2023
Year-End Report

2023 Year-End Report

For the period ended December 31, 2023

"Keyera continues to execute on its strategy, achieving record annual adjusted EBITDA and distributable cash flow per share, driven by best-ever contributions from all three business segments" said Dean Setoguchi, President and CEO. "KAPS continues to deliver growth for Keyera while providing a much-needed alternative transportation solution for customers. In 2023, customers committed to significant additional long-term volumes on KAPS and across our integrated system, demonstrating its value. With strategically located assets and a strong production growth outlook for the basin, we are well positioned to continue to maximize value for our customers and shareholders."

Fourth Quarter and Year-End Highlights

- **Financial Results**
  - Adjusted earnings before interest, taxes, depreciation, and amortization[1] ("adjusted EBITDA") were a record $339 million for the quarter (Q4 2022 – $212 million) and a record $1.21 billion for the full year (2022 – $1.03 billion). Distributable cash flow[1] ("DCF") was $234 million or $1.02 per share for the quarter (Q4 2022 – $104 million or $0.47 per share) and a record $855 million or $3.73 per share for the full year (2022 – $654 million or $2.95 per share). The year-over-year increases were driven by record contributions from all three business segments.
  - Net earnings were $49 million for the fourth quarter (Q4 2022 – net loss of $82 million) and $424 million for the full year (2022 – $328 million). These results include a non-cash impairment charge of $210 million in the fourth quarter related to the Wildhorse terminal.
- **KAPS Driving Integrated Commercial Success** – In 2023, the company added significant long-term integrated agreements with several producers to provide transportation on KAPS, fractionation, storage and product marketing. This includes approximately 30,000 barrels per day of incremental volumes on KAPS and 33,000 barrels per day of extended and incremental fractionation contracts at Keyera Fort Saskatchewan ("KFS") (more detail provided below).
- **Pipestone Expansion Online and Fully Utilized** – The Pipestone expansion was completed in the fourth quarter, adding 40 million cubic feet per day ("MMcf/d") of capacity, for a total of 260 MMcf/d. The project was completed ahead of schedule for $58 million, below the expected cost range of $60 million to $70 million. The expansion is fully contracted under long-term take-or-pay agreements and the plant has been operating at full capacity since coming online.
- **Record Fee-For-Service Results** – The Gathering and Processing ("G&P") segment delivered record quarterly realized margin[1] of $116 million (Q4 2022 – $93 million), and an annual record of $395 million (2022 – $347 million). These results include one-time turnaround recovery fees of $8 million in the fourth quarter and $17 million for the full year. The Liquids Infrastructure segment achieved record quarterly realized margin[1] of $130 million (Q4 2022 – $102 million), and an annual record of $496 million (2022 – $406 million) supported by KAPS, strong utilization at KFS and record volumes through the company's industry leading condensate system.
- **Marketing Segment Delivers Record Year** – The Marketing segment delivered record annual realized margin[1] of $479 million (2022 – $397 million), above the previously announced 2023 guidance range of $420 million to $450 million. These results were driven by record sales volumes for the segment, including record sales at Alberta EnviroFuels ("AEF") and the continued strength of the iso-octane business.
- **Strong Financial Position** – The company ended the year with net debt to adjusted EBITDA[2] of 2.2 times, below the targeted range of 2.5 to 3.0 times. During the third quarter, the company received a credit upgrade from S&P and in early January issued $250 million of 30-year notes. The 2023 dividend payout ratio was 53% of DCF, at the low end of the targeted range of 50% to 70%. In 2024, the company is expected to generate strong free cash flow after funding dividends and growth capital investments.

- **Progressing ESG Priorities** – The company published its latest ESG performance summary in the fourth quarter. Highlights include lower scope 1 and 2 emissions and lower emissions intensity compared to the prior reporting period. The company is now more than halfway towards achieving its target of reducing emissions intensity by 25% by 2025. Furthermore, the company has secured power purchase agreements to provide 40% of its commercial power needs from carbon-free sources by 2025.

KAPS Driving Integrated Commercial Success

Keyera continues to leverage the strength of its integrated value chain to maximize value for customers and shareholders. During the fourth quarter and throughout the year the company added significant long-term agreements with several producers to provide integrated services.

Details include:

- Added approximately 30,000 barrels per day of new long-term KAPS commitments with a weighted average contract term of 12 years at 75% take-or-pay. Approximately half of these volumes begin contributing midway through 2024 and ramp up to 2029.
- Added approximately 33,000 barrels per day of fractionation commitments at KFS with a weighted average contract term of 13 years at 85% take-or-pay. Approximately half of these volumes are new commitments with the remainder being renewals of existing contracts.
- Added various contracts for storage at KFS and other ancillary services such as pipeline connectivity, terminaling services and product marketing.
- Minimal additional capital is required to accommodate these incremental volumes.
- Substantially all of these contracts are with highly credit worthy counterparties.

The fee-for-service contracts support Keyera reaching the upper end of its compound annual growth rate ("CAGR") target for adjusted EBITDA holding Marketing constant[1] of 6-7%, from 2022 out to 2025, and support continued growth beyond 2025. Incremental volumes through Keyera's Marketing segment support the company's previously announced increase to its base Marketing realized margin[1] guidance of $310 million to $350 million.

2023 Guidance Update

- Growth capital spending excluding capitalized interest was $191 million, below the latest guidance range of $200 million to $220 million. The decrease was primarily driven by lower spending on the Pipestone expansion project and various other capital projects.
- Maintenance capital spending was $120 million, above the latest guidance range of $95 million to $105 million. The increase was primarily driven by higher turnaround costs at Rimbey and Pipestone and higher maintenance costs at Wapiti. Substantially all turnaround costs at Pipestone were recovered in 2023.
- Cash taxes were $nil.

2024 Guidance Unchanged

- On track to reach the upper end of the company's CAGR target for adjusted EBITDA holding Marketing constant[1] of 6-7% from 2022 out to 2025.
- Growth capital expenditures are expected to range between $80 million and $100 million. This includes about $60 million of sanctioned capital for various optimization projects at Simonette, Wapiti, KAPS and AEF. The remaining $20 million to $40 million is contingent on the sanctioning of KAPS Zone 4 and fractionation capacity expansions at KFS.
- Maintenance capital expenditures are expected to range between $90 million and $110 million of which about $20 million is recoverable in 2024 with another $15 million recoverable within the next few years.

- Base Marketing realized margin[1] guidance was increased in the fourth quarter and is now expected to range between $310 million to $350 million (previously $250 million to $280 million). Consistent with prior years, Marketing segment realized margin[1] guidance will be provided with the first quarter results in early May, after the conclusion of the NGL contracting season.
- Cash taxes for 2024 are expected to range between $45 million and $55 million.

AEF Outage

AEF continues to operate well achieving record production in 2023 and strong year-to-date performance. Keyera will be taking the facility offline for approximately 6 weeks in the spring of 2024 to proactively complete maintenance activities. These maintenance activities are intended to facilitate AEF's continued reliable operations at full capacity until its next scheduled turnaround in 2026. The work is expected to impact 2024 realized margin for the Marketing segment by approximately $35 million to $45 million with no impact to maintenance capital. Due to strong near-term market fundamentals, the company still expects to be within its stated base Marketing realized margin guidance of $310 million to $350 million for 2024. Keyera will update 2024 Marketing segment realized margin guidance with Q1 results in May.

Updated Maintenance Schedule

2024 Planned Turnarounds and Outages		
Alberta EnviroFuels outage (new)	6 weeks	Q2 2024
Keyera Fort Saskatchewan Fractionation Unit 1 outage	5 days	Q2 2024
Keyera Fort Saskatchewan Fractionation Unit 2 outage	7 days	Q2 2024
Keyera Fort Saskatchewan Fractionation Unit 1 outage	7 days	Q3 2024
Strachan Gas Plant turnaround	2 weeks	Q3 2024
Wapiti Gas Plant turnaround (moved from Q2)	3 weeks	Q3 2024

Summary of Key Measures

(Thousands of Canadian dollars, except where noted)	Three months ended December 31, **2023**	2022	Twelve months ended December 31, **2023**	2022
Net earnings (loss)	**49,192**	(81,895)	**424,032**	328,294
Per share ($/share) – basic	**0.21**	(0.37)	**1.85**	1.48
Cash flow from operating activities	**230,739**	134,408	**975,486**	925,327
Funds from operations[1]	**290,643**	156,849	**1,027,493**	818,847
Distributable cash flow[1]	**233,563**	104,172	**854,622**	653,523
Per share ($/share)[1]	**1.02**	0.47	**3.73**	2.95
Dividends declared	**114,577**	107,392	**449,141**	425,665
Per share ($/share)	**0.50**	0.48	**1.96**	1.92
Payout ratio %[1]	**49%**	103%	**53%**	65%
Adjusted EBITDA[1]	**339,244**	212,490	**1,211,774**	1,032,473
Operating margin	**445,786**	227,809	**1,432,938**	1,175,781
Realized margin[1]	**374,701**	243,278	**1,369,401**	1,149,134
Gathering and Processing				
Operating margin	**114,851**	93,017	**392,430**	347,900
Realized margin[1]	**115,983**	92,837	**394,530**	346,772
Gross processing throughput[3] (MMcf/d)	**1,625**	1,638	**1,588**	1,572
Net processing throughput[3] (MMcf/d)	**1,393**	1,405	**1,358**	1,349
Liquids Infrastructure				
Operating margin	**128,133**	106,542	**486,467**	413,879
Realized margin[1]	**130,170**	101,753	**496,114**	405,912
Gross processing throughput[4] (Mbbl/d)	**206**	191	**185**	181
Net processing throughput[4] (Mbbl/d)	**116**	90	**101**	85
AEF iso-octane production volumes (Mbbl/d)	**15**	11	**15**	13
Marketing				
Operating margin	**202,851**	28,293	**554,251**	414,973
Realized margin[1]	**128,597**	48,731	**478,967**	397,421
Inventory value	**225,790**	300,883	**225,790**	300,883
Sales volumes (Bbl/d)	**253,900**	198,500	**200,700**	179,100
Acquisitions	**—**	—	**366,537**	—
Growth capital expenditures	**34,121**	166,303	**216,177**	786,206
Maintenance capital expenditures	**40,221**	41,207	**119,973**	109,723
Total capital expenditures	**74,342**	207,510	**702,687**	895,929
Weighted average number of shares outstanding – basic and diluted	**229,153**	222,083	**229,153**	221,290

As at December 31,	**2023**	2022
Long-term debt[5]	**3,426,994**	3,622,745
Credit facility	**470,000**	40,000
Working capital surplus *(current assets less current liabilities)*	**(272,793)**	(108,133)
Net debt	**3,624,201**	3,554,612
Common shares outstanding – end of period	**229,153**	229,153

CEO's Message to Shareholders

Our strategy is delivering exceptional results. Keyera delivered record results in 2023, as we continued to execute on our strategy of increasing competitiveness; enhancing and extending our integrated value chain; financial discipline and ESG leadership. Results included record financial results driven by record realized margin across all three of our business segments, lower emissions, and best-ever safety performance. Keyera ended the year in a strong financial position, with net debt to adjusted EBITDA at 2.2 times, below our target range of 2.5 to 3.0 times.

KAPS integration strengthens long-term competitive position. The completion of KAPS in 2023 marked the beginning of the next phase of growth for Keyera. We now offer Montney and Duvernay producers a much-needed, competitive alternative to get their products to market. Today we announced that we've added significant long-term integrated agreements with several producers to provide transportation on KAPS, fractionation, storage, other ancillary services, and product marketing. These commitments are a testament to the effectiveness of our strategy and competitiveness of our value chain. Going forward, we are better able to compete for volumes and maximize the return on those volumes at each step through our integrated system.

Record fee-for-service growth. We ended the year with record annual performance from our fee-for-service business segments. The filling of available capacity at the Wapiti and Pipestone gas plants, on our KAPS pipeline system and our increased working interest at KFS, all contributed to the growth of our fee-for-service business in 2023. With continued strong performance from these investments, we are on track to reach the upper end of our CAGR target for adjusted EBITDA holding Marketing constant of 6-7% from 2022 out to 2025. Continued growth of our fee-for-service business lays the foundation for sustainable future dividend growth.

Marketing advantage boosts corporate returns. The Marketing segment delivered a record $479 million of realized margin this year driven by record sales volumes and continued strength of the company's unique iso-octane business. Our ability to leverage our physical assets and logistics expertise to deliver products throughout North America provides Keyera with a distinct competitive advantage. In 2023, Marketing continued to produce strong cash flows that contributed to a strong corporate return on invested capital. Marketing cash flows are reinvested into long life infrastructure projects, in turn driving growth in higher quality fee-for-service cash flows.

Strong free cash flow with clear capital allocation priorities. 2024 is anticipated to be a year of strong free cash flow generation with continued growth from the business and lower capital spending relative to the past five years. Our capital allocation priorities have not changed. They are to first maintain the strength of our balance sheet and then to balance between increasing returns to shareholders and investing in additional capital efficient growth opportunities. Our strong balance sheet provides maximum optionality to bring forward growth investments when they are ready. Investments will be directed toward opportunities that grow our underlying business and continue to compound returns throughout our integrated value chain.

Basin growth supports capital efficient growth opportunities. Fractionation expansion opportunities at KFS and a KAPS zone 4 expansion represent capital efficient investment opportunities that support Keyera's growth outlook. Natural gas and crude oil production from the basin hit record highs in the fourth quarter and the Trans Mountain expansion and LNG Canada support the next phase of near-term basin growth. Demand for Canada's energy has never been stronger, and Keyera is positioned to participate in a meaningful way.

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

Dean Setoguchi
President and CEO
Keyera Corp.

Notes:

1 Keyera uses certain non-Generally Accepted Accounting Principles ("GAAP") and other financial measures such as EBITDA, adjusted EBITDA, funds from operations, distributable cash flow, distributable cash flow per share, payout ratio, realized margin and compound annual growth rate ("CAGR") for adjusted EBITDA holding Marketing constant. Since these measures are not standard measures under GAAP, they may not be comparable to similar measures reported by other entities. For additional information, and where applicable, for a reconciliation of the historical non-GAAP financial measures to the most directly comparable GAAP measure, refer to the section of this news release titled "Non-GAAP and Other Financial Measures". For the assumptions associated with the realized margin guidance for the Marketing segment, refer to the section titled "Segmented Results of Operations: Marketing" of Management's Discussion and Analysis for the year ended December 31, 2023.

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 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.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of February 14, 2024 and is a review of the results of operations and the liquidity and capital resources of Keyera Corp. and its subsidiaries (collectively "Keyera"). The MD&A should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the years ended December 31, 2023 and 2022 and the notes thereto. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR+ at www.sedarplus.ca or on Keyera's website at www.keyera.com.

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

Keyera's Business

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

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

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

2023 was an outstanding year for Keyera as the company expanded its integrated asset base, achieved commercial success with the execution of new long-term integrated service agreements and delivered record financial results. Significant achievements this year include the following:

- **Record annual financial results** including record adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA") of $1.21 billion (2022 – $1.03 billion), record distributable cash flow of $855 million or $3.73 per share (2022 – $654 million or $2.95 per share) and record contribution from all three operating segments that generated realized margin of $1.37 billion (2022 – $1.15 billion). Net earnings of $424 million included impairment charges of $214 million. Substantially all of this charge was related to the Wildhorse terminal.

- **Startup of KAPS and the Pipestone expansion project**. KAPS commenced operations during the second quarter and has integrated Keyera's Northern gas plants to its core infrastructure in Fort Saskatchewan. The Pipestone gas plant expansion was completed at the beginning of December, ahead of schedule and below its sanctioned cost estimate. The expansion accommodates continued volume growth in the North region by adding 40 MMcf/day of incremental processing capacity which was fully utilized at the end of the year.

- **Expansion of Keyera's core asset base** with the acquisition of an additional 21% working interest in Keyera's Fort Saskatchewan complex ("KFS") for total consideration of $367 million during the first quarter. This acquisition added more than 25% incremental capacity to fractionation, de-ethanization, underground storage and the Fort Saskatchewan Pipeline system.

- **Secured significant long-term agreements** with highly credit worthy counterparties to provide integrated services including transportation on KAPS, fractionation, storage and product marketing through Keyera's Marketing segment. These contracts include approximately 30,000 barrels per day of long-term volume commitments on KAPS and approximately 33,000 barrels per day of fractionation commitments at KFS. All of these agreements include high take-or-pay provisions.

- **Record annual contribution from all three operating segments** as follows:

    - $395 million in realized margin from the Gathering & Processing segment, a 14% increase over the prior year primarily due to higher volumes at the Wapiti and Pipestone gas plants as well as cost recoveries related to the Pipestone gas plant's maintenance turnaround.

    - $496 million in realized margin from the Liquids Infrastructure segment, a 22% increase over the prior year mainly due to incremental contribution from the KFS acquisition as well as cash flow from the new KAPS pipeline system.

    - $479 million in realized margin from the Marketing segment, a 21% increase over the prior year due to higher iso-octane contribution resulting from record sales and production volumes from AEF as well as strong product premiums and motor gasoline pricing.

- **Credit ratings upgrade and maintaining a strong financial position.** In the third quarter, S&P upgraded Keyera's corporate credit rating to a "BBB" from a "BBB-" with a stable trend. This upgrade is a testament to Keyera's strong financial performance and positive business outlook. The company ended the year with net debt to adjusted EBITDA of 2.2 times, which is below the targeted range of 2.5 to 3.0 times, calculated on a covenant basis.

2023 Guidance Update

2023 Guidance[1]	2023 Results	Commentary
Realized margin[1] for the Marketing segment of between $420 million and $450 million	$479 million	Guidance target exceeded due to strong iso-octane contribution resulting from high sales volumes, strong product premiums and motor gasoline pricing.
Growth capital spending between $200 million and $220 million (excluding capitalized interest)	$191 million	Lower growth capital expenditures were primarily due to lower spending on the Pipestone expansion project and various other capital projects.
Maintenance capital spending between $95 million to $105 million	$120 million	Higher maintenance capital expenditures were primarily due to higher costs associated with the maintenance turnarounds at the Pipestone and Rimbey gas plants. Substantially all of the turnaround costs related to the Pipestone gas plant were recovered within the year.
Cash tax expense of $nil	$nil	Guidance target achieved

2024 Guidance:

- Growth capital expenditures to range between **$80 million and $100 million** excluding capitalized interest.
- Maintenance capital expenditures are expected to range between **$90 million and $110 million** of which about $20 million is recoverable in 2024, with another $15 million recoverable within the next few years.
- Base Marketing realized margin guidance was increased in the fourth quarter and is now expected to range between **$310 million to $350 million** (previously $250 million to $280 million). Consistent with prior years, Marketing segment realized margin guidance will be provided with the first quarter results in early May, after the conclusion of the NGL contracting season.
- Cash taxes for 2024 are expected to range between **$45 million and $55 million**.
- Keyera will be taking AEF offline for approximately 6 weeks in the spring of 2024 to proactively complete maintenance activities. These maintenance activities are intended to facilitate AEF's continued reliable operations at full capacity until its next scheduled turnaround in 2026. The work is expected to cost less than $10 million. The realized margin impact for the Marketing segment is expected to be approximately $35 million to $45 million. Due to strong near-term market

1 As disclosed in the Q3 2023 Report.

fundamentals, the company still expects to be within its stated base Marketing realized margin guidance of $310 million to $350 million for 2024. Keyera will update the Marketing segment's 2024 realized margin guidance in the First Quarter Report that will be released in May.

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

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the years ended December 31, 2023 and 2022:

(Thousands of Canadian dollars, except per share and ratio data)	**2023**	2022
Net earnings	**424,032**	328,294
Net earnings per share (basic)	**1.85**	1.48
Operating margin	**1,432,938**	1,175,781
Realized margin[1]	**1,369,401**	1,149,134
Adjusted EBITDA[2]	**1,211,774**	1,032,473
Cash flow from operating activities	**975,486**	925,327
Funds from operations[3]	**1,027,493**	818,847
Distributable cash flow[3]	**854,622**	653,523
Distributable cash flow per share[3] (basic)	**3.73**	2.95
Dividends declared	**449,141**	425,665
Dividends declared per share	**1.96**	1.92
Payout ratio[4]	**53%**	65%

Notes:

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

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

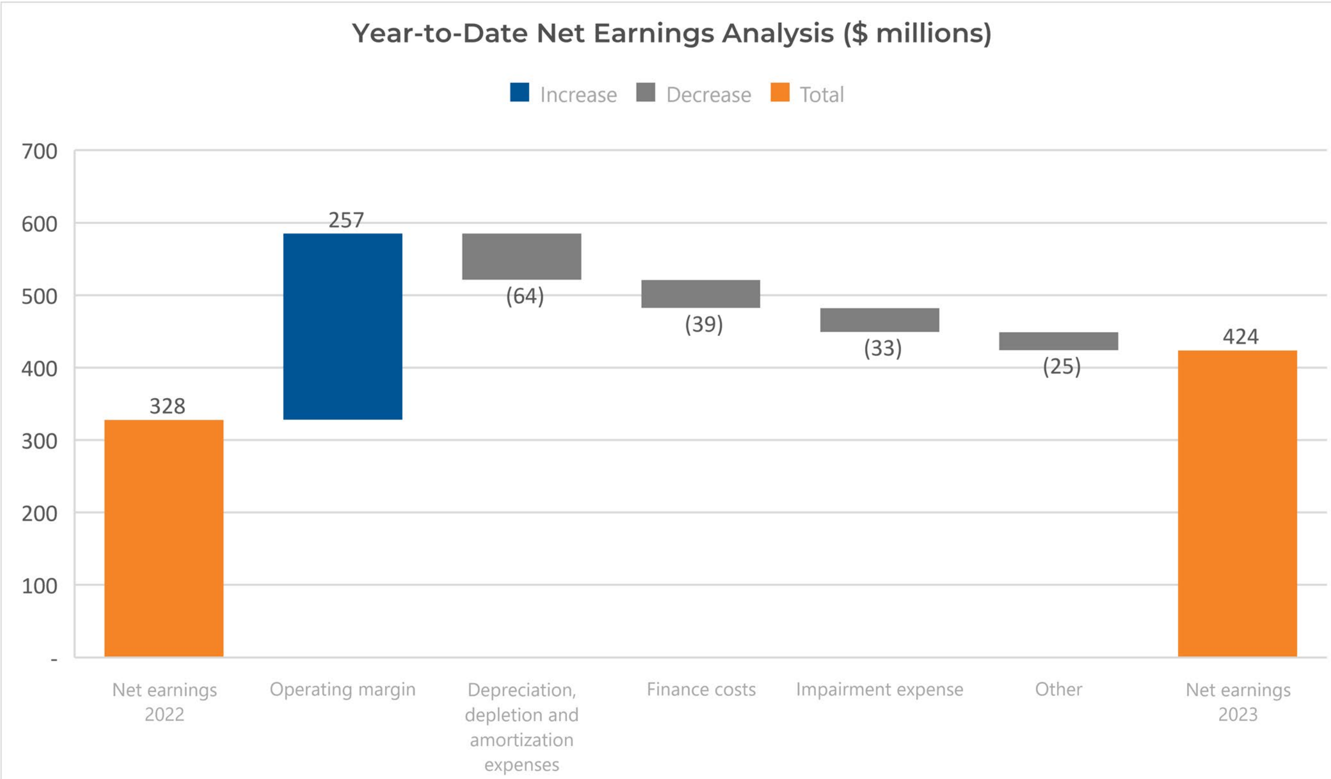
2 EBITDA is defined as earnings before finance costs, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment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

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

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

Net Earnings

For the year ended December 31, 2023, net earnings were $424 million, $96 million higher than the prior year due to the factors shown in the table below:

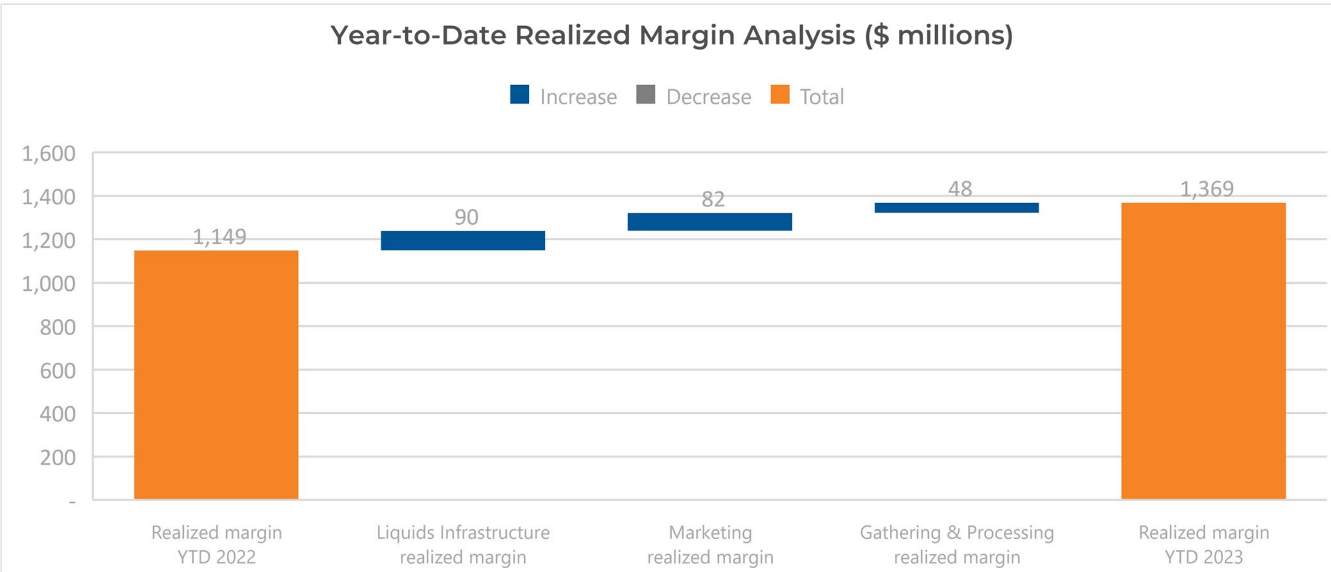


See the section below for more information related to operating margin. For all other charges mentioned above, please see the section of the MD&A titled, “Corporate and Other”.

Operating Margin and Realized Margin

For the year ended December 31, 2023, operating margin was $1.4 billion, $257 million higher than the prior year due to: i) $220 million in higher realized margin from all operating segments as described in more detail below; and ii) $58 million in higher unrealized non-cash gains associated with risk management contracts from the Marketing segment.

Realized margin[1] (which excludes the effect of unrealized gains and losses from commodity-related risk management contracts) was $1.4 billion for the year ended December 31, 2023, $220 million or 19% higher than the prior year due to the factors shown in the table below:



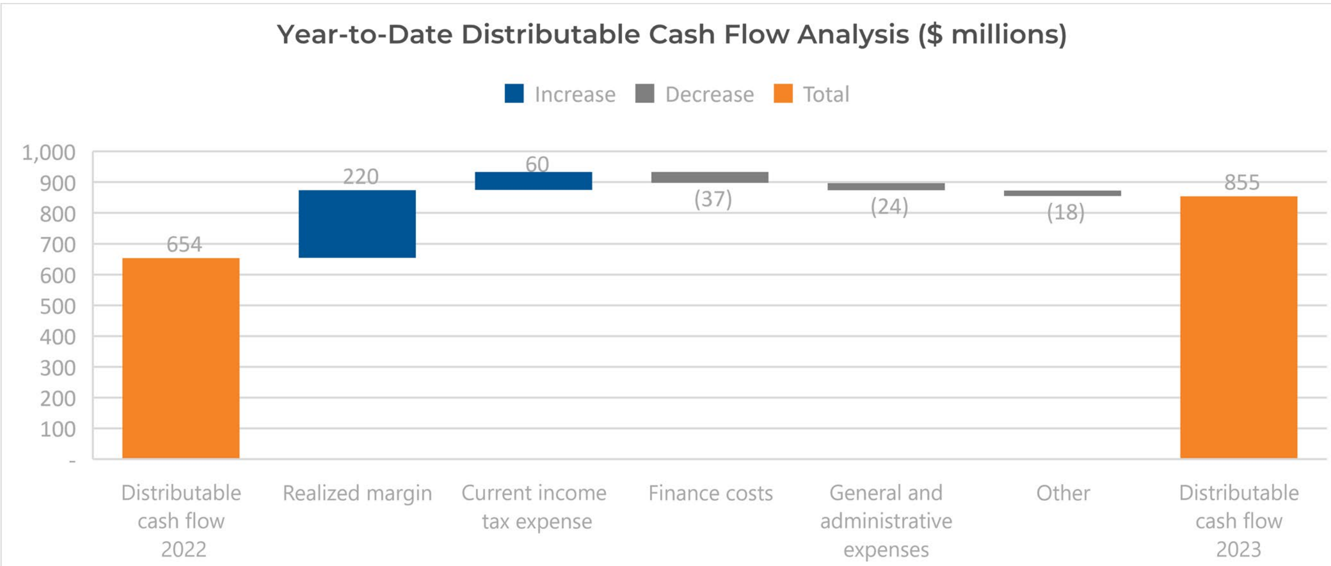
See the section titled "Segmented Results of Operations" for more information on operating results by segment.

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

Cash Flow Metrics

Cash flow from operating activities for the year ended December 31, 2023 was $975 million, $50 million higher than the prior year primarily due to $220 million of higher realized margin and $60 million of lower current income tax expense. This was largely offset by a higher net cash requirement to fund operating working capital associated with accounts receivable and accounts payable, which are merely timing differences associated with the collection and settlement of these balances.

Distributable cash flow[1] in 2023 was $855 million, $201 million higher than the prior year due to factors shown in the table below:



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

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

SEGMENTED RESULTS OF OPERATIONS

The discussion of the results of operations for each of the operating segments focuses on operating margin and realized margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and Liquids Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the years ended December 31, 2023 and 2022 are reported in note 30, Segment Information, of the accompanying financial statements. A complete description of Keyera's businesses by segment can be found in Keyera's Annual Information Form, which is available at www.sedarplus.ca.

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

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

Operating Margin and Realized Margin *(Thousands of Canadian dollars)*	**2023**	2022
Revenue	**7,053,126**	7,060,223
Operating expenses	**(5,620,188)**	(5,884,442)
Operating margin	**1,432,938**	1,175,781
Unrealized (gain) loss on risk management contracts	**(63,537)**	(26,647)
Realized margin	**1,369,401**	1,149,134

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. 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 and Duvernay formations. All of Keyera's other Gathering and Processing plants are located in the Alberta Deep Basin and with the exception of the non-operated Edson gas plant, are generally referred to as Keyera's "Southern" or "South" gas plants.

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

Operating Margin, Realized Margin and Throughput Information *(Thousands of Canadian dollars)*	**2023**	2022
Revenue[2]	**733,316**	722,395
Operating expenses[2]	**(340,886)**	(374,495)
Operating margin	**392,430**	347,900
Unrealized loss (gain) on risk management contracts	**2,100**	(1,128)
Realized margin[3]	**394,530**	346,772
Gross processing throughput[4] – (MMcf/d)	**1,588**	1,572
Net processing throughput[4,5] – (MMcf/d)	**1,358**	1,349

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

Annual Operating Margin and Revenue

Operating Margin	↑ $45 million vs 2022	• Increase was primarily due to $65 million in higher operating margin from the Wapiti and Pipestone gas plants. Higher contribution from the Wapiti gas plant was mainly attributable to incremental volumes from new wells and improved reliability of the facility compared to the prior year. Higher contribution from the Pipestone gas plant was mainly due to $21 million in cost recoveries associated with the facility's maintenance turnaround and a one-time revenue adjustment that was recorded in Q4 2023. • Partly offsetting the above factors was $16 million in lower operating margin due to the effects of the Alberta wildfires.
Revenue	↑ $11 million vs 2022	• Increase in revenue was primarily due to the same factors that contributed to higher operating margin. Partly offsetting these factors were lower ethane sales revenues. Ethane sales are generally based on index pricing and can significantly influence revenues; however the effect on operating margin is minimal as ethane purchases from producers are also based on index pricing and are included in operating expenses.

Gathering and Processing Activity

The Gathering and Processing segment had an outstanding year in 2023, posting record financial results with realized margin of $395 million, a 14% increase over the prior year. These robust results were supported by strong contribution from Keyera's gas plants in the North region which account for over 70% of the segment's overall margin. The strong financial performance was achieved despite the adverse impact from Alberta wildfires that resulted in the temporary shut-in of six company operated gas plants during the second quarter.

In the North region, producer activity levels were high in 2023 as producer economics are largely tied to NGL pricing, condensate in particular. Record gross processing throughput levels were achieved at both the Wapiti and Pipestone gas plants due to new production volumes from multiple customers active in the condensate-rich Montney area. Higher processing throughput at the Wapiti gas plant was also due to improved reliability of the facility. At the Pipestone gas plant, gross processing throughput levels increased in December as the capacity expansion project came into service ahead of schedule and below the sanctioned cost estimate. The additional capacity was fully utilized throughout December. As a result of these factors, throughput volumes for the North region increased by 13% over the prior year. With the connection of the Wapiti and Pipestone gas plants to the KAPS pipeline system and Keyera's core infrastructure in Fort Saskatchewan, these North region gas plants have a competitive advantage in providing customers integrated gas processing, NGL and condensate services.

In the South region, gross processing throughput levels decreased 6% compared to the prior year. This decrease was largely attributable to: i) Alberta wildfire-related outages at several gas plants during the second quarter; and ii) lower volumes at the Rimbey gas plant as a result of the facility's planned maintenance turnaround outage in June. Despite lower natural gas prices, producer activity levels in the South region are anticipated to remain stable into early 2024 due to the improved financial position of many producers.

Maintenance turnarounds were successfully completed at the Rimbey and Pipestone gas plants in 2023. The Rimbey gas plant completed its scheduled maintenance turnaround over a three-week period in June, with the exception of maintenance activities for the facility's enhanced liquids recovery infrastructure which were completed in July. The total cost of the maintenance turnaround was approximately $27 million. The Pipestone gas plant completed its planned maintenance turnaround in September over a three-week period at a total cost of approximately $19 million. Substantially all of the costs related to this turnaround were recovered in 2023.

In 2024, maintenance turnarounds are scheduled to occur at the Wapiti and Strachan gas plants during the third quarter. The preliminary cost estimate for both turnarounds is approximately $50 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.

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 Gathering and Processing segment:

Gathering and Processing – Capital Projects Status Update

Facility/Area	Project Description	Project Status Update
Pipestone	**Pipestone Gas Plant Expansion** The expansion will increase the overall gas processing capacity of the facility from 220 MMcf/day to 260 MMcf/day.	The capacity expansion commenced operations at the beginning of December 2023. *Estimated total cost to complete:* • approximately $58 million *Total net costs to December 31, 2023:* • $51 million for the year ended December 31, 2023 • $56 million since inception

A portion of the costs incurred for the projects above are based on estimates. Final costs may differ when actual invoices are received or contracts are settled. Costs for the project described above exclude carrying charges (i.e., capitalized interest). The section of this MD&A titled, “Forward-Looking Statements”, provides more information on factors that could affect the development of these projects.

Liquids Infrastructure

The Liquids Infrastructure segment provides fractionation, storage, transportation, liquids blending and terminaling 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 condensate pipelines
- Underground NGL storage caverns
- Above ground storage tanks
- NGL fractionation and de-ethanization facilities
- Pipeline, rail and truck terminals
- Liquids blending facilities
- the AEF facility

The AEF facility has an effective production capacity of approximately 14,000 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 and the KAPS pipeline system 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 the KAPS pipeline system, the Southern Lights pipeline and CRW pool, Fort Saskatchewan area fractionators, the Cochin pipeline and Canadian Diluent Hub; and ii) all major condensate delivery points, including the Polaris and Cold Lake pipelines, the Norlite pipeline, CRW pool, and the Access pipeline system.

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

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

Operating Margin and Realized Margin *(Thousands of Canadian dollars)*	**2023**	2022
Revenue[1]	**768,996**	633,310
Operating expenses[1]	**(282,529)**	(219,431)
Operating margin	**486,467**	413,879
Unrealized loss (gain) on risk management contracts	**9,647**	(7,967)
Realized margin[2]	**496,114**	405,912

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

Annual Operating Margin and Revenue

Operating Margin	↑ $73 million vs 2022	Increase was primarily due to $80 million in incremental contribution from: • the KFS complex due to higher contracted storage volumes and increased fractionation revenues, mainly attributable to the acquisition of an additional 21% working interest in the first quarter; • incremental margin associated with the KAPS pipeline system which commenced operations during the second quarter; and • higher contracted volumes through Keyera's condensate system. The above factors were partly offset by $9 million in lower operating margin at the Alberta Diluent Terminal primarily due to tank repair and cleaning costs incurred in Q4 2023.
Revenue	↑ $136 million vs 2022	• Increase was mainly due to the same factors that contributed to higher operating margin as described above, and higher operating revenues from the AEF facility resulting from the recovery of increased operating expenses. The operating expenses at AEF are recovered from the Marketing segment and do not have an impact on operating margin for the Liquids Infrastructure segment.

Liquids Infrastructure Activity

In 2023, the Liquids Infrastructure segment delivered exceptional results highlighted by the following achievements:

- record financial results with realized margin of $496 million, a 22% increase over 2022;
- commenced operational startup of the KAPS pipeline system during the second quarter, integrating Keyera's Wapiti and Pipestone gas plants in the highly prolific North region, as well as third-party gas plants, to its core infrastructure in Fort Saskatchewan;
- secured significant long-term agreements with several producers to provide integrated services including transportation on KAPS, fractionation, storage and product marketing through Keyera's Marketing segment. Substantially all of the agreements are with highly credit worthy counterparties and include:
    - approximately 30,000 barrels per day of new long-term volume commitments on KAPS, with a weighted average contract term of 12 years that include 75% take-or-pay provisions. Approximately half of these volumes begin contributing midway through 2024 and ramp up to 2029;
    - approximately 33,000 barrels per day of fractionation commitments at KFS with a weighted average contract term of approximately 13 years that include 85% take-or-pay provisions. Approximately half of these volumes are new commitments with the remainder being renewals of existing contracts; and
    - storage contracts at KFS and other ancillary services including pipeline connectivity and terminaling;
- completed the acquisition of an additional 21% working interest in the KFS complex for total cash consideration of $367 million. This acquisition expands Keyera's core asset base and integrated value chain by adding more than 25% incremental capacity to fractionation, de-ethanization, underground storage and the Fort Saskatchewan Pipeline system; and
- maintained high utilization levels across many core infrastructure assets including record production levels at the AEF facility, record condensate deliveries through Keyera's condensate system and full utilization of Keyera's Fort Saskatchewan fractionation facilities.

Strong oil sands production during the year resulted in increased demand for condensate, which is used as a diluent by oil sands producers. Consequently, Keyera's condensate system delivered record volumes in 2023, and a new quarterly high was also established in the fourth quarter. Volumes exceeding take-or-pay commitment levels and higher contracted volumes from new agreements contributed to incremental margin growth from the system. The growth in oil sands production and demand for condensate drives the economics for producers actively drilling in the Montney and Duvernay and ultimately benefits Keyera's core infrastructure, including the KAPS pipeline system. Cash flows generated from Keyera's condensate system are protected by long-term, take-or-pay arrangements 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.

Fractionation capacity in Alberta continues to be in very high demand. As a result, Keyera's two fractionation units at the KFS complex were fully utilized in 2023 and are anticipated to operate at full capacity into 2024. Demand for services from Keyera's Fort Saskatchewan storage assets were also strong in 2023 and are expected to remain in high demand in 2024. These assets provide significant operational flexibility and value to customers in a dynamic commodity price environment.

The AEF facility is operated by the Liquids Infrastructure segment and provides iso-octane production services to the Marketing segment on a fee-for-service basis. In 2023, AEF demonstrated robust operational performance which resulted in record production volumes. These volumes were a significant contributor to incremental margin in the Marketing segment.

Keyera will be taking AEF offline for approximately 6 weeks in the spring of 2024 to proactively complete maintenance activities. These maintenance activities are intended to facilitate AEF's continued reliable operations at full capacity until its next scheduled turnaround in 2026. The work is expected to cost less than $10 million. The realized margin impact for the Marketing segment is expected to be approximately $35 million to $45 million.

In 2024, additional tank repair and cleaning activities will be conducted on three tanks at the Alberta Diluent Terminal during the first half of the year. These maintenance and repair activities are estimated to cost between $5 million and $10 million and will be included in the segment's operating expenses.

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 Stonepeak	**KAPS Pipeline System** A 12-inch and 16-inch NGL and condensate pipeline system that transports Montney and Duvernay production in northwestern Alberta to Keyera's fractionation assets and condensate system in Fort Saskatchewan.	The condensate pipeline and the NGL pipeline systems commenced operations in April and June, respectively. *Estimated total cost to complete:* • gross cost is estimated to be approximately $1.96 billion • Keyera's net share of costs is estimated to be approximately $980 million *Total net costs to December 31, 2023:* • $59 million for the year ended December 31, 2023 • $964 million since inception
South Cheecham 50/50 joint venture with Enbridge	**Sulphur Facilities** Development of sulphur handling, forming, and storage facilities at the South Cheecham rail and truck terminal.	The sulphur facilities commenced operations at the beginning of the third quarter. *Estimated total cost to complete:* • gross cost is approximately $285 million • Keyera's net share of costs is approximately $143 million *Total net costs to December 31, 2023:* • $24 million for the year ended December 31, 2023 • $141 million since inception

A portion of the costs incurred for the projects above are based on estimates. Final costs may differ when actual invoices are received or contracts are settled. Costs for the projects described above exclude carrying charges (i.e., capitalized interest). The section of this MD&A titled, "Forward-Looking Statements", provides more information on factors that could affect the development of these projects.

Marketing

The Marketing segment is focused on the purchase and sale of products associated with Keyera and other third-party 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.sedarplus.ca*.

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

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

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

Operating margin and realized margin for the Marketing segment were:

Operating Margin and Realized Margin *(Thousands of Canadian dollars, except for sales volume information)*	**2023**	2022
Revenue[1]	**6,055,725**	6,135,499
Operating expenses[1]	**(5,501,474)**	(5,720,526)
Operating margin	**554,251**	414,973
Unrealized gain on risk management contracts	**(75,284)**	(17,552)
Realized margin[2]	**478,967**	397,421
Sales volumes (Bbl/d)	**200,700**	179,100

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

Composition of Marketing Revenue *(Thousands of Canadian dollars)*	**2023**	2022
Physical sales	**6,004,483**	**6,274,555**
Realized cash loss on financial contracts[1]	**(24,042)**	**(156,608)**
Unrealized gain due to reversal of financial contracts existing at end of prior period	**13,784**	**31,521**
Unrealized gain (loss) due to fair value of financial contracts existing at end of current period	**61,130**	**(13,784)**
Unrealized gain (loss) from fixed price physical contracts[2]	**370**	**(185)**
Total unrealized gain on risk management contracts	**75,284**	**17,552**
Total gain (loss) on risk management contracts	**51,242**	**(139,056)**
Total Marketing revenue	**6,055,725**	**6,135,499**

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

Annual Operating Margin, Realized Margin and Revenue

Operating Margin	↑ $139 million vs 2022	• Increase was due to $58 million in higher unrealized non-cash gains from risk management contracts in 2023 compared to 2022; and • $82 million in higher realized margin as described in more detail below.
Realized Margin[1]	↑ $82 million vs 2022	• Increase was primarily due to higher iso-octane contribution resulting from record sales volumes, strong product premiums and motor gasoline pricing.
Revenue	↓ $80 million vs 2022	• Decrease was due to lower average sales prices for all products compared to the prior year.

Market Commentary

The Marketing segment had an exceptional year, achieving record financial results that were driven by:

- the effective utilization of Keyera's infrastructure capabilities as products were processed, stored and transported to the highest value markets; and
- a disciplined risk management program that captured and protected margins through a dynamic commodity price environment.

Record iso-octane margins were realized in 2023 as a result of robust gasoline fundamentals in North America and unprecedented production volumes from the AEF facility. Strong motor gasoline pricing and iso-octane premiums were supported by a number of factors including: i) high motor gasoline export levels; and ii) low imports of octane blending components into North America that further strengthened the pricing of high-octane components. Record iso-octane sales volumes were achieved in large part due to the exceptional performance of the AEF facility in 2023.

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, 2023, the price for butane as a percentage of crude oil was slightly below the historical average of the previous 10 years.

Strong oil sands production during the year resulted in a correspondingly high demand for condensate, which is used as diluent by oil sands producers. As a result, condensate contribution continued to be strong as sale volumes and pricing were comparable to the prior year. As a result of

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

the continued high demand for condensate, contribution from Keyera's liquids blending business continued to be a significant contributor to the Marketing results in 2023.

Propane contribution was stable in 2023 as margins were supported by: i) high export levels to Europe and Asia; ii) cold weather patterns experienced in the first quarter; and iii) increased local demand partly influenced by Inter Pipeline's Heartland Petrochemical Complex. Access to Keyera's cavern storage and rail terminals provides the Marketing segment with a competitive advantage as it can store and transport product to the highest value domestic or export markets throughout the year.

In the fourth quarter, Keyera revised its "base realized margin" guidance for the Marketing segment due to higher volumes flowing through Keyera's integrated infrastructure and the company's ability to unlock more advantaged pricing markets for iso-octane. As a result, Keyera now expects the Marketing business to contribute on average, a base realized margin of between $310 million and $350 million (previously $250 million to $280 million). This guidance assumes: i) a crude oil price of between US$65 and US$75 per barrel; ii) butane feedstock costs comparable to the 10-year average; and iii) AEF utilization near nameplate capacity. Average annual realized margin for the most recent five years was approximately $370 million. 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.sedarplus.ca*.

Keyera will be taking AEF offline for approximately 6 weeks in the spring of 2024 to proactively complete maintenance activities. The realized margin impact for the Marketing segment is expected to be approximately $35 million to $45 million. Due to strong near-term market fundamentals, the company still expects to be within its stated base Marketing realized margin guidance of $310 million to $350 million for 2024. Keyera will update the Marketing segment's 2024 realized margin guidance in the First Quarter Report that will be released in May.

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 Oxygenate Blending ("RBOB"). RBOB is the highest volume refined product sold in the U.S. and has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize RBOB-based financial contracts to hedge a portion of its iso-octane sales.

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

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

- Keyera may enter into financial contracts to lock in the supply price at a specified percentage of WTI, as the sales contracts for butane and condensate are also generally priced in relation to

WTI. When butane or condensate is physically purchased, the financial contract is settled and a realized gain or loss is recorded in income.

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

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

For the year ended December 31, 2023, the total unrealized gain on risk management contracts was $75 million. Further details are provided in the "Composition of Marketing Revenue" table above.

The fair value of outstanding financial and physical risk management contracts as at December 31, 2023 resulted in an unrealized (non-cash) gain of $61 million. These fair values will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at December 31, 2023, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 22, Financial Instruments and Risk Management, of the accompanying financial statements.

CORPORATE AND OTHER

Non-Operating Expenses *(Thousands of Canadian dollars)*	**2023**	2022
General and administrative expenses[1]	**(106,494)**	(82,843)
Finance costs	**(204,084)**	(165,351)
Depreciation, depletion and amortization expenses	**(322,514)**	(258,264)
Net foreign currency gain (loss) on U.S. debt and other	**11,472**	(21,551)
Long-term incentive plan expense	**(50,909)**	(33,284)
Impairment expense	**(213,508)**	(180,277)
Loss on disposal of property, plant and equipment	**—**	(477)
Income tax expense	**(122,645)**	(104,906)

Note:
1 Net of overhead recoveries on operated facilities.

General and Administrative Expenses

General and administrative ("G&A") expenses for 2023 were $106 million, $24 million higher than the prior year. This was primarily a result of one-time and other employee-related costs.

Finance Costs

Finance costs for the year ended December 31, 2023 were $204 million, $39 million higher than the prior year primarily due to higher interest rates associated with Keyera's credit facilities and lower interest on capitalized projects, which is a reduction to finance costs.

Depreciation, Depletion and Amortization Expenses

Depreciation, depletion and amortization ("DD&A") expenses were $323 million in 2023, $64 million higher than the prior year, which was primarily attributable to: i) the completion and start-up of the KAPS pipeline and South Cheecham sulphur facilities during the second and third quarters of 2023, respectively, and ii) higher DD&A expense associated with an increase in Keyera's decommissioning assets in 2023 when compared to the prior year.

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

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

Net Foreign Currency Gain (Loss) on U.S. Debt and Other *(Thousands of Canadian dollars)*	**2023**	2022
Translation of long-term debt and interest payable	**10,956**	(29,548)
Change in fair value of cross-currency swaps – principal and interest	**(5,549)**	12,907
Gain on cross-currency swaps – interest[1]	**2,800**	2,355
Foreign exchange re-measurement of lease liabilities and other	**3,265**	(7,265)
Net foreign currency gain (loss) on U.S. debt and other	**11,472**	(21,551)

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

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

Long-Term Incentive Plan Expense

The Long-Term Incentive Plan ("LTIP") expense was $51 million for the year ended December 31, 2023, compared to $33 million in the prior year. The higher LTIP expense was primarily due to higher estimated payout multipliers associated with the outstanding LTIP grants and the growth in Keyera's share price when compared to the prior year.

Net Impairment Expense

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

For the year ended December 31, 2023, Keyera recorded a combined impairment expense of $214 million. The majority of this impairment expense ($210 million) was recognized for the U.S. Liquids Infrastructure cash-generating unit ("CGU") due to market conditions affecting the Wildhorse terminal. The remaining impairment charge of $4 million included cancelled projects and other assets which were individually immaterial and insignificant. During the year, Keyera did not record any reversals of previously recorded impairments.

During the prior year, Keyera recorded impairment charges of $180 million of which $168 million was recognized due to the underutilization of the Simonette gas plant. Of this impairment expense, $9 million was allocated to reduce the goodwill associated with the Simonette CGU to $nil. The remaining impairment charge of $159 million was then applied to reduce the carrying value of the Simonette gas plant. Refer to note 9, Property, Plant and Equipment and note 11, Goodwill, of the accompanying financial statements for further details.

Disposal of Property, Plant and Equipment

In 2022, Keyera completed the sale of the Hull terminal and Hull terminal pipeline system, including all hydrocarbon inventory owned by Keyera in relation to the asset. The transaction included net proceeds of $51 million, $40 million related to the terminal and pipeline system and $11 million related to the closing value of the inventory, resulting in the recognition of a loss of less than $1 million. The transaction included a nominal assumed decommissioning liability.

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 (for example, accounting income or expenses that will never be taxed or deductible for income tax purposes).

Current Income Taxes

A current income tax recovery of less than $1 million was recorded for the year ended December 31, 2023, compared to an expense of $60 million in 2022. The recovery in 2023 is primarily due to increased tax pool deductions resulting from the operational startup of the KAPS pipeline system and South Cheecham sulphur facilities.

For 2024, it is estimated that current income tax expense will range between $45 million and $55 million. The estimate assumes that Keyera's business performs as planned. The increase relative to 2023 ($nil) is due to the accelerated usage of tax pools in 2023 due to Keyera's strong financial performance.

Deferred Income Taxes

A deferred income tax expense of $123 million was recorded for the year ended December 31, 2023, $78 million higher than the same period in 2022.

Keyera estimates its total tax pools at December 31, 2023 were approximately $3.3 billion.

SUMMARY FOURTH QUARTER RESULTS

Fourth Quarter Financials and Operational Highlights *(Thousands of Canadian dollars, except per unit and volumetric information)*	**Three months ended December 31, 2023**	2022
Operating Margin (Loss)		
Gathering & Processing	**114,851**	93,017
Liquids Infrastructure	**128,133**	106,542
Marketing	**202,851**	28,293
Other	**(49)**	(43)
Operating margin	**445,786**	227,809
Realized margin[1]	**374,701**	243,278
Net earnings (loss)	**49,192**	(81,895)
Earnings (loss) per share (basic)	**0.21**	(0.37)
Adjusted EBITDA[2]	**339,244**	212,490
Cash flow from operating activities	**230,739**	134,408
Funds from operations[3]	**290,643**	156,849
Distributable cash flow[3]	**233,563**	104,172
Distributable cash flow per share[3] (basic)	**1.02**	0.47
Dividends declared	**114,577**	107,392
Dividends declared per share	**0.50**	0.48
Capital expenditures (including acquisitions)	**74,342**	207,510
Volumetric Information		
Gathering and Processing:		
Gross processing throughput[4] (MMcf/d)	**1,625**	1,638
Net processing throughput[4] (MMcf/d)	**1,393**	1,405
Liquids Infrastructure[5]:		
Gross fractionation throughput (Mbbl/d)	**206**	191
Net fractionation throughput (Mbbl/d)	**116**	90
AEF iso-octane production volumes (Mbbl/d)	**15**	11
Marketing:		
Sales Volumes (Bbl/d)	**253,900**	198,500

Notes:

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

2 Adjusted EBITDA is not a standard measure under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section titled "Non-GAAP and Other Financial Measures" and see the "EBITDA and Adjusted EBITDA" table below for a reconciliation of adjusted EBITDA to the most directly comparable GAAP measure, net earnings.

3 Funds from operations, distributable cash flow and distributable cash flow per share are not standard measures under GAAP and therefore, may not be comparable to similar measures reported by other entities. See the section titled "Non-GAAP and Other Financial Measures" and the "Funds from Operations and Distributable Cash Flow" table below for a reconciliation of funds from operations and distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities.

4 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.

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

Composition of Marketing Revenue, Operating Margin and Realized Margin *(Thousands of Canadian dollars)*	**Three months ended December 31, 2023**	2022
Physical sales	**1,927,724**	1,520,892
Realized cash gain on financial contracts[1]	**17,608**	18,736
Unrealized gain (loss) due to reversal of financial contracts existing at end of prior period	**13,630**	(6,171)
Unrealized gain (loss) due to fair value of financial contracts existing at end of current period	**61,130**	(13,784)
Unrealized loss from fixed price physical contracts[2]	**(506)**	(483)
Total unrealized gain (loss) on risk management contracts	**74,254**	(20,438)
Total gain (loss) on risk management contracts	**91,862**	(1,702)
Revenue[3]	**2,019,586**	1,519,190
Operating expenses[3]	**(1,816,735)**	(1,490,897)
Marketing operating margin	**202,851**	28,293
Unrealized (gain) loss on risk management contracts	**(74,254)**	20,438
Marketing realized margin[4]	**128,597**	48,731

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

Funds 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. Refer to the sections titled "Dividends: Funds from Operations and Distributable Cash Flow" and "Non-GAAP and Other Financial Measures".

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

Funds from Operations and Distributable Cash Flow *(Thousands of Canadian dollars)*	**Three months ended December 31, 2023**	2022
Cash flow from operating activities	**230,739**	134,408
Add (deduct):		
Changes in non-cash working capital	**59,904**	22,441
Funds from operations	**290,643**	156,849
Maintenance capital	**(40,221)**	(41,207)
Leases	**(13,007)**	(10,875)
Prepaid lease asset	**(595)**	(595)
Inventory write-down	**(3,257)**	—
Distributable cash flow	**233,563**	104,172
Dividends declared to shareholders	**114,577**	107,392

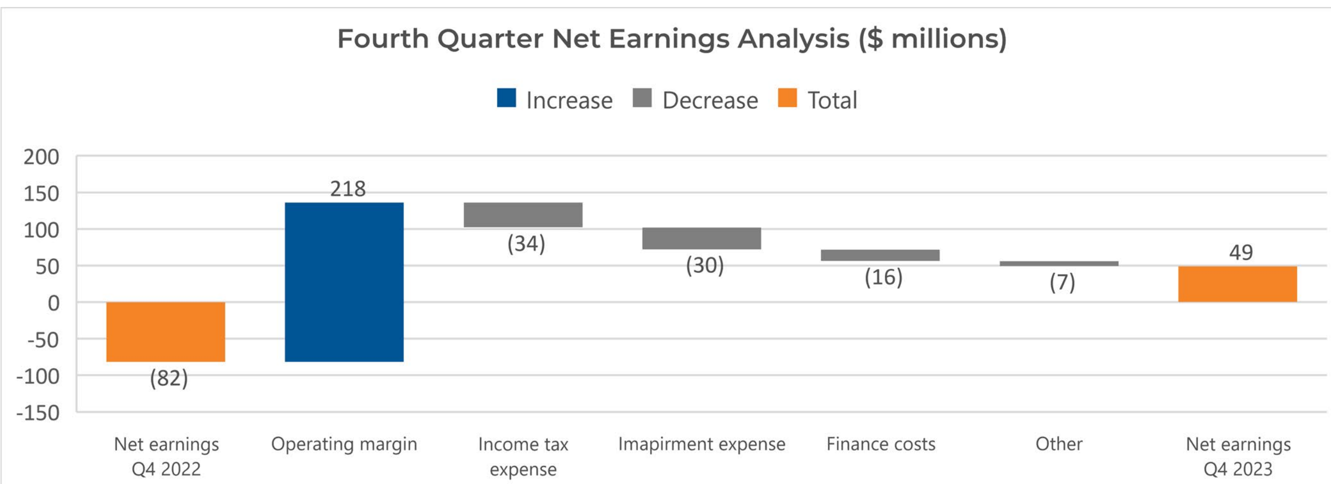
EBITDA and adjusted EBITDA are not standard measures under GAAP, and therefore may not be comparable to similar measures reported by other entities. Refer to the sections of this MD&A titled "EBITDA and Adjusted EBITDA" and "Non-GAAP and Other Financial Measures".

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

EBITDA and Adjusted EBITDA *(Thousands of Canadian dollars)*	**Three months ended December 31,** **2023**	2022
Net earnings (loss)	**49,192**	(81,895)
Add (deduct):		
Finance costs	**57,235**	41,084
Depreciation, depletion and amortization expenses	**89,568**	85,630
Income tax expense (recovery)	**10,359**	(23,310)
EBITDA	**206,354**	21,509
Unrealized (gain) loss on commodity contracts	**(71,085)**	15,469
Net foreign currency gain on U.S. debt and other	**(6,192)**	(4,765)
Impairment expense	**210,167**	180,277
Adjusted EBITDA	**339,244**	212,490

Net Earnings

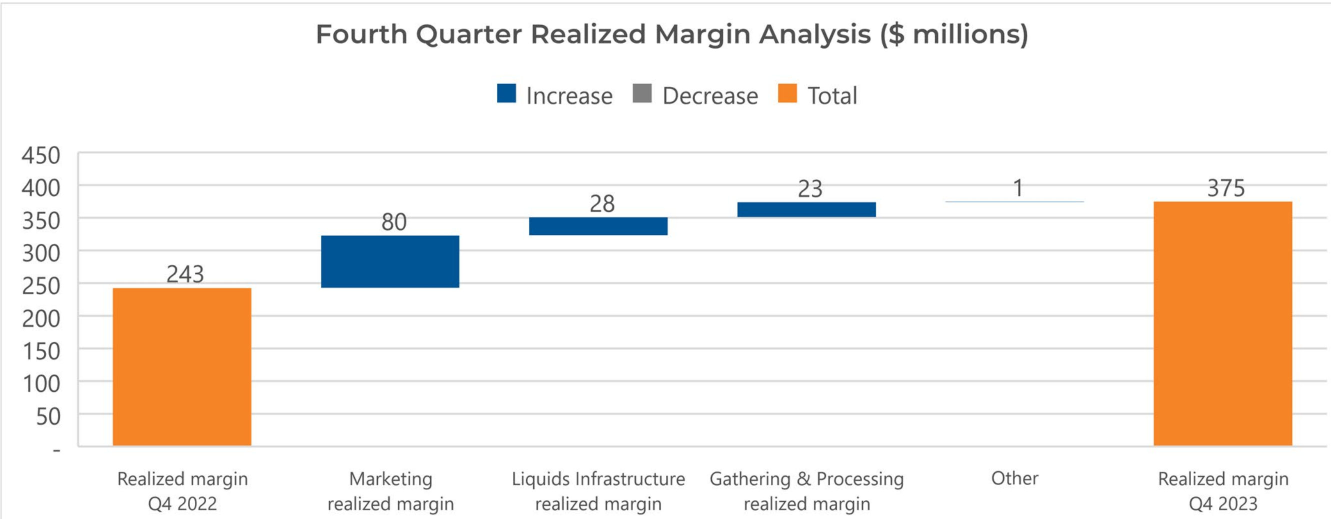
Net earnings of $49 million was recorded in the fourth quarter of 2023 compared to a net loss of $82 million in the fourth quarter of 2022. The increase in earnings was due to the following:



Operating Margin and Realized Margin

Total operating margin for the fourth quarter of 2023 was $446 million, $218 million higher than the same period in 2022 largely due to the outstanding results from the Marketing segment which recorded operating margin of $203 million compared to $28 million during the same period in 2022. In addition, the Gathering and Processing and Liquids Infrastructure segments recognized record operating margin during the fourth quarter of 2024.

Realized margin (excludes the non-cash gains and losses from commodity-related risk management contracts) was $375 million, $131 million higher than the same period in the prior year. The fourth quarter operating results are discussed in more detail below.



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

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

Operating Margin and Realized Margin *(Thousands of Canadian dollars)*	**Three months ended December 31, 2023**	2022
Revenue	**2,301,630**	1,775,154
Operating expenses	**(1,855,844)**	(1,547,345)
Operating margin	**445,786**	227,809
Unrealized (gain) loss on risk management contracts	**(71,085)**	15,469
Realized margin	**374,701**	243,278

Fourth Quarter Operating Margin and Revenue

Gathering & Processing

Operating Margin	↑ $22 million vs Q4 2022	Increase was primarily due to: • $17 million in higher contribution from the Pipestone gas plant mainly due to: i) cost recoveries associated with the facility's maintenance turnaround; ii) higher volumes from incremental processing capacity that came online in early December; and iii) a $4 million one-time revenue adjustment related to prior periods; and • higher contribution from the Cynthia gas plant primarily due to lower electrical costs compared to Q4 2022.
Revenue	— $nil vs Q4 2022	• Revenue was virtually unchanged compared to Q4 2022. The factors that contributed to higher operating margin were offset by lower ethane sales revenues.

Fourth Quarter Operating Margin and Revenue

Liquids Infrastructure

Operating Margin	↑ $22 million vs Q4 2022	Increase was primarily due to $31 million in incremental contribution from: • the KFS complex due to higher contracted storage volumes and increased fractionation revenues, mainly attributable to the acquisition of an additional 21% working interest in the first quarter; • incremental margin associated with the KAPS pipeline system which commenced operations during the second quarter; • higher contracted volumes through Keyera's condensate system; and • the Norlite pipeline due to a $4 million one-time prior period adjustment that lowered revenues in Q4 2022. The above factors were partly offset by $9 million in lower operating margin at the Alberta Diluent Terminal primarily due to tank repair and cleaning costs incurred in Q4 2023.
Revenue	↑ $50 million vs Q4 2022	• Increase was due to the same factors that contributed to higher operating margin as well as higher operating revenues from the AEF facility due to increased operating expenses. The operating expenses at AEF are recovered from the Marketing segment and do not have an impact on operating margin for the Liquids Infrastructure segment.

Fourth Quarter Operating Margin, Realized Margin and Revenue

Marketing

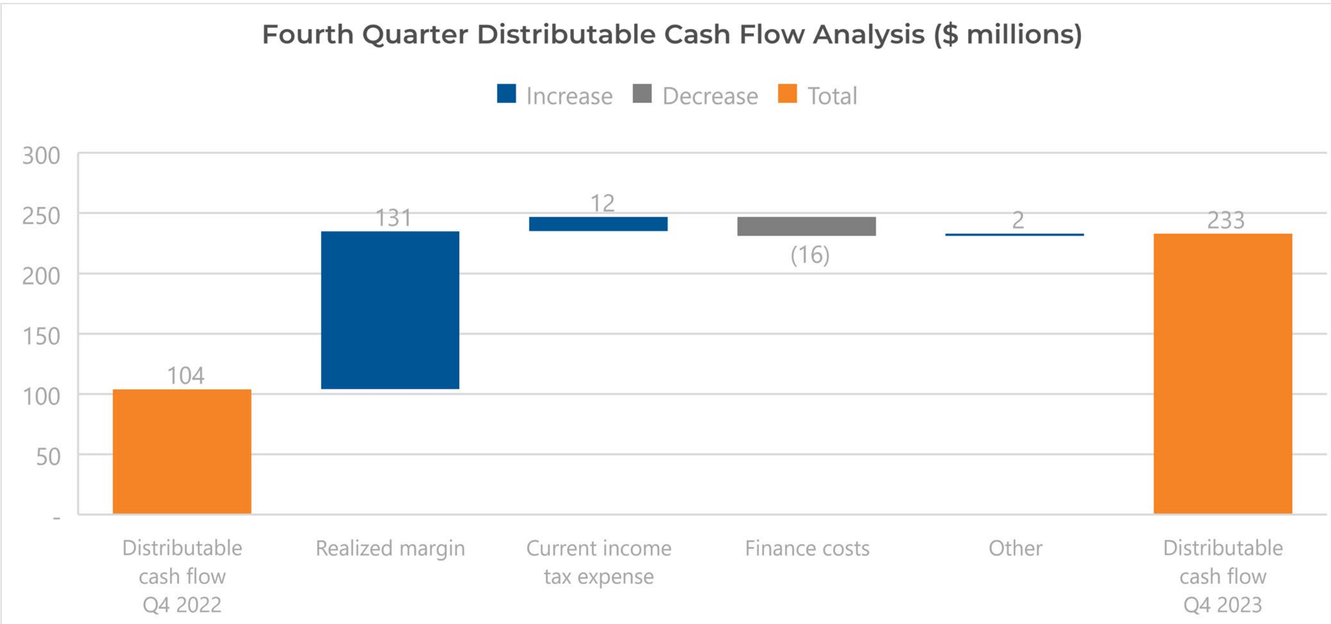
Operating Margin	↑ $175 million vs Q4 2022	• Increase was due to $74 million in unrealized non-cash gains from risk management contracts in Q4 2023 compared to $20 million in unrealized non-cash losses in Q4 2022; and • $80 million in higher realized margin as described in more detail below.
Realized Margin[1]	↑ $80 million vs Q4 2022	• Increase was primarily due to higher iso-octane contribution resulting from significantly higher sales volumes, strong product premiums and motor gasoline pricing.
Revenue	↑ $500 million vs Q4 2022	• Increase was primarily due to the same factors that contributed to higher operating margin and realized margin as well as significantly higher liquids blending sales volumes.

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

Cash Flow Metrics

For the three months ended December 31, 2023, cash flow from operating activities was $231 million, $96 million higher than the same period in 2022.

Distributable cash flow[1] was $234 million for the fourth quarter of 2023, $129 million higher than the same period in the prior year due to factors shown in the table below:



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

CRITICAL ACCOUNTING ESTIMATES

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

Operating Revenues

Gathering and Processing and Liquids Infrastructure:

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

At December 31, 2023, operating revenues and accounts receivable for the Gathering and Processing and Liquids Infrastructure segments contained an estimate of approximately $100 million primarily for December 2023 operations.

Marketing:

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

At December 31, 2023, the Marketing sales and accounts receivable contained an estimate for December 2023 revenues of approximately $293 million.

Operating Expenses and Product Purchases

Gathering and Processing and Liquids Infrastructure:

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

At December 31, 2023, operating expenses and accounts payable contained an estimate of approximately $41 million primarily for December 2023 operations.

Marketing:

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

Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of approximately $243 million at December 31, 2023.

Equalization Adjustments

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

For the Gathering and Processing segment, an equalization adjustment of $5 million was included in revenue and accounts receivable at December 31, 2023. Operating expenses and accounts payable contained an equalization adjustment of $13 million.

Depreciation of Property, Plant and Equipment

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

Allowance for Expected Credit Losses

The allowance for expected credit losses is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counterparty. The allowance for expected credit losses was $4 million as at December 31, 2023, which is unchanged from the prior year.

Derivative Financial Instruments

Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spreads. Refer to note 22, Financial Instruments and Risk Management, of the accompanying financial statements for a summary of the fair value of derivative financial instruments existing at December 31, 2023.

Fair Value Estimates of Property, Plant and Equipment

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

Impairment of Property, Plant and Equipment and Goodwill

In the absence of quoted market prices when determining the recoverable amount of assets, estimates are made regarding the present value of future cash flows. Future cash flow estimates are based on future production profiles and reserves for surrounding wells, commodity prices and costs.

Estimates are also made in determining the discount rate used to calculate the present value of future cash flows.

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The determination of CGUs is subject to management's judgment.

Refer to note 9, Property, Plant and Equipment and note 11, Goodwill, of the accompanying financial statements for further details of the impairment expense recorded for the year ended December 31, 2023.

Long-term Incentive Plan Liability

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

Decommissioning Liability

Keyera will be responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its gathering and processing, fractionation, iso-octane and storage facilities, pipelines and terminals at the end of their economic life. The majority of decommissioning obligations are generally expected to be incurred over the next 30 to 60 years. While the provision is based on the best estimate of future costs and the economic lives of these assets, there is uncertainty regarding the amount and timing of these costs. No assets have been legally restricted for settlement of the liability.

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

Keyera has estimated the net present value of its total decommissioning liability to be approximately $239 million at December 31, 2023, compared to $179 million at December 31, 2022. The fair value of the decommissioning liability was calculated by using a credit-adjusted risk-free discount rate of 5.6% (December 31, 2022 – 6.5%).

Refer to note 14, Decommissioning Liability, of the accompanying financial statements for a reconciliation of the beginning and ending carrying amount of the decommissioning liability. Additional information related to decommissioning, abandonment and reclamation is also provided in Keyera's Annual Information Form, which is available on SEDAR+ at *www.sedarplus.ca*.

Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities require management's judgment in determining the amounts to be recognized. In particular, judgment is used when assessing the extent to which deferred tax assets should be recognized with consideration given to the timing and level of future taxable income. To the extent estimates differ from the final tax return, earnings would be affected in a subsequent period. Refer to note 17, Income Taxes, of the accompanying financial statements for a reconciliation of income taxes to the income tax provision recognized for the year ended December 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the years ended December 31, 2023 and 2022:

Cash inflows (outflows) *(Thousands of Canadian dollars)*	**2023**	2022	**Increase (decrease)**	**Explanation**
Operating	**975,486**	925,327	50,159	Cash generated from operating activities was higher in 2023 when compared to the prior year primarily as a result of higher realized margin from all operating segments and lower cash taxes. These increases were partly offset by a higher net cash requirement to fund operating working capital associated with accounts receivable and accounts payable, which are merely timing differences associated with the collection and settlement of these balances.
Investing	**(819,713)**	(843,921)	24,208	Capital investment in 2023 was lower than the prior year primarily as a result of the completion of the KAPS pipeline project and South Cheecham sulphur facilities, which became operational during the second and third quarters, respectively. This was partially offset by the acquisition of an additional 21% working interest in the KFS complex for cash consideration of $367 million. Capital investment projects are described in more detail in the "Segmented Results of Operations" section of the MD&A.
Financing	**(134,263)**	(100,650)	(33,613)	During the prior year, cash was generated from the issuance of: i) $400 million of senior unsecured medium-term notes, and ii) common shares for proceeds of $230 million, which were used to fund the acquisition of the additional working interest in KFS during the first quarter of 2023. In 2023, there was an increase in dividend payments as a result of: i) the issuance of common shares during the prior year, and ii) the 4.2% increase of the quarterly dividend to $0.50 per share, commencing with the dividend paid during the third quarter of 2023.

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 $273 million existed at December 31, 2023. This is compared to a surplus of $108 million at December 31, 2022. 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 $470 million was drawn as at December 31, 2023. Refer to the section of this MD&A titled "Long-term Debt", for more information related to Keyera's unsecured revolving credit facility ("Credit Facility").

Corporate Credit Ratings

Keyera has been assigned the following ratings by S&P Global ("S&P") and DBRS Limited ("DBRS"). Both credit agencies currently treat the subordinated hybrid notes as 50% equity.

	S&P	**DBRS**
Corporate credit rating	"BBB/stable"	'"BBB'" with a "stable" trend
Issuer rating on senior unsecured debt	"BBB"	'"BBB'" with a "stable" trend
Issuer rating on subordinated notes	"BB+"	"BB (high)"

As a result of Keyera's continued strong performance, S&P upgraded Keyera's corporate credit rating to "BBB" from "BBB-" with a stable trend during the third quarter of 2023. In addition, S&P raised its issue-level rating on Keyera's senior unsecured debt to "BBB" from "BBB-" and its rating on Keyera's subordinated notes to "BB+" from "BB".

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

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

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at December 31, 2023:

As at December 31, 2023 *(Thousands of Canadian dollars)*	**Total**	**2024**	**2025**	**2026**	**2027**	**2028**	**After 2028**
Credit facilities	470,000	—	—	—	—	470,000	—
Total credit facilities	**470,000**	**—**	**—**	**—**	**—**	**470,000**	**—**
Canadian dollar denominated debt							
Senior unsecured notes:							
4.91% due June 19, 2024	17,000	17,000	—	—	—	—	—
4.92% due October 10, 2025	100,000	—	100,000	—	—	—	—
5.05% due November 20, 2025	20,000	—	20,000	—	—	—	—
4.15% due June 16, 2026	30,000	—	—	30,000	—	—	—
3.96% due October 13, 2026	200,000	—	—	200,000	—	—	—
3.68% due September 20, 2027	400,000	—	—	—	400,000	—	—
5.09% due October 10, 2028	100,000	—	—	—	—	100,000	—
4.11% due October 13, 2028	100,000	—	—	—	—	100,000	—
5.34% due April 8, 2029	75,000	—	—	—	—	—	75,000
	1,042,000	17,000	120,000	230,000	400,000	200,000	75,000
Senior unsecured medium-term notes:							
3.93% due June 21, 2028	400,000	—	—	—	—	400,000	—
3.96% due May 29, 2030	400,000	—	—	—	—	—	400,000
5.02% due March 28, 2032	400,000	—	—	—	—	—	400,000
Subordinated hybrid notes:							
6.88% due June 13, 2079	600,000	—	—	—	—	—	600,000
5.95% due March 10, 2081	350,000	—	—	—	—	—	350,000
	3,192,000	17,000	120,000	230,000	400,000	600,000	1,825,000
Senior unsecured U.S. dollar denominated notes							
4.19% due June 19, 2024 (US$128,000)	169,018	169,018	—	—	—	—	—
4.75% due November 20, 2025 (US$140,000)	184,863	—	184,863	—	—	—	—
4.95% due November 20, 2028 (US$65,000)	85,829	—	—	—	—	85,829	—
	439,710	169,018	184,863	—	—	85,829	—
Less: current portion of long-term debt	(186,018)	(186,018)	—	—	—	—	—
Total long-term debt	**3,445,692**	**—**	**304,863**	**230,000**	**400,000**	**685,829**	**1,825,000**

Credit Facilities

Keyera's Credit Facility is with a syndicate of six lenders under which it can borrow up to $1.5 billion, with the potential to increase that limit to $2.0 billion subject to certain conditions. As at December 31, 2023, $470 million was drawn under this facility (December 31, 2022 – $40 million).

In December 2023, the Credit Facility was amended to extend the term from December 6, 2027 to December 6, 2028. Management expects to extend the Credit Facility prior to maturity, and in the event of reaching maturity, expects an adequate replacement will be established.

Keyera also has two unsecured revolving demand facilities, one with the Toronto Dominion Bank in the amount of $25 million and the other with the Royal Bank of Canada in the amount of $50 million.

These facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, LIBOR loans or bankers' acceptances.

Long-term Debt

Keyera's long-term debt structure consists of a number of senior unsecured notes, medium-term notes and subordinated hybrid notes. On March 28, 2022, Keyera issued $400 million of senior unsecured medium-term notes in the Canadian public debt market. The notes bear interest at 5.022% per annum which is payable semi-annually and mature on March 28, 2032.

As at December 31, 2023, Keyera had $3.2 billion and US$205 million of long-term debt. To manage the foreign currency exposure on the U.S. dollar denominated debt, Keyera has entered into cross-currency agreements with a syndicate of banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of $0.98 and $1.03 per U.S. dollar for the principal payments and $1.22 and $1.14 per U.S. dollar for the future interest payments. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled, "Net Foreign Currency Gain (Loss) on U.S. Debt and Other", provides more information.

Compliance with Covenants

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

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

As at December 31, 2023, Keyera was in compliance with all covenants under its Credit Facility and outstanding notes. Keyera's Net Debt to Adjusted EBITDA ratio at December 31, 2023 was 2.2x for covenant test purposes (December 31, 2022 – 2.5x). 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.sedarplus.ca*.

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the years ended December 31, 2023 and 2022:

Capital Expenditures and Acquisitions *(Thousands of Canadian dollars)*	2023	2022
Acquisitions	**366,537**	—
Growth capital expenditures	**216,177**	786,206
Maintenance capital expenditures	**119,973**	109,723
Total capital expenditures	**702,687**	895,929

Growth capital expenditures for the year ended December 31, 2023 amounted to $216 million. Refer to the section of this MD&A, "Segmented Results of Operations", for information related to the various growth capital projects, including estimated costs to complete, costs incurred in 2023 and since inception of the project, and estimated completion timeframes.

On February 13, 2023, Keyera completed the acquisition of an additional 21 percent working interest in the KFS complex for total cash consideration of $367 million, including closing adjustments. The acquisition of this additional working interest increased Keyera's total ownership interest in KFS to 98 percent. Keyera acquired general plant and processing equipment of $363 million and land of $2 million. A nominal decommissioning liability was also assumed in relation to the acquisition.

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 $112 million for the year ended December 31, 2023, compared to $81 million in 2022.

Dividends

Funds from Operations, Distributable Cash Flow and Payout Ratio

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

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

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

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

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

Funds from Operations, Distributable Cash Flow and Payout Ratio *(Thousands of Canadian dollars)*	**2023**	2022
Cash flow from operating activities	**975,486**	925,327
Add (deduct):		
Changes in non-cash working capital	**52,007**	(106,480)
Funds from operations	**1,027,493**	818,847
Maintenance capital	**(119,973)**	(109,723)
Leases	**(47,261)**	(43,566)
Prepaid lease asset	**(2,380)**	(2,440)
Inventory write-down	**(3,257)**	(9,595)
Distributable cash flow	**854,622**	653,523
Dividends declared to shareholders	**449,141**	425,665
Payout ratio	**53%**	65%

Distributable cash flow for the year ended December 31, 2023 was $855 million, $201 million higher than the same period in 2022. Refer to the section of this MD&A titled, "Consolidated Financial Results: Cash Flow Metrics", for additional details.

Dividend Policy

During the first quarter of 2023, the board of directors approved a decision to revise Keyera's dividend payments from a monthly to quarterly distribution. Effective with the dividend that was declared in the second quarter of 2023, Keyera paid a quarterly dividend of $0.48 per share instead of a monthly dividend of $0.16 per share that was paid prior to this date.

On August 9, 2023, Keyera's board of directors approved a 4.2% increase to the quarterly dividend and declared a dividend of $0.50 that was paid on September 29, 2023. The annual dividend for 2023 was $1.96 per share compared to the previous annual dividend of $1.92 per share.

One of Keyera's priorities is to maintain and grow the 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 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 on SEDAR+ at www.sedarplus.ca.

Adjusted Cash Flow from Operating Activities and Return on Invested Capital

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

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

Return on invested capital is defined as adjusted cash flow from operating activities divided by invested capital, which includes property, plant and equipment, right-of-use assets, inventory, trade and other receivables, goodwill, intangible assets, less work-in-progress assets and trade and other payables, and provisions. ROIC is used to reflect the profitability of Keyera's in-service capital assets.

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

Adjusted Cash Flow from Operating Activities and Return on Invested Capital *(Thousands of Canadian dollars)*	**2023**	2022
Cash flow from operating activities	**975,486**	925,327
Add:		
Changes in non-cash working capital	**52,007**	(106,480)
Decommissioning liability expenditures	**8,533**	17,455
Finance costs	**204,084**	165,351
Adjusted cash flow from operating activities	**1,240,110**	1,001,653
Invested capital	**7,851,988**	6,315,348
Return on invested capital	**16%**	16%

EBITDA and Adjusted EBITDA

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

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

EBITDA and Adjusted EBITDA *(Thousands of Canadian dollars)*	**2023**	2022
Net earnings	**424,032**	328,294
Add:		
Finance costs	**204,084**	165,351
Depreciation, depletion and amortization expenses	**322,514**	258,264
Income tax expense	**122,645**	104,906
EBITDA	**1,073,275**	856,815
Unrealized gain on commodity contracts	**(63,537)**	(26,647)
Net foreign currency (gain) loss on U.S. debt and other	**(11,472)**	21,551
Impairment expense	**213,508**	180,277
Loss on disposal of property, plant and equipment	**—**	477
Adjusted EBITDA	**1,211,774**	1,032,473

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. At December 31, 2023, the obligations that represent known future cash payments that are required under existing contractual arrangements were as follows:

		Payment Due by Period					
Contractual obligations *(Thousands of Canadian dollars)*	**Total**	**2024**	**2025**	**2026**	**2027**	**2028**	**After 2028**
Derivative financial instruments	20,521	19,907	457	—	157	—	—
Credit facility	470,000	—	—	—	—	470,000	—
Long-term debt[1]	3,631,710	186,018	304,863	230,000	400,000	685,829	1,825,000
Lease liabilities[2]	242,264	49,657	46,748	37,196	24,284	15,819	68,560
Other liabilities[3]	41,996	20,741	17,999	3,256	—	—	—
Decommissioning liabilities[4]	238,804	18,483	—	—	—	—	220,321
Service obligations[5]	25,564	11,608	8,743	2,237	1,264	428	1,284
Purchase obligations[6,7]	19,639	19,639	—	—	—	—	—
Total contractual obligations	**4,690,498**	**326,053**	**378,810**	**272,689**	**425,705**	**1,172,076**	**2,115,165**

Notes:

1 Long-term debt obligations are principal only and exclude interest payments. For the U.S. denominated senior unsecured notes, the principal obligations are converted at the December 31, 2023 spot foreign exchange rate of 1.3205.

2 Lease liabilities include the expected undiscounted cash payments related to leases.

3 Other liabilities include the current and long-term portions of the LTIP liability.

4 No assets have been legally restricted for settlement of the liability.

5 Service obligations relate to terminal storage and natural gas transportation.

6 Purchase obligations include third party contractual commitments related to assets under construction.

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

RELATED PARTY TRANSACTIONS

Keyera has provided compensation to key management personnel who are comprised of its directors and executive officers. There have been no other material related party transactions or significant changes to the annual compensation amounts disclosed in the December 31, 2023 annual audited financial statements.

RISK FACTORS

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

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

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

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

Legislative and Regulatory Risk

Keyera is subject to a range of laws and regulations imposed by various levels of government and regulatory bodies in the jurisdictions in which it operates. In particular, income tax laws, environmental laws and regulatory requirements can have a significant financial and operational impact on Keyera's business. Failure to comply with any applicable laws or regulations could result in substantial fines or revocation of Keyera's operating permits and licenses. Keyera has incurred and expects to continue to incur significant expenses to comply with these laws and regulations.

There can be no guarantee that laws and other government programs relating to the oil and gas industry, the energy services industry and the transportation industry will not be changed in a manner which directly and adversely affects Keyera's business. There can also be no assurance that the laws, regulations, or rules governing Keyera's customers will not be changed in a manner which adversely affects Keyera's customers and, therefore, Keyera's business.

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

Credit Risk

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

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

As at December 31, 2023, the allowance for expected credit losses was $4 million (December 31, 2022 – $4 million) to provide for specific accounts receivable amounts that may be uncollectible. Despite Keyera's efforts in the monitoring and collection of accounts receivable, actual losses from defaults may be greater than that provided for.

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

Credit Ratings

With the assignment of two long-term corporate credit ratings, rating agencies will regularly evaluate Keyera, including its financial strength. The credit ratings applied to Keyera and its securities are an assessment by the relevant ratings agencies of Keyera's ability to pay its obligations as of the respective dates the ratings are assigned. The credit ratings may not reflect the potential impact of risks related to structure, market or other factors discussed herein on the value of Keyera's securities. In addition, factors not entirely within Keyera's control may also be considered, including conditions affecting the industry in which it operates.

There can be no assurance that one or more of Keyera's credit ratings will not be downgraded or withdrawn entirely. A credit rating downgrade could impair Keyera's ability to enter into arrangements with suppliers or counterparties and could limit its access to private and public credit markets and increase the costs of borrowing.

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

Marketing Risk

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

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

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

Operational Risk

Keyera's cash flows may be adversely affected by the occurrence of common hazards and environmental risks related to the natural gas gathering, processing and pipeline transportation business, such as adverse weather conditions, the failure of equipment, systems or processes, failure to maintain adequate supplies or spare parts, operator error, ruptures, leaks or releases of crude oil or petroleum products into the environment, labour disputes, service disruptions (including protests and blockades), disputes with owners of interconnected facilities, catastrophic events or acts of terrorism. If any of these events were to occur, Keyera could suffer substantial losses because of the resulting impact on Keyera's reputation, personal injury or loss of life, severe damage to and destruction of property, equipment, information technology systems, related data and control systems, environmental damage, which may include polluting water, land or air, resulting in regulatory enforcement or curtailment or suspension of the related operations.

To mitigate these operational and environmental risks, Keyera provides training to its employees, maintains written standard operating practices, formally assesses and documents employee competency, and maintains formal inspection, maintenance, safety and environmental programs. In addition, Keyera carries property, casualty and business interruption insurance, although there can be no assurance that the proceeds of such insurance will compensate Keyera fully for any losses, nor can it be assured that such insurance will be available in the future. In addition, if Keyera is unaware of a problem or is unable to locate the problem within the relevant time period, insurance coverage may not be available.

Foreign Currency Risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency. Keyera's functional currency is the Canadian dollar. The Marketing segment has foreign currency risk associated with its sales and purchases denominated in U.S. dollars; however, the Gathering and Processing and Liquids Infrastructure segments have very little foreign currency risk as sales and purchases are primarily denominated in Canadian dollars. Foreign currency risk is actively managed by using forward currency contracts and cross-currency swaps. Management monitors the exposure to foreign currency risk and regularly reviews its risk management strategies and all outstanding positions.

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

Cyber Security

Keyera's business depends on digital technologies and information systems to control its facilities and operations. Keyera is also dependent on thirdparty service providers to help support and maintain its technology systems. Such systems are subject to a variety of cyber-related risks, including hacking, phishing, cyberattacks, cyber fraud and viruses. Further, the failure of a third party to provide the Company with adequate services may result in disruptions to Keyera's technology systems. Keyera collects and stores sensitive data while conducting its business, including personal information regarding its employees and confidential business information of its customers, suppliers, investors, and stakeholders, for which it is legally responsible. There is a risk that failure of one or more technology systems could lead to failure of other systems. In addition, the risk of cyber-attacks in general is increasing.

A breach in Keyera's security or information technology could result in operational outages, delays in the delivery or availability of our customers' products, contamination or degradation of products, potential releases of hydrocarbon products, financial loss, loss of material data, reputational harm and other adverse outcomes. Keyera may be held liable for any such outcome. The frequency and sophistication of cyber-attacks continue to increase year-over-year, and Keyera expects to continue to experience attempts to gain unauthorized access to its information systems. Further, the increased remote access to information technology systems may heighten the threat of a cyber-security breach. These risks are somewhat mitigated through Keyera's technology strategy that focuses on employing a multilayer security framework and incident management system to protect and detect issues within its information technology infrastructure.

Breach of Confidentiality

Keyera regularly enters into confidentiality agreements with third parties prior to the disclosure of any confidential information when discussing potential business relationships or other transactions. Breaches of confidentiality could put Keyera at competitive risk and may cause significant damage to its business. There is no assurance that, in the event of a breach of confidentiality, Keyera will be able to obtain equitable remedies from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to its business that such a breach of confidentiality may cause.

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

Keyera is subject to a range of operational 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, emissions, 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 in Alberta is subject to provincial and federal environmental legislation and regulations. Among other things, the environmental regulatory regime restricts or prohibits 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 pipelines 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 notices of non-compliance, 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. Keyera's facilities also require the combustion of fossil fuels in engines, turbines, heaters and boilers, as well as the use of electricity, all of which release carbon dioxide, methane and other minor greenhouse gases. As such, Keyera is subject to various greenhouse gas reporting requirements and emission intensity and reduction requirements. 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.

The regulatory framework in respect of greenhouse gases and other emissions is evolving rapidly. An increasing area of risk relates to the ongoing development, change and costs associated with federal and provincial emissions-related regulation, including emissions management and direct costs related to compliance and monitoring.

In 2023, Keyera's management and the Board continued to advance the integration of climate-related risks and opportunities into corporate strategy, risk management processes, and capital investment frameworks. These advancements support Keyera's energy transition strategy, founded on a parallel path approach designed to lower both emissions and operating costs from Keyera's base operations, while at the same time pursuing strategic, lower-carbon commercial opportunities arising from the energy transition. Keyera intends to continue to reduce emissions from base operations by pursuing operational efficiency, optimizing the utilization of our assets, investing in technology, supporting renewables, and exploring the use of carbon capture, utilization, and storage ("CCUS") in operations. With regards to pursuing energy transition opportunities, Keyera is exploring low-carbon services and new business models that leverage Keyera's existing asset base, core competencies, and strong customer relationships.

SELECTED FINANCIAL INFORMATION

The following table presents selected annual financial information for Keyera:

(Thousands of Canadian dollars, except per share information)	**2023**	2022	2021
Revenue before inter-segment eliminations[1]			
• Gathering and Processing	**733,316**	722,395	596,212
• Liquids Infrastructure	**768,996**	633,310	591,292
• Marketing	**6,055,725**	6,135,499	4,181,557
• Other	**40**	58	(252)
Operating margin			
• Gathering and Processing	**392,430**	347,900	323,131
• Liquids Infrastructure	**486,467**	413,879	409,371
• Marketing	**554,251**	414,973	314,140
• Other	**(210)**	(971)	(1,342)
Realized margin[2]			
• Gathering and Processing	**394,530**	346,772	322,743
• Liquids Infrastructure	**496,114**	405,912	409,187
• Marketing	**478,967**	397,421	322,946
• Other	**(210)**	(971)	(1,342)
Net earnings	**424,032**	328,294	324,206
Earnings per share ($/share):			
• Basic	**1.85**	1.48	1.47
• Diluted	**1.85**	1.48	1.47
Dividends to shareholders	**449,141**	425,665	424,364
Dividends per share (basic)	**1.96**	1.92	1.92
Shares outstanding (thousands)			
• Weighted average (basic)	**229,153**	221,290	221,023
• Weighted average (diluted)	**229,153**	221,290	221,023
Total assets	**8,780,011**	8,568,188	8,130,306
Total long-term liabilities	**5,205,317**	4,749,473	4,559,713

Notes:

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

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

Keyera achieved outstanding financial results in 2023 with record operating margin recognized from all three operating segments.

The Gathering and Processing segment's record operating margin in 2023 was primarily attributable to stronger contribution from the Wapiti and Pipestone gas plants.

The Liquids Infrastructure segment's record operating margin in 2023 was mainly attributable to the acquisition of an additional 21% ownership interest in the KFS complex and incremental margin associated with the KAPS pipeline system.

The Marketing segment's record operating margin in 2023 was primarily due to higher unrealized non-cash gains from risk management contracts in 2023 compared to 2022 and higher iso-octane contribution resulting from record sales volumes, strong product premiums and motor gasoline pricing.

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Dec 31, 2023	Sep 30, 2023	Jun 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
Revenue[1]								
Gathering and Processing	**202,767**	174,908	169,024	186,617	202,837	186,302	179,382	153,874
Liquids Infrastructure	**214,790**	195,775	180,222	178,209	164,749	153,403	156,543	158,615
Marketing	**2,019,586**	1,203,704	1,269,463	1,562,972	1,519,190	1,476,268	1,653,814	1,486,227
Other	**11**	11	12	6	22	11	(7)	32
Operating margin (loss)								
Gathering and Processing	**114,851**	90,950	87,207	99,422	93,017	89,628	88,686	76,569
Liquids Infrastructure	**128,133**	123,623	117,305	117,406	106,542	102,993	99,472	104,872
Marketing	**202,851**	69,387	166,371	115,642	28,293	124,235	170,196	92,249
Other	**(49)**	(57)	(70)	(34)	(43)	(72)	(92)	(764)
Operating margin	**445,786**	283,903	370,813	332,436	227,809	316,784	358,262	272,926
Realized margin (loss)[2]								
Gathering and Processing	**115,983**	93,811	84,430	100,306	92,837	89,066	88,182	76,687
Liquids Infrastructure	**130,170**	128,051	119,228	118,665	101,753	101,414	97,825	104,920
Marketing	**128,597**	99,714	134,139	116,517	48,731	83,680	161,985	103,025
Other	**(49)**	(57)	(70)	(34)	(43)	(72)	(92)	(764)
Realized margin[2]	**374,701**	321,519	337,727	335,454	243,278	274,088	347,900	283,868
Net earnings (loss)	**49,192**	78,112	158,939	137,789	(81,895)	123,389	173,006	113,794
Net earnings (loss) per share ($/share)								
Basic	**0.21**	0.34	0.69	0.60	(0.37)	0.56	0.78	0.51
Diluted	**0.21**	0.34	0.69	0.60	(0.37)	0.56	0.78	0.51
Weighted average number of shares (basic)	**229,153**	229,153	229,153	229,153	222,083	221,023	221,023	221,023
Weighted average number of shares (diluted)	**229,153**	229,153	229,153	229,153	222,083	221,023	221,023	221,023
Dividends declared to shareholders	**114,577**	114,577	109,993	109,994	107,392	106,091	106,091	106,091

Notes:

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

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

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

- improved energy demand and stronger commodity prices that resulted in periods of record operating margin for the Gathering and Processing and Liquids Infrastructure segments and strong contribution from the Marketing segment;
- growth in demand for diluent handling services in the Liquids Infrastructure segment backed by long-term, take-or-pay contracts with credit worthy counterparties;
- incremental margin from: i) the KFS complex mainly attributable to the acquisition of an additional 21% working interest in the first quarter of 2023; and ii) the KAPS pipeline system which commenced operations in the second quarter of 2023;
- record gross processing throughput levels for the Wapiti and Pipestone gas plants in the Gathering and Processing segment that contributed to higher operating margin;
- impairment charges recognized for the Wildhorse terminal in the Liquids Infrastructure segment and the Simonette gas plant in the Gathering and Processing segment;
- periods of record seasonal motor gasoline pricing and iso-octane premiums; and
- a prudent and effective risk management program.

See the section of this MD&A, "Segmented Results of Operations", for more information on the financial results of Keyera's operating segments for the year ended December 31, 2023.

ADOPTION OF NEW STANDARDS

During the year ended December 31, 2023, Keyera adopted the following:

Amendments to IAS 1, Presentation of Financial Statements

The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. To assist in identifying material accounting policies, *IFRS Practice Statement 2, Making Materiality Judgments* was amended to include guidance in applying the four-step materiality process to accounting policy disclosure. The amendments to IAS 1 became effective for annual periods beginning on or after January 1, 2023 and have been applied prospectively. Since the amendments relate to the disclosure of accounting policies, the adoption of the amendments did not impact the company's consolidated financial statements.

International Tax Reform – Pillar Two Disclosures

On May 23, 2023, the International Accounting Standards Board ("IASB") issued *International Tax Reform – Pillar Two Model Rules*, which amends *IAS 12, Income Taxes*. These amendments were issued in response to rules published by the Organisation for Economic Co-operation and Development ("OECD") and clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the "Pillar Two" model published by the OECD. A mandatory temporary exception was introduced from recognizing and disclosing deferred tax assets and liabilities related to enacted and substantively enacted tax law that implements Pillar Two income taxes. While the amendments to IAS 12 are effective immediately, the tax jurisdiction in which the Company operates has not substantially enacted this legislation. For the year ended December 31, 2023, income tax recognized in the consolidated statements of net earnings and comprehensive income was $123 million, of which $nil would have related to Pillar Two income taxes.

FUTURE ACCOUNTING PRONOUNCEMENTS

There were no significant new accounting standards or interpretations issued during the year ended December 31, 2023.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of December 31, 2023, 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, 2023 and ending December 31, 2023 that have materially affected, or are reasonably likely to materially affect Keyera's internal controls over financial reporting.

COMMON SHARES

In December 2022, Keyera issued an aggregate of 8,130,500 common shares, including 1,060,500 common shares pursuant to the over-allotment option in connection with the public offering, for gross consideration of $230 million.

The total common shares outstanding at December 31, 2023 was 229,153,373.

NON-GAAP AND OTHER FINANCIAL MEASURES

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

Funds from Operations	
Definition	Cash flow from operating activities adjusted for changes in non-cash working capital.
Utilization	Funds from operations is used to assess the level of cash flow generated from operating activities excluding the effect of changes in non-cash working capital, as they are primarily the result of seasonal fluctuations in product inventories or other temporary changes. Funds from operations is also a valuable measure that allows investors to compare Keyera with other companies within the midstream oil and gas industry. For a reconciliation of funds from operations to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section titled, "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".

Distributable Cash Flow ("DCF") / Distributable Cash Flow per Share	
Definition	Cash flow from operating activities adjusted for changes in non-cash working capital, inventory write-downs, maintenance capital expenditures and lease payments, including the periodic costs related to prepaid leases. Distributable cash flow divided by weighted average number of shares – basic.
Utilization	Distributable cash flow is used to assess the level of cash flow generated from ongoing operations and to evaluate the adequacy of internally generated cash flow to fund dividends. For a reconciliation of distributable cash flow to the most directly comparable GAAP measure, cash flow from operating activities, refer to the section titled, "Dividends: Funds from Operations, Distributable Cash Flow and Payout Ratio".

Payout Ratio	
Definition	Dividends declared to shareholders divided by distributable cash flow.
Utilization	Payout ratio is used to assess the sustainability of the company's dividend payment program.

Realized Margin	
Definition	Operating margin excluding unrealized gains and losses on commodity-related risk management contracts.
Utilization	Realized margin is used to assess the financial performance of Keyera's ongoing operations without the effect of unrealized gains and losses on commodity-related risk management contracts related to future periods. For a reconciliation of realized margin to the most directly comparable GAAP measure, operating margin, refer to the section titled, "Segmented Results of Operations".

EBITDA / Adjusted EBITDA	
Definition	Earnings before finance costs, taxes, depreciation, and amortization. EBITDA before costs associated with non-cash items, including unrealized gains/losses on commodity-related contracts, net foreign currency gains/losses on U.S. debt and other, impairment expenses and any other non-cash items such as gains/losses on the disposal of property, plant and equipment.
Utilization	EBITDA and adjusted EBITDA are measures used as an indication of earnings generated from operations after consideration of administrative and overhead costs. For a reconciliation of EBITDA and adjusted EBITDA to the most directly comparable GAAP measure, net earnings, refer to the section titled, "EBITDA and Adjusted EBITDA".

Adjusted Cash Flow from Operating Activities	
Definition	Cash flow provided by operating activities before changes in non-cash working capital, decommissioning liability expenditures and finance costs.
Utilization	Adjusted cash flow from operating activities is used solely for purposes of calculating return on invested capital and is therefore not used by management on a stand-alone basis. Since the return on invested capital measure is intended to be calculated on an annual basis, the reconciliation of adjusted cash flow from operating activities to the most directly comparable GAAP measure, cash flow from operating activities, can be found in the section titled, "Adjusted Cash Flow from Operating Activities and Return on Invested Capital' included in Keyera's most recent annual MD&A.

Return on Invested Capital ("ROIC")	
Definition	Adjusted cash flow from operating activities, divided by invested capital, which includes property, plant and equipment, right-of-use assets, inventory, trade and other receivables, goodwill, intangible assets, less work-in-progress assets and trade and other payables, and provisions.
Utilization	Return on invested capital is used to reflect the profitability of Keyera's in-service capital assets.

Annual Return on Capital for KAPS	
Definition	Operating margin attributable to the KAPS pipeline divided by the estimated capital cost for the development of the KAPS project.
Utilization	Annual return on capital for KAPS is used to reflect the profitability of the KAPS pipeline. As at December 31, 2023, Keyera now expects the annual return on capital of 10% to 15% for KAPS to be achieved beyond the original timeframe of 2025 that was previously provided. This is based on existing contracts and management's current expectations regarding incremental contracting.

Compound Annual Growth Rate ("CAGR") Calculations

Definition

CAGR is calculated as follows:

$$\text{CAGR} = \left[\frac{\text{End of the period*}}{\text{Beginning of the period*}}\right]^{\left[\frac{1}{\text{Number of Years}}\right]} - 1$$

* Beginning and end of period values for the CAGR calculations are defined below.

CAGR for Adjusted EBITDA holding Marketing constant
(Previously CAGR for Adjusted EBITDA from the Fee-for-Service Business)
CAGR for adjusted EBITDA holding Marketing constant is intended to provide information on a forward-looking basis. This calculation utilizes beginning and end of period adjusted EBITDA, which includes the following components and assumptions: i) forecasted realized margin for the Gathering and Processing and Liquids Infrastructure segments, ii) realized margin for the Marketing segment, which is held at a value within the expected base realized margin between $310 million and $350 million (previously $250 million and $280 million), and iii) adjustments for total forecasted general and administrative, and long-term incentive plan expenses. During the fourth quarter of 2023, Keyera revised the label of this metric to "CAGR for Adjusted EBITDA holding Marketing constant" (previously disclosed as CAGR for Adjusted EBITDA from the Fee-for-Service Business). This change more accurately reflects the meaning of the metric and the inclusion of Marketing cash flows, which are not fee-for-service cash flows. This revision did not impact the composition of the metric.

CAGR for DCF per Share
Calculation utilizes beginning and end of period DCF per share, which is a non-GAAP ratio as defined above.

CAGR for Dividends per Share
Calculation utilizes beginning and end of period dividends per share, which is a supplementary financial measure.

Utilization

For adjusted EBITDA from the fee-for-service business, by holding contribution from the Marketing segment flat within the base realized margin range, this forward-looking CAGR calculation represents the expected earnings growth attributable to the fee-for-service business. Margin and EBITDA growth reinforces Keyera's ability to sustainably return capital to shareholders over the long term.

From 2022 to 2025, the CAGR for adjusted EBITDA from the fee-for-service business is expected to be within the range of 6% to 7%. On an equivalent historical basis, for 2019 to 2022, this growth rate was 3%. This calculation assumed a flat contribution of $250 million from the Marketing segment and since it has been provided on an equivalent historical basis, does not take into consideration incremental margin from the KAPS pipeline system or expected volume growth at both the Wapiti and Pipestone gas plants.

For DCF per share and dividends per share, the CAGR calculations provide the related growth rates over historical periods.

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", "expect" 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 in 2024 and 2025, its Marketing business will contribute on average a base realized margin of between $310 million and $350 million (previously $250 million and $280 million);
- estimated costs and benefits associated with reductions in operating and G&A expenses and optimization of gas plants, estimated maintenance and turnaround costs and estimated decommissioning expenses;
- the expectation that demand for Keyera's liquid infrastructure service offerings will remain strong;
- future dividends and taxes;
- business strategy, anticipated growth and plans of management;
- budgets, including future growth capital, operating and other expenditures and projected costs;
- cost escalations, including inflationary pressures on operating costs, such as labour, materials, natural gas and other energy sources used in Keyera's operations and increased insurance deductibles or premiums;
- estimated utilization rates and throughputs;
- 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;
- plans, targets, and strategies with respect to reducing greenhouse gas emissions and anticipated reductions in emissions levels; and
- Keyera's ESG, climate change and risk management initiatives and their implementation generally.

All forward-looking information reflects Keyera's beliefs and assumptions based on information available at the time the applicable forward-looking information is made and in light of Keyera's current expectations with respect to such things as the outlook for general economic trends, industry trends, commodity prices, Keyera's access to the capital markets and the cost of raising capital, the integrity and reliability of Keyera's assets, the governmental, regulatory and legal environment, the COVID-19 pandemic and the duration and impact thereof, general compliance with Keyera's plans, strategies, programs, and goals across its reporting and monitoring systems among employees, stakeholders and service providers. Keyera's expectation as to the "base realized margin" to be contributed by its Marketing segment assumes: i) a crude oil price of between US$65 and US$75 per barrel; ii) butane feedstock costs comparable to the 10-year average; and iii) AEF utilization near nameplate capacity. For all construction projects, estimated completion times and costs assume that construction proceeds as planned on schedule and on budget and that, where required, all regulatory approvals and other third-party approvals or consents are received on a timely basis. In some instances, this MD&A may also contain forward-looking information attributed to third parties. Forward-looking information does not guarantee future performance. Management believes that its assumptions and expectations reflected in the forward-looking information contained herein are reasonable based on the information available on the date such information is provided and the process used to prepare the information. However, it cannot assure readers that these expectations will prove to be correct.

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

- Keyera's ability to implement its strategic priorities and business plan and achieve the expected benefits;
- general industry, market and economic conditions;
- activities of customers, producers and other facility owners;
- operational hazards and performance;
- the effectiveness of Keyera's risk management programs;
- competition;
- changes in commodity composition and prices, inventory levels, supply/demand trends and other market conditions and factors;
- disruptions to global supply chains and labour shortages;
- processing and marketing margins;
- climate change risks, including the effects of unusual weather and natural catastrophes;
- climate change effects and regulatory and market compliance and other costs associated with climate change;
- variables associated with capital projects, including the potential for increased costs, including inflationary pressures, timing, delays, cooperation of partners, and access to capital on favourable terms;
- fluctuations in interest, tax and foreign currency exchange rates;
- hedging strategy risks;
- 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;
- risks related to a breach of confidentiality;
- changes in environmental and other laws and regulations;
- the ability to obtain regulatory, stakeholder and third-party approvals;
- actions by governmental authorities;

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

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

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

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

Investor Information

DIVIDENDS TO SHAREHOLDERS

Dividends declared to shareholders of Keyera were $0.50 per share in the fourth quarter of 2023.

TAXABILITY OF DIVIDENDS

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

SUPPLEMENTARY INFORMATION

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

YEAR END AND FOURTH QUARTER 2023 RESULTS CONFERENCE CALL AND WEBCAST

Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the financial results for the fourth quarter and year-end of 2023 at 8:00 AM Mountain Time (10:00 AM Eastern Time) on Wednesday, February 14, 2024. Callers may participate by dialing 888-664-6392 or 416-764-8659. A recording of the conference call will be available for replay until 10:00 PM Mountain Time on February 28, 2024 (12:00 AM Eastern Time on February 29, 2024), by dialing 888-390-0541 or 416-764-8677 and entering passcode 274210.

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

QUESTIONS

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

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

Management has developed and maintains an extensive system of internal accounting controls that provide reasonable assurance that all transactions are accurately recorded, that the financial statements realistically report the Company's operating and financial results, and that the Company's assets are safeguarded. Management believes that this system of internal controls has operated effectively for the year ended December 31, 2023. The Company has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to the Company which complies with the requirements of Canadian securities legislation.

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

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

/s/ *C. Dean Setoguchi*

C. Dean Setoguchi
Chief Executive Officer
Keyera Corp.

/s/ *Eileen Marikar*

Eileen Marikar
Chief Financial Officer
Keyera Corp.

February 13, 2024
Calgary, Alberta

Deloitte.

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Independent Auditor's Report

To the Shareholders and the Board of Directors of
Keyera Corp.

Opinion

We have audited the consolidated financial statements of Keyera Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of net earnings and comprehensive income, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Property, Plant and Equipment - Impairment - Refer to Notes 3 and 9 to the financial statements

Key Audit Matter description

The Company reviews property, plant and equipment for indicators of impairment at each reporting date or whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. When an impairment indicator is identified the Company determines the recoverable amount and compares it to the carrying value of the asset. The recoverable amount is the greater of: i) an asset's fair value less costs of disposal; and ii) its value in use. As at December 31, 2023, management assessed internal and external factors, and concluded that there were events and changes in circumstances that indicated a potential impairment within the U.S. Liquids Infrastructure Cash Generating Unit due to market conditions affecting the Wildhorse terminal. The carrying amount of the identified asset exceeded its recoverable amount, which resulted in an impairment loss.

Auditing the Company's assessment of whether an indicator of impairment or impairment reversal existed as at December 31, 2023 required increased auditor attention due to the judgments made by management when determining whether events or changes in circumstances could indicate a potential impairment or impairment reversal.

Auditing the recoverable amount of the identified asset required management to evaluate market data. This required increased auditor attention due to the estimation uncertainty. As a result, auditing the indicators of impairment or impairment reversal and the recoverable amount of the identified asset required an increased extent of audit effort including the involvement of fair value specialists.

How the Key Audit Matter Was Addressed in the Audit

Our audit procedures related to the assessment of whether an indicator of impairment or impairment reversal existed included the following, among others:

- Evaluated management's indicator assessment of internal or external factors that could result in an impairment charge or impairment reversal;
- Evaluated the reasonableness of the change in the Company's forecasted operating margins by comparing key assumptions to:
  - Historical operating margins taking into consideration known changes in operations or the industry in which it operates; and
  - Internal communications with management and the Board of Directors, as appropriate.

Our audit procedures related to the assessment of the recoverable amount of the identified asset included the following, among others:

  - With the assistance of fair value specialists, obtained market information surrounding comparable transactions and evaluated their comparability to determine a fair value range and compared it to management's recoverable amount.

Other Information

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

- Management's Discussion and Analysis; and

- The information, other than the financial statements and our auditor's report thereon, in the 2023 Year-End Report.

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

We obtained Management's Discussion and Analysis and the 2023 Year-End Report prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

/s/ Deloitte LLP

Chartered Professional Accountants
February 14, 2024
Calgary, Alberta

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

As at	Note	December 31, 2023	December 31, 2022
ASSETS			
Cash		**20,088**	—
Trade and other receivables	6	**688,237**	708,781
Derivative financial instruments	22	**121,349**	79,369
Inventory	7	**225,790**	300,883
Other assets	8	**12,549**	19,099
Total current assets		**1,068,013**	1,108,132
Derivative financial instruments	22	**55,032**	105,229
Property, plant and equipment	9	**7,260,479**	6,992,196
Right-of-use assets	10	**233,721**	238,685
Intangible assets		**50,443**	59,691
Goodwill	11	**32,015**	32,015
Deferred tax assets	17	**80,308**	32,240
Total assets		**8,780,011**	8,568,188
LIABILITIES AND EQUITY			
Bank indebtedness		**—**	1,803
Trade and other payables, and provisions	12	**529,989**	806,526
Derivative financial instruments	22	**19,907**	80,843
Dividends payable	20	**—**	36,665
Current portion of long-term debt	13	**186,018**	30,000
Current portion of decommissioning liability	14	**18,483**	15,933
Current portion of lease liabilities	15	**40,823**	28,229
Total current liabilities		**795,220**	999,999
Derivative financial instruments	22	**614**	5,883
Credit facilities	13	**470,000**	40,000
Long-term debt	13	**3,426,994**	3,622,745
Decommissioning liability	14	**220,321**	163,421
Long-term lease liabilities	15	**162,685**	181,170
Other long-term liabilities	16	**26,408**	9,736
Deferred tax liabilities	17	**898,295**	726,518
Total liabilities		**6,000,537**	5,749,472
Equity			
Share capital	18	**3,372,561**	3,372,738
Accumulated deficit		**(602,115)**	(577,006)
Accumulated other comprehensive income		**9,028**	22,984
Total equity		**2,779,474**	2,818,716
Total liabilities and equity		**8,780,011**	8,568,188

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

These consolidated financial statements were approved by the board of directors of Keyera Corp. on February 13, 2024.

(Signed) Michael Norris
Director

(Signed) C. Dean Setoguchi
Director

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

	Note	**2023**	2022
Revenue	30	**7,053,126**	7,060,223
Expenses	30	**(5,620,188)**	(5,884,442)
Operating margin		**1,432,938**	1,175,781
General and administrative expenses	25	**(106,494)**	(82,843)
Finance costs	26	**(204,084)**	(165,351)
Depreciation, depletion and amortization expenses	27	**(322,514)**	(258,264)
Net foreign currency gain (loss) on U.S. debt and other	23	**11,472**	(21,551)
Long-term incentive plan expense	21	**(50,909)**	(33,284)
Impairment expense	9, 11	**(213,508)**	(180,277)
Loss on disposal of property, plant and equipment	9	**—**	(477)
Other		**(224)**	(534)
Earnings before income tax		**546,677**	433,200
Income tax expense	17	**(122,645)**	(104,906)
Net earnings		**424,032**	328,294
Other comprehensive (loss) income			
Foreign currency translation adjustment		**(13,956)**	35,819
Comprehensive income		**410,076**	364,113
Earnings per share			
Basic earnings per share	19	**1.85**	1.48
Diluted earnings per share	19	**1.85**	1.48

See accompanying notes to the consolidated financial statements.

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

	Note	2023	2022
Cash provided by (used in):			
OPERATING ACTIVITIES			
Net earnings		**424,032**	328,294
Adjustments for items not affecting cash:			
Finance costs	26	**23,790**	21,633
Depreciation, depletion and amortization expenses	27	**322,514**	258,264
Unrealized gain on derivative financial instruments	22	**(57,988)**	(39,554)
Unrealized (gain) loss on foreign exchange		**(16,178)**	32,101
Inventory write-down	7	**3,257**	9,595
Deferred income tax expense	17	**123,091**	45,215
Impairment expense	9, 11	**213,508**	180,277
Loss on disposal of property, plant and equipment	9	**—**	477
Decommissioning liability expenditures	14	**(8,533)**	(17,455)
Changes in non-cash working capital	29	**(52,007)**	106,480
Net cash provided by operating activities		**975,486**	925,327
INVESTING ACTIVITIES			
Acquisitions	9	**(366,537)**	—
Capital expenditures	9	**(336,150)**	(895,929)
Prepaid lease asset	10	**—**	3,360
Proceeds on disposal of property, plant and equipment	9	**—**	39,815
Changes in non-cash working capital	29	**(117,026)**	8,833
Net cash used in investing activities		**(819,713)**	(843,921)
FINANCING ACTIVITIES			
Borrowings under credit facility	13, 29	**1,330,000**	700,000
Repayments under credit facility	13, 29	**(900,000)**	(890,000)
Proceeds from issuance of long-term debt	13, 29	**—**	400,000
Repayments of long-term debt	13, 29	**(30,000)**	(60,000)
Financing costs related to credit facility/long-term debt	13, 29	**(967)**	(3,126)
Proceeds from equity offering	18	**—**	230,093
Issuance costs related to equity offering	18	**(229)**	(9,687)
Lease payments	15, 29	**(47,261)**	(43,566)
Dividends paid to shareholders	20	**(485,806)**	(424,364)
Net cash used in financing activities		**(134,263)**	(100,650)
Effect of exchange rate fluctuations on foreign cash held		**381**	1,501
Net increase (decrease) in cash		**21,891**	(17,743)
(Bank indebtedness) cash at the beginning of the year		**(1,803)**	15,940
Cash (bank indebtedness) at the end of the year		**20,088**	(1,803)
Income taxes paid (received) in cash		**27,520**	62,613
Interest paid in cash		**215,420**	186,648

See accompanying notes to the consolidated financial statements.

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

	Share Capital (Note 18)	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Total
Balance at December 31, 2021	**3,150,104**	**(479,635)**	**(12,835)**	**2,657,634**
Common shares issued pursuant to equity offering[1]	222,634	—	—	222,634
Net earnings	—	328,294	—	328,294
Dividends declared to shareholders	—	(425,665)	—	(425,665)
Other comprehensive income	—	—	35,819	35,819
Balance at December 31, 2022	**3,372,738**	**(577,006)**	**22,984**	**2,818,716**
Issuance costs – 2022 equity offering	(177)	—	—	(177)
Net earnings	—	424,032	—	424,032
Dividends declared to shareholders	—	(449,141)	—	(449,141)
Other comprehensive loss	—	—	(13,956)	(13,956)
Balance at December 31, 2023	**3,372,561**	**(602,115)**	**9,028**	**2,779,474**

Note:
1 Net of issuance costs and a related deferred income tax asset recorded.

See accompanying notes to the consolidated financial statements.

Keyera Corp.
Notes to the Consolidated Financial Statements
As at and for the years ended December 31, 2023 and 2022
(All amounts expressed in thousands of Canadian dollars, except as otherwise noted)

1. GENERAL BUSINESS DESCRIPTION

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

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

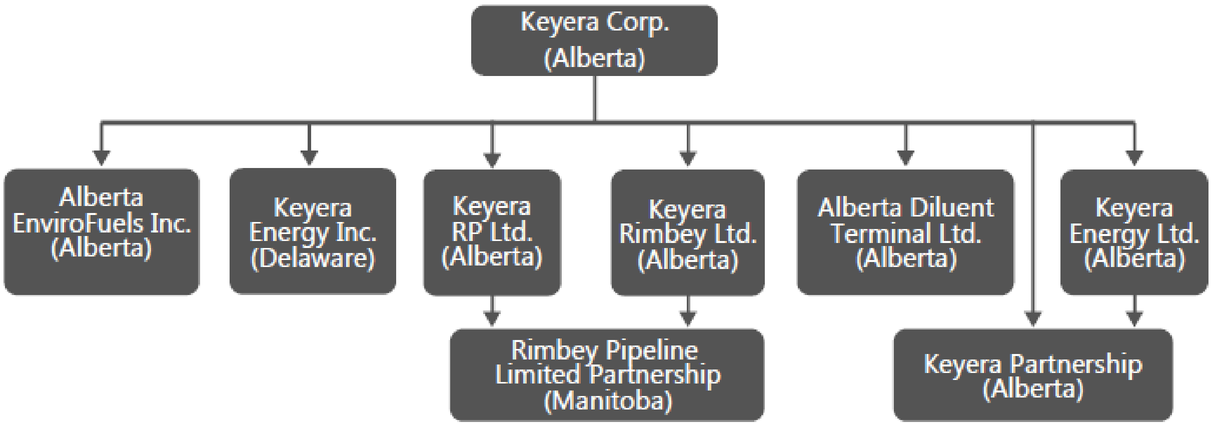
Pursuant to its Articles of Amalgamation, Keyera Corp. is authorized to issue an unlimited number of common shares (the "Shares"). The Shares trade on the Toronto Stock Exchange under the symbol "KEY".

Keyera is approved to issue two classes of preferred shares (one class referred to as the "First Preferred Shares", a second class referred to as the "Second Preferred Shares"), and collectively both classes being referred to as the "Preferred Shares". Each are issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the board of directors may at any time and from time to time determine, subject to an aggregate maximum number of authorized Preferred Shares. No preferred shares have been issued as at December 31, 2023.

Interests in Subsidiaries

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

The following diagram sets out the name and jurisdiction of formation of the operating subsidiaries of Keyera Corp. as of December 31, 2023.



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

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

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

Interests in Material Jointly Controlled Operations

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

Name of Joint Arrangement	Place of Business	% Ownership	Nature of Relationship
Alder Flats Gas Plant	Alberta	70%	Gathering and Processing Facilities
Base Line Terminal	Alberta	50%	Crude Oil Storage
Brazeau River Gas Plant	Alberta	94%	Gathering and Processing Facilities
Cynthia Gas Plant	Alberta	94%	Gathering and Processing Facilities
KAPS Pipeline	Alberta	50%	NGL and Condensate Pipelines
Keyera Fort Saskatchewan ("KFS") Facilities[1]	Alberta	98%	NGL Processing, Storage and Pipelines
Minnehik Buck Lake Gas Plant[2]	Alberta	80%	Gathering and Processing Facilities
Norlite Pipeline	Alberta	30%	NGL Pipelines
Ricinus Gas Plant[3]	Alberta	71%	Gathering and Processing Facilities
Rimbey Gas Plant	Alberta	99%	Gathering and Processing Facilities, NGL Processing, and Rail Loading
South Cheecham Rail and Truck Terminal	Alberta	50%	Rail Loading, Offloading and Storage[4]
South Grand Rapids Pipeline	Alberta	50%	NGL Pipelines
West Pembina Gas Plant[5]	Alberta	83%	Gathering and Processing Facilities
Zeta Creek Gas Plant	Alberta	60%	Gathering and Processing Facilities

Notes:
1 In 2023, Keyera acquired an additional 21% ownership interest in KFS (refer to note 9).
2 Operations were suspended in May 2020.
3 Operations were suspended in September 2021.
4 Includes sulphur handling, forming and storage.
5 Operations were suspended in August 2020.

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

2. BASIS OF PREPARATION

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

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

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

The consolidated financial statements were authorized for issuance on February 13, 2024 by the board of directors.

Adoption of new accounting standards

During the year ended December 31, 2023, Keyera adopted the following:

Amendments to IAS 1, Presentation of Financial Statements
The amendments to IAS 1 require entities to disclose material accounting policies instead of significant accounting policies. To assist in identifying material accounting policies, *IFRS Practice Statement 2, Making Materiality Judgments* was amended to include guidance in applying the four-step materiality process to accounting policy disclosure. The amendments to IAS 1 became effective for annual periods beginning on or after January 1, 2023 and have been applied prospectively. Since the amendments relate to the disclosure of accounting policies, the adoption of the amendments did not impact the company's consolidated financial statements.

International Tax Reform – Pillar Two Disclosures
On May 23, 2023, the International Accounting Standards Board ("IASB") issued *International Tax Reform – Pillar Two Model Rules*, which amends *IAS 12, Income Taxes*. These amendments were issued in response to rules published by the Organisation for Economic Co-operation and Development ("OECD") and clarify that IAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the "Pillar Two" model published by the OECD. A mandatory temporary exception was introduced from recognizing and disclosing deferred tax assets and liabilities related to enacted and substantively enacted tax law that implements Pillar Two income taxes. While the amendments to IAS 12 are effective immediately, the tax jurisdiction in which the Company operates has not substantially enacted this legislation. For the year ended December 31, 2023, income tax recognized in the consolidated statements of net earnings and comprehensive income was $122,645, of which $nil would have related to Pillar Two income taxes.

3. MATERIAL ACCOUNTING POLICIES

Principles of consolidation

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

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

Jointly controlled operations

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

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

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

Business combinations

Business combinations are accounted for using the acquisition method. Assets and liabilities acquired in a business combination and any contingent consideration are measured at their fair values as of the date of acquisition and subsequently remeasured at fair value with changes recorded through the consolidated statements of net earnings and comprehensive income each period until settled. In addition, acquisition related and restructuring costs are recognized separately from the business combination and are expensed to the consolidated statements of net earnings and comprehensive income. Business combinations also apply to the acquisition of an interest in a joint operation in which the activity of the joint operation constitutes a business.

Currency

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

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

Foreign subsidiary translation

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

Revenue recognition

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

Gathering and Processing segment

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

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

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

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

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

Liquids Infrastructure segment

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

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

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

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

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

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

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

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

Take-or-pay arrangements

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

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

Marketing segment

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

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

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

Share-based compensation

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

Inventory

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

Property, plant and equipment

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

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

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

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

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

Impairment of property, plant and equipment

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

The recoverable amount is the greater of:

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

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

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

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

Goodwill

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

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

Impairment of goodwill

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

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

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

Financial assets and financial liabilities

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

Financial assets

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

a) Financial assets measured at amortized cost

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

b) Financial assets measured at fair value

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

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

Impairment of financial assets

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

Financial liabilities

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

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

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

b) Financial liabilities measured at amortized cost

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

Derivatives and embedded derivatives

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

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

Derivative instruments are recorded on the consolidated statements of financial position at fair value. Changes in the fair value of derivatives are recognized in the consolidated statements of net earnings and comprehensive income in the period in which they arise and are included in Marketing revenues, Liquids Infrastructure operating expenses, Gathering and Processing revenues and operating expenses, Corporate and Other operating expenses and foreign currency gain (loss) on U.S. debt and other. The grouping of these gains and losses in the consolidated statements of net earnings and comprehensive income is consistent with the underlying nature and purpose of the derivative instruments (see note 22).

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

Provisions

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

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

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

Decommissioning Liability

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

Taxation

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

a) Current tax

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

b) Deferred tax

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

Deferred tax liabilities:

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

- are not recognized on temporary differences that arise from goodwill which is not deductible for tax purposes.

Deferred tax assets:

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

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

Leases

Lease identification and initial measurement

Lessee lease arrangements are identified whenever the contract terms provide Keyera with the right to control the use of an identified asset for a period of time in exchange for consideration. Leases are recognized at the commencement of the lease, which is the date that the underlying asset is made available for use, by recording a lease liability and a corresponding right-of-use asset. The lease liability is initially recognized at the present value of the minimum lease payments that have not been paid at that date.

Variable lease payments that are dependent on future performance or use of the underlying asset are excluded from the measurement of the lease liability, and instead are recognized in the consolidated statements of net earnings and comprehensive income in the period that such payments are incurred.

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

The right-of-use asset is initially measured at cost. Prepaid lease assets include long-term arrangements which provide Keyera with the exclusive use of an asset over a specified period time, whereby Keyera has fully reimbursed the construction of such assets upon the commencement of initial operations. Since the investment is paid in advance, a prepaid lease asset is recorded without the recognition of a corresponding lease liability.

Subsequent measurement – lease liabilities

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

Subsequent measurement – right-of-use assets
If the lease term reflects that Keyera will exercise a purchase option, the right-of-use asset is depreciated from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated to the earlier of the end of the useful life of the underlying asset or to the end of the lease term. For prepaid lease assets, the right-of-use asset is depreciated on a straight-line basis from the lease commencement date to the end of the agreement term.

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

Depreciation of property, plant and equipment and amortization of intangible assets
For purposes of determining depreciation, depletion and amortization expense, estimates and judgments are required to establish depreciation methods, useful lives, and residual values for Keyera's assets. Determining depreciation methods requires management to make judgments that most appropriately reflect the pattern of an asset's future economic benefit expected to be consumed by Keyera. Useful life estimates include management's assumptions regarding the period over which the asset is expected to be available for use by the company. This includes assessing the assets' physical and economic lives and, if applicable,

may include an estimation of the associated reserve lives and production activity related to the assets' respective capture areas.

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

Fair value estimates of property, plant and equipment

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

Impairment of property, plant and equipment

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

Impairment of goodwill

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

Derivative financial instruments

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

Long-term incentive plan liability

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

Decommissioning liabilities

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

Deferred tax assets and liabilities

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

Leases

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

a) *Determination of lease term*

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

b) *Estimation uncertainty arising from variable lease payments*

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

Revenue recognition

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

Operating revenues and operating expenses

a) *Gathering and Processing and Liquids Infrastructure*

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

b) *Marketing*

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

Equalization adjustments

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

5. FUTURE ACCOUNTING PRONOUNCEMENTS

There were no significant new accounting standards or interpretations issued during the year ended December 31, 2023.

6. TRADE AND OTHER RECEIVABLES

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Trade and other receivables	**692,478**	713,022
Allowance for expected credit losses:		
Beginning of the year	**(4,241)**	(4,241)
Impairment losses – trade receivables	**—**	—
End of the year	**(4,241)**	(4,241)
Total trade and other receivables	**688,237**	708,781

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

Aging of receivables that are not impaired

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Neither past due or impaired	**680,915**	645,915
Past due 31 to 60 days	**3,613**	14,948
Past due over 60 days	**3,709**	47,918
Total trade and other receivables	**688,237**	708,781

7. INVENTORY

The total carrying amount and classification of inventory was:

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
NGLs and iso-octane	**209,712**	291,134
Other	**16,078**	9,749
Total inventory	**225,790**	300,883

For the year ended December 31, 2023, $195,105 of inventory was carried at cost (2022 – $278,955) and $30,685 was carried at net realizable value (2022 – $21,928). During the year, a write-down of $3,257 was recorded to adjust the carrying amount of inventory to net realizable value (2022 – $9,595). The cost of inventory expensed for the year ended December 31, 2023 was $4,798,105 (2022 – $5,116,246).

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

8. OTHER ASSETS

As at December 31, *(Thousands of Canadian dollars)*	2023	2022
Prepaid deposits	**2,760**	1,832
Other	**9,789**	17,267
Total other assets	**12,549**	19,099

9. PROPERTY, PLANT, AND EQUIPMENT

Cost *(Thousands of Canadian dollars)*	General plant & processing equipment	Other properties & equipment	Turnarounds	Land & linefill	Total
As at December 31, 2021	**8,703,277**	**232,741**	**341,322**	**186,244**	**9,463,584**
Additions	812,729	30,577	52,623	—	895,929
Disposals	(100,680)	(442)	—	(12,920)	(114,042)
Decommissioning asset	(82,730)	—	—	—	(82,730)
Foreign currency translation	15,161	366	—	300	15,827
As at December 31, 2022	**9,347,757**	**263,242**	**393,945**	**173,624**	**10,178,568**
Additions	594,187	28,564	70,613	15,381	708,745
Disposals	(785)	—	—	—	(785)
Decommissioning asset	56,298	—	—	—	56,298
Foreign currency translation	(8,522)	(136)	—	(63)	(8,721)
As at December 31, 2023	**9,988,935**	**291,670**	**464,558**	**188,942**	**10,934,105**

Accumulated depreciation, depletion and impairment *(Thousands of Canadian dollars)*	General plant & processing equipment	Other properties & equipment	Turnarounds	Land & linefill	Total
As at December 31, 2021	**(2,437,011)**	**(145,503)**	**(296,503)**	**(2,291)**	**(2,881,308)**
Impairment expense	(171,478)	—	—	—	(171,478)
Depreciation and depletion expenses	(174,539)	(19,822)	(17,452)	—	(211,813)
Disposals and other	74,939	101	—	—	75,040
Foreign currency translation	3,254	(67)	—	—	3,187
As at December 31, 2022	**(2,704,835)**	**(165,291)**	**(313,955)**	**(2,291)**	**(3,186,372)**
Impairment expense	(210,493)	—	—	(3,015)	(213,508)
Depreciation and depletion expenses	(220,976)	(22,848)	(30,890)	—	(274,714)
Foreign currency translation	940	28	—	—	968
As at December 31, 2023	**(3,135,364)**	**(188,111)**	**(344,845)**	**(5,306)**	**(3,673,626)**

Carrying value *(Thousands of Canadian dollars)*	General plant & processing equipment	Other properties & equipment	Turnarounds	Land & linefill	Total
As at December 31, 2021	6,266,266	87,238	44,819	183,953	6,582,276
As at December 31, 2022	6,642,922	97,951	79,990	171,333	6,992,196
As at December 31, 2023	**6,853,571**	**103,559**	**119,713**	**183,636**	**7,260,479**

Property, plant and equipment under construction included in carrying value *(Thousands of Canadian dollars)*	Cost
As at December 31, 2022	1,210,377
As at December 31, 2023	**108,708**

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

Acquisition and disposal of property, plant and equipment

During the first quarter of 2023, Keyera completed the acquisition of an additional 21 percent working interest in the Keyera Fort Saskatchewan ("KFS") complex, increasing Keyera's total ownership in KFS to 98 percent. The effective date of the transaction was February 13, 2023 and the total cash consideration paid was $366,537, including closing adjustments. Keyera applied the optional concentration test under *IFRS 3, Business Combinations* and the acquisition of the additional working interest in KFS was accounted for as an asset acquisition, which included $362,621 of general plant and processing equipment and $2,379 of land. A nominal decommissioning liability was also recorded in relation to the acquisition.

In 2022, Keyera completed the sale of the Hull terminal and Hull terminal pipeline system, including all hydrocarbon inventory owned by Keyera in relation to the asset. The transaction included net proceeds of $50,806 of which $39,815 related to the terminal and pipeline system and $10,991 related to the closing value of the inventory, resulting in the recognition of a loss of $477. The transaction included a nominal assumed decommissioning liability.

2023 Impairment expense

For the year ended December 31, 2023, Keyera identified through its impairment review that certain assets had carrying values that were greater than their recoverable amounts. The recoverable amount for each asset was calculated based on value in use which represents the estimated net present value of the cash flows expected to be derived from the asset, or fair value less costs of disposal ("FVLCOD").

The following impairment expenses with a combined value of $213,508 were recognized during the year ended December 31, 2023 in relation to property, plant and equipment:

(Thousands of Canadian dollars, except rate information)	Period impairment was recorded	Impairment expense recognized
Wildhorse terminal[1]	Q4 2023	210,167
Other[2]	Q3 2023	3,341
Total impairment expense		**213,508**

Notes:
1 Included in the U.S. Liquids Infrastructure CGU in the Liquids Infrastructure operating segment.
2 Includes other assets and projects in the Liquids Infrastructure operating segment that are individually insignificant.

The impairment expense recorded for the U.S. Liquids Infrastructure CGU was the result of market conditions affecting the Wildhorse terminal.

2022 Impairment expense

The following impairment expenses with a combined value of $171,478 were recognized during the year ended December 31, 2022 in relation to property, plant and equipment:

(Thousands of Canadian dollars, except rate information)	Period impairment was recorded	Impairment expense recognized
Simonette gas plant[1]	Q4 2022	159,201
Cancelled or postponed projects[2]	Q4 2022	12,277
Total impairment expense		**171,478**

Notes:
1 Included in the Simonette CGU in the Gathering and Processing operating segment.
2 Projects that were cancelled or postponed during 2022 were individually immaterial and insignificant. The associated capitalized costs were impaired to $nil. $6,384 of the impairment expense recorded relates to the Liquids Infrastructure operating segment. The remaining $5,893 relates to the Gathering and Processing operating segment.

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

The impairment expense recorded for the Simonette CGU was $168,000 and was the result of the underutilization of the Simonette gas plant. Of the impairment expense, $8,799 was allocated to reduce the associated goodwill to $nil. The remaining impairment expense of $159,201 was then allocated to reduce the carrying amount of the Simonette gas plant.

10. RIGHT-OF-USE ASSETS

Cost *(Thousands of Canadian dollars)*	Rail Cars	Pipeline Transportation	Real Estate	Prepaid Lease Asset	Other	Total
As at December 31, 2021	**248,164**	**44,669**	**17,968**	**62,972**	**2,115**	**375,888**
Additions and adjustments	54,040	—	—	(3,360)	—	50,680
As at December 31, 2022	**302,204**	**44,669**	**17,968**	**59,612**	**2,115**	**426,568**
Additions and adjustments	34,877	—	—	—	—	34,877
As at December 31, 2023	**337,081**	**44,669**	**17,968**	**59,612**	**2,115**	**461,445**

Accumulated depreciation *(Thousands of Canadian dollars)*	Rail Cars	Pipeline Transportation	Real Estate	Prepaid Lease Asset	Other	Total
As at December 31, 2021	**(135,500)**	**(5,361)**	**(4,950)**	**(2,745)**	**(575)**	**(149,131)**
Depreciation expense	(32,494)	(1,787)	(1,838)	(2,439)	(194)	(38,752)
As at December 31, 2022	**(167,994)**	**(7,148)**	**(6,788)**	**(5,184)**	**(769)**	**(187,883)**
Depreciation expense	(33,640)	(1,787)	(1,839)	(2,380)	(195)	(39,841)
As at December 31, 2023	**(201,634)**	**(8,935)**	**(8,627)**	**(7,564)**	**(964)**	**(227,724)**

Carrying Value *(Thousands of Canadian dollars)*	Rail Cars	Pipeline Transportation	Real Estate	Prepaid Lease Asset	Other	Total
As at December 31, 2021	112,664	39,308	13,018	60,227	1,540	226,757
As at December 31, 2022	134,210	37,521	11,180	54,428	1,346	238,685
As at December 31, 2023	**135,447**	**35,734**	**9,341**	**52,048**	**1,151**	**233,721**

11. GOODWILL

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Goodwill – beginning of the year	**32,015**	40,814
Impairment of goodwill	—	(8,799)
Goodwill – end of the year	**32,015**	32,015

Allocation of goodwill to cash-generating units

For the purpose of impairment testing, goodwill is allocated to Keyera's CGUs which represent the lowest level within Keyera at which the goodwill is monitored for internal management purposes. As at December 31, 2023 and 2022, the entire goodwill balance of $32,015 was included in the Canada Liquids Infrastructure CGU.

Impairment test of goodwill

Keyera performed its annual tests for goodwill impairment on December 31, 2023 and 2022 in accordance with its policy described in note 3. The recoverable amount for these CGUs was determined based on a value in use calculation. At December 31, 2023, the discount rate used for the Canada Liquids Infrastructure CGU was 13.2% (2022 – 13.3% for the Canada Liquids Infrastructure CGU and 14.1% for the Simonette CGU).

For the year ended December 31, 2023, no impairment of goodwill was recorded.

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

At December 31, 2022, it was determined that the Simonette CGU was impaired as a result of the underutilization of the Simonette gas plant. A goodwill impairment expense of $8,799 was recorded, which was equal to the total amount of goodwill allocated to this CGU. The remainder of the impairment expense ($159,201) was recorded against property, plant and equipment to reduce the carrying value of the Simonette gas plant. Refer to note 9 for additional details.

12. TRADE AND OTHER PAYABLES, AND PROVISIONS

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

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Trade and accrued payables	**481,367**	717,261
Other payables	**27,238**	27,262
Current portion of long-term incentive plan	**20,741**	34,339
Current income taxes payable	**643**	27,664
Total trade and other payables, and provisions	**529,989**	806,526

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

13. LONG-TERM DEBT

The following is a summary of Keyera's current and long-term 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 fair value of Keyera's senior unsecured notes at December 31, 2023 and 2022, as noted below, was determined by reference to valuation inputs under Level 2 of the fair value hierarchy as referenced in note 22.

			(Thousands of Canadian dollars)	
As at December 31, 2023	**Effective Interest Rate**	**Notes**	**Carrying Value**	**Fair Value**
Bank credit facilities	7.70%	(a)	470,000	470,000
Total credit facilities			**470,000**	**470,000**
Canadian dollar denominated debt				
Senior unsecured notes:				
4.91% due June 19, 2024	4.97%		17,000	17,000
4.92% due October 10, 2025	4.94%		100,000	99,000
5.05% due November 20, 2025	5.14%		20,000	19,800
4.15% due June 16, 2026	4.19%		30,000	29,300
3.96% due October 13, 2026	4.01%		200,000	193,800
3.68% due September 20, 2027	3.72%		400,000	380,600
5.09% due October 10, 2028	5.10%		100,000	100,400
4.11% due October 13, 2028	4.16%		100,000	96,300
5.34% due April 8, 2029	5.38%		75,000	76,400
			1,042,000	1,012,600
Senior unsecured medium-term notes:				
3.93% due June 21, 2028	4.00%		400,000	388,300
3.96% due May 29, 2030	4.02%		400,000	380,000
5.02% due March 28, 2032	5.08%	(b)	400,000	370,000
Subordinated hybrid notes:				
6.88% due June 13, 2079	6.89%		600,000	579,200
5.95% due March 10, 2081	5.97%		350,000	311,600
			3,192,000	3,041,700
U.S. dollar denominated debt				
Senior unsecured notes:				
4.19% due June 19, 2024 (US$128,000)	4.24%		169,018	169,000
4.75% due November 20, 2025 (US$140,000)	4.81%		184,863	181,600
4.95% due November 20, 2028 (US$65,000)	4.99%		85,829	83,500
			439,710	434,100
Less: Issuance costs			(18,698)	—
Less: Current portion of long-term debt			(186,018)	(186,000)
Total long-term debt			**3,426,994**	**3,289,800**

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

As at December 31, 2022	Effective Interest Rate	Notes	Carrying Value	Fair Value
			(Thousands of Canadian dollars)	
Bank credit facilities	6.95%	(a)	40,000	40,000
Total credit facilities			**40,000**	**40,000**
Canadian dollar denominated debt				
Senior unsecured notes:				
3.50% due June 16, 2023	3.55%		30,000	29,600
4.91% due June 19, 2024	4.97%		17,000	16,700
4.92% due October 10, 2025	4.94%		100,000	97,300
5.05% due November 20, 2025	5.14%		20,000	19,500
4.15% due June 16, 2026	4.19%		30,000	28,500
3.96% due October 13, 2026	4.01%		200,000	187,900
3.68% due September 20, 2027	3.72%		400,000	368,900
5.09% due October 10, 2028	5.10%		100,000	97,900
4.11% due October 13, 2028	4.16%		100,000	93,100
5.34% due April 8, 2029	5.38%		75,000	74,300
			1,072,000	1,013,700
Senior unsecured medium-term notes:				
3.93% due June 21, 2028	4.00%		400,000	374,200
3.96% due May 29, 2030	4.02%		400,000	360,500
5.02% due March 28, 2032	5.08%	(b)	400,000	377,700
Subordinated hybrid notes:				
6.88% due June 13, 2079	6.89%		600,000	570,000
5.95% due March 10, 2081	5.97%		350,000	304,500
			3,222,000	3,000,600
U.S. dollar denominated debt				
Senior unsecured notes:				
4.19% due June 19, 2024 (US$128,000)	4.24%		173,229	167,800
4.75% due November 20, 2025 (US$140,000)	4.81%		189,469	183,000
4.95% due November 20, 2028 (US$65,000)	4.99%		87,968	83,500
			450,666	434,300
Less: Issuance costs			(19,921)	—
Less: Current portion of long-term debt			(30,000)	(29,600)
Total long-term debt			**3,622,745**	**3,405,300**

(a) The Partnership has an unsecured revolving credit facility ("Credit Facility") with a syndicate of six lenders under which it can borrow up to $1,500,000 with the potential to increase this limit to $2,000,000 subject to certain conditions. In December 2023, the Credit Facility was amended to extend the term from December 6, 2027 to December 6, 2028. As at December 31, 2023, $470,000 was drawn under this facility (2022 – $40,000).

Financing costs of $1,151 were incurred upon the renewal and extension of the Credit Facility and have been deferred and are amortized using the effective interest method over the remaining term of the Credit Facility.

In addition, the Toronto Dominion Bank has provided a $25,000 unsecured revolving demand facility and the Royal Bank of Canada has provided a further unsecured revolving demand facility that is equal to the amount of outstanding letters of credit, up to $50,000. These unsecured revolving credit facilities bear interest based on the lenders' rates for

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

Canadian prime commercial loans, U.S. base rate loans, LIBOR loans, or bankers' acceptances. As at December 31, 2023, outstanding letters of credit issued were $6,425 (2022 – $6,366).

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

The associated financing costs of $2,381 have been deferred and are amortized using the effective interest method over the remaining term of the debt.

14. DECOMMISSIONING LIABILITY

Keyera estimates the future costs of decommissioning for its gathering and processing, fractionation, iso-octane and storage facilities, pipelines and terminals on a discounted basis upon acquisition or installation of these assets. The total undiscounted amount of cash flows required to settle the decommissioning liability is $1,405,854 (2022 – $1,102,067) which has been discounted using a credit-adjusted risk-free rate of 5.6% (2022 – 6.5%). The majority of these costs are expected to be incurred over the next 30 to 60 years. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding the amount and timing of these costs. No assets have been legally restricted for settlement of the liability.

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

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Decommissioning liability – beginning of the year	**179,354**	268,488
Liabilities acquired	**1,650**	—
Liabilities disposed	**(2,751)**	(395)
Liabilities settled	**(8,533)**	(17,455)
Change in estimated cash flows and additions	**38,998**	11,724
Change in discount rate	**37,574**	(99,330)
Change in estimated timing of settlement	**(19,148)**	4,956
Unwinding of discount included in finance costs	**11,685**	11,339
Foreign currency translation	**(25)**	27
Decommissioning liability – end of the year	**238,804**	179,354

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Current portion of decommissioning liability	**18,483**	15,933
Long-term portion of decommissioning liability	**220,321**	163,421
Decommissioning liability – end of the year	**238,804**	179,354

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

15. LEASE LIABILITIES

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Lease liabilities – beginning of the year	**209,399**	183,290
Additions	**34,877**	54,040
Interest on leases	**9,825**	7,873
Lease payments	**(47,261)**	(43,566)
Foreign exchange re-measurement and other	**(3,332)**	7,762
Lease liabilities – end of the year	**203,508**	209,399

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Current portion of lease liabilities	**40,823**	28,229
Long-term portion of lease liabilities	**162,685**	181,170
Lease liabilities – end of the year	**203,508**	209,399

Keyera's most significant lease payments are incurred for rail car, pipeline transportation and real estate arrangements. The longest initial lease term for Keyera's lease contracts is 15 years. For certain lease arrangements, Keyera has the option to extend the lease for additional terms, up to 5 years each. As at December 31, 2023, the incremental borrowing rates used to measure lease liabilities was 3.9% for Canadian dollar denominated leases, and between 2.9% and 6.9% for U.S. dollar denominated leases (2022 – 3.9% for Canadian dollar denominated leases and between 2.9% and 6.3% for U.S. dollar denominated leases).

(Thousands of Canadian dollars)	**2023**	2022
Variable lease payments	**4,919**	4,957
Low-value leases	**2,818**	2,343
Total lease payments expensed	**7,737**	7,300

The variable lease payments primarily relate to operating expenses and property taxes for real estate contracts and ancillary costs associated with the rail car leases.

16. OTHER LONG-TERM LIABILITIES

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Long-term incentive plan	**21,255**	9,736
Other liabilities	**5,153**	—
Total other long-term liabilities	**26,408**	9,736

17. INCOME TAXES

The components of the income tax expense were:

(Thousands of Canadian dollars)	**2023**	2022
Current income taxes		
Current income tax charge	**1,003**	59,085
Adjustments with respect to current income tax of previous year	**(1,449)**	606
Current income tax (recovery) expense	**(446)**	59,691
Deferred income taxes		
Related to the origination and reversal of temporary differences	**120,522**	45,646
Adjustments to the opening deferred tax balances	**2,569**	(431)
Deferred income tax expense	**123,091**	45,215
Total income tax expense	**122,645**	104,906

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

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

(Thousands of Canadian dollars)	**2023**	2022
Earnings before income tax	**546,677**	433,200
Income tax at statutory rate of 23.00% (2022 – 23.00%)	**125,736**	99,636
Goodwill impairment	**—**	2,024
Valuation allowances	**(798)**	215
Permanent differences	**(1,039)**	3,434
Tax rate differences and adjustments	**(2,012)**	(462)
Adjustments to tax pool balances	**758**	59
Total income tax expense	**122,645**	104,906

Deferred tax balances

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Deferred tax assets	**80,308**	32,240
Deferred tax liabilities	**(898,295)**	(726,518)
Net deferred tax liabilities	**(817,987)**	(694,278)

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

	Consolidated Statements of Financial Position as at December 31,		**Consolidated Statements of Net Earnings for the years ended December 31,**	
(Thousands of Canadian dollars)	**2023**	2022	**2023**	2022
Property, plant and equipment	**(960,757)**	(830,889)	**129,538**	37,878
Intangible assets	**1,990**	1,861	**(163)**	(2,416)
Lease liabilities	**46,853**	48,286	**1,475**	(3,690)
Non-capital losses	**34,359**	29,166	**(5,458)**	(9,652)
Decommissioning liability	**54,979**	41,293	**(13,695)**	20,624
Other	**4,589**	16,005	**11,394**	2,471
Net deferred tax liabilities	**(817,987)**	(694,278)		
Deferred income tax expense			**123,091**	45,215

Reconciliation of net deferred tax liabilities

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Net deferred tax liabilities – beginning of the year	**(694,278)**	(653,205)
Income tax expense recognized in net earnings	**(123,091)**	(45,215)
Deferred income tax related to share issuance costs	**52**	2,228
Revaluation of foreign net deferred tax liabilities	**(670)**	1,914
Net deferred tax liabilities – end of the year	**(817,987)**	(694,278)

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

As at December 31, 2023, Keyera and its subsidiaries have non-capital losses carried forward of $142,914 (2022 – $118,576) which are available to offset income of specific entities of the consolidated group in future periods. The amount of unrecognized net capital losses and other assets as at December 31, 2023 was $6,464 (2022 – $9,935).

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

18. SHARE CAPITAL

	Number of Common Shares	(Thousands of Canadian dollars) Share Capital
As at December 31, 2021	**221,022,873**	**3,150,104**
Common shares issued pursuant to equity offering[1]	8,130,500	222,634
As at December 31, 2022	**229,153,373**	**3,372,738**
Issuance costs – 2022 equity offering	—	(177)
As at December 31, 2023	**229,153,373**	**3,372,561**

Note:
1 Net of issuance costs and a related deferred income tax asset recorded.

On December 20, 2022 Keyera issued an aggregate of 8,130,500 common shares at a price of $28.30 per common share, which includes 1,060,500 common shares pursuant to the over-allotment option with the public offering. The net proceeds were $222,634 after underwriters' fees and issuance costs of $9,687 and net of a deferred tax asset balance of $2,228.

For the year ended December 31, 2023, dividends declared totaled $449,141 or $1.96 per common share (2022 – $425,665 or $1.92 per common share).

19. EARNINGS PER SHARE

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

	2023	2022
Earnings per share – basic and diluted *($/share)*	**1.85**	1.48
Net earnings – basic and diluted *(Thousands of Canadian dollars)*	**424,032**	328,294
Weighted average number of shares – basic and diluted *(Thousands)*	**229,153**	221,290

20. ACCUMULATED DIVIDENDS TO SHAREHOLDERS

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

(Thousands of Canadian dollars)	
As at December 31, 2021	**3,793,077**
Dividends declared and paid during the year	389,000
Dividends declared and paid during the following year	36,665
As at December 31, 2022	**4,218,742**
Dividends declared and paid during the year	449,141
As at December 31, 2023	**4,667,883**

During the first quarter of 2023, the board of directors approved a decision to revise Keyera's dividend payments from a monthly to quarterly distribution. Effective with the dividend that was declared in the second quarter of 2023, Keyera paid a quarterly dividend of $0.48 per share instead of a monthly dividend of $0.16 per share that was paid prior to this date.

On August 9, 2023, Keyera's board of directors approved a 4.2% increase in the quarterly dividend and declared a dividend of $0.50 per share (previously $0.48 per share) that was paid on September 29, 2023 to shareholders of record as of September 15, 2023.

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

Keyera's dividend policy is to maintain and grow the dividend, while retaining a portion of cash flow to fund ongoing growth projects. The amount of dividends to be paid on the common shares, if any, is subject to the discretion of the board of directors and may vary depending on a variety of factors. In determining the level of dividends to be declared each quarter, the board of directors takes into consideration such factors as current and expected future levels of distributable cash flow, capital expenditures, borrowings and debt repayments, changes in working capital requirements and other factors.

21. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-Term Incentive Plan

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

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

Performance Awards

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

Commencing with the 2021 Performance Award grant, the payout multiplier was based 50% on the average annual pre-tax distributable cash flow per share over the performance period of three years and 50% on the relative total shareholder return in a defined peer group over the performance period of three years (for Performance Award grants made prior to 2021 – 70% and 30%, respectively).

Time Vested Awards ("Restricted Awards")

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

The LTIP is accounted for using the liability method and is measured at fair value at each statement of financial position date until the award is settled. The fair value of the liability is measured by applying a fair value pricing model whereby one of the valuation inputs was the December 31, 2023 share price of Keyera, which was $32.03 per share (December 31, 2022 – $29.59 per share).

The compensation cost recorded for the LTIP was:

(Thousands of Canadian dollars)	**2023**	2022
Performance Awards	**43,812**	27,281
Restricted Awards	**7,097**	6,003
Total long-term incentive plan expense	**50,909**	33,284

The table below shows the number of share awards granted:

	Share awards granted as at December 31,	
Share Award Series	**2023**	2022
Performance Awards		
Issued July 1, 2020	—	794,874
Issued July 1, 2021	**424,854**	454,766
Issued July 1, 2022	**520,173**	543,217
Issued July 1, 2023	**616,393**	—
Restricted Awards		
Issued July 1, 2020	—	43,096
Issued July 1, 2021	**52,254**	112,217
Issued July 1, 2022	**129,634**	203,213
Issued July 1, 2023	**233,357**	—

Employee Stock Purchase Plan

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

Defined Contribution Pension Plan

For the year ended December 31, 2023, Keyera made pension contributions of $11,978 (2022 – $10,730) on behalf of its employees. The contributions were recorded in general and administrative expenses.

Deferred Share Unit Plan

Effective January 1, 2016, Keyera implemented a deferred share unit ("DSU") plan, for non-employee directors. Each DSU vests on the date the grant is awarded but cannot be redeemed until a director ceases to be a member of the board of directors. The grant value is determined based on a 20 day weighted average trading share price. DSUs are settled in cash (on an after-tax basis) based on the 20 day weighted average Keyera share price up to the date of termination. For the year ended December 31, 2023, Keyera recorded $3,081 (2022 – $2,145) in general and administrative expenses related to the DSU plan.

The following table reconciles the number of DSUs outstanding:

	2023	2022
DSUs outstanding – beginning of the year	**268,963**	207,330
Granted	**67,952**	61,633
DSUs outstanding – end of the year	**336,915**	268,963

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments include cash, trade and other receivables, derivative financial instruments, bank indebtedness, 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, including solar power purchase arrangements, 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 and electricity 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, bank indebtedness, trade and other payables and dividends payable approximate their fair values because the instruments are either near maturity, have 5 to 30 days payment terms or have no fixed repayment terms. The carrying value of the credit facilities approximates fair value due to their floating rates of interest.

Fair value of senior fixed rate debt

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

Fair value of derivative instruments

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

As at December 31, 2023	Notional Volume[1]	Weighted Average Price	Fair Value Hierarchy Level	Net Fair Value	Carrying Value Asset	Carrying Value Liability
				(Thousands of Canadian dollars)		
Marketing (NGLs and Iso-octane)						
Financial contracts:						
Seller of fixed price WTI[2] swaps (maturing by March 31, 2025)	4,141,588 Bbls	99.92/Bbl	Level 2	22,752	24,925	(2,173)
Buyer of fixed price WTI[2] swaps (maturing by March 31, 2025)	371,670 Bbls	98.65/Bbl	Level 2	(1,564)	88	(1,652)
Seller of fixed price NGL swaps (maturing by February 28, 2025)	3,775,000 Bbls	55.34/Bbl	Level 2	15,609	19,002	(3,393)
Buyer of fixed price NGL swaps (maturing by March 31, 2025)	2,755,000 Bbls	50.74/Bbl	Level 2	(2,321)	5,635	(7,956)
Seller of fixed price RBOB[3] basis spreads (iso-octane) (maturing by February 28, 2025)	2,090,000 Bbls	28.28/Bbl	Level 2	3,144	5,855	(2,711)
Physical contracts:						
Seller of fixed price NGL forward contracts (maturing by January 31, 2024)	35,000 Bbls	43.30/Bbl	Level 2	79	96	(17)
Currency:						
Seller of forward contracts (maturing by June 30, 2026)	US$363,400,000	1.38/USD	Level 2	20,144	20,144	—
Buyer of forward contracts (maturing by June 30, 2024)	US$13,700,000	1.33/USD	Level 2	(146)	—	(146)
Other foreign exchange contracts[4]			Level 2	3,512	3,512	—
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2024)	39,360 MWhs	88.31/MWh	Level 2	(130)	234	(364)
Buyer of fixed price solar power contracts (maturing by February 28, 2038)	101,505 MWhs	62.57/MWh	Level 2	582	738	(156)
Natural gas:						
Buyer of fixed price swaps (maturing by December 31, 2024)	1,830,000 Gjs	2.65/Gj	Level 2	(1,327)	80	(1,407)
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2024)	59,040 MWhs	88.31/MWh	Level 2	(195)	351	(546)
Corporate and Other						
Long-term Debt:						
Buyer of cross-currency swaps (maturing June 19, 2024 – November 20, 2028)	US$365,069,100	0.98/USD - 1.22/USD	Level 2	95,721	95,721	—
				155,860	**176,381**	**(20,521)**

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 Oxygenate Blending ("RBOB").
4 Keyera has entered into other foreign exchange contracts to protect against fluctuations in the U.S. dollar to Canadian dollar exchange rate.

As at December 31, 2022	Notional Volume[1]	Weighted Average Price	Fair Value Hierarchy Level	Net Fair Value	Carrying Value Asset	Carrying Value Liability
				(Thousands of Canadian dollars)		
Marketing (NGLs and Iso-octane)						
Financial contracts:						
Seller of fixed price WTI[2] swaps (maturing by March 31, 2024)	3,927,696 Bbls	110.28/Bbl	Level 2	8,802	19,389	(10,587)
Buyer of fixed price WTI[2] swaps (maturing by December 31, 2023)	1,123,810 Bbls	109.17/Bbl	Level 2	(1,454)	3,332	(4,786)
Seller of fixed price NGL swaps (maturing by December 31, 2024)	5,369,500 Bbls	65.22/Bbl	Level 2	40,887	44,570	(3,683)
Buyer of fixed price NGL swaps (maturing by December 31, 2024)	4,410,000 Bbls	62.08/Bbl	Level 2	(35,110)	2,462	(37,572)
Seller of fixed price RBOB[3] basis spreads (iso-octane) (maturing by June 30, 2024)	2,975,000 Bbls	29.29/Bbl	Level 2	(12,448)	2,338	(14,786)
Physical contracts:						
Seller of fixed price NGL forward contracts (maturing by January 31, 2023)	160,000 Bbls	43.09/Bbl	Level 2	(291)	16	(307)
Currency:						
Seller of forward contracts (maturing by December 31, 2023)	US$242,800,000	1.33/USD	Level 2	(6,144)	183	(6,327)
Buyer of forward contracts (maturing by March 31, 2023)	US$8,720,000	1.31/USD	Level 2	361	361	—
Other foreign exchange contracts[4]			Level 2	(8,678)	—	(8,678)
Liquids Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2023)	87,672 MWhs	80.82/MWh	Level 2	8,772	8,772	—
Gathering and Processing						
Electricity:						
Buyer of fixed price swaps (maturing by December 31, 2023)	21,936 MWhs	94.00/MWh	Level 2	1,905	1,905	—
Corporate and Other						
Long-term Debt:						
Buyer of cross-currency swaps (maturing June 19, 2024 – November 20, 2028)	US$380,299,800	0.98/USD - 1.22/USD	Level 2	101,270	101,270	—
				97,872	**184,598**	**(86,726)**

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 Oxygenate Blending ("RBOB").
4 Keyera has entered into other foreign exchange contracts to protect against fluctuations in the U.S. dollar to Canadian dollar exchange rate.

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

(Thousands of Canadian dollars)	**2023**	2022
Risk management contracts:		
Marketing	**75,284**	17,552
Liquids infrastructure	**(9,647)**	7,967
Gathering and processing	**(2,100)**	1,128
Change in fair value of the cross-currency swaps on U.S. debt[1]	**(5,549)**	12,907
Total unrealized gain (loss)	**57,988**	39,554

Note:
1. Includes principal and interest portion.

Risk Management

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

Commodity price risk

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

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

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

Foreign currency risk

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

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

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

Keyera is also exposed to foreign currency risk related to its U.S. dollar denominated long-term debt and U.S. dollar denominated LIBOR loans when drawn under Keyera's bank credit facility. To manage this currency exposure, Keyera has entered into long-term cross-currency swap contracts relating to the principal portion and future interest payments of the U.S. dollar denominated debt as well as short-term cross-currency swaps relating to the LIBOR loans drawn under the credit facility. These cross-currency contracts are accounted for as derivative instruments. Refer to note 23 for a summary of the foreign currency gains (losses) associated with the U.S. dollar denominated long-term debt.

Interest rate risk

The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. As at December 31, 2023, fixed rate borrowings comprised 88% of total debt outstanding (2022 – 99%). The fair value of future cash flows for fixed rate debt fluctuates with changes in market interest rates. It is Keyera's intention to not repay fixed rate debt until maturity and therefore future cash flows would not fluctuate.

Credit risk

The majority of trade and other receivables are due from entities in the oil and gas industry and are subject to normal industry credit risks. Concentration of credit risk is mitigated by having a broad domestic and international customer base. Keyera evaluates and monitors the financial strength of its customers in accordance with its credit policy. Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at December 31, 2023.

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

The allowance for credit losses is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on expected credit losses, which includes the number of days outstanding and the likelihood of collection from the counterparty. As at December 31, 2023, the total allowance was $4,241 (2022 – $4,241). The carrying amount of financial assets on the consolidated statements of financial position approximates Keyera's maximum exposure to credit risk.

Liquidity risk

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

The following table shows the contractual maturities for financial liabilities of Keyera as at December 31, 2023:

(Thousands of Canadian dollars)	Total	2024	2025	2026	2027	2028	After 2028
Trade and other payables	**529,989**	529,989	—	—	—	—	—
Derivative financial instruments	**20,521**	19,907	457	—	157	—	—
Credit facility	**470,000**	—	—	—	—	470,000	—
Long-term debt[1]	**3,631,710**	186,018	304,863	230,000	400,000	685,829	1,825,000
Lease liabilities[2]	**242,264**	49,657	46,748	37,196	24,284	15,819	68,560
Other liabilities	**21,255**	—	17,999	3,256	—	—	—
	4,915,739	**785,571**	**370,067**	**270,452**	**424,441**	**1,171,648**	**1,893,560**

Notes:
1 Amounts represent principal only and exclude accrued interest.
2 Amounts represent the expected undiscounted cash payments related to leases.

Risk Management Sensitivities

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

	Impact on income before tax December 31, 2023		Impact on income before tax December 30, 2022	
(Thousands of Canadian dollars)	**Increase**	**(Decrease)**	Increase	(Decrease)
Commodity price changes				
+ 10% in electricity price	**1,530**	**—**	1,982	—
- 10% in electricity price	**—**	**(1,530)**	—	(1,982)
+ 10% in NGL, crude oil and iso-octane prices	**—**	**(46,572)**	—	(48,238)
- 10% in NGL, crude oil and iso-octane prices	**46,572**	**—**	48,238	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**—**	**(4,191)**	—	(3,121)
- $0.01 in U.S./Canadian dollar exchange rate	**4,191**	**—**	3,121	—
Interest rate changes				
+ 1% in interest rate	**—**	**(4,700)**	—	(400)
- 1% in interest rate	**4,700**	**—**	400	—

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

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

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

(Thousands of Canadian dollars)	**2023**	2022
Foreign currency gain (loss) resulting from:		
Translation of long-term debt and interest payable	**10,956**	(29,548)
Change in fair value of the cross-currency swaps – principal and interest	**(5,549)**	12,907
Gain from cross-currency swaps – interest[1]	**2,800**	2,355
Foreign exchange re-measurement of lease liabilities and other	**3,265**	(7,265)
Total net foreign currency gain (loss) on U.S. debt and other	**11,472**	(21,551)

Note:

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

24. CAPITAL MANAGEMENT

Keyera's objectives when managing capital are:

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

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

For the year ended December 31, 2023, Keyera's capital management strategy was unchanged from the prior year. Keyera monitors its capital structure primarily based on its consolidated net debt to consolidated earnings before finance costs, taxes, depreciation and amortization, unrealized gains and losses, impairment expenses and any other non-cash items ("adjusted EBITDA") ratio. The definition of adjusted EBITDA for capital management purposes is similar, but not identical to the adjusted EBITDA financial measure used in the calculation of Keyera's financial covenants on its credit facilities and private long-term debt agreements. This ratio is calculated as consolidated net debt divided by a twelve-month trailing adjusted EBITDA, which are non-GAAP measures. For purposes of this financial covenant, Keyera has the ability to increase its Net Debt to EBITDA ratio from 4.0 to 4.5 for periods of up to four consecutive fiscal quarters. In addition, Keyera can utilize the cross-currency swap rates in the calculation of debt rather than the spot rate as at each statement of financial position date.

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

Keyera is also subject to the following financial covenants: (i) adjusted EBITDA to consolidated interest charges, and (ii) priority debt to consolidated total assets. The calculation for each of these financial covenants is based on specific definitions and is not in accordance with GAAP, and cannot be directly derived from the consolidated financial statements. Keyera was in compliance with all financial covenants as at December 31, 2023.

25. GENERAL AND ADMINISTRATIVE EXPENSES

The components of general and administrative expenses were:

(Thousands of Canadian dollars)	**2023**	2022
Salaries and benefits	**98,627**	82,236
Professional fees and consulting	**17,866**	16,485
Other	**23,775**	19,700
Overhead recoveries on operated facilities	**(33,774)**	(35,578)
Total general and administrative expenses	**106,494**	82,843

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

26. FINANCE COSTS

The components of finance costs were:

(Thousands of Canadian dollars)	**2023**	2022
Interest on bank indebtedness and credit facilities	**28,339**	7,712
Interest on long-term debt	**178,647**	177,118
Interest capitalized[1]	**(25,375)**	(39,803)
Interest on leases	**9,825**	7,873
Other interest income	**(1,317)**	(1,309)
Total interest expense on leases, and current and long-term debt	**190,119**	151,591
Unwinding of discount on decommissioning liabilities	**11,685**	11,339
Unwinding of discount on long-term debt	**2,190**	2,165
Other	**90**	256
Non-cash expenses in finance costs	**13,965**	13,760
Total finance costs	**204,084**	165,351

Note:

1 For the year ended December 31, 2023, borrowing (interest) costs were capitalized at a weighted average capitalization rate of 5.3% on funds borrowed (2022 – 5.0%).

27. DEPRECIATION, DEPLETION AND AMORTIZATION

The components of depreciation, depletion and amortization expense were:

(Thousands of Canadian dollars)	**2023**	2022
Depreciation and depletion on property, plant and equipment	**274,714**	211,813
Depreciation on right-of-use assets	**39,841**	38,752
Amortization of intangible assets	**7,959**	7,699
Total depreciation, depletion and amortization expenses	**322,514**	258,264

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

28. RELATED PARTY TRANSACTIONS

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

Compensation of key management personnel was:

(Thousands of Canadian dollars)	**2023**	2022
Salaries and other short-term benefits	**13,925**	12,424
Post-employment benefits	**429**	399
Share-based payments	**15,885**	4,121
Total related party transactions	**30,239**	16,944

29. SUPPLEMENTAL CASH FLOW INFORMATION

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

(Thousands of Canadian dollars)	**2023**	2022
Inventory	**67,651**	(21,427)
Trade and other receivables	**12,704**	48,088
Other assets	**6,605**	3,764
Trade and other payables, and provisions	**(138,967)**	76,055
Changes in non-cash working capital from operating activities	**(52,007)**	106,480

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

(Thousands of Canadian dollars)	**2023**	2022
Trade and other payables, and provisions	**(117,026)**	8,833
Changes in non-cash working capital from investing activities	**(117,026)**	8,833

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

Reconciliation of liabilities arising from financing activities

(Thousands of Canadian dollars)	Credit Facilities	Current and Long-term Debt	Derivative Financial Assets Related to U.S. Long-term Borrowings	Current and Long-term Lease Liabilities
As at December 31, 2021	**230,000**	**3,284,485**	**88,363**	**183,290**
Cash changes:				
Inflows from borrowings	700,000	400,000	—	—
Outflows related to repayments	(890,000)	(60,000)	—	(43,566)
Outflows related to financing costs	—	(3,126)	—	7,873
Non-cash and other changes:				
Lease additions	—	—	—	54,040
Fair value changes	—	—	12,907	—
Unrealized foreign exchange and other	—	29,221	—	7,762
Unwinding of discount on long-term debt	—	2,165	—	—
As at December 31, 2022	**40,000**	**3,652,745**	**101,270**	**209,399**
Cash changes:				
Inflows from borrowings	1,330,000	—	—	—
Outflows related to repayments	(900,000)	(30,000)	—	(47,261)
Outflows related to financing costs	—	(967)	—	9,825
Non-cash and other changes:				
Lease additions	—	—	—	34,877
Fair value changes	—	—	(5,549)	—
Unrealized foreign exchange and other	—	(10,956)	—	(3,332)
Unwinding of discount on long-term debt	—	2,190	—	—
As at December 31, 2023	**470,000**	**3,613,012**	**95,721**	**203,508**

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

30. SEGMENT INFORMATION

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

Gathering and Processing

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

Liquids Infrastructure

The Liquids Infrastructure segment provides fractionation, storage, transportation and terminaling 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, a 50% interest in the South Cheecham Rail and Truck Terminal (which includes sulphur handling, forming and storage), the Oklahoma Liquids Terminal and a 90% interest in the Wildhorse Terminal.

Marketing

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

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

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

Year ended December 31, 2023 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	733,316	768,996	6,055,725	40	(504,951)	7,053,126
Segmented expenses	(340,886)	(282,529)	(5,501,474)	(250)	504,951	(5,620,188)
Operating margin (loss)	392,430	486,467	554,251	(210)	—	1,432,938
General and administrative expenses	—	—	—	(106,494)	—	(106,494)
Finance costs	—	—	—	(204,084)	—	(204,084)
Depreciation, depletion and amortization expenses	—	—	—	(322,514)	—	(322,514)
Net foreign currency gain on U.S. debt and other	—	—	—	11,472	—	11,472
Long-term incentive plan expense	—	—	—	(50,909)	—	(50,909)
Impairment expense	—	(213,508)	—	—	—	(213,508)
Other	—	—	—	(224)	—	(224)
Earnings (loss) before income tax	392,430	272,959	554,251	(672,963)	—	546,677
Income tax expense	—	—	—	(122,645)	—	(122,645)
Net earnings (loss)	**392,430**	**272,959**	**554,251**	**(795,608)**	**—**	**424,032**

Year ended December 31, 2022 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	722,395	633,310	6,135,499	58	(431,039)	7,060,223
Segmented expenses	(374,495)	(219,431)	(5,720,526)	(1,029)	431,039	(5,884,442)
Operating margin (loss)	347,900	413,879	414,973	(971)	—	1,175,781
General and administrative expenses	—	—	—	(82,843)	—	(82,843)
Finance costs	—	—	—	(165,351)	—	(165,351)
Depreciation, depletion and amortization expenses	—	—	—	(258,264)	—	(258,264)
Net foreign currency loss on U.S. debt and other	—	—	—	(21,551)	—	(21,551)
Long-term incentive plan expense	—	—	—	(33,284)	—	(33,284)
Impairment expense	(173,893)	(6,384)	—	—	—	(180,277)
Loss on disposal of property, plant and equipment	—	(477)	—	—	—	(477)
Other	—	—	—	(534)	—	(534)
Earnings (loss) before income tax	174,007	407,018	414,973	(562,798)	—	433,200
Income tax expense	—	—	—	(104,906)	—	(104,906)
Net earnings (loss)	**174,007**	**407,018**	**414,973**	**(667,704)**	**—**	**328,294**

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

DISAGGREGATION OF REVENUE

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

Year ended December 31, 2023 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Gas handling and processing services[1]	637,524	157,582	—	—	795,106
Fractionation and storage services	13,422	316,466	—	—	329,888
Transportation and terminaling services	—	292,943	—	—	292,943
Marketing of NGLs and iso-octane	—	—	6,055,725	—	6,055,725
Other[2]	82,370	2,005	—	40	84,415
Revenue before inter-segment eliminations	**733,316**	**768,996**	**6,055,725**	**40**	**7,558,077**
Inter-segment revenue eliminations	(16,250)	(416,324)	(72,377)	—	(504,951)
Revenue from external customers	**717,066**	**352,672**	**5,983,348**	**40**	**7,053,126**

Year ended December 31, 2022 *(Thousands of Canadian dollars)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Total
Gas handling and processing services[1]	598,416	126,060	—	—	724,476
Fractionation and storage services	15,988	261,244	—	—	277,232
Transportation and terminaling services	—	246,006	—	—	246,006
Marketing of NGLs and iso-octane	—	—	6,135,499	—	6,135,499
Other[2]	107,991	—	—	58	108,049
Revenue before inter-segment eliminations	**722,395**	**633,310**	**6,135,499**	**58**	**7,491,262**
Inter-segment revenue eliminations	(30,470)	(367,481)	(33,059)	(29)	(431,039)
Revenue from external customers	**691,925**	**265,829**	**6,102,440**	**29**	**7,060,223**

Notes:

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

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

Contract Balances

Contract liabilities are recorded when consideration has been received from a customer prior to Keyera's fulfillment of its obligation to provide future services. Contract liabilities primarily relate to consideration received under take-or-pay contract arrangements whereby the customer has the ability to exercise accumulated make-up rights prior to their expiry. Contract liabilities also arise when Keyera receives non-cash consideration or up-front payments from customers for the performance of future services. As at December 31, 2023 and 2022, contract liabilities were immaterial.

Contract assets are recorded when Keyera performs services for customers in advance of receiving consideration from the customer or before payment is due. All instances whereby Keyera's performance obligations were satisfied prior to receiving consideration from the customer were unconditional and therefore have been presented as a receivable.

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

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

(Thousands of Canadian dollars)	**2023**	2022
Canada	**5,027,779**	5,725,497
U.S.	**2,025,347**	1,334,726
Total revenue	**7,053,126**	7,060,223

Non-current assets[1]

As at December 31, *(Thousands of Canadian dollars)*	**2023**	2022
Canada	**7,374,961**	6,885,982
U.S.	**201,697**	436,605
Total non-current assets	**7,576,658**	7,322,587

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

Information about major customers

Attributable to the Marketing and Liquids Infrastructure segments, Keyera earned revenues from a single external customer that accounted for more than 10% of its total revenue for the year ended December 31, 2023 (2022 – one customer). Revenues from this customer, who is recognized as a large and established energy company with investment grade credit ratings, were approximately $828,000 for the year ended December 31, 2023.

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

31. COMMITMENTS AND CONTINGENCIES

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

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

Year	*(Thousands of Canadian dollars)*
2024	31,247
2025	8,743
2026	2,237
2027	1,264
2028	428
Thereafter	1,284
Total commitments	**45,203**

32. SUBSEQUENT EVENTS

On January 4, 2024, Keyera closed a public note offering of $250,000, 30-year senior unsecured medium-term notes to investors in Canada. The notes bear interest at 5.663%, which is payable semi-annually, and mature on January 4, 2054.

On February 13, 2024, Keyera declared a dividend of $0.50 per share, payable on March 28, 2024 to shareholders of record as of March 15, 2024.

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

Additional Information

Fourth Quarter Results

Consolidated Statements of Net Earnings (Loss) and Comprehensive Income (Loss) *(Thousands of Canadian Dollars)* *(Unaudited)*	**Three months ended December 31,** **2023**	 2022
Revenue	**2,301,630**	1,775,154
Expenses	**(1,855,844)**	(1,547,345)
Operating margin	**445,786**	227,809
General and administrative expenses	**(27,897)**	(22,193)
Finance costs	**(57,235)**	(41,084)
Depreciation, depletion and amortization expenses	**(89,568)**	(85,630)
Net foreign currency gain on U.S. debt and other	**6,192**	4,765
Long-term incentive plan expense	**(7,336)**	(8,526)
Impairment expense	**(210,167)**	(180,277)
Other	**(224)**	(69)
Earnings (loss) before income tax	**59,551**	(105,205)
Income tax (expense) recovery	**(10,359)**	23,310
Net earnings (loss)	**49,192**	(81,895)
Other comprehensive loss		
Foreign currency translation adjustment	**(13,806)**	(6,289)
Comprehensive income (loss)	**35,386**	(88,184)
Weighted average number of shares (in thousands)		
Basic	**229,153**	222,083
Diluted	**229,153**	222,083
Earnings (loss) per share		
Basic earnings (loss) per share	**0.21**	(0.37)
Diluted earnings (loss) per share	**0.21**	(0.37)

Consolidated Statements of Cash Flows *(Thousands of Canadian Dollars)* *(Unaudited)*	Three months ended December 31, **2023**	 2022
Cash provided by (used in):		
OPERATING ACTIVITIES		
Net earnings (loss)	**49,192**	(81,895)
Adjustments for items not affecting cash:		
Finance costs	**6,042**	5,519
Depreciation, depletion and amortization expenses	**89,568**	85,630
Unrealized (gain) loss on derivative financial instruments	**(61,183)**	19,255
Unrealized gain on foreign exchange	**(15,320)**	(6,295)
Inventory write-down	**3,257**	—
Deferred income tax expense (recovery)	**12,039**	(34,014)
Impairment expense	**210,167**	180,277
Decommissioning liability expenditures	**(3,119)**	(11,628)
Changes in non-cash working capital	**(59,904)**	(22,441)
Net cash provided by operating activities	**230,739**	134,408
INVESTING ACTIVITIES		
Capital expenditures	**(74,342)**	(207,510)
Changes in non-cash working capital	**(30,352)**	(35,569)
Net cash used in investing activities	**(104,694)**	(243,079)
FINANCING ACTIVITIES		
Borrowings under credit facility	**260,000**	420,000
Repayments under credit facility	**(280,000)**	(410,000)
Repayment of long-term debt	—	(60,000)
Financing costs related to credit facility/long-term debt	**(935)**	(651)
Proceeds from equity offering	—	230,093
Issuance costs related to equity offering	—	(9,687)
Lease payments	**(13,007)**	(10,875)
Dividends paid to shareholders	**(114,577)**	(106,091)
Net cash (used in) provided by financing activities	**(148,519)**	52,789
Effect of exchange rate fluctuations on foreign cash held	**(91)**	(123)
Net decrease in cash	**(22,565)**	(56,005)
Cash at the beginning of the period	**42,653**	54,202
Cash (bank indebtedness) at the end of the period	**20,088**	(1,803)
Income taxes paid in cash	**175**	9,380
Interest paid in cash	**70,412**	68,939

SUPPLEMENTAL CASH FLOW INFORMATION

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

(Thousands of Canadian dollars)	Three months ended December 31,	
(Unaudited)	**2023**	2022
Inventory	**35,407**	77,123
Trade and other receivables	**(50,879)**	(132,299)
Other assets	**19,881**	12,404
Trade and other payables, and provisions	**(64,313)**	20,331
Changes in non-cash working capital from operating activities	**(59,904)**	(22,441)

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

(Thousands of Canadian dollars)	Three months ended December 31,	
(Unaudited)	**2023**	2022
Trade and other payables, and provisions	**(30,352)**	(35,569)
Changes in non-cash working capital from investing activities	**(30,352)**	(35,569)

SEGMENT INFORMATION

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

Three months ended December 31, 2023 *(Thousands of Canadian dollars)* *(Unaudited)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	202,767	214,790	2,019,586	11	(135,524)	2,301,630
Segmented expenses	(87,916)	(86,657)	(1,816,735)	(60)	135,524	(1,855,844)
Operating margin (loss)	114,851	128,133	202,851	(49)	—	445,786
General and administrative expenses	—	—	—	(27,897)	—	(27,897)
Finance costs	—	—	—	(57,235)	—	(57,235)
Depreciation, depletion and amortization expenses	—	—	—	(89,568)	—	(89,568)
Net foreign currency gain on U.S. debt and other	—	—	—	6,192	—	6,192
Long-term incentive plan expense	—	—	—	(7,336)	—	(7,336)
Impairment expense	—	(210,167)	—	—	—	(210,167)
Other	—	—	—	(224)	—	(224)
Earnings (loss) before income tax	114,851	(82,034)	202,851	(176,117)	—	59,551
Income tax expense	—	—	—	(10,359)	—	(10,359)
Net earnings (loss)	**114,851**	**(82,034)**	**202,851**	**(186,476)**	**—**	**49,192**

Three months ended December 31, 2022 *(Thousands of Canadian dollars)* *(Unaudited)*	Gathering & Processing	Liquids Infrastructure	Marketing	Corporate and Other	Inter-segment Eliminations	Total
Segmented revenue	202,837	164,749	1,519,190	22	(111,644)	1,775,154
Segmented expenses	(109,820)	(58,207)	(1,490,897)	(65)	111,644	(1,547,345)
Operating margin (loss)	93,017	106,542	28,293	(43)	—	227,809
General and administrative expenses	—	—	—	(22,193)	—	(22,193)
Finance costs	—	—	—	(41,084)	—	(41,084)
Depreciation, depletion and amortization expenses	—	—	—	(85,630)	—	(85,630)
Net foreign currency gain on U.S. debt and other	—	—	—	4,765	—	4,765
Long-term incentive plan expense	—	—	—	(8,526)	—	(8,526)
Impairment expense	(173,893)	(6,384)	—	—	—	(180,277)
Other	—	—	—	(69)	—	(69)
(Loss) earnings before income tax	(80,876)	100,158	28,293	(152,780)	—	(105,205)
Income tax recovery	—	—	—	23,310	—	23,310
Net (loss) earnings	**(80,876)**	**100,158**	**28,293**	**(129,470)**	**—**	**(81,895)**

DISAGGREGATION OF REVENUE

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

Three months ended December 31, 2023 *(Thousands of Canadian dollars)* *(Unaudited)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Total**
Gas handling and processing services[1]	178,294	44,013	—	—	222,307
Fractionation and storage services	3,940	87,233	—	—	91,173
Transportation and terminaling services	—	82,511	—	—	82,511
Marketing of NGLs and iso-octane	—	—	2,019,586	—	2,019,586
Other[2]	20,533	1,033	—	11	21,577
Revenue before inter-segment eliminations	**202,767**	**214,790**	**2,019,586**	**11**	**2,437,154**
Inter-segment revenue eliminations	(5,091)	(116,669)	(13,764)	—	(135,524)
Revenue from external customers	**197,676**	**98,121**	**2,005,822**	**11**	**2,301,630**

Three months ended December 31, 2022 *(Thousands of Canadian dollars)* *(Unaudited)*	**Gathering & Processing**	**Liquids Infrastructure**	**Marketing**	**Corporate and Other**	**Total**
Gas handling and processing services[1]	175,293	32,198	—	—	207,491
Fractionation and storage services	3,993	69,189	—	—	73,182
Transportation and terminaling services	—	63,362	—	—	63,362
Marketing of NGLs and iso-octane	—	—	1,519,190	—	1,519,190
Other[2]	23,551	—	—	22	23,573
Revenue before inter-segment eliminations	**202,837**	**164,749**	**1,519,190**	**22**	**1,886,798**
Inter-segment revenue eliminations	(4,744)	(98,790)	(8,100)	(10)	(111,644)
Revenue from external customers	**198,093**	**65,959**	**1,511,090**	**12**	**1,775,154**

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.

Corporate Information

Board of Directors

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

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

Isabelle Brassard (4)(5)
Executive Vice President and Chief Operating Officer
Fednav Limited
Montreal, Quebec

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

Blair Goertzen (5)
Corporate Director
Red Deer, Alberta

Gianna Manes (4)
Corporate Director
Salem, South Carolina

Michael Norris (3)
Corporate Director
Toronto, Ontario

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

Charlene Ripley (4)(6)
Senior Vice President and General Counsel
Teck Resources Limited
Vancouver, British Columbia

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

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

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

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Officers

C. Dean Setoguchi
President and Chief Executive Officer

Eileen Marikar
Senior Vice President and Chief Financial Officer

Jamie Urquhart
Senior Vice President and Chief Commercial Officer

Jarrod Beztilny
Senior Vice President, Operations & Engineering

Desiree Crawford
Senior Vice President, Safety, People & Technology

Christy Elliott
Senior Vice President, Sustainability, External Affairs & General Counsel

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol KEY

Trading Summary for Q4 2023

TSX:KEY – Cdn $	
High	$34.17
Low	$30.64
Close December 31, 2023	$32.03
Volume	62,303,618
Average Daily Volume	1,004,897

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Calgary, Canada

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