2022
First Quarter Report

2022 First Quarter Report

For the period ended March 31, 2022

First Quarter Financial Highlights

- Adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA" [1]) was $257 million, compared with $225 million for the first quarter of 2021. The year-over-year increase was due to higher contributions from the Marketing business.
- The company realized cash flow from operating activities ("CFO") of $457 million in the first quarter of 2022, compared with $268 million for the same period in 2021.
- Distributable cash flow[1] ("DCF") was $178 million in the first quarter, compared with $165 million for the first quarter of 2021. The year-over-year increase was due to higher contributions from the Marketing business, which was partially offset by a higher cash tax expense.
- Net earnings were $114 million for the first quarter of 2022, compared to $86 million for the first quarter of 2021.
- Trailing-twelve-month dividend payout ratio[1] was 62%, which is within the company's targeted range of 50 to 70%.
- The company continues to preserve balance sheet strength, ending the quarter with a net debt to adjusted EBITDA ratio[2] of 2.5x, which is within the company's target range of 2.5 to 3.0 times.

Business Segment Highlights

- The **Gathering and Processing** ("G&P") segment delivered a realized margin[1,3] of $77 million, compared to $79 million for the same period last year. This result was driven by continued strong performance at the Pipestone gas plant in the North region, and volume growth at the Brazeau, Strachan and Alder Flats facilities in the South region. Results were offset by 22-days of downtime at the Wapiti gas plant, which impacted margins by approximately $10 million in the quarter.
- Keyera's **Liquids Infrastructure** segment delivered realized margin[1,3] of $105 million, consistent with the same quarter of 2021. Strong performance from the fractionation, cavern storage, and condensate transportation businesses contributed to this result.
- Keyera's **Marketing** segment contributed a realized margin[1,3] of $103 million, compared to $61 million in the first quarter of 2021, supported by continued strength in commodity pricing, the company's disciplined risk management program and the continued benefit of low-cost butane supply costs from the 2021 contracting year.

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

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

3 Realized margin is not a standard measure under GAAP and excludes the effect of $11 million in non-cash losses from commodity-related risk management contracts. See the section of this news release titled "Non-GAAP and Other Financial Measures".

KAPS Project Update

- Strong progress year to date has resulted in KAPS now being nearly 70% complete with the latest cost estimate ranging between $800 million to $880 million, net to Keyera. This cost estimate reflects the purchase and receipt of all the required steel pipe and the vast majority of other materials.

Updated Marketing and Cash Tax Guidance

- For 2022, realized margin for the Marketing segment is now expected to range between $300 million and $340 million (previously $250 million to $280 million) due to increased strength of motor gasoline and octane demand which benefits the company's iso-octane business.
- Cash tax expense is now expected to range between $30 million and $40 million (previously $15 million to $30 million) as a result of higher contributions from the Marketing segment.

Guidance Unchanged from Previous Disclosures

- Growth capital is expected to be between $620 million to $660 million, excluding capitalized interest.
- Maintenance capital expenditures are expected to range between $100 million and $120 million.
- For 2023 to 2025, the base guidance range for the Marketing segment is $250 million to $280 million. This replaces the previous base annual guidance range of between $180 million and $220 million. The base guidance is set at a range believed to be achievable with a high degree of confidence and is based on certain assumptions[4].

[4] Please refer to the company's management discussion and analysis ("MD&A") for marketing guidance assumptions.

Summary of Key Measures *(Thousands of Canadian dollars, except where noted)*	Three months ended March 31, **2022**	2021
Net earnings	**113,794**	85,825
Per share ($/share) – basic	**0.51**	0.39
Cash flow from operating activities	**457,052**	268,429
Funds from operations[1]	**197,573**	181,065
Distributable cash flow[1]	**178,458**	164,751
Per share ($/share)[1]	**0.81**	0.75
Dividends declared	**106,091**	106,091
Per share ($/share)	**0.48**	0.48
Payout ratio %[1]	**59%**	64%
Adjusted EBITDA[2]	**257,203**	224,830
Gathering and Processing		
Gross processing throughput[3] (MMcf/d)	**1,513**	1,402
Net processing throughput[3] (MMcf/d)	**1,311**	1,193
Liquids Infrastructure		
Gross processing throughput[4] (Mbbl/d)	**186**	154
Net processing throughput[4] (Mbbl/d)	**91**	85
AEF iso-octane production volumes (Mbbl/d)	**14**	15
Marketing		
Inventory value	**209,629**	159,007
Sales volumes (Bbl/d)	**194,900**	173,500
Growth capital expenditures	**243,569**	48,028
Maintenance capital expenditures	**7,236**	3,905
Total capital expenditures	**250,805**	51,933
Weighted average number of shares outstanding – basic and diluted	**221,023**	221,023
	As at March 31, **2022**	2021
Long-term debt[5]	**3,617,508**	3,281,982
Credit facility	**—**	—
Working capital (surplus)[6]	**(219,076)**	(224,779)
Net debt	**3,398,432**	3,057,203
Common shares outstanding – end of period	**221,023**	221,023

Notes:

1 Funds from operations, distributable cash flow, distributable cash flow per share and payout ratio are not standard measures under Generally Accepted Accounting Principles ("GAAP") and therefore, may not be comparable to similar measures reported by other entities. For additional details regarding the composition of these measures, how management utilizes them, and for a reconciliation of funds from operations and distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section of this news release titled "Non-GAAP and Other Financial Measures".

2 Adjusted EBITDA is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. For additional details regarding the composition of this measure, how management utilizes it, and for a reconciliation of adjusted EBITDA to the most directly comparable GAAP measure, net earnings, refer to the section of this news release titled "Non-GAAP and Other Financial Measures".

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

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

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

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

CEO's Message to Shareholders

Following our recent Investor Day, I want to start by reiterating the reasons why Keyera is well positioned to generate strong investment returns for decades to come.

- **Our base business is strong and will remain in high demand.** Our fully integrated business has high barriers to entry and plays an essential role in facilitating long-term energy security. Our assets serve the Montney formation, one of the lowest-cost and most potentially prolific geological plays in North America.
- **Continued focus on financial discipline.** Financial discipline has been Keyera's hallmark from the very beginning and it remains core to our success. This discipline allowed us to successfully navigate through the past two years of pandemic uncertainties.
- **We have clear visibility to near and long-term growth.** We're forecasting a 6% to 7% adjusted EBITDA compound annual growth rate ("CAGR") from 2022 to 2025 from our fee-for-service business. Additionally, our KAPS project remains on schedule to be completed in Q1 2023, which will provide a platform for further downstream growth opportunities including fractionation and storage and market access expansion.
- **Keyera's assets are uniquely positioned to create a strong energy transition business.** Our low carbon hub strategy will leverage existing assets, including a hydrogen pipeline, and our competitively advantaged land position in Alberta's Industrial Heartland near Fort Saskatchewan. We aim to leverage our expertise while collaborating with partners to decarbonize our own business and that of our customers.

We have the asset base, expertise, and competitive advantages to produce consistent value for our shareholders over the long-term. In the near-term, our business will be bolstered by soon-to-be-completed growth projects, like KAPS, and we expect continued strength in each of our business segments.

In our **Gathering & Processing** ("G&P") segment, we continue to increase our competitiveness and optimize returns. In the northern region, our Pipestone gas plant is effectively full and we are evaluating opportunities to expand its capacity. At Wapiti, we expect to be utilizing phase two capacity in the second half of the year. And in our southern G&P assets, we're seeing areas of volume growth as producers continue to increase activity while maintaining a more balanced growth approach.

Turning to the **Liquids Infrastructure** segment, we saw continued strong volumes through our industry-leading condensate system and continued high utilization across our fractionation and cavern storage businesses. With the completion of KAPS in 2023, we will provide customers with a premier offering of transportation, fractionation, storage, logistics services and access to high value markets. Our Keyera Fort Saskatchewan ("KFS") fractionator is consistently operating at nameplate capacity, and with KAPS soon to be online, we believe we are well positioned to expand our fractionation capacity, when customers are ready to contract the incremental capacity.

In the **Marketing** segment, high demand for all commodities combined with our disciplined risk management program delivered a strong contribution. Looking forward, there are several positive factors at play in this segment, including continued strong commodity pricing and strengthening motor gasoline and octane demand, which benefits our iso-octane business. Offsetting these factors for 2022 are, a higher butane feedstock supply cost which has been contracted near our 10-year average price and a 6-week turnaround at our Alberta EnviroFuels facility this fall.

Moving on to capital projects. At nearly 70% complete, the **KAPS Project** is progressing on schedule. KAPS is a game-changer for Keyera; it is the missing link in our value chain, that will connect our Montney G&P business and other third-party facilities to our highly profitable Liquids Infrastructure business in Edmonton and Fort Saskatchewan.

Further, we have an exciting opportunity that we refer to as 'Zone 4' which would extend KAPS to the British Columbia border and connect it with a proposed 3rd party liquids gathering system, enabling the capture of liquids volumes along the entire Alberta and British Columbia Montney fairway.

On **ESG and Stakeholder Engagement;** in the fall of this year, we will be releasing our second annual ESG Report, and in the fourth quarter, we'll begin supplying 10% of our total power needs via solar energy. We also announced that we are collaborating with Shell Canada Limited ("Shell"), to develop potential low-carbon projects in Alberta's Industrial Heartland leveraging our existing assets and adjacent lands. We were pleased to see the Alberta government support the progress of carbon capture, utilization and storage ("CCUS") initiatives in the area, including Shell's Atlas Hub proposal where we believe we can play an important role.

The macro-economic backdrop for the Canadian energy industry remains robust. In the near-term there will be high demand for natural gas and natural gas liquids, driven by expanded export capacity, and continued fuel source switching for electrification. In the long-term, start-up of the LNG Canada project in 2025, growth of the petrochemical industry in Western Canada, and growth of energy transition businesses will all serve to place our basin, and our company, in a very advantageous position.

In this continued strengthening environment for our industry, Keyera remains well positioned to grow distributable cash flow on a per share basis for decades to come.

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

Dean Setoguchi
President and Chief Executive Officer
Keyera Corp.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of May 10, 2022 and is a review of the results of operations and the liquidity and capital resources of Keyera Corp. and its subsidiaries (collectively "Keyera"). The MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the three months ended March 31, 2022 and the notes thereto as well as the audited consolidated financial statements of Keyera for the year ended December 31, 2021, and the related MD&A. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Keyera's website at www.keyera.com.

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

Keyera's Business

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

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

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

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

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

Overview

Keyera had a strong start to the year with solid financial results from all three operating segments and considerable progress made on the execution of its capital projects. Net earnings of $114 million and adjusted EBITDA of $257 million were 33% and 14% higher, respectively, than the same period in the prior year.

Higher producer activity levels around Keyera's strategically located gas plants resulted in incremental volumes and higher gross processing throughput for the Gathering and Processing segment. The Pipestone gas plant set a new quarterly record for throughput volumes, while the South region also experienced significantly higher volumes. Partly offsetting these volume increases was 22-days of unplanned maintenance outages at the Wapiti gas plant that impacted margins by approximately $10 million in the quarter. As producer activity levels are expected to remain high in 2022, Keyera is well-positioned to grow operating margin in both the North and South regions.

The Liquids Infrastructure segment experienced high customer demand during the first quarter of 2022 which was met with strong operational performance across the segment's diverse range of assets. Keyera's fractionation units in the Fort Saskatchewan area and the AEF facility were fully utilized during this period, while volumes delivered through Keyera's industry leading condensate system were just below the record achieved in the fourth quarter of 2021.

The Marketing segment had an outstanding first quarter delivering $103 million of realized margin. The strong commodity price environment combined with Keyera's disciplined risk management program resulted in strong contribution from all products, most notably iso-octane which benefited from low butane feedstock costs from the 2021 contract year, and strong motor gasoline pricing. The cash flow generated from the Marketing business enhances Keyera's overall return on invested capital as it can utilize its infrastructure assets to deliver product to the highest value markets. The cash flow from this segment is also used to help fund additional infrastructure investments, including the KAPS pipeline that will generate long-term, stable cash flow.

In March, Keyera continued to advance its low carbon strategy by signing a memorandum of understanding with Shell Canada Limited to collaborate on potential low-carbon projects in Alberta's Industrial Heartland. Together, both companies will explore opportunities to build a future open access gathering and distribution network to transport captured CO_2. Keyera would also leverage an existing pipeline capable of transporting hydrogen to complement a hydrogen manufacturing and distribution network within the region. These ventures would provide Keyera, and industry, the opportunity to meaningfully decarbonize their operations.

Construction related to the KAPS project remained on schedule and the project is now nearly 70% complete. The latest cost estimate for the project is between $800 million and $880 million, net to Keyera.

At the end of the first quarter, Keyera issued $400 million of senior unsecured medium-term notes in the Canadian public debt market at a coupon rate of 5.0% per annum. A portion of the proceeds from the note offering were used to repay indebtedness under Keyera's credit facility while the remaining proceeds will be used to fund the KAPS project and repay debt maturing in 2022, further strengthening Keyera's financial position.

Keyera expects the following for 2022:

- realized margin for the Marketing segment to be between **$300 million and $340 million**;
- a cash tax expense of between **$30 million and $40 million**;
- maintenance capital expenditures to range between **$100 million and $120 million**, with approximately $60 million of the costs related to the AEF maintenance turnaround. Refer to the section of the MD&A titled, "Segmented Results of Operations: Liquids Infrastructure" for more details related to this major turnaround; and
- growth capital expenditures to range between **$620 million and $660 million** excluding capitalized interest, with the vast majority related to the construction of the KAPS pipeline system.

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

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the three months ended March 31, 2022 and 2021:

(Thousands of Canadian dollars, except per share data)	Three months ended March 31, **2022**	2021
Net earnings	**113,794**	85,825
Net earnings per share (basic)	**0.51**	0.39
Operating margin	**272,926**	235,975
Realized margin[1]	**283,868**	244,450
Adjusted EBITDA[2]	**257,203**	224,830
Cash flow from operating activities	**457,052**	268,429
Funds from operations[3]	**197,573**	181,065
Distributable cash flow[3]	**178,458**	164,751
Distributable cash flow per share[3] (basic)	**0.81**	0.75
Dividends declared	**106,091**	106,091
Dividends declared per share	**0.48**	0.48
Payout ratio[4]	**59%**	64%

Notes:

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

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

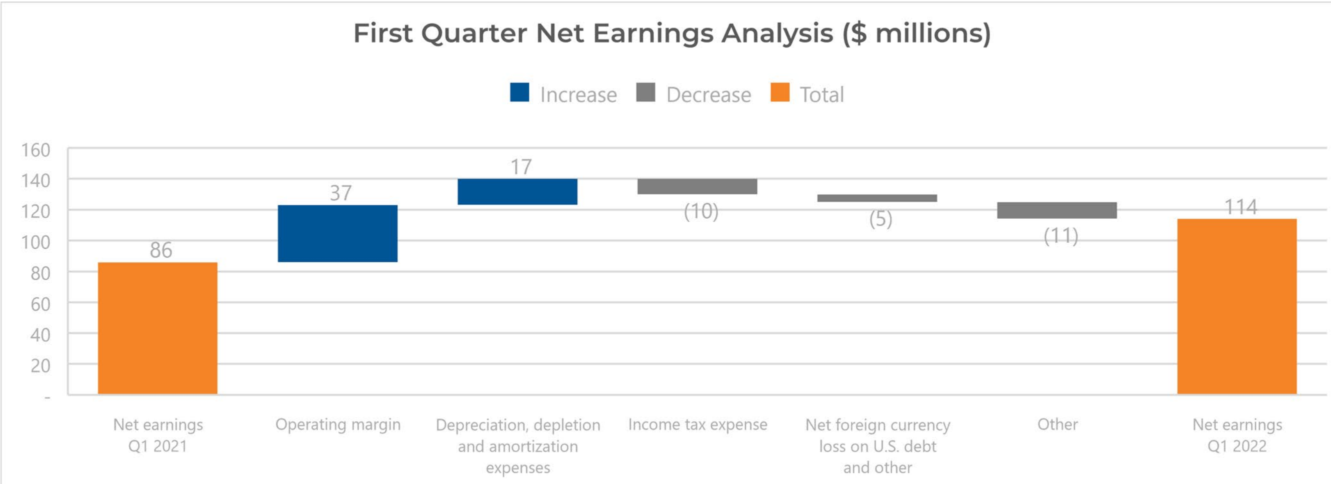
2 EBITDA is defined as earnings before finance costs, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment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

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

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

Net Earnings

For the three months ended March 31, 2022, net earnings were $114 million, $28 million higher than the same period in the prior year due to the following factors shown in the table below:

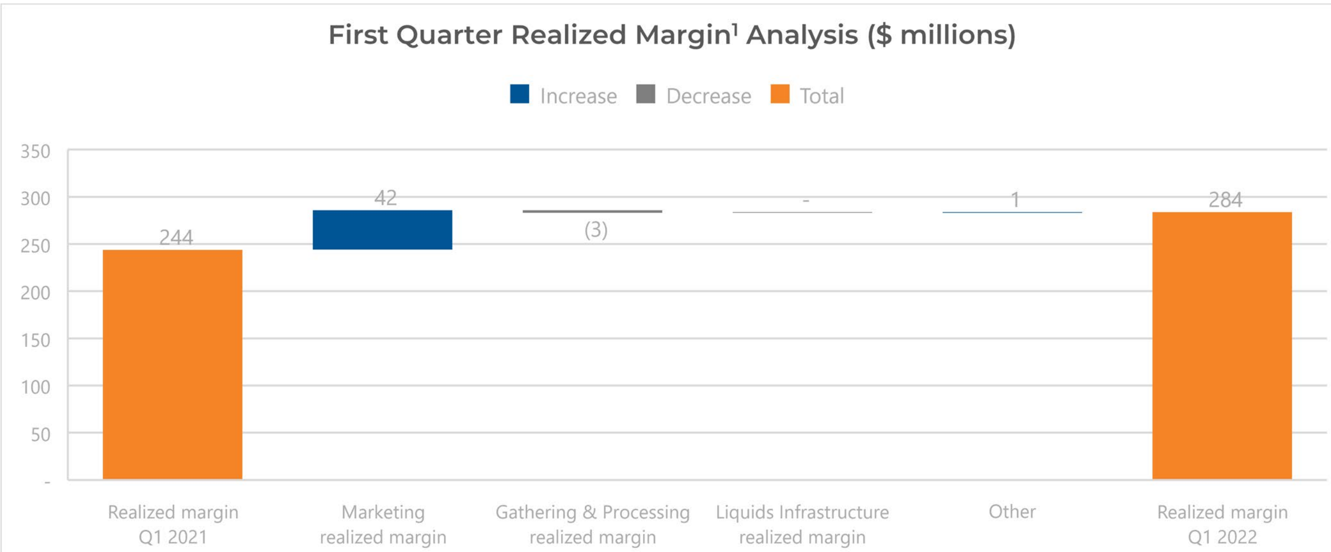


See the section below for more information related to operating margin. For all other charges mentioned above, please see the section of the MD&A titled, "Corporate and Other".

Operating Margin and Realized Margin

For the three months ended March 31, 2022, operating margin was $273 million, $37 million higher than the prior year primarily due to $42 million in higher realized margin from the Marketing segment as described in more detail below.

In the first quarter of 2022, realized margin[1] (excludes the effect of unrealized gains and losses from commodity-related risk management contracts) was $284 million, $39 million higher than the same period in the prior year. This was primarily due to $42 million in higher realized margin from the Marketing segment that was attributable to: i) $30 million in higher iso-octane margins resulting from higher product premiums and strong motor gasoline pricing; and ii) higher butane margins due to significantly stronger pricing in Alberta stemming from increased seasonal demand.



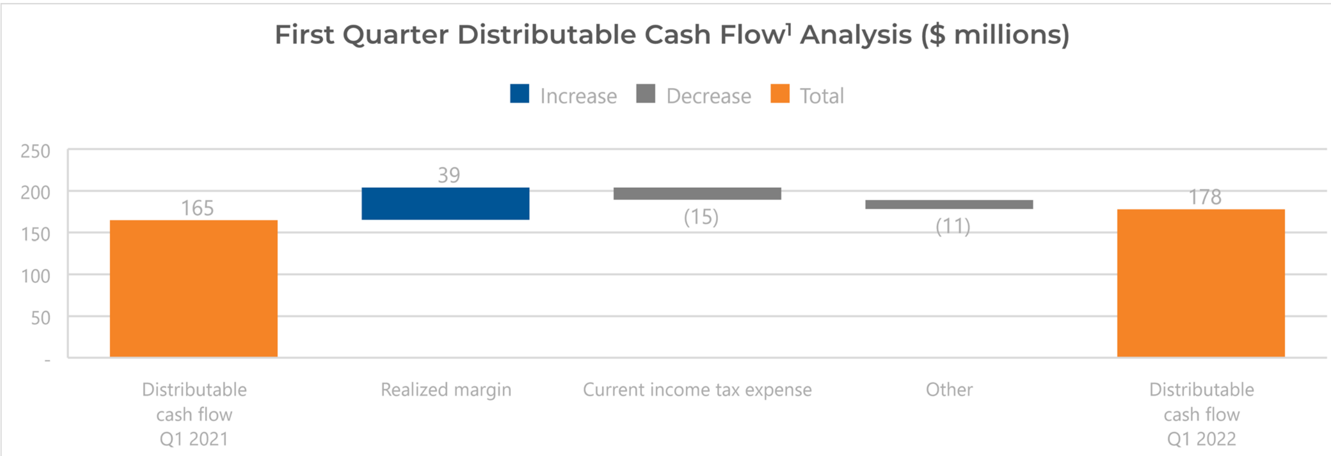
See the section titled "Segmented Results of Operations" for more information on operating results by segment.

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

Cash Flow Metrics

Cash flow from operating activities for the first quarter of 2022 was $457 million, $189 million higher than the same period in the prior year primarily due to higher cash generated from changes in operating working capital and higher realized margin mainly attributable to the Marketing segment.

Distributable cash flow[1] for the three months ended March 31, 2022, was $178 million, $14 million higher than the same period in 2021 due to factors shown in the table below:



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

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

SEGMENTED RESULTS OF OPERATIONS

The discussion of the results of operations for each of the operating segments focuses on operating margin and realized margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and Liquids Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the three months ended March 31, 2022 and 2021 are reported in note 15, Segment Information, of the accompanying financial statements. A complete description of Keyera's businesses by segment can be found in Keyera's Annual Information Form, which is available at www.sedar.com.

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

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

Operating and Realized Margin *(Thousands of Canadian dollars)*	**Three months ended March 31,** **2022**	2021
Revenue	**1,690,220**	1,017,983
Operating expenses	**(1,417,294)**	(782,008)
Operating margin	**272,926**	235,975
Unrealized loss on risk management contracts	**10,942**	8,475
Realized margin	**283,868**	244,450

Gathering and Processing

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

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

Operating and Realized Margin and Throughput Information *(Thousands of Canadian dollars)*	**Three months ended March 31,** **2022**	2021
Revenue[2]	**153,874**	143,644
Operating expenses[2]	**(77,305)**	(64,661)
Operating margin	**76,569**	78,983
Unrealized loss on risk management contracts	**118**	244
Realized margin[3]	**76,687**	79,227
Gross processing throughput[4] – (MMcf/d)	**1,513**	1,402
Net processing throughput[4,5] – (MMcf/d)	**1,311**	1,193

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

First Quarter Operating Margin and Revenue

Operating Margin	↓ $2 million vs Q1 2021	• Decrease was primarily due to $10 million in lower operating margin from the Wapiti gas plant resulting from 22-days of unplanned maintenance outages. • This was partly offset by higher volumes and operating margin at the Pipestone, Brazeau River, Strachan and Alder Flats gas plants.
Revenue	↑ $10 million vs Q1 2021	• Increase in revenue was primarily due to higher processing throughput at the Pipestone, Brazeau River, Strachan and Alder Flats gas plants as well as higher ethane sales revenues. Ethane sales are generally based on index pricing and can significantly influence revenues; however the effect on operating margin is minimal as ethane purchases from producers are also based on index pricing and are included in operating expenses.

Gathering and Processing Activity

Commodity prices and energy demand strengthened through the first quarter of 2022, fueling further optimism in the energy industry and higher producer drilling activity levels in Western Canada. Consequently, gross processing throughput at many of Keyera's strategically located gas plants in the North and South regions experienced an increase in processing volumes during the first quarter of 2022.

In the South region, incremental volumes from new wells increased gross processing throughput levels by 16% and 5% relative to the first and fourth quarters of 2021, respectively, with the majority of the volume increase occurring at the Strachan, Brazeau River and Alder Flats gas plants. With higher producer activity levels anticipated in 2022, Keyera is well-positioned to grow operating margin at its South region gas plants by delivering competitive, full-service solutions.

The Pipestone gas plant set a new quarterly processing throughput record in the first quarter of 2022 as drilling activity continued to ramp up in the condensate-rich Montney area. Despite the strong activity levels, gross processing throughput in the North region declined by 10% compared to the fourth quarter of 2021, in part due to lower volumes from the Wapiti gas plant. The facility experienced mechanical issues during the quarter that required it be shut down for approximately 22 days. The repairs are now complete and the facility is fully operational.

Keyera is committed to being a safe and reliable operator of its facilities and will continue to focus on increasing the long-term reliability and performance of its North region gas plants. To further this commitment, Keyera will be taking a planned outage at the Wapiti gas plant in the second quarter of 2022 for critical equipment cleaning, repair and maintenance. The facility will be offline for approximately one week to complete these activities. The impact to operating margin is expected to be less than $5 million.

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

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Liquids Infrastructure

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

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

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

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

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

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

Operating and realized margin for the Liquids Infrastructure segment were:

Operating and Realized Margin *(Thousands of Canadian dollars)*	**Three months ended March 31,**	
	2022	2021
Revenue[1]	**158,615**	147,737
Operating expenses[1]	**(53,743)**	(43,352)
Operating margin	**104,872**	104,385
Unrealized loss on risk management contracts	**48**	426
Realized margin[2]	**104,920**	104,811

Notes:

1 Includes inter-segment transactions.

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

First Quarter Operating Margin and Revenue

Operating Margin	— $nil vs Q1 2021	• Operating margin was virtually unchanged compared to Q1 2021.
Revenue	↑ $11 million vs Q1 2021	• Increase was mainly due to higher operating revenues from the Norlite pipeline and AEF facility resulting from the recovery of increased operating expenses in the period.

Liquids Infrastructure Activity

The Liquids Infrastructure segment had a strong start to the year with solid financial results, high customer demand and outstanding operational performance across its diverse range of infrastructure assets.

The two fractionation units at Keyera's Fort Saskatchewan complex were fully utilized in the first quarter of 2022. Fractionation capacity in Alberta has tightened in recent months as stronger commodity prices have resulted in increased drilling activity. As a result, Keyera expects the utilization of its fractionation units to remain near nameplate capacity for the remainder of 2022 due to the strong commodity price environment and corresponding industry activity.

As crude oil prices significantly increased in the first quarter of 2022, oil sands production and the related demand for condensate continued to be strong. As a result, volumes delivered through Keyera's condensate system were robust and just slightly lower than the record set in the prior quarter. In general, higher condensate volumes do not have a significant financial impact to Keyera due to long-term, take-or-pay arrangements in place with several major oil sands producers. Under these agreements, Keyera provides a variety of services including diluent transportation, storage and rail offload services in the Edmonton/Fort Saskatchewan area.

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

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

Liquids Infrastructure – Capital Projects Status Update

Facility/Area	Project Description	Project Status Update
KAPS 50/50 joint venture with Energy Transfer Canada ULC	**KAPS NGL and Condensate Pipeline System** Development of a 12-inch and 16-inch NGL and condensate pipeline system that will transport Montney and Duvernay production in northwestern Alberta to Keyera's fractionation assets and condensate system in Fort Saskatchewan. Along its route, KAPS will be connected to Keyera's Pipestone, Wapiti and Simonette gas plants and several third-party gas plants.	Pipe fabrication was completed in the first quarter of 2022. All major construction activities including mainline pipe construction, lateral pipeline construction and the installation of surface facilities continue to progress. KAPS is anticipated to be operational at the end of the first quarter of 2023. *Estimated total cost to complete:* • gross cost is estimated to be between $1.6 billion and $1.76 billion • Keyera's net share of costs is estimated to be between $800 million to $880 million The above estimates reflect a potential 10% increase in project costs due to inflationary cost pressures. *Total net costs to March 31, 2022:* • $192 million for the first quarter of 2022 • $520 million since inception
South Cheecham 50/50 joint venture with Enbridge	**Sulphur Facilities** Development of sulphur handling, forming, and storage facilities at the South Cheecham rail and truck terminal.	Construction progressed through the first quarter of 2022. The installation of most major equipment is now complete and pre-commissioning efforts have commenced. The sulphur facilities are anticipated to be operational in mid-2022. *Estimated total cost to complete:* • gross cost is approximately $212 million • Keyera's net share of costs is approximately $106 million The $96 million increase in gross cost is primarily due to: • engineering design deficiencies that resulted in a significant increase in civil work; • lower than anticipated construction productivity; and • supply chain disruptions for major equipment that has impacted construction sequencing and associated costs. *Total net costs to March 31, 2022:* • $15 million for the first quarter of 2022 • $80 million since inception

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

Marketing

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

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

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

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

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

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

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

Operating and realized margin for the Marketing segment were:

Operating and Realized Margin *(Thousands of Canadian dollars, except for sales volume information)*	Three months ended March 31, **2022**	2021
Revenue[1]	**1,486,227**	821,617
Operating expenses[1]	**(1,393,978)**	(768,387)
Operating margin	**92,249**	53,230
Unrealized loss on risk management contracts	**10,776**	7,805
Realized margin[2]	**103,025**	61,035
Sales volumes (Bbl/d)	**194,900**	173,500

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

Composition of Marketing Revenue *(Thousands of Canadian dollars)*	Three months ended March 31, **2022**	2021
Physical sales	**1,618,085**	903,562
Realized cash loss on financial contracts[1]	**(121,082)**	(74,140)
Unrealized gain due to reversal of financial contracts existing at end of prior period	**31,521**	22,024
Unrealized loss due to fair value of financial contracts existing at end of current period	**(46,491)**	(30,613)
Unrealized gain from fixed price physical contracts[2]	**4,194**	784
Total unrealized loss on risk management contracts	**(10,776)**	(7,805)
Total loss on risk management contracts	**(131,858)**	(81,945)
Total Marketing revenue	**1,486,227**	821,617

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

First Quarter Operating & Realized Margin and Revenue

Operating Margin	↑ $39 million vs Q1 2021	• Increase was due to $42 million in higher realized margin as described in more detail below.
Realized Margin[1]	↑ $42 million vs Q1 2021	Increase was due to the following factors: • $30 million of higher iso-octane margins resulting from higher product premiums and strong motor gasoline pricing; and • higher butane sales margins due to significantly stronger pricing in Alberta stemming from increased seasonal demand.
Revenue	↑ $665 million vs Q1 2021	• Increase was primarily due to significantly higher average sales prices for all products resulting from stronger commodity prices in 2022.

Market Commentary

With the strong commodity price environment and a disciplined risk management program, Keyera expects its Marketing business to contribute realized margin of between $300 million and $340 million in 2022. This range includes the estimated financial impact from the planned six-week outage at the AEF facility, financial hedges currently in place and assumes that commodity prices continue to remain strong for the remainder of the year.

Keyera is also increasing the annual base realized margin for the Marketing segment to range between $250 million and $280 million, replacing the previous guidance range of between $180 million and $220 million. This new base contribution guidance is relevant for the years 2023 to 2025 and assumes: i) a crude oil price of between US$65 and US$75 per barrel; ii) butane feedstock costs comparable to the 10-year average; and iii) AEF utilization near nameplate capacity. There are numerous variables that can affect the results from Keyera's Marketing segment. For a detailed discussion of risk factors that affect Keyera, see Keyera's Annual Information Form which is available at www.sedar.com.

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

The Marketing segment posted outstanding financial results in the first quarter of 2022 due to strong pricing and contribution from all products.

Gasoline fundamentals strengthened during the first quarter of 2022 as imports of octane blending components into the U.S. from Europe decreased significantly due to lower European refinery throughput. With the improving fundamentals, motor gasoline pricing and iso-octane premiums increased materially compared to the same period in the prior year, resulting in improved iso-octane margins. Keyera expects these trends to continue into the second quarter of 2022.

As butane is the primary feedstock to produce iso-octane, butane costs directly affect iso-octane margins. The majority of Keyera's butane supply is purchased on a one-year term basis. For the annual term supply contracts that began on April 1, 2022, the price for butane as a percentage of crude oil was consistent with the historical average of the previous 10 years. As butane prices were strong in the first quarter of 2022, Keyera utilized its infrastructure capabilities to sell butane in the Alberta market to capture higher margins.

Propane pricing and margins were strong in the first quarter of 2022 as cold winter weather patterns and high export levels out of North America continued from the end of 2021. Propane pricing is expected to remain strong in 2022 due to high North American export levels supported by heavy European and Asian demand. Inter Pipeline's Heartland propane dehydrogenation facility, which commences operations in 2022, is also expected to influence propane pricing this year. Access to Keyera's cavern storage and rail terminals provides the Marketing segment with a competitive advantage as it can store and transport product to the highest value domestic or export markets throughout the year.

Crude oil prices escalated significantly in the first quarter of 2022, contributing to strong oil sands production. Consequently, condensate demand from oil sands producers was high, resulting in solid contribution and higher condensate sales volumes compared to the same period in the prior year. Margins from Keyera's liquids blending business were strong in the first quarter of 2022.

Risk Management

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

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

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

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

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

For the three months ended March 31, 2022, the total unrealized loss on risk management contracts was $11 million. Further details are provided in the "Composition of Marketing Revenue" table above.

The fair value of outstanding fixed price physical and financial risk management contracts as at March 31, 2022 resulted in an unrealized (non-cash) loss of $42 million. These fair values will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at March 31, 2022, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 11, Financial Instruments and Risk Management, of the accompanying financial statements.

CORPORATE AND OTHER

Non-Operating Expenses and Other *(Thousands of Canadian dollars)*	**Three months ended March 31,**	
	2022	2021
General and administrative[1]	**(19,460)**	(19,455)
Finance costs	**(41,367)**	(40,108)
Depreciation, depletion and amortization expenses	**(49,648)**	(66,336)
Net foreign currency (loss) gain on U.S. debt and other	**(5,282)**	89
Long-term incentive plan expense	**(7,205)**	(5,154)
(Loss) gain on disposal of property, plant and equipment	**(477)**	1,639
Other	**—**	4,989
Income tax expense	**(35,693)**	(25,814)

Note:
1 Net of overhead recoveries on operated facilities.

General and Administrative Expenses

General and administrative ("G&A") expenses for the three months ended March 31, 2022 were $19 million, virtually unchanged from the prior year.

Finance Costs

Finance costs for the three months ended March 31, 2022 were $41 million, $1 million higher than the prior year.

Depreciation, Depletion and Amortization Expenses

Depreciation, depletion and amortization ("DD&A") expenses for the three months ended March 31, 2022 were $50 million, $17 million lower than the prior year primarily due to a reduction in Keyera's decommissioning asset base during the first quarter of 2022.

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

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

Net Foreign Currency Gain (Loss) on U.S. Debt and Other *(Thousands of Canadian dollars)*	**Three months ended March 31,**	
	2022	2021
Translation of long-term debt and interest payable	**5,799**	6,160
Change in fair value of cross-currency swaps – principal and interest	**(12,460)**	(7,824)
Foreign exchange re-measurement of lease liabilities and other	**1,379**	1,753
Net foreign currency (loss) gain on U.S. debt and other	**(5,282)**	89

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

Long-Term Incentive Plan Expense

The Long-Term Incentive Plan ("LTIP") expense was $7 million for the three months ended March 31, 2022, compared to $5 million in the prior year. The higher LTIP expense was primarily due to an increase in the estimated payout multipliers associated with certain outstanding LTIP grants compared to the prior year, offset by slightly lower growth in share price for the current period compared to the prior year.

Net Impairment Expense

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

For the three months ended March 31, 2022 and 2021, Keyera did not record any impairment expenses or reversals of previously recorded impairment expenses.

Disposal of Property, Plant and Equipment

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

During the first quarter of 2021, Keyera recorded a gain of $2 million as a result of the disposition of its ownership interest in the Cynthia production wells.

Other

The Canada Emergency Wage Subsidy ("CEWS") program was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan. No income has been recorded from the program during the first quarter of 2022 as Keyera's last claim was submitted in 2021. Comparatively, Keyera recorded $5 million of income from the program during the same period of the prior year. Keyera will not be submitting any further claims under the CEWS program.

Taxes

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

Current Income Taxes

A current income tax expense of $25 million was recorded for the three months ended March 31, 2022, compared to an expense of $10 million from the same period in 2021. Current taxes in 2022 are higher due to higher earnings and decreased tax pool deductions.

For 2022, it is estimated that current income tax expense will range between $30 million and $40 million. This new guidance replaces the previous range of between $15 million and $30 million due to higher realized margin expected from the Marketing segment. The current income tax estimates assume that Keyera's business performs as planned and its capital projects are completed as expected.

Deferred Income Taxes

A deferred income tax expense of $11 million was recorded for the three months ended March 31, 2022, $5 million lower than the same period of the prior year.

Keyera estimates its total tax pools at March 31, 2022 were approximately $3.5 billion.

CRITICAL ACCOUNTING ESTIMATES

In preparing Keyera's accompanying financial statements in accordance with GAAP, management is required to make estimates and assumptions that are not readily apparent from other sources, and are subject to change based on revised circumstances and the availability of new information. Actual results may differ from the estimates, which could materially affect the company's consolidated financial statements. Management has made appropriate decisions with respect to the formulation of estimates and assumptions that affect the recorded amounts of certain assets, liabilities, revenues and expenses. Keyera has hired qualified individuals who have the skills required to make such estimates. These estimates and assumptions are reviewed and compared to actual results as well as to budgets in order to make more informed decisions on future estimates. The methodologies and assumptions used in developing these estimates have not significantly changed since December 31, 2021. A description of the accounting estimates and the methodologies and assumptions underlying the estimates are described in the 2021 annual MD&A and note 4 of the audited consolidated financial statements for the year ended December 31, 2021, which are available at www.sedar.com.

LIQUIDITY AND CAPITAL RESOURCES

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

Cash inflows (outflows) *(Thousands of Canadian dollars)*	**Three months ended March 31,**			
	2022	2021	**Increase (decrease)**	**Explanation**
Operating	**457,052**	268,429	188,623	Cash generated from operating activities was higher in 2022 primarily as a result of higher cash generated from changes in operating working capital and higher realized margin from the Marketing segment. These increases were partly offset by higher current income tax expense.
Investing	**(163,213)**	(48,599)	(114,614)	Capital investment in the first quarter of 2022 was higher than the prior year as a result of increased construction activities associated with the KAPS pipeline project. In addition, construction activities related to the South Cheecham sulphur facilities continued during the first quarter of 2022. These projects are described in more detail in the “Segmented Results of Operations” section of this MD&A.
Financing	**50,913**	(50,966)	101,879	In March 2022, Keyera issued $400 million of senior unsecured medium-term notes, allowing for a full repayment on its outstanding Credit Facility, which totaled $230 million, net of borrowings. Comparatively, Keyera issued $350 million of subordinated notes in March of 2021, allowing for a full repayment on its outstanding Credit Facility, which totaled $280 million, net of borrowings.

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

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

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

A working capital surplus (current assets less current liabilities) of $219 million existed at March 31, 2022. This is compared to a surplus of $186 million at December 31, 2021. To meet its current obligations and growth capital program, Keyera has access to a credit facility in the amount of $1.5 billion, of which $nil was drawn as at March 31, 2022. Refer to the section of this MD&A titled "Long-term Debt", for more information related to Keyera's unsecured revolving credit facility ("Credit Facility").

Corporate Credit Ratings

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

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

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

Long-term Debt (including Credit Facilities)

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

As at March 31, 2022 *(Thousands of Canadian dollars)*	**Total**	**2022**	**2023**	**2024**	**2025**	**2026**	**After 2026**
Credit facilities	—	—	—	—	—	—	—
Total credit facilities	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Canadian dollar denominated debt:							
Senior unsecured notes	1,132,000	60,000	30,000	17,000	120,000	230,000	675,000
Senior unsecured medium-term notes	1,200,000	—	—	—	—	—	1,200,000
Subordinated hybrid notes	950,000	—	—	—	—	—	950,000
	3,282,000	**60,000**	**30,000**	**17,000**	**120,000**	**230,000**	**2,825,000**
U.S. dollar denominated debt:							
Senior unsecured U.S. dollar denominated notes	415,717	—	—	159,795	174,776	—	81,146
Total debt	**3,697,717**	**60,000**	**30,000**	**176,795**	**294,776**	**230,000**	**2,906,146**
Less: current portion of long-term debt	(60,000)	(60,000)	—	—	—	—	—
Total long-term debt	**3,637,717**	**—**	**30,000**	**176,795**	**294,776**	**230,000**	**2,906,146**

Credit Facilities

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

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

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

Long-term Debt

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

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

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

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

As at March 31, 2022, Keyera had $3,282 million and US$333 million of long-term debt. To manage the foreign currency exposure on the U.S. dollar denominated debt, Keyera has entered into cross-currency agreements with a syndicate of banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of $0.98 and $1.03 per U.S. dollar for the principal payments and $1.22 and $1.14 per U.S. dollar for the future interest payments. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled, "Net Foreign Currency Gain (Loss) on U.S. Debt and Other", provides more information.

Compliance with Covenants

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

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

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

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

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the three months ended March 31, 2022 and 2021:

Capital Expenditures and Acquisitions *(Thousands of Canadian dollars)*	**Three months ended March 31,** **2022**	2021
Growth capital expenditures	**243,569**	48,028
Maintenance capital expenditures	**7,236**	3,905
Total capital expenditures	**250,805**	51,933

Growth capital expenditures for the three months ended March 31, 2022 amounted to $244 million. Refer to the section of this MD&A, "Segmented Results of Operations", for information related to the various growth capital projects in the Liquids Infrastructure segment, including estimated costs to complete, costs incurred in 2022 and since inception of the project, and estimated completion timeframes.

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 $14 million for the three months ended March 31, 2022, compared to $11 million for the same period in the prior year.

Dividends

Funds from Operations, Distributable Cash Flow and Payout Ratio

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

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

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

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

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

Funds from Operations and Distributable Cash Flow *(Thousands of Canadian dollars)*	**Three months ended March 31,** **2022**	2021
Cash flow from operating activities	**457,052**	268,429
Add (deduct):		
Changes in non-cash working capital	**(259,479)**	(87,364)
Funds from operations	**197,573**	181,065
Maintenance capital	**(7,236)**	(3,905)
Leases	**(11,248)**	(11,778)
Prepaid lease asset	**(631)**	(631)
Distributable cash flow	**178,458**	164,751
Dividends declared to shareholders	**106,091**	106,091
Payout ratio	**59%**	64%

Distributable cash flow for the three months ended March 31, 2022 was $178 million, $14 million higher than the same period in 2021, which was primarily due to higher realized margin from the Marketing segment, partly offset by an increase in current income tax expense.

Dividend Policy

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

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

EBITDA

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

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

EBITDA *(Thousands of Canadian dollars)*	**Three months ended March 31,** **2022**	2021
Net earnings	**113,794**	85,825
Add:		
Finance costs	**41,367**	40,108
Depreciation, depletion and amortization expenses	**49,648**	66,336
Income tax expense	**35,693**	25,814
EBITDA	**240,502**	218,083
Unrealized loss on commodity-related contracts	**10,942**	8,475
Net foreign currency loss (gain) on U.S. debt and other	**5,282**	(89)
Loss (gain) on disposal of property, plant and equipment	**477**	(1,639)
Adjusted EBITDA	**257,203**	224,830

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. There were no material changes in contractual obligations since December 31, 2021.

RELATED PARTY TRANSACTIONS

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

RISK FACTORS

For a detailed discussion of the risks and trends that could affect the financial performance of Keyera and the steps that Keyera takes to mitigate these risks, see the December 31, 2021 MD&A and Keyera's Annual Information Form, which are available on SEDAR at www.sedar.com.

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	Jun 30, 2020
Revenue[1]								
Gathering and Processing	**153,874**	159,648	146,010	146,910	143,644	139,826	108,486	124,871
Liquids Infrastructure	**158,615**	159,843	145,518	138,194	147,737	148,487	138,630	135,884
Marketing	**1,486,227**	1,525,769	1,000,686	833,485	821,617	513,581	546,067	343,868
Other	**32**	138	(27)	34	(397)	2,892	2,700	1,625
Operating margin (loss)								
Gathering and Processing	**76,569**	81,775	76,536	85,837	78,983	76,965	49,404	69,411
Liquids Infrastructure	**104,872**	110,089	98,885	96,012	104,385	98,330	99,579	99,593
Marketing	**92,249**	152,188	56,295	52,427	53,230	(12,039)	52,355	(9,103)
Other	**(764)**	23	(424)	(318)	(623)	2,257	1,209	(106)
Operating margin	**272,926**	344,075	231,292	233,958	235,975	165,513	202,547	159,795
Realized margin (loss)[2]								
Gathering and Processing	**76,687**	81,349	76,236	85,931	79,227	76,965	49,404	69,411
Liquids Infrastructure	**104,920**	110,171	98,340	95,865	104,811	97,609	99,223	99,233
Marketing	**103,025**	123,988	58,889	79,034	61,035	11,153	64,256	54,184
Other	**(764)**	23	(424)	(318)	(623)	1,785	1,086	(96)
Realized margin[2]	**283,868**	315,531	233,041	260,512	244,450	187,512	213,969	222,732
Net earnings (loss)	**113,794**	89,986	69,800	78,595	85,825	(74,777)	33,436	17,763
Net earnings (loss) per share ($/share)								
Basic	**0.51**	0.41	0.32	0.36	0.39	(0.34)	0.15	0.08
Diluted	**0.51**	0.41	0.32	0.36	0.39	(0.34)	0.15	0.08
Weighted average number of shares (basic)	**221,023**	221,023	221,023	221,023	221,023	221,023	221,023	220,851
Weighted average number of shares (diluted)	**221,023**	221,023	221,023	221,023	221,023	221,023	221,023	220,851
Dividends declared to shareholders	**106,091**	106,091	106,091	106,091	106,091	106,091	106,091	106,091

Notes:

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

2 Realized margin is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section of this MD&A titled "Non-GAAP and Other Financial Measures" for additional details.

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

- incremental margin from new investments including the 16th and 17th underground storage caverns in Fort Saskatchewan and the Pipestone gas plant;
- declining volumes and fees for certain gas plants in the South region of the Gathering and Processing segment that led to asset impairments;
- growth in demand for diluent handling services in the Liquids Infrastructure segment backed by long-term, take-or-pay contracts with credit worthy counterparties;
- improved energy demand and stronger commodity prices in 2021 and 2022 that resulted in record quarterly operating margin for the Gathering and Processing and Liquids Infrastructure segments and strong contribution from the Marketing segment; and
- a prudent and effective risk management program.

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

ADOPTION OF NEW STANDARDS

There were no new IFRS standards adopted by Keyera during the three months ended March 31, 2022.

FUTURE ACCOUNTING PRONOUNCEMENTS

There were no significant new accounting standards or interpretations issued during the three months ended March 31, 2022.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

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

Internal Controls Over Financial Reporting

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

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

COMMON SHARES

The total common shares outstanding at March 31, 2022 was 221,022,873.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Measure	Definition	Utilization
Funds from Operations	Cash flow from operating activities adjusted for changes in non-cash working capital.	Funds from operations is used to assess the level of cash flow generated from operating activities excluding the effect of changes in non-cash working capital, as they are primarily the result of seasonal fluctuations in product inventories or other temporary changes. Funds from operations is also a valuable measure that allows investors to compare Keyera with other companies within the midstream oil and gas industry. For a reconciliation of funds from operations to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section titled, "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".
Distributable Cash Flow **Distributable Cash Flow per Share**	Cash flow from operating activities adjusted for changes in non-cash working capital, inventory write-downs, maintenance capital expenditures and lease payments, including the periodic costs related to prepaid leases. Distributable cash flow divided by weighted average number of shares – basic.	Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. For a reconciliation of distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section titled, "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".
Payout Ratio	Dividends declared to shareholders divided by distributable cash flow.	Payout ratio is used to assess the sustainability of the company's dividend payment program.
EBITDA **Adjusted EBITDA**	Earnings before finance costs, taxes, depreciation, and amortization. EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment.	EBITDA and adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. For a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings, refer to the section titled, "EBITDA".

Measure	Definition	Utilization
Realized margin	Operating margin excluding unrealized gains and losses on commodity-related risk management contracts.	Realized margin is used to assess the financial performance of Keyera's ongoing operations without the effect of unrealized gains and losses on commodity-related risk management contracts related to future periods. For a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin, refer to the section titled, "Segmented Results of Operations".
Adjusted Cash Flow from Operating Activities	Cash flow provided by operating activities before changes in non-cash working capital, decommissioning liability expenditures and finance costs.	Adjusted cash flow from operating activities is used solely for purposes of calculating return on invested capital and is therefore not used by management on a stand-alone basis. Since the return on invested capital measure is intended to be calculated on an annual basis, the reconciliation of adjusted cash flow from operating activities to the most directly comparable GAAP measure, cash flow from operating activities, can be found in the section titled, "Adjusted Cash Flow from Operating Activities and Return on Invested Capital' included in Keyera's most recent annual MD&A.
Return on Invested Capital	Adjusted cash flow from operating activities, divided by invested capital, which includes property, plant and equipment, right-of-use assets, inventory, trade and other receivables, goodwill, intangible assets, less work-in-progress assets and trade and other payables, and provisions.	Return on invested capital is used to reflect the profitability of Keyera's in-service capital assets. This measure replaces the annual return on invested capital metric (defined as realized margin divided by weighted average in-service growth capital including maintenance capital and shut-in facilities and excluding decommissioning assets, depreciation, impairments, and work-in-progress capital) disclosed previous to December 31, 2021. The new metric shown is preferred as it can be calculated from amounts presented in publicly disclosed materials and can be used by investors to compare Keyera with other infrastructure companies within the oil and gas industry.
Annual return on capital for the growth capital program excluding KAPS **Annual return on capital for the KAPS project**	Expected operating margin divided by the estimated capital cost for the Simonette projects, the Wapiti and Pipestone gas plants and associated gathering infrastructure, the Wildhorse Terminal, the South Cheecham sulphur handling project, and storage cavern capital projects. Expected operating margin divided by the estimated capital cost for the development of the KAPS project.	Annual return on capital for the growth capital program excluding KAPS and annual return on capital for the KAPS project are used to reflect the expected profitability and value-creating potential for: (i) certain growth projects that have been sanctioned and are currently under development, or have been completed, as of the date hereof, and (ii) for the KAPS project.

FORWARD-LOOKING STATEMENTS

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

- industry, market and economic conditions and any anticipated effects on Keyera;
- Keyera's future financial position and operational performance and future financial contributions and margins from its business segments including, but not limited to, Keyera's expectation that its Marketing business will contribute on average, a "base realized margin" of between $250 million and $280 million annually and a 2022 contribution of between $300 million and $340 million;
- estimated costs and benefits associated with reductions in operating and G&A expenses and optimization of gas plants, estimated maintenance and turnaround costs and estimated decommissioning expenses;
- the expectation that demand for Keyera's liquid infrastructure service offerings will remain strong;
- future dividends and taxes;
- business strategy, anticipated growth and plans of management;
- budgets, including future growth capital, operating and other expenditures and projected costs;
- cost escalations, including inflationary pressures on operating costs, such as labour, materials, natural gas and other energy sources used in Keyera's operations and increased insurance deductibles or premiums;
- estimated utilization rates and throughputs;
- expected costs, in-service dates and schedules for KAPS and other capital projects (including projects under construction/development and proposed projects) and sources of funding for such projects;
- anticipated timing for future revenue streams and optimization plans;
- treatment of Keyera and its projects under existing and proposed governmental regulatory regimes;
- the operation and effectiveness of risk management programs;
- expected outcomes with respect to legal proceedings and potential insurance recoveries;
- expectations regarding Keyera's ability to maintain its competitive position, raise capital and add to its assets through acquisitions or internal growth opportunities;
- expectations as to the financial impact of Keyera's compliance with future environmental and carbon tax regulation;
- the ongoing impact of the COVID-19 pandemic on Keyera and the economy generally;
- plans, targets, and strategies with respect to reducing greenhouse gas emissions and anticipated reductions in emissions levels; and
- Keyera's ESG, climate change and risk management initiatives and their implementation generally.

All forward-looking information reflects Keyera's beliefs and assumptions based on information available at the time the applicable forward-looking information is made and in light of Keyera's current expectations with respect to such things as the outlook for general economic trends, industry trends, commodity prices, Keyera's access to the capital markets and the cost of raising capital, the integrity and reliability of Keyera's assets, the governmental, regulatory and legal environment, the COVID-19 pandemic and the duration and impact thereof, general compliance with Keyera's plans, strategies, programs, and goals across its reporting and monitoring systems among employees, stakeholders and service providers. Keyera's expectation as to the "base realized margin" to be contributed by its Marketing segment assumes: (i) AEF operates near capacity; (ii) butane feedstock costs are comparable to the 2018 contract year; (iii) there are no significant logistical or transportation curtailments; and (iv) producers deliver their volumes according to plan. For all construction projects, estimated completion times and costs assume that construction proceeds as planned on schedule and on budget and that, where required, all regulatory approvals and other third-party approvals or consents are received on a timely basis. In some instances, this MD&A may also contain forward-looking information attributed to third parties. Forward-looking information does not guarantee future performance. Management believes that its assumptions and expectations reflected in the forward-looking information contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct.

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

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

- the ability to obtain regulatory, stakeholder and third-party approvals;
- actions by governmental authorities;
- global health crisis, such as pandemics and epidemics, including the ongoing COVID-19 pandemic and the unexpected impact related thereto;
- the effectiveness of Keyera's existing and planned ESG and risk management programs;
- the ability of Keyera to achieve specific targets that are part of its ESG initiatives, including those relating to emissions reduction targets, as well as other climate-change related initiatives.

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

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

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

Investor Information

DIVIDENDS TO SHAREHOLDERS

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

TAXABILITY OF DIVIDENDS

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

SUPPLEMENTARY INFORMATION

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

FIRST QUARTER 2022 RESULTS CONFERENCE CALL AND WEBCAST

Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the financial results for the first quarter of 2022 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Tuesday, May 10, 2022. Callers may participate by dialing 888-664-6392 or 416-764-8659. A recording of the call will be available for replay until 10:00 p.m. Mountain Time (12:00 a.m. Eastern Time) on May 24, 2022 by dialing 888-390-0541 or 416-764-8677 and entering pass code 524159.

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

QUESTIONS

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

Keyera Corp.

Condensed Interim Consolidated Statements of Financial Position

(Thousands of Canadian dollars)
(Unaudited)

As at	Note	March 31, 2022	December 31, 2021
ASSETS			
Cash		**359,606**	15,940
Trade and other receivables		**714,746**	750,420
Derivative financial instruments	11	**49,205**	28,756
Inventory	3	**209,629**	280,736
Other assets		**19,662**	23,276
Total current assets		**1,352,848**	1,099,128
Derivative financial instruments	11	**80,237**	87,844
Property, plant and equipment	4	**6,682,865**	6,582,276
Right-of-use assets		**216,419**	226,757
Intangible assets		**60,591**	63,294
Goodwill		**40,814**	40,814
Deferred tax assets		**35,416**	30,193
Total assets		**8,469,190**	8,130,306
LIABILITIES AND EQUITY			
Trade and other payables, and provisions		**903,063**	710,770
Derivative financial instruments	11	**87,083**	56,380
Dividends payable		**35,364**	35,364
Current portion of long-term debt		**60,000**	60,000
Current portion of decommissioning liability		**20,550**	18,900
Current portion of lease liabilities		**27,712**	31,545
Total current liabilities		**1,133,772**	912,959
Derivative financial instruments	11	**7,443**	1,902
Credit facilities		**—**	230,000
Long-term debt	5	**3,617,508**	3,224,485
Decommissioning liability		**181,080**	249,588
Long-term lease liabilities		**144,683**	151,745
Other long-term liabilities	6	**26,206**	18,595
Deferred tax liabilities		**699,813**	683,398
Total liabilities		**5,810,505**	5,472,672
Equity			
Share capital	7	**3,150,104**	3,150,104
Accumulated deficit		**(471,932)**	(479,635)
Accumulated other comprehensive loss		**(19,487)**	(12,835)
Total equity		**2,658,685**	2,657,634
Total liabilities and equity		**8,469,190**	8,130,306

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

These unaudited condensed interim consolidated financial statements were approved by the board of directors of Keyera Corp. on May 9, 2022.

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

	Note	Three months ended March 31, 2022	Three months ended March 31, 2021
Revenues	15	**1,690,220**	1,017,983
Expenses	15	**(1,417,294)**	(782,008)
Operating margin		**272,926**	235,975
General and administrative expenses		**(19,460)**	(19,455)
Finance costs	13	**(41,367)**	(40,108)
Depreciation, depletion and amortization expenses		**(49,648)**	(66,336)
Net foreign currency (loss) gain on U.S. debt and other	12	**(5,282)**	89
Long-term incentive plan expense	9	**(7,205)**	(5,154)
(Loss) gain on disposal of property, plant and equipment	4	**(477)**	1,639
Other	16	**—**	4,989
Earnings before income tax		**149,487**	111,639
Income tax expense	10	**(35,693)**	(25,814)
Net earnings		**113,794**	85,825
Other comprehensive loss			
Foreign currency translation adjustment		**(6,652)**	(6,652)
Comprehensive income		**107,142**	79,173
Earnings per share			
Basic earnings per share	8	**0.51**	0.39
Diluted earnings per share	8	**0.51**	0.39

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

Keyera Corp.

Condensed Interim Consolidated Statements of Cash Flows

(Thousands of Canadian dollars)
(Unaudited)

	Note	Three months ended March 31, 2022	2021
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net earnings		**113,794**	85,825
Adjustments for items not affecting cash:			
Finance costs	13	**5,435**	5,796
Depreciation, depletion and amortization expenses		**49,648**	66,336
Unrealized loss on derivative financial instruments	11	**23,402**	16,299
Unrealized gain on foreign exchange		**(4,913)**	(6,725)
Deferred income tax expense	10	**10,822**	15,651
Loss (gain) on disposal of property, plant and equipment	4	**477**	(1,639)
Decommissioning liability expenditures		**(1,092)**	(478)
Changes in non-cash working capital	14	**259,479**	87,364
Net cash provided by operating activities		**457,052**	268,429
INVESTING ACTIVITIES			
Capital expenditures		**(250,805)**	(51,933)
Prepaid lease asset		**—**	3,194
Proceeds on disposal of property, plant and equipment	4	**39,815**	—
Changes in non-cash working capital	14	**47,777**	140
Net cash used in investing activities		**(163,213)**	(48,599)
FINANCING ACTIVITIES			
Borrowings under credit facility		**120,000**	60,000
Repayments under credit facility		**(350,000)**	(340,000)
Proceeds from issuance of long-term debt	5	**400,000**	350,000
Financing costs related to credit facility/long-term debt	5	**(1,748)**	(3,097)
Lease payments		**(11,248)**	(11,778)
Dividends paid to shareholders		**(106,091)**	(106,091)
Net cash provided by (used in) by financing activities		**50,913**	(50,966)
Effect of exchange rate fluctuations on foreign cash held		**(1,086)**	(535)
Net increase in cash		**343,666**	168,329
Cash at the beginning of the period		**15,940**	2,901
Cash at the end of the period		**359,606**	171,230
Income taxes paid in cash		**33,628**	—
Interest paid in cash		**21,406**	11,443

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

Keyera Corp.

Condensed Interim Consolidated Statements of Changes in Equity

(Thousands of Canadian dollars)
(Unaudited)

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

	Share Capital (Note 7)	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2021	**3,150,104**	**(479,635)**	**(12,835)**	**2,657,634**
Net earnings	—	113,794	—	113,794
Dividends declared to shareholders	—	(106,091)	—	(106,091)
Other comprehensive loss	—	—	(6,652)	(6,652)
Balance at March 31, 2022	**3,150,104**	**(471,932)**	**(19,487)**	**2,658,685**

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

Keyera Corp.

Notes to the Condensed Interim Consolidated Financial Statements
As at and for the three months ended March 31, 2022 and 2021
(All amounts expressed in thousands of Canadian dollars, except as otherwise noted)
(Unaudited)

1. GENERAL BUSINESS DESCRIPTION

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

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

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

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

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements are in accordance with *IAS 34, Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). The accounting policies applied are in accordance with International Financial Reporting Standards ("IFRS") and are consistent with Keyera Corp.'s consolidated financial statements as at and for the year ended December 31, 2021.

These condensed interim consolidated financial statements as at and for the three months ended March 31, 2022 and 2021 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with Keyera Corp.'s consolidated financial statements as at and for the year ended December 31, 2021.

The condensed interim consolidated financial statements were authorized for issuance on May 9, 2022 by the board of directors.

Adoption of new accounting standards

For the three months ended March 31, 2022, Keyera did not adopt any new IFRS standards.

Future accounting pronouncements

There were no significant new accounting standards or interpretations issued during the three months ended March 31, 2022.

3. INVENTORY

The total carrying amount and classification of inventory was:

As at *(Thousands of Canadian dollars)*	**March 31, 2022**	December 31, 2021
NGLs and iso-octane	**202,100**	272,836
Other	**7,529**	7,900
Total inventory	**209,629**	280,736

As at March 31, 2022 and December 31, 2021, all of the inventory was carried at cost and $nil was carried at net realizable value. For the three months ended March 31, 2022 and 2021, no write-downs of inventory were required to adjust the carrying amount of inventory to net realizable value. The cost of inventory expensed for the three months ended March 31, 2022 was $1,239,373 (three months ended March 31, 2021 – $626,804).

4. PROPERTY, PLANT, AND EQUIPMENT

Disposal of property, plant and equipment

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

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

5. LONG-TERM DEBT

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

The associated financing costs of $1,638 have been deferred and are amortized using the effective interest method over the remaining term of the debt.

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

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

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

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

6. OTHER LONG-TERM LIABILITIES

As at *(Thousands of Canadian dollars)*	**March 31, 2022**	December 31, 2021
Long-term incentive plan	**24,442**	16,807
Other liabilities	**1,764**	1,788
Total other long-term liabilities	**26,206**	18,595

7. SHARE CAPITAL

As at *(Thousands of Canadian dollars, except number of common shares)*	**Number of Common Shares**	**Share Capital**
Balance at December 31, 2021	221,022,873	3,150,104
Balance at March 31, 2022	**221,022,873**	**3,150,104**

8. EARNINGS PER SHARE

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

	Three months ended March 31,	
	2022	2021
Earnings per share – basic and diluted *($/share)*	**0.51**	0.39
Net earnings – basic and diluted *(Thousands of Canadian dollars)*	**113,794**	85,825
Weighted average number of shares – basic and diluted *(Thousands)*	**221,023**	221,023

9. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-Term Incentive Plan

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

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

The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The fair value of the liability is measured by applying a fair value pricing model whereby one of the valuation inputs was the March 31, 2022 share price of Keyera, which was $31.69 per share (December 31, 2021 – $28.53 per share).

The compensation cost recorded for the LTIP was:

(Thousands of Canadian dollars)	**Three months ended March 31, 2022**	2021
Performance Awards	**5,122**	3,996
Restricted Awards	**2,083**	1,158
Total long-term incentive plan expense	**7,205**	5,154

Employee Stock Purchase Plan

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

Defined Contribution Pension Plan

For the three months ended March 31, 2022, Keyera made pension contributions of $2,549 (three months ended March 31, 2021 – $2,355) on behalf of its employees. The contributions were recorded in general and administrative expenses.

Deferred Share Unit Plan

Effective January 1, 2016, Keyera implemented a deferred share unit ("DSU") plan, for non-employee directors. Each DSU vests on the date the grant is awarded but cannot be redeemed until a director ceases to be a member of the board of directors. The grant value is determined based on a 20 day weighted average trading share price. DSUs are settled in cash (on an after-tax basis) based on the 20 day weighted average Keyera share price up to the date of termination. For the three months ended March 31, 2022, Keyera recorded $895 (three months ended March 31, 2021 – $851) in general and administrative expenses related to the DSU plan.

The following table reconciles the number of DSUs outstanding:

	March 31, 2022	December 31, 2021
DSUs outstanding – beginning of the period	**207,330**	155,602
Granted	**14,054**	51,728
DSUs outstanding – end of the period	**221,384**	207,330

10. INCOME TAXES

The components of the income tax expense were:

(Thousands of Canadian dollars)	Three months ended March 31, **2022**	2021
Current	**24,871**	10,163
Deferred	**10,822**	15,651
Total income tax expense	**35,693**	25,814

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial Instruments

Fair value

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

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

The fair value hierarchy has the following levels:

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

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

Financial instruments with fair value equal to carrying value

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

Fair value of fixed rate debt

The fair value of long-term debt is based on third-party estimates for similar issues or current rates offered to Keyera for debt of the same maturity. The total fair value of Keyera's unsecured senior notes, medium-term notes, and subordinated hybrid notes at March 31, 2022 was $3,656,400 (December 31, 2021 – $3,487,000) and this was determined by reference to inputs other than quoted market prices in active markets for identical liabilities under Level 2 of the fair value hierarchy.

Fair value of derivative instruments

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

				(Thousands of Canadian dollars)		
As at March 31, 2022	**Notional Volume[1]**	**Weighted Average Price**	**Fair Value Hierarchy Level**	**Net Fair Value**	**Carrying Value Asset**	**Carrying Value Liability**
Marketing (NGLs and Iso-octane)						
Financial contracts:						
Seller of fixed price WTI[2] swaps (maturing by December 31, 2023)	2,733,385 Bbls	105.52/Bbl	Level 2	(32,647)	4,505	(37,152)
Buyer of fixed price WTI[2] swaps (maturing by December 31, 2023)	260,620 Bbls	121.31/Bbl	Level 2	(1,510)	10	(1,520)
Seller of fixed price NGL swaps (maturing by June 30, 2024)	2,895,000 Bbls	72.82/Bbl	Level 2	(34,136)	1,963	(36,099)
Buyer of fixed price NGL swaps (maturing by June 30, 2024)	2,165,000 Bbls	59.93/Bbl	Level 2	33,242	34,653	(1,411)
Seller of fixed price RBOB[3] basis spreads (iso-octane) (maturing by December 31, 2023)	3,070,000 Bbls	26.01/Bbl	Level 2	(16,879)	856	(17,735)
Physical contracts:						
Seller of fixed price NGL forward contracts (maturing by April 30, 2022)	20,000 Bbls	73.41/Bbl	Level 2	42	42	—
Buyer of fixed price NGL forward contracts (maturing by December 31, 2022)	300,000 Bbls	99.10/Bbl	Level 2	4,046	4,051	(5)
Currency:						
Seller of forward contracts (maturing by March 31, 2023)	US$125,700,000	1.27/USD	Level 2	2,612	2,620	(8)
Buyer of forward contracts (maturing by March 31, 2023)	US$17,140,000	1.27/USD	Level 2	(389)	—	(389)
Other foreign exchange contracts[4]			Level 2	3,216	3,216	—
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2023)	76,800 MWhs	73.95/MWh	Level 2	757	963	(206)
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2022)	54,960 MWhs	77.51/MWh	Level 2	659	660	(1)
Corporate and Other						
Long-term Debt:						
Buyer of cross-currency swaps (maturing June 19, 2024 – November 20, 2028)	US$395,530,500	0.98/USD - 1.22/USD	Level 2	75,903	75,903	—
				34,916	**129,442**	**(94,526)**

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

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

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

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

	Three months ended March 31,	
(Thousands of Canadian dollars)	**2022**	2021
Commodity-related risk management contracts:		
Marketing	**(10,776)**	(7,805)
Liquids infrastructure	**(48)**	(426)
Gathering and processing	**(118)**	(244)
Change in fair value of the cross-currency swaps on U.S. debt[1]	**(12,460)**	(7,824)
Total unrealized loss	**(23,402)**	(16,299)

Note:
1 Includes principal and interest portion.

Risk Management

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

Commodity price risk

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

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

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

Foreign currency risk

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

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

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

Interest rate risk

The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. As at March 31, 2022, fixed rate borrowings comprised 100% of total debt outstanding (December 31, 2021 – 93%). The fair value of future cash flows for fixed rate debt fluctuates with changes in market interest rates. It is Keyera's intention to not repay fixed rate debt until maturity and therefore future cash flows would not fluctuate.

Credit risk

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

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

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

Liquidity risk

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

Risk Management Sensitivities

The following table summarizes the sensitivity of the fair value of Keyera's risk management positions to fluctuations in commodity price, foreign currency rate and interest rate:

(Thousands of Canadian dollars)	**Impact on income before tax March 31, 2022 Increase**	**(Decrease)**	Impact on income before tax March 31, 2021 Increase	(Decrease)
Commodity price changes				
+ 10% in electricity price	**1,136**	**—**	558	—
- 10% in electricity price	**—**	**(1,136)**	—	(558)
+ 10% in NGL, crude oil and iso-octane prices	**—**	**(43,447)**	—	(37,158)
- 10% in NGL, crude oil and iso-octane prices	**43,447**	**—**	37,158	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**—**	**(993)**	—	(1,533)
- $0.01 in U.S./Canadian dollar exchange rate	**993**	**—**	1,533	—
Interest rate changes				
+ 1% in interest rate	**—**	**—**	—	—
- 1% in interest rate	**—**	**—**	—	—

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

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

(Thousands of Canadian dollars)	**Three months ended March 31, 2022**	2021
Foreign currency gain (loss) resulting from:		
Translation of long-term debt and interest payable	**5,799**	6,160
Change in fair value of cross-currency swaps – principal and interest	**(12,460)**	(7,824)
Foreign exchange re-measurement of lease liabilities and other	**1,379**	1,753
Total net foreign currency (loss) gain on U.S. debt and other	**(5,282)**	89

13. FINANCE COSTS

The components of finance costs were:

(Thousands of Canadian dollars)	Three months ended March 31, **2022**	2021
Interest on bank indebtedness and credit facilities	**1,933**	2,176
Interest on long-term debt	**40,585**	36,455
Interest capitalized[1]	**(6,565)**	(4,354)
Interest on leases	**1,839**	2,146
Other interest (income) expense	**(21)**	35
Total interest expense – current and long-term debt, and leases	**37,771**	36,458
Unwinding of discount on decommissioning liabilities	**3,016**	3,060
Unwinding of discount on long-term debt	**499**	472
Other	**81**	118
Non-cash expenses in finance costs	**3,596**	3,650
Total finance costs	**41,367**	40,108

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

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

(Thousands of Canadian dollars)	Three months ended March 31, **2022**	2021
Inventory	**69,697**	3,105
Trade and other receivables	**36,252**	(26,963)
Other assets	**4,037**	2,873
Trade and other payables, and provisions	**149,493**	108,349
Changes in non-cash working capital from operating activities	**259,479**	87,364

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

(Thousands of Canadian dollars)	Three months ended March 31, **2022**	2021
Trade and other payables, and provisions	**47,777**	140
Changes in non-cash working capital from investing activities	**47,777**	140

15. SEGMENT INFORMATION

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

Gathering and Processing

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

Liquids Infrastructure

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

Marketing

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

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

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

Three months ended March 31, 2022 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	153,874	158,615	1,486,227	32	(108,528)	1,690,220
Segmented expenses	(77,305)	(53,743)	(1,393,978)	(796)	108,528	(1,417,294)
Operating margin (loss)	76,569	104,872	92,249	(764)	—	272,926
General and administrative expenses	—	—	—	(19,460)	—	(19,460)
Finance costs	—	—	—	(41,367)	—	(41,367)
Depreciation, depletion and amortization expenses	—	—	—	(49,648)	—	(49,648)
Net foreign currency loss on U.S. debt and other	—	—	—	(5,282)	—	(5,282)
Long-term incentive plan expense	—	—	—	(7,205)	—	(7,205)
Loss on disposal of property, plant and equipment	—	(477)	—	—	—	(477)
Earnings (loss) before income tax	76,569	104,395	92,249	(123,726)	—	149,487
Income tax expense	—	—	—	(35,693)	—	(35,693)
Net earnings (loss)	**76,569**	**104,395**	**92,249**	**(159,419)**	**—**	**113,794**

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

Disaggregation of Revenue

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

Three months ended March 31, 2022 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Gas handling and processing services[1]	125,104	30,662	—	—	155,766
Fractionation and storage services	3,783	65,134	—	—	68,917
Transportation and terminalling services	—	62,819	—	—	62,819
Marketing of NGLs and iso-octane	—	—	1,486,227	—	1,486,227
Other[2]	24,987	—	—	32	25,019
Revenue before inter-segment eliminations	**153,874**	**158,615**	**1,486,227**	**32**	**1,798,748**
Inter-segment revenue eliminations	(7,663)	(91,464)	(9,382)	(19)	(108,528)
Revenue from external customers	**146,211**	**67,151**	**1,476,845**	**13**	**1,690,220**

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

Notes:

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

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

Geographical Information

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

Revenue from external customers

	Three months ended March 31,	
(Thousands of Canadian dollars)	**2022**	2021
Canada	**1,362,709**	831,106
U.S.	**327,511**	186,877
Total revenue	**1,690,220**	1,017,983

Non-current assets[1]

As at *(Thousands of Canadian dollars)*	**March 31, 2022**	December 31, 2021
Canada	**6,576,774**	6,435,668
U.S.	**423,915**	477,473
Total non-current assets	**7,000,689**	6,913,141

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

16. OTHER

The Canada Emergency Wage Subsidy ("CEWS") program was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan. Since Keyera's last claim submitted under the program was in 2021, no income was recorded from the program for the three months ended March 31, 2022 (three months ended March 31, 2021 – $4,989 of income was recorded). Keyera will not be submitting any further claims under the CEWS program.

17. SUBSEQUENT EVENTS

On April 12, 2022, Keyera declared a dividend of $0.16 per share, payable on May 16, 2022 to shareholders of record as of April 25, 2022.

On May 9, 2022, Keyera declared a dividend of $0.16 per share, payable on June 15, 2022 to shareholders of record as of May 24, 2022.

Corporate Information

Board of Directors

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

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

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

Blair Goertzen (5)
Corporate Director
Red Deer, Alberta

Gianna Manes (4)(5)
Corporate Director
Fort Mill, South Carolina

Michael Norris (3)
Corporate Director
Toronto, Ontario

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

Charlene Ripley (4)(6)
Executive Vice President
and General Counsel
SNC-Lavalin
Montreal, Quebec

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

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

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

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Officers

C. Dean Setoguchi
President and Chief Executive Officer

Eileen Marikar
Senior Vice President and Chief Financial Officer

Jamie Urquhart
Senior Vice President and Chief Commercial Officer

Jarrod Beztilny
Senior Vice President, Operations & Engineering

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

Desiree Crawford
Senior Vice President, Safety, People & Technology

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol KEY

Trading Summary for Q1 2022

TSX:KEY – Cdn $	TSX:KEY – Cdn $
High	$31.94
Low	$27.40
Close March 31, 2022	$31.69
Volume	111,519,760
Average Daily Volume	1,798,706

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Chartered Professional Accountants
Calgary, Canada

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