2021
Third Quarter Report

2021 Third Quarter Report

For the period ended September 30, 2021

Third Quarter Financial Highlights

- Adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA" [1]) was $214 million, compared to $196 million in Q3 2020. The increase was mostly due to stronger margin contributions from the Gathering and Processing segment as industry activity continued to pick-up. Results were impacted by $25 million in realized hedging losses on product inventory. These losses are expected to be more than offset by physical sales in the next two quarters.
- Distributable cash flow[1] ("DCF") was $149 million, compared to $175 million for the same period last year. The year-over-year decrease includes higher current taxes and higher maintenance capital spending for planned work at the Wapiti gas plant aimed at enhancing reliability and reducing ongoing operating costs.
- Net earnings were $70 million, compared to $33 million for the same period in 2020.
- Growth capital spending was $136 million in the third quarter, and $264 million year-to-date as spending on the KAPS project accelerated.
- Keyera maintained its strong financial position at quarter-end with a net debt to adjusted EBITDA ratio[1,2] of 2.7x. The company ended the quarter with $1.4 billion in available liquidity.
- Keyera recently released its 2020 ESG Performance Report, which can be viewed at www.keyera.com/sustainability. The company plans to publish its first climate report in the coming weeks, which will include emission reduction targets.

Third Quarter Business Segment Highlights

- The **Gathering and Processing** ("G&P") segment delivered realized margin[3] of $76 million compared to $49 million in the same quarter last year. The continued recovery in drilling activity is driving higher plant volumes, including at the Pipestone gas plant, which saw 93% utilization, up from 84% in the previous quarter. Overall G & P processing volumes were up 28% compared to the same quarter in 2020. Realized margins[3] include an approximate $5 million impact from a 10-day planned maintenance outage at the Wapiti gas plant, and an approximate $3-million impact from reduced ethane sales volumes from the Rimbey gas plant because of a scheduled third-party maintenance outage.
  - Due to an expected increase in customer demand, the planned suspension of the Nordegg gas plant in 2022 has been cancelled to allow for the processing of increasing volumes in the Southern plants capture area. With the cancellation of the Nordegg suspension, the G & P optimization program in the South region is now complete. The program is delivering increased plant utilization, resulting in approximately $15 million of ongoing annualized cost savings to be fully realized in 2022. The program also reduced absolute corporate emissions by 12% for operated facilities in 2021 relative to 2019.
- The **Liquids Infrastructure** segment delivered a realized margin[3] of $98 million compared to $99 million in the third quarter of 2020. These results were supported by continued strong demand for fractionation, cavern storage and diluent handling services at Keyera's Fort Saskatchewan (KFS) facilities. Results were impacted by lower utilization at storage terminals, lower seasonal propane

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

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

[3] Realized margin is not a standard measure under GAAP and excludes the effect of $2 million in non-cash losses from commodity-related risk management contracts. See "Non-GAAP Financial Measures" in the MD&A.

loadings, and an approximate $2 million expense from a planned maintenance outage at a third-party fractionation facility in which Keyera owns a minority working interest.

- The **Marketing** segment contributed realized margin[3] of $59 million, compared to $64 million in the third quarter of 2020. The third quarter 2021 results reflect the realized hedging losses mentioned above, and the impact of the iso-octane sales which remained in transit at the end of the quarter and will now be recorded in the fourth quarter of 2021.

2021 Guidance Update

- Keyera is raising its 2021 realized margin[3] guidance range for the Marketing segment to $300 million to $320 million, exceeding the previous range of $260 million to $290 million. The increase in the guidance range is being driven by robust propane demand and higher margins from the sale of butane given the strength of butane pricing.
- Growth capital spending for 2021 is now expected to range between $460 million and $490 million, above the previous range of $400 million to $450 million. The increase is primarily from higher-than-planned spending of approximately $30 million for the construction of the South Cheecham Sulphur Facilities.
- Maintenance capital spending is now expected to range between $40 million and $50 million, replacing the previous range of $30 million to $40 million.
- The cash tax guidance range of $30 million to $40 million remains on track.

2022 Guidance

- Growth capital expenditures are expected to range between $520 million and $560 million excluding capitalized interest, with approximately $450 million of these expenditures related to the continued construction and completion of the KAPS pipeline project.
- Maintenance capital expenditures are expected to range between $100 million and $120 million. Approximately $60 million is attributable to a planned six-week turnaround at the AEF facility.
- Cash tax expense is expected to range between $15 million and $30 million.

Upcoming planned turnarounds and outages:

Asset	Duration	Timing
Simonette Gas Plant turnaround	2 weeks	Q2 2022
Wapiti Gas Plant outage	1 week	Q2 2022
Nordegg Gas Plant turnaround	2 weeks	Q2 2022
Keyera Fort Saskatchewan Fractionation Unit 2 outage	1 week	Q2 2022
Pipestone Gas Plant outage	1 week	Q3 2022
Alberta EnviroFuels turnaround	6 weeks	Q3 2022
Keyera Fort Saskatchewan Fractionation Unit 1 outage	1 week	Q3 2022

Major Project Updates

- Construction on the KAPS pipeline project continued through the third quarter with mainline construction progressing steadily. The project remains on time and on budget and is scheduled for start-up in early 2023.

Summary of Key Measures

(Thousands of Canadian dollars, except where noted)

	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Net earnings	**69,800**	33,436	**234,220**	136,807
Per share ($/share) – basic	**0.32**	0.15	**1.06**	0.62
Cash flow from operating activities	**106,376**	95,396	**486,876**	571,727
Funds from operations[1]	**168,762**	190,910	**531,173**	654,624
Distributable cash flow[1]	**149,252**	174,859	**461,943**	585,547
Per share ($/share)[1]	**0.68**	0.79	**2.09**	2.66
Dividends declared	**106,091**	106,091	**318,273**	317,394
Per share ($/share)	**0.48**	0.48	**1.44**	1.44
Payout ratio %[1]	**71%**	61%	**69%**	54%
Adjusted EBITDA[2]	**213,578**	196,163	**662,109**	705,437
Gathering and Processing				
Gross processing throughput[3] (MMcf/d)	**1,471**	1,145	**1,441**	1,247
Net processing throughput[3] (MMcf/d)	**1,246**	953	**1,219**	1,027
Liquids Infrastructure				
Gross processing throughput[4] (Mbbl/d)	**110**	134	**136**	147
Net processing throughput[4] (Mbbl/d)	**69**	72	**77**	73
AEF iso-octane production volumes (Mbbl/d)	**14**	13	**14**	13
Marketing				
Inventory value	**334,857**	144,270	**334,857**	144,270
Sales volumes (Bbl/d)	**149,500**	139,900	**156,000**	148,500
Acquisitions	**—**	—	**11,165**	1,630
Growth capital expenditures	**136,290**	149,353	**264,467**	487,049
Maintenance capital expenditures	**8,060**	3,806	**33,882**	18,227
Total capital expenditures	**144,350**	153,159	**309,514**	506,906
Weighted average number of shares outstanding – basic and diluted	**221,023**	221,023	**221,023**	220,247

	As at September 30, 2021	2020
Long-term debt[5]	**3,288,697**	2,959,151
Credit facility	**70,000**	110,000
Working capital surplus[6]	**(147,058)**	(106,046)
Net debt	**3,211,639**	2,963,105
Common shares outstanding – end of period	**221,023**	221,023

Notes:

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

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

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

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

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

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

CEO's Message to Shareholders

The actions we've been taking to increase our competitiveness, against the backdrop of higher commodity prices and a more favourable industry outlook, are setting us up for a strong finish to the year.

In the **Gathering and Processing** segment we are positioned to capture upside as the industry continues to recover. During the quarter, our Pipestone plant hit record throughput, and at Wapiti, volumes quickly regained momentum after a planned outage in July. Optimization measures in the south region took costs out of the system and redirected gas volumes to our most efficient plants. We are now seeing higher utilization as a result of plant consolidation, which is driving lower per unit operating costs and higher per unit margins. This improves our ability to retain and attract new customer volumes. With the optimization program now complete, we can better align our future investments to drive further efficiencies, including emissions reduction initiatives.

The **Liquids Infrastructure** segment continues to deliver long-term contracted cash flows. Our fractionation, cavern storage and condensate services remain in high demand. Utilization rates for our two fractionation units at KFS ran reliably at full name-plate capacity throughout the quarter and demand is expected to remain robust. In July, we successfully re-contracted condensate storage and transportation services with major oil sands producers, which increased both the duration and the volumes under contract. Our future growth capital investment will be weighted towards this segment, where projects have higher barriers to entry, higher cash flow stability, and tend to generate higher rates of return.

The KAPS pipeline project is well underway and will provide a critical link that integrates and enhances our entire value chain and unlocks further growth investment opportunities. Once complete, producers will benefit from a much-needed competitive alternative for transporting natural gas liquids to our hub in Fort Saskatchewan, Alberta, then onward to access the highest-value end markets.

The KAPS project positions our company well for the future, as it stands to capture volumes from growing Montney and Duvernay formation production. Positive catalysts driving this production growth include:

- Expanding export capacity for Canadian natural gas, natural gas liquids and crude oil;
- Increasing in-basin demand as gas replaces coal as a fuel source for electricity generation;
- The start-up of the LNG Canada project in 2025; and
- Growth of the petrochemical industry in Western Canada, including an exciting recent net-zero ethylene project announcement.

We are raising our guidance for the **Marketing** segment. We now expect to deliver between $300 million to $320 million in realized margin for 2021 as we continue to benefit from our disciplined risk management program, which locks in these cash flows.

We issued our 2020 ESG Performance Summary in the third quarter, providing a detailed progress report on our ESG priorities. ESG highlights from 2020 include a 15% year-over-year reduction in our total absolute direct and indirect emissions, a 15% increase in carbon sequestered from our operations, and the development of a diversity and inclusion framework. In the coming weeks we will release our first Climate Report, which will include emissions reduction targets, and other disclosures that align with the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD).

With more tailwinds than we've seen in quite some time, we're feeling encouraged and optimistic about the future. The hard work we've done during the downturn set us up to benefit from the industry recovery. Our balance sheet remains strong, and our customers have never been in better shape.

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 November 3, 2021 and is a review of the results of operations and the liquidity and capital resources of Keyera Corp. and its subsidiaries (collectively "Keyera"). The MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements ("accompanying financial statements") of Keyera for the three and nine months ended September 30, 2021 and the notes thereto as well as the audited consolidated financial statements of Keyera for the year ended December 31, 2020, and the related MD&A. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Keyera's website at www.keyera.com.

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

Keyera's Business

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

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

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

As the outlook for the energy industry continues to improve, Keyera remains focused on increasing its competitiveness by demonstrating strong capital discipline and capital project execution, and the advancement of its ESG priorities.

Keyera recorded solid financial results in the third quarter of 2021 with net earnings of $70 million which were $36 million higher than the same period in 2020. Adjusted EBITDA was $214 million, compared to $196 million in the third quarter of 2020. The stronger financial results in the third quarter of 2021 were largely attributable to higher operating margin from the Gathering and Processing segment.

The Gathering and Processing segment continued to build momentum as the Pipestone gas plant achieved its highest processing throughput levels since the facility became operational. Volumes in the South region also increased modestly with new production brought online from surrounding areas. Strong commodity prices have increased drilling activity which has contributed to the overall growth in volumes in both the North and South regions.

The Liquids Infrastructure segment continues to deliver long-term, stable cash flow as the segment had exceptional operational performance across its infrastructure assets while meeting strong customer demand. Keyera's operated assets in Fort Saskatchewan area were highly utilized throughout the quarter and this is expected to continue into 2022.

The Marketing segment also delivered solid results in the third quarter because of the portfolio of products that are sold within this segment. Due to strong market fundamentals for NGLs and iso-octane combined with a disciplined risk management program, 2021 annual realized margin guidance for the Marketing segment was increased from the previous range as robust winter propane demand and higher margins from butane sales are anticipated. See below for the revised 2021 annual Marketing realized margin guidance. The cash flow generated from the Marketing business enhances Keyera's overall return on invested capital as it can utilize its infrastructure assets to move 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.

Keyera expects the following for 2021:

- annual realized margin for the Marketing segment to be between **$300 million and $320 million**, which exceeds the previously disclosed range of $260 million and $290 million due to robust propane demand and higher margins from the sale of butane;
- a cash tax expense of between **$30 million and $40 million**;
- maintenance capital expenditures to range between **$40 million and $50 million**, replacing the previous range of $30 million to $40 million; and
- growth capital expenditures to range between **$460 million and $490 million** excluding capitalized interest, with the majority related to the construction of the KAPS pipeline system. This estimate is higher than the previously disclosed range of $400 million and $450 million partly due to the increased cost of the South Cheecham Sulphur Facilities.

Keyera expects the following for 2022:

- a cash tax expense of between **$15 million and $30 million**;
- maintenance capital expenditures to range between **$100 million and $120 million**, with approximately $60 million of the costs related to the AEF maintenance turnaround. Refer to the section of the MD&A titled, "Segmented Results: Liquids Infrastructure" for more details related to this major turnaround; and

- growth capital expenditures to range between **$520 million and $560 million** excluding capitalized interest, with the majority related to the construction of the KAPS pipeline system.

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

Update on Keyera's Cost Reduction Program

In the second quarter of 2020, in response to the severe commodity price downturn and unprecedented market uncertainty, Keyera announced several efficiency and cost reduction initiatives. This included a reduction in annual General and Administrative ("G&A") costs, operating costs and the optimization of gas plants in the Gathering and Processing segment.

2021 saw a much faster and stronger than anticipated market recovery, with oil and gas prices at the highest levels seen in years, leading to increased customer activity and business opportunities for Keyera. As such, the company offers the following updates on its recurring annual savings estimates:

	Category of Cost Reduction	Original Forecast	Progress Update
G&A	Salaries, benefits, LTIP & other	$15 million to $20 million	The original cost savings plan was executed in 2020 and included company-wide staffing reductions. With business conditions rapidly improved, Keyera intends to advance its strategic priorities and reinvest in opportunities related to sustainability, innovation and project execution. As a result, Keyera no longer intends to meet this original forecast after 2021.
Liquids Infrastructure	Operating cost reductions	$10 million to $15 million	Remains on track to successfully achieve its cost reduction target in 2021. Going forward, these are expected to be partially offset by higher utilities, insurance, and other maintenance costs necessary to ensure safe and reliable operations of Keyera's facilities.
Gathering and Processing	Optimization of gas plants and operating cost reductions	$20 million to $30 million	The optimization program has unlocked approximately $15 million in ongoing annual savings which are expected to be fully realized in 2022. The downward revision in savings is partly because of the decision to cancel the Nordegg gas plant suspension due to improved customer demand.

All non-recurring expenses and capital costs associated with the above initiatives were either on budget or remain on track. These initiatives are susceptible to inflationary and supply chain pressures, however, Keyera remains focused on managing costs that are within its control and utilizing innovation and technology to improve efficiencies throughout its integrated value chain.

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the three and nine months ended September 30, 2021 and 2020:

(Thousands of Canadian dollars, except per share data)	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Net earnings	**69,800**	33,436	**234,220**	136,807
Net earnings per share (basic)	**0.32**	0.15	**1.06**	0.62
Operating margin	**231,292**	202,547	**701,225**	775,025
Realized margin[1]	**233,041**	213,969	**738,003**	769,650
Adjusted EBITDA[2]	**213,578**	196,163	**662,109**	705,437
Cash flow from operating activities	**106,376**	95,396	**486,876**	571,727
Funds from operations[3]	**168,762**	190,910	**531,173**	654,624
Distributable cash flow[3]	**149,252**	174,859	**461,943**	585,547
Distributable cash flow per share[3] (basic)	**0.68**	0.79	**2.09**	2.66
Dividends declared	**106,091**	106,091	**318,273**	317,394
Dividends declared per share	**0.48**	0.48	**1.44**	1.44
Payout ratio[4]	**71%**	61%	**69%**	54%

Notes:

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

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

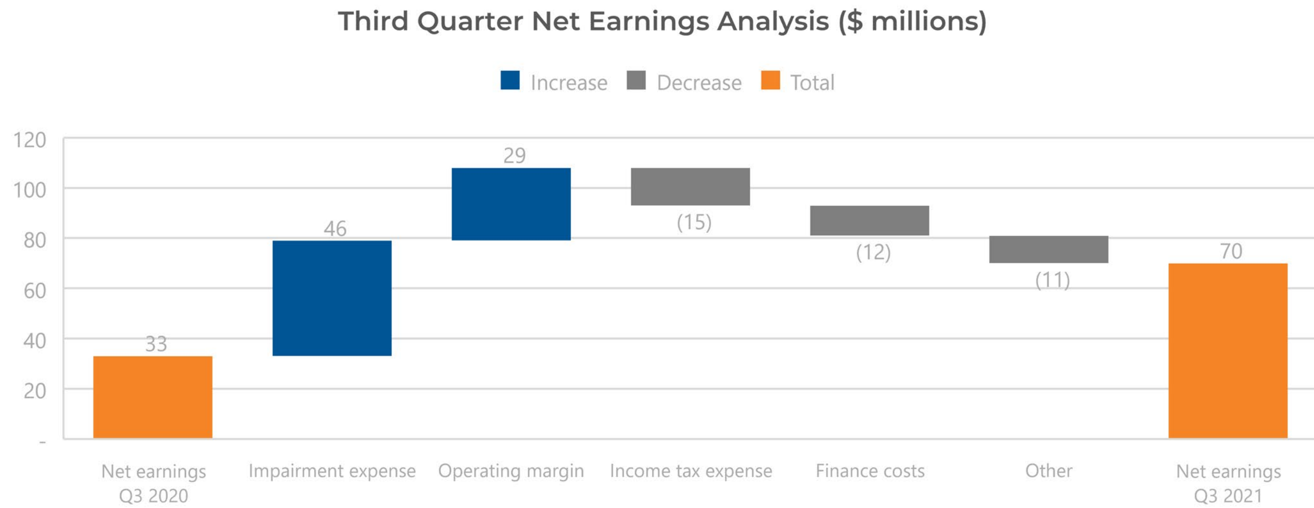
3 Funds from operations and distributable cash flow are not standard measures under GAAP. See the section titled, "Dividends: Funds from Operations and Distributable Cash Flow", for a reconciliation of funds from operations and distributable cash flow to the most closely related GAAP measure.

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

Net Earnings

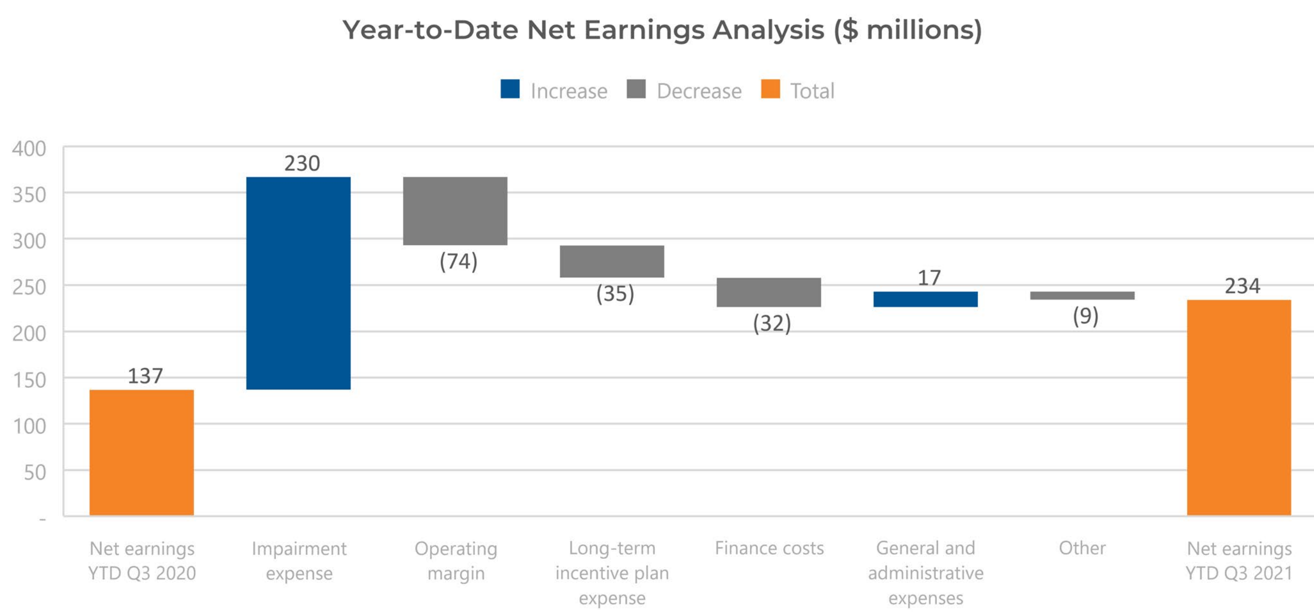
Third Quarter Results

For the three months ended September 30, 2021, net earnings were $70 million, $36 million higher than the prior year due to the following:



Year-To-Date Results

On a year-to-date basis, net earnings were $234 million, $97 million higher than the prior year due to the following:



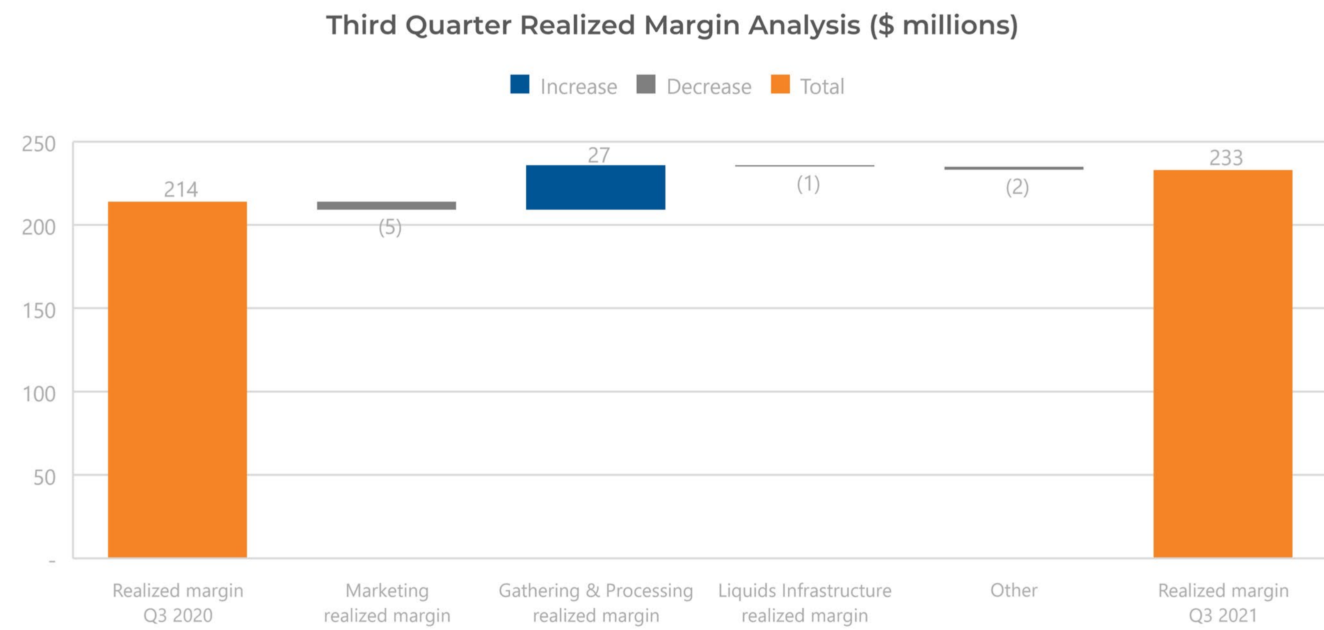
See the section below for more information related to operating margin. For all other charges mentioned above, please see the section of the MD&A titled, “Corporate and Other”.

Operating Margin and Realized Margin

Third Quarter Results

For the three months ended September 30, 2021, operating margin was $231 million, $29 million higher than the same period in 2020 due to: i) $9 million in lower unrealized non-cash losses associated with risk management contracts from the Marketing segment; and ii) $19 million in higher realized margin as described in more detail below.

In the third quarter of 2021, realized margin (excluding the effect of unrealized gains and losses from commodity-related risk management contracts) was $233 million, $19 million higher than the same period in 2020. This increase was primarily due to $27 million in higher realized margin from the Gathering and Processing segment resulting from incremental margin from the Pipestone gas plant which commenced operations in October 2020, and higher processing throughput at the Wapiti and Strachan gas plants.

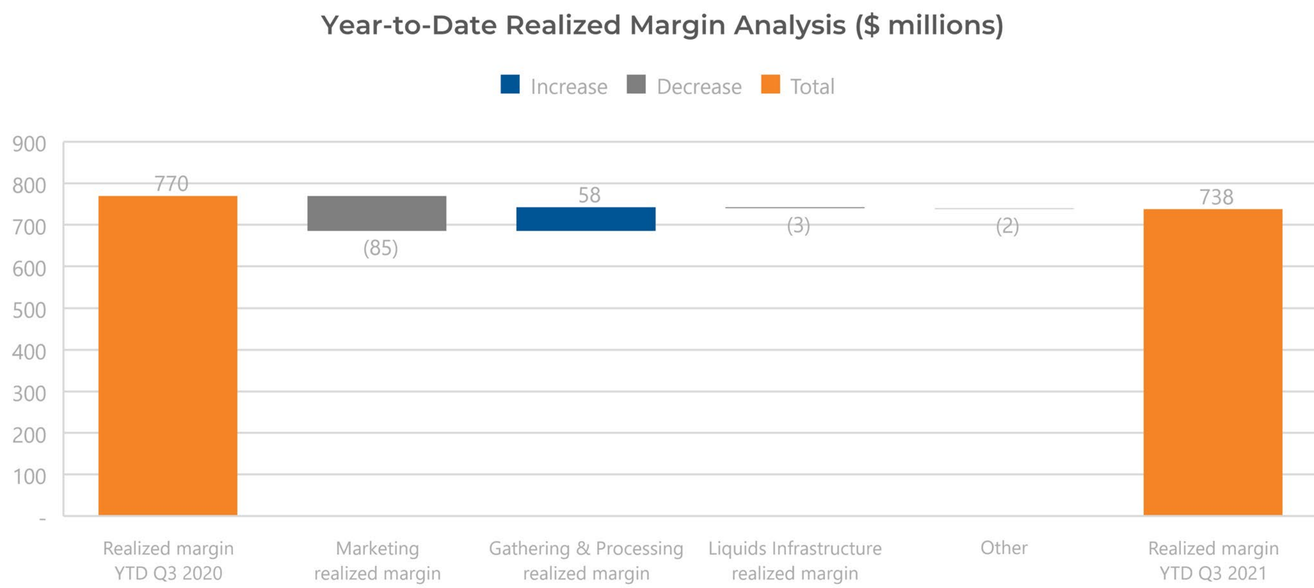


Year-To-Date Results

For the first nine months of 2021, operating margin was $701 million, $74 million lower than the same period in 2020 primarily due to: i) the inclusion of an unrealized non-cash loss of $37 million associated with risk management contracts from the Marketing segment compared to an unrealized non-cash gain of $6 million in 2020; and ii) $32 million in lower realized margin primarily attributable to the Marketing segment as described in more detail below.

Realized margin for the first nine months of 2021 was $738 million, $32 million lower than the same period in 2020 due to $85 million in lower realized margin from the Marketing segment. Marketing margins in the first quarter of 2020 were exceptionally strong because of iso-octane margins that benefited from historically high demand, strong product premiums and lower average butane feedstock costs.

Partly offsetting the lower realized margin in the Marketing segment was $58 million in higher realized margin in the Gathering and Processing segment due to: i) incremental margin from the Pipestone gas plant; and ii) higher processing throughput and lower operating costs at the Wapiti gas plant.



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

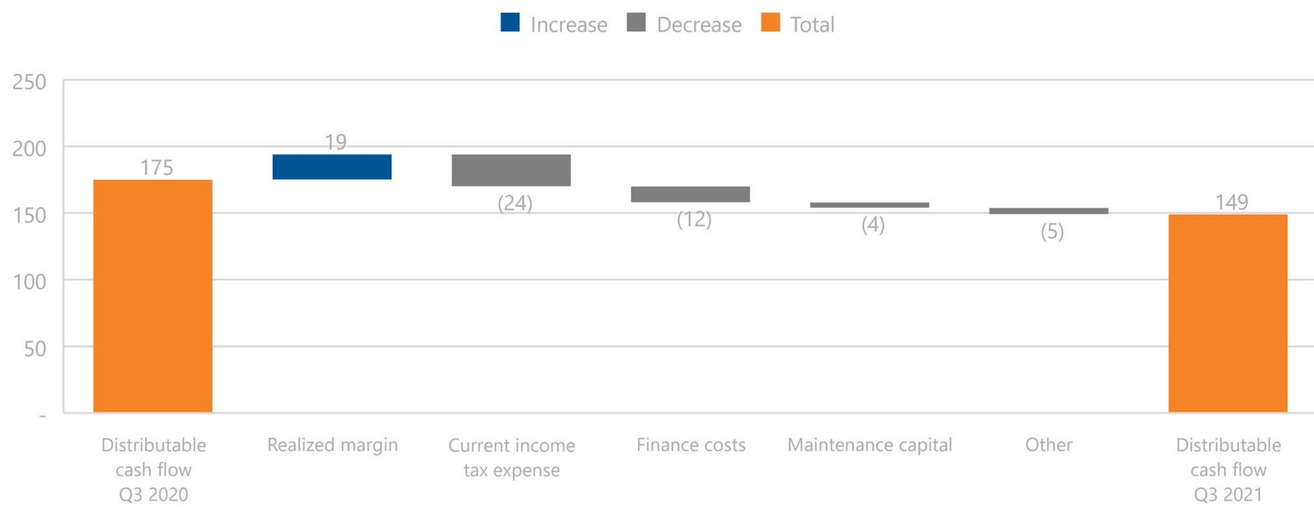
Cash Flow Metrics

Third Quarter Results

Cash flow from operating activities for the third quarter of 2021 was $106 million, $11 million higher than the same period in 2020 mainly due to $19 million in higher realized margin primarily attributable to the Gathering and Processing segment. This was partly offset by lower cash generated from operating working capital in the third quarter.

Distributable cash flow was $149 million for the three months ended September 30, 2021, $26 million lower than the same period in 2020 due to the factors shown in the table below:

Third Quarter Distributable Cash Flow Analysis ($ millions)

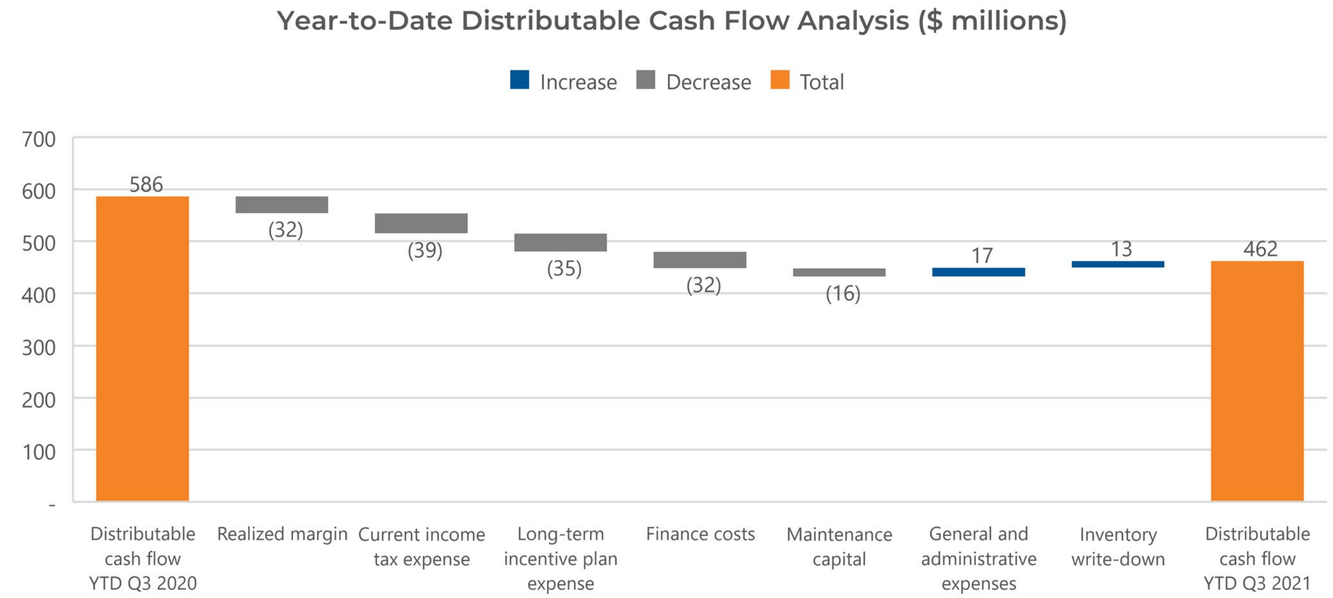


Refer to the sections of this MD&A titled, “Dividends: Funds from Operations and Distributable Cash Flow”, for a reconciliation of cash flow from operating activities to funds from operations and distributable cash flow and “Segmented Results of Operations”, for a reconciliation of operating margin to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

Year-To-Date Results

On a year-to-date basis, cash flow from operating activities was $487 million, $85 million lower than the same period in 2020 primarily due to lower realized margin from the Marketing segment.

Distributable cash flow for the nine months ended September 30, 2021 was $462 million, $124 million lower than the same period in the prior year due to the factors shown in the table below:



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

SEGMENTED RESULTS OF OPERATIONS

The discussion of the results of operations for each of the operating segments focuses on operating margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and Liquids Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the three and nine months ended September 30, 2021 and 2020 are reported in note 15, Segment Information, of the accompanying financial statements. A complete description of Keyera's businesses by segment can be found in Keyera's Annual Information Form, which is available at www.sedar.com.

Gathering and Processing

Keyera currently has interests in 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 are generally referred to as its "Southern" or "South" gas plants.

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

Operating and Realized Margin and Throughput Information *(Thousands of Canadian dollars)*	**Three months ended September 30,**		**Nine months ended September 30,**	
	2021	2020	**2021**	2020
Revenue[2]	**146,010**	108,486	**436,564**	362,116
Operating expenses[2]	**(69,474)**	(59,082)	**(195,208)**	(178,830)
Operating margin	**76,536**	49,404	**241,356**	183,286
Unrealized (gain) loss on risk management contracts	**(300)**	—	**38**	—
Realized margin[3]	**76,236**	49,404	**241,394**	183,286
Gross processing throughput[4] – (MMcf/d)	**1,471**	1,145	**1,441**	1,247
Net processing throughput[4,5] – (MMcf/d)	**1,246**	953	**1,219**	1,027

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

Third Quarter Operating Margin and Revenue

Operating Margin	↑ $27 million vs Q3 2020	Increase was primarily due to $31 million in higher operating margin from: • the Pipestone gas plant that commenced operations in October 2020; • higher processing throughput and lower operating costs at the Wapiti gas plant as the facility completed a six-week unplanned outage in 2020 compared to a 10-day outage in 2021; and • higher processing throughput at the Strachan gas plant. The above factors were partly offset by $3 million in lower operating margin due to lower ethane sales from the Rimbey gas plant as the petrochemical company that purchases ethane under a long-term arrangement underwent a scheduled maintenance outage in the third quarter of 2021.
Revenue	↑ $38 million vs Q3 2020	• Increase in revenue was primarily due to the same factors that contributed to higher operating margin.

Third Quarter Year-to-Date Operating Margin and Revenue

Operating Margin	↑ $58 million vs Q3 YTD 2020	Increase was primarily due to $72 million in higher operating margin from the same factors discussed above for the third quarter. This was partly offset by $14 million in reduced operating margin from: • a disclaimed take-or-pay agreement with a former joint venture partner at the Alder Flats gas plant in 2020; • a customer diverting volumes from the Brazeau River gas plant to their own facility beginning in April 2020; and • lower ethane sales from the Rimbey gas plant as the petrochemical company that purchases ethane under a long-term arrangement underwent a scheduled maintenance outage in the third quarter of 2021.
Revenue	↑ $74 million vs Q3 YTD 2020	• Increase in revenue was primarily due to the same factors that contributed to higher operating margin.

Gathering and Processing Activity

The Gathering and Processing segment recorded solid financial results in the third quarter of 2021 as strong commodity prices and energy demand have resulted in renewed optimism and higher netbacks for producers. These factors have contributed to increased drilling activity in the North and South regions.

In the North region, the Pipestone gas plant achieved its highest processing throughput levels since inception of its operations. Consequently, overall gross processing throughput at Keyera's gas plants in the North region remained virtually unchanged from the second quarter of 2021 despite a 10-day outage at the Wapiti gas plant which reduced operating margin by approximately $5 million. Compared to the same period in the prior year, overall gross processing throughput at Keyera's plants in the North region increased 113% due to a six-week outage at the Wapiti gas plant and the addition of the Pipestone gas plant in the second half of 2020.

At the Wapiti gas plant, there continues to be work aimed at increasing long-term reliability and performance. This work will progress in the fourth quarter of 2021 while the plant operates and is expected to cost approximately $5 million.

In the South region, overall gross processing throughput levels in the third quarter increased 6% compared to the same period in 2020 due to new production volumes processed at the Brazeau River, Alder Flats and Strachan gas plants.

Keyera continues to focus on improving the competitive position of the Gathering and Processing segment by adhering to the following strategic priorities:

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

In the third quarter of 2021, Keyera suspended operations at its Brazeau North and Ricinus gas plants as part of its overall optimization plan. Substantially all of the volumes from these suspensions were redirected to existing Keyera gas plants for processing.

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

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

With the completion of the gas plant suspensions related to the optimization program, utilization of Keyera's gas plants in the South region are expected to increase from less than 50%[1] to approximately 65%[1] by 2022. The optimization strategy also aligns with Keyera's environmental efforts by reducing its

[1] Based on effective capacity

overall gross greenhouse gas emissions by approximately 12% for operated facilities in 2021 relative to 2019. The optimization program is expected to result in approximately $15 million in ongoing annual savings by 2022. This is compared to a previously disclosed range of between $20 million to $30 million that included the suspension of the Nordegg gas plant as well as operating cost reductions across the Gathering and Processing portfolio. A portion of these benefits were realized in the first nine months of 2021.

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

Liquids Infrastructure

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

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

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

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

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

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

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

Operating and Realized Margin *(Thousands of Canadian dollars)*	Three months ended September 30, **2021**	2020	Nine months ended September 30, **2021**	2020
Revenue[1]	**145,518**	138,630	**431,449**	419,301
Operating expenses[1]	**(46,633)**	(39,051)	**(132,167)**	(118,007)
Operating margin	**98,885**	99,579	**299,282**	301,294
Unrealized (gain) loss on risk management contracts	**(545)**	(356)	**(266)**	244
Realized margin[2]	**98,340**	99,223	**299,016**	301,538

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

Third Quarter Operating Margin and Revenue

Operating Margin	↓ $1 million vs Q3 2020	• Decrease was primarily due to a planned maintenance outage at a non-operated fractionation facility in which Keyera owns a minority working interest.
Revenue	↑ $7 million vs Q3 2020	• Increase was mainly due to higher operating revenues from the AEF facility resulting from increased operating expenses that are charged to the Marketing segment.

Third Quarter Year-to-Date Operating Margin and Revenue

Operating Margin	↓ $2 million vs Q3 YTD 2020	• Decrease was primarily due to the same factors that affected operating margin in the third quarter and lower revenues at the Baseline Tank Terminal ("BTT"). Most of the storage tanks at BTT are contracted under long-term agreements. Pembina Pipeline is the operator of this asset. • Partly offsetting the decrease in operating margin were higher storage revenues from higher contracted volumes and incremental margin associated with cavern 16 in Fort Saskatchewan which came into service in April 2020.
Revenue	↑ $12 million vs Q3 YTD 2020	• Increase was mainly due to the same factors that affected revenue in the third quarter and higher storage revenues in 2021.

Liquids Infrastructure Activity

As the outlook for the energy industry continued to strengthen in the third quarter of 2021, the Liquids Infrastructure segment continued to deliver strong operational performance across its diverse range of infrastructure assets.

Warmer seasonal temperatures in the third quarter generally reduce the volume of condensate that oil sands producers require for blending into bitumen, thereby resulting in reduced demand for condensate. Despite this, volumes through Keyera's condensate system remained strong in the third quarter of 2021 with a marginal decrease of 5% compared to the second quarter of 2021. The slightly lower 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. As crude oil prices continued to strengthen into the early part of the fourth quarter of 2021, oil sands production and the related demand for condensate is expected to remain strong.

In July, Keyera successfully re-contracted condensate storage agreements with two major oil sands producers. The first storage agreement extends the service term with one of the producers by approximately four years, while the second agreement provides additional condensate transportation services to another major oil sands producer. Both agreements include increased take-or-pay commitments and reinforce the value of Keyera's integrated condensate system.

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

Utilization rates for the two fractionation units at Keyera's Fort Saskatchewan complex were at nameplate capacity in the third quarter of 2021. Looking ahead to 2022, fractionation demand is expected to remain robust due to the strong commodity price environment and corresponding industry activity. For the contract year beginning April 1, 2021, Keyera has contracted fractionation fees that are comparable to the prior year and expects utilization of its fractionation units to remain near nameplate capacity for the remainder of the year.

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 continued to be strong through the third quarter of 2021 as iso-octane production averaged slightly above AEF's nameplate capacity. In 2022, the AEF facility is expected to be offline for approximately six weeks during the last half of the year to complete its scheduled maintenance turnaround. The cost of the turnaround is currently estimated to be $60 million and includes the replacement of the facility's catalysts . While the facility is offline, Keyera is expecting to complete other maintenance capital projects that are included in the cost estimate above. Keyera's investment in the maintenance turnaround at AEF is to ensure the facility runs efficiently and reliably for the long-term.

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

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

Liquids Infrastructure – Capital Projects Status Update

Facility/Area	Project Description	Project Status Update
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.	Mainline pipe construction and offsite facilities fabrication commenced in the third quarter of 2021 while engineering, pipe fabrication and procurement activities continued. KAPS is anticipated to be operational in 2023. *Estimated total cost to complete:* • gross cost is approximately $1.6 billion • Keyera's net share of costs is approximately $800 million *Total net costs to September 30, 2021:* • $85 million and $135 million for the three and nine months ended September 30, 2021 • $179 million since inception
Cushing, Oklahoma 90/10 joint venture with affiliate of Lama Energy Group	**Wildhorse Terminal ("Wildhorse")** Development of a crude oil storage and blending terminal in Cushing, Oklahoma which includes 12 above ground tanks with 4.5 million barrels of working storage capacity. Wildhorse is pipeline connected to two existing storage terminals in Cushing.	The terminal commenced operations at the end of July 2021. *Estimated total cost to complete:* • gross cost is approximately US$238 million • Keyera's net share of costs is approximately US$214 million *Total net costs to September 30, 2021:* • $7 million (US$5 million) and $21 million (US$17 million) for the three and nine months ended September 30, 2021 • $272 million (US$205 million) since inception

Liquids Infrastructure – Capital Projects Status Update

Facility/Area	Project Description	Project Status Update
South Cheecham 50/50 joint venture with Enbridge	**Sulphur Facilities** Development of sulphur handling, forming, and storage facilities at the South Cheecham rail and truck terminal.	Construction progressed through the third quarter of 2021. The sulphur facilities are anticipated to be operational in the first half of 2022. *Estimated total cost to complete:* • gross cost is approximately $175 million; • Keyera's net share of costs is approximately $88 million The $60 million increase in gross cost is primarily due to: • engineering design deficiencies that resulted in a significant increase in civil work; and • supply chain disruptions for major equipment that has impacted construction sequencing and associated costs. *Total net costs to September 30, 2021:* • $23 million and $37 million for the three and nine months ended September 30, 2021 • $45 million since inception

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

Marketing

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

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

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

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

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

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

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

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

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

Operating and Realized Margin *(Thousands of Canadian dollars, except for sales volume information)*	**Three months ended September 30,**		**Nine months ended September 30,**	
	2021	2020	**2021**	2020
Revenue[1]	**1,000,686**	546,067	**2,655,788**	1,763,098
Operating expenses[1]	**(944,391)**	(493,712)	**(2,493,836)**	(1,473,823)
Operating margin	**56,295**	52,355	**161,952**	289,275
Unrealized loss (gain) on risk management contracts	**2,594**	11,901	**37,006**	(5,811)
Realized margin	**58,889**	64,256	**198,958**	283,464
Sales volumes (Bbl/d)	**149,500**	139,900	**156,000**	148,500

Note:
1 Includes inter-segment transactions.

Realized margin is not a standard measure under GAAP. Management believes that this supplemental measure facilitates the understanding of the Marketing segment's financial results in the period without the effect of mark-to-market changes from risk management contracts related to future periods.

Composition of Marketing Revenue *(Thousands of Canadian dollars)*	**Three months ended September 30,**		**Nine months ended September 30,**	
	2021	2020	**2021**	2020
Physical sales	**1,065,028**	550,139	**2,869,264**	1,671,234
Realized cash (loss) gain on financial contracts[1]	**(61,748)**	7,829	**(176,470)**	86,053
Unrealized gain (loss) due to reversal of financial contracts existing at end of prior period	**56,681**	(11,607)	**22,024**	5,371
Unrealized (loss) gain due to fair value of financial contracts existing at end of current period	**(59,458)**	189	**(59,458)**	189
Unrealized gain (loss) from fixed price physical contracts[2]	**183**	(483)	**428**	251
Total unrealized (loss) gain on risk management contracts	**(2,594)**	(11,901)	**(37,006)**	5,811
Total (loss) gain on risk management contracts	**(64,342)**	(4,072)	**(213,476)**	91,864
Total Marketing revenue	**1,000,686**	546,067	**2,655,788**	1,763,098

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.

Third Quarter Operating & Realized Margin and Revenue

Operating Margin	↑ $4 million vs Q3 2020	• Increase was due to $9 million in lower unrealized non-cash losses from risk management contracts in Q3 2021 compared to the same period in 2020. This was partly offset by $5 million in lower realized margin as described in more detail below.
Realized Margin	↓ $5 million vs Q3 2020	• Decrease was due to lower propane contribution primarily resulting from hedging losses on inventory. These hedging losses will be more than offset by gains realized from the physical sale of propane in the fourth quarter of 2021 and first quarter of 2022. • Partly offsetting the lower propane contribution was higher iso-octane margins attributable to higher sales volumes and stronger product premiums relative to the prior year.
Revenue	↑ $455 million vs Q3 2020	• Increase was due to significantly higher average sales prices for all products resulting from the significant increase in commodity prices in 2021.

Third Quarter Year-to-Date Operating & Realized Margin and Revenue

Operating Margin	↓ $127 million vs Q3 YTD 2020	• Decrease was due to $37 million in unrealized non-cash losses from risk management contracts in 2021 versus a non-cash gain of $6 million in 2020; and • $85 million in lower realized margin as described in more detail below.
Realized Margin	↓ $85 million vs Q3 YTD 2020	• Decrease was primarily due to $76 million in lower iso-octane margins from an exceptionally strong Q1 2020 that benefited from historically high demand, strong product premiums and lower average butane feedstock costs compared to the first quarter of 2021.
Revenue	↑ $893 million vs Q3 YTD 2020	• Increase was due to significantly higher average sales prices for all products resulting from the significant increase in commodity prices in 2021.

Market Commentary

As commodity prices continued to strengthen through the third quarter, the Marketing segment remained focused on executing its disciplined risk management program while effectively utilizing Keyera's infrastructure capabilities. As a result, realized margin for the Marketing segment in 2021 is now expected to range between $300 million and $320 million. This new range is higher than the previously disclosed range of $260 million and $290 million primarily because of robust propane demand and higher margins from the sale of butane.

Third quarter results for the Marketing segment included approximately $25 million of realized hedging losses that were primarily related to propane and butane inventory. These hedging losses will be more than offset by gains realized from the physical sale of propane and butane in the fourth quarter of 2021 and first quarter of 2022.

Summer travel patterns in the U.S. were robust in the third quarter resulting in gasoline demand only 2% below historical levels.

Motor gasoline pricing remained strong through the third quarter. While the premium for iso-octane improved in the quarter, the premium remains below historical levels because of an increased supply of octane blending components that continued to be imported into the U.S. at record levels. Significant improvements to iso-octane premiums will be dependent on a wider global recovery from the COVID-19 pandemic and the resumption of historical mobility patterns to absorb excess octane production that is currently landing in the U.S.

As butane is the primary feedstock to produce iso-octane, butane costs directly affect iso-octane margins. The majority of Keyera's butane supply is purchased on a one-year term basis. For the annual term supply contracts that began on April 1, 2021, the price for butane as a percentage of crude oil is lower than the average of the previous five years. With the recent increase in butane prices, Keyera expects butane feedstock costs to be higher in 2022 compared to the 2021 contract year.

Propane margins returned to seasonally lower levels in the second and third quarters of 2021 and Keyera began to build propane inventory to meet winter heating demand in markets across North America. By the end of the third quarter, propane pricing had strengthened significantly and is anticipated to remain strong due to incremental North American export capacity that came online in the second quarter of 2021. Inter Pipeline's Heartland propane dehydrogenation facility, which commences operations in 2022, is also expected to influence propane pricing next 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 markets in North America throughout the year.

Crude oil prices continued to strengthen through the third quarter of 2021, contributing to strong oil sands production. Consequently, condensate sales volumes remained strong and were virtually unchanged from the second quarter of 2021. Margins from Keyera's liquids blending business in the third quarter remained solid but were lower than the first half of 2021 as commodity price differentials decreased.

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

Risk Management

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

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

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

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

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

For the quarter ended September 30, 2021, the total unrealized loss on risk management contracts was $3 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 September 30, 2021 resulted in an unrealized (non-cash) loss of $60 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 September 30, 2021, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 11, Financial Instruments and Risk Management, of the accompanying financial statements.

CORPORATE AND OTHER

Non-Operating Expenses and Other Income *(Thousands of Canadian dollars)*	Three months ended September 30, **2021**	2020	Nine months ended September 30, **2021**	2020
General and administrative[1]	**(18,280)**	(18,258)	**(58,177)**	(74,932)
Finance costs	**(43,442)**	(31,711)	**(125,559)**	(93,588)
Depreciation, depletion and amortization	**(68,667)**	(63,469)	**(201,121)**	(200,618)
Net foreign currency (loss) gain on U.S. debt and other	**(823)**	3,304	**2,152**	5,399
Long-term incentive plan (expense) recovery	**(2,442)**	(2,984)	**(27,757)**	7,283
Impairment	**(8,187)**	(53,850)	**(17,681)**	(247,851)
Gain on disposal of property, plant and equipment	**—**	—	**20,797**	—
Other	**1,259**	3,436	**10,040**	3,436
Income tax expense	**(20,910)**	(5,579)	**(69,699)**	(37,347)

Note:
1 Net of overhead recoveries on operated facilities.

General and Administrative Expenses

G&A expenses for the three and nine months ended September 30, 2021 were $18 million and $58 million, which was virtually unchanged from the third quarter of 2020 and $17 million lower than the nine months ended September 30, 2020. On a year-to-date basis, this decrease was primarily due to severance costs recorded during the prior year as a result of the closure of the Nevis, Gilby, Minnehik Buck Lake and West Pembina gas plants, and workforce reductions at Keyera's corporate office and certain field locations.

Finance Costs

Finance costs for the three and nine months ended September 30, 2021 were $43 million and $126 million, $12 million and $32 million higher than the same periods in 2020 primarily due to lower interest capitalized on qualifying projects that is a reduction to finance costs. Interest capitalized on qualifying projects was $4 million and $13 million during the three and nine months ended September 30, 2021, compared to $12 million and $34 million in the same periods of 2020. In addition, Keyera recorded incremental interest expense of $5 million and $12 million for the three and nine months ended September 30, 2021 related to the issuance of $350 million in subordinated notes in March 2021.

Depreciation, Depletion and Amortization Expenses

Depreciation, depletion and amortization ("DD&A") expenses for the three and nine months ended September 30, 2021 were $69 million and $201 million, $5 million and $1 million higher than the same periods in 2020 primarily due to an increase in Keyera's overall asset base including phase two of the Wapiti gas plant, the Pipestone gas plant and the Wildhorse Terminal. On a year-to-date basis, this increase was partially offset by a decrease in Keyera's decommissioning asset base and lower depreciation expense related to right-of-use assets.

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

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

Net Foreign Currency Gain (Loss) on U.S. Debt and Other *(Thousands of Canadian dollars)*	**Three months ended September 30,** **2021**	2020	**Nine months ended September 30,** **2021**	2020
Translation of long-term debt and interest payable	**(11,574)**	14,120	**360**	(14,538)
Change in fair value of cross-currency swaps – principal and interest	**13,679**	(42,787)	**1,055**	(5,945)
Gain on cross-currency swaps – principal and interest[1]	**—**	28,765	**385**	30,754
Foreign exchange re-measurement of lease liabilities and other	**(2,928)**	3,206	**352**	(4,872)
Net foreign currency (loss) gain on U.S. debt and other	**(823)**	3,304	**2,152**	5,399

Note:

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

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

Long-Term Incentive Plan (Expense) Recovery

The Long-Term Incentive Plan ("LTIP") expense was $2 million and $28 million for the three and nine months ended September 30, 2021, compared to an expense of $3 million and a recovery of $7 million in the same periods in 2020. The higher LTIP expense on a year-to-date basis was primarily due to the recovery in Keyera's share price at the end of September 30, 2021 relative to the decline in share price that occurred during the same periods of the prior year.

Net Impairment Expense

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

For the three months ended September 30, 2021, Keyera recorded an $8 million impairment expense in the United States Cash-Generating Unit ("CGU") related to the Hull terminal.

During the second quarter of 2021, in connection with the acquisition of the remaining 50 percent working interest in the Alberta Crude Terminal, Keyera recorded a $9 million impairment expense in the Liquids Infrastructure – Canada CGU related to its original working interest in the facility.

For the nine months ended September 30, 2020, Keyera recorded a combined impairment expense of $248 million related to the West Pembina, Ricinus, and Nordegg River gas plants ($168 million), the Hull terminal ($54 million), and the Brazeau North and Pembina North gathering and processing complex ($26 million).

Gain on Disposal of Property, Plant and Equipment

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

Other

For the three and nine months ended September 30, 2021, $1 million and $10 million of income was recorded from the Canada Emergency Wage Subsidy ("CEWS") program, compared to $3 million for the third quarter and on a year-to-date basis in the prior year. CEWS was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan. Substantially all of the income received on a year-to-date basis relates to the 2020 year. Keyera will not be submitting any further claims under the CEWS program.

Taxes

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

Current Income Taxes

A current income tax recovery of $1 million was recorded for the three months ended September 30, 2021, compared to a recovery of $25 million for the same period in 2020. On a year-to-date basis, current income tax expense was $15 million compared to a recovery of $24 million for the prior period. Current taxes in 2021 are higher due to higher taxable income.

For 2021, it is estimated that current income tax expense will be between $30 million and $40 million. For 2022, it is estimated that current income tax expense will range between $15 million and $30 million. The current income tax estimates assume that Keyera's business performs as planned and its capital projects are completed as expected.

Deferred Income Taxes

A deferred income tax expense of $22 million and $55 million was recorded for the three and nine months ended September 30, 2021, $8 million and $7 million lower than the same periods in 2020.

Keyera estimates its total tax pools at September 30, 2021 were approximately $3.3 billion.

CRITICAL ACCOUNTING ESTIMATES

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

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the three months ended September 30, 2021 and 2020:

Cash inflows (outflows) *(Thousands of Canadian dollars)*	Three months ended September 30,			
	2021	2020	Increase (decrease)	Explanation
Operating	**106,376**	95,396	10,980	Cash generated from operating activities was higher in the third quarter of 2021 primarily due to higher realized margin from the Gathering & Processing segment.
Investing	**(105,912)**	(167,273)	61,361	Capital investment in the third quarter of 2021 was primarily related to engineering and construction activities associated with the KAPS pipeline project, and construction activities related to the South Cheecham sulphur facilities. These projects are described in more detail in the "Segmented Results of Operations" section of this MD&A. As phase two of the Wapiti gas plant and the Pipestone gas plant were completed in 2020, and with the completion of the Wildhorse terminal at the end of July 2021, capital spending has decreased relative to the prior year.
Financing	**(47,012)**	(146,611)	99,599	Cash generated from financing activities in the third quarter of 2021 was higher than the same period in 2020 as Keyera had no long-term senior note repayments during the three months ended September 30, 2021. During the third quarter or 2020, Keyera made two long-term debt senior note repayments of $2 million and US $103 million.

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

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the nine months ended September 30, 2021 and 2020:

Cash inflows (outflows)
(Thousands of Canadian dollars)

	Nine months ended September 30, 2021	2020	Increase (decrease)	Explanation
Operating	**486,876**	571,727	(84,851)	Cash generated from operating activities was lower in the first nine months of 2021 primarily due to lower realized margin from the Marketing segment.
Investing	**(236,502)**	(572,193)	335,691	Capital investment in the first nine months of 2021 was focused on the same projects discussed for the three months ended September 30, 2021. These projects are described in more detail in the "Segmented Results of Operations" section of this MD&A.
Financing	**(214,990)**	1,999	(216,989)	In March 2021, Keyera issued $350 million of subordinated notes, allowing for a full repayment on its outstanding Credit Facility, which totaled $280 million, net of borrowings. Comparatively, in addition to the two long-term debt senior note repayments made during the third quarter of 2020, Keyera issued $400 million of senior unsecured medium-term notes in the prior year. The dividend reinvestment plan was also discontinued in the second quarter of 2020.

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 $147 million existed at September 30, 2021. This is compared to a surplus of $148 million at December 31, 2020. To meet its current obligations and growth capital program, Keyera has access to a credit facility in the amount of $1.5 billion, of which $70 million was drawn as at September 30, 2021. Refer to the section below of this MD&A, “Long-term Debt”, for more information related to Keyera’s unsecured revolving credit facility (“Credit Facility”).

Dividend Reinvestment Plan

In April 2020, Keyera announced the discontinuation of the dividend reinvestment plan (the “Plan”). Shareholders who had been participating in either component of the Plan received the full cash dividend declared beginning with the dividend paid in May 2020. For the three and nine months ended September 30, 2020, the Plan generated cash of $nil and $77 million, respectively. Refer to Keyera’s 2020 year end MD&A for more information related to the Plan.

Corporate Credit Ratings

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

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

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

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at September 30, 2021:

As at September 30, 2021 *(Thousands of Canadian dollars)*	Total	2021	2022	2023	2024	2025	After 2025
Credit facilities	70,000	—	—	—	70,000	—	—
Total credit facilities	**70,000**	**—**	**—**	**—**	**70,000**	**—**	**—**
Canadian dollar denominated debt							
Senior unsecured notes	1,132,000	—	60,000	30,000	17,000	120,000	905,000
Senior unsecured medium-term notes	800,000	—	—	—	—	—	800,000
Subordinated hybrid notes	950,000	—	—	—	—	—	950,000
	2,882,000	**—**	**60,000**	**30,000**	**17,000**	**120,000**	**2,655,000**
Senior unsecured U.S. dollar denominated notes	424,559	—	—	—	163,194	178,493	82,872
Total debt	**3,306,559**	**—**	**60,000**	**30,000**	**180,194**	**298,493**	**2,737,872**
Less: current portion of long-term debt	—	—	—	—	—	—	—
Total long-term debt	**3,306,559**	**—**	**60,000**	**30,000**	**180,194**	**298,493**	**2,737,872**

Credit Facilities

Keyera's Credit Facility is with a syndicate of eight lenders under which it can borrow up to $1.5 billion, with the potential to increase that limit to $1.85 billion subject to certain conditions. As at September 30, 2021, $70 million was drawn under this facility (December 31, 2020 – $280 million). The Credit Facility matures on December 6, 2024. Management expects to extend the Credit Facility prior to maturity, and in the event of reaching maturity, expects an adequate replacement will be established.

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

Long-term Debt

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

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

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

As at September 30, 2021, Keyera had $2,882 million and US$333 million of long-term debt. To manage the foreign currency exposure on the U.S. dollar denominated debt, Keyera has entered into cross-currency agreements with a syndicate of banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of $0.98 and $1.03 per U.S. dollar for the principal payments and $1.22 and $1.14 per U.S. dollar for the future interest payments. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled, "Net Foreign Currency Gain (Loss) on U.S. Debt and Other", provides more information.

Compliance with Covenants

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

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

As at September 30, 2021, Keyera was in compliance with all covenants under its Credit Facility and outstanding notes. Keyera's Net Debt to Adjusted EBITDA ratio at September 30, 2021 was 2.7x for covenant test purposes (December 31, 2020 – 2.9x). As a long-term target, Keyera's objective is to maintain a Net Debt to Adjusted EBITDA ratio of between 2.5x to 3.0x. This range results in a leverage profile that supports Keyera's investment grade credit ratings.

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

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the three and nine months ended September 30, 2021 and 2020:

Capital Expenditures and Acquisitions *(Thousands of Canadian dollars)*	Three months ended September 30, 2021	2020	Nine months ended September 30, 2021	2020
Acquisitions	**—**	—	**11,165**	1,630
Growth capital expenditures	**136,290**	149,353	**264,467**	487,049
Maintenance capital expenditures	**8,060**	3,806	**33,882**	18,227
Total capital expenditures	**144,350**	153,159	**309,514**	506,906

Growth capital expenditures for the three and nine months ended September 30, 2021 amounted to $136 million and $264 million, respectively. Refer to the section of this MD&A, "Segmented Results of Operations", for information related to the various growth capital projects in the Liquids Infrastructure segment, including estimated costs to complete, costs incurred in 2021 and since inception of the project, and estimated completion timeframes.

During the second quarter of 2021, Keyera acquired the remaining 50 percent ownership interest in the Alberta Crude Terminal for cash consideration of $11 million. Refer to note 4, Property, Plant and Equipment, of the accompanying financial statements for additional details.

Keyera has comprehensive inspection, monitoring and maintenance programs in place. The objectives of these programs are to keep Keyera's facilities in good working order and to maintain their ability to operate reliably for many years. In addition to the maintenance capital expenditures, Keyera incurred maintenance and repair expenses of $12 million and $33 million for the three and nine months ended September 30, 2021, $1 million and $6 million lower than the same periods in the prior year.

Dividends

Funds from Operations and Distributable Cash Flow

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

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

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

Funds from Operations and Distributable Cash Flow *(Thousands of Canadian dollars)*	**Three months ended September 30,**		**Nine months ended September 30,**	
	2021	2020	**2021**	2020
Cash flow from operating activities	**106,376**	95,396	**486,876**	571,727
Add:				
Changes in non-cash working capital	**62,386**	95,514	**44,297**	82,897
Funds from operations	**168,762**	190,910	**531,173**	654,624
Maintenance capital	**(8,060)**	(3,806)	**(33,882)**	(18,227)
Leases	**(10,819)**	(12,245)	**(33,455)**	(37,343)
Prepaid lease asset	**(631)**	—	**(1,893)**	—
Inventory write-down	**—**	—	**—**	(13,507)
Distributable cash flow	**149,252**	174,859	**461,943**	585,547
Dividends declared to shareholders	**106,091**	106,091	**318,273**	317,394
Payout ratio	**71%**	61%	**69%**	54%

Distributable cash flow for the three months ended September 30, 2021 was $149 million, $26 million lower than the same period in 2020 as a significant decrease in the current income tax recovery and increase in maintenance capital expenditures, more than offset the higher realized margin from the Gathering and Processing segment.

On a year-to-date basis, distributable cash flow was $462 million, $124 million lower than the same period in 2020 primarily due to a decrease in realized margin from the Marketing segment, a long-term incentive plan expense in 2021 compared to a recovery in 2020 and a current income tax expense in 2021 compared to a recovery in 2020.

Dividend Policy

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

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

EBITDA

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

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

EBITDA *(Thousands of Canadian dollars)*	**Three months ended September 30,**		**Nine months ended September 30,**	
	2021	2020	**2021**	2020
Net earnings	**69,800**	33,436	**234,220**	136,807
Add (deduct):				
Finance costs	**43,442**	31,711	**125,559**	93,588
Depreciation, depletion and amortization expenses	**68,667**	63,469	**201,121**	200,618
Income tax expense	**20,910**	5,579	**69,699**	37,347
EBITDA	**202,819**	134,195	**630,599**	468,360
Unrealized loss (gain) on commodity contracts	**1,749**	11,422	**36,778**	(5,375)
Net foreign currency loss (gain) on U.S. debt and other	**823**	(3,304)	**(2,152)**	(5,399)
Impairment expense	**8,187**	53,850	**17,681**	247,851
Gain on disposal of property, plant and equipment	**—**	—	**(20,797)**	—
Adjusted EBITDA	**213,578**	196,163	**662,109**	705,437

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. Since December 31, 2020, Keyera has increased its total expected commitments to $420 million (December 31, 2020 – $236 million). These additional purchase obligations are primarily related to the construction of the KAPS pipeline and the majority of the obligations are expected to be paid during the remainder of 2021 and 2022.

RELATED PARTY TRANSACTIONS

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

RISK FACTORS

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

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

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

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

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

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

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

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020	June 30, 2020	Mar 31, 2020	Dec 31, 2019
Revenue[1]								
Gathering and Processing	**146,010**	146,910	143,644	139,826	108,486	124,871	128,759	143,736
Liquids Infrastructure	**145,518**	138,194	147,737	148,487	138,630	135,884	144,787	142,885
Marketing	**1,000,686**	833,485	821,617	513,581	546,067	343,868	873,163	783,899
Other	**(27)**	34	(397)	2,892	2,700	1,625	3,486	5,772
Operating margin (loss)								
Gathering and Processing	**76,536**	85,837	78,983	76,965	49,404	69,411	64,471	80,878
Liquids Infrastructure	**98,885**	96,012	104,385	98,330	99,579	99,593	102,122	91,305
Marketing	**56,295**	52,427	53,230	(12,039)	52,355	(9,103)	246,023	87,375
Other	**(424)**	(318)	(623)	2,257	1,209	(106)	67	2,883
Operating margin	**231,292**	233,958	235,975	165,513	202,547	159,795	412,683	262,441
Realized margin (loss)[2]								
Gathering and Processing	**76,236**	85,931	79,227	76,965	49,404	69,411	64,471	80,910
Liquids Infrastructure	**98,340**	95,865	104,811	97,609	99,223	99,233	103,082	91,628
Marketing	**58,889**	79,034	61,035	11,153	64,256	54,184	165,024	120,008
Other	**(424)**	(318)	(623)	1,785	1,086	(96)	372	2,913
Realized margin[2]	**233,041**	260,512	244,450	187,512	213,969	222,732	332,949	295,459
Net earnings (loss)	**69,800**	78,595	85,825	(74,777)	33,436	17,763	85,608	29,718
Net earnings (loss) per share ($/share)								
Basic	**0.32**	0.36	0.39	(0.34)	0.15	0.08	0.39	0.14
Diluted	**0.32**	0.36	0.39	(0.34)	0.15	0.08	0.39	0.14
Weighted average common shares (basic)	**221,023**	221,023	221,023	221,023	221,023	220,851	218,860	216,938
Weighted average common shares (diluted)	**221,023**	221,023	221,023	221,023	221,023	220,851	218,860	216,938
Dividends declared to shareholders	**106,091**	106,091	106,091	106,091	106,091	106,091	105,212	104,280

Notes:

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

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

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

- incremental margin from new investments including the 16th underground storage cavern in Fort Saskatchewan, the Base Line Terminal, the Wapiti gas plant and related infrastructure, and the Pipestone gas plant and liquids hub;
- declining volumes and fees for certain gas plants in the South region of the Gathering and Processing segment that has led to asset impairments;
- growth in demand for diluent handling services in the Liquids Infrastructure segment backed by long-term, take-or-pay contracts with credit worthy counterparties;
- strong demand and market fundamentals for iso-octane in the Marketing segment prior to the second quarter of 2020;
- recovering energy markets and commodity prices in 2021; 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 September 30, 2021.

ADOPTION OF NEW STANDARDS

There were no new IFRS standards adopted by Keyera during the three and nine months ended September 30, 2021.

FUTURE ACCOUNTING PRONOUNCEMENTS

There were no significant new accounting standards or interpretations issued during the three and nine months ended September 30, 2021.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of September 30, 2021, Keyera's disclosure controls and procedures are designed to provide reasonable assurance that material information relating to Keyera and its consolidated subsidiaries has been brought to their attention and that information required to be disclosed pursuant to applicable securities legislation has been recorded, processed, summarized and reported in an appropriate and timely manner.

Internal Controls Over Financial Reporting

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

No changes were made for the period beginning January 1, 2021 and ending September 30, 2021 that have materially affected, or are reasonably likely to materially affect Keyera's internal controls over financial reporting.

COMMON SHARES

Due to the discontinuation of the DRIP and Premium DRIP programs, during the three and nine months ended September 30, 2021, and subsequent to September 30, 2021, there were no common shares issued to shareholders. The total common shares outstanding at September 30, 2021 was 221,022,873.

NON-GAAP FINANCIAL MEASURES

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

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

are not standard measures under GAAP and, therefore, may not be comparable to similar measures reported by other entities. Management believes that these supplemental measures facilitate the understanding of Keyera's results of operations, leverage, liquidity and financial position. Funds from operations is used to assess the level of cash flow generated from operating activities excluding the effect of changes in non-cash working capital, as they are primarily the result of seasonal fluctuations in product inventories or other temporary changes. Funds from operations is also a valuable measure that allows investors to compare Keyera with other companies within the midstream oil and gas industry. Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. EBITDA and adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. Realized margin is used to assess the financial performance of Keyera's ongoing operations without the effect of unrealized gains and losses on commodity-related risk management contracts related to future periods. Annual return on invested capital is used to reflect the profitability of Keyera's in-service capital assets. Compound annual growth rate provides investors with the rate at which distributable cash flow per share has grown over a defined period of time. Investors are cautioned, however, that these measures should not be construed as an alternative to net earnings determined in accordance with GAAP as an indication of Keyera's performance.

FORWARD-LOOKING STATEMENTS

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

- industry, market and economic conditions and any anticipated effects on Keyera;
- Keyera's future financial position and operational performance and future financial contributions and margins from its business segments including, but not limited to, Keyera's expectation that its Marketing business will contribute realized margin between $300 million and $320 million in 2021, and on average, a "base realized margin" of between $180 million and $220 million annually;
- estimated costs and benefits associated with reductions in operating and G&A expenses and optimization of gas plants, estimated maintenance and turnaround costs and estimated decommissioning expenses;
- the expectation that demand for Keyera's liquid infrastructure service offerings will remain strong;
- future dividends and taxes;
- business strategy, anticipated growth and plans of management;
- budgets, including future growth capital, operating and other expenditures and projected costs;
- estimated utilization rates and throughputs;
- expected costs, in-service dates and schedules for capital projects (including projects under construction/development and proposed projects) and sources of funding for such projects;
- anticipated timing for future revenue streams and optimization plans;
- treatment of Keyera and its projects under existing and proposed governmental regulatory regimes;
- the operation and effectiveness of risk management programs;
- expected outcomes with respect to legal proceedings and potential insurance recoveries;
- expectations regarding Keyera's ability to maintain its competitive position, raise capital and add to its assets through acquisitions or internal growth opportunities;
- expectations as to the financial impact of Keyera's compliance with future environmental and carbon tax regulation; and
- the expected impact of the COVID-19 pandemic on Keyera and the economy generally.

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

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

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

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

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

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

Investor Information

DIVIDENDS TO SHAREHOLDERS

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

TAXABILITY OF DIVIDENDS

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

SUPPLEMENTARY INFORMATION

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

THIRD QUARTER 2021 RESULTS CONFERENCE CALL AND WEBCAST

Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the financial results for the third quarter 2021 at 8:00 a.m. Mountain Time (10:00 a.m. Eastern Time) on Wednesday, November 3, 2021. 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 November 17, 2021 by dialing 888-390-0541 or 416-764-8677 and entering pass code 724498.

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	September 30, 2021	December 31, 2020
ASSETS			
Cash		**38,745**	2,901
Trade and other receivables		**765,617**	447,723
Derivative financial instruments	11	**44,958**	20,625
Inventory	3	**334,857**	162,823
Other assets		**26,397**	12,778
Total current assets		**1,210,574**	646,850
Derivative financial instruments	11	**97,001**	93,632
Property, plant and equipment	4	**6,520,255**	6,401,185
Right-of-use assets		**232,279**	264,278
Intangible assets		**65,643**	71,320
Goodwill		**55,761**	55,761
Deferred tax assets		**33,158**	29,560
Total assets		**8,214,671**	7,562,586
LIABILITIES AND EQUITY			
Trade and other payables, and provisions		**876,557**	369,622
Derivative financial instruments	11	**102,561**	42,438
Dividends payable		**35,364**	35,364
Current portion of decommissioning liability		**15,100**	15,520
Current portion of lease liabilities		**33,934**	36,082
Total current liabilities		**1,063,516**	499,026
Derivative financial instruments	11	**3,302**	—
Credit facilities		**70,000**	280,000
Long-term debt	5	**3,288,697**	2,940,701
Decommissioning liability		**268,626**	282,658
Long-term lease liabilities		**154,464**	175,842
Other long-term liabilities	6	**17,144**	10,684
Deferred tax liabilities		**670,765**	612,467
Total liabilities		**5,536,514**	4,801,378
Equity			
Share capital	7	**3,150,104**	3,150,104
Accumulated deficit		**(463,530)**	(379,477)
Accumulated other comprehensive loss		**(8,417)**	(9,419)
Total equity		**2,678,157**	2,761,208
Total liabilities and equity		**8,214,671**	7,562,586

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

These unaudited condensed interim consolidated financial statements were approved by the board of directors of Keyera Corp. on November 2, 2021.

Keyera Corp.

Condensed Interim Consolidated Statements of Net Earnings and Comprehensive Income

(Thousands of Canadian dollars, except share information)
(Unaudited)

	Note	Three months ended September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Revenues	15	**1,196,318**	712,838	**3,247,474**	2,303,058
Expenses	15	**(965,026)**	(510,291)	**(2,546,249)**	(1,528,033)
Operating margin		**231,292**	202,547	**701,225**	775,025
General and administrative expenses		**(18,280)**	(18,258)	**(58,177)**	(74,932)
Finance costs	13	**(43,442)**	(31,711)	**(125,559)**	(93,588)
Depreciation, depletion and amortization expenses		**(68,667)**	(63,469)	**(201,121)**	(200,618)
Net foreign currency (loss) gain on U.S. debt and other	12	**(823)**	3,304	**2,152**	5,399
Long-term incentive plan (expense) recovery	9	**(2,442)**	(2,984)	**(27,757)**	7,283
Impairment expense	4	**(8,187)**	(53,850)	**(17,681)**	(247,851)
Gain on disposal of property, plant and equipment	4	**—**	—	**20,797**	—
Other	16	**1,259**	3,436	**10,040**	3,436
Earnings before income tax		**90,710**	39,015	**303,919**	174,154
Income tax expense	10	**(20,910)**	(5,579)	**(69,699)**	(37,347)
Net earnings		**69,800**	33,436	**234,220**	136,807
Other comprehensive income (loss)					
Foreign currency translation adjustment		**13,951**	(10,240)	**1,002**	10,667
Comprehensive income		**83,751**	23,196	**235,222**	147,474
Earnings per share					
Basic earnings per share	8	**0.32**	0.15	**1.06**	0.62
Diluted earnings per share	8	**0.32**	0.15	**1.06**	0.62

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 September 30, 2021	Three months ended September 30, 2020	Nine months ended September 30, 2021	Nine months ended September 30, 2020
Cash provided by (used in):					
OPERATING ACTIVITIES					
Net earnings		**69,800**	33,436	**234,220**	136,807
Adjustments for items not affecting cash:					
Finance costs	13	**5,558**	5,989	**17,040**	17,919
Depreciation, depletion and amortization expenses		**68,667**	63,469	**201,121**	200,618
Unrealized (gain) loss on derivative financial instruments	11	**(11,930)**	54,209	**35,723**	570
Unrealized loss (gain) on foreign exchange		**12,010**	(45,032)	**(790)**	(13,095)
Inventory write-down	3	**—**	—	**—**	13,507
Deferred income tax expense	10	**21,916**	30,201	**54,638**	61,767
Impairment expense	4	**8,187**	53,850	**17,681**	247,851
Gain on disposal of property, plant and equipment	4	**—**	—	**(20,797)**	—
Decommissioning liability expenditures		**(5,446)**	(5,212)	**(7,663)**	(11,320)
Changes in non-cash working capital	14	**(62,386)**	(95,514)	**(44,297)**	(82,897)
Net cash provided by operating activities		**106,376**	95,396	**486,876**	571,727
INVESTING ACTIVITIES					
Acquisitions	4	**—**	—	**(11,165)**	(1,630)
Capital expenditures		**(144,350)**	(153,159)	**(298,349)**	(505,276)
Proceeds on disposal of property, plant and equipment	4	**—**	—	**16,177**	—
Prepaid lease asset		**—**	—	**3,194**	—
Changes in non-cash working capital	14	**38,438**	(14,114)	**53,641**	(65,287)
Net cash used in investing activities		**(105,912)**	(167,273)	**(236,502)**	(572,193)
FINANCING ACTIVITIES					
Borrowings under credit facility		**120,000**	110,000	**180,000**	310,000
Repayments under credit facility		**(50,000)**	—	**(390,000)**	(290,000)
Proceeds from issuance of long-term debt	5	**—**	—	**350,000**	400,000
Repayments of long-term debt	5	**—**	(137,893)	**—**	(137,893)
Financing costs related to credit facility/long-term debt	5	**(102)**	(382)	**(3,262)**	(2,772)
Issuance costs		**—**	—	**—**	(250)
Proceeds from issuance of shares related to DRIP	7	**—**	—	**—**	77,154
Lease payments		**(10,819)**	(12,245)	**(33,455)**	(37,343)
Dividends paid to shareholders		**(106,091)**	(106,091)	**(318,273)**	(316,897)
Net cash (used in) provided by financing activities		**(47,012)**	(146,611)	**(214,990)**	1,999
Effect of exchange rate fluctuations on foreign cash held		**1,068**	(509)	**460**	757
Net (decrease) increase in cash		**(45,480)**	(218,997)	**35,844**	2,290
Cash at the beginning of the period		**84,225**	230,601	**2,901**	9,314
Cash at the end of the period		**38,745**	11,604	**38,745**	11,604
Income taxes (received) paid in cash		**(42,594)**	(1,596)	**(42,342)**	62,905
Interest paid in cash		**21,031**	14,640	**98,124**	89,898

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 Income (Loss)	Total
Balance at December 31, 2019	**3,073,200**	**(18,022)**	**(1,327)**	**3,053,851**
Common shares issued pursuant to dividend reinvestment plans	77,154	—	—	77,154
Issuance costs	(250)	—	—	(250)
Net earnings	—	136,807	—	136,807
Dividends declared to shareholders	—	(317,394)	—	(317,394)
Other comprehensive income	—	—	10,667	10,667
Balance at September 30, 2020	**3,150,104**	**(198,609)**	**9,340**	**2,960,835**

	Share Capital (Note 7)	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2020	**3,150,104**	**(379,477)**	**(9,419)**	**2,761,208**
Net earnings	—	234,220	—	234,220
Dividends declared to shareholders	—	(318,273)	—	(318,273)
Other comprehensive income	—	—	1,002	1,002
Balance at September 30, 2021	**3,150,104**	**(463,530)**	**(8,417)**	**2,678,157**

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 and nine months ended September 30, 2021 and 2020
(All amounts expressed in thousands of Canadian dollars, except as otherwise noted)
(Unaudited)

1. GENERAL BUSINESS DESCRIPTION

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

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

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

Keyera is approved to issue two classes of preferred shares (one class referred to as the "First Preferred Shares", a second class referred to as the "Second Preferred Shares"), and collectively both classes being referred to as the "Preferred Shares". Each are issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the board of directors may at any time and from time to time determine, subject to an aggregate maximum number of authorized Preferred Shares. No preferred shares had been issued as at September 30, 2021.

2. BASIS OF PREPARATION

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

These condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2021 and 2020 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with Keyera Corp.'s consolidated financial statements as at and for the year ended December 31, 2020.

The condensed interim consolidated financial statements were authorized for issuance on November 2, 2021 by the board of directors.

Adoption of new standards
For the three and nine months ended September 30, 2021, Keyera did not adopt any new IFRS standards.

Future accounting pronouncements update

There were no significant new accounting standards or interpretations issued during the three and nine months ended September 30, 2021.

3. INVENTORY

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

As at *(Thousands of Canadian dollars)*	**September 30, 2021**	December 31, 2020
NGLs and iso-octane	**327,293**	153,915
Other	**7,564**	8,908
Total inventory	**334,857**	162,823

For the period ended September 30, 2021, $334,857 of inventory was carried at cost (December 31, 2020 – $162,823). For the three and nine months ended September 30, 2021, no write-downs of inventory were required to adjust the carrying amount of inventory to net realizable value (three and nine months ended September 30, 2020 – $nil and $13,507). The cost of inventory expensed for the three and nine months ended September 30, 2021 was $803,347 and $2,080,373 (three and nine months ended September 30, 2020 – $376,351 and $1,123,626).

4. PROPERTY, PLANT AND EQUIPMENT

Acquisition and disposal of property, plant and equipment

During the second quarter of 2021, Keyera disposed of its 50 percent ownership interest in the Bonnie Glen Pipeline for cash proceeds of $16,177, resulting in a gain on disposal of $19,158. At the same time, Keyera also completed the acquisition of the remaining 50 percent ownership interest in the Alberta Crude Terminal (“ACT”) for cash consideration of $11,165. This transaction was accounted for as an asset acquisition and included the assumption of a nominal associated decommissioning liability. In connection with the acquisition, Keyera recorded an impairment expense of $9,494 related to its original working interest in the ACT facility to reduce the carrying value to its recoverable amount.

During the first quarter of 2021, a gain of $1,639 was recorded on the disposition of Keyera’s ownership interest in the Cynthia production wells.

Impairment expense

For the three months ended September 30, 2021, Keyera identified through its impairment review that the Hull terminal had a carrying value that was greater than its recoverable amount.

The following impairment expenses with a combined value of $17,681 were recognized during the nine months ended September 30, 2021. Recoverable amounts were determined using fair value less costs of disposal. These assets and the related impairment expenses are included in the Liquids Infrastructure operating segment.

(Thousands of Canadian dollars, except rate information)	Period impairment was recorded	Impairment expense recognized
Liquids Infrastructure – Canada Cash-Generating Unit		
Alberta Crude Terminal	Q2 2021	9,494
United States Cash-Generating Unit		
Hull terminal	Q3 2021	8,187
Total impairment expense		**17,681**

The following impairment expenses with a combined value of $247,851 were recognized during the nine months ended September 30, 2020:

(Thousands of Canadian dollars, except rate information)	Period impairment was recorded	Applicable discount rate	Impairment expense recognized
Central Foothills Cash-Generating Unit			
Ricinus gas plant	Q1 2020	13.0%	73,222
West Pembina gas plant	Q1 2020	13.0%	52,634
Nordegg River gas plant	Q1 2020	13.0%	42,167
Drayton Valley North Cash-Generating Unit			
Brazeau North and Pembina North gathering and processing complex	Q1 2020	13.0%	25,978
United States Cash-Generating Unit			
Hull terminal	Q3 2020	12.7%	53,850
Total impairment expense			**247,851**

5. LONG-TERM DEBT

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

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

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

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

On May 29, 2020, Keyera closed a public note offering of 10-year unsecured medium-term notes to investors in Canada. The $400,000 senior unsecured notes bear interest at 3.959% per annum, paid semi-annually, and mature on May 29, 2030.

6. OTHER LONG-TERM LIABILITIES

As at *(Thousands of Canadian dollars)*	**September 30, 2021**	December 31, 2020
Long-term incentive plan	**15,343**	6,951
Other	**1,801**	3,733
Total other long-term liabilities	**17,144**	10,684

7. SHARE CAPITAL

	Number of Common Shares	*(Thousands of Canadian dollars)* Share Capital
Balance at December 31, 2020	221,022,873	3,150,104
Balance at September 30, 2021	**221,022,873**	**3,150,104**

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

8. EARNINGS PER SHARE

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

	Three months ended September 30,		**Nine months ended September 30,**	
(Thousands of Canadian dollars, except per share amounts)	**2021**	2020	**2021**	2020
Basic and diluted earnings per share	**0.32**	0.15	**1.06**	0.62
Net earnings – basic and diluted	**69,800**	33,436	**234,220**	136,807

	Three months ended September 30,		**Nine months ended September 30,**	
(Thousands)	**2021**	2020	**2021**	2020
Weighted average number of shares – basic and diluted	**221,023**	221,023	**221,023**	220,247

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 September 30, 2021 share price of Keyera, which was $31.87 per share (December 31, 2020 – $22.62 per share).

The compensation cost recorded for the LTIP was as follows:

	Three months ended September 30,		Nine months ended September 30,	
(Thousands of Canadian dollars)	**2021**	2020	**2021**	2020
Performance Awards	**2,011**	1,624	**24,233**	(7,543)
Restricted Awards	**431**	1,360	**3,524**	260
Total long-term incentive plan expense (recovery)	**2,442**	2,984	**27,757**	(7,283)

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 and nine months ended September 30, 2021, Keyera made pension contributions of $2,439 and $7,176 (three and nine months ended September 30, 2020 – $2,493 and $7,779) 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 and nine months ended September 30, 2021, Keyera recorded an expense of $65 and $2,535 (three and nine months ended September 30, 2020 – expense of $249 and recovery of $179) in general and administrative expenses related to the DSU plan.

The following table reconciles the number of DSUs outstanding:

	September 30, 2021	December 31, 2020
Balance at beginning of period	**155,602**	97,573
Granted	**37,491**	58,029
Balance at end of period	**193,093**	155,602

10. INCOME TAXES

The components of the income tax expense (recovery) were as follows:

	Three months ended September 30,		Nine months ended September 30,	
(Thousands of Canadian dollars)	**2021**	2020	**2021**	2020
Current	**(1,006)**	(24,622)	**15,061**	(24,420)
Deferred	**21,916**	30,201	**54,638**	61,767
Total income tax expense	**20,910**	5,579	**69,699**	37,347

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 senior fixed rate debt

The fair value of long-term debt is based on third-party estimates for similar issues or current rates offered to Keyera for debt of the same maturity. The total fair value of Keyera's unsecured senior notes, medium-term notes, and subordinated hybrid notes at September 30, 2021 was $3,524,000 (December 31, 2020 – $3,151,100) and this was determined by reference to inputs other than quoted market prices in active markets for identical liabilities under Level 2 of the fair value hierarchy.

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 September 30, 2021	**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, 2022)	3,414,711 Bbls	81.70/Bbl	Level 2	(42,568)	88	(42,656)
Buyer of fixed price WTI[2] swaps (maturing by March 31, 2022)	212,600 Bbls	57.91/Bbl	Level 2	7,805	7,805	—
Seller of fixed price NGL swaps (maturing by December 31, 2022)	3,490,500 Bbls	66.06/Bbl	Level 2	(49,286)	16	(49,302)
Buyer of fixed price NGL swaps (maturing by December 31, 2022)	1,135,000 Bbls	43.30/Bbl	Level 2	31,948	31,948	—
Seller of fixed price RBOB[3] basis spreads (iso-octane) (maturing by March 31, 2023)	2,970,000 Bbls	20.59/Bbl	Level 2	(7,960)	1,697	(9,657)
Physical contracts:						
Seller of fixed price NGL forward contracts (maturing by December 31, 2021)	45,000 Bbls	72.30/Bbl	Level 2	(369)	—	(369)
Currency:						
Seller of forward contracts (maturing by June 30, 2022)	US$212,500,000	1.27/USD	Level 2	(1,303)	883	(2,186)
Buyer of forward contracts (maturing by October 31, 2021)	US$2,500,000	1.25/USD	Level 2	52	52	—
Other foreign exchange contracts[4]			Level 2	1,854	1,854	—
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2022)	49,320 MWhs	70.67/MWh	Level 2	887	919	(32)
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2022)	65,880 MWhs	64.71/MWh	Level 2	1,672	1,703	(31)
Natural gas:						
Seller of fixed price swaps (maturing by December 31, 2021)	37,800 Bbls	34.20/Bbl	Level 2	(1,630)	—	(1,630)
Buyer of fixed price swaps (maturing by December 31, 2021)	150,000 Gjs	2.56/Gj	Level 2	309	309	—
Corporate and Other						
Long-term Debt:						
Buyer of cross-currency swaps (maturing June 19, 2024 – November 20, 2028)	US$403,145,850	0.98/USD - 1.22/USD	Level 2	94,685	94,685	—
				36,096	**141,959**	**(105,863)**

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.

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

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

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

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

(Thousands of Canadian dollars)	Three months ended September 30, **2021**	2020	Nine months ended September 30, **2021**	2020
Risk management contracts:				
Marketing	**(2,594)**	(11,901)	**(37,006)**	5,811
Liquids infrastructure	**545**	356	**266**	(244)
Gathering and processing	**300**	—	**(38)**	—
Corporate and other	**—**	123	**—**	(192)
Change in fair value of the cross-currency swaps on U.S. debt[1]	**13,679**	(42,787)	**1,055**	(5,945)
Total unrealized gain (loss)	**11,930**	(54,209)	**(35,723)**	(570)

Note:
1 Includes principal and interest portion.

Risk Management

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

Commodity price risk

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

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

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

Foreign currency risk

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

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

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

Interest rate risk

The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. As at September 30, 2021, fixed rate borrowings comprised 98% of total debt outstanding (December 31, 2020 – 91%). The fair value of future cash flows for fixed rate debt fluctuates with changes in market interest rates. It is Keyera's intention to not repay fixed rate debt until maturity and therefore future cash flows would not fluctuate.

Credit risk

The majority of trade and other receivables are due from entities in the oil and gas industry and are subject to normal industry credit risks. Concentration of credit risk is mitigated by having a broad domestic and international customer base. Keyera evaluates and monitors the financial strength of its customers in accordance with its credit policy. Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at September 30, 2021.

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

The allowance for credit losses is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on expected credit losses, which includes the number of days outstanding and the likelihood of collection from the counterparty. As at September 30, 2021, the total allowance was $4,241 (December 31, 2020 – $4,241). The carrying amount of financial assets on the consolidated statements of financial position approximates Keyera's maximum exposure to credit risk.

Liquidity risk

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

Risk Management Sensitivities

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

(Thousands of Canadian dollars)	**Impact on income before tax September 30, 2021 Increase**	**(Decrease)**	Impact on income before tax September 30, 2020 Increase	(Decrease)
Commodity price changes				
+ 10% in electricity price	**1,031**	**—**	691	—
- 10% in electricity price	**—**	**(1,031)**	—	(691)
+ 10% in NGL, crude oil and iso-octane prices	**—**	**(57,519)**	—	(22,617)
- 10% in NGL, crude oil and iso-octane prices	**57,519**	**—**	22,617	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**—**	**(1,966)**	—	(5,889)
- $0.01 in U.S./Canadian dollar exchange rate	**1,966**	**—**	5,889	—
Interest rate changes				
+ 1% in interest rate	**—**	**(700)**	—	(1,100)
- 1% in interest rate	**700**	**—**	1,100	—

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

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

(Thousands of Canadian dollars)	**Three months ended September 30, 2021**	2020	**Nine months ended September 30, 2021**	2020
Foreign currency gain (loss) resulting from:				
Translation of long-term debt and interest payable	**(11,574)**	14,120	**360**	(14,538)
Change in fair value of the cross-currency swaps – principal and interest	**13,679**	(42,787)	**1,055**	(5,945)
Gain from cross-currency swaps – principal and interest[1]	**—**	28,765	**385**	30,754
Foreign exchange re-measurement of lease liabilities and other	**(2,928)**	3,206	**352**	(4,872)
Total net foreign currency (loss) gain on U.S. debt and other	**(823)**	3,304	**2,152**	5,399

Note:

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

13. FINANCE COSTS

The components of finance costs were as follows:

(Thousands of Canadian dollars)	Three months ended September 30, **2021**	2020	Nine months ended September 30, **2021**	2020
Interest on bank indebtedness and credit facilities	**1,241**	1,223	**4,535**	4,582
Interest on long-term debt	**40,372**	36,741	**117,052**	105,020
Interest capitalized	**(3,754)**	(12,150)	**(13,020)**	(33,770)
Interest on leases	**1,923**	2,467	**6,086**	7,618
Other interest expense (income)	**25**	(92)	**(48)**	(163)
Total interest expense on leases, and current and long-term debt	**39,807**	28,189	**114,605**	83,287
Unwinding of discount on decommissioning liabilities	**3,067**	2,861	**9,195**	8,339
Unwinding of discount on long-term debt	**485**	536	**1,441**	1,500
Other	**83**	125	**318**	462
Non-cash expenses in finance costs	**3,635**	3,522	**10,954**	10,301
Total finance costs	**43,442**	31,711	**125,559**	93,588

For the three and nine months ended September 30, 2021, $3,754 and $13,020 of borrowing (interest) costs were capitalized (three and nine months ended September 30, 2020 – $12,150 and $33,770) at a weighted average capitalization rate of 5.0% on funds borrowed (three and nine months ended September 30, 2020 – 5.0%).

14. SUPPLEMENTAL CASH FLOW INFORMATION

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

(Thousands of Canadian dollars)	Three months ended September 30, **2021**	2020	Nine months ended September 30, **2021**	2020
Inventory	**(125,202)**	(43,021)	**(171,332)**	(62,272)
Trade and other receivables	**(239,764)**	(27,597)	**(316,444)**	134,889
Other assets	**9,383**	7,582	**(13,786)**	(8,911)
Trade and other payables, and provisions	**293,197**	(32,478)	**457,265**	(146,603)
Changes in non-cash working capital from operating activities	**(62,386)**	(95,514)	**(44,297)**	(82,897)

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

(Thousands of Canadian dollars)	Three months ended September 30, **2021**	2020	Nine months ended September 30, **2021**	2020
Trade and other payables, and provisions	**38,438**	(14,114)	**53,641**	(65,287)
Changes in non-cash working capital from investing activities	**38,438**	(14,114)	**53,641**	(65,287)

15. SEGMENT INFORMATION

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

Gathering and Processing

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

Liquids Infrastructure

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

Marketing

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

Corporate and Other

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

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

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

Three months ended September 30, 2021 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	146,010	145,518	1,000,686	(27)	(95,869)	1,196,318
Segmented expenses	(69,474)	(46,633)	(944,391)	(397)	95,869	(965,026)
Operating margin (loss)	76,536	98,885	56,295	(424)	—	231,292
General and administrative expenses	—	—	—	(18,280)	—	(18,280)
Finance costs	—	—	—	(43,442)	—	(43,442)
Depreciation, depletion and amortization expenses	—	—	—	(68,667)	—	(68,667)
Net foreign currency loss on U.S. debt and other	—	—	—	(823)	—	(823)
Long-term incentive plan expense	—	—	—	(2,442)	—	(2,442)
Impairment expense	—	(8,187)	—	—	—	(8,187)
Other	—	—	—	1,259	—	1,259
Earnings (loss) before income tax	76,536	90,698	56,295	(132,819)	—	90,710
Income tax expense	—	—	—	(20,910)	—	(20,910)
Net earnings (loss)	**76,536**	**90,698**	**56,295**	**(153,729)**	**—**	**69,800**

Three months ended September 30, 2020 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	108,486	138,630	546,067	2,700	(83,045)	712,838
Segmented expenses	(59,082)	(39,051)	(493,712)	(1,491)	83,045	(510,291)
Operating margin	49,404	99,579	52,355	1,209	—	202,547
General and administrative expenses	—	—	—	(18,258)	—	(18,258)
Finance costs	—	—	—	(31,711)	—	(31,711)
Depreciation, depletion and amortization expenses	—	—	—	(63,469)	—	(63,469)
Net foreign currency gain on U.S. debt and other	—	—	—	3,304	—	3,304
Long-term incentive plan expense	—	—	—	(2,984)	—	(2,984)
Impairment expense	—	(53,850)	—	—	—	(53,850)
Other	—	—	—	3,436	—	3,436
Earnings (loss) before income tax	49,404	45,729	52,355	(108,473)	—	39,015
Income tax expense	—	—	—	(5,579)	—	(5,579)
Net earnings (loss)	**49,404**	**45,729**	**52,355**	**(114,052)**	**—**	**33,436**

Nine months ended September 30, 2021 *(Thousands of Canadian dollars)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Inter-segment Eliminations**	**Total**
Segmented revenue	436,564	431,449	2,655,788	(390)	(275,937)	3,247,474
Segmented expenses	(195,208)	(132,167)	(2,493,836)	(975)	275,937	(2,546,249)
Operating margin (loss)	241,356	299,282	161,952	(1,365)	—	701,225
General and administrative expenses	—	—	—	(58,177)	—	(58,177)
Finance costs	—	—	—	(125,559)	—	(125,559)
Depreciation, depletion and amortization expenses	—	—	—	(201,121)	—	(201,121)
Net foreign currency gain on U.S. debt and other	—	—	—	2,152	—	2,152
Long-term incentive plan expense	—	—	—	(27,757)	—	(27,757)
Impairment expense	—	(17,681)	—	—	—	(17,681)
Gain on disposal of property, plant and equipment	—	19,158	—	1,639	—	20,797
Other	—	—	—	10,040	—	10,040
Earnings (loss) before income tax	241,356	300,759	161,952	(400,148)	—	303,919
Income tax expense	—	—	—	(69,699)	—	(69,699)
Net earnings (loss)	**241,356**	**300,759**	**161,952**	**(469,847)**	**—**	**234,220**

Nine months ended September 30, 2020 *(Thousands of Canadian dollars)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Inter-segment Eliminations**	**Total**
Segmented revenue	362,116	419,301	1,763,098	7,811	(249,268)	2,303,058
Segmented expenses	(178,830)	(118,007)	(1,473,823)	(6,641)	249,268	(1,528,033)
Operating margin	183,286	301,294	289,275	1,170	—	775,025
General and administrative expenses	—	—	—	(74,932)	—	(74,932)
Finance costs	—	—	—	(93,588)	—	(93,588)
Depreciation, depletion and amortization expenses	—	—	—	(200,618)	—	(200,618)
Net foreign currency gain on U.S. debt and other	—	—	—	5,399	—	5,399
Long-term incentive plan recovery	—	—	—	7,283	—	7,283
Impairment expense	(194,001)	(53,850)	—	—	—	(247,851)
Other	—	—	—	3,436	—	3,436
Earnings (loss) before income tax	(10,715)	247,444	289,275	(351,850)	—	174,154
Income tax expense	—	—	—	(37,347)	—	(37,347)
Net earnings (loss)	**(10,715)**	**247,444**	**289,275**	**(389,197)**	**—**	**136,807**

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 September 30, 2021 *(Thousands of Canadian dollars)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Total**
Gas handling and processing services[1]	124,089	29,402	—	—	153,491
Fractionation and storage services	3,443	61,611	—	—	65,054
Transportation and terminalling services	—	54,505	—	—	54,505
Marketing of NGLs and iso-octane	—	—	1,000,686	—	1,000,686
Other[2]	18,478	—	—	(27)	18,451
Revenue before inter-segment eliminations	**146,010**	**145,518**	**1,000,686**	**(27)**	**1,292,187**
Inter-segment revenue eliminations	(7,318)	(82,686)	(5,839)	(26)	(95,869)
Revenue from external customers	**138,692**	**62,832**	**994,847**	**(53)**	**1,196,318**

Three months ended September 30, 2020 *(Thousands of Canadian dollars)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Total**
Gas handling and processing services[1]	92,811	24,711	—	—	117,522
Fractionation and storage services	2,651	59,980	—	—	62,631
Transportation and terminalling services	—	53,633	—	—	53,633
Marketing of NGLs and iso-octane	—	—	546,067	—	546,067
Other[2]	13,024	306	—	2,700	16,030
Revenue before inter-segment eliminations	**108,486**	**138,630**	**546,067**	**2,700**	**795,883**
Inter-segment revenue eliminations	(3,888)	(72,947)	(3,557)	(2,653)	(83,045)
Revenue from external customers	**104,598**	**65,683**	**542,510**	**47**	**712,838**

Notes:

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

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

Nine months ended September 30, 2021 *(Thousands of Canadian dollars)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Total**
Gas handling and processing services[1]	368,498	86,044	—	—	454,542
Fractionation and storage services	8,987	179,369	—	—	188,356
Transportation and terminalling services	—	166,036	—	—	166,036
Marketing of NGLs and iso-octane	—	—	2,655,788	—	2,655,788
Other[2]	59,079	—	—	(390)	58,689
Revenue before inter-segment eliminations	**436,564**	**431,449**	**2,655,788**	**(390)**	**3,523,411**
Inter-segment revenue eliminations	(17,504)	(242,494)	(15,888)	(51)	(275,937)
Revenue from external customers	**419,060**	**188,955**	**2,639,900**	**(441)**	**3,247,474**

Nine months ended September 30, 2020 *(Thousands of Canadian dollars)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Total**
Gas handling and processing services[1]	309,366	74,305	—	—	383,671
Fractionation and storage services	8,915	178,364	—	—	187,279
Transportation and terminalling services	—	165,670	—	—	165,670
Marketing of NGLs and iso-octane	—	—	1,763,098	—	1,763,098
Other[2]	43,835	962	—	7,811	52,608
Revenue before inter-segment eliminations	**362,116**	**419,301**	**1,763,098**	**7,811**	**2,552,326**
Inter-segment revenue eliminations	(13,953)	(215,533)	(11,617)	(8,165)	(249,268)
Revenue from external customers	**348,163**	**203,768**	**1,751,481**	**(354)**	**2,303,058**

Notes:

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

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

Geographical information

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

Revenue from external customers located in *(Thousands of Canadian dollars)*	**Three months ended September 30, 2021**	2020	**Nine months ended September 30, 2021**	2020
Canada	**909,115**	560,540	**2,575,064**	1,878,767
U.S.	**287,203**	152,298	**672,410**	424,291
Total revenue	**1,196,318**	712,838	**3,247,474**	2,303,058

Non-current assets[1] as at *(Thousands of Canadian dollars)*	**September 30, 2021**	December 31, 2020
Canada	**6,385,141**	6,307,491
U.S.	**488,797**	485,053
Total non-current assets	**6,873,938**	6,792,544

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

16. OTHER

For the three and nine months ended September 30, 2021, $1,259 and $10,040 (three and nine months ended September 30, 2020 – $3,436) of income was recorded from the Canada Emergency Wage Subsidy ("CEWS") program, which was passed by the Government of Canada in April 2020 as part of its COVID-19 Economic Response Plan. Substantially all of the income received on a year-to-date basis relates to the 2020 year. Keyera will not be submitting any further claims under the CEWS program.

17. COMMITMENTS

Purchase Obligations

Keyera has assumed various contractual obligations in the normal course of its operations. Since December 31, 2020, Keyera has increased its total expected commitments to $419,804 (December 31, 2020 – $236,346). These additional purchase obligations are primarily related to the construction of the KAPS pipeline and the majority of the obligations are expected to be paid during the remainder of 2021 and 2022.

18. SUBSEQUENT EVENTS

On October 12, 2021, Keyera declared a dividend of $0.16 per share, payable on November 15, 2021 to shareholders of record as of October 22, 2021.

On November 2, 2021, Keyera declared a dividend of $0.16 per share, payable on December 15, 2021 to shareholders of record as of November 22, 2021.

Corporate Information

Board of Directors

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

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

Michael Crothers [(5)]
Corporate Director
Calgary, Alberta

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

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

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

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

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

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

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

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

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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

Dion O. Kostiuk
Senior Vice President, Safety, People & Technology

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol KEY

Trading Summary for Q3 2021

TSX:KEY – Cdn $	
High	$33.60
Low	$29.48
Close September 30, 2021	$31.87
Volume	72,742,860
Average Daily Volume	1,154,649

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Chartered Professional Accountants
Calgary, Canada

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