (loss) before income tax	(46,489)	98,330	(12,039)	(140,805)	—	(101,003)
Income tax recovery	—	—	—	26,226	—	26,226
Net earnings (loss)	(46,489)	98,330	(12,039)	(114,579)	—	(74,777)

DISAGGREGATION OF REVENUE

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

Three months ended December 31, 2021					
<i>(Thousands of Canadian dollars)</i>					
<i>(Unaudited)</i>					
	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Gas handling and processing services ¹	135,278	30,984	—	—	166,262
Fractionation and storage services	3,834	66,458	—	—	70,292
Transportation and terminalling services	—	62,401	—	—	62,401
Marketing of NGLs and iso-octane	—	—	1,525,769	—	1,525,769
Other ²	20,536	—	—	138	20,674
Revenue before inter-segment eliminations	159,648	159,843	1,525,769	138	1,845,398
Inter-segment revenue eliminations	(6,735)	(91,264)	(9,952)	(15)	(107,966)
Revenue from external customers	152,913	68,579	1,515,817	123	1,737,432
Three months ended December 31, 2020					
<i>(Thousands of Canadian dollars)</i>					
<i>(Unaudited)</i>					
	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Gas handling and processing services ¹	117,609	31,795	—	—	149,404
Fractionation and storage services	2,975	61,479	—	—	64,454
Transportation and terminalling services	—	55,098	—	—	55,098
Marketing of NGLs and iso-octane	—	—	513,581	—	513,581
Other ²	19,242	115	—	2,892	22,249
Revenue before inter-segment eliminations	139,826	148,487	513,581	2,892	804,786
Inter-segment revenue eliminations	(5,810)	(83,359)	(3,727)	(2,438)	(95,334)
Revenue from external customers	134,016	65,128	509,854	454	709,452

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.

Corporate Information

Board of Directors

Jim V. Bertram ⁽¹⁾

Corporate Director
Calgary, Alberta

Douglas Haughey ⁽²⁾⁽⁴⁾

Corporate Director
Calgary, Alberta

Michael Crothers ⁽⁵⁾

Corporate Director
Calgary, Alberta

Blair Goertzen ⁽⁵⁾

Corporate Director
Red Deer, Alberta

Gianna Manes ⁽⁴⁾⁽⁵⁾

Corporate Director
Fort Mill, South Carolina

Michael Norris ⁽³⁾

Corporate Director
Toronto, Ontario

Thomas C. O'Connor ⁽³⁾⁽⁵⁾

Corporate Director
Denver, Colorado

Charlene Ripley ⁽⁴⁾

Executive Vice President
and General Counsel
SNC-Lavalin
Montreal, Quebec

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

Head Office

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

Officers

C. Dean Setoguchi

President and Chief Executive Officer

Eileen Marikar

Senior Vice President and Chief Financial Officer

Jamie Urquhart

Senior Vice President and Chief Commercial Officer

Jarrod Beztilyn

Senior Vice President, Operations & Engineering

Nancy L. Brennan

Senior Vice President, Sustainability, External Affairs
& General Counsel

Dion O. Kostiuk

Senior Vice President, Safety, People & Technology

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol KEY

Trading Summary for Q4 2021

TSX:KEY – Cdn \$

High	\$32.95
Low	\$27.21
Close December 31, 2021	\$28.53
Volume	84,421,014
Average Daily Volume	1,340,016

Auditors

Deloitte LLP
Chartered Professional
Accountants
Calgary, Canada

Investor Relations

Contact:
Dan Cuthbertson or
Calvin Locke
Toll Free: 1-888-699-4853
Direct: 403-205-7670
Email: ir@keyera.com