KEYERA

Year End Report February 11, 2015

2014 Year End Report

For the year ended December 31, 2014

HIGHLIGHTS

- Net earnings were a record $230 million ($2.80 per share) in 2014, 56% higher than the $147 million ($1.87 per share) reported in 2013. Results were primarily driven by higher plant throughput, higher margins and strong performance from the sale of iso-octane.
- Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") [1, 2] of $530 million in 2014 was also a record, 40% higher than the $379 million posted in 2013.
- Distributable cash flow[1, 2] was $389 million ($4.73 per share) in 2014, 35% higher than the $288 million ($3.68 per share) recorded in 2013. Keyera's payout ratio was 53% in 2014 compared to 61% in the prior year.
- All three business segments contributed strongly to the record financial results. The Gathering and Processing Business Unit generated operating margin[3] of $218 million in 2014 (2013 - $157 million); the NGL Infrastructure segment's operating margin[3] was $189 million (2013 - $123 million); and operating margin[3] in the Marketing segment was $237 million (2013 - $133 million).
- Keyera is increasing its dividend by 7%, from $0.215 per share per month to $0.23 per share per month, or $2.76 per share annually, beginning with its March dividend payable on April 15, 2015 to shareholders of record on March 23, 2015. The ex-dividend date is March 19, 2015. This will be Keyera's thirteenth increase since going public in 2003.
- Keyera announced today a two-for-one split of Keyera's outstanding common shares. The record date for the share split will be April 1, 2015.
- Keyera acquired a 71% ownership interest in the Ricinus gas plant and agreed to participate as an owner in two new gas plants, Alder Flats and Zeta Creek, currently being constructed by producers in west central Alberta. These plants will help satisfy customer demand for additional processing capacity in the area.
- Several projects, including the Wapiti pipeline system, the Alberta Crude Terminal and the Hull Rail and Truck Terminal, were completed in the third and fourth quarters and are now operational.
- Subsequent to the quarter, Keyera approved a project for approximately $90 million to construct four 60,000 barrel condensate tanks at its Edmonton Terminal to enhance its diluent logistics business.
- Work continues on a number of projects that began in 2014. Projects expected to be completed in the first quarter include a plant expansion and a condensate stabilizer at the Simonette gas plant as well as the de-ethanizer at Fort Saskatchewan.
- Total growth capital investment in 2014 was $956 million, of which $221 million was acquisitions. In 2015, growth capital investment, excluding acquisitions, is expected to be between $700 million and $800 million.[4]
- Keyera amended its bank credit facility in the fourth quarter by extending the term to December 2019 and increasing the limit from $750 million to $1 billion, with the potential to increase to $1.35 billion subject to certain conditions.

[1] See "Non-GAAP Financial Measures" on page 50 of the MD&A.
[2] See page 41 and 42 of the MD&A for a reconciliation of distributable cash flow to cash flow from operating activities and Adjusted EBITDA to net earnings.
[3] See note 29 to the accompanying financial statements.
[4] See "Capital Expenditures and Acquisitions" on page 38 of the MD&A for further discussion of Keyera's capital investment program.

Summary of Key Measures (Thousands of Canadian dollars, except where noted)	**Three months ended December 31,**		**Twelve months ended December 31,**	
	2014	2013	**2014**	2013
Net earnings	**29,387**	34,396	**229,989**	146,836
Per share ($/share) – basic	**0.35**	0.44	**2.80**	1.87
Cash flow from operating activities	**179,759**	172,597	**460,594**	385,094
Distributable cash flow[1]	**102,356**	74,975	**388,961**	288,063
Per share ($/share)	**1.22**	0.95	**4.73**	3.68
Dividends declared	**54,353**	47,297	**207,228**	177,132
Per share ($/share)	**0.65**	0.60	**2.52**	2.26
Payout ratio %[1]	**53%**	63%	**53%**	61%
Adjusted EBITDA[2]	**127,879**	99,474	**530,051**	379,324
Gathering and Processing:				
Gross processing throughput (MMcf/d)	**1,562**	1,283	**1,420**	1,272
Net processing throughput (MMcf/d)	**1,292**	1,051	**1,177**	1,030
NGL Infrastructure:				
Gross processing throughput (Mbbl/d)	**114**	112	**116**	112
Net processing throughput (Mbbl/d)	**34**	34	**32**	34
Marketing:				
Inventory value	**124,292**	175,658	**124,292**	175,658
Sales volumes (Bbl/d)	**112,100**	117,200	**94,800**	99,800
Acquisitions	**92,849**	4,790	**221,388**	31,878
Growth capital expenditures	**213,019**	107,687	**734,812**	299,849
Maintenance capital expenditures	**3,516**	8,587	**51,983**	39,663
Total capital expenditures	**309,384**	121,064	**1,008,183**	371,390

	As at December 31,	
	2014	2013
Long-term debt	**1,152,133**	1,077,140
Credit facilities	**90,000**	—
Working capital surplus[3]	**(80,726)**	(306,817)
Net debt	**1,161,407**	770,323
Common shares outstanding – end of period	**84,339**	79,187
Weighted average number of shares outstanding – basic	**82,183**	78,316
Weighted average number of shares outstanding – diluted	**82,183**	78,728

Notes:

1 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow. Payout ratio and distributable cash flow are not standard measures under Generally Accepted Accounting Principles ("GAAP"). See page 41 for a reconciliation of distributable cash flow to its most closely related GAAP measure.

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

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

Message to Shareholders

Keyera had a successful year in 2014, delivering record financial results, completing a number of strategic growth initiatives and announcing several acquisitions to complement existing operations. More than ever, our customers benefited from the integrated services of Keyera's three business segments, delivering increasing amounts of natural gas to Keyera's processing plants and securing additional capacity in the facilities in our Liquids Business Unit. Our success in 2014 is a direct result of strategically located facilities, integrated business segments and a focus on customer service.

For the second consecutive year, all three of Keyera's business segments generated record results. Our key financial and operating metrics were impressive, reporting a year-over-year increase of 35% in distributable cash flow and a 40% increase in Adjusted EBITDA.

Gathering and Processing Business Unit

The Gathering and Processing Business Unit reported operating margin of $218 million, 39% higher than 2013, primarily due to increased plant throughput. Net throughput in the fourth quarter was 1.3 billion cubic feet per day, 23% higher than the same period in 2013. Demand for our services continues, as producers remain focused on liquids-rich gas drilling, from zones such as the Mannville, Glauconite, and Montney horizons.

With all the liquids-rich gas drilling that has occurred in west central Alberta, infrastructure in many areas is at or nearing capacity. In response to the resulting demand for additional gathering and processing capacity, Keyera successfully advanced a number of projects in 2014. In the Rimbey area, we completed modifications to the Carlos pipeline system and construction of the Wilson Creek pipeline system. The turbo expander project at the Rimbey gas plant is progressing well and we anticipate the unit will be operational by mid-2015. At Simonette, construction of the Wapiti pipeline system was completed in the third quarter. A plant expansion to add 100 million cubic feet per day of processing capacity and the construction of a 10,000 barrel per day condensate stabilizer are expected to start up in the first quarter of 2015.

In the fourth quarter, we began construction of the Twin Rivers pipeline system that will deliver gas to our Brazeau River and West Pembina gas plants. We also agreed to participate as an owner in two new gas plants currently being constructed by producers (Alder Flats and Zeta Creek). All of these projects are expected to be operational later in 2015, assuming construction schedules are met.

In addition to these plants, Keyera acquired the Cynthia gas plant and associated oil and gas reserves in the second quarter of 2014 and, at the end of the year, we acquired an ownership interest in the Ricinus gas plant. This plant is located about 22 kilometres to the south of our Strachan gas plant and we are currently working with producers to evaluate the construction of a pipeline between these plants which would provide producers with access to incremental processing capacity and add operational flexibility.

Liquids Business Unit - NGL Infrastructure Segment

Our Liquids Business Unit also delivered record operating results in 2014, reporting operating margin of $189 million, a 54% increase over 2013. Liquids-rich gas drilling and oil sands production, continued to be driving forces behind growth in the services our NGL infrastructure network provides.

During the year, Keyera enhanced its NGL infrastructure and improved market access for Western Canadian producers by commissioning two rail and truck terminals. The Alberta Crude Terminal ("ACT"), a joint venture with Kinder Morgan, was completed in late September and is able to load up to 40,000 barrels per day of crude oil, with the capacity committed to Irving Oil under a multi-year agreement. The Hull rail and truck terminal, located near Mont Belvieu, Texas, began operating in October and currently handles the receipt and delivery of NGL mix, butane and iso-butane. To allow for essential rail deliveries of propane from Western Canada, Keyera began construction of the Josephburg rail terminal, located east of the Keyera Fort

Saskatchewan facility. Construction is well underway and the terminal is expected to be completed later in 2015.

The 30,000 barrel per day de-ethanizer currently under construction at Fort Saskatchewan is expected to be commissioned by the end of the first quarter. Keyera's share of the capacity is contracted under a long-term take-or-pay agreement. In January we completed the drilling of the well bore for our 15th underground storage cavern, and engineering work continues on the fractionation expansion.

We remain focused on expanding our diluent logistics business in the Edmonton/Fort Saskatchewan area and continue to have customers committing to these services. To further enhance this service offering, we are planning to construct four condensate tanks at our Edmonton Terminal for approximately $90 million. These tanks will ensure our Fort Saskatchewan condensate system operates as a reliable, efficient hub for our customers.

To support the demand for merchant storage for crude oil and other products in the Edmonton area, we are working with a third party to evaluate the feasibility of constructing storage tanks on unused land at our Alberta EnviroFuels site.

Liquids Business Unit - Marketing Segment

Our Marketing segment also reported record results in 2014 with operating margin of $237 million, $104 million, or 78%, higher than the prior year. The higher results were primarily due to growth in our iso-octane business resulting from a combination of improved volumes and sales margins. Volumes increased in 2014 as Keyera utilized its rail infrastructure to enhance delivery options and develop new Gulf Coast markets. Marketing's strong results were achieved despite the inclusion of a $59 million inventory write-down in the fourth quarter caused by the significant decline in NGL commodity prices. With our effective risk management strategy, we anticipate our hedges will offset most of the write-down.

Outlook

With the significant drop in the price of crude oil that began in the second half of 2014, along with the recent decline in the price of natural gas, most oil and gas producers have announced reductions to their 2015 capital expenditure programs. As a service provider to the energy sector, Keyera will continue to work with our customers during this challenging time and adjust our plans as appropriate. The full duration and effect of this slowdown will depend on a variety of factors that are difficult to predict. In the near term, we do not expect Keyera's throughput volumes to be materially affected, and our cash flows are largely driven by fee-for-service arrangements. Keyera's business will continue to benefit from the broad diversification of our facilities, services, customers, revenue streams and growth opportunities.

As we look ahead, we remain focused on our strategy of pursuing infrastructure projects and acquisitions that are backed by customer demand and deliver long-term growth and return for investors. We will continue to approach new business opportunities selectively and cautiously. We currently expect our 2015 growth capital expenditures will be between $700 million and $800 million, excluding acquisitions. Our strong balance sheet and access to capital allow us to fund these expenditures prudently, and also provide the flexibility to selectively pursue acquisitions. Beyond 2015, we are still excited about our infrastructure investment opportunities, but the timing of these future projects may be affected by the current slowdown in industry activity.

Given the strength in our business today and our growth prospects into the future, we are pleased to announce a 7% dividend increase, to $0.23 per share per month, beginning with our dividend payable on April 15, 2015. This latest increase continues Keyera's consistent track record for steady growth in our dividend per share and represents an 8% compound annual growth rate in dividends per share since our

initial public offering in 2003. We are also pleased to announce a two-for-one split of our outstanding common shares, with the record date for the share split being April 1, 2015.

I would like to take this opportunity to recognize and express our appreciation to Jim Bertram, who has been our Chief Executive Officer since we started in 1998. Keyera’s success today is a reflection of Jim’s vision, values, leadership and work ethic over the past 16 years. During that time, it has been my pleasure to work alongside Jim, and I look forward to continuing our relationship as he moves into his new role as Executive Chair of Keyera’s Board of Directors.

On behalf of Keyera's directors and management team, thank you for your continued support.

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

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of February 11, 2015 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 of Keyera Corp. for the years ended December 31, 2014 and 2013 and the notes thereto. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Keyera's website at www.keyera.com.

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

Keyera's Business

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

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

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

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

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

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the years ended December 31, 2014 and December 31, 2013:

(Thousands of Canadian dollars, except per share data)	**2014**	2013
Net earnings	**229,989**	146,836
Net earnings per share (basic)	**2.80**	1.87
Total operating margin[1]	**671,195**	420,336
Adjusted EBITDA[2]	**530,051**	379,324
Cash flow from operating activities	**460,594**	385,094
Distributable cash flow[3]	**388,961**	288,063
Distributable cash flow per share[3] (basic)	**4.73**	3.68
Dividends declared	**207,228**	177,132
Dividends declared per share	**2.52**	2.26

Notes:

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

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

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

Keyera posted outstanding financial results for the year ended December 31, 2014. Each of Keyera's business segments set a new record for operating margin in 2014.

Net Earnings

For the year ended December 31, 2014 net earnings were $230.0 million, $83.2 million higher than the prior year largely due to significantly higher operating margin in 2014. The higher operating margin was partly offset by the following:

- higher depreciation charges in connection with the significant growth in Keyera's assets, as well as higher depletion expense associated with the oil and gas reserves acquired in conjunction with the Cynthia gas plant acquisition ("Cynthia reserves") in the second quarter of 2014;
- an impairment charge of $80.2 million, of which approximately $49 million related to the Caribou, Paddle River and Nevis gas plants and the remainder related to the Cynthia and Minnehik Buck Lake oil and gas reserves;
- higher income tax expense (current and deferred) resulting from the strong financial results in 2014; and

- higher long-term incentive plan expense associated primarily with the increase in Keyera's share price relative to the end of 2013.

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

Operating Margin

Keyera recorded outstanding operating results in 2014, driven by the strong performance of all business units. Operating margin for the year ended December 31, 2014, was $250.9 million higher than the prior year, largely due to the following reasons:

- robust drilling activity around several of Keyera's gas plants, including the Rimbey, Strachan, Simonette, Brazeau River and Minnehik Buck Lake gas plants, which has led to significant increases in throughput at those facilities;

- growth in demand for fractionation, storage, transportation and diluent handling services in the NGL Infrastructure business due to increased production of liquids-rich natural gas and oil sands development;

- incremental margin from the Cynthia reserves; and

- strong margins from the sale of iso-octane resulting from an effective risk management strategy and hedging program, attractive butane feedstock prices and higher sales volumes.

Operating margin from the Marketing segment in 2014 included $60.6 million in inventory write-downs to reflect the decline in commodity prices at the end of the year. A substantial portion of the loss in value of inventory was offset by realized cash gains relating to risk management contracts settled in the fourth quarter as well as unrealized gains expected to be settled into cash gains in 2015.

The section of this MD&A titled, "Segmented Results of Operations", provides more information on operating results by segment.

Cash Flow Metrics

Cash flow metrics were also strong in 2014. For the year ended December 31, 2014, cash flow from operating activities was $75.5 million higher than the prior year, primarily due to strong iso-octane margins, incremental revenue from the Cynthia reserves, as well as the growth in demand for services in Keyera's Gathering and Processing and NGL Infrastructure segments.

Distributable cash flow for the year ended December 31, 2014 was $100.9 million or 35% higher than the prior year. The significantly higher distributable cash flow in 2014 was achieved despite the following:

- recording a write-down in inventory of $60.6 million;

- completing four major turnarounds in the second quarter at a total cost of approximately $38 million, compared to turnaround costs of approximately $17 million recorded in 2013; and

- cash taxes of approximately $32 million in 2014, compared to cash taxes of $2 million in the prior year.

The section of this MD&A titled, "Segmented Results of Operations: Marketing", provides more information on the factors that resulted in the inventory write-down as well as Keyera's risk management strategy.

SEGMENTED RESULTS OF OPERATIONS

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

The discussion of the results of operations for each of the operating segments focuses on operating margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and NGL Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the years ended December 31, 2014 and 2013 are reported in note 29, Segment Information, of the accompanying financial statements.

Gathering and Processing

Keyera has interests in 19 gas plants in western Canada, of which two are under construction, making it one of the largest gas processors in Alberta. Keyera currently operates 16 of the plants and will operate one of the two new plants when they become operational. The Gathering and Processing segment includes raw gas gathering systems and processing plants strategically located in the natural gas production areas on the western side of the Western Canada Sedimentary Basin ("WCSB"). Several of the gas plants are interconnected by raw gas gathering pipelines, allowing raw gas to be directed to the gas plant best suited to process the gas. Keyera's facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production activity in the WCSB.

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

Operating Margin and Throughput Information (Thousands of Canadian dollars)	**2014**	2013
Revenue including inter-segment transactions	**426,455**	343,639
Operating expenses	**(208,159)**	(186,165)
Operating margin	**218,296**	157,474
Gross processing throughput – (MMcf/d)	**1,420**	1,272
Net processing throughput[1] – (MMcf/d)	**1,177**	1,030

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

Operating Margin and Revenues

The Gathering and Processing segment posted record financial results in 2014. Operating margin for the year ended December 31, 2014 was $60.8 million or 39% higher than the prior year. The significantly higher operating margin in 2014 compared to the prior year was largely due to:

- higher throughput at the Rimbey, Strachan, Simonette, Brazeau River and Minnehik Buck Lake gas plants resulting from strong drilling activity in the areas surrounding these facilities;
- incremental volumes and revenue from the Wapiti pipeline system that delivers volumes to the Simonette gas plant and became operational in the fourth quarter of 2014;
- higher revenues of approximately $16 million relating to the recovery of costs associated with the turnarounds completed at the Strachan, Caribou and West Pembina gas plants in the second quarter. Turnaround costs are capitalized for accounting purposes but are recoverable as operating fee revenue over a period of time;

- incremental revenue of approximately $3.5 million recorded for the recovery of the turnaround costs at the Cynthia gas plant; and
- higher revenues relating to fees charged for the use of Keyera's road at Simonette, of which approximately $3 million related to prior periods.

Operating margin was strong in 2014 despite various outages during the second and third quarters of 2014 at the Rimbey, Minnehik Buck Lake and Simonette gas plants as well as the completion of four maintenance turnarounds in the second quarter. More details relating to these outages and maintenance turnarounds can be found in Keyera's second and third quarter 2014 MD&A, which is available on SEDAR.

Operating margin in 2013 was lower than usual due to: i) approximately $3 million of additional expenses relating to the Cranberry pipeline; and ii) lower throughput at the Simonette gas plant, as a result of regulatory restrictions requiring the facility to curtail inlet volumes. The curtailment related to difficulties the facility had experienced in meeting its licensed sulphur recovery levels in prior quarters. The curtailment period ended on May 9, 2013.

Gathering and Processing revenues for the year ended December 31, 2014 were $82.8 million higher than the same period in 2013. The higher revenues were largely due to the same factors that contributed to higher operating margin in the period.

Gathering and Processing Activity

The Gathering and Processing segment experienced a significant amount of activity in 2014 that was largely driven by producers focusing on natural gas resource plays around several core Keyera gas plants. As producers continue to target liquids-rich gas in the Mannville, Montney, Duvernay and several other zones, Keyera is well positioned to serve its customers through its extensive infrastructure, including gathering systems, deep-cut processing capabilities and access to the Edmonton/Fort Saskatchewan NGL hub.

Overall, gross processing throughput for the year ended December 31, 2014 was 1,420 million cubic feet per day, an increase of 12% over the same period in 2013 largely due to higher throughput at several facilities as well as incremental volumes from the Cynthia gas plant acquired earlier in the year.

As a result of strong drilling activity, several of Keyera's gas plants are now operating at close to capacity, including the Rimbey, Strachan, Minnehik Buck Lake, Pembina North and Brazeau North facilities. To guarantee access to processing capacity, in 2014 several producers entered into firm service processing contracts, including providing Keyera with take-or-pay commitments to secure capacity.

Over the past several years, Keyera has focused on expanding its gathering pipeline infrastructure to capture new gas drilling and promote volume growth at its key facilities, while providing flexible gathering and processing solutions to its customers. The following gathering systems are recent examples of investments made to capture the growing gas production around Keyera's core gas plants:

Gathering System	Description	Approximate Cost
Carlos Pipeline Offload	• Completed construction of two 25-kilometre pipelines (an 8-inch raw gas pipeline and a 6-inch condensate pipeline) in April. • The expansion increased the capacity of the Carlos pipeline, which delivers raw gas and condensate to the Rimbey gas plant.	• $23 million
Wilson Creek Gathering System	• Completed construction of two 30-kilometre pipelines (a 12-inch raw gas pipeline and a 6-inch condensate pipeline) in April. • The gathering system began delivering raw gas and condensate to the Rimbey gas plant in June 2014.	• $26 million
Wapiti pipeline system	• Construction of two 90-kilometre pipelines (a 12-inch sour gas gathering pipeline and 6-inch condensate pipeline) from the Wapiti region of Northwest Alberta to the Simonette gas plant. • The 12-inch sour gathering pipeline is operational and the 6-inch condensate pipeline is expected to be brought into service in the first quarter of 2015 when construction of the condensate stabilizer is complete.	*Estimated total cost to complete:* • $180 million *Total net costs incurred by Keyera to December 31, 2014:* • $158 million
Twin Rivers pipeline	The project is being developed in two phases: • *Phase One* consists of a 20-kilometre, 12-inch gathering system that will deliver raw gas to Keyera's Brazeau River gas plant. • *Phase Two* involves extending the Twin Rivers pipeline an additional 25 kilometres further southeast of the Brazeau River gas plant. In addition, modifications are expected to be made to existing gathering systems so that raw gas from the capture area can also be delivered to the West Pembina gas plant for processing. • Construction of the pipeline began in the fourth quarter of 2014. Phase One is anticipated to be operational in the first quarter of 2015 and Phase Two is expected to be operational in the second quarter of 2015.	*Estimated total cost to complete:* • $80 million for Phases One and Two combined *Total net costs incurred by Keyera to December 31, 2014:* • $13 million

Gathering System	Description	Approximate Cost
Twin Rivers East	• Acquired a 19-kilometre,12-inch raw gas pipeline from a producer in December 2014. • This new pipeline is expected to tie-in to the Twin Rivers Pipeline by the first quarter of 2015.	• $10 million

In 2014, the Gathering and Processing segment also focused on evaluating and identifying acquisition opportunities that would complement its existing portfolio of assets and acquired ownership interests in the following gas plants:

Cynthia Gas Plant and Other Assets:
On May 1, 2014, Keyera acquired the following assets for total consideration of approximately $113 million:

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

Keyera was appointed operator of the Cynthia gas plant and associated facilities.

The acquired reserves ("Cynthia reserves") are all from the Nisku formation in Alberta. The income from the reserves and production have been reported in the Corporate and Other operating segment.

Ricinus Gas Plant:

- In the fourth quarter, Keyera acquired a 70.79% ownership interest in the Ricinus deep-cut gas plant in west central Alberta for $65 million. The gas plant is located 22 kilometres south of Keyera's Strachan gas plant.
- Keyera was appointed operator of the Ricinus gas plant.
- The current operating capacity of the Ricinus gas plant is approximately 124 million cubic feet per day, compared to a licensed capacity of 221 million cubic feet per day. The lower operating capacity is due to only one of the two NGL processing trains currently being in operation.
- Keyera is evaluating the construction of a new pipeline between the Ricinus gas plant and the Strachan gas plant, as well as further investments in associated gas gathering systems to increase utilization. Assuming utilization increases, Keyera would consider reactivating the second NGL processing train to enable the Ricinus gas plant to operate closer to its licensed capacity.

Alder Flats Gas Plant:

- In the fourth quarter, Keyera agreed to participate as a 35% owner in a new deep-cut gas plant and related pipelines (a 16-inch raw gas gathering line, a 4-inch condensate pipeline and a fuel gas line) currently being constructed by Bellatrix Exploration Ltd. ("Bellatrix") in the Alder Flats area of west central Alberta.
- Bellatrix currently anticipates that the total cost of the gas plant and associated pipelines will be approximately $230 million and is expecting that the first phase of the plant will be on stream in mid-2015.

- The gas plant will be operated by Bellatrix and developed in two phases. Phase I of the facility will be a deep-cut facility capable of extracting ethane-rich NGLs (a "C2+ mix") from the raw gas stream, and will have a design inlet capacity of 110 million cubic feet per day.

- Phase II is expected to add an additional 110 million cubic feet per day of deep-cut capacity.

Zeta Creek Gas Plant:

- In the fourth quarter, Keyera agreed to participate as a 60% owner in the Zeta Creek gas plant, currently being constructed by Velvet Energy ("Velvet") in the West Pembina area of Alberta.

- Keyera will be the operator of the plant, which will have a licensed capacity of 54 million cubic feet per day of sweet gas and be able to extract natural gas liquids.

- As part of the transaction, Keyera will also participate as a 75% owner in the proposed sales gas lateral pipeline to be constructed from the Zeta Creek gas plant to the TransCanada mainline. Keyera is evaluating a project to add a pipeline connection between its Pembina North gas plant and this lateral, to help debottleneck the Pembina North facility.

- Based on current cost estimates, Keyera's proportionate share of the costs associated with construction of the gas plant and the sales gas lateral (excluding the additional Pembina North pipeline connection) is forecast to be approximately $41 million.

- Velvet expects the gas plant to be operational in the fourth quarter of 2015.

In the first quarter of 2014, Keyera acquired an incremental 1.8% ownership interest in the Strachan gas plant, bringing Keyera’s ownership in that facility to 100%. Keyera also acquired additional 0.6% and 0.5% ownership interests in the Brazeau River and Rimbey gas plants, respectively.

On February 1, 2015, the Paddle River gas plant was shut down. Unlike most of Keyera’s facilities, there has been minimal producer activity in the lands adjacent to this gas plant for several years. As a result, throughput at the plant has been declining. Keyera has been supplementing its cash flow at the Paddle River gas plant by re-processing sales gas. With the decline in commodity prices, this alternate cash flow stream is no longer economic. The Paddle River gas plant is considered to be non-core to Keyera and its contribution to operating margin has been immaterial over the past several years.

With the significant drop in the price of crude oil that began in the second half of 2014, along with the recent decline in the price of natural gas, most oil and gas producers have announced reductions to their 2015 capital expenditure programs. As a service provider to the energy sector, Keyera will continue to work with its customers during this challenging time and adjust its plans as appropriate. The full duration and effect of this slowdown will depend on a variety of factors that are difficult to predict. In the near term, Keyera does not expect its throughput volumes to be materially affected, and its cash flows are largely driven by fee-for-service arrangements. Keyera’s Gathering and Processing business will continue to benefit from the broad diversification of its facilities, services, customers and growth opportunities.

The following is a status update of previously announced major projects in the Gathering and Processing segment:

Facility/Area	Project Description	Project Status Update
Simonette	***Simonette gas plant expansion:*** i) addition of a refrigeration train to increase the raw gas handling capacity by 100 million cubic feet per day; and ii) construction of condensate stabilization facilities to handle the expected growth in condensate volumes being delivered to the plant.	Construction and fabrication of the refrigeration train and condensate stabilization facilities continued in the fourth quarter and both projects are expected to be complete in the first quarter of 2015. *Estimated total cost to complete:* • approximately $95 million. *Total net costs incurred by Keyera to December 31, 2014:* • $82 million
Rimbey	***Rimbey turbo expander:*** addition of a 400 million cubic feet per day turbo expander designed to extract up to 20,000 barrels per day of ethane.	Construction has ramped up over the past several months. The turbo expander is expected to be operational in the second quarter of 2015. *Estimated total cost to complete:* • approximately $220 million *Total net costs incurred by Keyera to December 31, 2014:* • $188 million
Rimbey	***Rimbey fractionation and NGL truck offload expansion:*** de-bottleneck to expand fractionation capacity by approximately 6,900 barrels per day; modify the NGL truck rack to increase capacity from 6,300 barrels per day to 9,400 barrels per day of offload capacity.	Long-lead equipment has been ordered and the majority of the work associated with these expansions is expected to occur at the time of the next Rimbey turnaround, currently scheduled for the spring of 2015. *Estimated total cost to complete:* • approximately $20 million *Total net costs incurred by Keyera to December 31, 2014:* • $4 million

Facility/Area	Project Description	Project Status Update
Strachan	***Sulphur projects*:** i) A 50/50 joint venture with Sulvaris that involves the construction of a sulphur handling fertilizer production facility at the Strachan gas plant site. ii) A long-term, take-or-pay and fee-for-service agreement with Suncor to provide sulphur handling and forming services at the Strachan gas plant. This project involves the replacement of the existing sulphur forming facility with a new 1,700 tonne per day sulphur forming and degassing unit, expanding the molten sulphur rail off-loading capability and adding additional storage capacity at the site.	i) Sulvaris completed further detailed engineering for the sulphur handling fertilizer production facility and the gross estimated cost for the facility is expected to be $138 million. Keyera reviewed the additional costs and overall economics and believes that they remain attractive. Keyera is proceeding with this project, and Sulvaris has obtained the necessary financing for their share of the project. The facility is expected to be operational in the first half of 2016. *Estimated total cost to complete:* • Gross costs of approximately $138 million • Net cost to Keyera of approximately $79 million, including 100% owned common facilities. *Total net costs incurred by Keyera to December 31, 2014:* • $26 million ii) Keyera and Suncor have executed an agreement for the sulphur handling and forming project, subject to detailed cost estimates for the project being within an agreed limit. Detailed engineering work is proceeding and the project is currently estimated to cost approximately $60 million.

Estimated costs and completion times for the projects currently under development that are discussed above assume that construction proceeds as planned, that the actual costs are in line with estimates and, where required, that regulatory approvals are received on a timely basis. See the section of this MD&A titled, “Forward Looking Information”, for more information on factors that could affect the development of these projects.

Maintenance turnarounds were completed in the second quarter of 2014 at the Strachan, West Pembina, Caribou and Cynthia gas plants for a total cost of approximately $38 million. The costs associated with maintenance turnarounds are capitalized for accounting purposes and do not have an effect on operating expenses in the Gathering and Processing segment. However, as many of Keyera’s facilities follow a flow-through operating cost structure, the cost of turnarounds will be recovered through higher operating fee revenue. Keyera expects to recover the majority of turnaround costs over varying periods depending on the fee arrangement at each plant.

Turnaround costs as at June 30, 2014 were substantially based on estimates. Based on actual costs, the cost of the turnaround at the Cynthia gas plant was subsequently decreased from $5 million to approximately $3.5 million. As these costs were fully recovered in 2014, a $1.5 million reduction to revenue was recorded in the fourth quarter for

the Gathering and Processing segment and the offsetting recovery was recorded in Keyera's Corporate and Other operating segment as it is the facility's main customer. Keyera's second quarter 2014 MD&A, which is available on SEDAR, provides more detailed information relating to the turnarounds completed in 2014.

In 2013, turnarounds were completed at the Pembina North and Paddle River gas plants for a total cost of approximately $5 million. The Simonette gas plant was out of service for approximately three weeks in the third quarter of 2013 to complete a turnaround at a cost of approximately $11 million. For 2015, major turnarounds are planned at the Rimbey, Bigoray, Brazeau River and Minnehik Buck Lake facilities at an expected combined cost of approximately $40 million.

NGL Infrastructure

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

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

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

Most of Keyera's NGL Infrastructure assets are located in, or connected to, the Edmonton/Fort Saskatchewan area of Alberta, one of four key energy hubs in North America. A significant portion of the NGL production from Alberta raw gas processing plants is delivered into the Edmonton/Fort Saskatchewan area via multiple NGL gathering systems for fractionation into specification products and delivery to market. Keyera's underground storage caverns at Fort Saskatchewan are used to store NGL mix and specification products. For example, propane can be stored in the summer months to meet winter demand; condensate can be stored to meet the diluent supply needs of the oil sands sector; and butane can be stored to meet blending and iso-octane feedstock requirements. These assets also support Keyera's Marketing segment, providing the ability to source, transport, process, store and deliver products across North America. A portion of the revenues earned by this segment relates to services provided to Keyera's Marketing segment. All of the revenues in this segment that are associated with the AEF facility relate to processing services provided to the Marketing segment for the production of iso-octane.

Operating margin for the NGL Infrastructure segment was as follows:

Operating Margin (Thousands of Canadian dollars)	**2014**	2013
Revenue including inter-segment transactions	**306,065**	223,501
Operating expenses	**(116,675)**	(100,715)
Unrealized (loss) gain on electricity and natural gas contracts	**(634)**	514
Total operating expenses	**(117,309)**	(100,201)
Operating margin	**188,756**	123,300

Operating Margin and Revenues

The NGL Infrastructure segment posted record financial results in 2014. Operating margin was $188.8 million in 2014, an increase of $65.5 million or 53% over the prior year. The significant increase in operating margin was primarily due to the following factors:

- higher fees for NGL fractionation and storage services, resulting from sustained strong demand for these services;
- higher volumes and tariffs on the Fort Saskatchewan pipelines, as well as an increase in volumes on the Fort Saskatchewan Condensate System;
- higher production at AEF, which resulted in higher fees charged to the Marketing segment for the production of iso-octane;
- incremental margins from the South Cheecham rail and truck terminal, which commenced operation in October 2013; and
- incremental margins from the Alberta Crude Terminal, which commenced operation in October 2014.

Fractionation throughput was lower in the second and third quarters of 2014 compared to previous quarters. This reduction was partly due to: i) operational issues associated with the deep-cut system at Keyera's Strachan gas plant that reduced NGL production between May and the end of August; and ii) high summer temperatures that reduced the efficiency of the fractionator. Fractionation revenues were not significantly affected as higher fees in 2014 offset the impact of the lower volumes during this period. Volumes returned to more normal levels in the fourth quarter of 2014.

Operating margin in 2013 was unusually low as the AEF facility was taken off-line in mid-June and again in November for unscheduled repair work. This also resulted in lower fees charged to the Marketing segment due to lower production in the second and third quarters of 2013.

NGL Infrastructure revenue for the year ended December 31, 2014 was $82.6 million higher than 2013, largely due to the same factors that contributed to higher operating margin.

NGL Infrastructure Activity

Demand for fractionation, storage and transportation services was strong throughout 2014. Increasing production volumes from the ongoing development of the Mannville, Montney, Duvernay and several other resource plays have given rise to the need for significant infrastructure development in Alberta. Demand for these services is expected to continue to grow, although likely at a slower pace given the current commodity price environment.

Over the last several years, Keyera has strengthened its infrastructure in the Edmonton/Fort Saskatchewan energy hub to enable it to provide the range of services and flexibility needed by oil sands producers. The demand for diluent services was strong in 2014 and is expected to increase in 2015 as Imperial Oil begins producing from the next phase of its Kearl project and as Husky's Sunrise project commences production. Keyera has long-term agreements in place to provide diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area for the Sunrise and Kearl oil sands projects.

In 2014, Keyera entered into a long-term, take-or-pay and fee-for-service agreement with Cenovus Energy Inc. ("Cenovus"). Details of this agreement are as follows:

- Effective January 1, 2014, Keyera provides diluent transportation and storage services for Cenovus.
- The storage services may increase up to the equivalent of approximately three storage caverns by 2018.
- The transportation services are provided on Keyera's Fort Saskatchewan Condensate System between various diluent supply sources and certain delivery points in the Edmonton/Fort Saskatchewan area.

In the first quarter of 2014, Keyera completed construction of a connection between its Fort Saskatchewan site and Kinder Morgan's Cochin pipeline. Subsequently, Keyera began receiving condensate from the pipeline in July. The connection to the Cochin pipeline provides Keyera's customers with another source of diluent and, because Keyera is currently the sole receipt point for condensate delivered into Alberta on the Cochin pipeline, all volumes shipped pass through Keyera's condensate network in Fort Saskatchewan.

To meet Keyera's contractual and operational commitments for its diluent handling services, Keyera plans to construct four condensate storage tanks at its Edmonton terminal. Each of these tanks is expected to be capable of holding approximately 60,000 barrels of product. The estimated cost for this project is approximately $90 million. Based on the current schedule, and subject to receipt of regulatory approvals, these tanks are expected to be operational in 2017.

Keyera is currently evaluating participating in a 50/50 joint venture with another party to construct an above ground storage terminal. This facility would provide crude oil and condensate storage for producers, refiners and other potential customers. The feasibility of this project is currently being evaluated by Keyera and a final investment decision could be made in 2015.

In the fourth quarter of 2014, Keyera acquired two parcels of land in Fort Saskatchewan, near its fractionation and storage facility. The additional land allows Keyera to pursue new business opportunities in the area.

Keyera continues to focus on developing its rail and truck terminals, including the Alberta Diluent Terminal ("ADT") and South Cheecham terminal, to enable customers to receive and deliver oil and NGLs to markets across North America. The Josephburg Terminal currently under development, as well as the following rail and truck terminals, are recent examples of investments made to improve market access for Western Canadian producers:

Alberta Crude Terminal (50/50 joint venture with Kinder Morgan):

- The Alberta Crude Terminal ("ACT") is a crude oil rail loading facility capable of handling approximately 40,000 barrels per day of crude oil. This project included the construction of a 12-inch condensate pipeline connecting ADT to Keyera's Fort Saskatchewan Pipeline System.
- The cost of this project to Keyera was approximately $75 million, including half of the land acquired by ADT in 2013. Construction of ACT was underpinned by a multi-year, take-or-pay and fee-for-service agreement.
- ACT began operations in the fourth quarter of 2014 and is now capable of providing full services under the agreement with Irving Oil. Keyera is continuing to work with the railways to optimize volumes at the terminal.

Hull Terminal:

- The Hull terminal is a rail and truck terminal located in Hull, Texas (near Mont Belvieu) that is capable of handling NGL mix, propane, butane and iso-butane. The purpose of this facility is to access the Mont Belvieu market.
- Refurbishment of the terminal was completed in the third quarter and it began operations in the fourth quarter.
- The total cost of the refurbishment was approximately $47 million, including the initial acquisition cost of the terminal in 2012.

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

Facility/Area	Project Description	Project Status Update
Keyera Fort Saskatchewan	***De-ethanizer Project:*** construction of a 30,000 barrel per day C2+ mix fractionation facility in Fort Saskatchewan.	All major pieces of equipment have been installed on site and mechanical work continued in the fourth quarter of 2014. The facility is anticipated to be operational in the first quarter of 2015. *Estimated total cost to complete:* • Gross cost is approximately $233 million (Keyera's share is approximately $179 million) *Total net costs incurred by Keyera to December 31, 2014:* • $135 million
Keyera Fort Saskatchewan	***NGL Fractionation Expansion:*** construction of a 35,000 barrel per day C3+ mix fractionation facility, more than doubling the facility's existing capacity to 65,000 barrels per day. The project includes the construction of new receipt facilities, operational storage and pipeline connections.	Detailed engineering and site preparation work continued in the fourth quarter of 2014. This project is estimated to be complete in the first quarter of 2016. *Estimated total cost to complete:* • Gross cost is approximately $230 million (Keyera's share is approximately $176 million) *Total net costs incurred by Keyera to December 31, 2014:* • $28 million

Facility/Area	Project Description	Project Status Update
Keyera Fort Saskatchewan	***Underground Storage Development:*** development of the 13th, 14th and 15th underground storage caverns and the construction of a 4th brine pond.	Washing of the 13th cavern continued in 2014 and the cavern is expected to be in service by mid-2015. Drilling of the well bore for the 14th cavern was completed earlier in 2014 and washing is currently underway. The 4th brine pond is complete and is expected to be put into service in the first quarter of 2015. Drilling of the well bore for the 15th cavern was completed in the first quarter of 2015 and washing is expected to begin later this year.
Norlite Pipeline (30/70 joint venture with Enbridge)	***Norlite Pipeline:*** Keyera has committed to participate as a 30% non-operating owner in the Norlite Pipeline. Enbridge will construct and operate the pipeline which is expected to be in service in 2017. The scope includes a 24-inch pipeline, providing an initial capacity of approximately 224,000 barrels per day of diluent and the potential to be further expanded with the addition of pump stations. Keyera's diluent transportation system in the Fort Saskatchewan area will deliver product into the Norlite Pipeline, providing the Norlite shippers with access to multiple sources of diluent supply.	*Estimated total cost to complete:* • Gross cost as estimated by Enbridge is approximately $1.4 billion (Keyera's net share is approximately $420 million) *Total net costs incurred by Keyera to December 31, 2014:* • $11 million
Josephburg	***Josephburg Rail Terminal:*** construction of a rail loading terminal at Josephburg, located near Keyera's Fort Saskatchewan fractionation and storage facility. The terminal will facilitate propane movements out of western Canada by rail, a service that is becoming increasingly necessary. This facility will also be able to handle butane.	Civil engineering work was completed and construction began in the fourth quarter. The terminal is expected to be operational by mid-2015. *Estimated total cost to complete:* • approximately $95 million. *Total net costs incurred by Keyera to December 31, 2014:* • $30 million

The estimated costs and completion times for projects currently under development that are described above assume construction proceeds as planned, that actual costs are in line with estimates and, where applicable, that regulatory approval is obtained on a timely basis. The section of this MD&A titled, "Forward Looking Information" provides more information on factors that could affect the development of these projects.

The AEF facility operated close to design capacity in 2014. To increase rail loading capacity for iso-octane, Keyera completed modifications at the Edmonton Terminal in the second quarter of 2014 to enable iso-octane to be loaded at additional rail spots. In early 2015, Keyera added a truck loading facility at the AEF site. This truck terminal provides Keyera with further flexibility to meet local demand for iso-octane.

Marketing

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

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

Propane markets, in contrast, are more seasonal and geographically diverse. Keyera sells propane in various North American markets, often where the only option for delivery is via rail car or truck. Keyera is well positioned to serve these markets due to its extensive infrastructure and rail logistics expertise. Further, because demand for propane is typically significantly 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, and pricing differentials between different geographic locations. These risks are managed by purchasing and selling product at prices based on 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, British Columbia and Alberta (prior to 2015, Keyera's primary markets included California). Plant production volumes can be managed to correspond with contracted and spot sales opportunities. For this, and other reasons, iso-octane inventory may fluctuate depending on market conditions. Demand for iso-octane is seasonal, with higher demand in the summer months. There can be significant variability in iso-octane margins. As with Keyera's other marketing activities, there are strategies available to mitigate the risks associated with the commodity exposure, including the use of financial contracts. The section of this MD&A titled "Risk Management" provides more information on the risks associated with the sale of iso-octane and Keyera's related hedging strategy.

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

Operating margin for the Marketing segment was as follows:

Operating Margin and Sales Volumes (Thousands of Canadian dollars)	**2014**	2013
Revenue	**3,123,535**	2,887,375
Operating expenses including inter-segment transactions	**(2,886,096)**	(2,754,430)
Operating margin	**237,439**	132,945
Sales volumes (Bbl/d)	**94,800**	99,800

Composition of Marketing Revenue (Thousands of Canadian dollars)	**2014**	2013
Physical sales	**3,006,975**	2,932,695
Realized cash gain (loss) on financial contracts[1]	**59,449**	(30,544)
Unrealized gain (loss) due to reversal of financial contracts existing at end of prior period	**4,161**	(10,564)
Unrealized gain (loss) due to fair value of financial contracts existing at end of current period	**42,528**	(4,161)
Unrealized gain due to reversal of fixed price physical contracts existing at end of prior period	**1,577**	1,526
Unrealized gain (loss) due to fair value of fixed price physical contracts existing at end of current period[2]	**8,845**	(1,577)
Total unrealized gain (loss) on risk management contracts	**57,111**	(14,776)
Total gain (loss) on risk management contracts	**116,560**	(45,320)
Total Marketing revenue	**3,123,535**	2,887,375

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

Revenue and Operating Margin

The Marketing segment posted outstanding financial results in 2014 despite the decline in commodity prices experienced in the fourth quarter of the year. The overall increase in total Marketing revenue was largely due to higher sales volumes and higher average prices for iso-octane in the first nine months of the year, as well as $116.6 million of unrealized and realized gains resulting from Keyera's hedging program.

For the year ended December 31, 2014, operating margin was $237.4 million, $104.5 million or 79% higher than the prior year. These strong results were achieved in spite of recording an inventory write-down of approximately $59 million in the fourth quarter to reflect lower commodity prices as at December 31, 2014. The write-down of inventory primarily related to propane and to a lesser extent butane. However, a substantial portion of the decline

in value of inventory was offset by realized cash gains relating to risk management contracts settled in the fourth quarter as well as unrealized gains, of which a significant portion are expected to be settled into cash gains in the first quarter of 2015.

Excluding the effect of the inventory write-down and unrealized gains and losses in both periods, operating margin increased by approximately $91 million in 2014 compared to the prior year largely due to strong iso-octane margins that resulted from:

- an effective risk management strategy;
- attractive butane feedstock costs; and
- higher sales volumes.

Iso-octane margins were lower in 2013 due to two unplanned outages at AEF in the last half of the year.

Crude oil midstream activities performed well in 2014, also making a strong contribution to operating margin in the Marketing segment.

Market Overview

Margins for iso-octane were strong in 2014 due to attractive feedstock costs, an effective risk management strategy and higher sales volumes. Growing sales volumes have allowed the AEF facility to operate at close to capacity throughout 2014. Early in 2014, Keyera secured capacity at Kinder Morgan's Galena Park rail, storage and marine facility on the Gulf Coast to enhance its iso-octane distribution network in the United States. Under the terms of the agreement, Keyera has access to iso-octane storage and rail offload capacity.

When Keyera acquired AEF in 2012, the Kinder Morgan Trans Mountain Pipeline was the primary logistics option available to reach iso-octane customers on the West Coast. Beginning in 2015, Keyera no longer uses the Trans Mountain Pipeline and is now utilizing its rail capability to serve the British Columbia market. In 2014, Keyera completed modifications to rail spots at the Edmonton Terminal to increase its iso-octane rail loading capacity. In early 2015, Keyera completed the construction of a truck loading facility at the AEF site that provides Keyera with further logistics flexibility to deliver iso-octane into local markets.

In 2014, butane continued to be a significant contributor to Marketing results due to a balanced sales strategy and an effective risk management program. As butane prices typically soften in the spring and summer months, Keyera utilized its storage and rail transportation capabilities to import butane volumes during this period to effectively manage supply requirements, including the feedstock necessary for the production of iso-octane at AEF. Demand and pricing for butane is typically higher in the winter due to seasonal demand for cold weather gasoline blending. Keyera purchases the majority of its butane supply under term contracts rather than on the spot market, mitigating the financial impact of seasonal price spikes.

Condensate demand was balanced in 2014, resulting in stable margins during this period. Diluent demand has been lower than initially anticipated, due to several oil sands projects operating at lower than expected production levels, as well as incremental supply being delivered into Alberta from the Cochin pipeline. Keyera imports condensate into Alberta when demand fundamentals exist to support positive operating margins. Looking ahead, bitumen production is expected to increase in 2015 as certain oil sands projects come on stream. Accordingly, demand for condensate for use as a diluent is expected to rise. Keyera has invested in the infrastructure necessary to transport and handle incremental condensate supply to meet this growing demand.

In general, the sale of propane has become a relatively small contributor to Keyera’s overall Marketing margin as its strategy for purchasing supply involves passing a significant amount of the commodity price risk to the producer. Higher than average inventory levels across North America and unusually warm winter temperatures have resulted in excess supply and low prices for propane. Although Keyera wrote down its propane inventory to market value in the fourth quarter of 2014, effective financial and physical risk management contracts offset a substantial portion of this loss in value. A portion of these contracts were settled in the fourth quarter, with the

majority of the risk management contracts expected to be settled and the cash gains realized in the first quarter of 2015.

Looking ahead to 2015, inventory levels are expected to remain high for propane throughout North America while demand and pricing are expected to remain low. Accordingly, propane sales volumes and margins are not expected to improve in 2015.

To manage propane egress from western Canada, Keyera has expanded its rail fleet and is working with its customers to facilitate the movement of propane. In addition, Keyera is currently constructing a rail terminal at Josephburg, located near Keyera's Fort Saskatchewan fractionation and storage facility, to facilitate propane movements out of western Canada by rail. This terminal is expected to be operational in 2015.

Risk Management

When possible, Keyera uses hedging strategies to mitigate risk in its Marketing business. Keyera's hedging objective for iso-octane is to mitigate the effect of iso-octane price fluctuations on its future operating margins. The sales price for iso-octane is primarily based on the price of Reformulated Blendstock for Oxygen Blending ("RBOB"). RBOB is the highest volume refined product sold in the United States and has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize RBOB financial contracts to hedge a portion of its iso-octane sales.

When Keyera holds NGL inventory, Keyera typically uses physical and financial forward contracts to protect the value of that inventory from fluctuations in commodity prices. For propane in particular, contracts are generally put in place as inventory builds and are settled when products are expected to be withdrawn from inventory and sold. In general, the increase or decrease in the fair value of the contracts is intended to mitigate fluctuations in the value of the inventories and protect operating margin.

For the past two years, Keyera has used propane physical and financial forward contracts to hedge its propane inventory. However, the ability to enter into propane contracts may not be as liquid as other contracts, such as crude oil, and the risk management contracts may have a geographical basis risk, depending on contract terms. As propane markets evolve, Keyera will continue to monitor and adjust its hedging strategy to protect the value of its inventory.

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

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

- Once the product is in inventory, WTI financial forward contracts are generally used to protect the value of the inventory.

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

For the year ended December 31, 2014, the total unrealized gain on risk management contracts was $57.1 million, as detailed in the "Composition of Marketing Revenue" table above.

The fair value of outstanding financial contracts as at December 31, 2014, resulted in an unrealized (non-cash) gain of $42.5 million that includes the following significant items:

- a $6.4 million non-cash gain relating to butane and condensate supply and inventory risk management contracts;
- a $17.2 million non-cash gain relating to propane risk management contracts;
- a $19.4 million non-cash gain relating to iso-octane risk management contracts; and
- a $0.5 million non-cash loss relating to foreign currency and other financial contracts.

Fixed price physical contracts are also marked-to-market at the end of each period. The fair value of outstanding fixed price physical contracts as at December 31, 2014, resulted in an unrealized gain of $8.8 million. These contracts substantially all relate to propane.

The fair value of financial and fixed price physical contracts will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at December 31, 2014, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 21, Financial Instruments and Risk Management, of the accompanying financial statements.

NON-OPERATING EXPENSES AND OTHER INCOME

Non-Operating Expenses and Other Income (Thousands of Canadian dollars)	**2014**	2013
Other income (operating margin)	**26,704**	6,617
General and administrative (net of overhead recoveries on operated facilities)	**(43,890)**	(26,977)
Finance costs	**(50,519)**	(52,303)
Depreciation and amortization expense	**(138,697)**	(102,425)
Net foreign currency gain (loss) on U.S. debt	**4,633**	(602)
Long-term incentive plan expense	**(38,513)**	(28,297)
Loss on disposal of property, plant and equipment	**-**	(482)
Impairment expense	**(80,243)**	(577)
Income tax expense	**(93,977)**	(61,837)

Other Income

Beginning in 2010, Keyera acquired oil and gas reserves as part of the acquisition of ownership interests in the Minnehik Buck Lake and West Pembina facilities. As well, on May 1, 2014, Keyera acquired reserves in the Nisku geological horizon as part of its acquisition of the Cynthia gas plant and its incremental interest in the Bigoray gas plant. Keyera currently estimates the production decline rate associated with the Cynthia reserves to be between 25% and 30% annually and has no plans to drill additional wells. Keyera reports earnings (net of royalties and operating expenses) from the production associated with all of its reserves as other income.

Other income for the year ended December 31, 2014 was $26.7 million and included approximately $2.3 million in unrealized gains relating to risk management contracts put in place to protect the value for a portion of the reserves. Production for the year ended December 31, 2014 averaged 4,777 barrels of oil equivalent per day compared to 1,048 barrels of oil equivalent per day for the same periods in 2013. An impairment charge was recorded against the Cynthia and Minnehik Buck Lake reserves to reduce their carrying value to their respective recoverable amounts as prescribed by GAAP. The section below titled, Impairment, provides more information on these impairment charges.

In 2014, other income was reduced by approximately $3.5 million expense paid to Keyera's Gathering and Processing segment related to the turnaround completed in the second quarter at the Cynthia gas plant. The turnaround costs were charged by the Gathering and Processing segment in accordance with the plant's operating cost flow-through model.

General and Administrative Expenses

General and administrative ("G&A") expenses for the year ended December 31, 2014 was $16.9 million higher than the prior year, primarily due to the following factors:

- higher staffing and related costs required to support the growth in Keyera's business;
- higher expense related to Keyera's short-term incentive plan that was based on the strong 2014 financial results; and
- higher pre-engineering costs associated with projects that have not been sanctioned for further development.

Finance Costs (including accretion)

Finance costs were $50.5 million for the year ended December 31, 2014, $1.8 million lower than in 2013. The effect of higher interest charges associated with the issuance of approximately $220 million and US$205 million of long-term notes in the fourth quarter of 2013 was more than offset by interest capitalized on certain capital projects. Interest capitalized for the year ended December 31, 2014 was $22.3 million compared to $5.6 million capitalized in the prior year.

Depreciation and Amortization

Depreciation and amortization expenses were $36.3 million higher in 2014 compared to the prior year. The increase in depreciation expense was largely due to: i) an increase in Keyera's asset base resulting from significant growth capital expenditures in 2013 and 2014; and ii) higher depletion expense associated with the acquisition of the Cynthia reserves in the second quarter of 2014.

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

The net foreign currency gain (loss) associated with the U.S. debt comprise the following:

Net Foreign Currency Gain (Loss) on U.S. Debt (Thousands of Canadian dollars)	2014	2013
Net foreign currency gain (loss) resulting from:		
Translation of US$504 million long-term debt	**(48,637)**	(24,457)
Translation of accrued interest payable	**(383)**	(221)
Change in fair value of the cross currency swap – principal and interest portion	**55,588**	29,964
Loss on cross currency swap – principal portion[1]	**-**	(3,075)
Loss on cross currency swap – interest portion[2]	**(1,935)**	(2,813)
Net foreign currency gain (loss) on U.S. debt	**4,633**	(602)

Notes:
[1] A foreign currency loss resulted from the exchange of currencies relating to the principal portions of the US$205 million cross-currency swaps that were received on November 20, 2013.
[2] A foreign currency loss resulted from the exchange of currencies relating to the interest payments.

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

A net foreign currency gain of $4.6 million was recorded for the year ended December 31, 2014. The translation of U.S. dollar denominated debt into Canadian dollars resulted in a $48.6 million non-cash loss as the Canadian dollar weakened in relation to the U.S. dollar at the end of December 2014 relative to the end 2013. This unrealized loss was more than offset by a $55.6 million non-cash gain resulting from the change in fair value of cross currency swap agreements as at December 31, 2014.

Long-Term Incentive Plan Expense

The Long-Term Incentive Plan (“LTIP”) expense was $38.5 million for the year ended December 31, 2014, $10.2 million higher than the prior year. This increase was largely due to a higher expected payout multiplier associated with the performance awards portion of the LTIP. The payout multiplier is based on Keyera’s: i) average annual pre-tax distributable cash flow per share over a three-year vesting period; and ii) total shareholder return relative to its peers over a three year vesting period. The higher LTIP expense was also due to a 27% increase in Keyera’s share price as at December 31, 2014, relative to the end of 2013.

Loss On Disposal of Property, Plant and Equipment

In the fourth quarter of 2013, Keyera disposed of four propane terminals located in the U.S. for proceeds of approximately $9.6 million. Accordingly, a loss was recorded in the amount of $0.5 million relating to this disposition.

Impairment Expense

Keyera reviews its assets for impairment on a quarterly basis and in the fourth quarter of 2014 an impairment expense of $80.2 million was recorded. Of this amount, approximately $49 million related to the impairment of the Caribou, Nevis and Paddle River gas plants. The factors that led to a reduction in the carrying values of these facilities included:

- the carrying value for several facilities were increased as a result of measuring the decommissioning liability at a lower discount rate, which increased the liability and the corresponding asset base as at December 31, 2014; and
- lower producer activity and throughput in the capture areas surrounding the Caribou and Paddle River gas plants.

The remaining $31 million of impairment expense was recorded to reduce the carrying value of the Cynthia and Minnehik Buck Lake reserves to the net present value of the proven reserves. The factors that led to a reduction in the carrying values of these reserves included: i) an increase in the asset base at year-end resulting from the lower discount rate used in measuring the decommissioning liability; and ii) a lower commodity price outlook as at December 31, 2014.

In the first quarter of 2013, the carrying value of a terminal located in the U.S. was written off, resulting in an impairment expense of $0.6 million. This terminal was subsequently sold in the fourth quarter of 2013.

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

Taxes

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

Deferred Income Taxes

For the year ended December 31, 2014, deferred income tax expense was $61.5 million, $1.9 million higher than last year. Although earnings before taxes increased significantly in 2014 compared to the prior year, deferred income tax expense only increased marginally. This was largely a result of the shift from deferred to current income taxes in 2014, as available tax pools were not sufficient to shelter the increase in taxable income. In prior years, Keyera utilized tax pools to reduce current income tax expense to an insignificant amount thereby increasing deferred income tax expense in those years.

Current Income Taxes

Current income tax expense for the year ended December 31, 2014 was $32.5 million, $30 million higher than the prior year. For 2015, cash taxes are currently expected to range between $85 million and $95 million and represent approximately 20% to 23% of Keyera's 2014 pre-tax distributable cash flow. This estimate is largely based on 2014 taxable income from the Partnership that is allocated to Keyera Corp. in 2015. This income deferral is available to Keyera as its corporate structure includes a deferral partnership. Keyera expects cash taxes for 2016 will be reduced as a result of increased capital cost allowance deductions related to several major capital expenditures that become available for use in 2015.

SUMMARY FOURTH QUARTER RESULTS

Fourth Quarter Financial and Operational Highlights (Thousands of Canadian dollars, except per unit and volumetric information)	**Three Months Ended December 31,** **2014**	2013
Operating Margin[1]		
Gathering and Processing	**52,079**	37,983
NGL Infrastructure	**54,976**	33,781
Marketing	**67,769**	29,044
Other	**12,829**	1,551
	187,653	102,359
Net earnings	**29,387**	34,396
Net earnings per share (basic)	**0.35**	0.44
Cash flow from operating activities	**179,759**	172,597
Distributable cash flow[2]	**102,356**	74,975
Distributable cash flow per share (basic)[2]	**1.22**	0.95
Dividends declared	**54,353**	47,297
Dividends declared per share	**0.65**	0.60
Adjusted EBITDA[3]	**127,879**	99,474
Capital expenditures (including acquisitions)	**309,384**	121,064
Dispositions	**-**	9,550
Volumetric Information		
Gathering and Processing:		
Gross processing throughput (MMcf/d)	**1,562**	1,283
Net processing throughput (MMcf/d)	**1,292**	1,051
NGL Infrastructure:		
Gross processing throughput (Mbbl/d)	**114**	112
Net processing throughput (Mbbl/d)	**34**	34
Marketing:		
Sales volumes (bbl/d)	**112,100**	117,200

Notes:
1 Total operating margin refers to total operating revenues less total operating expenses and general and administrative expenses associated with the Marketing segment. See note 29 of the accompanying financial statements.
2 Distributable cash flow is not a standard measure under GAAP. See the section titled, "Dividends: Distributable Cash Flow", for a reconciliation of distributable cash flow to its most closely related GAAP measure.
3. Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization, accretion, impairment expenses, unrealized gains/losses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment. Adjusted EBITDA is not a standard measure under GAAP. See the section of the MD&A titled, "EBITDA", for a reconciliation of Adjusted EBITDA to its most closely related GAAP measure.

Net Earnings

Net earnings in the fourth quarter of 2014 were $29.4 million, $5.0 million lower than the same period in 2013. Net earnings were lower in the fourth quarter of 2014 due to several non-cash charges including the following:

- an impairment charge of $80.2 million, of which approximately $49 million related to the Caribou, Paddle River and Nevis gas plants and the remainder related to the Cynthia and Minnehik Buck Lake reserves; and

- higher depreciation charges associated with the significant growth in Keyera's assets, as well as higher depletion expense related to the Cynthia reserves that were acquired in the second quarter of 2014.

Offsetting a significant portion of these non-cash charges were higher operating margin from all business segments in the fourth quarter of 2014 compared to the same period in 2013. The section of this MD&A titled, "Non-Operating Expenses and Other Income", provides more information related to these non-cash charges.

Operating Margin
Total operating margin for the fourth quarter of 2014 was $187.7 million, $85.3 million higher than the same period in 2013 due to higher financial results from all business segments.

Gathering and Processing
Operating margin for the Gathering and Processing business was $52.1 million, $14.1 million higher in the fourth quarter of 2014 compared to the same period in 2013, mainly due to:

- higher throughput at the Rimbey, Strachan, Simonette, Brazeau River and Minnehik Buck Lake gas plants resulting from strong drilling activity in the areas surrounding these facilities;
- incremental volumes and revenue from the Wapiti pipeline system that feeds into the Simonette gas plant and became operational in the fourth quarter of 2014; and
- approximately $3 million in higher revenues relating to the recovery of costs associated with the turnarounds completed at the Strachan gas plant in the second quarter.

Partly offsetting these higher operating results in the fourth quarter of 2014 were the following: i) a $1.3 million downward adjustment to revenue at the Strachan gas plant relating to a prior period; and ii) a $1.5 million downward adjustment to revenue relating to the recovery of turnaround costs at the Cynthia gas plant (offsetting adjustment was recorded to the "Corporate and Other" segment).

NGL Infrastructure
Operating margin from the NGL Infrastructure segment was $55.0 million, $21.2 million higher than the fourth quarter of 2013. The higher margin was largely due to the following factors:

- higher fees for NGL fractionation and storage services, resulting from continued strong demand for these services;
- higher volumes and tariffs on the Fort Saskatchewan pipelines, as well as an increase in volumes on the Fort Saskatchewan Condensate System;
- higher production at AEF, which resulted in higher fees charged to the Marketing segment for the production of iso-octane; and
- incremental margins from the Alberta Crude Terminal, which commenced operation in October 2014.

Operating margin was unusually low in the fourth quarter of 2013 resulting from an approximately 27 day maintenance outage at AEF in that period.

Marketing
Operating margin from the Marketing segment was $67.8 million, $38.7 million higher in the fourth quarter of 2014 compared to the same period in 2013. Operating margin in 2014 included:

- approximately $59 million in inventory write-downs;

- $41.4 million in unrealized gains relating to risk management contracts (compared to an unrealized loss of $12 million in the fourth quarter of 2013).

Refer to the section of the MD&A titled, “Results of Operations: Marketing”, for more information relating to the inventory write-down and Keyera’s risk management strategy. Excluding the effect of the inventory write-down and non-cash gains and losses in both periods, operating margin was approximately $44 million higher in the fourth quarter of 2014. The higher margin in 2014 was largely due to:

- Significantly higher margins for iso-octane resulting from an effective risk management strategy, attractive feedstock costs and higher sales volume. By comparison, iso-octane margins were unusually low in the fourth quarter of 2013 due to the maintenance outage at AEF during that period.

- Higher realized cash gains relating to risk management contracts that were put in place to lock in the supply price of butane and to protect the value of product held in inventory. Keyera’s risk management strategy can result in differences in timing between when the financial contracts are settled and when the products are sold from inventory. Refer to the section of the MD&A titled, “Results of Operations: Marketing, Risk Management”, for more information relating to the various risk management strategies.

Corporate and Other
Keyera reports earnings (net of royalties and operating expenses) from the production associated with all of its reserves as other income. Other income was $11.3 million higher in the fourth quarter of 2014 compared to the same period in 2013 due to the acquisition of the Cynthia reserves on May 1, 2014.

Cash Flow Metrics
Cash flow metrics were strong in the fourth quarter of 2014 primarily due to the strong financial performance by all operating segments, as well as the incremental cash flow from the Cynthia reserves acquired earlier in the year. Distributable cash flow was $102.4 million in the fourth quarter of 2014, $27.4 million higher than the same period last year despite recording a $59.1 million inventory write-down as well as higher cash taxes in 2014.

Cash flow from operating activities was $179.8 million, $7.2 million higher than the same period in 2013. The effect of higher operating results from all business units was partly offset by the effect of lower commodity prices at the end of 2014 on working capital, in particular accounts payable. The decline in NGL prices at the end of 2014 resulted in a corresponding decrease in accounts payable at the end of the period relative to September 30, 2014. Essentially, higher cost inventory was paid for in cash in the fourth quarter of 2014 and the benefits of lower cost inventory will not be realized in operating cash flow until 2015.

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

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

At December 31, 2014, operating revenues and accounts receivable for the Gathering and Processing and NGL Infrastructure segments contained an estimate of approximately $51 million primarily for December 2014 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. They are reversed in the following month and replaced with actual results.

At December 31, 2014, the Marketing sales and accounts receivable contained an estimate for December 2014 revenues of approximately $94 million.

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

At December 31, 2014, operating expenses and accounts payable contained an estimate of approximately $24 million primarily for December 2014 operations.

Marketing:
NGL mix feedstock and specification products such as propane, butane and condensate are purchased from facilities located throughout western Canada and in some locations in the United States. The majority of NGL mix purchases are estimated each month as actual volume information is generally not available until the next month. The estimates are prepared based upon a three month rolling average of production volumes for each facility and an estimate of price based upon historical information. Specification product volumes and prices are based upon contract volumes and prices. Accordingly, the financial statements contain an estimate for one month of these purchases.

Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of approximately $80 million at December 31, 2014.

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 $12 million was included in revenue and accounts receivable at December 31, 2014. Operating expenses and accounts payable contained an equalization adjustment of $33 million.

Decommissioning Liability
Keyera will be responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its facilities at the end of their economic life. The decommissioning obligation is

generally expected to be incurred over the next 30 years. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding the amount and timing of these costs. No assets have been legally restricted for settlement of the liability.

The 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 $433.8 million at December 31, 2014, compared to $308.0 million at December 31, 2013. The increase in the liability since the end of 2013 largely relates to the following: (a) reduction in the risk free rate, which is used to calculate the fair value of the decommissioning liability, from 3.24% to 2.33%; (b) the acquisition of the Cynthia and Ricinus gas plants; and (c) updated cost estimates at certain Keyera facilities.

Refer to note 15, Decommissioning Liability, of the accompanying financial statements for a reconciliation of the beginning and ending carrying amount of the decommissioning liability. Additional information related to decommissioning, abandonment and reclamation is also provided in Keyera's Annual Information Form, which is available on SEDAR at www.sedar.com.

Derivative Financial Instruments

Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spreads. Note 21, "Financial Instruments and Risk Management", of the accompanying financial statements provides a summary of the fair value of derivative financial instruments existing at December 31, 2014.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counter-party. The allowance for doubtful accounts was $2.6 million as at December 31, 2014 compared to $3.4 million at December 31, 2013.

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the years ended December 31, 2014, and December 31, 2013:

Cash inflows (outflows) (Thousands of Canadian dollars)				
	2014	2013	**Increase (decrease)**	**Explanation**
Operating	**460,594**	385,094	75,500	The increase in cash was largely due to the considerably higher financial results from all operating segments in 2014 that was partly offset by the effect of lower commodity prices at the end of 2014 on working capital, in particular accounts payable. The decline in NGL prices at the end of 2014 resulted in a corresponding decrease in accounts payable at the end of the period relative to December 2013. Essentially, higher cost inventory was paid for in cash in 2014 and the benefits of lower cost inventory will not be realized in operating cash flow until 2015.
Investing	**(966,837)**	(321,185)	(645,652)	Capital expenditures were higher in 2014 with the construction of several growth projects, including: the Rimbey turbo expander project; the de-ethanizer project at Fort Saskatchewan; and the plant expansion and construction of the Wapiti pipeline system at Simonette. Capital expenditures in 2014 also included the acquisition of the Cynthia gas plant and associated reserves, as well as the Ricinus gas plant for purchase prices of approximately $113 million and $65 million respectively.
Financing	**326,549**	121,417	205,132	Cash generated from financing activities in 2014 was higher as Keyera issued 4,312,500 common shares in the second quarter for gross proceeds of approximately $318 million. In addition, $75 million of proceeds were received from the second closing of the private long-term debt placement entered into in the third quarter of 2013. A portion of these funds were used to fund Keyera's capital expenditures.

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

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

A working capital surplus (current assets less current liabilities) of $80.7 million existed at December 31, 2014, compared to a surplus of $306.8 million at December 31, 2013.

Equity Financing

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

Dividend Reinvestment Plan

Keyera's dividend reinvestment plan (the "Plan") consists of two components: a Premium Dividend™ ("Premium DRIP™") reinvestment component and a regular dividend reinvestment component ("DRIP"). The DRIP component allows eligible Shareholders of Keyera to direct their cash dividends to be reinvested in additional common shares issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) on the applicable dividend payment date. The Premium DRIP™ component permitted eligible Shareholders to elect to have these additional common shares delivered to the designated plan broker in exchange for a premium cash payment equal to 102% of the regular, declared cash dividend that was reinvested on their behalf under the Plan. The Premium DRIP™ component has been suspended since April 2010. The DRIP component remains in effect.

The Plan generated cash of $63.3 million for the year ended December 31, 2014, and $52.1 million in 2013.

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at December 31, 2014:

As at December 31, 2014 (Thousands of Canadian dollars)	**Total**	**2015**	**2016**	**2017**	**2018**	**2019**	**After 2019**
Credit Facilities							
Bank credit facilities	90,000	—	—	—	—	90,000	—
	90,000	—	—	—	—	90,000	—
Canadian dollar denominated debt							
4.66% due September 8, 2015	30,000	30,000	—	—	—	—	—
7.87% due May 1, 2016	35,000	—	35,000	—	—	—	—
5.89% due December 3, 2017	60,000	—	—	60,000	—	—	—
5.01% due January 4, 2019	70,000	—	—	—	—	70,000	—
4.35% due June 19, 2019	52,000	—	—	—	—	52,000	—
5.68% due September 8, 2020	2,000	—	—	—	—	—	2,000
6.14% due December 3, 2022	60,000	—	—	—	—	—	60,000
4.91% due June 19, 2024	17,000	—	—	—	—	—	17,000
4.92% due October 10, 2025	100,000	—	—	—	—	—	100,000
5.05% due November 20, 2025	20,000	—	—	—	—	—	20,000
5.09% due October 10, 2028	100,000	—	—	—	—	—	100,000
5.34% due April 8, 2029	75,000	—	—	—	—	—	75,000
	621,000	30,000	35,000	60,000	—	122,000	374,000
US dollar denominated debt							
3.91% due September 8, 2015 (US$15,000)	17,402	17,402	—	—	—	—	—
8.40% due May 1, 2016 (US$50,000)	58,004	—	58,004	—	—	—	—
3.42% due June 19, 2019 (US$3,000)	3,480	—	—	—	—	3,480	—
5.14% due September 8, 2020 (US$103,000)	119,490	—	—	—	—	—	119,490
4.19% due June 19, 2024 (US$128,000)	148,493	—	—	—	—	—	148,493
4.75% due November 20, 2025 (US$140,000)	162,414	—	—	—	—	—	162,414
4.95% due November 20, 2028 (US$65,000)	75,407	—	—	—	—	—	75,407
	584,690	17,402	58,004	—	—	3,480	505,804
Less: Current portion of long-term debt	(47,402)	(47,402)					
Total long-term debt	**1,248,288**	—	**93,004**	**60,000**	—	**215,480**	**879,804**

As at December 31, 2014, Keyera had $621 million and US$504 million of unsecured senior notes including amounts drawn under the uncommitted shelf facility. In order to manage the foreign currency exposure on the U.S. dollar denominated debt existing at December 31, 2014, Keyera has entered into cross-currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of $1.2425, $1.0425, $0.9838 and $1.029 per U.S. dollar. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled, "Non-Operating Expenses and Other Income: Net Foreign Currency Gain (Loss) on U.S. Debt", provides more information.

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

In the fourth quarter of 2013, Keyera issued $200 million of senior unsecured long-term notes pursuant to an uncommitted private shelf agreement with the Prudential Capital Group ("Prudential"). The notes were issued as follows:

- $100 million bearing interest at 4.92% and maturing on October 10, 2025; and
- $100 million bearing interest at 5.09% and maturing on October 10, 2028.

Proceeds from the notes were used to pay down existing credit facilities and for other general corporate purposes, including Keyera's ongoing capital expenditure program.

In connection with this debt placement, Keyera and Prudential amended their current uncommitted private shelf agreement, including amendments providing for the issuance of up to US$350 million of notes, up from the previous limit of US$200 million. As at December 31, 2014, there was approximately US$67 million of capacity remaining under the amended shelf facility.

Also in the fourth quarter of 2013, Keyera entered into a private placement of 12-year and 15-year senior unsecured notes with a group of institutional investors in Canada and the U.S., in the principal amount of approximately US$205 million and $20 million. The following amounts were placed on November 20, 2013 in the following three tranches:

- $20 million denominated in Canadian dollars bearing interest at 5.05% and maturing on November 20, 2025;
- $140 million denominated in U.S. dollars bearing interest at 4.75% and maturing on November 20, 2025; and
- $65 million denominated in U.S. dollars bearing interest at 4.95% maturing on November 20, 2028.

An additional $75 million was placed on April 8, 2014 and bears interest at 5.34% with a maturity date of April 8, 2029. Net proceeds from the issuance of the notes were used to repay short-term bank debt and to fund a portion of growth capital expenditures.

In December 2014, Keyera amended its existing unsecured revolving credit facility (the "Credit Facility") with a syndicate of eight lenders to increase the Credit Facility from $750 million to $1 billion, with the potential to increase to $1.35 billion, subject to certain conditions. In addition, the term of the Credit Facility has been extended from December 6, 2017 to December 6, 2019. In 2013, the Credit Facility was amended to increase the

Debt to EBITDA financial covenant ratio which includes a deduction for working capital surplus (or addition of working capital deficit) when calculating debt, from 3.5 times to 4 times.

In addition, the Royal Bank of Canada has provided a $10 million unsecured revolving demand facility and the Toronto Dominion Bank has provided a further $25 million unsecured revolving demand facility. These 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, 2014, $90 million was drawn under these facilities (December 31, 2013- $nil) The Credit Facility agreement contains a number of covenants, all of which were met as at December 31, 2014. This agreement is available at www.sedar.com. Failure to adhere to the covenants may impair Keyera's ability to pay dividends. Management expects that upon maturity of the facilities, adequate replacement facilities will be established.

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the years ended December 31, 2014 and 2013:

Capital Expenditures and Acquisitions

(Thousands of Canadian dollars)	**2014**	2013
Acquisitions	**221,388**	31,878
Growth capital expenditures	**734,812**	299,849
Maintenance capital expenditures	**51,983**	39,663
Total capital expenditures	**1,008,183**	371,390

Growth capital expenditures for the year ended December 31, 2014 amounted to $734.8 million and included the following significant items:

Facility/Area	Expenditures: Year ended December 31, 2014 (Net costs to Keyera)	Description of Expenditures
Rimbey	$158 million	Work done on the Rimbey turbo project including fabrication of major equipment; the Carlos pipeline offload project; and the Wilson Creek pipeline. Both pipelines were completed in the second quarter of 2014.
Simonette	$182 million	Construction of the Wapiti pipeline; associated sour gas inlet facilities, condensate stabilizer and plant expansion.
Fort Saskatchewan	$126 million	Work associated with the de-ethanizer project, including fabrication and installation of major equipment; tie-in work related to the Cochin pipeline; and engineering work related to the fractionation expansion.
Fort Saskatchewan – Norlite Pipeline	$11 million	Keyera's share of engineering work associated with construction of the Norlite Pipeline.
Fort Saskatchewan – Josephburg Terminal	$29 million	Engineering and civil work associated with construction of the Josephburg terminal in Fort Saskatchewan.
Hull	$31 million	Refurbishment of the rail and truck terminal in Hull, Texas.
Strachan	$21 million	Construction of the sulphur handling fertilizer production facility.
ACT	$56 million	Work associated with the Alberta Crude Terminal project, including construction of the connector pipeline from ADT to Keyera's Fort Saskatchewan pipeline.
Alder Flats	$24 million	Keyera's share of costs associated with its 35% ownership interest in a new deep-cut gas plant and related pipelines currently being constructed by Bellatrix in the Alder Flats area of west central Alberta.
Zeta Creek	$4 million	Keyera's share of costs associated with its 60% ownership interest in the Zeta Creek gas plant, currently being constructed by Velvet in the West Pembina area of Alberta.

Acquisitions in 2014 included:

- the Cynthia gas plant and associated oil and gas reserves as well as a 4.6% ownership interest in the Bigoray gas plant for a total purchase price of approximately $113 million;
- a 70.79% ownership interest in the Ricinus gas plant in the fourth quarter for a total purchase price of approximately $65 million;
- the Twin Rivers East pipeline for approximately $10 million;
- two parcels of land in Fort Saskatchewan, near Keyera's fractionation and storage facility;
- the final 1.8% ownership interest in the Strachan gas plant; and
- 0.6% and 0.5% ownership interests in the Brazeau River and Rimbey gas plants.

The section of this MD&A titled, "Results of Operations", provides more details on the assets acquired in these transactions.

Major turnarounds were completed in the second quarter of 2014 at the Strachan, Caribou, Cynthia and West Pembina gas plants. Keyera's share of the costs associated with these turnarounds was approximately $38 million and is included in maintenance capital.

Keyera has committed to construct and operate several facility additions. The Norlite Pipeline will be constructed and operated by Enbridge and the sulphur handling fertilizer production facility is being constructed by Sulvaris and will be operated by Keyera. The section of this MD&A titled, "Results of Operations: Gathering and Processing and NGL Infrastructure", provides information relating to these projects, including estimated costs to complete, costs incurred to date and estimated completion timeframes.

Keyera has comprehensive inspection, monitoring and maintenance programs in place. The objectives of these programs are to keep Keyera's facilities in good working order, and to maintain their ability to operate reliably for many years. In addition to the maintenance capital expenditures, Keyera incurred maintenance and repair expenses of $65.2 million for the year ended December 31, 2014, and $50.6 million in the prior year. The majority of these expenditures will be recovered over varying periods of time, depending upon the fee structure at each facility.

Keyera's ongoing operations are not heavily dependent on capital expenditures in order to maintain current levels of cash flow. However, to grow future cash flow, Keyera must invest growth capital to expand its current asset base and capture new opportunities. Keyera expects its growth capital investment, excluding acquisitions, for 2015 to be between $700 million and $800 million. Maintenance capital for 2015 is expected to be approximately $65 million. This capital is expected to be funded by cash flow from operating activities, the DRIP program and existing credit facilities, augmented if necessary by incremental debt and equity financing. Access to debt and equity financing is dependent on Keyera's ongoing financial performance and general market conditions. Readers are referred to the section of the MD&A titled, "Forward Looking Information" for a further discussion of the assumptions and risks that could affect future performance and plans.

Dividends

Distributable Cash Flow

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

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

Distributable Cash Flow (Thousands of Canadian dollars)	**2014**	2013
Cash flow from operating activities	**460,594**	385,094
Add (deduct):		
Changes in non-cash working capital	**79,502**	(27,013)
Long-term incentive plan expense	**(38,513)**	(28,297)
Maintenance capital	**(51,983)**	(39,663)
Inventory write-down	**(60,639)**	(2,058)
Distributable cash flow	**388,961**	288,063
Dividends declared to shareholders	**207,228**	177,132

For the year ended December 31, 2014, dividends declared were $207.2 million, or 53% of distributable cash flow, compared to dividends declared of $177.1 million, or 61% of distributable cash flow in 2013.

Keyera posted strong distributable cash flow in 2014, $100.9 million or 35% higher than the prior year. The significantly higher distributable cash flow in 2014 was largely due to strong producer activity related to the development of liquids-rich natural gas in areas around several of Keyera's gas plants, the continued demand for storage, fractionation and transportation services, and strong margins for iso-octane. These strong results were achieved despite recording a write-down in inventory of $60.6 million, the majority of which was recorded in the fourth quarter of 2014, and completing four major turnarounds in the second quarter at a total cost of approximately $38 million. This is compared to turnaround costs of approximately $17 million recorded in 2013. In addition, cash taxes were approximately $32 million in 2014 compared to $2 million of cash taxes in the prior year. The section of this MD&A titled, "Segmented Results of Operations: Marketing", provides more information on the factors that resulted in the inventory write-down as well as Keyera's risk management strategy.

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

Dividend Policy

Keyera increased its dividend by 7.5% from $0.20 per share per month to $0.215 per share per month, or $2.58 per share annually, beginning with its dividend paid on June 16, 2014. On February 11, 2015, Keyera announced a 7% dividend increase from $0.215 per share per month, to $0.23 per share per month or $2.76 per share annually, beginning with its March dividend payable on April 15, 2015 to shareholders of record on March 23, 2015. The ex-dividend date is March 19, 2015.

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.

On February 11, 2015, Keyera also announced a two-for-one split of Keyera's outstanding common shares. The record date for the share split will be April 1, 2015. Keyera plans to maintain its monthly dividend policy, adjusted to take into account the share split.

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

EBITDA

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

Beginning in the second quarter of 2014, Keyera began providing the calculation of both EBITDA and Adjusted EBITDA. Management believes these measures are a meaningful indication of performance, as they are frequently used by securities analysts, investors, and other interested parties.

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

EBITDA **For the year ended**	**December 31, 2014** **$**	December 31, 2013 $
Net earnings	**229,989**	146,836
Add (deduct):		
Finance costs	**50,519**	52,303
Depreciation and amortization	**138,697**	102,425
Income tax expense	**93,977**	61,837
EBITDA	**513,182**	363,401
Unrealized (gain) loss on commodity contracts	**(58,741)**	14,262
Net foreign currency (gain) loss on U.S. debt	**(4,633)**	602
Loss on disposal of assets	**—**	482
Impairment expense	**80,243**	577
Adjusted EBITDA	**530,051**	379,324

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. At December 31, 2014, the obligations that represent known future cash payments that are required under existing contractual arrangements were as follows:

Payments Due by Period

Contractual obligations (Thousands of Canadian dollars)	**Total** $	**2015** $	**2016** $	**2017** $	**2018** $	**2019** $	**After 2019** $
Dividends payable	18,133	18,133	—	—	—	—	—
Derivative financial instruments	23,372	19,770	3,602	—	—	—	—
Credit facility	90,000	—	—	—	—	90,000	—
Long-term debt[1,6]	1,205,690	47,402	93,004	60,000	—	125,480	879,804
Long-term incentive plan	41,519	24,866	12,393	4,260	—	—	—
Decommissioning liabilities[2]	433,769	9,557	—	—	—	—	424,212
Operating leases[3]	212,321	31,419	40,956	36,277	30,995	22,124	50,550
Purchase obligations[4,5]	127,860	127,860	—	—	—	—	—
Total contractual obligations	2,152,664	279,007	149,955	100,537	30,995	237,604	1,354,566

Notes:

1. Long-term debt obligations do not include interest payments.
2. The majority of these obligations are expected to be settled between 2015 and 2040. No assets have been legally restricted for settlement of the liability.
3. Keyera has lease commitments relating to railway tank cars, vehicles, computer hardware, office space, terminal lease space and natural gas transportation.
4. Purchase obligations include the construction of pipelines and other major capital projects which are contracted out to third parties.
5. Keyera is involved in various contractual agreements with various producers to purchase NGLs. These agreements range from one to ten years and in general obligate Keyera to purchase all products produced at specified locations. The purchase prices are based on then current market prices. The future volumes and prices for these contracts cannot be reasonably determined and therefore no amount has been included in purchase obligations to reflect these contractual agreements.
6. Long-term debt, net of issuance costs, includes US$3,000, US$50,000, US$118,000, US$128,000, US$65,000 and US$140,000 of senior unsecured notes converted at the December 31, 2014 spot foreign exchange rate of 1.1601.

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, 2014, annual audited financial statements.

RISK FACTORS

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

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

The most significant exposure faced by the Marketing business is the fluctuation in the prices of the commodities that Keyera buys and sells.

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

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

While these laws and regulations affect all dimensions of Keyera's activities, Keyera does not believe that they affect its operations in a manner materially different from other comparable businesses operating in the same jurisdictions. A more complete discussion of regulatory risks can be found in the Annual Information Form available on SEDAR at www.sedar.com.

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

Keyera regularly monitors accounts receivable for collection purposes and reviews exposure to customers and counterparties. As at December 31, 2014, the allowance for doubtful accounts was $2.6 million. Despite Keyera's efforts in the monitoring and collection of accounts receivable, actual losses from defaults may be greater than that provided for.

For a discussion of the risks that could affect Keyera's liquidity and working capital and the steps Keyera takes to mitigate these risks, readers are referred to note 21, Financial Instruments and Risk Management, to the accompanying financial statements and to Keyera's Annual Information Form, which are available on SEDAR at www.sedar.com.

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

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

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

Operational Risk

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

Foreign Currency Risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency. Keyera's functional currency is the Canadian dollar. The Gathering and Processing and NGL Infrastructure segments are not subject to foreign currency risk as all sales and virtually all purchases are denominated in Canadian dollars. In the Marketing business, approximately US$1,195 million of sales and US$772 million of purchases were priced in U.S. dollars in 2014 compared to US$886 million of sales and US$900 million of purchases denominated in U.S. dollars in 2013. Foreign currency risk is actively managed by using forward currency contracts and cross currency swaps. Management monitors the exposure to foreign currency risk and regularly reviews its risk management strategies and all outstanding positions.

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

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

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

Greenhouse gases, mainly carbon dioxide and methane, are components of the raw natural gas processed and handled at Keyera's facilities. Operations at Keyera's facilities, including the combustion of fossil fuels in engines, heaters and boilers, release carbon dioxide, methane and other minor greenhouse gases. As such, Keyera is subject to various greenhouse gas reporting and reduction programs. Keyera uses internal resources and

engineering consulting firms 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 closely monitors political and legislative developments as they relate to climate change as well as other environmental and regulatory matters. For a detailed discussion of environmental regulations that affect Keyera and the risks associated therewith, refer to Keyera's Annual Information Form which is available at www.sedar.com.

SELECTED FINANCIAL INFORMATION

The following table presents selected annual financial information for Keyera:

(Thousands of Canadian dollars, except per unit information)	**2014**	2013	2012
Revenue before intersegment eliminations[1]			
- Gathering and Processing	**426,455**	343,639	322,351
- NGL Infrastructure	**306,065**	223,501	191,046
- Marketing	**3,123,535**	2,887,375	2,574,864
- Other	**46,863**	11,775	10,034
Operating Margin			
- Gathering and Processing	**218,296**	157,474	150,902
- NGL Infrastructure	**188,756**	123,300	112,545
- Marketing	**237,439**	132,945	91,957
- Other	**26,704**	6,617	5,499
Net earnings	**229,989**	146,836	130,601
Net earnings per share ($/share):			
- Basic	**2.80**	1.87	1.71
- Diluted	**2.80**	1.87	1.71
Dividends to shareholders	**207,228**	177,132	157,095
Dividends per share (basic)	**2.52**	2.26	2.06
Shares outstanding (thousands)			
- Weighted average (basic)	**82,183**	78,316	76,186
- Weighted average (diluted)	**82,183**	78,728	76,884
Total assets	**3,850,826**	3,051,065	2,678,338
Total long-term liabilities	**1,991,661**	1,647,051	1,337,260

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

Each of Keyera's business segments set a new record for operating margin in 2014. Operating margin in all business segments have trended upward over the past three years. In the Gathering and Processing segment, the robust drilling activity in Alberta has resulted in several core facilities now operating near capacity, including the Rimbey, Strachan, Minnehik Buck Lake, Pembina North and Brazeau North gas plants. The increase in drilling activity contributed to an increase in demand for fractionation, storage and transportation services. As a result, the NGL Infrastructure segment saw a growth in operating margin in 2014. Also contributing to the upward

trend in operating margin in the NGL Infrastructure segment were higher volumes and tariffs on the Fort Saskatchewan pipelines in 2014. In the Marketing segment, access to Kinder Morgan's Galena Park rail, storage and marine facility on the Gulf Coast starting in early 2014 allowed Keyera to enhance its iso-octane distribution network in the United States. Iso-octane margins grew in 2014, largely due to higher sales volumes and sales prices, lower feedstock costs and an effective risk management strategy.

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, 2014.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013
Revenue before inter-segment eliminations [2]								
Gathering and Processing	**115,131**	105,355	113,524	92,445	87,186	87,678	90,727	78,048
NGL Infrastructure	**84,784**	77,067	75,034	69,180	62,088	57,195	54,398	49,820
Marketing	**800,126**	746,591	735,513	841,305	827,786	679,351	682,700	697,538
Other	**16,463**	17,525	9,117	3,758	2,810	2,951	3,460	2,554
Operating Margin								
Gathering and Processing	**52,079**	53,982	63,981	48,254	37,983	40,654	38,936	39,901
NGL Infrastructure	**54,976**	45,775	48,955	39,050	33,781	31,380	29,126	29,013
Marketing	**67,769**	79,931	52,791	36,948	29,044	33,160	46,817	23,924
Other	**12,829**	10,947	445	2,483	1,551	1,681	2,192	1,193
Net earnings [1]	**29,387**	82,439	62,930	55,233	34,396	40,822	48,173	23,445
Net earnings per share ($/share)								
Basic	**0.35**	0.98	0.78	0.70	0.44	0.52	0.62	0.30
Diluted	**0.35**	0.98	0.78	0.70	0.43	0.52	0.61	0.30
Weighted average common shares (basic)	**84,235**	84,040	81,081	79,301	78,779	78,450	78,162	77,862
Weighted average common shares (diluted)	**84,235**	84,040	81,081	79,301	79,073	78,835	78,612	78,381
Dividends declared to shareholders	**54,353**	54,226	51,044	47,605	47,297	45,529	42,232	42,074

Notes:

1. Keyera has no transactions that require the use of other comprehensive income and therefore comprehensive income equals net earnings.
2. Keyera's Gathering and Processing and NGL Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. Revenue before inter-segment eliminations reflects these transactions. Inter-segment transactions are eliminated on consolidation in order to arrive at Operating Revenues in accordance with GAAP.

The Gathering and Processing segment has continued to grow as a result of incremental ownership interests in Keyera operated facilities and strong producer activity related to the development of liquids-rich natural gas in areas around several of Keyera's gas plants. In the NGL Infrastructure segment, continued demand for storage, fractionation, transportation and rail services, as well as the operation of AEF, have contributed to the growth in operating margin.

Operating margin from the Marketing segment can be affected by seasonal factors. The demand for iso-octane is typically highest in the second and third quarters as the demand for gasoline tends to be higher in the summer months. By comparison, propane sales are typically lower in the second and third quarters due to warmer weather and higher in the first and fourth quarters when propane demand is higher. Unrealized non-cash gains and losses resulting from the change in value of risk management contracts can also have a material effect on operating margin for this segment.

Net earnings were unusually low in the fourth quarter of 2014 due to several non-cash charges, including an impairment charge of $80.2 million, higher depreciation charges associated with the significant growth in Keyera's assets, and higher depletion expense related to the Cynthia reserves that were acquired in the second quarter of 2014.

FUTURE ACCOUNTING PRONOUNCEMENTS

Future IFRS Pronouncements

IFRS 9, Financial Instruments

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

Expected Impact

Keyera is in the process of reviewing the standard to determine whether there would be any changes to how Keyera currently recognizes and measures financial instruments. The new hedge accounting requirements within this standard are also being reviewed. Keyera currently does not follow hedge accounting to reflect its risk management activities.

IFRS 15, Revenue from Contracts with Customers

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

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

IFRS 15 also provides guidance for the recognition and measurement of gains and losses on the sale of certain non-financial assets, such as property, plant and equipment. This standard is effective January 1, 2017 with early adoption permitted.

Expected Impact

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

Amendments to IFRS 11, Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

Beginning January 1, 2016, amendments to IFRS 11 will take effect requiring entities acquiring an interest in a joint operation to apply, for its share of the business, all of the principles of a business combination set out in IFRS 3 on a prospective basis. The amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, the acquirers of such interests are to apply the relevant accounting principles of IFRS 3, Business Combinations and other standards, as well as disclosing the relevant information specified in these standards for business combinations.

Expected impact

As Keyera continues to purchase additional interests in existing joint operations, the amendments to IFRS 11 will potentially affect the accounting of these acquisitions. Keyera is currently in the process of reviewing this standard to determine its impact on future acquisitions.

Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortization)

Beginning January 1, 2016, amendments to IAS 16 Property, Plant and Equipment and IAS 38, Intangible Assets will no longer allow entities to depreciate property, plant, and equipment or amortize intangible assets using the ratio of revenue generated to total revenue expected methodology.

Expected impact

Keyera does not use the ratio of revenue method of depreciation or amortization; therefore, there will be no impact to Keyera's financial statements.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of December 31, 2014, Keyera's disclosure controls and procedures have provided reasonable assurance that material information relating to Keyera and its consolidated subsidiaries has been brought to their attention and that information required to be disclosed pursuant to applicable securities legislation has been recorded, processed, summarized and reported in an appropriate and timely manner.

Internal Controls Over Financial Reporting

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

No changes were made for the period beginning January 1, 2014, and ended December 31, 2014, that have materially affected, or are reasonably likely to materially affect Keyera's internal controls over financial reporting.

COMMON SHARES

There were 839,575 common shares issued under the DRIP for consideration of $63.3 million, bringing the total common shares outstanding at December 31, 2014 to 84,338,714.

Subsequent to December 31, 2014, 77,187 common shares were issued to shareholders enrolled in the DRIP for consideration of $6.2 million, bringing the total common shares outstanding at February 11, 2015 to 84,415,901.

On February 11, 2015, Keyera nnounced a two-for-one split of Keyera's outstanding common shares. The record date for the share split will be April 1, 2015.

NON-GAAP FINANCIAL MEASURES

This discussion and analysis refers to certain financial measures that are not determined in accordance with GAAP. Measures such as distributable cash flow (cash flow from operating activities adjusted for changes in non-cash working capital, long-term incentive plan costs, inventory write-down and maintenance capital expenditures); EBITDA (earnings before finance costs, taxes, depreciation, and amortization); and Adjusted EBITDA (calculated as EBITDA before costs associated with non-cash items, including unrealized gains/losses, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment) are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. Management believes that these supplemental measures facilitate the understanding of Keyera's results of operations, leverage, liquidity and financial position. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. EBITDA and Adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. Investors are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Keyera's performance.

FORWARD-LOOKING STATEMENTS

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

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

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

discussed in this MD&A and in Keyera's Annual Information Form dated February 11, 2015, filed on SEDAR and available on the Keyera website at *www.keyera.com*.

Proposed construction and completion schedules and budgets for capital projects are subject to many variables, including weather; availability and prices of materials; labour; customer project schedules and expected in service dates; quality of cost estimating; decision processes and approvals by joint venture partners; changes in project scope at the time of project sanctioning; regulatory approvals; and macro socio-economic trends. Pipeline projects are also subject to Keyera's ability to secure the necessary rights of way; and underground cavern development is dependent on sufficient water supply. As a result, expected timing, costs and benefits associated with these projects may differ materially from the descriptions in this MD&A. Further, some of the projects discussed in this MD&A are subject to securing sufficient producer/customer interest and may not proceed if sufficient commitments are not obtained. Typically, the earlier in the engineering process that projects are sanctioned, the greater the likelihood that the schedule and budget may change. Alberta's move toward a single regulator has affected approval processing times for projects that are subject to regulatory approval. The new regulatory requirements implemented with the transition to the AER, and possible future changes as integration of the regulatory bodies continues, create uncertainty for project timing, requirements and compliance. Regulatory applications are also subject to intervention by interested parties which could result in delays.

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

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

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

Investor Information

DIVIDENDS TO SHAREHOLDERS

Dividends declared to shareholders were $2.52 per share in 2014. Effective with the May 2014 dividend, payable to shareholders on June 16, 2014, Keyera's dividend increased by 7.5% to $0.215 per share per month, or $2.58 annually. On February 11, 2015, Keyera announced a 7% dividend increase from $0.215 per share per month, to $0.23 per share per month or $2.76 per share annually, beginning with its dividend payable on April 15, 2015. Keyera is focused on providing stable long-term dividends per share that grow over time.

On February 11, 2015, Keyera also announced a two-for-one split of Keyera's outstanding common shares. The record date for the share split will be April 1, 2015. Keyera plans to maintain its monthly dividend policy, adjusted to take into account the share split.

TAXABILITY OF DIVIDENDS

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

SUPPLEMENTARY INFORMATION

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

YEAR END 2014 RESULTS CONFERENCE CALL AND WEBCAST

Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2014 results at 8:00 am mountain time (10:00 am eastern) on February 12, 2015. Callers may participate by dialing either 1-888-231-8191 or 647-427-7450. An audio recording of the call will be available for replay until midnight, February 26, 2015, by dialing 1-855-859-2056 or 1-416-849-0833 and entering pass code 63716849.

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

QUESTIONS

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

Keyera Corp.

Consolidated Statements of Financial Position

(Thousands of Canadian dollars)

As at	Note	**December 31, 2014 $**	December 31, 2013 $
ASSETS			
Cash		**11,309**	186,651
Trade and other receivables	7	**402,965**	407,833
Derivative financial instruments	21	**77,810**	11,335
Inventory	8	**124,292**	175,658
Other assets	9	**5,334**	5,645
Total current assets		**621,710**	787,122
Derivative financial instruments	21	**75,303**	20,708
Property, plant and equipment	10	**3,099,129**	2,187,825
Intangible assets	11	**1,060**	1,786
Goodwill	12	**53,624**	53,624
Total assets		**3,850,826**	3,051,065
LIABILITIES AND EQUITY			
Trade and other payables	13	**446,122**	449,776
Derivative financial instruments	21	**19,770**	14,725
Dividends payable	19	**18,133**	15,804
Current portion of long-term debt	14	**47,402**	—
Current portion of decommissioning liability	15	**9,557**	—
Total current liabilities		**540,984**	480,305
Derivative financial instruments	21	**3,602**	1,908
Credit facilities	14	**90,000**	—
Long-term debt	14	**1,152,133**	1,077,140
Long-term incentive plan	20	**16,653**	13,305
Decommissioning liability	15	**424,212**	307,968
Deferred tax liabilities	16	**305,061**	246,730
Total liabilities		**2,532,645**	2,127,356
Equity			
Share capital	17	**1,364,522**	992,811
Accumulated deficit		**(46,341)**	(69,102)
Total equity		**1,318,181**	923,709
Total liabilities and equity		**3,850,826**	3,051,065

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

These audited consolidated financial statements were approved by the board of directors of Keyera Corp. on February 11, 2015.

(Signed) H. Neil Nichols
Director

(Signed) David G. Smith
Director

Keyera Corp.

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

	Note	**2014** **$**	2013 $
Operating revenues	29	**3,623,701**	3,277,207
Operating expenses	29	**(2,952,506)**	(2,856,871)
		671,195	420,336
General and administrative expenses	24	**(43,890)**	(26,977)
Finance costs	25	**(50,519)**	(52,303)
Depreciation, depletion and amortization expenses	26	**(138,697)**	(102,425)
Net foreign currency gain (loss) on U.S. debt	22	**4,633**	(602)
Long-term incentive plan expense	20	**(38,513)**	(28,297)
Loss on disposal of property, plant and equipment	10	**—**	(482)
Impairment expense	10	**(80,243)**	(577)
Earnings before income tax		**323,966**	208,673
Income tax expense	16	**(93,977)**	(61,837)
Net earnings		**229,989**	146,836
Other comprehensive income		**—**	—
Total comprehensive income		**229,989**	146,836
Earnings per share, pre-share split			
Basic earnings per share	18	**2.80**	1.87
Diluted earnings per share	18	**2.80**	1.87
Earnings per share, post-share split			
Basic earnings per share	31	**1.40**	0.94
Diluted earnings per share	31	**1.40**	0.94

See accompanying notes to the audited consolidated financial statements.

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

	Note	**2014** **$**	2013 $
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net earnings		**229,989**	146,836
Adjustments for items not affecting cash:			
Finance costs	25	**10,705**	10,566
Depreciation, depletion and amortization expenses	26	**138,697**	102,425
Long-term incentive plan expense	20	**38,513**	28,297
Unrealized gain on derivative financial instruments	21	**(114,329)**	(12,627)
Unrealized loss on foreign exchange		**40,156**	23,285
Deferred income tax expense	16	**61,524**	59,649
Inventory write-down	8	**60,639**	2,058
Loss on disposal of property, plant and equipment	10	**—**	482
Impairment expense	10	**80,243**	577
Decommissioning liability expenditures	15	**(6,041)**	(3,467)
Changes in non-cash working capital	28	**(79,502)**	27,013
Net cash provided by operating activities		**460,594**	385,094
INVESTING ACTIVITIES			
Acquisitions	10	**(221,388)**	(31,878)
Capital expenditures	10	**(786,795)**	(339,512)
Proceeds on sale of assets	10	**630**	9,811
Changes in non-cash working capital	28	**40,716**	40,394
Net cash used in investing activities		**(966,837)**	(321,185)
FINANCING ACTIVITIES			
Borrowings under credit facilities	14	**250,000**	1,350,000
Repayments under credit facilities	14	**(160,000)**	(1,485,000)
Proceeds from issuance of long-term debt	14	**75,000**	434,122
Financing costs related to long-term debt	14	**(2,070)**	(1,923)
Repayment of long-term debt	14	**—**	(52,500)
Repayment of convertible debenture		**—**	(39)
Proceeds from equity offering	17	**318,047**	—
Issuance costs related to equity offering	17	**(12,833)**	—
Proceeds from issuance of shares related to DRIP	17	**63,304**	52,064
Dividends paid to shareholders	19	**(204,899)**	(175,307)
Net cash provided by financing activities		**326,549**	121,417
Effect of exchange rate fluctuations on foreign cash held		**4,352**	807
Net (decrease) increase in cash		**(175,342)**	186,133
Cash, at the start of the period		**186,651**	518
Cash, at the end of the period		**11,309**	186,651

The following amounts are included in Cash Flows from Operating Activities:		
Income taxes paid in cash	**2,540**	2,188
Interest paid in cash	**61,270**	38,089

See accompanying notes to the audited consolidated financial statements.

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

		Accumulated Deficit		
	Stated Share Capital	Deficit	Contributed Surplus	**Total**
As at	**$**	**$**	**$**	**$**
Balance at December 31, 2012	**920,222**	**(38,806)**	**9,402**	**890,818**
Common shares issued on conversion of convertible debentures	20,525	—	(9,402)	11,123
Common shares issued pursuant to dividend reinvestment plans	52,064	—	—	52,064
Net earnings	—	146,836	—	146,836
Dividends declared to Shareholders	—	(177,132)	—	(177,132)
Balance at December 31, 2013	**992,811**	**(69,102)**	**—**	**923,709**
Common shares issued pursuant to dividend reinvestment plans	63,304	—	—	63,304
Common shares issued pursuant to equity offering[1]	308,407	—	—	308,407
Net earnings	—	229,989	—	229,989
Dividends declared to Shareholders	—	(207,228)	—	(207,228)
Balance at December 31, 2014	**1,364,522**	**(46,341)**	**—**	**1,318,181**

Notes:
[1] Net of issuance costs and related deferred income tax asset recorded. See note 17 for further information.

Keyera Corp.
Notes to Consolidated Financial Statements
As at and for the years ended December 31, 2014 and 2013
(All amounts expressed in thousands of Canadian dollars, except as otherwise noted)

1. GENERAL BUSINESS DESCRIPTION

The operating subsidiaries of Keyera Corp. include Keyera Partnership (the “Partnership”), Keyera Midstream Ltd. (“KML”), Keyera Energy Ltd. (“KEL”), Keyera Energy Inc. (“KEI”), Keyera Rimbey Ltd. (“KRL”), Keyera RP Ltd. (“KRPL”), Rimbey Pipeline Limited Partnership (“RPLP”), Alberta Diluent Terminal Ltd. (“ADT”) and Alberta Envirofuels Inc. (“AEF”). Keyera Corp. and its subsidiaries are involved in the business of natural gas gathering and processing, as well as natural gas liquids (“NGLs”), iso-octane and crude oil processing, transportation, storage and marketing 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 600, Sun Life Plaza West Tower, 144 – 4th Avenue S.W., Calgary, AB, Canada.

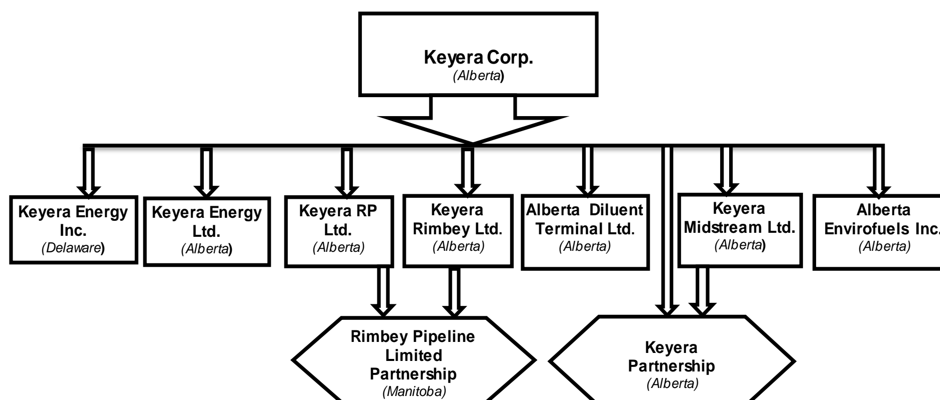
Pursuant to its Articles of Amalgamation, Keyera Corp. is authorized to issue an unlimited number of common shares (the “Shares”). The Shares trade on the Toronto Stock Exchange under the symbol “KEY”.

On May 7, 2013, shareholders of Keyera approved a special resolution to amend the articles of Keyera (the “Articles of Amendment”) to create two new classes of preferred shares (one class referred to as the “First Preferred Shares”, a second class referred to as the “Second Preferred Shares”, and collectively both classes being referred to as the “Preferred Shares”). Each are issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the Board of Directors may at any time and from time to time determine, subject to an aggregate maximum number of authorized Preferred Shares. No preferred shares had been issued as at December 31, 2014.

Interests in Subsidiaries

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

The following diagram sets out the name and jurisdiction of formation of each subsidiary of Keyera Corp.



The Partnership owns and operates the majority of Keyera’s Canadian assets and businesses. In accordance with the Partnership Agreement, the Partnership is authorized to carry on a number of

business activities including: (i) directly or indirectly, alone or in conjunction with other persons, gathering, processing, transporting, delivering, fractionating, extracting, storing, blending, buying, selling, marketing, investing in, exploring for, 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, electricity, thermal energy and other alternative energy; (ii) constructing, owning, operating, managing, acquiring and investing in facilities and infrastructure related to the foregoing; (iii) other business activities as the Board of Directors may determine; and (iv) all activities ancillary or incidental to any of the foregoing.

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

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

Interests in Material Jointly Controlled Operations

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

Name of Joint Arrangement	***Place of Business***	***% Ownership***	***Nature of Relationship***
Alberta Crude Terminal	*Alberta*	*50%*	*Rail Loading, Offloading and Storage*
Brazeau River Gas Plant	*Alberta*	*94%*	*Gathering and Processing Facilities*
Cynthia Gas Plant	*Alberta*	*85%*	*Gathering and Processing Facilities*
Keyera Fort Saskatchewan Facilities	*Alberta*	*77%*	*NGL Processing, Storage and Pipelines*
Minnehik Buck Lake Gas Plant	*Alberta*	*80%*	*Gathering and Processing Facilities*
Ricinus Gas Plant	*Alberta*	*71%*	*Gathering and Processing Facilities*
Rimbey Gas Plant	*Alberta*	*98%*	*Gathering and Processing Facilities*
South Cheecham Rail and Truck Terminal	*Alberta*	*50%*	*Rail Loading, Offloading and Storage*
West Pembina Gas Plant	*Alberta*	*76%*	*Gathering and Processing Facilities*

2. BASIS OF PREPARATION

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

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

- derivative financial instruments are measured at fair value; and

- liabilities for Keyera's long-term incentive plan are measured at fair value.

The audited consolidated financial statements were authorized for issuance on February 11, 2015 by the Board of Directors.

New and amended IFRS standards adopted by Keyera

Keyera has applied the following new IFRS standards and amendments in 2014:

IFRIC 21, Levies
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that no liability should be recognized before the specified minimum threshold to trigger that levy is reached.

Keyera's retrospective adoption of IFRIC 21 as at January 1, 2014 did not have an impact on Keyera's consolidated financial statements for the current and prior comparative periods. Keyera's current methodologies and policies adhere to the interpretation.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

Business combinations
Business combinations are accounted for using the acquisition method. Assets and liabilities acquired in a business combination and any contingent consideration are measured at their fair values as of the date of acquisition and subsequently re-measured at fair value with changes recorded through the statement of net earnings each period until settled. In addition, acquisition related and restructuring costs are recognized separately from the business combination and are expensed to the statement of net earnings.

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

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

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

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

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

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

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

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

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

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

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

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

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

Share-based compensation
Keyera has a Long-Term Incentive Plan ("LTIP"), which is described in note 20. The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The liability is measured by using a fair value pricing model. The compensation expense is recognized over the vesting period, with a corresponding liability recognized on the statement of financial position.

Cash
Cash is comprised of cash on hand at year end.

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

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

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

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

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

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

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

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

General plant and processing equipment	4-27 years
Other properties and equipment	5-10 years
Turnarounds	4-10 years

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

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

Also included in intangible assets are patents and licenses acquired from the AEF business combination. These patents and licenses have useful lives tied to the useful life of the Alberta Envirofuels facility and relate to certain patented technological processes used for the production of iso-octane.

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

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

Impairment of intangible assets and property, plant and equipment
Keyera assesses assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash generating units or CGUs). Any impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of net earnings.

The recoverable amount is the greater of:

i) an asset's fair value less cost to sell and
ii) its value in use.

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

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

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

Goodwill

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

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

Impairment of goodwill

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

Financial assets

Financial assets include cash, trade and other receivables and derivative financial instruments. Keyera determines the classification of its financial assets at initial recognition. Financial assets are recognized initially at fair value net of transaction costs. The subsequent measurement of financial assets depends on their classification, as follows:

a) Loans and receivables

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

b) Financial assets at fair value through the statement of net earnings

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

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

c) Available for sale

Financial assets available for sale are non-derivatives that are either designated in this category or not classified in any of the other categories. These assets are measured at fair value, with changes in those fair values recognized in other comprehensive income. Transaction costs are initially recognized as part of the carrying amount of the financial asset. The costs are then amortized through the statement of net

earnings over the term of the instrument using the effective interest method. Currently, Keyera does not have any financial assets classified as available for sale.

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

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

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

b) Financial liabilities measured at amortized cost
All other financial liabilities are initially recognized at fair value. For interest bearing debt, this is the fair value of the proceeds received net of transaction costs associated with the borrowing. After initial recognition, financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any transaction costs, and any discount or premium on settlement. Keyera has classified current and long-term debt, credit facilities, trade and other payables, and dividends payable in this category.

Derivatives and embedded derivatives
Derivative instruments include financial contracts that derive their value from underlying changes in interest rates, foreign exchange rates, credit spreads, commodity prices, equities or other financial measures. Keyera uses derivative instruments such as commodity price swaps, electricity price swaps, foreign exchange forward contracts, and cross-currency swaps to manage its risks.

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

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

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

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and

uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

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

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

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

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

Deferred tax liabilities:

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

Deferred tax assets:

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

Deferred tax assets and liabilities are not recognized in respect of temporary differences that arise on initial recognition of assets and liabilities acquired other than in a business combination. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets

against current tax liabilities and when they relate to income taxes levied by the same taxation authority and Keyera intends to settle its current tax assets and liabilities on a net basis.

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

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

All finance costs are recognized in the statement of net earnings in the period in which they are incurred.

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

Accumulated deficit
Accumulated deficit includes opening deficit, total comprehensive income for the period to date, and dividends declared to shareholders.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Allowance for doubtful accounts
Keyera provides services to a number of counterparties on credit terms. The allowance for credit losses is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counterparty.

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

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

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

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

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

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

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

5. FUTURE ACCOUNTING PRONOUNCEMENTS

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

Expected Impact
Keyera is in the process of reviewing the standard to determine whether there would be any changes to how Keyera currently recognizes and measures financial instruments. The new hedge accounting

requirements within this standard are also being reviewed. Keyera currently does not follow hedge accounting to reflect its risk management activities.

IFRS 15, Revenue from Contracts with Customers

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

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

IFRS 15 also provides guidance for the recognition and measurement of gains and losses on the sale of certain non-financial assets, such as property, plant and equipment. This standard is effective January 1, 2017 with early adoption permitted.

Expected Impact

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

Amendments to IFRS 11, Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)

Beginning January 1, 2016, amendments to IFRS 11 will take effect requiring entities acquiring an interest in a joint operation to apply, for its share of the business, all of the principles of a business combination set out in IFRS 3 on a prospective basis. The amendments clarify that for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, the acquirers of such interests are to apply the relevant accounting principles of IFRS 3, Business Combinations and other standards, as well as disclosing the relevant information specified in these standards for business combinations.

Expected impact

As Keyera continues to purchase additional interests in existing joint operations, the amendments to IFRS 11 will potentially affect the accounting of these acquisitions. Keyera is currently in the process of reviewing this standard to determine its impact on future acquisitions.

Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortization)

Beginning January 1, 2016, amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets will no longer allow entities to depreciate property, plant, and equipment or amortize intangible assets using the ratio of revenue generated to total revenue expected methodology.

Expected impact

Keyera does not use the ratio of revenue method of depreciation or amortization; therefore, there will be no impact to Keyera's financial statements.

6. ACQUISITIONS

Ricinus Gas Plant

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

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

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

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

Cynthia Gas Plant

On May 1, 2014, Keyera acquired the following assets:

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

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

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

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

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

7. TRADE AND OTHER RECEIVABLES

As at December 31,	**2014** **$**	2013 $
Trade and accrued receivables	**405,538**	411,201
Allowance for doubtful accounts	**(2,573)**	(3,368)
Trade and other receivables	**402,965**	407,833

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

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

As at December 31,	**2014** **$**	2013 $
Neither impaired nor past due	**382,602**	380,674
Impaired	**2,573**	3,368
Not impaired but past due in the following periods:		
31 to 60 days	**11,479**	18,274
61 to 90 days	**7,340**	4,805
Over 90 days	**1,544**	4,080
Trade accounts receivable	**405,538**	411,201

Movement in allowance for doubtful accounts	**2014** **$**	2013 $
Balance at beginning of the year	**(3,368)**	(3,382)
Decrease to provision	**795**	14
Balance at the end of the year	**(2,573)**	(3,368)

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

8. INVENTORY

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

As at December 31,	**2014** **$**	2013 $
NGLs and iso-octane	**119,726**	171,686
Other	**4,566**	3,972
Total inventory	**124,292**	175,658

For the year ended December 31, 2014, $24,502 (2013 - $175,658) of inventory was carried at cost and $99,790 (2013 – $nil) was carried at net realizable value. During the year $60,639 (2013 - $2,058) of inventory was written down to net realizable value.

9. OTHER ASSETS

As at December 31,	**2014** **$**	2013 $
Prepaid deposits	**150**	689
Other	**5,184**	4,956
Total other assets	**5,334**	5,645

10. PROPERTY, PLANT, AND EQUIPMENT

Cost	General plant & processing equipment $	Other properties & equipment $	Turnarounds $	Land & linefill $	Total $
Balance at December 31, 2012	**2,492,757**	**47,045**	**102,583**	**48,586**	**2,690,971**
Additions	317,799	18,514	18,413	16,664	371,390
Disposals	(18,196)	—	—	(131)	(18,327)
Other:					
Decommissioning asset	(62,163)	—	—	—	(62,163)
Balance at December 31, 2013	**2,730,197**	**65,559**	**120,996**	**65,119**	**2,981,871**
Additions	864,797	84,923	40,100	18,363	1,008,183
Disposals	(630)	—	—	—	(630)
Other:					
Decommissioning asset	121,965	—	—	—	121,965
Balance at December 31, 2014	**3,716,329**	**150,482**	**161,096**	**83,482**	**4,111,389**

Accumulated depreciation, depletion and impairment	General plant & processing equipment $	Other properties & equipment $	Turnarounds $	Land & linefill $	Total $
Balance at December 31, 2012	**(633,907)**	**(11,530)**	**(53,602)**	—	**(699,039)**
Disposals	6,521				6,521
Impairment losses	(577)	—	—	—	(577)
Depreciation and depletion expenses	(70,220)	(6,919)	(23,812)	—	(100,951)
Balance at December 31, 2013	**(698,183)**	**(18,449)**	**(77,414)**	—	**(794,046)**
Impairment expense	(49,422)	(30,821)	—	—	(80,243)
Depreciation and depletion expenses	(80,271)	(30,806)	(26,894)	—	(137,971)
Balance at December 31, 2014	**(827,876)**	**(80,076)**	**(104,308)**	—	**(1,012,260)**

Net book value	General plant & processing equipment $	Other properties & equipment $	Turnarounds $	Land & linefill $	Total $
As at December 31, 2013	2,032,014	47,110	43,582	65,119	2,187,825
As at December 31, 2014	**2,888,453**	**70,406**	**56,788**	**83,482**	**3,099,129**

Property, plant and equipment under construction included in net book value	Cost $
As at December 31, 2013	277,674
As at December 31, 2014	**636,447**

Disposal of assets

During 2013, Keyera disposed of four terminals located in the U.S. for total proceeds of $9,550 which resulted in a loss of $482. These assets were in Keyera's Marketing segment.

Impairment loss recognized in the year

Impairment expense	2014 $	2013 $
Gathering and processing segment	**49,422**	—
Corporate and other segment	**30,821**	—
Marketing segment	—	577
Total impairment expense	**80,243**	577

Gathering and processing impairment

Keyera identified through its impairment review three CGUs in the Gathering and Processing segment where the carrying value of the facilities was less than its recoverable amount. The recoverable amount for each CGU was calculated based on value in use which represents the estimated net present value of the cash flows expected to be derived from the CGU. The impairment loss recognized in this segment was $49,422 for the year ended December 31, 2014 (2013 – nil).

The factors that led to a reduction in the carrying values of these CGUs included:

- the carrying value for several CGUs were increased as a result of measuring the decommissioning liability at a lower discount rate which increased the liability and the corresponding asset base as at December 31, 2014; and
- lower producer activity and throughput in the capture areas surrounding the Caribou and Paddle River gas plants.

CGU	Applicable Value in Use Discount Rate	Recoverable Amount as at December 31, 2014 $	Impairment Expense Recognized For Year Ended December 31, 2014 $
Caribou	12.22%	56,833	16,014
Nevis	12.22%	37,555	7,862
Paddle River	12.22%	891	25,546
Total impairment expense for Gathering and Processing segment		**95,279**	**49,422**

Corporate and other impairment

The carrying values of Keyera's oil and gas producing properties are included in the Corporate and Other segment. Through Keyera's impairment review, the carrying values of the Minnehik Buck Lake and Cynthia CGUs were written down to their recoverable amounts. The recoverable amount for each CGU was based on the higher of value in use or fair value less costs to sell.

As a result of the reduced forward commodity price outlook, an impairment loss of $30,821 was recorded for the year ended December 31, 2014 (2013 – nil). This charge was recognized in the Corporate and Other segment where the oil and gas producing properties reside.

CGU	Applicable Value in Use Discount Rate	Recoverable Amount as at December 31, 2014 $	Impairment Expense Recognized For Year Ended December 31, 2014 $
Minnehik Buck Lake reserves	13.00%	17,530	14,204
Cynthia reserves	13.00%	55,133	16,617
Total impairment expense for Corporate and Other segment		**72,633**	**30,821**

At December 31, 2014, estimates of the recoverable amounts for CGUs containing oil and gas producing properties (“reserves”) were determined based on the net present value of the CGUs’ proven oil and gas reserves as determined by Keyera’s independent reserves evaluator.

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

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

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

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

The following forward commodity price estimates were used in the impairment tests carried out for the reserves:

Year	Edmonton Light Crude[1] (Cdn$/bbl)	AECO Gas[1] (Cdn$/mmbtu)	WTI Oil[1] (US$/bbl)	Foreign exchange rate (US$/Cdn$)
2015	64.71	3.31	62.50	0.850
2016	80.00	3.77	75.00	0.875
2017	85.71	4.02	80.00	0.875
2018	91.43	4.27	85.00	0.875
2019	97.14	4.53	90.00	0.875
2020	102.86	4.78	95.00	0.875
2021	106.18	5.03	98.54	0.875
2022	108.31	5.28	100.51	0.875
2023	110.47	5.53	102.52	0.875
2024	112.67	5.71	104.57	0.875
Thereafter	+2.0% per year	+2.0% per year	+2.0% per year	0.875

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

For the year ended December 31, 2013, an impairment loss of $577 was recognized on one terminal within the Marketing segment.

11. INTANGIBLE ASSETS

	Cost $	Accumulated amortization and impairment $	Net book value $
Balance at December 31, 2012	**24,623**	**(21,363)**	**3,260**
Amortization expense	—	(1,474)	(1,474)
Balance at December 31, 2013	**24,623**	**(22,837)**	**1,786**
Amortization expense	—	(726)	(726)
Balance at December 31, 2014	**24,623**	**(23,563)**	**1,060**

As a part of the business combination of Alberta EnviroFuels in 2012, $3,334 of intangible assets were acquired of which $1,000 related to technological patents used in the production of iso-octane and the remaining amount of $2,334 related to marketing contracts which are being amortized over a multiple year term. These are the only remaining intangible assets as at December 31, 2014.

12. GOODWILL

Cost and Net Book Value

As at December 31,	**2014** **$**	2013 $
Balance at end of the year	**53,624**	53,624

Impairment test of goodwill

Keyera performed its annual test for goodwill impairment at December 31, 2014, in accordance with its policy described in note 3. Keyera assessed the recoverable amount of goodwill and determined that goodwill was not impaired.

Allocation of goodwill to cash-generating units
For the purpose of impairment testing, goodwill is allocated to Keyera's CGUs which represent the lowest level within Keyera at which the goodwill is monitored for internal management purposes.
The carrying amount of goodwill was allocated to CGUs as follows:

As at December 31,	**2014** **$**	2013 $
NGL infrastructure facilities	**32,015**	32,015
Rimbey gas plant	**12,810**	12,810
Simonette gas plant	**8,799**	8,799
Total goodwill	**53,624**	53,624

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

The discount rate used in the calculation of value in use represented a weighted average cost of capital ("WACC"). The WACC is an estimate of the overall required rate of return on an investment for both debt and equity owners and serves as the basis for developing an appropriate discount rate. Determination of the WACC requires separate analysis of the cost of equity and debt, and considers a risk premium based on an assessment of risks related to the projected cash flows of each CGU. The discount rate used for the NGL Infrastructure CGU, and the Rimbey and Simonette gas plant CGU's was 10.02% at December 31, 2014 (December 31, 2013 – 9.42% for the same CGUs).

13. TRADE AND OTHER PAYABLES

The components of trade and other payables were as follows:

As at December 31,	**2014** **$**	2013 $
Trade and accrued payables	**382,262**	427,166
Current portion of long-term incentive plan	**24,866**	14,502
Other payables	**38,994**	8,108
Total trade and other payables	**446,122**	449,776

14. LONG-TERM DEBT

Carrying value
Amounts recorded in the consolidated financial statements are referred to as carrying value. The carrying value of debt is reflected in current debt and long-term debt on the statement of financial position.

Fair value
The fair value of long-term debt is based on third party estimates for similar issues or current rates offered to Keyera for debt of the same maturity. The fair value of Keyera's senior unsecured notes at December 31, 2014, as noted below was determined by reference to quoted market prices in active markets for identical liabilities under Level 2 of the fair value hierarchy as referenced in note 21.

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

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

As at December 31, 2013	Effective Interest Rate	Notes	Carrying Value $	Fair Value $
Bank credit facilities	4.77%	(a)	—	—
Credit facilities			**—**	**—**
Canadian dollar denominated debt (unsecured)				
4.66% due September 8, 2015	4.75%		30,000	30,900
7.87% due May 1, 2016	7.94%		35,000	39,000
5.89% due December 3, 2017	5.98%		60,000	65,500
5.01% due January 4, 2019	5.03%	(d)	70,000	73,800
4.35% due June 19, 2019	4.45%		52,000	53,400
5.68% due September 8, 2020	5.73%		2,000	2,200
6.14% due December 3, 2022	6.20%		60,000	66,900
4.91% due June 19, 2024	4.96%		17,000	17,400
4.92% due October 10, 2025	4.97%	(d)	100,000	101,900
5.05% due November 20, 2025	4.95%	(c)	20,000	20,600
5.09% due October 10, 2028	5.14%	(d)	100,000	102,500
			546,000	574,100
US dollar denominated debt (unsecured)				
3.91% due September 8, 2015 (US$15,000)	4.00%		15,954	16,486
8.40% due May 1, 2016 (US$50,000)	8.48%		53,180	60,838
3.42% due June 19, 2019 (US$3,000)	3.49%		3,191	3,191
5.14% due September 8, 2020 (US$103,000)	5.20%		109,551	116,783
4.19% due June 19, 2024 (US$128,000)	4.23%		136,140	120,187
4.75% due November 20, 2025 (US$140,000)	4.81%	(c)	148,904	149,223
4.95% due November 20, 2028 (US$65,000)	5.00%	(c)	69,134	69,240
			536,054	535,948
Less: Issuance costs			(4,914)	—
Long-term debt			**1,077,140**	**1,110,048**

(a) On December 9, 2014, The Partnership amended its unsecured revolving credit facility ("Credit Facility") with a syndicate of Canadian financial institutions and one foreign bank, co-lead arranged by the Royal Bank of Canada and the National Bank of Canada. The Credit Facility increased from $750,000 to $1,000,000, with the potential to increase to $1,350,000, subject to certain conditions. The Credit Facility has a five-year revolving term and matures on December 6, 2019.

Financing costs of $1,693 were incurred upon the renewal of the Credit Facility and have been deferred and are amortized using the effective interest method over the remaining term of the Credit Facility.

In addition, the Toronto Dominion Bank has provided a $25,000 revolving demand facility and the Royal Bank of Canada has provided a further demand facility that is equal to the amount of outstanding letters of credit, up to $10,000. As at December 31, 2014, outstanding letters of credit

were $2,695 (December 31, 2013 – $1,614). The revolving credit facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, Libor loans, or bankers' acceptances.

(b) As part of the fourth quarter of 2013 private placement debt issuance, Keyera issued an additional $75,000 denominated in Canadian dollars on April 8, 2014 to an institutional investor in the U.S. This debt tranche bears interest at 5.34% and matures on April 8, 2029.

Financing costs of $377 have been deferred and are amortized using the effective interest method over the remaining term of the debt.

(c) On November 20, 2013, Keyera issued $20,000 and US$205,000 of senior unsecured notes to a group of institutional investors in Canada and the U.S. The notes were issued in the following three tranches:

- $20,000 denominated in Canadian dollars bearing interest at 5.05% maturing on November 20, 2025;
- $140,000 denominated in U.S. dollars bearing interest at 4.75% maturing on November 20, 2025; and
- $65,000 denominated in U.S. dollars bearing interest at 4.95% maturing on November 20, 2028.

Financing costs of $1,362 have been deferred and are amortized using the effective interest method over the remaining terms of the related debt.

Concurrent with this transaction, Keyera entered into an agreement with a syndicate of banks to swap the U.S. dollar proceeds and future interest payments on both the US$140,000 tranche and the US$65,000 tranche into Canadian dollars at a foreign exchange rate of 1.029 (US$/C$). Refer to note 21 for the fair value of these derivative instruments.

(d) On October 10, 2013, Keyera amended its unsecured uncommitted shelf facility with the Prudential Capital Group. The amendment allows Keyera to borrow up to US$350,000 less any amount committed by the Prudential Capital Group on previous debt offerings issued by Keyera.

Concurrent with this amendment, Keyera issued $200,000 in long-term notes in two tranches:

- $100,000 bearing interest at 4.92% maturing on October 10, 2025; and
- $100,000 bearing interest at 5.09% maturing on October 10, 2028.

Financing costs of $112 have been deferred and are amortized using the effective interest method over the remaining terms of the related debt.

Previously on January 3, 2012, $70,000 was drawn as a long-term note with a maturity date of January 4, 2019. Financing costs of $133 have been deferred and are amortized using the effective interest method over the remaining term of the debt.

As at December 31, 2014, there was approximately US$67,000 of capacity remaining under the amended shelf facility.

15. DECOMMISSIONING LIABILITY

Keyera makes full provision for the future cost of decommissioning its gathering and processing facilities, pipelines and storage facilities on a discounted basis upon acquisition or installation of these facilities. The total undiscounted amount of cash flows required to settle the decommissioning liability is $728,171 (2013 - $649,444) which has been discounted using a risk-free rate of 2.33% (2013 –3.24%). These costs are generally expected to be incurred over the next 30 years. While the provision is based on the

best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding the amount and timing of these costs. No assets have been legally restricted for settlement of the liability.

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

As at December 31,	**2014** **$**	2013 $
Decommissioning liability, beginning of the period	**307,968**	365,448
Liabilities acquired	**26,770**	1,299
Liabilities disposed	**—**	(1,350)
Liabilities settled	**(6,041)**	(3,467)
Revision in estimated cash flows	**26,353**	4,325
Revision due to change in discount rate	**68,842**	(67,952)
Unwinding of discount included in finance costs	**9,877**	9,665
	433,769	307,968
Less: Current portion of decommissioning liability	**(9,557)**	—
Decommissioning liability, end of the period	**424,212**	307,968

16. INCOME TAXES

The components of the tax expense were as follows:

	2014 **$**	2013 $
Current income tax expense	**32,453**	2,188
Deferred income tax expense	**61,524**	59,649
Total income tax expense	**93,977**	61,837

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

Reconciliation of income tax expense	**2014** **$**	2013 $
Earnings before income tax	**323,966**	208,673
Income tax at statutory rate of 25%	**80,992**	52,168
Increase in valuation allowance	**14,141**	5,416
Non-deductible items excluded from income for tax purposes	**4,194**	4,555
Tax rate differences and adjustments	**(5,849)**	(2,218)
Adjustments to tax pool balances	**(166)**	1,899
Other	**665**	17
Total income tax expense	**93,977**	61,837

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

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

	Balance at December 31, 2013 $	Deferred income tax recognized on the income statement $	Balance at December 31, 2012 $
Deferred tax liabilities			
Property, plant and equipment	**(317,825)**	(22,351)	(295,474)
Decommissioning liabilities	**77,036**	(14,565)	91,601
Long-term incentive plan	**6,959**	2,466	4,493
Non-capital losses	**8,772**	(174)	8,946
Intangible assets	**1,484**	(351)	1,835
Partnership deferral	**(23,300)**	(23,951)	651
Other	**144**	(723)	867
Total deferred tax liabilities	**(246,730)**	(59,649)	(187,081)

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, 2014, Keyera and its subsidiaries have non-capital losses carried forward of $67,866 (2013 – $64,327) which are available to offset income of specific entities of the consolidated group in future periods. The benefit related to $4,774 of these losses has been recorded.

The future utilization of most of the losses residing in Keyera's U.S. subsidiary is unlikely, and as a result, a valuation allowance of $37,213 was recorded in 2014 (2013 – $13,405).

17. CAPITAL

Keyera Corp. Share Capital	Number of Common Shares	Share Capital $
Balance at December 31, 2012	**77,662,547**	**920,222**
Adjustment to share capital due to settlement of convertible debenture derivative liability	—	9,402
Common shares issued on conversion of convertible debentures	583,655	11,123
Common shares issued pursuant to dividend reinvestment plans	940,437	52,064
Balance at December 31, 2013	**79,186,639**	**992,811**
Common shares issued pursuant to equity offering[1]	4,312,500	308,407
Common shares issued pursuant to dividend reinvestment plans	839,575	63,304
Balance at December 31, 2014	**84,338,714**	**1,364,522**

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

On May 29, 2014 Keyera issued 3,750,000 common shares in a public offering and 562,500 common shares pursuant to the overallotment option in connection with the public offering, at a price of $73.75 per common share for net proceeds of $308,407 after underwriters' fees and issuance costs of $9,640, net of a deferred tax asset balance of $3,193.

Keyera's dividend reinvestment plan (the "Plan") consists of two components: a Premium Dividend™ ("Premium DRIP™") reinvestment component and a regular dividend reinvestment component ("DRIP"). The DRIP component allows eligible Shareholders of Keyera to direct their cash dividends to be reinvested in additional common shares issued from treasury at a 3% discount to the Average Market Price (as defined in the Plan) on the applicable dividend payment date. The Premium DRIP™ component permitted eligible Shareholders to elect to have these additional common shares delivered to the designated Plan Broker in exchange for a premium cash payment equal to 102% of the regular, declared cash dividend that was reinvested on their behalf under the Plan. The Premium DRIP™ component has been suspended since April 2010. The DRIP component remains in effect.

For the year ended December 31, 2014, dividends declared totaled $207,228 or $2.52 per common share (2013 - $177,132 or $2.26 per common share).

18. EARNINGS PER SHARE

Basic earnings per share was calculated by dividing net earnings by the weighted average number of shares outstanding for the related period. The effect of convertible debentures was included in the calculation of diluted earnings per share.

	2014 $	2013 $
Basic earnings per share	**2.80**	1.87
Diluted earnings per share	**2.80**	1.87

Net earnings – basic	**229,989**	146,836
Effect of convertible debentures (net of tax)	**—**	—
Net earnings – diluted	**229,989**	146,836

(in thousands)	**2014**	2013
Weighted average number of shares – basic	**82,183**	78,316
Shares deemed to be issued on conversion of convertible debentures	**—**	412
Weighted average number of shares – diluted	**82,183**	78,728

19. ACCUMULATED DIVIDENDS TO SHAREHOLDERS

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

	$
Balance, December 31, 2012	**973,831**
Dividends declared and paid	161,328
Dividends declared	15,804
Balance, December 31, 2013	**1,150,963**
Dividends declared and paid	189,095
Dividends declared	18,133
Balance, December 31, 2014	**1,358,191**

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 (including income tax), capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors.

20. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-term incentive plan

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

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

(a) Performance Awards

All Performance Awards issued and outstanding are settled on or before September 1st following the third anniversary of the grant date. The number of shares to be delivered will be determined by the financial

performance of Keyera over the three-year period. The number of shares to be delivered will be 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.

The payout multiplier is based 70% on the average annual pre-tax distributable cash flow per share over the performance period of three years and 30% on the relative total shareholder return in a defined peer group over the performance period of three years. The table below describes the determination of the payout multipliers for the 2012, 2013 and 2014 grants.

	July 1, 2012 Grant			
	70% Performance Weighting		**30% Performance Weighting**	
	Three-year average annual pre-tax distributable cash flow per share	**Payout Multiplier**	**Total Shareholder Return Percentile Rank**	**Payout Multiplier**
	Less than 2.75	Nil	Less than 25th	Nil
First range	2.75 – 2.94	50% – 99%	25th – 49th	50% – 99%
Second range	2.95 – 3.34	100% – 199%	50th – 74th	100% – 199%
Third range	3.35 and greater	200%	75th and greater	200%

	July 1, 2013 Grant			
	70% Performance Weighting		**30% Performance Weighting**	
	Three-year average annual pre-tax distributable cash flow per share	**Payout Multiplier**	**Total Shareholder Return Percentile Rank**	**Payout Multiplier**
	Less than 3.20	Nil	Less than 25th	Nil
First range	3.20 – 3.52	50% – 99%	25th – 49th	50% – 99%
Second range	3.53 – 4.19	100% – 199%	50th – 74th	100% – 199%
Third range	4.20 and greater	200%	75th and greater	200%

	July 1, 2014 Grant			
	70% Performance Weighting		**30% Performance Weighting**	
	Three-year average annual pre-tax distributable cash flow per share	**Payout Multiplier**	**Total Shareholder Return Percentile Rank**	**Payout Multiplier**
	Less than 4.00	Nil	Less than 25th	Nil
First range	4.00 – 4.39	50% – 99%	25th – 49th	50% – 99%
Second range	4.40 – 5.19	100% – 199%	50th – 74th	100% – 199%
Third range	5.20 and greater	200%	75th and greater	200%

(b) Time Vested Awards (“Restricted Awards”)

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

The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The fair value of the liability is measured by applying a fair value pricing model. The fair value of shares granted at December 31, 2014, was $81.07 per share (December 31, 2013 - $63.93 per share).

The compensation cost recorded for the LTIP was as follows:

	2014 **$**	2013 $
Performance Awards	**33,628**	26,114
Restricted Awards	**4,885**	2,183
Total long-term incentive plan expense	**38,513**	28,297

The table below shows the number of share awards granted:

	Share awards granted as at	
Share Award Series	**December 31, 2014**	December 31, 2013
Issued July 1, 2011 – Performance Awards	**—**	155,095
Issued July 1, 2012 – Performance Awards	**160,377**	162,932
Issued July 1, 2013 – Performance Awards	**155,790**	147,045
Issued July 1, 2014 – Performance Awards	**169,266**	—
Issued July 1, 2011 – Restricted Awards	**—**	9,632
Issued July 1, 2012 – Restricted Awards	**11,612**	23,523
Issued July 1, 2013 – Restricted Awards	**19,215**	28,400
Issued July 1, 2014 – Restricted Awards	**29,715**	—

Employee Stock Purchase Plan

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

Defined Contribution Pension Plan

For the year ended December 31, 2014, Keyera made pension contributions of $7,475 (2013 - $6,327) on behalf of its employees. The contributions were recorded in general and administrative expenses.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include cash, trade and other receivables, derivative financial instruments (including puttable instruments), trade and other payables, dividends payable, credit facilities, and current and long-term debt. Derivative financial instruments include foreign exchange contracts, cross-currency swaps, NGLs, crude oil, motor gasoline and natural gas price contracts, electricity price contracts and physical fixed price commodity contracts. Derivative instruments are classified as fair value through the statement of net earnings and are measured at fair value. All other financial instruments are measured at amortized cost.

Financial Instruments

(a) Fair value

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

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

The fair value hierarchy has the following levels:

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

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

Financial instruments with fair value equal to carrying value

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

Fair value of senior fixed rate debt

Refer to note 14 for the fair value amounts of the senior fixed rate debt.

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

As at December 31, 2014	Notional Volume[1]	Weighted Average Price $	Fair Value Hierarchy Level [2]	Net Fair Value $	Carrying Value Asset $	Carrying Value Liability $
Marketing: NGLs and Iso-octane						
Financial contracts:						
Seller of fixed price swaps (maturing by July 1, 2015)	3,191,875 Bbls	61.76/Bbl	Level 2	49,838	49,875	(37)
Buyer of fixed price swaps (maturing by March 1, 2015)	463,356 Bbls	72.29/Bbl	Level 2	(15,428)	—	(15,428)
Seller of fixed price crack spreads (maturing by September 1, 2015)	2,040,000 Bbls	21.94/Bbl	Level 2	9,967	10,775	(808)
Buyer of fixed price crack spreads (maturing by March 1, 2015)	261,606 Bbls	11.22/Bbl	Level 2	(935)	148	(1,083)
Physical contracts:						
Seller of fixed price forward contracts (maturing by March 31, 2015)	520,900 Bbls	38.67/Bbl	Level 2	8,845	8,845	—
Currency:						
Seller of forward contracts (maturing by February 1, 2015)	USD 115,000,000	1.15/USD	Level 2	(908)	146	(1,054)
Buyer of forward contracts (maturing by January 1, 2015)	USD 10,000,000	1.16/USD	Level 2	(7)	1	(8)
NGL Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 1, 2015)	179,064 MWhs	47.49/MWh	Level 2	(941)	118	(1,059)
Corporate and Other						
Natural Gas:						
Buyer of fixed price swaps (maturing by October 31, 2015)	2,945,000 Gjs	3.44/Gj	Level 2	2,557	2,557	—
Long-term Debt						
Buyer of cross-currency swaps (maturing September 8, 2015 - November 20, 2028)	US$708,797,100	0.98/USD - 1.28/USD	Level 2	76,753	80,648	(3,895)
				129,741	**153,113**	**(23,372)**

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

As at December 31, 2013	Notional Volume[1]	Weighted Average Price $	Fair Value Hierarchy Level [2]	Net Fair Value $	Carrying Value Asset $	Carrying Value Liability $
Marketing: NGLs and Iso-octane						
Financial contracts:						
Seller of fixed price swaps (maturing by May 1, 2014)	2,363,503 Bbls	97.11/Bbl	Level 2	(2,519)	3,024	(5,543)
Buyer of fixed price swaps (maturing by August 1, 2014)	1,005,223 Bbls	83.59/Bbl	Level 2	1,234	3,902	(2,668)
Seller of fixed price crack spreads (maturing by June 1, 2014)	1,829,500 Bbls	21.66/Bbl	Level 2	(3,741)	954	(4,695)
Buyer of fixed price crack spreads (maturing by August 1, 2014)	180,030 Bbls	40.39/Bbls	Level 2	438	530	(92)
Physical contracts:						
Seller of fixed price forward contracts (maturing by March 31, 2014)	345,000 Bbls	59.42/Bbl	Level 2	(1,581)	17	(1,598)
Buyer of fixed price forward contracts (maturing by January 1, 2014)	10,000 Bbls	64.10/Bbl	Level 2	4	4	—
Currency:						
Seller of forward contracts (maturing by March 1, 2014)	US$109,000,000	1.07/USD	Level 2	427	473	(46)
NGL Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 1, 2014)	30,660 MWhs	56.07/MWh	Level 2	(16)	67	(83)
Long-term Debt						
Buyer of cross-currency swaps (maturing September 8, 2015 – November 20, 2028)	US$728,814,300	0.98/USD – 1.28/USD	Level 2	21,164	23,072	(1,908)
				15,410	**32,043**	**(16,633)**

Notes:

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

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

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

For the Marketing and NGL Infrastructure segments, unrealized gains (losses), representing the change in fair value of derivative contracts, are recorded in Marketing operating revenue and NGL Infrastructure operating expense, respectively. For the Corporate and Other segment, unrealized gains (losses) related to natural gas financial contracts are recorded in Corporate and Other revenue whereas unrealized gains (losses) related to electricity financial contracts are recorded in Corporate and Other expenses. Unrealized gains (losses) relating to the cross-currency swaps are recorded in foreign currency gain (loss).

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

Unrealized gain (loss)	**2014** **$**	2013 $
Marketing revenue	**57,111**	(14,776)
NGL Infrastructure operating expense	**(634)**	514
Corporate & Other:		
Other revenue and expense	**2,264**	—
Foreign currency gain on U.S. debt	**55,588**	26,889
Total unrealized gain	**114,329**	12,627

Risk management

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

(b) Commodity price risk

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

Significant amounts of electricity and natural gas are consumed by certain facilities. Due to the fixed fee nature of some service contracts in place with customers, these facilities are unable to flow increases in the cost of electricity and natural gas to customers in all situations. In order to mitigate this exposure to fluctuations in the prices of electricity and natural gas, price swap agreements may be used. These agreements are accounted for as derivative instruments.

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

(c) Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency. Keyera's functional currency is the Canadian dollar. Keyera's foreign currency risk largely arises from the Marketing segment where a significant portion of sales and purchases are denominated in U.S. dollars. Foreign currency risk is actively managed by using forward currency contracts and cross-currency swaps.

Management monitors the exposure to foreign currency risk and regularly reviews its financial instrument activities and all outstanding positions.

The Gathering and Processing and NGL Infrastructure segments are not subject to foreign currency risk as all sales and virtually all purchases are denominated in Canadian dollars.

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

U.S. dollar sales and purchases	**2014** **$**	2013 $
Sales priced in U.S. dollars	**1,195,254**	885,823
Purchases priced in U.S. dollars	**(771,934)**	(900,064)

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

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

(d) Interest rate risk
The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. At December 31, 2014, fixed rate borrowings comprised 93% of total debt outstanding (December 31, 2013 – 100%). The fair value of future cash flows for fixed rate debt fluctuates with changes in market interest rates. It is Keyera's intention to not repay fixed rate debt until maturity and therefore future cash flows would not fluctuate.

(e) Credit risk
The majority of trade and other receivables are due from entities in the oil and gas industry and are subject to normal industry credit risks. Concentration of credit risk is mitigated by having a broad domestic and U.S. customer base. Keyera evaluates and monitors the financial strength of its customers in accordance with its credit policy.

Keyera's maximum exposure to credit risk, which is a worst case scenario and does not reflect results expected by Keyera, is $402,965 at December 31, 2014, (December 31, 2013 – $407,833). Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at December 31, 2014. With respect to counterparties for derivative financial instruments, the credit risk is managed through dealing primarily with recognized futures exchanges or investment grade financial institutions and by maintaining credit policies which significantly reduce overall counter party credit risk. In addition, Keyera incorporates the credit risk associated with counterparty default, as well as Keyera's own credit risk, into the estimates of fair value.

The allowance for credit losses is reviewed on a quarterly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counter party.

(f) Liquidity risk
Liquidity risk is the risk that suitable sources of funding for Keyera's business activities may not be available. Keyera manages liquidity risk by maintaining bank credit facilities, continuously managing

forecast and actual cash flows and monitoring the maturity profiles of financial assets and financial liabilities. Keyera has access to a wide range of funding at competitive rates through capital markets and banks to meet the immediate and ongoing requirements of the business.

The following table shows the contractual maturities for financial liabilities of Keyera as at December 31, 2014:

	2015 $	2016 $	2017 $	2018 $	2019 $	After 2019 $
Trade and other payables	421,256	—	—	—	—	—
Derivative financial instruments [1]	19,770	3,602				
Dividends payable	18,133	—	—	—	—	—
Long-term debt[2]	47,402	93,004	60,000	—	125,480	879,804
Credit facilities	—	—	—	—	90,000	—
Long-term incentive plan	24,866	12,393	4,260	—	—	—
	531,427	**108,999**	**64,260**	**—**	**215,480**	**879,804**

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

Risk management sensitivities

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

	Impact on income before tax December 31, 2014		Impact on income before tax December 31, 2013	
Risk sensitivities	**Increase**	**(Decrease)**	Increase	(Decrease)
Commodity price changes				
+ 10% in natural gas price	—	**(757)**	—	—
- 10% in natural gas price	**757**	—	—	—
+ 10% in electricity price	**756**	—	170	—
- 10% in electricity price	—	**(756)**	—	(170)
+ 10% in NGL and iso-octane price	—	**(17,919)**	—	(21,841)
- 10% in NGL and iso-octane price	**17,919**	—	21,841	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**2,711**	—	556	—
- $0.01 in U.S./Canadian dollar exchange rate	—	**(2,711)**	—	(556)
Interest rate changes				
+ 1% in interest rate	—	**(36)**	—	(1,421)
- 1% in interest rate	**36**	—	1,421	—

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

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

	2014 **$**	2013 $
Net foreign currency gain (loss) resulting from:		
Translation of US$504,000 long-term debt	**(48,637)**	(24,457)
Translation of accrued interest payable	**(383)**	(221)
Change in fair value of the cross currency swap – principal and interest portion	**55,588**	29,964
Loss on cross currency swap – principal portion[1]	—	(3,075)
Loss on cross currency swap – interest portion[2]	**(1,935)**	(2,813)
Total net foreign currency gain (loss) on U.S. debt	**4,633**	(602)

Notes:
[1] A foreign currency loss resulted from the exchange of currencies relating to the principal portion of the US$65,000 and US $140,000 that was received on November 20, 2013.
[2] A foreign currency loss resulted from the exchange of currencies relating to interest payments.

23. CAPITAL MANAGEMENT

Keyera's objectives when managing capital are:

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

Keyera defines its capital as follows:

- shareholders' equity,
- long-term debt,
- credit facilities, and
- working capital (defined as current assets less current liabilities).

Keyera manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Keyera may adjust the amount of dividends paid to shareholders, issue new shares, issue new debt or replace existing debt with new debt having different characteristics.

As at December 31,	2014 $	2013 $
Long-term debt	**1,152,133**	1,077,140
Credit facilities	**90,000**	—
Current assets	**(621,710)**	(787,122)
Current liabilities	**540,984**	480,305
Consolidated net debt	**1,161,407**	770,323
Shareholders' capital	**1,364,522**	992,811
Accumulated deficit	**(46,341)**	(69,102)
Total capitalization	**2,479,588**	1,694,032

For the year ended December 31, 2014, Keyera's capital management strategy was unchanged from the prior year. Keyera monitors its capital structure primarily based on its consolidated net debt to consolidated earnings before interest, taxes, depreciation, amortization, accretion, unrealized gains and losses, impairment expenses and any other non-cash items ("adjusted EBITDA") ratio. The definition of adjusted EBITDA for capital management purposes is similar, but not identical to the adjusted EBITDA financial measure used in the calculation of Keyera's financial covenants on its credit facilities and long-term debt agreements. This ratio is calculated as consolidated net debt divided by a twelve-month trailing adjusted EBITDA, which are non-GAAP measures. These agreements require Keyera to maintain a consolidated net debt to adjusted EBITDA ratio of less than 4.0. However, Keyera currently intends to maintain a consolidated net debt to adjusted EBITDA ratio of less than 3.5, unchanged from the prior year.

Consolidated net debt **As at December 31,**	**2014** **$**	2013 $
Long-term debt	**1,152,133**	1,077,140
Credit facilities	**90,000**	—
Working capital surplus[1]	**(80,726)**	(306,817)
Consolidated net debt	**1,161,407**	770,323

EBITDA **Twelve months ended**		**December 31, 2014** **$**	December 31, 2013 $
Net earnings		**229,989**	146,836
Add (deduct):			
Finance costs		**50,519**	52,303
Depreciation and amortization		**138,697**	102,425
Income tax expense		**93,977**	61,837
EBITDA		**513,182**	363,401
Unrealized (gain) loss on commodity contracts		**(58,741)**	14,262
Net foreign currency (gain) loss on U.S. debt		**(4,633)**	602
Loss on disposal of assets		**—**	482
Impairment expense		**80,243**	577
Adjusted EBITDA		**530,051**	379,324
Consolidated net debt to adjusted EBITDA	**Guideline[2]** **< 3.5**	**2.19**	2.03

Notes:

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

2 Keyera currently intends to maintain a consolidated net debt to adjusted EBITDA ratio of less than 3.5.

Keyera is also subject to the following financial covenants:

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

The calculation for each financial covenant is based on specific definitions and is not in accordance with IFRS and cannot be directly derived from the financial statements. Keyera was in compliance with all financial covenants as at December 31, 2014.

24. GENERAL AND ADMINISTRATIVE EXPENSES

The components of general and administrative expenses were as follows:

	2014	2013
	$	$
Salaries and benefits	**59,876**	47,261
Professional fees and consulting	**12,431**	6,299
Bad debt expense	**26**	(9)
Other	**13,441**	10,512
Overhead recoveries on operated facilities	**(41,884)**	(37,086)
Total general and administrative expenses	**43,890**	26,977

Other expenses include operating lease charges, insurance and advertising and promotional expenditures. As operator of most of its facilities, Keyera is compensated for its administrative work by collecting an overhead recovery fee equal to a certain percentage of operating costs. The reimbursement of such costs is called overhead recoveries.

25. FINANCE COSTS

The components of finance costs were as follows:

	2014	2013
	$	$
Interest on bank overdrafts and credit facilities	**2,839**	6,900
Interest on long-term debt	**60,196**	39,803
Interest on convertible debentures	**—**	642
Interest capitalized	**(22,331)**	(5,561)
Other interest income	**(890)**	(47)
Total interest expense on current and long-term debt	**39,814**	41,737
Unwinding of discount on decommissioning liability	**9,877**	9,665
Unwinding of discount on long-term debt	**828**	819
Unwinding of discount on convertible debentures	**—**	82
Non-cash expenses in finance costs	**10,705**	10,566
Total finance costs	**50,519**	52,303

For the year ended December 31, 2014, $22,331 of borrowing (interest) costs were capitalized (2013 – $5,561) at a weighted average capitalization rate of 5.60% on funds borrowed (2013 – 5.08%).

26. DEPRECIATION, DEPLETION AND AMORTIZATION

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

	2014	2013
	$	$
Depreciation and depletion on property, plant and equipment and other properties	**137,971**	100,951
Amortization of intangible assets	**726**	1,474
Total depreciation, depletion and amortization expenses	**138,697**	102,425

27. RELATED PARTY TRANSACTIONS

Compensation of key management personnel was as follows:

	2014	2013
	$	$
Salaries and other short term benefits	**9,658**	7,570
Post-employment benefits	**293**	266
Share-based payments	**12,613**	9,819
Total related party transactions	**22,564**	17,655

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

28. SUPPLEMENTAL CASH FLOW INFORMATION

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

	2014	2013
	$	$
Inventories	**(9,273)**	5,449
Trade and other receivables	**4,868**	(34,622)
Other assets	**(4,041)**	4,857
Trade and other payables	**(71,056)**	51,329
Changes in non-cash working capital from operating activities	**(79,502)**	27,013

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

	2014	2013
	$	$
Trade and other payables	**40,716**	40,394
Changes in non-cash working capital from investing activities	**40,716**	40,394

29. SEGMENT INFORMATION

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

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

Gathering and Processing
The Gathering and Processing segment includes raw gas gathering systems and processing plants located in the natural gas production areas primarily on the western side of the Western Canada Sedimentary Basin. The operations primarily involve providing natural gas gathering and processing services to customers.

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

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

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

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

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

Year ended December 31, 2013	Marketing $	Gathering & Processing $	NGL Infrastructure $	Corporate and Other $	Total $
Revenue before inter-segment eliminations	2,887,375	343,639	223,501	11,775	3,466,290
Operating expenses before inter-segment eliminations	(2,754,430)	(186,165)	(100,201)	(5,158)	(3,045,954)
Operating margin	132,945	157,474	123,300	6,617	420,336
Inter-segment revenue eliminations	—	(17,358)	(156,519)	(15,206)	(189,083)
Inter-segment expenses eliminations	185,743	—	—	3,340	189,083
	318,688	140,116	(33,219)	(5,249)	420,336
General and administrative expenses	—	—	—	(26,977)	(26,977)
Finance costs	—	—	—	(52,303)	(52,303)
Depreciation, depletion and amortization expenses	—	—	—	(102,425)	(102,425)
Net foreign currency loss on U.S. debt	—	—	—	(602)	(602)
Long-term incentive plan expense	—	—	—	(28,297)	(28,297)
Impairment expense	(577)	—	—	—	(577)
Loss on disposal of property, plant and equipment	—	—	—	(482)	(482)
Earnings (loss) before income tax	318,111	140,116	(33,219)	(216,335)	208,673
Income tax expense	—	—	—	(61,837)	(61,837)
Net earnings (loss)	**318,111**	**140,116**	**(33,219)**	**(278,172)**	**146,836**
Revenue from external customers	2,887,375	326,281	66,982	(3,431)	3,277,207

Geographical information
Keyera operates in two geographical areas, Canada and the United States (US). Keyera's revenue from external customers and information about its property, plant and equipment by geographical location are detailed below based on the country of origin.

Revenue from external customers located in	Canada $	US $
For the year ended December 31, 2014	**2,895,582**	**728,119**
For the year ended December 31, 2013	2,715,373	561,834

	Canada $	US $
Non-current assets[1] at December 31, 2014	**3,182,951**	**46,165**
Non-current assets[1] at December 31, 2013	2,248,476	15,467

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

Information about major customers
Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue for the years ended December 31, 2014 and 2013.

30. COMMITMENTS AND CONTINGENCIES

Keyera through its operating entities has assumed commitments in various contractual purchase agreements in the normal course of its operations. The agreements range from one to ten years and 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.

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

	$
2015	**159,279**
2016	**40,956**
2017	**36,277**
2018	**30,995**
2019	**22,124**
Thereafter	**50,550**
	340,181

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

31. SUBSEQUENT EVENTS

On February 1, 2015, the Paddle River gas plant was shut down due to minimal producer activity in the lands adjacent to the gas plant for the past several years.

In January 2015, Keyera declared a dividend of $0.215 per share, payable on February 17, 2015 to shareholders of record as of January 22, 2015.

In February 2015, Keyera declared a dividend of $0.215 per share, payable on March 16, 2015 to shareholders of record as of February 24, 2015.

On February 11, 2015, Keyera declared a dividend of $0.23 per share, payable on April 15, 2015 to shareholders of record as of March 23, 2015.

On February 11, 2015, Keyera also announced a two-for-one split of Keyera's outstanding common shares. The record date for the share split will be April 1, 2015. As the shares are not yet traded on a post-split basis, no adjustments to the shares or per share amounts have been made in the consolidated financial statements, with the exception of the post-share split earnings per share disclosure on the face of the statement of net earnings and comprehensive income.

Additional Information

Fourth Quarter Results

Statements of Net Earnings (Thousands of Canadian dollars)	**(Unaudited) Three months ended December 31, 2014 $**	2013 $
Operating revenues	**938,718**	932,121
Operating expenses	**(751,065)**	(829,762)
	187,653	102,359
General and administrative expenses	**(14,239)**	(8,919)
Finance costs	**(9,526)**	(15,118)
Depreciation, depletion and amortization expenses	**(42,022)**	(26,666)
Net foreign currency gain on U.S. debt	**3,970**	5,956
Long-term incentive plan expense	**(2,477)**	(6,004)
Impairment expense	**(80,243)**	—
Loss on disposal of property, plant and equipment	**—**	(482)
Earnings before income tax	**43,116**	51,126
Income tax expense	**(13,729)**	(16,730)
Net earnings	**29,387**	34,396
Weighted average number of shares (in thousands)		
- basic	**84,235**	78,779
- diluted	**84,235**	79,073
Net earnings per share		
- basic	**0.35**	0.44
- diluted	**0.35**	0.43

Statements of Cash Flows (Thousands of Canadian dollars)	**(Unaudited) Three months ended December 31,**	
	2014	2013
Net inflow (outflow) of cash:	**$**	$
OPERATING ACTIVITIES		
Net earnings	**29,387**	34,396
Adjustments for items not affecting cash:		
Finance costs	**2,356**	3,383
Depreciation, depletion and amortization expenses	**42,022**	26,666
Long-term incentive plan expense	**2,477**	6,004
Unrealized gain on derivative financial instruments	**(67,436)**	(9,211)
Unrealized loss on foreign exchange	**15,461**	13,517
Deferred income tax expense	**5,311**	16,622
Inventory write-down	**59,106**	—
Impairment expense	**80,243**	—
Loss on disposal of property, plant and equipment	**—**	482
Decommissioning liability expenditures	**(1,472)**	(2,293)
Changes in non-cash working capital	**12,304**	83,031
Net cash provided by operating activities	**179,759**	172,597
INVESTING ACTIVITIES		
Acquisitions	**(92,849)**	(4,790)
Capital expenditures	**(216,535)**	(116,274)
Proceeds on sale of assets	**630**	9,550
Changes in non-cash working capital	**7,580**	4,711
Net cash used in investing activities	**(301,174)**	(106,803)
FINANCING ACTIVITIES		
Borrowings under credit facilities	**170,000**	155,000
Repayments under credit facilities	**(80,000)**	(445,000)
Proceeds from issuance of long-term debt	**—**	434,122
Financing costs related to long-term debt	**(1,676)**	(1,923)
Issuance costs related to equity offering	**(3)**	—
Proceeds from issuance of shares related to DRIP	**17,446**	14,094
Repayment of convertible debenture	**—**	(39)
Dividends paid to shareholders	**(54,309)**	(47,211)
Net cash provided by financing activities	**51,458**	109,043
Effect of exchange rate fluctuations on foreign cash held	**1,028**	824
Net (decrease) increase in cash	**(68,929)**	175,661
Cash, start of period	**80,238**	10,990
Cash, end of period	**11,309**	186,651

SUPPLEMENTAL CASH FLOW INFORMATION

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

	(Unaudited) Three months ended December 31,	
	2014	2013
	$	$
Inventory	**89,016**	77,346
Trade and other receivables	**28,512**	(21,350)
Other assets	**4,517**	3,860
Trade and other payables	**(109,741)**	23,175
Changes in non-cash working capital from operating activities	**12,304**	83,031

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

	(Unaudited) Three months ended December 31,	
	2014	2013
	$	$
Trade and other payables	**7,580**	4,711
Changes in non-cash working capital from investing activities	**7,580**	4,711

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

	(Unaudited) Three months ended December 31,	
	2014	2013
	$	$
Income taxes paid in cash	**—**	184
Interest paid in cash	**25,968**	11,067

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

	(Unaudited) Three months ended December 31,	
	2014	2013
Distributable Cash Flow	**$**	$
Cash flow from operating activities	**179,759**	172,597
Changes in non-cash working capital (surplus) deficit	**(12,304)**	(83,031)
Long-term incentive plan expense	**(2,477)**	(6,004)
Maintenance capital	**(3,516)**	(8,587)
Inventory write-down	**(59,106)**	
Distributable cash flow	**102,356**	74,975
Dividends declared to shareholders	**54,353**	47,297

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

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

(Unaudited) Three months ended December 31, 2013	Marketing $	Gathering & Processing $	NGL Infrastructure $	Corporate and Other $	Total $
Revenue before inter-segment eliminations	827,786	87,186	62,088	2,810	979,870
Operating expenses before inter-segment eliminations	(798,742)	(49,203)	(28,307)	(1,259)	(877,511)
Operating margin	29,044	37,983	33,781	1,551	102,359
Inter-segment revenue eliminations	—	(4,671)	(39,285)	(3,793)	(47,749)
Inter-segment expenses eliminations	46,924	—	—	825	47,749
	75,968	33,312	(5,504)	(1,417)	102,359
General and administrative expenses	—	—	—	(8,919)	(8,919)
Finance costs	—	—	—	(15,118)	(15,118)
Depreciation, depletion and amortization expenses	—	—	—	(26,666)	(26,666)
Net foreign currency gain on U.S. debt	—	—	—	5,956	5,956
Long-term incentive plan expense	—	—	—	(6,004)	(6,004)
Loss on disposal of property, plant and equipment	—	—	—	(482)	(482)
Earnings (loss) before income tax	75,968	33,312	(5,504)	(52,650)	51,126
Income tax expense	—	—	—	(16,730)	(16,730)
Net earnings (loss)	**75,968**	**33,312**	**(5,504)**	**(69,380)**	**34,396**
Revenue from external customers	827,786	82,515	22,803	(983)	932,121

Corporate Information

Board of Directors

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

Robert B. Catell
Chairman of the Advanced Energy Research and Technology Center of Stoneybrook University
New York, New York

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

Nancy M. Laird (4)(5)
Corporate Director
Calgary, Alberta

Donald J. Nelson (3)(5)
President
Fairway Resources Inc.
Calgary, Alberta

H. Neil Nichols (3)(4)
Corporate Director
Smiths Cove, Nova Scotia

Michael Norris (3)
Corporate Director
Calgary, Alberta

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

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

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

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

Head Office

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Calgary, Alberta T2P 3N4
Main phone: 403-205-8300
Website: www.keyera.com

Officers

Jim V. Bertram
Executive Chair of the Board of Directors

David G. Smith
President and Chief Executive Officer

Graham Balzun
Vice President, Engineering and Corporate Responsibility

W. John Cobb
Vice President, Investor Relations & Information Technology

Michael Freeman
Vice President, Commercial

Suzanne Hathaway
Vice President, General Counsel and Corporate Secretary

Jim Hunter
Vice President, NGL Facilities

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

Steven B. Kroeker
Senior Vice President and Chief Financial Officer

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

Eileen Marikar
Vice President, Controller

Brian Martin
Vice President, Business Development, NGL Facilities

Dean Setoguchi
Senior Vice President, Liquids Business Unit

Stock Exchange Listing
The Toronto Stock Exchange
Trading Symbols KEY

Trading Summary Q4 2014

TSX:KEY – Cdn $	
High	$95.17
Low	$69.70
Close December 31, 2014	$81.07
Volume	30,747,758
Average Daily Volume	488,060

Auditors

Deloitte LLP
Chartered Accountants
Calgary, Canada

Investor Relations

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