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Keyera is one of the largest midstream operators in Canada.

Third Quarter Report November 4, 2014

2014 Third Quarter Report

For the period ended September 30, 2014

HIGHLIGHTS

- Net earnings were $82.4 million ($0.98 per share) in the third quarter of 2014, $41.6 million ($0.46 per share) higher than the $40.8 million ($0.52 per share) in the third quarter of 2013.
- Adjusted earnings before interest, taxes, depreciation and amortization[1,2] ("Adjusted EBITDA") were a record $151.4 million in the third quarter of 2014, 83% higher than the $82.6 million posted in the same period in 2013.
- Distributable cash flow[1,2] was also a record at $124.4 million ($1.48 per share) in the third quarter of 2014 compared to $50.5 million ($0.64 per share) recorded in the third quarter of 2013.
- Keyera's Gathering and Processing business delivered an operating margin[3] of $54.0 million in the third quarter of 2014, compared to $40.7 million in the same quarter of 2013. The NGL Infrastructure segment delivered operating margin[3] of $45.8 million, 46% higher than the $31.4 million recorded in the third quarter of 2013. Marketing operating margin[3] was $79.9 million, compared to $33.2 million in the third quarter of last year.
- Keyera has entered into an agreement to provide solvent handling services at its South Cheecham Rail and Truck Terminal. Assuming all conditions of the agreement are met and subject to timely receipt of regulatory approvals, Keyera will undertake enhancements to its rail infrastructure and construct additional storage tanks at the terminal, with startup anticipated in 2017.
- Construction of the two pipelines comprising the Wapiti pipeline system was completed in the third quarter. The 12-inch sour gas gathering pipeline was brought into service in late September and immediately began delivering raw gas to the Simonette gas plant for processing. The 6-inch condensate pipeline is expected to be brought on line once the condensate stabilizer at the plant is completed.
- The rail loading facilities at the Alberta Crude Terminal were commissioned in September and Keyera began loading crude oil onto customer railcars.
- Keyera's NGL rail and truck terminal in Hull, Texas, began operation in October. The terminal is able to receive and deliver natural gas liquids by pipeline, truck and rail.
- At Keyera's Fort Saskatchewan Fractionation and Storage complex, construction of the de-ethanizer facility is nearing completion, and engineering design and site preparation are underway for the fractionation expansion. As well, underground storage development is continuing. The 13th cavern is expected to be in service by mid-2015. Washing of the 14th cavern is currently underway, and drilling of the well bore for the 15th cavern is expected to begin soon.
- Total growth capital investment was $166.2 million in the third quarter of 2014 and $521.8 million year-to-date. Keyera expects that its growth capital investment, excluding acquisitions, for each of 2014 and 2015 will be between $700 million and $800 million.[4]

[1] See "Non-GAAP Financial Measures" on page 40 of the MD&A.
[2] See pages 36 and 37 of the MD&A for a reconciliation of distributable cash flow to cash flow from operating activities and Adjusted EBITDA to net earnings.
[3] See note 13 to the accompanying financial statements.
[4] See "Capital Expenditures and Acquisitions" on page 32 of the MD&A for further discussion of Keyera's capital investment program.

Summary of Key Measures (Thousands of Canadian dollars, except where noted)	**Three months ended September 30,** 2014	2013	**Nine months ended September 30,** 2014	2013
Net earnings	**82,439**	40,822	**200,602**	112,440
Per share ($/share) – basic	**0.98**	0.52	**2.46**	1.44
Cash flow from operating activities	**54,667**	26,584	**280,835**	212,497
Distributable cash flow[1]	**124,370**	50,544	**286,605**	213,088
Per share ($/share)	**1.48**	0.64	**3.52**	2.73
Dividends declared	**54,226**	45,529	**152,875**	129,835
Per share ($/share)	**0.65**	0.58	**1.88**	1.66
Payout ratio %[1]	**44%**	90%	**53%**	61%
Adjusted EBITDA[2]	**151,382**	82,589	**402,172**	279,850
Gathering and Processing:				
Gross processing throughput (MMcf/d)	**1,404**	1,274	**1,368**	1,268
Net processing throughput (MMcf/d)	**1,189**	1,040	**1,134**	1,023
NGL Infrastructure:				
Gross processing throughput (Mbbl/d)	**109**	108	**116**	112
Net processing throughput (Mbbl/d)	**27**	30	**31**	34
Marketing:				
Inventory value	**272,414**	253,004	**272,414**	253,004
Sales volumes (Bbl/d)	**84,700**	82,500	**88,900**	94,000
Acquisitions	**8,596**	80	**128,539**	27,088
Growth capital expenditures	**166,174**	93,065	**521,793**	192,162
Maintenance capital expenditures	**5,584**	19,571	**48,467**	31,076
Total capital expenditures	**180,354**	112,716	**698,799**	250,326

	As at September 30, 2014	2013
Long-term debt	**1,134,382**	630,361
Credit facilities	**—**	290,000
Working capital surplus[3]	**(191,571)**	(239,350)
Net debt	**942,811**	681,011
Common shares outstanding – end of period	**84,135**	78,591
Weighted average number of shares outstanding – basic	**81,491**	78,160
Weighted average number of shares outstanding – diluted	**81,491**	78,611

Notes:

1 Payout ratio is defined as dividends declared to shareholders divided by distributable cash flow. Payout ratio and distributable cash flow are not standard measures under GAAP. See page 36 for a reconciliation of distributable cash flow to its most closely related GAAP measure.

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

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

Message to Shareholders

All three of Keyera's business segments continued to perform very well, contributing to record financial results in the third quarter. Our customers continue to see the benefits of Keyera's integrated business, which has resulted in continued growth in demand for our services. This demand, combined with contribution from growth capital investments, resulted in increased throughput at many of our facilities. Keyera delivered Adjusted EBITDA in the third quarter of $151.4 million, the highest in Keyera's history and 83% higher than the same period last year.

Our Gathering and Processing business reported an operating margin of $54.0 million, 33% higher than the third quarter of 2013. Several Keyera facilities are operating at or near capacity to accommodate the liquids-rich natural gas being produced from several key geological horizons, including the Mannville, Spirit River, Cardium, Glauconite and Montney zones. To keep up with the increased demand for processing, we are working on a number of infrastructure solutions to expand and optimize our operations, relieve processing constraints, add operational flexibility and provide enhanced service levels for our customers.

In the Deep Basin, the 90-kilometre, 12-inch gas gathering pipeline, which is part of the newly-built Wapiti pipeline system, was commissioned in September, delivering raw gas into the Simonette gas plant for processing. The 6-inch condensate pipeline, also part of the Wapiti pipeline system, is expected to be brought on line once the condensate stabilizer at the plant is completed. The 100 million cubic feet per day expansion of the Simonette gas plant is well underway, with completion expected in early 2015. The plant was taken off line for 10 days in September to complete tie-ins related to the expansion project and conduct sulphur plant maintenance.

As part of the development of Keyera's Twin Rivers pipeline system, construction of a 45-kilometre, 12-inch diameter pipeline to deliver liquids-rich gas to the Brazeau River and West Pembina gas plants is expected to begin in the fourth quarter, with completion targeted for the second quarter of 2015. With a shortage of pipeline capacity in this region, there is strong producer interest in this project, and we continue to receive additional requests for capacity on the Twin Rivers system.

At the Rimbey gas plant, installation of the 400 million cubic feet per day turbo expander is progressing. We completed a planned 10-day outage in September to complete tie-ins of the new equipment and anticipate that the unit will be operational by mid-2015. When complete, the new turbo expander will increase recoveries of ethane and other NGLs from the raw gas stream.

Our NGL Infrastructure Business Unit reported an operating margin of $45.8 million, 46% higher than the same quarter in 2013. Throughput at the Keyera Fort Saskatchewan facility ("KFS") was lower in the third quarter because of lower volumes of NGL mix from the Strachan gas plant due to operational challenges and high summer temperatures that reduced the efficiency of the fractionator. Despite this, fractionation demand in Alberta remains high, as industry production of liquids-rich natural gas continues to increase.

The 30,000 barrel per day de-ethanizer at KFS is nearing completion with construction expected to be completed by year-end. Once commissioned, the de-ethanizer will allow delivery of an ethane-rich stream of NGLs (known as C2+ mix) to KFS for fractionation into its specification components.

To accommodate growing producer demand for NGL storage, several projects are currently underway at KFS. Washing of the 13th cavern on site is continuing, with commissioning expected in mid 2015. Development of the 14th cavern is also underway and the fourth brine pond is expected to be in service later this year. We are proceeding with the development of our 15th cavern and expect to begin drilling soon.

In October, Keyera entered into an agreement to provide solvent handling services at its South Cheecham Rail and Truck Terminal. Assuming all conditions of the agreement are met and subject to timely receipt of regulatory approvals, Keyera will undertake enhancements to its rail infrastructure and construct additional storage tanks at the terminal, with startup anticipated in 2017.

In October, we celebrated the opening of the Alberta Crude Terminal ("ACT"), a 50/50 joint venture facility with Kinder Morgan. Situated adjacent to our Alberta Diluent Terminal, ACT began loading crude oil into customer rail cars in September, and full commissioning of the site was completed in October.

The Hull rail and truck terminal also celebrated its opening in October. Located near Mont Belvieu, Texas, the terminal currently handles the receipt and delivery of butane and iso-butane and is expected to handle propane shortly.

Work is progressing at the Josephburg rail terminal located east of KFS and site preparation is nearing completion. When operational in 2015, the Josephburg terminal will provide an essential transportation outlet for the delivery of propane to markets across North America.

In August, the Kinder Morgan Cochin pipeline began delivering condensate from the U.S. to Alberta for use as diluent in the oil sands. Our Fort Saskatchewan complex is the only receipt point for condensate delivered into Alberta on this pipeline. With its integrated condensate system, Keyera works with the Cochin shippers to facilitate movement of the product either into storage or on to its final destination.

The Marketing segment reported an operating margin of $79.9 million, compared to $33.2 million in the third quarter of last year. A big factor in these results was the performance of Alberta EnviroFuels, which saw increased iso-octane sales this quarter, including record volumes shipped by rail in September. We continue to be pleased with our success in developing new markets for iso-octane across North America. We are currently working on an iso-octane truck-loading facility at Alberta EnviroFuels to further enhance our delivery options and improve access to local markets.

Continued producer activity targeting liquids-rich gas and oil sands development is providing us with a significant number of new business opportunities. We approach these opportunities with a view to selecting projects that allow us to leverage our existing infrastructure and generate incremental cash flow across all segments of our business. In 2014, we expect to invest between $700 million and $800 million on growth capital projects, excluding acquisitions. In 2015, a significant portion of our capital investment will be directed towards completing the projects already underway. We also have a number of new projects in various stages of evaluation. Excluding acquisitions, we anticipate our 2015 growth capital investment will also total between $700 million and $800 million. As always, we remain focused on successful and safe project execution.

In October, we announced changes to our executive team and Board of Directors that will come into effect on January 1, 2015. With these changes, which have evolved through Keyera's succession planning process, I am looking forward to transitioning into my new role as Executive Chair. While my duties will be changing, my new responsibilities will keep me involved with Keyera on a daily basis. I look forward to continuing to help shape Keyera's direction into the future, and having worked alongside David Smith for the past 16 years, I am confident in his ability to lead Keyera as he assumes his new role as President and Chief Executive Officer.

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

Jim V. Bertram

Chief Executive Officer
Keyera Corp.

Management's Discussion and Analysis

The following management's discussion and analysis ("MD&A") was prepared as of November 4, 2014, 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 condensed interim unaudited consolidated financial statements ("accompanying financial statements") of Keyera Corp. for the three and nine months ended September 30, 2014, and the notes thereto as well as the audited consolidated financial statements of Keyera Corp. for the year ended December 31, 2013, and the related MD&A. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") also referred to as GAAP, and are stated in Canadian dollars. Additional information related to Keyera, including its Annual Information Form, is available on SEDAR at www.sedar.com or on Keyera's website at www.keyera.com.

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

Keyera's Business

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

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

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

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

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

CONSOLIDATED FINANCIAL RESULTS

The following table highlights some of the key consolidated financial results for the three and nine months ended September 30, 2014 and 2013:

(Thousands of Canadian dollars, except per share data)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2014	2013	**2014**	2013
Net earnings	**82,439**	40,822	**200,602**	112,440
Net earnings per share (basic)	**0.98**	0.52	**2.46**	1.44
Total operating margin[1]	**190,635**	106,875	**483,542**	317,977
Adjusted EBITDA[2]	**151,382**	82,589	**402,172**	279,850
Cash flow from operating activities	**54,667**	26,584	**280,835**	212,497
Distributable cash flow[3]	**124,370**	50,544	**286,605**	213,088
Distributable cash flow per share[3] (basic)	**1.48**	0.64	**3.52**	2.73
Dividends declared	**54,226**	45,529	**152,875**	129,835
Dividends declared per share	**0.65**	0.58	**1.88**	1.66

Notes:

1 Total operating margin refers to total operating revenues less total operating expenses and general and administrative expenses associated with the Marketing segment. See note 13 of the accompanying financial statements.

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

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

Keyera recorded another outstanding quarter of financial results for the three months ended September 30, 2014. All key financial measures were higher in the third quarter of 2014 compared to the same period last year.

Net Earnings

For the three and nine months ended September 30, 2014, net earnings were $41.6 million and $88.2 million higher than the same periods last year, primarily due to higher operating margin from all business segments, as well as the incremental production from the reserves acquired as part of the acquisition of the Cynthia gas plant in the second quarter of 2014. Partly offsetting the higher operating margin were the following factors:

- higher depreciation charges resulting from the continued growth in Keyera’s asset base, as well as an increase in depletion relating to the newly acquired oil and gas reserves;
- higher general and administrative costs due to increased staffing levels necessary to support the growth in Keyera’s business;
- higher income tax expense (current and deferred) resulting from the strong financial results in 2014; and
- higher long-term incentive plan expense associated with the increase in Keyera’s share price.

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

Operating Margin

Keyera posted outstanding operating results in the third quarter of 2014, driven by the strong performance of all business units. Operating margin for the three and nine months ended September 30, 2014, was $83.8 million and $165.6 million higher than the same periods last year, largely due to the following reasons:

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

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

- incremental margin from the oil and gas reserves acquired with the Cynthia gas plant acquisition; and

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

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

Cash Flow Metrics

Cash flow metrics were also strong in the third quarter of 2014. For the three and nine months ended September 30, 2014, cash flow from operating activities was $28.1 million and $68.3 million higher than the same periods last year, primarily due to strong iso-octane margins as well as the growth in demand for services in Keyera's Gathering and Processing and NGL Infrastructure segments.

The increase in cash resulting from strong operating results was partly offset by a higher cash requirement to fund higher butane and propane inventory levels as at September 30, 2014. Keyera typically builds butane and propane inventory in the summer months when prices are generally lower.

Distributable cash flow for the three and nine months ended September 30, 2014 was $124.4 million and $286.6 million, $73.8 million and $73.5 million higher than the same periods last year. The strong year-to-date results were achieved despite approximately $40 million in turnaround costs associated with four major turnarounds in the second quarter of 2014, which is deducted for the purposes of calculating distributable cash flow. By comparison, turnaround costs in 2013 were approximately $17 million. In addition, cash taxes were $8.0 million and $24.0 million for the three and nine months ended September 30, 2014 compared to $0.9 million and $2.1 million of cash taxes in the same periods of 2013.

SEGMENTED RESULTS OF OPERATIONS

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

The discussion of the results of operations for each of the operating segments focuses on operating margin. Operating margin refers to operating revenues less operating expenses and does not include the elimination of inter-segment transactions. Management believes operating margin provides an accurate portrayal of operating profitability by segment. Keyera's Gathering and Processing and NGL Infrastructure segments charge Keyera's Marketing segment for the use of facilities at market rates. These segment measures of profitability for the three and nine months ended September 30, 2014 and 2013 are reported in note 13, Segment Information, of the accompanying financial statements.

Gathering and Processing

Keyera has interests in 16 gas plants in western Canada, of which it operates 15, making it one of the largest gas processors in Alberta. The Gathering and Processing segment includes raw gas gathering systems and processing plants strategically located in the natural gas production areas on the western side of the Western Canada Sedimentary Basin ("WCSB"). Several of the gas plants are interconnected by raw gas gathering pipelines, allowing raw gas to be directed to the gas plant best suited to process the gas. Keyera's facilities and gathering systems collectively constitute a network that is well positioned to serve drilling and production activity in the WCSB.

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

Operating Margin and Throughput Information (Thousands of Canadian dollars)	**Three months ended September 30, 2014**	**Three months ended September 30, 2013**	**Nine months ended September 30, 2014**	**Nine months ended September 30, 2013**
Revenue including inter-segment transactions	**105,355**	87,678	**311,324**	256,453
Operating expenses	**(51,373)**	(47,024)	**(145,107)**	(136,962)
Operating margin	**53,982**	40,654	**166,217**	119,491
Gross processing throughput – (MMcf/d)	**1,404**	1,274	**1,368**	1,268
Net processing throughput[1] – (MMcf/d)	**1,189**	1,040	**1,134**	1,023

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

Operating Margin and Revenues

Operating margin for the three months ended September 30, 2014 was $13.3 million higher than the same period last year. The higher operating margin in 2014 compared to the same period last year was largely due to:

- higher throughput at several gas plants including Rimbey, Strachan, Simonette and Brazeau River; and
- approximately $5.5 million in higher revenues recorded in the third quarter relating to the recovery of costs associated with the turnaround completed at the Strachan gas plant in the second quarter of 2014. Included in the total is an adjustment of approximately $1.5 million to reflect the higher than estimated cost of the turnaround.

The higher operating margin in the third quarter of 2014 was achieved despite:

- lower operating margin associated with ethane extraction at the Rimbey gas plant, due to Keyera's primary customer being unable to receive ethane volumes at their facility for several weeks in the quarter; and
- outages at the Simonette, Rimbey and Minnehik Buck Lake gas plants. See the section below titled, "Gathering and Processing Activity", for further details concerning these plant outages.

Operating margin for the nine months ended September 30, 2014 was $46.7 million higher than the same period in 2013, primarily due to the following factors:

- higher throughput at the Rimbey, Simonette, Brazeau River and Minnehik Buck Lake gas plants resulting from strong drilling activity in the areas surrounding these facilities;
- higher revenues relating to fees charged for the use of Keyera's road at Simonette, of which approximately $3 million related to prior periods;
- approximately $13 million in higher revenues relating to the recovery of costs associated with the turnarounds completed at the Strachan, Caribou and West Pembina gas plants in the second quarter.

Turnaround costs are capitalized for accounting purposes but are recoverable as operating fee revenue over a period of time; and

- approximately $5 million of incremental revenue recorded for the recovery of the full estimated turnaround costs at the Cynthia gas plant, all of which was recovered in the second quarter. See the section below titled, "Gathering and Processing Activity", for details regarding the offsetting expense charged to Keyera as an owner of reserves at Cynthia.

Operating margin in the first nine months of 2013 was unusually low due to lower throughput at the Simonette gas plant, as a result of regulatory restrictions requiring the facility to curtail inlet volumes. The curtailment related to difficulties the facility had experienced in meeting its licensed sulphur recovery levels in prior quarters. The curtailment period ended on May 9, 2013.

Gathering and Processing revenues for the three and nine months ended September 30, 2014 were $17.7 million and $54.9 million higher than the same periods in 2013. The higher revenues were largely due to the same factors that contributed to higher operating margin in the periods.

Gathering and Processing Activity

As producers continue to target liquids rich gas in the Montney, Mannville and several other resource plays, Keyera is well positioned to serve its customers through its extensive infrastructure including gathering systems, deep-cut processing capabilities and access to the Edmonton/Fort Saskatchewan NGL hub. Over the past several years, Keyera has focused on enhancing its infrastructure in order to provide flexible gathering and processing solutions to its customers. The Wilson Creek and Carlos Offload gathering systems both of which were brought on line earlier this year, as well as the Twin Rivers pipeline system that is currently under development, are recent examples of investments made to capture the growing gas production around Keyera's core gas plants.

In response to the increase in liquids-rich gas and NGL mix being delivered to the Rimbey gas plant, Keyera has committed to debottleneck the plant's fractionation and NGL truck offload capacity. These projects are expected to add approximately 6,900 barrels per day of fractionation capacity and between 6,300 and 9,400 barrels per day of additional offload capacity at the NGL truck offload rack. Long-lead equipment has been ordered and the majority of the work associated with these expansions is expected to occur at the time of the next Rimbey turnaround, currently scheduled for the spring of 2015. These projects are anticipated to cost approximately $20 million and are expected to be operational in the second quarter of 2015, assuming construction proceeds as planned.

As a result of continued strong drilling activity, several of Keyera's core gas plants are now operating at close to capacity, including the Rimbey, Strachan, Minnehik Buck Lake, Pembina North and Brazeau North facilities. While raw gas volumes delivered to the Strachan gas plant were close to capacity, the plant's deep-cut system was off line from May to the end of August 2014, resulting in lower NGL recoveries at the plant in 2014.

Overall, gross processing throughput for the three and nine months ended September 30, 2014 was 1,404 million cubic feet per day and 1,368 million cubic feet per day, an increase of 10% and 8% over the same periods in 2013 due largely to higher throughput at several facilities including Rimbey, Strachan and Brazeau River, combined with the incremental volumes from the Cynthia gas plant acquired on May 1, 2014. Throughput was higher in 2014 despite:

- a 10-day planned outage in the third quarter at the Simonette gas plant to complete maintenance work on the sulphur plant and to complete required tie-ins associated with the Simonette plant expansion;

- a 10-day planned outage in the third quarter at the Rimbey gas plant to complete required tie-ins associated with the Rimbey turbo expander;

- a 10-day unplanned outage in the third quarter at the Minnehik Buck Lake gas plant required to allow TransCanada Pipeline to undertake work on its sales gas pipeline connected to the plant as prescribed by the National Energy Board;

- a 10-day planned outage in the second quarter at the Simonette gas plant to debottleneck certain parts of the facility; and

- four maintenance turnarounds completed in the second quarter including the turnarounds at Strachan (which took longer than planned); West Pembina (the effect of which was mitigated by Keyera's ability to divert volumes to certain other inter-connected gas plants for processing); Cynthia and Caribou.

Throughput was unusually low at the Simonette facility in 2013 due to the curtailment of inlet volumes in the first four months of the year as well as a turnaround in the third quarter.

On May 1, 2014, Keyera acquired the following assets for a total consideration of approximately $113 million:

- an 85% ownership interest in the Cynthia gas plant, along with the corresponding working interest in lands from which gas is produced into the plant;

- an additional 4.6% ownership interest in the Bigoray gas plant (bringing its ownership in that plant to 100%), along with certain associated reserves which produce into the plant; and

- varying ownership interests in certain associated oil batteries, compressors and gathering pipelines.

Keyera was appointed operator of the Cynthia gas plant and associated facilities. Keyera is actively working to integrate the plant and associated assets into its existing system of gathering and processing assets.

The acquired reserves ("Cynthia reserves") are all from the Nisku formation in Alberta. These are end of life reserves and are not material to Keyera's business and do not have a material effect on its financial results. Accordingly, the income from the reserves and production have been reported in the Corporate and Other operating segment. It is normal practice at facilities operating under a flow-through operating cost model to charge a fee to customers that represents the proportionate share of turnaround and operating costs. In the second quarter, the Gathering and Processing segment charged a fee representing a proportionate share of the Cynthia gas plant turnaround and operating costs to the Corporate and Other segment, which in this case is considered to be the Cynthia gas plant's primary customer.

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

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

Facility/Area	Project Name and Description	Project Status Update
Simonette	***Wapiti pipeline system:*** construction of two 90-kilometre pipelines (a 12-inch sour gas gathering pipeline and 6-inch condensate pipeline) from the Wapiti region of Northwest Alberta to the Simonette gas plant.	Construction of the 12-inch sour gathering pipeline was completed in the third quarter and is now operational. The 6-inch condensate pipeline is expected to be brought into service in the fourth quarter when construction of the condensate stabilizer is complete. The total estimated cost for this pipeline system is approximately $180 million.
Simonette	***Simonette gas plant expansion:*** i) addition of a refrigeration train to increase the raw gas handling capacity by 100 million cubic feet per day; and ii) construction of condensate stabilization facilities to handle the expected growth in condensate volumes being delivered to the plant.	i) Regulatory approval for the refrigeration capacity expansion was received in August, and construction is expected to be complete in the first quarter of 2015. ii) Fabrication of equipment and on-site construction continued in the third quarter and the facilities are expected to be complete in the fourth quarter of 2014. The total estimated cost for both projects is approximately $95 million.
Rimbey	***Rimbey Turbo Expander:*** addition of a 400 million cubic feet per day turbo expander designed to extract up to 20,000 barrels per day of ethane.	Regulatory approval was received for this project in April and construction has ramped up over the past several months. The turbo expander is expected to be operational in the second quarter of 2015. The total estimated cost for this project is approximately $220 million.
Rimbey	***Carlos Pipeline Offload*:** construction of two 25-kilometre pipelines (an 8-inch raw gas pipeline and a 6-inch condensate pipeline) to expand the capacity of the Carlos pipeline, which delivers raw gas and condensate to the Rimbey gas plant.	Construction of the pipelines was completed in April and they are now in service. The cost of this gathering system was approximately $23 million.
Rimbey	***Wilson Creek gathering system*:** construction of two 30-kilometre pipelines (a 12-inch raw gas pipeline and a 6-inch condensate pipeline) to deliver raw gas and condensate to the Rimbey gas plant from west of the plant.	Construction of the pipelines was completed in April and they began service in June. The cost of this gathering system was approximately $26 million.

Facility/Area	Project Name and Description	Project Status Update
Strachan	***Sulphur projects*:** i) A 50/50 joint venture with Sulvaris that involves the construction of a sulphur handling fertilizer production facility at the Strachan gas plant site. ii) A long-term, fee-for-service agreement with Suncor to provide sulphur handling and forming services at the Strachan gas plant. This project involves the replacement of the existing sulphur forming facility with a new 1,500 tonne per day sulphur forming and degassing unit, expanding the molten sulphur rail off-loading capability and adding additional storage capacity to the site.	i) Keyera received a revised cost estimate for the sulphur handling fertilizer production facility in the second quarter. The gross estimated cost for the facility is expected to be $115 million. Keyera reviewed the revised economics for this project and believes that they remain attractive. Keyera has decided to proceed with this project, and Sulvaris has obtained the necessary financing for its share of the project. The facility is expected to be operational in the second half of 2015. ii) Keyera and Suncor are continuing to evaluate the sulphur handling and forming project based on a higher cost estimate for the project obtained earlier in the year.
Brazeau River/ West Pembina	***Twin Rivers pipeline project:*** *Phase One:* construction of a 20-kilometre, 12-inch gathering system that will deliver raw gas to Keyera's Brazeau River gas plant. *Phase Two*: extending the Twin Rivers pipeline 25 kilometres further southeast of the Brazeau River gas plant. In addition, modifications are expected to be made to existing gathering systems so that raw gas from the capture area can also be delivered to the West Pembina gas plant for processing.	The total estimated cost of this project is expected to be approximately $80 million. Construction of the pipeline is expected to begin in the fourth quarter of 2014. Phase one is anticipated to be operational in the first quarter of 2015 and phase two is expected to be operational in the second quarter of 2015.

Estimated costs and completion times for the projects currently under development that are discussed above assume that construction proceeds as planned, that the actual costs are in line with estimates and, where required, that regulatory approvals are received on a timely basis. See the section of this MD&A titled, "Forward Looking Information", for more information on factors that could affect the development of these projects. For more detailed information relating to these projects, see Keyera's 2013 year end MD&A available on SEDAR at www.sedar.com.

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

Keyera's second quarter 2014 MD&A available on SEDAR provides information relating to the turnarounds completed in the second quarter. Turnaround costs as at June 30, 2014 were substantially based on estimates. Consequently, the cost of the turnaround at the Strachan gas plant was increased from $18 million to $20 million as at September 30, 2014. The total cost of maintenance turnarounds in 2014, including the sulphur plant at Strachan, was approximately $40 million.

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

NGL Infrastructure

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

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

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

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

Operating margin for the NGL Infrastructure segment was as follows:

Operating Margin	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Revenue including inter-segment transactions	**77,067**	57,195	**221,281**	161,413
Operating expenses	**(31,101)**	(25,657)	**(87,676)**	(72,456)
Unrealized gain (loss) on electricity and natural gas contracts	**(191)**	(158)	**175**	562
Total operating expenses	**(31,292)**	(25,815)	**(87,501)**	(71,894)
Operating margin	**45,775**	31,380	**133,780**	89,519

Operating Margin and Revenues

For the three months ended September 30, 2014, the NGL Infrastructure segment posted another strong quarter of financial results. Operating margin increased by $14.4 million and $44.3 million for the three and nine months ended September 30, 2014 compared to the same periods in 2013. This increase was primarily due to the following factors:

- higher fees for NGL fractionation and storage services, resulting from continued strong demand for these services;

- higher volumes and tariffs on the Fort Saskatchewan pipelines, as well as an increase in volumes on the Fort Saskatchewan Condensate System;

- higher production at AEF, which resulted in higher fees charged to the Marketing segment for the production of iso-octane; and

- incremental margins from the South Cheecham rail and truck terminal, which commenced operation in October 2013.

Fractionation volumes were lower in the second and third quarters of 2014 compared to previous quarters, partly due to: i) operational problems associated with the deep-cut system at Keyera's Strachan gas plant that reduced NGL production between May and the end of August and ii) high summer temperatures that reduced the efficiency of the fractionator. Fractionation revenues were not significantly affected as higher fees in 2014 offset the impact of the lower volumes.

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

NGL Infrastructure revenues for the three and nine months ended September 30, 2014, were $19.8 million and $59.9 million higher compared to the same periods last year, largely due to the same factors that contributed to higher operating margin.

NGL Infrastructure Activity

Demand for fractionation, storage and transportation services has been strong in 2014. Increasing production volumes from the ongoing development of the Montney, Mannville and several other resource plays has given rise to the need for significant infrastructure development in Alberta. In addition, as large scale oil sands projects begin to ramp up production, the demand for diluent handling services continues to grow in Alberta. Keyera continues to focus on creating solutions and enhancing its infrastructure in order to meet the needs of its customers. See the table below for a list of projects under development and their current status. These projects are examples of Keyera's commitment to respond to the significant demand for infrastructure development in Alberta.

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

Facility/Area	Project Name and Description	Project Status Update
Keyera Fort Saskatchewan	***De-ethanizer Project:*** construction of a 30,000 barrel per day C2+ mix fractionation and storage facility in Fort Saskatchewan.	All major pieces of equipment have been installed on site and mechanical work continued in the third quarter of 2014. The total gross cost for the project is estimated to be approximately $200 million (Keyera's share of the project is $155 million) and the facility is anticipated to be operational by the first quarter of 2015.
Keyera Fort Saskatchewan	***NGL Fractionation and Storage Expansion:*** construction of a 35,000 barrel per day C3+ mix fractionation facility, more than doubling the facility's existing capacity to 65,000 barrels per day. The project includes the construction of new receipt facilities, operational storage and pipeline connections.	Detailed engineering work continued in the third quarter of 2014 and site preparation work is currently underway. The estimated total gross cost for the project is approximately $230 million with Keyera's share being approximately $175 million. This project is expected to be complete in the first quarter of 2016.
Keyera Fort Saskatchewan	***Underground Storage Development:*** development of the 13th, 14th and 15th underground storage caverns and the construction of a 4th brine pond.	Washing of the 13th cavern continued in the third quarter and is expected to be in service by mid-2015. Drilling of the well bore for the 14th cavern was completed earlier this year and washing is currently underway. The 4th brine pond is complete and is expected to be put into service in the fourth quarter of 2014. Drilling of the well bore for the 15th cavern is expected in the first quarter of 2015.
Fort Saskatchewan	***Cochin Pipeline Connection:*** construction of a connection between Keyera's Fort Saskatchewan site and Kinder Morgan's Cochin pipeline. The connection to the Cochin pipeline provides Keyera's customers with another source of diluent and, because Keyera is currently the only delivery point for condensate delivered into Alberta on the Cochin pipeline, all volumes shipped pass through Keyera's condensate network in Fort Saskatchewan.	Construction of the connection to the Cochin Pipeline was completed and Keyera began receiving condensate deliveries from the pipeline in July.

Facility/Area	Project Name and Description	Project Status Update
Norlite Pipeline (30/70 joint venture with Enbridge)	***Norlite Pipeline:*** Keyera has committed to participate as a 30% non-operating owner in the Norlite Pipeline. Enbridge will construct and operate the pipeline which is expected to be in service in 2017. The scope includes a 24-inch diameter pipeline, providing an initial capacity of approximately 224,000 barrels per day of diluent and the potential to be further expanded with the addition of pump stations. Keyera's diluent transportation system in the Fort Saskatchewan area will deliver product into the Norlite Pipeline, providing the Norlite shippers with access to multiple sources of diluent supply.	Keyera's share of the cost is currently expected to be approximately $420 million, subject to regulatory approvals and finalization of scope. Enbridge estimates the gross cost of the pipeline to be approximately $1.4 billion.
Josephburg	***Josephburg Rail Terminal:*** construction of a propane rail loading terminal at Josephburg, located near Keyera's Fort Saskatchewan fractionation and storage facility. The terminal will facilitate propane movements out of western Canada by rail, a service that is becoming increasingly necessary with the change in service on Kinder Morgan's Cochin pipeline (previously exporting propane; now importing condensate).	Civil engineering work continued in the third quarter. The estimated cost of this project is approximately $95 million and the terminal is expected to be operational by mid-2015.
Edmonton	***Alberta Crude Terminal ("ACT"):*** a 50/50 joint venture with Kinder Morgan to build a crude oil rail loading facility in Edmonton. The first phase of the terminal will have 20 loading spots capable of handling up to approximately 40,000 barrels per day of crude oil.	Construction of the 12-inch condensate pipeline connecting ADT to Keyera's Fort Saskatchewan Pipeline System was completed in the second quarter. Start-up of ACT began in the third quarter and the terminal will be capable of providing full services under the agreement with Irving Oil in November. The cost of this project to Keyera is approximately $75 million, including half of the land acquired by ADT in 2013. Keyera is in discussions with parties interested in securing capacity for the second phase of development at ACT.
Hull	***Hull Terminal:*** refurbishing a rail and truck terminal located in Hull, Texas (near Mont Belvieu) that will be used to handle propane, butane and iso-butane.	Refurbishment of the terminal was completed in the third quarter and it began operations in October. The total cost of the refurbishment was $42 million, including the initial acquisition cost of the terminal in 2012.

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

Keyera has entered into the following long-term, take-or-pay and fee-for-service agreements:

Cenovus Energy Inc. (“Cenovus”)

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

Japan Canada Oil Sands Ltd. (“JACOS”) and Nexen Energy ULC (“Nexen”)

- Keyera will provide diluent transportation services to JACOS and Nexen on Keyera’s Fort Saskatchewan Condensate System between various diluent supply sources and certain delivery points in the Edmonton/Fort Saskatchewan area.
- These services are anticipated to commence mid-2016.

In October, Keyera entered into an agreement to provide solvent handling services at its South Cheecham Rail and Truck Terminal. Assuming all conditions of the agreement are met and subject to timely receipt of regulatory approvals, Keyera will undertake enhancements to its rail infrastructure and construct additional storage tanks at the terminal, with startup anticipated in 2017.

The AEF facility operated close to capacity in the first nine months of 2014. In order to increase rail loading capacity for iso-octane, Keyera completed modifications at the Edmonton Terminal in the second quarter of 2014 to enable iso-octane to be loaded at additional rail spots. Keyera is in the process of adding a truck loading facility at the AEF site that is expected to be completed in early 2015. This truck terminal is expected to provide Keyera with further flexibility to meet local demand for iso-octane.

Marketing

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

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

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

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

The primary markets for iso-octane are in California, British Columbia, Alberta and the Gulf Coast. Plant production volumes can be managed to correspond with contracted and spot sales opportunities. However, iso-octane inventory may fluctuate depending on market conditions. Demand for iso-octane is seasonal, with higher demand in the summer months. There can be significant variability in iso-octane margins. As with Keyera's other marketing activities, there are strategies available to try to mitigate the risks associated with the commodity exposure, including the use of financial contracts. The section of this MD&A titled "Risk Management" provides more information on the risks associated with the sale of iso-octane and Keyera's related hedging strategy.

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

Operating margin for the Marketing segment was as follows:

Operating Margin and Sales Volumes Information (Thousands of Canadian dollars)	**Three months ended September 30,** **2014**	2013	**Nine months ended September 30,** **2014**	2013
Revenue	**746,591**	679,351	**2,323,409**	2,059,589
Operating expenses including inter-segment transactions	**(666,660)**	(646,191)	**(2,153,739)**	(1,955,688)
Operating margin	**79,931**	33,160	**169,670**	103,901
Sales volumes (Bbl/d)	**84,700**	82,500	**88,900**	94,000

Composition of Marketing Revenue (Thousands of Canadian dollars)	**Three months ended September 30,** **2014**	2013	**Nine months ended September 30,** **2014**	2013
Physical sales	**721,976**	692,873	**2,316,635**	2,097,657
Realized cash gain (loss) on financial contracts[1]	**12,395**	(24,754)	**(8,917)**	(35,281)
Unrealized gain (loss) due to reversal of financial contracts existing at end of prior period	**3,110**	5,279	**4,161**	(10,564)
Unrealized gain due to fair value of financial contracts existing at end of current period	**9,605**	9,343	**9,605**	9,343
Unrealized (loss) gain due to reversal of fixed price physical contracts existing at end of prior period	**(843)**	(299)	**1,577**	1,525
Unrealized gain (loss) due to fair value of fixed price physical contracts existing at end of current period[2]	**348**	(3,091)	**348**	(3,091)
Total unrealized gain (loss) on risk management contracts	**12,220**	11,232	**15,691**	(2,787)
Total gain (loss) on risk management contracts	**24,615**	(13,522)	**6,774**	(38,068)
Total Marketing revenue	**746,591**	679,351	**2,323,409**	2,059,589

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

Revenue and Operating Margin

For the three and nine months ended September 30, 2014, revenue from physical sales was $29.1 million and $219.0 million higher than the same periods in 2013. The increase in total revenue was largely due to higher sales volumes and higher average prices for iso-octane.

The Marketing segment posted another quarter of outstanding financial results for the three months ended September 30, 2014. Operating margin was $79.9 million in the third quarter of 2014, $46.8 million higher than the same period last year largely due to strong iso-octane margins that resulted from:

- low butane feedstock costs;
- higher sales volumes to the Gulf Coast;

- higher utilization rates at the AEF facility throughout the quarter; and
- an effective risk management strategy.

Iso-octane margins were lower in the third quarter of 2013 due to the AEF facility being taken off line in mid-June to address operational problems. The facility resumed operations by mid-July 2013.

Operating margin in the third quarter of 2013 was also lower due to the inclusion of approximately $16 million of realized losses relating to risk management contracts that were put in place to manage the supply price of butane and to protect the value of product held in inventory. A portion of these realized losses related to product that was still in inventory as at September 30, 2013. As the product was sold or consumed as feedstock, higher operating margin was realized in the fourth quarter of 2013.

For the nine months ended September 30, 2014, operating margin was $169.7 million, $65.8 million higher than the same period last year. Excluding the effect of unrealized gains/losses from risk management contracts in both periods, operating margin was $47.3 million higher in 2014 compared to the prior year, largely driven by higher iso-octane margins in 2014.

Market Overview

Butane continued to be a significant contributor to Marketing results in the third quarter of 2014. Maintaining a balanced sales strategy and an effective risk management program contributed to these results. As butane prices typically soften in the spring and summer months, Keyera utilized its storage and rail transportation capabilities to import butane volumes during this period in order to effectively manage supply requirements, including the feedstock necessary for the production of iso-octane at AEF. Although demand and prices for butane are expected to increase in the winter due to the seasonal demand for cold weather gasoline blending, current indications suggest that butane prices will remain weak in the near term due to the abundant supply, as producers continue to drill liquids-rich gas. As a result, a surplus of butane may occur in North America. As butane is the primary feedstock used in the production of iso-octane, lower butane prices benefit Keyera's iso-octane business at AEF.

Margins for iso-octane were strong in the first nine months of 2014 due to low feedstock costs, an effective risk management strategy and higher sales volumes. Growing sales volumes have allowed the AEF facility to operate at close to full capacity in 2014. When Keyera acquired AEF in 2012, the Kinder Morgan Trans Mountain Pipeline was the primary logistics option available to reach iso-octane customers on the West Coast. Since then, Keyera has significantly reduced its reliance on the Trans Mountain Pipeline by utilizing its rail capability to expand its customer base locally and in the United States. In the second quarter of 2014, Keyera completed modifications to rail spots at the Edmonton Terminal to increase its iso-octane rail loading capacity. Keyera is currently constructing a truck loading facility at the AEF site that is expected to be completed in early 2015. This truck terminal is expected to provide Keyera with further flexibility and improve access to local markets for iso-octane.

Earlier this year, Keyera secured capacity at Kinder Morgan's Galena Park rail, storage and marine facility on the Gulf Coast in order to enhance its iso-octane distribution network in the United States. Under the terms of the agreement, Keyera has access to iso-octane storage and rail offload capacity. Access to this facility provides marine delivery options for customers unable to receive iso-octane by rail.

Condensate demand was balanced in the first nine months of 2014, resulting in stable margins during this period. Diluent demand has been lower than initially anticipated in 2014, as several oil sands projects are operating at lower than expected production levels. As bitumen production begins to ramp up, demand for condensate for use as a diluent is expected to rise. Keyera has invested in the infrastructure necessary to transport and handle incremental condensate supply to meet this growing demand. To augment its diluent logistics business, Keyera imports condensate into Alberta when demand fundamentals exist to support positive operating margins.

Keyera continued to build propane inventory in the third quarter in order to meet the upcoming winter heating demand. In general, the sale of propane has become a relatively small contributor to Keyera's overall Marketing margin as its strategy for purchasing supply involves passing a significant amount of the commodity price risk to the producer. Propane margins, however, continue to be seasonal primarily driven by cold weather demand that typically result in higher sales volumes.

With the reversal of the Kinder Morgan Cochin Pipeline in 2014, the transportation of propane by pipeline out of western Canada is no longer an option. As a result, Keyera has expanded its rail fleet and is working with its customers to facilitate the movement of propane. In addition, Keyera is constructing a rail terminal at Josephburg, located near Keyera's Fort Saskatchewan fractionation and storage facility, to facilitate propane movements out of western Canada by rail. This terminal is expected to be operational in mid-2015.

Crude oil midstream activities continued to perform well in the third quarter of 2014, making solid contributions to operating margin.

Risk Management

When possible, Keyera uses hedging strategies to mitigate risk in its Marketing business. When it holds NGL inventory, Keyera typically uses physical and financial forward contracts to protect the value of that inventory from fluctuations in commodity prices. Keyera holds butane inventory in order to meet the operational requirements of the AEF facility. For condensate, most of the product that is purchased is sold within a month. The sales contracts for both butane and condensate are typically priced against West Texas Intermediate ("WTI") crude oil and the supply cost in certain cases may be based on a hub posted or index price. In order to align the pricing terms of physical supply with the terms of contracted sales and to protect the value of butane and condensate inventory, the following hedging strategies may be utilized:

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

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

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

Keyera's hedging objective for iso-octane is to mitigate the effect of iso-octane price fluctuations on its future operating margins. The sales price for iso-octane is primarily based upon the price of Reformulated Blendstock for Oxygen Blending ("RBOB") and California gasoline or California Reformulated Blendstock for Oxygen Blending ("CARBOB"). RBOB is the highest volume refined product sold in the United States and has the most liquid forward financial contracts. Accordingly, Keyera expects to continue to utilize RBOB financial contracts to hedge a portion of its iso-octane sales. To a lesser extent, Keyera may also utilize CARBOB financial contracts. However, there is basis risk between the prices for RBOB and CARBOB that may result in volatility in sales prices.

For propane, the contracts are generally put in place as inventory builds and settled when products are expected to be withdrawn from inventory and sold. In general, the increase or decrease in the fair value of the contracts is intended to mitigate fluctuations in the value of the inventories and protect operating margin. For the past two years, Keyera has used propane physical and financial forward contracts to hedge its propane inventory. However, the ability to enter into propane contracts may not be as liquid as other contracts, such as crude oil, and the risk management contracts may have a geographical basis risk, depending on contract terms. As propane markets evolve, Keyera will continue to monitor and adjust its hedging strategy to protect the value of its inventory.

For the quarter ended September 30, 2014, the total unrealized gain on risk management contracts was $12.2 million, as detailed in the "Composition of Marketing Revenue" table above.

The fair value of outstanding financial contracts as at September 30, 2014, resulted in an unrealized (non-cash) gain of $9.6 million that includes the following significant items:

- a $0.8 million non-cash gain relating to butane and condensate supply and inventory risk management contracts;
- a $1.2 million non-cash gain relating to propane risk management contracts;
- a $10.0 million non-cash gain relating to iso-octane risk management contracts; and
- a $2.4 million non-cash loss relating to foreign currency financial contracts.

Fixed price physical contracts are also marked-to-market at the end of each period. The fair value of outstanding fixed price physical contracts as at September 30, 2014, resulted in an unrealized gain of $0.3 million.

The fair value of financial and fixed price physical contracts will vary as these contracts are marked-to-market at the end of each period. A summary of the financial contracts existing at September 30, 2014, and the sensitivity to earnings resulting from changes in commodity prices, can be found in note 10, Financial Instruments and Risk Management, of the accompanying financial statements.

NON-OPERATING EXPENSES AND OTHER INCOME

Non-Operating Expenses and Other Income (Thousands of Canadian dollars)	**Three months ended September 30,**		**Nine months ended September 30,**	
	2014	2013	**2014**	2013
Other income (operating margin)	**10,947**	1,681	**13,875**	5,066
General and administrative (net of overhead recoveries on operated facilities)	**(10,406)**	(6,082)	**(29,651)**	(18,058)
Finance costs	**(12,958)**	(12,333)	**(40,993)**	(37,185)
Depreciation, and amortization expense	**(37,033)**	(25,866)	**(96,675)**	(75,759)
Net foreign currency gain (loss) on U.S. debt	**1,173**	(928)	**663**	(6,558)
Long-term incentive plan expense	**(17,001)**	(7,130)	**(36,036)**	(22,293)
Impairment expense	**—**	—	**—**	(577)
Tax expense	**(31,971)**	(13,714)	**(80,248)**	(45,107)

Other Income

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

Other income for the three and nine months ended September 30, 2014 was $10.9 million and $13.9 million respectively. Production for the three and nine months ended September 30, 2014 averaged 7,656 and 4,015 barrels of oil equivalent per day compared to 1,069 and 1,049 barrels of oil equivalent per day for the same periods in 2013.

Year to date, other income was reduced by a $5 million expense paid to the Gathering and Processing segment related to the turnaround completed in the second quarter at the Cynthia gas plant. The turnaround costs were charged by Keyera's Gathering and Processing segment in accordance with the plant's operating cost flow-through model.

The reserves and production are not material to Keyera's business and do not have a material effect on its financial results.

General and Administrative Expenses

General and administrative ("G&A") expenses for the three and nine months ended September 30, 2014 were $4.3 million and $11.6 million higher than the same period last year primarily due to higher staffing and related costs required to support the growth in Keyera's business.

Finance Costs (including accretion)

Finance costs were $13.0 million and $41.0 million for the three and nine months ended September 30, 2014, $0.6 million and $3.8 million higher than the same periods in 2013. Interest charges were higher in 2014 primarily due to the issuance of approximately $220 million and US$205 million of long-term notes in the fourth quarter of 2013. The effect of higher interest charges associated with outstanding long-term debt was partly offset by interest capitalized on certain capital projects. Interest capitalized for the three and nine months ended September 30, 2014 was $5.6 million and $13.2 million, $4.0 million and $9.6 million higher than the same periods last year. For more information related to the long-term debt financings that were completed in 2013, see Keyera's 2013 annual MD&A available on SEDAR at www.sedar.com.

Depreciation and Amortization

Depreciation and amortization expenses were $11.2 million and $20.9 million higher for the three and nine months ended September 30, 2014 compared to the same periods in 2013. The increase in depreciation expense was largely due to: i) an increase in Keyera's asset base resulting from significant growth capital expenditures in 2013; and ii) higher depletion expense associated with the acquisition of the Cynthia reserves in the second quarter of 2014.

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

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

Net Foreign Currency Gain (Loss) on U.S. Debt	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Translation of US$504 million long-term debt (2013 – US$299 million)	**(26,813)**	6,788	**(28,830)**	(10,046)
Translation of accrued interest payable	**(260)**	36	**(177)**	(100)
Change in fair value of the cross currency swap – principal and interest portion	**28,632**	(7,144)	**31,210**	5,640
Loss on cross currency swap – interest portion[1]	**(386)**	(608)	**(1,540)**	(2,052)
Net foreign currency gain (loss) on U.S. debt	**1,173**	(928)	**663**	(6,558)

Notes:
[1] A foreign currency loss resulted from the exchange of currencies relating to the interest payments.

In order to manage the foreign currency exposure on U.S. dollar denominated debt, Keyera has entered into cross currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars. The cross currency agreements are accounted for as derivative instruments and are marked-to-market at the end of each period. The fair value of the cross currency swap agreements will fluctuate between periods due to changes in the forward curve for foreign exchange rates, as well as an adjustment to reflect credit risk. Note 9, "Financial Instruments and Risk Management", to the accompanying financial statements contains more information on the swap agreements.

A net foreign currency gain of $1.2 million was recorded for the quarter ended September 30, 2014. The translation of U.S. dollar denominated debt into Canadian dollars resulted in a $26.8 million non-cash loss as the Canadian dollar weakened in relation to the U.S. dollar at the end of September 2014 relative to the end of June. This unrealized loss was more than offset by a $28.6 million non-cash gain resulting from the change in fair value of cross currency swap agreements as at September 30, 2014.

For the nine months ended September 30, 2014, a net foreign currency gain of $0.7 million was recorded due to the same factors discussed for the third quarter of 2014.

Long-Term Incentive Plan Expense

The Long-Term Incentive Plan ("LTIP") expense was $9.9 million and $13.7 million higher for the three and nine months ended September 30, 2014 compared to the same periods last year. The higher LTIP expense was primarily due to the significant increase in Keyera's share price in 2014 compared to 2013. The higher LTIP expense was also due to a higher payout multiplier associated with performance awards. The payout multiplier is based on Keyera's: i) average annual pre-tax distributable cash flow per share over a three-year vesting period and ii) total shareholder return relative to its peers over a three year vesting period. Note 21 of the December 31, 2013 annual audited financial statements provides more information on Keyera's LTIP.

Impairment Expense

Keyera reviews its assets for impairment on a quarterly basis. In the first quarter of 2013, the carrying value of a terminal located in the U.S. was written off, resulting in an impairment expense of $0.6 million. This terminal was subsequently sold in the fourth quarter of 2013.

Taxes

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

Deferred Income Taxes

For the three and nine months ended September 30, 2014, a deferred income tax expense of $23.9 million and $56.2 million was recorded, compared to an expense of $12.8 million and $43.0 million in the same periods last year. The higher deferred income tax expense in 2014 was primarily due to higher earnings before taxes resulting from the strong performance by all business segments.

Current Income Taxes

Current income tax expense for the three and nine months ended September 30, 2014 was $8.0 million and $24.0 million, $7.1 million and $22.0 million higher than the same periods in 2013. For 2014, cash taxes are currently expected to range between $35 million and $40 million. This estimate is largely based on 2013 taxable income from the Partnership that is allocated to Keyera Corp. in 2014. This income deferral is available to Keyera as its structure includes a deferral partnership. In late 2011, the federal government passed legislation to limit the deferral opportunities for corporations with significant interests in partnerships that have a fiscal period different from the corporation's taxation year. However, in general, deferral partnership structures are still beneficial to corporations that experience growth in taxable income. Depending on when major capital expenditures are available for use for purposes of claiming capital cost allowance, taxable income can vary significantly from year to year.

CRITICAL ACCOUNTING ESTIMATES

In preparing Keyera's accompanying 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 methodologies and assumptions used in developing these estimates have not significantly changed since December 31, 2013. A description of the accounting estimates and the methodologies and assumptions underlying the estimates are described in the 2013 year end MD&A available at www.sedar.com. The most significant estimates include the following:

- the key economic assumptions used to determine the present value of future cash flows used in testing long-lived assets and goodwill for impairment;
- the estimated useful lives of assets and the resulting estimates for depreciation expense and the fair value of the decommissioning liabilities, also known as provisions;
- the decommissioning liabilities and associated accretion expense;
- the discount rate used to determine the present value of future cash flows used for testing the impairment of long-lived assets and goodwill;
- the discount rate used to calculate the present value of decommissioning liabilities;
- the amount and composition of deferred income tax assets and income tax liabilities, including the amount of unrecognized tax benefits;
- the allowance for doubtful accounts;
- the fair values of certain fixed price physical derivative instruments and financial contracts;
- the volumes for one month of purchases and sales for the Marketing segment;
- the volumes for one month of operating expenses and fees earned for the Gathering and Processing and NGL Infrastructure segments; and
- equalization adjustments under flow-through revenue arrangements.

Operating Revenues

Gathering and Processing and NGL Infrastructure:
At September 30, 2014, operating revenues and accounts receivable for the Gathering and Processing and NGL Infrastructure segments contained an estimate of $45 million primarily for September 2014 operations.

Marketing:
At September 30, 2014, the Marketing sales and accounts receivable contained an estimate for September 2014 revenues of $134 million.

Operating Expenses and Product Purchases

Gathering and Processing and NGL Infrastructure:
At September 30, 2014, operating expenses and accounts payable for the Gathering and Processing and NGL Infrastructure segments contained an estimate of $31 million primarily for September 2014 operations.

Marketing:
Marketing cost of goods sold, inventory and accounts payable contained an estimate of NGL product purchases of $125 million at September 30, 2014.

Equalization Adjustments

For the Gathering and Processing segment, an equalization adjustment of $13 million was included in revenue and accounts receivable at September 30, 2014. Operating expenses and accounts payable contained an equalization adjustment of $34 million.

Decommissioning Liability

Keyera will be responsible for compliance with all applicable laws and regulations regarding the decommissioning, abandonment and reclamation of its facilities at the end of their economic life. The determination of the estimate by management is based on Keyera's net ownership in facilities, estimated costs to abandon and reclaim the facilities and the estimated timing of the costs to be incurred in future periods.

Keyera has estimated the net present value of its total decommissioning liability to be approximately $331.7 million at September 30, 2014, compared to $308.0 million at December 31, 2013. The increase in the liability primarily relates to the acquisition of the Cynthia gas plant and associated assets. The provisions are estimated to be settled between 2014 and 2040 with the majority of expenditures being settled closer to 2040.

For more information on the critical accounting estimates see note 4 of the December 31, 2013 annual audited financial statements.

Derivative Financial Instruments

Keyera utilizes derivative financial instruments to manage its exposure to market risks relating to commodity prices and foreign currency exchange rates. Fair values of derivative contracts fluctuate depending on the underlying estimates of future commodity prices or foreign currency exchange rates. The estimated fair value of all derivative financial instruments are based on observable market data, including commodity price curves, foreign currency curves and credit spreads. Note 9, "Financial Instruments and Risk Management", of the accompanying financial statements provides a summary of the fair value of derivative financial instruments existing at September 30, 2014.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is reviewed on a monthly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counter-party. The allowance for doubtful accounts was $2.6 million as at September 30, 2014.

LIQUIDITY AND CAPITAL RESOURCES

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the three months ended September 30, 2014 and 2013:

Cash inflows (outflows)
(Thousands of Canadian dollars)

	Three months ended September 30, 2014	2013	Increase (decrease)	Explanation
Operating	**54,667**	26,584	28,803	Increase in cash was largely due to stronger operating results from all segments in 2014 compared to the same period last year. The higher operating performance was largely attributable to strong drilling activity around Keyera's core gas plants; continued demand for NGL storage, fractionation and transportation services; and strong iso-octane margins in the Marketing business. The increase in cash resulting from strong operating results was partly offset by a higher cash requirement to fund higher volumes of butane and propane inventory as at September 30, 2014. Keyera typically builds butane and propane inventory in the summer months when prices are generally lower.
Investing	**(193,650)**	(84,897)	(108,753)	Capital spending was higher in 2014 as several internal growth projects have ramped up construction, including the Rimbey turbo expander project; the de-ethanizer project at Fort Saskatchewan; and the plant expansion and construction of the Wapiti pipeline system at Simonette.
Financing	**(37,578)**	36,273	(73,851)	Cash generated from financing activities was lower in 2014 as sufficient cash was available from the equity offering completed in the second quarter to fund capital spending in the third quarter of 2014. No amounts were drawn on Keyera's credit facilities as at September 30, 2014 and cash at the end of the period was $80.2 million.

The following is a comparison of cash inflows (outflows) from operating, investing and financing activities for the nine months ended September 30, 2014 and 2013:

Cash inflows (outflows)
(Thousands of Canadian dollars)

	Nine months ended September 30, 2014	2013	Increase (decrease)	Explanation
Operating	**280,835**	212,497	68,338	The increase in cash was largely due to the strong operating results from all segments in 2014, partly offset by a higher cash requirement to fund higher volumes of butane and propane inventory as at September 30, 2014 compared to the prior year.
Investing	**(665,663)**	(214,382)	(451,281)	Capital spending was higher in 2014 as several internal growth projects have ramped up construction, including the Rimbey turbo expander project; the de-ethanizer project at Fort Saskatchewan; and the plant expansion and construction of the Wapiti pipeline system at Simonette. Capital spending in 2014 also included the acquisition of the Cynthia gas plant and associated reserves for a purchase price of approximately $113 million.
Financing	**275,091**	12,374	262,717	Cash generated from financing activities in 2014 was higher as Keyera issued 4,312,500 common shares in the second quarter for gross proceeds of approximately $318 million. In addition, $75 million of proceeds were received from the second closing of the private long-term debt placement entered into in the third quarter of 2013. A portion of these funds were used to fund Keyera's capital expenditures.

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

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

A working capital surplus (current assets less current liabilities) of $191.6 million existed at September 30, 2014, compared to a surplus of $306.8 million at December 31, 2013.

Equity Financing

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

Dividend Reinvestment Plan

Keyera's dividend reinvestment plan (the "Plan") consists of two components: a Premium Dividend™ ("Premium DRIP™") reinvestment component and a regular dividend reinvestment component ("DRIP"). For a detailed description of the DRIP and Premium DRIP™, see the December 31, 2013 MD&A and to Keyera's Annual Information Form, which are available on SEDAR at www.sedar.com. The Premium DRIP™ component has been suspended since April 2010. The DRIP component remains in effect.

The DRIP generated cash of $16.7 million and $45.9 million, respectively, for the three and nine months ended September 30, 2014. For the same periods in 2013, the plan generated cash of $12.7 million and $38.0 million.

Long-term Debt (including Credit Facilities)

Below is a summary of Keyera's long-term debt obligations as at September 30, 2014:

As at September 30, 2014 (Thousands of Canadian dollars)	**Total**	**2014**	**2015**	**2016**	**2017**	**2018**	**After 2018**
Credit Facilities							
Bank credit facilities	—	—	—	—	—	—	—
	—	—	—	—	—	—	—
Canadian dollar denominated debt							
4.66% due September 8, 2015	30,000	—	30,000	—	—	—	—
7.87% due May 1, 2016	35,000	—	—	35,000	—	—	—
5.89% due December 3, 2017	60,000	—	—	—	60,000	—	—
5.01% due January 4, 2019	70,000	—	—	—	—	—	70,000
4.35% due June 19, 2019	52,000	—	—	—	—	—	52,000
5.68% due September 8, 2020	2,000	—	—	—	—	—	2,000
6.14% due December 3, 2022	60,000	—	—	—	—	—	60,000
4.91% due June 19, 2024	17,000	—	—	—	—	—	17,000
4.92% due October 10, 2025	100,000	—	—	—	—	—	100,000
5.05% due November 20, 2025	20,000	—	—	—	—	—	20,000
5.09% due October 10, 2028	100,000	—	—	—	—	—	100,000
5.34% due April 8, 2029	75,000	—	—	—	—	—	75,000
	621,000	—	30,000	35,000	60,000	—	496,000
US dollar denominated debt							
3.91% due September 8, 2015 (US$15,000)	16,812	—	16,812	—	—	—	—
8.40% due May 1, 2016 (US$50,000)	56,040	—	—	56,040	—	—	—
3.42% due June 19, 2019 (US$3,000)	3,363	—	—	—	—	—	3,363
5.14% due September 8, 2020 (US$103,000)	115,442	—	—	—	—	—	115,442
4.19% due June 19, 2024 (US$128,000)	143,462	—	—	—	—	—	143,462
4.75% due November 20, 2025 (US$140,000)	156,912	—	—	—	—	—	156,912
4.95% due November 20, 2028 (US$65,000)	72,852	—	—	—	—	—	72,852
	564,883	—	16,812	56,040	—	—	492,031
Less: current portion of long-term debt	(46,812)	—	(46,812)				
Total long-term debt	**1,139,071**	**—**	**—**	**91,040**	**60,000**	**—**	**988,031**

As at September 30, 2014, Keyera had $621 million and US$504 million of unsecured senior notes including amounts drawn under the uncommitted shelf facility. In order to manage the foreign currency exposure on the U.S. dollar denominated debt existing at September 30, 2014, Keyera has entered into cross-currency agreements with a syndicate of Canadian banks to swap the U.S. dollar principal and future interest payments into Canadian dollars at foreign exchange rates of $1.2425, $1.0425, $0.9838 and $1.029 per U.S. dollar. The cross-currency agreements are accounted for as derivative instruments and are measured at fair value at the end of each quarter. The section of this MD&A titled "Net Foreign Currency Gain (Loss) on U.S. Debt" provides more information.

These senior note agreements contain a number of covenants, all of which were met as at September 30, 2014. The agreements are available at www.sedar.com. Failure to adhere to the covenants may impair Keyera's ability to pay dividends and such a circumstance could affect its ability to execute future growth plans. The primary covenant for all of Keyera's long-term debt, including its Credit Facility, is the Debt to EBITDA ratio. In the calculation of debt, Keyera is required to deduct working capital surplus or add working capital deficits. As at September 30, 2014, Keyera's Debt to EBITDA ratio was 1.80 for covenant test purposes.

In the third quarter of 2013, Keyera entered into a private placement of 12-year and 15-year senior unsecured notes with a group of institutional investors in Canada and the U.S., in the principal amount of approximately $306 million. Approximately $231 million was placed on November 20, 2013. The remaining $75 million was placed on April 8, 2014 and bears interest at 5.34% with a maturity date of April 8, 2029. Refer to the December 31, 2013 year end MD&A for further details relating to long-term debt issued in 2013 as well as available capacity remaining under the Prudential private shelf agreement. There have been no other material changes since the end of 2013.

On December 6, 2013, Keyera amended its existing unsecured revolving term facility agreement (the "Credit Facility") among Keyera and a syndicate of Canadian chartered banks and one foreign bank (the "Lenders"), co-led by the Royal Bank of Canada and the National Bank of Canada. Pursuant to the amendment, the term of the Credit Facility was extended from December 13, 2016, to December 6, 2017, and the Debt to EBITDA financial covenant ratio, which includes a deduction for working capital surplus (or addition of working capital deficit) when calculating debt, increased from 3.5 times to 4 times. The size of the Credit Facility remains at $750 million, with the potential to increase to $1 billion, subject to certain conditions. In addition, the Royal Bank of Canada has provided a $10 million unsecured revolving demand facility and the Toronto Dominion Bank has provided a further $25 million unsecured revolving demand facility. These facilities bear interest based on the lenders' rates for Canadian prime commercial loans, U.S. base rate loans, Libor loans or bankers' acceptances.

As at September 30, 2014 and December 31, 2013, no amounts were drawn under these facilities. The Credit Facility agreement contains a number of covenants, all of which were met as at September 30, 2014. This agreement is available at www.sedar.com. Failure to adhere to the covenants may impair Keyera's ability to pay dividends. Management expects that upon maturity of the facilities, adequate replacement facilities will be established.

Capital Expenditures and Acquisitions

The following table is a breakdown of capital expenditures and acquisitions for the three and nine months ended September 30, 2014 and 2013:

Capital Expenditures and Acquisitions	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Acquisitions	**8,596**	80	**128,539**	27,088
Growth capital expenditures	**166,174**	93,065	**521,793**	192,162
Maintenance capital expenditures	**5,584**	19,571	**48,467**	31,076
Total capital expenditures	**180,354**	112,716	**698,799**	250,326

Growth capital expenditures for the three and nine months ended September 30, 2014 amounted to $166.2 million and $521.8 million that included the following significant items:

Facility/Area	**Expenditures: Three months ended September 30, 2014**	**Expenditures: Nine months ended September 30, 2014**	**Description of Expenditures**
Rimbey	$44 million	$123 million	Work done on the Rimbey turbo project including fabrication of major equipment; the Carlos pipeline offload project; and the Wilson Creek pipeline. Both pipelines were completed in the second quarter of 2014.
Simonette	$39 million	$147 million	Construction of the Wapiti pipeline; associated sour gas inlet facilities and plant expansion.
Fort Saskatchewan	$30 million	$84 million	Work associated with the de-ethanizer project including fabrication and installation of major equipment; tie-in work related to the Cochin pipeline; and engineering work related to the fractionation expansion.
Fort Saskatchewan – Norlite Pipeline	$7 million	$7 million	Keyera’s share of engineering work associated with construction of the Norlite Pipeline.
Fort Saskatchewan – Josephburg Terminal	$9 million	$14 million	Engineering and civil work associated with construction of the Josephburg terminal in Fort Saskatchewan.
Hull	$7 million	$29 million	Refurbishment of the rail and truck terminal in Hull, Texas.
Strachan	$1 million	$20 million	Construction of the sulphur handling fertilizer production facility.
ACT	$11 million	$51 million	Work associated with the Alberta Crude Terminal project, including construction of the connector pipeline from ADT to Keyera’s Fort Saskatchewan pipeline and connector pumps.

In the second quarter of 2014, Keyera acquired the Cynthia gas plant and associated oil and gas reserves for a total purchase price of approximately $113 million. The section of this MD&A titled, "Results of Operations: Gathering and Processing", provides more details on the assets acquired in this transaction. In the first quarter of 2014, acquisitions included the purchase of the final 1.82% ownership interest in the Strachan gas plant. Keyera also acquired 0.6% and 0.5% ownership interests in the Brazeau River and Rimbey gas plants.

Major turnarounds were completed in the second quarter of 2014 at the Strachan, Caribou, Cynthia and West Pembina gas plants. Keyera's share of the costs associated with these turnarounds was approximately $40 million and is included in maintenance capital.

Keyera has committed to construct and operate the following major facility additions, with the exception of: i) the Norlite Pipeline, which will be constructed and operated by Enbridge; and ii) the sulphur handling fertilizer production facility that is being constructed by Sulvaris and will be operated by Keyera:

Project Name	Total Estimated Cost to Complete	Total Net Costs Incurred to September 30, 2014	Estimated Completion Timeframe
Wapiti Pipelines and Simonette Gas Plant Expansion	*Wapiti pipelines:* Total cost is approximately $180 million. *Plant expansion and condensate stabilization:* Total cost is approximately $95 million.	$203 million	*Pipelines:* i) 12-inch sour gathering pipeline completed in the third quarter; ii) 6-inch condensate pipeline to be complete in the fourth quarter of 2014 *Plant expansion and condensate stabilization:* First quarter of 2015 and end of 2014, respectively
Turbo Expander at the Rimbey Gas Plant	Gross cost is approximately $220 million.	$155 million	Mid-2015
Fractionation Expansion at Fort Saskatchewan	Keyera's share is approximately $175 million (gross cost of approximately $230 million).	$11 million	First quarter of 2016
De-ethanization at Fort Saskatchewan	Keyera's share is approximately $155 million (gross cost of approximately $200 million).	$112 million	First quarter of 2015
Josephburg Rail Terminal	Total cost is approximately $95 million.	$15 million	Mid-2015
Strachan Sulphur Project (50/50 joint venture with Sulvaris Inc.)	*Sulphur handling fertilizer production facility:* Revised cost estimates have been reviewed and Keyera's share is expected to be approximately $66 million, including modifications to Keyera-owned facilities.	$25 million	Second half of 2015
Alberta Crude Terminal (50/50 joint venture with Kinder Morgan)	Keyera's share is approximately $75 million, including half of the land acquired by ADT in 2013.	$70 million, including the acquisition of land in 2013	Rail terminal completed in the third quarter of 2014 and the full rail yard completed in October.

Project Name	Total Estimated Cost to Complete	Total Net Costs Incurred to September 30, 2014	Estimated Completion Timeframe
Hull Terminal	Total cost was $42 million, including the initial acquisition of the terminal in 2012.	$42 million, including the initial acquisition of the rail and truck terminal	Completed in the third quarter of 2014
Twin Rivers Pipeline Project	Total cost for phases one and two are estimated to be approximately $80 million.	$ 2 million	*Phase one:* First quarter of 2015 *Phase two:* Second quarter of 2015
Norlite Pipeline (30/70 joint venture with Enbridge)	Keyera's share of the cost is currently expected to be approximately $420 million, subject to regulatory approvals and finalization of scope. Enbridge estimates the gross cost of the pipeline to be approximately $1.4 billion.	$7 million	2017

Estimated costs and completion dates for the projects currently under development that are described above are approximations only, and the estimated times to complete these projects assume construction proceeds as planned, that actual costs are in line with estimates and, where applicable, that regulatory approval is obtained on a timely basis. The section of this MD&A titled, "Forward Looking Information", provides more information on other factors that may affect the development of these projects. For more information regarding these projects, see the section of this MD&A titled, "Segmented Results of Operations".

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 $17.2 million and $41.8 million for the three and nine months ended September 30, 2014, and $15.0 million and $32.4 million for the same periods in 2013. The majority of these expenditures will be recovered over varying periods of time, depending upon the fee structure at each facility.

Keyera's ongoing operations are not heavily dependent on capital expenditures in order to maintain current levels of cash flow. However, to grow future cash flow, Keyera must invest growth capital in order to expand its current asset base and capture new opportunities. Keyera expects its growth capital investment, excluding acquisitions, for 2014 and 2015 to be between $700 million and $800 million in each year. Maintenance capital for 2015 is expected to be approximately $65 million. This capital is expected to be funded by cash flow from operating activities, the DRIP program and existing credit facilities, augmented if necessary by incremental debt and equity financing. Access to debt and equity financing is dependent on Keyera's ongoing financial performance and general market conditions. Readers are referred to the section of the MD&A titled, "Forward Looking Information" for a further discussion of the assumptions and risks that could affect future performance and plans.

Dividends

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

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

Distributable Cash Flow	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Cash flow from operating activities	**54,667**	26,584	**280,835**	212,497
Add (deduct):				
Changes in non-cash working capital	**92,288**	52,279	**91,806**	56,018
Long-term incentive plan expense	**(17,001)**	(7,130)	**(36,036)**	(22,293)
Maintenance capital	**(5,584)**	(19,571)	**(48,467)**	(31,076)
Inventory write-down	**—**	(1,618)	**(1,533)**	(2,058)
Distributable cash flow	**124,370**	50,544	**286,605**	213,088
Dividends declared to shareholders	**54,226**	45,529	**152,875**	129,835

Dividends declared were $54.2 million and $152.9 million, or 44% and 53% of distributable cash flow, for the three and nine months ended September 30, 2014. This is compared to dividends declared of $45.5 million and $129.8 million, or 90% and 61% of distributable cash flow, in the same periods of 2013.

Keyera recorded outstanding distributable cash flow for the three and nine months ended September 30, 2014 of $124.4 million and $286.6 million, as a result of the solid performance by all operating segments. In particular, strong producer activity related to the development of liquids-rich natural gas in areas around several of Keyera's gas plants, the continued demand for storage, fractionation and off-loading services, and strong margins for iso-octane have contributed to the growth in distributable cash flow in 2014. These year-to-date results were achieved despite completing four major turnarounds in the second quarter of 2014 at a total cost of approximately $40 million. This is compared to turnaround costs of approximately $17 million recorded last year. In addition, cash taxes were $8.0 million and $24.0 million for the three and nine months ended September 30, 2014 compared to $0.9 million and $2.1 million of cash taxes in the same periods of 2013.

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

Dividend Policy
Keyera increased its dividend by 7.5% from $0.20 per share per month to $0.215 per share per month, or $2.58 per share annually, beginning with its dividend paid June 16, 2014. 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 retained operating cash flow, along with proceeds from additional debt or equity, as required. Although Keyera intends to continue to make regular, monthly cash dividends to its shareholders, these dividends are not guaranteed. For a more detailed discussion of the risks that could affect the level of cash dividends, refer to Keyera's Annual Information Form available at www.sedar.com.

EBITDA

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

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

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

EBITDA	**Three months ended September 30,**		**Nine months ended September 30,**	
(Thousands of Canadian dollars)	**2014**	2013	**2014**	2013
Net earnings	**82,439**	40,822	**200,602**	112,440
Add (deduct):				
Finance costs	**12,958**	12,333	**40,993**	37,185
Depreciation and amortization	**37,033**	25,866	**96,675**	75,759
Tax expense	**31,971**	13,714	**80,248**	45,107
EBITDA	**164,401**	92,735	**418,518**	270,491
Unrealized (gain) loss on commodity contracts	**(11,846)**	(11,074)	**(15,683)**	2,224
Net foreign currency (gain) loss on U.S. debt	**(1,173)**	928	**(663)**	6,558
Impairment expense	**—**	—	**—**	577
Adjusted EBITDA	**151,382**	82,589	**402,172**	279,850

CONTRACTUAL OBLIGATIONS

Keyera has assumed various contractual obligations in the normal course of its operations. Material changes in contractual obligations since the December 31, 2013 year end include: i) an increase in long-term debt resulting from the $75 million of proceeds received in the second quarter; ii) an increase in the decommissioning liability resulting from the acquisition of the Cynthia gas plant and associated reserves in the second quarter; iii) an increase in operating leases associated with long-term railway tank car leases in the third quarter; and iv) an increase in purchase obligations in the second and third quarters resulting from Keyera's growth capital program.

At September 30, 2014, the obligations that represent known future cash payments that are required under existing contractual arrangements were as follows:

Payments Due by Period

Contractual obligations (Thousands of Canadian dollars)	**Total** $	**2014** $	**2015** $	**2016** $	**2017** $	**2018** $	**After 2018** $
Dividends payable	18,089	18,089	—	—	—	—	—
Derivative financial instruments	13,072	7,375	3	5,694	—	—	—
Long-term debt[1,6]	1,181,194	—	46,766	90,914	58,839	—	984,675
Decommissioning liabilities[2]	331,702	1,281	9,497	—	—	—	320,924
Operating leases[3]	208,702	6,268	26,473	36,280	34,295	31,083	74,303
Purchase obligations[4,5]	213,949	108,004	105,945	—	—	—	—
Total contractual obligations	1,966,708	141,017	188,684	132,888	93,134	31,083	1,379,902

Notes:

1. Long-term debt obligations do not include interest payments.
2. The majority of these obligations are expected to be settled between 2014 and 2040. No assets have been legally restricted for settlement of the liability.
3. Keyera has lease commitments relating to railway tank cars, vehicles, computer hardware, office space, terminal lease space and natural gas transportation.
4. Purchase obligations include the construction of pipelines and other major capital projects which are contracted out to third parties.
5. Keyera is involved in various contractual agreements with various producers to purchase NGLs. These agreements range from one to ten years and in general obligate Keyera to purchase all products produced at specified locations. The purchase prices are based on then current market prices. The future volumes and prices for these contracts cannot be reasonably determined and therefore no amount has been included in purchase obligations to reflect these contractual agreements.
6. Long-term debt, net of issuance costs, includes US$50,000, US$118,000, US$128,000, US$65,000 and US$140,000 of senior unsecured notes converted at the September 30, 2014 spot foreign exchange rate of 1.1208.

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, 2013, annual audited financial statements.

RISK FACTORS

For a detailed discussion of the risks and trends that could affect the financial performance of Keyera and the steps that Keyera takes to mitigate these risks, see the December 31, 2013, MD&A and to Keyera's Annual Information Form, which are available on SEDAR at www.sedar.com.

ENVIRONMENTAL REGULATION AND CLIMATE CHANGE

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

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

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

SUMMARY OF QUARTERLY RESULTS

The following table presents selected financial information for Keyera:

	Sep 30, 2014	Jun 30, 2014	Mar 31, 2014	Dec 31, 2013	Sep 30, 2013	Jun 30, 2013	Mar 31, 2013	Dec 31, 2012
Revenue before inter-segment eliminations [2]								
Gathering and Processing	**105,355**	113,524	92,445	87,186	87,678	90,727	78,048	83,646
NGL Infrastructure	**77,067**	75,034	69,180	62,088	57,195	54,398	49,820	51,474
Marketing	**746,591**	735,513	841,305	827,786	679,351	682,700	697,538	698,458
Other	**17,525**	9,117	3,758	2,810	2,951	3,460	2,554	3,167
Operating Margin								
Gathering and Processing	**53,982**	63,981	48,254	37,983	40,654	38,936	39,901	35,125
NGL Infrastructure	**45,775**	48,955	39,050	33,781	31,380	29,126	29,013	28,841
Marketing	**79,931**	52,791	36,948	29,044	33,160	46,817	23,924	50,794
Other	**10,947**	445	2,483	1,551	1,681	2,192	1,193	1,810
Net earnings [1]	**82,439**	62,930	55,233	34,396	40,822	48,173	23,445	56,651
Net earnings per share ($/share)								
Basic	**0.98**	0.78	0.70	0.44	0.52	0.62	0.30	0.73
Diluted	**0.98**	0.78	0.70	0.43	0.52	0.61	0.30	0.73
Weighted average common shares (basic)	**84,040**	81,081	79,301	78,779	78,450	78,162	77,862	77,495
Weighted average common shares (diluted)	**84,040**	81,081	79,301	79,073	78,835	78,612	78,381	78,102
Dividends declared to shareholders	**54,226**	51,044	47,605	47,297	45,529	42,232	42,074	41,104

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

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

Operating margin from the Marketing segment can be affected by seasonal factors. The demand for iso-octane is typically highest in the second and third quarters as the demand for gasoline tends to be higher in the summer months. By comparison, propane sales are typically lower in the second and third quarters due to warmer weather and higher in the first and fourth quarters when propane demand and margins are higher.

Unrealized non-cash gains and losses resulting from the change in value of risk management contracts can also have a material effect on operating margin for this segment.

Compared to the 2013 year-end results, operating margin in all business segments has trended upward. In the Gathering and Processing segment, the robust drilling activity in Alberta has resulted in several core facilities now operating near capacity, including the Rimbey, Strachan, Minnehik Buck Lake, Pembina North and Brazeau North gas plants. The increase in drilling activity and resulting production volumes have also resulted in an increase in demand for fractionation, storage and transportation services. As a result, the NGL Infrastructure segment has seen a growth in operating margin in 2014 as it is able to command higher fees for NGL fractionation and storage services in Fort Saskatchewan. Also contributing to the upward trend in operating margin in the NGL Infrastructure segment are higher volumes and tariffs on the Fort Saskatchewan pipelines in 2014. In the Marketing segment, access to Kinder Morgan's Galena Park rail, storage and marine facility on the Gulf Coast in early 2014 has allowed Keyera to enhance its iso-octane distribution network in the United States. Iso-octane margins have grown in 2014, largely due to higher sales volumes, lower feedstock costs (i.e. butane prices) and an effective risk management strategy.

See the section of this MD&A, "Segmented Results of Operations", for more information on the financial results of Keyera's operating segments for the three and nine months ended September 30, 2014.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are satisfied that, as of September 30, 2014, Keyera's disclosure controls and procedures have provided reasonable assurance that material information relating to Keyera and its consolidated subsidiaries has been brought to their attention and that information required to be disclosed pursuant to applicable securities legislation has been recorded, processed, summarized and reported in an appropriate and timely manner.

Internal Controls Over Financial Reporting

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

No changes were made for the period beginning January 1, 2014 and ended September 30, 2014 that have materially affected, or are reasonably likely to materially affect Keyera's internal controls over financial reporting.

COMMON SHARES

There were 199,410 common shares issued under the DRIP for consideration of $16.7 million, bringing the total common shares outstanding at September 30, 2014 to 84,134,532.

Subsequent to September 30, 2014, 64,797 common shares were issued to shareholders enrolled in the DRIP for consideration of $5.7 million, bringing the total common shares outstanding at November 4, 2014 to 84,199,329.

NON-GAAP FINANCIAL MEASURES

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

FORWARD LOOKING STATEMENTS

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

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

All forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events, levels of activity and achievements to differ materially from those anticipated in the forward looking statements. Such factors include but are not limited to: general economic, market and business conditions; access to capital and debt markets; operational matters, including potential hazards inherent in our operations; risks arising from co-ownership of facilities; activities of other facility owners; access to third party facilities, competitive action by other companies; activities of producers and other customers and overall industry activity levels; changes in gas composition; fluctuations in commodity prices and supply/demand trends; processing and marketing margins; effects of weather conditions; availability of construction crews and materials; fluctuations in interest rates and foreign currency exchange rates; changes in operating and capital costs, including fluctuations in input costs; actions by governmental authorities; decisions or approvals of administrative tribunals; changes in environmental and other regulations; reliance on key personnel; competition for, among other things, capital, acquisition opportunities and skilled personnel; changes in tax laws, including the effects that such changes may have on shareholders, and in particular any differential effects relating to shareholder's country of residence; and other factors, many of which are beyond the control of Keyera, some of which are discussed in this MD&A and in Keyera's Annual Information Form dated February 13, 2014, filed on SEDAR and available on the Keyera website at *www.keyera.com*.

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

Investor Information

DIVIDENDS TO SHAREHOLDERS

Dividends declared to shareholders were $0.645 per share in the third quarter 2014. Effective with the May 2014 dividend, payable to shareholders on June 16, 2014, Keyera's dividend increased by 7.5% to $0.215 per share per month, or $2.58 annually. Keyera is focused on providing stable long-term dividends per share that grow over time.

TAXABILITY OF DIVIDENDS

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

SUPPLEMENTARY INFORMATION

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

THIRD QUARTER 2014 RESULTS CONFERENCE CALL AND WEBCAST

Keyera will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the third quarter 2014 results at 8:00 am mountain time (10:00 am eastern) on November 5, 2014. Callers may participate by dialing either 1-888-231-8191 or 647-427-7450. An audio recording of the call will be available for replay until midnight, November 19, 2014, by dialing 1-855-859-2056 or 1-416-849-0833 and entering pass code 86474887.

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

QUESTIONS

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

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

As at	Note	September 30, 2014 $	December 31, 2013 $
ASSETS			
Cash		**80,238**	186,651
Trade and other receivables		**431,477**	407,833
Derivative financial instruments	9	**20,653**	11,335
Inventory	4	**272,414**	175,658
Other assets		**10,879**	5,645
Total current assets		**815,661**	787,122
Derivative financial instruments	9	**54,723**	20,708
Property, plant and equipment		**2,811,053**	2,187,825
Intangible assets		**1,253**	1,786
Goodwill		**53,624**	53,624
Total assets		**3,736,314**	3,051,065
LIABILITIES AND EQUITY			
Trade and other payables		**551,814**	449,776
Derivative financial instruments	9	**7,375**	14,725
Dividends payable		**18,089**	15,804
Current portion of long-term debt		**46,812**	—
Total current liabilities		**624,090**	480,305
Derivative financial instruments	9	**5,697**	1,908
Long-term debt		**1,134,382**	1,077,140
Long-term incentive plan	8	**14,989**	13,305
Decommissioning liability		**331,702**	307,968
Deferred tax liabilities		**299,750**	246,730
Total liabilities		**2,410,610**	2,127,356
Equity			
Share capital	6	**1,347,079**	992,811
Accumulated deficit		**(21,375)**	(69,102)
Total equity		**1,325,704**	923,709
Total liabilities and equity		**3,736,314**	3,051,065

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

These condensed interim unaudited consolidated financial statements were approved by the board of directors of Keyera Corp. on November 4, 2014.

(Signed) H. Neil Nichols
Director

(Signed) Jim V. Bertram
Director

Keyera Corp.

Condensed Interim Consolidated Statements of Net Earnings and Comprehensive Income

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

		Three months ended September 30,		Nine months ended September 30,	
		2014	2013	**2014**	2013
	Note	**$**	$	**$**	$
Operating revenues	13	**866,960**	778,193	**2,684,983**	2,345,086
Operating expenses	13	**(676,325)**	(671,318)	**(2,201,441)**	(2,027,109)
		190,635	106,875	**483,542**	317,977
General and administrative expenses		**(10,406)**	(6,082)	**(29,651)**	(18,058)
Finance costs	11	**(12,958)**	(12,333)	**(40,993)**	(37,185)
Depreciation and amortization expense		**(37,033)**	(25,866)	**(96,675)**	(75,759)
Net foreign currency gain (loss) on U.S. debt	10	**1,173**	(928)	**663**	(6,558)
Long-term incentive plan expense	8	**(17,001)**	(7,130)	**(36,036)**	(22,293)
Impairment expense		**—**	—	**—**	(577)
Earnings before income tax		**114,410**	54,536	**280,850**	157,547
Income tax expense	5	**(31,971)**	(13,714)	**(80,248)**	(45,107)
Net earnings		**82,439**	40,822	**200,602**	112,440
Other comprehensive income		**—**	—	**—**	—
Total comprehensive income		**82,439**	40,822	**200,602**	112,440
Earnings per share					
Basic earnings per share	7	**0.98**	**0.52**	**2.46**	**1.44**
Diluted earnings per share	7	**0.98**	**0.52**	**2.46**	**1.44**

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

Keyera Corp.
Condensed Interim Consolidated Statements of Cash Flows
(Thousands of Canadian dollars)
(Unaudited)

	Note	Three months ended September 30, 2014 $	Three months ended September 30, 2013 $	Nine months ended September 30, 2014 $	Nine months ended September 30, 2013 $
Cash provided by (used in):					
OPERATING ACTIVITIES					
Net earnings:		**82,439**	40,822	**200,602**	112,440
Adjustments for items not affecting cash:					
Finance costs	11	**2,906**	2,396	**8,349**	7,183
Depreciation and amortization expense		**37,033**	25,866	**96,675**	75,759
Long-term incentive plan expense	8	**17,001**	7,130	**36,036**	22,293
Unrealized gain on derivative financial instruments	9	**(40,478)**	(3,930)	**(46,893)**	(3,416)
Unrealized loss (gain) on foreign exchange		**25,778**	(7,562)	**24,695**	9,768
Deferred income tax expense	5	**23,933**	12,777	**56,213**	43,027
Inventory write-down	4	**—**	1,618	**1,533**	2,058
Impairment expense		**—**	—	**—**	577
Decommissioning liability expenditures		**(1,657)**	(254)	**(4,569)**	(1,174)
Changes in non-cash working capital	12	**(92,288)**	(52,279)	**(91,806)**	(56,018)
Net cash provided by operating activities		**54,667**	26,584	**280,835**	212,497
INVESTING ACTIVITIES					
Acquisitions	3	**(8,597)**	(80)	**(128,539)**	(27,088)
Capital expenditures		**(171,758)**	(112,636)	**(570,260)**	(223,238)
Proceeds on sale of assets		**—**	**—**	**—**	261
Changes in non-cash working capital	12	**(13,295)**	27,819	**33,136**	35,683
Net cash used in investing activities		**(193,650)**	(84,897)	**(665,663)**	(214,382)
FINANCING ACTIVITIES					
Borrowings under credit facilities		**—**	710,000	**80,000**	1,195,000
Repayments under credit facilities		**—**	(590,000)	**(80,000)**	(1,040,000)
Proceeds from issuance of long-term debt		**—**	—	**75,000**	—
Repayment of long-term debt		**—**	(52,500)	**—**	(52,500)
Financing costs related to long-term debt		**(4)**	—	**(394)**	—
Proceeds from equity offering	6	**—**	—	**318,047**	—
Issuance costs related to equity offering	6	**(58)**	—	**(12,830)**	—
Proceeds from issuance of shares related to DRIP	6	**16,667**	12,679	**45,858**	37,970
Dividends paid to shareholders		**(54,183)**	(43,906)	**(150,590)**	(128,096)
Net cash (used) / provided by in financing activities		**(37,578)**	36,273	**275,091**	12,374
Effect of exchange rate fluctuations on foreign cash held		**1,543**	180	**3,324**	(17)
Net (decrease) increase in cash		**(175,018)**	(21,860)	**(106,413)**	10,472
Cash at the start of the period		**255,256**	32,850	**186,651**	518
Cash at the end of the period		**80,238**	10,990	**80,238**	10,990

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

Income taxes paid in cash	**1,486**	681	**2,540**	2,004
Interest paid in cash	**13,721**	6,760	**35,302**	27,022

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

Keyera Corp.

Condensed Interim Consolidated Statement of Changes in Equity

(Thousands of Canadian dollars)
(Unaudited)

As at	Stated Share Capital $	Accumulated Deficit: Retained Earnings (Deficit) $	Accumulated Deficit: Contributed Surplus $	Total $
Balance at December 31, 2012	**920,222**	**(38,806)**	**9,402**	**890,818**
Common shares issued on conversion of convertible debentures	8,038	—	(3,681)	4,357
Common shares issued pursuant to dividend reinvestment plans	37,970	—	—	37,970
Net earnings and total comprehensive income	—	112,440	—	112,440
Dividends declared to shareholders	—	(129,835)	—	(129,835)
Balance at September 30, 2013	**966,230**	**(56,201)**	**5,721**	**915,750**

As at	Stated Share Capital $	Accumulated Deficit: Retained Earnings (Deficit) $	Accumulated Deficit: Contributed Surplus $	Total $
Balance at December 31, 2013	**992,811**	**(69,102)**	**—**	**923,709**
Common shares issued pursuant to dividend reinvestment plans	45,858	—	—	45,858
Common shares issued pursuant to equity offering[1]	308,410	—	—	308,410
Net earnings and total comprehensive income	—	200,602	—	200,602
Dividends declared to shareholders	—	(152,875)	—	(152,875)
Balance at September 30, 2014	**1,347,079**	**(21,375)**	**—**	**1,325,704**

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

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

Keyera Corp.
Notes to Condensed Interim Consolidated Financial Statements
As at and for the three and nine months ended September 30, 2014 and 2013
(All amounts expressed in thousands of Canadian dollars, except as otherwise noted)
(Unaudited)

1. GENERAL BUSINESS DESCRIPTION

The operating subsidiaries of Keyera Corp. include Keyera Partnership (the "Partnership"), Keyera Midstream Ltd. ("KML"), Keyera Energy Ltd. ("KEL"), Keyera Energy Inc. ("KEI"), Keyera Rimbey Ltd. ("KRL"), Keyera RP Ltd. ("KRPL"), Rimbey Pipeline Limited Partnership ("RPLP"), ADT Ltd. ("ADT") and Alberta Envirofuels Inc ("AEF"). Keyera Corp. and its subsidiaries are involved in the business of natural gas gathering and processing, as well as natural gas liquids ("NGLs"), iso-octane and crude oil processing, transportation, storage and marketing in Canada and the U.S. Keyera Corp. and its subsidiaries are collectively referred to herein as "Keyera". The address of Keyera's registered office and principal place of business is Suite 600, Sun Life Plaza West Tower, 144 – 4th Avenue S.W., Calgary, AB, Canada.

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

On May 7, 2013, shareholders of Keyera approved a special resolution to amend the articles of Keyera (the "Articles of Amendment") to create two new classes of preferred shares (one class referred to as the "First Preferred Shares", a second class referred to as the "Second Preferred Shares", and collectively both classes being referred to as the "Preferred Shares"). Each are issuable in one or more series without par value and each with such rights, restrictions, designations and provisions as the Board of Directors may at any time and from time to time determine, subject to an aggregate maximum number of authorized Preferred Shares.

2. BASIS OF PREPARATION

These condensed interim consolidated financial statements are in compliance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. The accounting policies applied are in compliance with International Financial Reporting Standards ("IFRS") and are consistent with Keyera Corp.'s consolidated financial statements as at and for the year ended December 31, 2013, except for the adoption of new IFRS standards, amendments and interpretations effective January 1, 2014 as noted below.

These condensed interim consolidated financial statements as at and for the three and nine months ended September 30, 2014 and 2013 do not include all disclosures required for the preparation of annual consolidated financial statements and should be read in conjunction with Keyera Corp.'s consolidated financial statements as at and for the year ended December 31, 2013.

The condensed interim consolidated financial statements were authorized for issuance on November 4, 2014 by the Board of Directors.

New and amended IFRS standards adopted by Keyera

For the three months ended September 30, 2014, Keyera did not adopt any new IFRS standards. Refer to the first quarter report of 2014 for details of the new IFRS standards that were adopted effective January 1, 2014.

3. ACQUISITION

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

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

The acquired reserves are all from the Nisku formation and all of these assets are located in Alberta.

Total consideration paid was $113,061. The acquisition was funded using Keyera's existing cash balances and cash flow.

Keyera has accounted for the purchase as an asset acquisition.

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

Net assets acquired	**$**
Property, plant and equipment	113,061
Decommissioning asset	20,573
Decommissioning liability	(20,573)
Total net assets acquired	113,061

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

4. INVENTORY

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

As at	**September 30, 2014**	December 31, 2013
NGLs and iso-octane	**267,881**	171,686
Other	**4,533**	3,972
Total inventory	**272,414**	175,658

For the period ended September 30, 2014, $272,414 of inventory was carried at cost (December 31, 2013 – $175,658).

For the three months ended September 30, 2014, there were no charges to operating expenses to write down the cost of NGL inventory and iso-octane to net realizable value (three months ended September 30, 2013 – nil). For the nine months ended September 30, 2014 there was a charge of $1,533 (nine months ended September 30, 2013 – $2,058) incurred during the first three months of the year.

5. INCOME TAXES

The components of the income tax expense were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Current	**8,038**	937	**24,035**	2,080
Deferred	**23,933**	12,777	**56,213**	43,027
Income tax expense	**31,971**	13,714	**80,248**	45,107

6. CAPITAL

	Share Capital	
	Number of Common Shares	**Share Capital $**
Balance at December 31, 2013	**79,186,639**	**992,811**
Common shares issued pursuant to equity offering[1]	4,312,500	308,410
Common shares issued pursuant to dividend reinvestment plans	635,393	45,858
Balance at September 30, 2014	**84,134,532**	**1,347,079**

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

On May 29, 2014 Keyera issued 3,750,000 common shares in a public offering and 562,500 common shares pursuant to the overallotment option in connection with the public offering, at a price of $73.75 per common share for net proceeds of $308,410 after underwriters' fees and issuance costs of $9,637, net of a deferred tax asset balance of $3,193.

7. EARNINGS PER SHARE

Basic earnings per share was calculated by dividing net earnings by the weighted average number of shares outstanding for the related period. The effect of convertible debentures was included in the calculation of diluted earnings per share for the comparative three and nine month periods ended September 30, 2013.

	Three months ended September 30,		**Nine months ended September 30,**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Basic earnings per share	**0.98**	0.52	**2.46**	1.44
Diluted earnings per share	**0.98**	0.52	**2.46**	1.44

	Three months ended September 30,		**Nine months ended September 30,**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Net earnings – basic	**82,439**	40,822	**200,602**	112,440
Effect of convertible debentures (net of tax)	—	128	—	444
Net earnings – diluted	**82,439**	40,950	**200,602**	112,884

	Three months ended September 30,		**Nine months ended September 30,**	
(in thousands)	**2014**	2013	**2014**	2013
Weighted average number of shares – basic	**84,040**	78,450	**81,491**	78,160
Shares deemed to be issued on conversion of convertible debentures	—	385	—	451
Weighted average number of shares – diluted	**84,040**	78,835	**81,491**	78,611

8. SHARE-BASED COMPENSATION AND PENSION PLANS

Long-term incentive plan

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

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

On July 1, 2014, Keyera issued the 2014 grant. For the Performance Award, the payout multiplier is based 70% on the average annual pre-tax distributable cash flow per share over the Performance Period and 30% on the relative total shareholder return in a defined peer group over the Performance Period. The table below describes the determination of the payout multiplier for the 2014 grant.

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

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. At September 30, 2014 the fair value of shares granted was $90.23 per share (December 31, 2013 – $63.93 per share).

The compensation cost recorded for the LTIP was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Performance awards	**14,370**	6,774	**31,569**	20,678
Restricted awards	**2,631**	356	**4,467**	1,615
Total long-term incentive plan expense	**17,001**	7,130	**36,036**	22,293

The table below shows the number of share awards granted:

	Share awards granted as at	
Share Award Series	**September 30, 2014**	December 31, 2013
Issued July 1, 2011 – Performance Awards	—	155,095
Issued July 1, 2012 – Performance Awards	**160,827**	162,932
Issued July 1, 2013 – Performance Awards	**155,745**	147,045
Issued July 1, 2014 – Performance Awards	**168,802**	—
Issued July 1, 2011 – Restricted Awards	—	9,632
Issued July 1, 2012 – Restricted Awards	**11,662**	23,523
Issued July 1, 2013 – Restricted Awards	**19,204**	28,400
Issued July 1, 2014 – Restricted Awards	**30,059**	—

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

Financial Instruments

(a) Fair value

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

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

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

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

Financial instruments with fair value equal to carrying value

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

Fair value of senior fixed rate debt

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 unsecured senior notes at September 30, 2014 was $1,279,616 and this was determined by reference to inputs other than quoted market prices in active markets for identical liabilities under Level 2 of the fair value hierarchy.

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 September 30, 2014	Notional Volume[1]	Weighted Average Price $	Fair Value Hierarchy Level [2]	Net Fair Value $	Carrying Value Asset $	Carrying Value Liability $
Marketing: NGLs and Iso-octane						
Financial contracts:						
Seller of fixed price swaps (maturing by July 1, 2015)	3,257,700 Bbls	87.44/Bbl	Level 2	5,667	6,125	(458)
Buyer of fixed price swaps (maturing by March 1, 2015)	860,462 Bbls	66.47/Bbl	Level 2	(2,532)	—	(2,532)
Seller of fixed price crack spreads (maturing by June 1, 2015)	2,090,000 Bbls	20.09/Bbl	Level 2	9,011	9,511	(500)
Buyer of fixed price crack spreads (maturing by March 1, 2015)	523,212 Bbls	10.84/Bbl	Level 2	(106)	394	(500)
Physical contracts:						
Seller of fixed price forward contracts (maturing by March 31, 2015)	641,500 Bbls	52.17/Bbl	Level 2	348	596	(248)
Currency:						
Seller of forward contracts (maturing by February 1, 2015)	USD 190,000,000	1.11/USD	Level 2	(2,435)	—	(2,435)
NGL Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 1, 2015)	34,116 Mwh	52.67/MWh	Level 2	159	199	(40)
Corporate and Other						
Gas:						
Buyer of fixed price swaps (maturing by March 31, 2015)	1,243,000 Gjs	4.01/Gj	Level 2	(183)	2	(185)
Long-term Debt						
Buyer of cross-currency swaps (maturing September 8, 2015)	US$15,000,000	1.04/USD	Level 2	1,285	1,285	—
Buyer of cross-currency swaps (maturing September 8, 2015)	US$586,500	1.28/USD	Level 2	63	63	—
Buyer of cross-currency swap (maturing by May 1, 2016)	US$50,000,000	1.24/USD	Level 2	(5,195)	—	(5,195)
Buyer of cross-currency swaps (maturing by May 1, 2016)	US$8,400,000	1.22/USD	Level 2	(979)	—	(979)
Buyer of cross-currency swaps (maturing September 8, 2020)	US$103,000,000	1.04/USD	Level 2	6,966	6,966	—
Buyer of cross-currency swaps (maturing September 8, 2020)	US$31,765,200	1.22/USD	Level 2	2,923	2,923	—
Buyer of cross-currency swaps (maturing June 19, 2024)	US$128,000,000	0.98/USD	Level 2	13,597	13,597	—
Buyer of cross-currency swaps (maturing June 19, 2024)	US$53,632,000	1.22/USD	Level 2	8,233	8,233	—
Buyer of cross-currency swaps (maturing November 20, 2025)	US$140,000,000	1.03/USD	Level 2	9,848	9,848	—
Buyer of cross-currency swaps (maturing November 20, 2025)	US$76,475,000	1.14/USD	Level 2	6,984	6,984	—
Buyer of cross-currency swaps (maturing November 20, 2028)	US$65,000,000	1.03/USD	Level 2	4,517	4,517	—
Buyer of cross-currency swaps (maturing November 20, 2028)	US$46,653,750	1.14/USD	Level 2	4,133	4,133	—
				62,304	**75,376**	**(13,072)**

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

As at December 31, 2013	Notional Volume[1]	Weighted Average Price $	Fair Value Hierarchy Level [2]	Net Fair Value $	Carrying Value Asset $	Carrying Value Liability $
Marketing: NGLs and Iso-octane						
Financial contracts:						
Seller of fixed price swaps (maturing by May 1, 2014)	2,363,503 Bbls	97.11/Bbl	Level 2	(2,519)	3,024	(5,543)
Buyer of fixed price swaps (maturing by August 1, 2014)	1,005,223 Bbls	83.59/Bbl	Level 2	1,234	3,902	(2,668)
Seller of fixed price crack spreads (maturing by June 1, 2014)	1,829,500 Bbls	21.66/Bbl	Level 2	(3,741)	954	(4,695)
Buyer of fixed price crack spreads (maturing by August 1, 2014)	180,030 Bbls	40.39/Bbls	Level 2	438	530	(92)
Physical contracts:						
Seller of fixed price forward contracts (maturing by March 31, 2014)	345,000 Bbls	59.42/Bbl	Level 2	(1,581)	17	(1,598)
Buyer of fixed price forward contracts (maturing by January 1, 2014)	10,000 Bbls	64.10/Bbl	Level 2	4	4	—
Currency:						
Seller of forward contracts (maturing by March 1, 2014)	US$109,000,000	1.07/USD	Level 2	427	473	(46)
NGL Infrastructure						
Electricity:						
Buyer of fixed price swaps (maturing by December 1, 2014)	30,660 MWhs	56.07/MWh	Level 2	(16)	67	(83)
Long-term Debt						
Buyer of cross-currency swaps (maturing September 8, 2015)	US$15,000,000	1.04/USD	Level 2	683	683	—
Buyer of cross-currency swaps (maturing September 8, 2015)	US$1,173,000	1.28/USD	Level 2	65	65	—
Buyer of cross-currency swap (maturing by May 1, 2016)	US$50,000,000	1.24/USD	Level 2	5,390	5,390	—
Buyer of cross-currency swaps (maturing by May 1, 2016)	US$10,500,000	1.21/USD	Level 2	1,000	1,000	—
Buyer of cross-currency swaps (maturing September 8, 2020)	US$103,000,000	1.04/USD	Level 2	1,763	1,763	—
Buyer of cross-currency swaps (maturing September 8, 2020)	US$31,765,200	1.22/USD	Level 2	1,376	1,376	—
Buyer of cross-currency swaps (maturing June 19, 2024)	US$128,000,000	0.98/USD	Level 2	1,725	1,725	—
Buyer of cross-currency swaps (maturing June 19, 2024)	US$56,313,600	1.22/USD	Level 2	1,696	1,696	—
Buyer of cross-currency swaps (maturing November 20, 2025)	US$140,000,000	1.03/USD	Level 2	2,361	2,361	—
Buyer of cross-currency swaps (maturing November 20, 2025)	US$79,800,000	1.14/USD	Level 2	4,912	4,912	—
Buyer of cross-currency swaps (maturing November 20, 2028)	US$65,000,000	1.03/USD	Level 2	(1,908)	—	(1,908)
Buyer of cross-currency swaps (maturing November 20, 2028)	US$48,262,500	1.14/USD	Level 2	2,101	2,101	—
				15,410	**32,043**	**(16,633)**

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

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

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

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2014	2013	**2014**	2013
Unrealized gain (loss)	**$**	$	**$**	$
Marketing revenue	**12,220**	11,232	**15,691**	(2,786)
NGL Infrastructure operating expense	**(191)**	(158)	**175**	562
Production revenue	**(183)**	—	**(183)**	—
Other:				
Foreign currency gain (loss) on U.S. debt	**28,632**	(7,144)	**31,210**	5,640
Total unrealized gain	**40,478**	3,930	**46,893**	3,416

Risk Management

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

(b) Commodity price risk

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

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

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

(c) Foreign currency risk

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

Foreign currency risk is actively managed by using forward currency contracts and cross-currency swaps. Management monitors the exposure to foreign currency risk and regularly reviews its financial instrument activities and all outstanding positions.

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

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2014	2013	**2014**	2013
U.S. dollar sales and purchases	**$**	$	**$**	$
Sales priced in U.S. dollars	**284,614**	126,777	**928,629**	599,057
Purchases priced in U.S. dollars	**(217,379)**	(240,135)	**(643,531)**	(655,625)

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

Keyera is also exposed to foreign currency risk related to its U.S. dollar denominated long-term debt. To manage this currency exposure, Keyera has entered into cross-currency swap contracts relating to the principal portion and future interest payments of the U.S. dollar denominated debt. These cross-currency contracts are accounted for as derivative instruments. Refer to note 11 for a summary of the foreign currency gains (losses) associated with the U.S. dollar denominated long-term debt.

(d) Interest rate risk

The majority of Keyera's interest rate risk is attributed to its fixed and floating rate debt, which is used to finance capital investments and operations. Keyera's remaining financial instruments are not significantly exposed to interest rate risk. The floating rate debt creates exposure to interest rate cash flow risk, whereas the fixed rate debt creates exposure to interest rate price risk. At September 30, 2014, fixed rate borrowings comprised 100% of total debt outstanding (December 31, 2013 – 100%). The fair value of future cash flows for fixed rate debt fluctuates with changes in market interest rates. It is Keyera's intention to not repay fixed rate debt until maturity and therefore future cash flows would not fluctuate.

(e) Credit risk

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

Keyera's maximum exposure to credit risk, which is a worst case scenario and does not reflect results expected by Keyera, is $431,477 at September 30, 2014 (December 31, 2013 – $407,833). Keyera does not typically renegotiate the terms of trade receivables. There were no significant renegotiated balances outstanding at September 30, 2014. With respect to counterparties for derivative financial instruments, the credit risk is managed through dealing primarily with recognized futures exchanges or investment grade financial institutions and by maintaining credit policies which significantly reduce overall 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 quarterly basis. An assessment is made whether an account is deemed impaired based on the number of days outstanding and the likelihood of collection from the counterparty.

(f) Liquidity risk

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

Risk Management Sensitivities

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

	Impact on income before tax September 30, 2014		Impact on income before tax September 30, 2013	
Risk sensitivities	**Increase**	**Decrease**	Increase	Decrease
Commodity price changes				
+ 10% in natural gas price	**—**	**(517)**	144	—
- 10% in natural gas price	**517**	**—**	—	(144)
+ 10% in electricity price	**196**	**—**	153	—
- 10% in electricity price	**—**	**(196)**	—	(153)
+ 10% in NGL and iso-octane prices	**—**	**(29,639)**	—	(27,696)
- 10% in NGL and iso-octane prices	**29,639**	**—**	27,696	—
Foreign currency rate changes				
+ $0.01 in U.S./Canadian dollar exchange rate	**1,498**	**—**	—	(103)
- $0.01 in U.S./Canadian dollar exchange rate	**—**	**(1,498)**	103	—
Interest rate changes				
+ 1% in interest rate	**—**	**(22)**	—	(1,196)
- 1% in interest rate	**22**	**—**	1,196	—

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Foreign currency gain (loss) resulting from:				
Translation of US$504,000 long-term debt (2013 – US$299,000)	**(26,813)**	6,788	**(28,830)**	(10,046)
Translation of accrued interest payable	**(260)**	36	**(177)**	(100)
Change in fair value of the cross currency swaps - principal and interest portion	**28,632**	(7,144)	**31,210**	5,640
Loss from cross currency swaps – interest portion[1]	**(386)**	(608)	**(1,540)**	(2,052)
Total foreign currency gain (loss) on U.S. debt	**1,173**	(928)	**663**	(6,558)

Note:
[1] A foreign currency loss resulted from the exchange of currencies relating to the interest payments.

11. FINANCE COSTS

The components of finance costs were as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	**2014**	2013
	$	$	**$**	$
Interest on bank overdrafts and credit facilities	**670**	2,377	**2,067**	5,469
Interest on long-term debt	**15,248**	9,044	**44,674**	27,651
Interest on convertible debentures	**—**	154	**—**	527
Interest capitalized	**(5,619)**	(1,644)	**(13,206)**	(3,597)
Other interest income	**(247)**	6	**(891)**	(48)
Total interest expense on current and long-term debt	**10,052**	9,937	**32,644**	30,002
Unwinding of discount on decommissioning liability	**2,692**	2,156	**7,730**	6,468
Unwinding of discount on long-term debt	**214**	222	**619**	649
Unwinding of discount on convertible debentures	**—**	18	**—**	66
Non-cash expenses in finance costs	**2,906**	2,396	**8,349**	7,183
Total finance costs	**12,958**	12,333	**40,993**	37,185

For the three and nine months ended September 30, 2014, $5,619 and $13,206 of borrowing (interest) costs were capitalized (three and nine months ended September 30, 2013 – $1,644 and $3,597) at a weighted average capitalization rate of 5.08% on funds borrowed (three and nine months ended September 30, 2013 – 5.16%).

12. SUPPLEMENTAL CASH FLOW INFORMATION

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2014	2013	**2014**	2013
	$	$	**$**	$
Inventories	**(78,608)**	(36,522)	**(98,289)**	(71,897)
Trade and other receivables	**(45,327)**	(7,467)	**(23,644)**	(13,272)
Other assets	**7,436**	7,969	**(8,558)**	997
Trade and other payables	**24,211**	(16,259)	**38,685**	28,154
Changes in non-cash working capital from operating activities	**(92,288)**	(52,279)	**(91,806)**	(56,018)

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Trade and other payables	**(13,295)**	27,819	**33,136**	35,683
Changes in non-cash working capital from investing activities	**(13,295)**	27,819	**33,136**	35,683

13. SEGMENT INFORMATION

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

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

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

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

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

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

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

Three months ended September 30, 2014	**Marketing $**	**Gathering & Processing $**	**NGL Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	746,591	105,355	77,067	17,525	946,538
Operating expenses before inter-segment eliminations	(666,660)	(51,373)	(31,292)	(6,578)	(755,903)
Operating margin	79,931	53,982	45,775	10,947	190,635
Inter-segment revenue eliminations	—	(8,990)	(48,280)	(22,308)	(79,578)
Inter-segment expenses eliminations	74,735	—	—	4,843	79,578
	154,666	44,992	(2,505)	(6,518)	190,635
General and administrative expenses	—	—	—	(10,406)	(10,406)
Finance costs	—	—	—	(12,958)	(12,958)
Depreciation and amortization expense	—	—	—	(37,033)	(37,033)
Net foreign currency gain on U.S. debt	—	—	—	1,173	1,173
Long-term incentive plan expense	—	—	—	(17,001)	(17,001)
Earnings (loss) before income tax	154,666	44,992	(2,505)	(82,743)	114,410
Income tax expense	—	—	—	(31,971)	(31,971)
Net earnings (loss)	**154,666**	**44,992**	**(2,505)**	**(114,714)**	**82,439**
Revenue from external customers	746,591	96,365	28,787	(4,783)	866,960

Three months ended September 30, 2013	**Marketing** $	**Gathering & Processing** $	**NGL Infrastructure** $	**Corporate and Other** $	**Total** $
Revenue before inter-segment eliminations	679,351	87,678	57,195	2,951	827,175
Operating expenses before inter-segment eliminations	(646,191)	(47,024)	(25,815)	(1,270)	(720,300)
Operating margin	33,160	40,654	31,380	1,681	106,875
Inter-segment revenue eliminations	—	(4,284)	(40,970)	(3,728)	(48,982)
Inter-segment expenses eliminations	48,132	—	—	850	48,982
	81,292	36,370	(9,590)	(1,197)	106,875
General and administrative expenses	—	—	—	(6,082)	(6,082)
Finance costs	—	—	—	(12,333)	(12,333)
Depreciation and amortization expense	—	—	—	(25,866)	(25,866)
Net foreign currency loss on U.S. debt	—	—	—	(928)	(928)
Long-term incentive plan expense	—	—	—	(7,130)	(7,130)
Earnings (loss) before income tax	81,292	36,370	(9,590)	(53,536)	54,536
Income tax expense	—	—	—	(13,714)	(13,714)
Net earnings (loss)	**81,292**	**36,370**	**(9,590)**	**(67,250)**	**40,822**
Revenue from external customers	679,351	83,394	16,225	(777)	778,193

Nine months ended September 30, 2014	**Marketing $**	**Gathering & Processing $**	**NGL Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	2,323,409	311,324	221,281	30,400	2,886,414
Operating expenses before inter-segment eliminations	(2,153,739)	(145,107)	(87,501)	(16,525)	(2,402,872)
Operating margin	169,670	166,217	133,780	13,875	483,542
Inter-segment revenue eliminations	—	(26,215)	(142,873)	(32,343)	(201,431)
Inter-segment expenses eliminations	188,100	—	—	13,331	201,431
	357,770	140,002	(9,093)	(5,137)	483,542
General and administrative expenses	—	—	—	(29,651)	(29,651)
Finance costs	—	—	—	(40,993)	(40,993)
Depreciation and amortization expense	—	—	—	(96,675)	(96,675)
Net foreign currency gain on U.S. debt	—	—	—	663	663
Long-term incentive plan expense	—	—	—	(36,036)	(36,036)
Earnings (loss) before income tax	357,770	140,002	(9,093)	(207,829)	280,850
Income tax expense	—	—	—	(80,248)	(80,248)
Net earnings (loss)	**357,770**	**140,002**	**(9,093)**	**(288,077)**	**200,602**
Revenue from external customers	2,323,409	285,109	78,408	(1,943)	2,684,983

Nine months ended September 30, 2013	**Marketing $**	**Gathering & Processing $**	**NGL Infrastructure $**	**Corporate and Other $**	**Total $**
Revenue before inter-segment eliminations	2,059,589	256,453	161,413	8,965	2,486,420
Operating expenses before inter-segment eliminations	(1,955,688)	(136,962)	(71,894)	(3,899)	(2,168,443)
Operating margin	103,901	119,491	89,519	5,066	317,977
Inter-segment revenue eliminations	—	(12,687)	(117,234)	(11,413)	(141,334)
Inter-segment expenses eliminations	138,819	—	—	2,515	141,334
	242,720	106,804	(27,715)	(3,832)	317,977
General and administrative expenses	—	—	—	(18,058)	(18,058)
Finance costs	—	—	—	(37,185)	(37,185)
Depreciation and amortization expense	—	—	—	(75,759)	(75,759)
Net foreign currency loss on U.S. debt	—	—	—	(6,558)	(6,558)
Long-term incentive plan expense	—	—	—	(22,293)	(22,293)
Impairment expense	(577)	—	—	—	(577)
Earnings (loss) before income tax	242,143	106,804	(27,715)	(163,685)	157,547
Income tax expense	—	—	—	(45,107)	(45,107)
Net earnings (loss)	242,143	106,804	(27,715)	(208,792)	112,440
Revenue from external customers	2,059,589	243,766	44,179	(2,448)	2,345,086

Geographical information

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

Revenue from external customers located in	**Canada** **$**	**US** **$**
For the three months ended September 30, 2014	**708,152**	**158,808**
For the three months ended September 30, 2013	677,733	100,460
For the nine months ended September 30, 2014	**2,147,893**	**537,090**
For the nine months ended September 30, 2013	1,976,330	368,756

	Canada **$**	**US** **$**
Non-current assets[1] at September 30, 2014	**2,876,531**	**44,122**
Non-current assets[1] at December 31, 2013	2,248,476	15,467

Note:

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

Information about major customers

Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue for the three months ended September 30, 2014 (for the three months ended September 30, 2013 - $175,073 was earned from two external customers that each accounted for more than 10% of total revenue).

Keyera did not earn revenues from a single external customer that accounted for more than 10% of its total revenue for the nine months ended September 30, 2014 and 2013.

14. COMMITMENTS AND CONTINGENCIES

Keyera through its operating entities has assumed commitments in various contractual agreements in the normal course of its operations. The agreements range from one to ten years and comprise the processing of major oil and gas producers' natural gas and the purchase of NGL production in the areas specified in the agreements. The purchase prices are based on current period market prices.

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

	$
2014	**114,272**
2015	**132,418**
2016	**36,280**
2017	**34,295**
2018	**31,083**
Thereafter	**74,303**
	422,651

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

15. SUBSEQUENT EVENT

Dividends Declared

In October 2014, Keyera declared a dividend of $0.215 per share, payable on November 17, 2014, to shareholders of record as of October 22, 2014.

Corporate Information

Board of Directors

Jim V. Bertram
Chief Executive Officer
Keyera Corp.
Calgary, Alberta

Robert B. Catell (1)
Chairman of the Advanced Energy Research and Technology Center of Stoneybrook University
New York, New York

Douglas Haughey (3)
Corporate Director
Calgary, Alberta

Nancy M. Laird (3)(4)
Corporate Director
Calgary, Alberta

Donald J. Nelson (2)(4)
President
Fairway Resources Inc.
Calgary, Alberta

H. Neil Nichols (2)(3)
Corporate Director
Smiths Cove, Nova Scotia

Michael Norris (2)
Corporate Director
Calgary, Alberta

Thomas C. O'Connor
Corporate Director
Evergreen, Colorado

William R. Stedman (3)(4)
Chairman and CEO
ENTx Capital Corporation
Calgary, Alberta

(1) Chairman of the Board
(2) Member of the Audit Committee
(3) Member of the Compensation and Governance Committee
(4) Member of the Health, Safety and Environment Committee

Head Office

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Officers

Jim V. Bertram
Chief Executive Officer

David G. Smith
President and Chief Operating Officer

Graham Balzun
Vice President, Engineering and Corporate Responsibility

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

Michael Freeman
Vice President, Commercial

Suzanne Hathaway
Vice President, General Counsel and Corporate Secretary

Jim Hunter
Vice President, NGL Facilities

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

Steven B. Kroeker
Vice President and Chief Financial Officer

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

Eileen Marikar
Vice President, Controller

Brian Martin
Vice President, Business Development, NGL Facilities

Dean Setoguchi
Senior Vice President, Liquids Business Unit

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbols KEY

Trading Summary Q3 2014

TSX:KEY – Cdn $	TSX:KEY – Cdn $
High	$99.84
Low	$76.38
Close September 30, 2014	$90.23
Volume	14,125,507
Average Daily Volume	224,214

Auditors

Deloitte LLP
Chartered Accountants
Calgary, Canada

Investor Relations

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