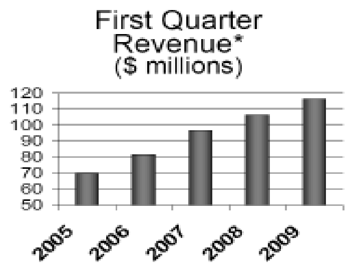
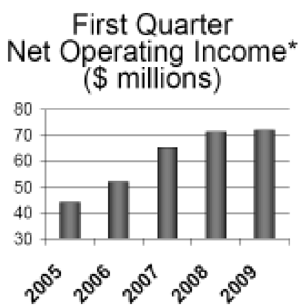
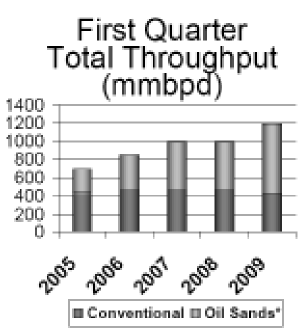
1st Interim Report



*net of product purchases



*see "Non-GAAP Measures" below



*contracted capacity

STRATEGIC ACQUISITION OF CUTBANK COMPLEX EXPECTED TO BOLSTER PEMBINA'S 2009 RESULTS

- Subsequent to the end of the quarter, Pembina announced the pending acquisition of the Cutbank Complex, a network of natural gas gathering and processing facilities, for $300 million in an all cash transaction with Talisman Energy Canada ("Talisman"). Pembina estimates the transaction, upon closing (scheduled for early June 2009), to be accretive to distributable cash flow per trust unit and anticipates the acquisition will generate additional net operating income of $40 million on an annual basis. This acquisition presents Pembina's Midstream business unit with a strategic entry point into the natural gas gathering and processing business with assets located in the Deep Basin region of the Western Canadian Sedimentary Basin. Further, Pembina has arranged committed financing for the acquisition. See "New Developments and Outlook" on page 10 of this report.

- Subsequent to the end of the quarter, Pembina has obtained a $75 million non-revolving credit facility from a Canadian chartered bank. The credit facility is for a term of 5 years at a fixed rate of approximately 6.0 percent. The net proceeds of the credit facility are to be used for the refinancing of $75 million floating rate notes coming due on June 22, 2009, and may also be used for other general corporate purposes at Pembina's discretion. See "New Developments and Outlook" on page 10 of this report.

- Pembina's three business units generated consolidated revenue of $116.1 million during the quarter, up from $106.3 million during the first quarter of 2008.

- Both net operating income and EBITDA increased by $0.8 million over the first three months of 2008. See "Non-GAAP Measures" below.

- Net earnings for the first quarter were $28.3 million, compared to $32.6 million during the first quarter 2008. Excluding the timing of costs related to Pembina's pipeline integrity program, net earnings would have remained stable quarter-over-quarter.

- Distributed cash of $53.2 million ($0.39 per trust unit) during the quarter, compares to $47.8 million ($0.36 per Trust Unit), for the same quarter of the prior year.

- During the quarter, Pembina's Board of Directors approved an expansion of the Nipisi Pipeline project that is expected to increase ultimate throughput capacity to 200,000 barrels per day (bbls/d) from the original 100,000 bbls/d. As a result, Pembina's capital expenditure estimate for the Nipisi and Mitsue Pipeline projects was revised to $440 million from the original $400 million. Pending regulatory approval, Pembina expects construction on both pipeline projects to begin late 2009 and be in service by mid 2011. See "New Developments and Outlook" on page 10 of this report.

- Starting with Pembina's distribution which is expected to be declared in June and paid in July, Pembina expects to change its distribution record date to the 25th day of each month to better facilitate the administration of Pembina's Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan ("DRIP") (other than for the December distribution record date, which will remain December 31st for accounting purposes). The distribution payment date, which is the 15th day of the calendar month following the distribution record date, will remain unchanged.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is dated April 29, 2009 and is supplementary to, and should be read in conjunction with, the unaudited comparative interim financial statements and notes thereto of Pembina Pipeline Income Fund for the three months ended March 31, 2009, along with the Fund's Management's Discussion and Analysis and audited financial statements and notes for the year ended December 31, 2008. This MD&A has been reviewed and approved by both the Audit Committee of the Board of Directors and by the Board of Directors. All amounts are listed in Canadian dollars unless otherwise specified. References to "mbbls/d", "bbls/d" and "$/bbl" mean thousands of barrels per day, barrels per day and dollars per barrel, respectively. See "Non-GAAP Measures" relating to footnoted non-GAAP measures reflected in this document. This MD&A contains certain forward-looking statements and information: see "Forward-Looking Statements and Information".

Fund Description

Pembina Pipeline Income Fund ("Pembina" or the "Fund") is among the predominant issuers in the Canadian energy infrastructure trust sector. Pembina's network of conventional liquids feeder pipelines, and growing presence in the oil sands and midstream sectors, provide an integral service to the Western Canadian energy industry. This balanced portfolio of long-life energy infrastructure assets supports the stability and sustainability of the Fund.

The Fund, an unincorporated open-ended trust, pays monthly cash distributions to Unitholders, if, as and when determined by the Board of Directors of Pembina Pipeline Corporation. Pembina's publicly traded securities trade on the Toronto Stock Exchange under the symbols: PIF.UN - Trust Units and PIF.DB.B - 7.35% convertible debentures. Pembina's corporate head office is located in Calgary, Alberta.

Fund Strategy

Pembina's principal objectives are to provide a long-term stable stream of distributions to Unitholders and to enhance and preserve the long-term value of the Fund. The business strategy Pembina follows to achieve these objectives has five key elements:

- Generate value by partnering with customers to provide the cost effective, competitively priced and reliable products and services they require to be successful.
- Build business flexibility, allowing Pembina to diversify its assets and respond to market conditions to help enhance profitability.
- Maintain a strong balance sheet through the application of prudent financial management to all business decisions.
- Implement staged, carefully managed growth in a safe and environmentally responsible way.
- Develop businesses which lend themselves to future economic expansion and vertical integration.

Pembina believes the most prudent manner to achieve these objectives is to maintain and to develop assets around Pembina's hydrocarbon-liquids services business within Western Canada. Pembina plans to further develop this business through the continuous improvement and ongoing expansion of Pembina's existing asset base and the acquisition and development of quality energy infrastructure assets. Pembina regards quality assets as assets that are imbued with inherent competitive advantages, that have cash flows that can be predicted with a reasonable degree of certainty, and either service or are in close proximity to long-life, economic hydrocarbon reserves.

Pembina's business is structured in three segments: Conventional Pipelines, Oil Sands & Heavy Oil Infrastructure and Midstream & Marketing.

The primary objectives for Pembina's conventional pipeline assets located in Alberta and British Columbia ("BC") are safe, reliable operations and the maintenance of competitive operating margin contributions, while pursuing opportunities for increased throughput and revenue enhancements. Operating margins are maintained through incremental volume capture and system expansion, revenue management and operating cost discipline. Pembina strives to attract new business to its conventional pipeline systems by offering cost-effective, competitively-positioned and reliable transportation services.

Over the last decade, Pembina has successfully leveraged its uniquely positioned infrastructure and operating knowledge in the oil sands area and will continue to pursue future opportunities in this sector. Pembina's oil sands and heavy oil infrastructure assets are characterized by long term contracts which provide a secure and stable cash flow. Net operating income contribution from this business is primarily related to invested capital and is not sensitive to fluctuations in operating expenses or actual throughputs. The expansion of Pembina's infrastructure in this sector is a priority, due to the long-term and stable nature of these assets, and the low-risk business model that governs Pembina's oil sands operations.

The Midstream & Marketing business consists of Pembina's 50 percent non-operated interest in the Fort Saskatchewan Ethylene Storage Facility and the network of terminals, storage facilities and hub services operated, or under development, on several of Pembina's conventional pipeline systems and, its natural gas gathering and processing assets upon closing of the Cutbank Complex acquisition. By expanding Pembina's participation in the value chains of crude oil and natural gas liquids (NGLs), Pembina has developed additional revenue sources associated with its existing energy infrastructure assets. Pembina anticipates that the further expansion of midstream services should diversify sources of revenue, thereby increasing the predictable base level of revenues generated annually, which is of significant benefit to both pipeline customers and Unitholders. This strategy serves to both expand the quality and range of services offered to customers and to extend the economic life of Pembina's conventional asset base.

Results from Operations

HIGHLIGHTS[1] *(in millions of dollars, except where noted)*	**3 Months Ended March 31, 2009**	3 Months Ended March 31, 2008	% Change
Average throughput - conventional (mbbls/d)	**421.9**	459.0	(8.1)
Contracted capacity - oil sands (mbbls/d)	**775.0**	525.0	47.6
Total throughput and contracted volumes (mbbls/d)	**1,196.9**	984.0	21.6
Capital expenditures	**30.6**	95.2	(67.9)
Revenue	**158.0**	142.8	10.6
Product purchases	**41.9**	36.5	14.8
Operating expenses	**44.1**	35.1	25.6
Net operating income [2]	**72.0**	71.2	1.1
General & administrative expense	**10.9**	9.4	16.0
Interest expense on long-term debt	**10.3**	8.2	25.6
Net earnings	**28.3**	32.6	(13.2)
Cash flow from operations	**41.2**	59.0	(30.2)
EBITDA [2]	**59.8**	59.0	1.4
Cash distributions to Unitholders	**53.2**	47.8	11.3
$ Per Trust Unit	**$0.3900**	$0.3600	8.3

[1] This first quarter 2009 Interim Report to Unitholders reports unaudited results of the Fund for the three months ended March 31, 2009 and comparative to unaudited results for the three months ended March 31, 2008.

[2] Refer to "Non-GAAP Measures" below.

Conventional Pipelines

(in millions of dollars, except where noted)	**3 Months Ended March 31, 2009**	3 Months Ended March 31, 2008	% Change
Average throughput (mbbls/d)	**421.9**	459.0	(8.1)
Alberta	**401.4**	435.3	(7.8)
BC	**20.5**	23.7	(13.5)
Revenue	**$ 66.1**	$ 67.1	(1.5)
Operating expenses	**32.4**	27.3	18.7
Net operating income [1]	**33.7**	39.8	(15.3)
Capital expenditures	**9.6**	16.0	(40.0)
Operating expenses ($/bbl)	**0.81**	0.62	30.6
Average revenue ($/bbl)	**1.63**	1.53	6.5

[1] Refer to "Non-GAAP Measures" below.

Pembina's extensive network of pipelines in Alberta and BC provides safe, dependable, and cost effective transportation service to customers in Western Canada. The conventional pipeline business unit represents Pembina's traditional core business. These strategically located pipeline assets are expected to generate stable and predictable cash flows.

During the quarter ended March 31, 2009, Pembina's conventional pipelines collectively transported an average of 421,900 bbls/d, a reduction of 8 percent from the first quarter of 2008.

The Alberta pipelines transported an average of 401,400 bbls/d during the first quarter, 8 percent lower than volumes transported during the first quarter of 2008. This decline is in part due to reduced Nisku production on the Drayton Valley pipeline, which resulted from lower production associated with the current low commodity price environment. Should this trend continue, Pembina estimates that this decrease in production could result in a decline of 4,000 bbls/d annualized. The Alberta pipelines were also impacted by reduced trucked receipts as producers move volumes to alternative delivery points offering higher near term netbacks. Extended maintenance activities at connected gas plants impacted NGL receipts on the Alberta pipelines in the first quarter of 2009. Pembina anticipates that these volumes will normalize as maintenance activities subside in the coming quarter.

Throughput on Pembina's Western system averaged 20,500 bbls/d during the first quarter of 2009, a 14 percent decrease from the same period of 2008. This reduction in throughput is largely a result of declining oil production in Northeast BC, and a decline in trucked volumes. The BC gathering pipelines transported an average of 25,330 bbls/d over the three months ended March 31, 2009, as compared to 26,244 bbls/d a year earlier.

Revenue in the first quarter of 2009 was approximately $66.1 million, a modest decrease from $67.1 million during the same period of 2008.

The Alberta systems recorded revenue of $56.6 million during the quarter, one percent lower than the same period of the prior year. This decrease in revenue is primarily a result of reduced throughput and the associated reduction in toll revenue.

Revenue on the provincially regulated BC pipelines, which is largely based on flow through of operating expenses and a return on invested capital, was $9.5 million in the first quarter of 2009, down 3 percent from the first quarter of 2008 due to lower operating expenses.

Operating expenses relating to Pembina's integrity and environmental program incurred during the first quarter of 2009 on the conventional systems contributed to a 18.7 percent quarter-over-quarter increase in operating expenses, to $32.4 million. This increase is primarily attributable to the timing of pipeline inspection digs on the Peace system, which accounts for approximately $4.2 million of the $5.1 million increase during the first quarter. With the completion of these digs, Pembina expects operating expenses to normalize through the balance of 2009. Net operating income decreased 15 percent over the same quarter of 2008 to $33.7 million during the first quarter of 2009, primarily as a result of the timing of operating expenses mentioned above.

Pembina continues to reinvest capital in its infrastructure to ensure the safety and reliability of its pipeline assets and to benefit from accretive opportunities as they arise. During the first quarter of 2009, capital investment of approximately $9.6 million was focused on new connections and upgrades on the conventional system. Pembina expects that these new connections, when fully commissioned, will provide incremental volumes and revenue to Pembina's conventional system.

Oil Sands & Heavy Oil Infrastructure

(in millions of dollars, except where noted)	**3 Months Ended March 31, 2009**	3 Months Ended March 31, 2008	% Change
Average throughput (mbbls/d) [1]	**775.0**	525.0	47.6
Revenue	**$ 29.8**	$ 15.6	91.0
Operating expenses	**8.9**	6.0	48.3
Net operating income [2]	**20.9**	9.6	117.7
Capital expenditures	**9.7**	76.4	(87.3)
Operating expenses ($/bbl) [3]	**0.35**	0.24	45.8

[1] Contracted capacity. Actual average throughput was 278,867 bbls/d in the first quarter of 2009 and 272,332 bbls/d in the first quarter of 2008.
[2] Refer to "Non-GAAP Measures" below.
[3] Calculation uses actual average throughput.

Pembina has 775,000 barrels per day of fully contracted crude oil transportation capacity in three distinct pipelines serving customers in the Athabasca oil sands region; the Syncrude Pipeline which provides dedicated service to Syncrude Canada Ltd.; the Cheecham Pipeline which delivers synthetic crude oil from the Syncrude Pipeline to a third party facility near Cheecham, Alberta; and, the Horizon Pipeline which was completed in July of 2008 and which provides dedicated service to Canadian Natural Resources Limited's (CNRL) Horizon Oil Sands Project. Revenue generated by these fully contracted pipelines is independent of throughput and provides for the full recovery of operating expenses.

Syncrude Pipeline

The Syncrude Pipeline has a transportation capacity of 389,000 barrels per day and is fully contracted to the Syncrude owners. Net operating income generated by the Syncrude Pipeline during the quarter of $7.9 million is consistent year-over-year.

Cheecham Pipeline

The Cheecham Pipeline has a capacity of 136,000 barrels per day and commenced operation in 2006. The pipeline has a 25-year contract and is fully contracted to shippers. The net operating income was $1.5 million during the first quarter, which is consistent with the first quarter of 2008.

Horizon Pipeline

In July 2008, Pembina completed construction of the $400 million Horizon Pipeline. The Horizon Pipeline is fully contracted to CNRL and has an ultimate capacity of 250,000 barrels per day. The pipeline is operated under the terms of a 25-year extendible transportation agreement providing Pembina a fixed return on invested capital and full recovery of operating expenses. Pembina projects the Horizon Pipeline will contribute an estimated $45 million of incremental net operating income annually over the contract term. The Horizon Pipeline commenced earning its full contracted return on November 1, 2008 and contributed $11.5 million in net operating income during the quarter ending March 31, 2009.

Midstream & Marketing Business

(in millions of dollars, except where noted)	**3 Months Ended March 31, 2009**	3 Months Ended March 31, 2008	% Change
Revenue	**$ 62.1**	$ 60.1	3.3
Product purchases	**41.9**	36.5	14.8
Operating expenses	**2.9**	1.8	61.1
Net operating income [1]	**17.3**	21.8	(20.6)
Capital expenditures	**11.3**	2.8	303.6

[1] Refer to "Non-GAAP Measures" below.

Pembina's Midstream & Marketing business segment is comprised of its 50 percent non-operated interest in the Fort Saskatchewan Ethylene Storage Facility and its wholly-owned terminalling, storage and hub services operated on several of its conventional pipeline systems.

The Midstream & Marketing business recorded revenue (net of product purchases) of $20.2 million during the first quarter of 2009, representing a 14.4 percent decrease from the same quarter of 2008. Lower volume transported on the conventional systems, together with continued weakness in commodity pricing and related product differentials combined to limit midstream results during the quarter.

Operating expenses for the Midstream & Marketing business for the first quarter of 2009 of $2.9 million have increased from the prior year as the result of the ongoing expansion of this business unit.

Pembina expects that its 50 percent interest in the fully contracted Fort Saskatchewan Ethylene Storage Facility will generate stable, long-term returns that are independent of capacity utilization and operating expenses.

Capital expenditures during the first quarter of $11.3 million were primarily related to the expansion of Peace and Drayton truck terminal facilities and the development of the Namao terminal.

Pembina's Midstream & Marketing business is structured to provide a diversified revenue stream with the objective of generating a predictable base level of results under a variety of market conditions. Results for the quarter were impacted by the decline in commodity prices, lower throughput volumes, and narrowing product differentials. Based on Pembina's current projections, assumptions and expectations, Pembina anticipates that the operating income contribution of this segment will improve over the balance of 2009 compared to the first quarter of 2009, as certain existing business activities are recalibrated and new undertakings are developed to exploit current market conditions. Pembina expects the Cutbank Complex to contribute additional fee-for-service revenue to the Midstream & Marketing business unit, which is expected to assist in further diversifying the sources of revenues and stabilizing revenues going forward. See "New Developments and Outlook" on page 10, "Risk Factors" on page 13 and "Forward-Looking Statements and Information" on page 14 of this report.

General and Administrative Expenses

General and administrative expenses (G&A) of $10.9 million were recorded during the first three months of 2009, $1.5 million higher than the first quarter of 2008. Higher G&A expenses are primarily the result of increased employment levels, higher compensation and benefit costs and increased costs to acquire third-party products, services and consultants. Pembina expects G&A expenditures to approximate 12.4 percent of net operating income in 2009, consistent with 2008.

Cash Distributions

It is the Fund's principal objective to provide Unitholders with stable cash distributions over time. As a result, not all cash available for distribution is distributed to Unitholders. The Fund pays cash distributions on a monthly basis if, as and when determined by the Board of Directors of Pembina Pipeline Corporation, to Unitholders of record on the last calendar day of each month. Distributions are payable on the 15th day of the month following the record date.

Starting with Pembina's distribution which is expected to be declared in June and paid in July, Pembina expects to change its distribution record date to the 25th day of each month to better facilitate the administration of Pembina's Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan ("DRIP") (other than for the December distribution record date, which will remain December 31st for accounting purposes). The distribution payment date, which is the 15th day of the calendar month following the distribution record date, will remain unchanged.

Distributable cash is a non-GAAP measure that the Fund uses to manage its business and to assess future cash requirements that impact the determination of future distributions to Unitholders. The Fund defines distributable cash as cash flow from operations less pension and post retirement benefits net of pension contributions, net changes in non-cash working capital, trust unit based compensation expense and amortization of financing fees. The impact of these items is excluded in the calculation of distributable cash as it adjusts for timing differences throughout the year.

The following table sets forth the recalculation of cash flow from operations to certain distributable cash and distributed cash measures.

(in thousands of dollars, except where noted)	**3 Months Ended March 31, 2009**	3 Months Ended March 31, 2008
Cash flow from operations	**$ 41,155**	$ 59,034
Add/(deduct):		
Employee future benefits expense	**(1,631)**	(945)
Employee future benefits contributions	**2,712**	1,000
Changes in non-cash working capital	**7,986**	(8,043)
Other	**(258)**	(268)
Distributable cash[1]	**49,964**	50,778
Decrease (increase) in distribution reserve	**3,210**	(2,985)
Distributed cash[1]	**$ 53,174**	$ 47,793
Distributable cash[1] per Trust Unit	**$ 0.3665**	$ 0.3823
Distributed cash per Trust Unit[1]	**$ 0.3900**	$ 0.3600
Diluted distributed cash to Unitholders per Trust Unit[1]	**$ 0.3843**	$ 0.3530
Payout ratio	**106%**	94%

[1] Refer to "Non-GAAP Measures" below.

During the first quarter of 2009, the Fund declared distributions of $0.39 per Trust Unit, or $53.2 million in aggregate, compared to $0.36 per Trust Unit, or $47.8 million in aggregate, paid in the first quarter of 2008. Under Canadian tax laws, a component of the Fund's cash distributions are taxable in the hands of the Unitholder, with the remaining portion a return of capital, unless held in a tax-deferred account. Pembina estimates that 75 percent of the distributions declared in 2009 will be taxable and 25 percent will be a return of capital for Canadian tax purposes. For purposes of calculating the capital gains upon disposition of the Trust Units, the amount considered a return of capital will reduce the Unitholders' adjusted cost base of each Trust Unit for Canadian tax purposes. Pembina's distributions are subject to current domestic tax laws which require a withholding tax from distribution income to non-residents of Canada.

Pembina generated $0.3665 per Trust Unit in distributable cash (before reserve) during the first quarter of 2009.

The table below shows the Fund's cash distributions paid relative to cash flow from operations and net earnings for the periods indicated. See also "New Developments and Outlook", "Risk Factors" and "Forward-Looking Statements and Information" below for further information regarding the sustainability of cash distributions.

(in thousands of dollars, except where noted)	**3 Months Ended March 31, 2009**	2008	2007	2006
Cash flow from operations	**$ 41,155**	$ 219,905	$ 189,540	$ 143,860
Net earnings	**28,281**	161,793	142,305	88,885
Distributed cash[1]	**53,174**	198,759	178,870	142,285
Excess (shortfall) of cash flow from operations over distributed cash	**(12,019)**	21,146	10,670	1,575
Excess (shortfall) of net earnings over distributed cash	**(24,893)**	(36,966)	(36,565)	(53,400)

[1] Refer to "Non-GAAP Measures" below.

To ensure stability over economic and industry cycles and to absorb the impact of material one-time events, not all available cash is distributed to Unitholders. Historical cash distributions compared to cash flow from operations shows excess cash flow in every period disclosed in the table above. However, for the three months ended March 31, 2009, there was a shortfall of $12 million primarily due to changes in non-cash working capital and the timing of incurring $4.2 million of costs related to Pembina's pipeline integrity program on the Peace system. Cash distributions to Unitholders are greater than net earnings as the Fund does not consider it necessary to retain non-cash depreciation that has been deducted in the determination of net earnings. Pembina generally does not expect the earning capacity of the Fund's existing assets to erode or to be replaced, provided they are properly maintained. Such maintenance costs are deducted in determining net earnings. Asset additions increase the earning capacity of the Fund and have historically been financed in either the debt or equity markets and are not dependent on cash flow from existing assets.

The Fund's payout ratio for the three months ended March 31, 2009 was 106 percent, 12 percent higher than the same period in the prior year. This increase is largely due to the timing of maintenance activities, such as the integrity costs referenced above which impacted distributable cash in the first quarter of 2009. Excluding the timing of the above mentioned events, the payout ratio would have been approximately 98 percent. Pembina estimates that the full year payout ratio in 2009 will be approximately 92 percent, before the benefits accrued from the acquisition of the Cutbank Complex. Pembina calculates the payout ratio as the percentage of distributable cash (prior to distribution reserve adjustments) that is distributed to Unitholders. See "New Developments and Outlook", "Forward-Looking Statements and Information" and "Non-GAAP Measures" below.

Liquidity and Capital Resources

The Fund's credit facilities at March 31, 2009 consisted of an unsecured $500 million revolving credit facility due July, 2012. Pembina also has a $30 million operating facility in place which matures July 2009, that Pembina expects will be extended to July 2010. There are no repayments due over the term of either facility. At March 31, 2009, Pembina had $408.1 million drawn leaving $121.9 million of undrawn capacity on the $530 million of established bank facilities. Borrowings bear interest at either prime lending rates or are based on bankers' acceptances plus applicable margins. The margins are based on the credit rating of the senior unsecured debt of Pembina Pipeline Corporation and range from 0.50 percent to 2.50 percent. Other debt includes $78.6 million in fixed rate Senior Secured Notes due 2017, $175 million in fixed rate Senior Unsecured Notes due 2014, $75 million of Floating Rate Senior Unsecured Notes due June 2009 and $200 million in fixed rate Senior Unsecured Notes due 2021. At March 31, 2009, Pembina had long-term debt (excluding deferred financing fees) of $936.8 million. This long-term debt, together with $40.1 million of outstanding convertible debentures, resulted in a ratio of total debt to total enterprise value of 33.9 percent compared to a ratio of 32.1 percent at December 31, 2008. See "Non-GAAP Measures" below.

During the first quarter, $6.4 million in net debt financing costs were recorded, comparable to 2008.

Subsequent to the quarter end, Pembina has entered into a non-revolving credit facility with a Canadian chartered bank to refinance the $75 million Floating Rate Senior Unsecured Notes due June 2009. The credit facility is for a term of 5 years at a fixed rate based on a spread above 5 year GOC bond rates to be determined at drawdown and which Pembina anticipates will be approximately 6.0 percent.

Pembina also entered into a commitment letter to provide for an Acquisition Facility of $300 million. See "New Developments and Outlook: Financing of the Cutbank Complex Acquisition" on page 11 of this report.

Pembina considers the maintenance of an investment grade credit rating as critical to its ongoing ability to access capital markets on attractive terms. The Dominion Bond Rating Service Ltd. (DBRS) stability rating system measures the stability and sustainability of distributions per Trust Unit. DBRS has assigned Pembina Pipeline Income Fund a STA-2 (low) stability rating which was confirmed by DBRS on February 29, 2008. DBRS's stability rating scale is from STA-1 to STA-7, with STA-1 representing the highest rating possible, and STA-7 the lowest. Pembina Pipeline Corporation, the Fund's primary operating subsidiary, is also rated by DBRS, which has assigned a senior secured debt rating of 'BBB high' and a 'BBB' senior unsecured debt rating. These ratings were also confirmed in February 2008. On July 24, 2008, Standard & Poor's (S&P) upgraded its long-term corporate credit and bank loan ratings on Pembina Pipeline Corporation to "BBB+" from "BBB", and its senior secured debt rating on the company to "A-" from "BBB+", all with a stable outlook. S&P also rates the Fund and has a current rating of SR-2, which rating was last confirmed on November 17, 2008. According to S&P's rating system, which rates distributable cash on a scale of SR-1 to SR-7, SR-2 rated funds are considered to have very high level of distributable cash flow generation stability and debt instruments rated BBB have adequate protection parameters, however, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligations. See "Description of the Fund and the Trust Units - Credit Ratings" in the Fund's Annual Information Form for the year ended December 31, 2008.

Contractual Obligations

The Fund is committed to annual payments as follows:

($ millions)	Payments Due By Period				
Contractual Obligations	Total	Less than 1 year	1 - 3 years	4 - 5 years	After 5 years
Office and vehicle leases	$ 17.8	$ 4.8	$ 8.2	$ 4.8	$
Long-term debt	936.8	82.0	432.6	194.5	227.7
Convertible debentures	40.1		40.1		
Construction commitments	461.9	138.0	307.4	16.5	
Total contractual obligations	$ 1,456.6	$ 224.8	$ 788.3	$ 215.8	$ 227.7

Pembina is, subject to certain conditions, contractually committed to the construction and the operation of the Nipisi and Mitsue Pipelines. Pembina currently projects the cost of these pipelines to total approximately $440 million. To date, $11.1 million has been expended. Pembina expects that $138 million will be spent within one year and the balance by mid-2011. An additional $33 million in construction costs related to the Horizon Pipeline is also expected to be incurred in later years, to meet potential increased capacity requirements in the future. Pembina anticipates utilizing its undrawn credit facilities, equity raised under the DRIP and potentially accessing the debt and equity markets to finance the costs of the Nipisi and Mitsue Pipelines, and other future capital expenditures. See "Forward-Looking Statements and Information" on page 14 of this report.

Capital Expenditures ($ millions)	**3 Months Ended March 31, 2009**	3 Months Ended March 31, 2008
Development capital		
Conventional pipelines	**$ 9.6**	$ 16.0
Oil Sands & Heavy Oil infrastructure	**9.7**	76.4
Midstream & Marketing business	**11.3**	2.8
Total development capital	**30.6**	$ 95.2

Pembina expended $30.6 million on capital projects during the first quarter of 2009, down considerably from $95.2 million expended during the first quarter of 2008. Capital expenditures for the conventional systems of $9.6 million during the quarter related to new connections and upgrades, the installation of a fire suppression system at Pembina's facilities in Kamloops and $2.2 million for the Mitsue Pipeline. Oil Sands & Heavy Oil infrastructure spending totaled $9.7 million in the first quarter, down from the $76.4 million expended during the same period of 2008. Of the oil sands related capital expenditures during the first quarter of 2009, $6.6 million was related to remediation associated with the Horizon Pipeline construction, and $2.6 million was invested in the Nipisi Pipeline. Spending in the midstream business segment of $11.3 million year-to-date was related mainly to operations equipment and the development of truck terminals along Pembina's conventional system. These capital expenditures were financed, where necessary, utilizing Pembina's existing credit facilities, and proceeds from the DRIP.

Trust Unit and Convertible Debenture Information

Pembina launched its DRIP in 2003. Since inception, the DRIP has attracted significant Unitholder interest and has raised $261.3 million. The plan, which was discontinued as of June 30, 2007, was reinstated effective October 31, 2008. Participation in the DRIP for the most recently completed month (March, 2009) was 82.3 million Trust Units or $10.7 million. Pembina expects participation in the DRIP to remain consistent at this rate through the balance of 2009.

The Fund's Trust Units, together with the one remaining series of convertible debentures, are traded on the Toronto Stock Exchange.

	April 28, 2009[1]	March 31, 2009	March 31, 2008
Trust Units Outstanding	**138,088,951**	137,246,119	132,815,734
Average Daily Volume (Units per day)	**226,239**	259,112	208,300
Unit Trading Price ($/Unit) [2]	**$ 13.92**	$ 13.98	$ 16.30
Principal Amount of Debentures Outstanding ($millions)	**$ 41.9**	$ 41.9	$ 48.3
7.35% Convertible Debentures Trading Price [3]	**$ 112.31**	$ 115.89	$ 133.00
Total Market Value of Securities Outstanding ($millions)	**$ 1,969.2**	$ 1,967.2	$ 2,229.0
Pembina's convertible debentures are convertible to Trust Units at conversion prices of ($/Unit):			
7.35% Convertible Debentures maturing December 31, 2010		$ 12.50	

1 Based on the 19 trading days from April 1 to April 28, 2009, inclusive.
2 End of Period.
3 Full conversion to Trust Units of the remaining principal amount of the debenture issue as at April 28, 2009 would result in the issuance of 3.3 million Trust Units with an effective conversion price of $12.50 per Trust Unit.

As at March 31, 2009, non-resident holdings in the Fund were less than 20 percent. This level is within the 49 percent restriction on non-resident ownership in the Fund imposed by Pembina's Declaration of Trust and is consistent with the requirements of the Income Tax Act (Canada).

Critical Accounting Estimates and Changes in Accounting Principles and Practices

There were no changes in Pembina's critical accounting estimates and practices that affected the disclosure of or the accounting for its operations for the quarter ended March 31, 2009. Such critical accounting estimates are presented in Management's Discussion and Analysis for the year ended December 31, 2008.

International Financial Reporting Standards (IFRS)

The impact assessment phase has been substantially completed. Assessment findings are being confirmed and reassessed during the subsequent phase as new projects and pronouncements evolve from the International Accounting Standards Board workplan. The impact analysis and evaluation phase has commenced and training for the working group has been initiated. Significant completion of the impact analysis and evaluation phase is necessary before the Fund can prudently increase the specificity of the disclosure. For a complete discussion of Pembina's IFRS conversion plan, see the Fund's 2008 Annual Report available at Pembina's website at www.pembina.com and on the Fund's profile on the SEDAR website at www.sedar.com.

New Developments and Outlook

Acquisition of Cutbank Complex

Pembina announced on April 29, 2009, that Pembina Gas Services Limited Partnership, a newly formed indirect subsidiary of Pembina, has entered into an agreement with Talisman Energy Canada ("Talisman") to acquire its Cutbank Complex midstream gas gathering and processing facilities for $300 million in an all cash transaction. The acquisition, which is anticipated to close on June 2, 2009, provides Pembina's Midstream business unit with a strategic entry into the natural gas gathering and processing business. Closing of the acquisition is subject to satisfaction of closing conditions customary for a transaction of this nature, including Competition Act approval.

The Cutbank Complex is a fully interconnected sweet gas gathering and processing complex comprised of three gas plants (the Cutbank, Musreau and Kakwa gas plants), nine compressor stations, and approximately 300 kilometres of gathering systems with a total gross processing capacity of 360 MMcf per day (305 MMcf per day net to Pembina). The Cutbank gas plant and the Musreau gas plant will be operated by Pembina and the Kakwa Gas Plant, in which Pembina will acquire a 50 percent interest, is operated by a third party. Average throughput at the Cutbank Complex in 2008 was 208 MMcf per day net to Talisman. The Cutbank Complex is located in the west central region of Alberta and provides fee for service gathering and processing to customers in the area. A portion of the assets within the

Cutbank Complex are subject to rights of first refusal. If all of the rights of first refusal are fully exercised, Pembina's effective net processing capacity will be reduced to 250 MMcf per day, average net throughput (based on net 2008 throughput) would be reduced to 175 MMcf per day, and the purchase price will be reduced by the value of the assets which are excluded from the acquisition. The interconnectivity of the assets provides a high degree of flexibility with respect to the utilization of capacity. Further, all operating costs associated with the Cutbank Complex are passed through to customers which helps to provide stability to cash flows.

Rationale for the Cutbank Complex Acquisition

The Fund believes that the principal benefits of the Cutbank Complex Acquisition are as follows:

Excellent Strategic Fit

Consistent with the Fund's existing assets, the assets comprising the Cutbank Complex represent high quality energy (natural gas and NGLs) infrastructure located in the Deep Basin region of the Western Canadian Sedimentary Basin. The acquisition of the Cutbank Complex will integrate the ownership of the Cutbank Complex with the Pembina owned Peace Pipeline, through which the processed NGLs are transported to the Edmonton, Alberta area.

Consistent Risk Profile

The Cutbank Complex is not directly exposed to the price of natural gas and other commodities. The gathering and processing contracts associated with the Cutbank Complex provide for the flow through of operating costs and are structured on a fee-for-service basis. Over 50 percent of the capacity associated with the Cutbank Complex is contracted on a firm service basis until 2014, thereby providing the Fund with a potential source of long-term stable cash flow.

Value-Added Transaction

Pembina expects the acquisition of the Cutbank Complex to be accretive to distributable cash flow per Trust Unit and anticipates the Cutbank Complex will generate additional net operating income of $40 million on an annual basis.

Enhanced Diversification

The Cutbank Complex acquisition will further diversify the Fund's operations to include natural gas gathering and processing capacity.

Financing of the Cutbank Complex Acquisition

Pembina has arranged financing for the acquisition of the Cutbank Complex through new committed bank credit facilities.

Pembina has obtained a commitment from a Canadian chartered bank to provide a $150 million 18 month term credit facility and a $150 million 9 month equity bridge facility. Closing of the term credit facility and equity bridge facility is subject to satisfaction of conditions that are typical of transactions of this nature, including simultaneous completion of the Cutbank Complex acquisition, on or before August 31, 2009. Pembina intends to use the net proceeds from the new credit facilities to complete the acquisition of the Cutbank Complex. The credit facilities are unsecured and rank pari passu with all other senior unsecured debt of Pembina.

Refinancing of $75 million notes

Pembina has obtained a $75 million non-revolving credit facility from a Canadian chartered bank. The credit facility is for a term of 5 years at a fixed rate based on a spread above 5 year GOC bond rates to be determined at drawdown and which Pembina anticipates will be approximately 6.0 percent. The net proceeds of the credit facility are to be used for the refinancing of $75 million floating rate notes coming due on June 22, 2009, and may also be used for other general corporate purposes at Pembina's discretion.

Major Projects

Pembina's priority growth projects in 2009 are the Nipisi and Mitsue Pipelines. These projects were initiated in response to industry demand for reliable diluent supply to, and diluted heavy oil take-away capacity from, the Nipisi, Alberta region.

In March 2009, following an extensive customer consultation process, Pembina's Board of Directors approved a plan to expand the design capacity of the Nipisi Pipeline. The planned 'pre-build' will allow the capacity of the Nipisi Pipeline to be increased in stages, as customer demand materializes, to a maximum of 200,000 bbls/d. Pembina's revised capital expectation for the combined Nipisi and Mitsue Pipelines is approximately $440 million. This estimate does not include the proposed Utikuma truck terminal and related facilities.

Pembina's major customers, CNRL and EnCana Corporation, have, subject to certain conditions, long term contracted capacity totaling 80 to 90 percent of the available base capacity on the Nipisi Pipeline. Pembina Marketing Ltd., a wholly-owned subsidiary of Pembina Pipeline Corporation, has contracted for the balance of available capacity on these pipelines and aims to attract and retain third party production.

The agreements governing operations on the Nipisi and Mitsue Pipelines are designed to provide Pembina with a fixed return on invested capital and allow for the full recovery of operating costs over the term of the agreements. Based on Pembina's internal projections, the two pipelines are estimated to initially contribute approximately $45 million per annum in net operating income once operations commence. See "Forward-Looking Statements and Information" on page 14.

Project consultation and preliminary engineering work is underway for the Nipisi and Mitsue pipelines, as well as the Utikuma truck terminal. Pembina is seeking feedback on the proposed pipeline routing, traditional land use, environmental impact and other aspects of the projects to be incorporated into project planning, and is in negotiations for construction materials. Further, Pembina anticipates submitting regulatory applications in May 2009, and expects that regulatory approvals could be in place by late 2009. Pending a successful regulatory approval process, Pembina expects the Nipisi and Mitsue Pipelines to be in service in mid-2011.

Conventional Pipelines

In mid-2009, the Alberta government will award approximately $2 billion in funding towards the development of Carbon Capture and Sequestration (CCS) projects. Use of captured carbon dioxide (CO_2) in enhanced oil recovery has the potential to increase recovery of original oil in place by as much as 15 to 20 percent. As CO_2 flooding may be used to enhance oil recovery in mature fields such as Drayton Valley, Swan Hills, and Redwater, Pembina believes that it is uniquely positioned to capture the increased production that will result from Alberta's long-term commitment to climate change.

Oil Sands & Heavy Oil Infrastructure

Pembina expects a significant increase in net operating income from Oil Sands and Heavy Oil Business Unit in 2009 resulting from a full year of net operating income contribution from the Horizon Pipeline. Pembina continues to actively explore other oil sands and heavy oil infrastructure opportunities and believes its strong assets, and recent construction experience and embedded expansion rights on existing pipelines gives Pembina a competitive edge to attract new business.

Midstream & Marketing

As evidenced by the Cutbank Complex acquisition, Pembina continues to expand the scope and range of services provided in this business unit, and expects to see increased activity throughout the remainder of 2009. See "Risk Factors" on page 13 and "Forward-Looking Statements and Information" on page 14 of this report.

Distribution Sustainability

In 2006, the Government of Canada introduced legislation designed to change the taxation of certain specified investment flow-through entities ("SIFTs"), more commonly referred to as income trusts. In response to this change, after detailed consideration of the various options available to the Fund, Pembina's Board of Directors has determined conversion from an income trust to a corporate entity, prior to January 1, 2011, when the new tax legislation will take effect, will best serve the interest of Pembina's owners.

Solid, sustainable, long-term results generated by all three of Pembina's business units, together with anticipated significant incremental cash flow contribution from the capital projects presently underway, lend confidence in Pembina's ability to maintain the current distribution rate through corporate conversion (in the form of a dividend after conversion) and the onset of taxable status to 2013. Based on the Fund's current assumptions, expectations, estimates and projections, Pembina believes this level of dividend, post conversion, can be continued while maintaining a prudent capital structure and continuing to fund its planned growth initiatives. For important information regarding additional assumptions made by Pembina in this regard, and the related risks associated with these assumptions. See "Forward-Looking Statements and Information" on page 14.

Change in Distribution Record Date

Starting with Pembina's distribution which is expected to be declared in June and paid in July, Pembina expects to change its distribution record date to the 25th day of each month to better facilitate the administration of Pembina's DRIP (other than for the December distribution record date, which will remain December 31st for accounting purposes). The distribution payment date, which is the 15th day of the calendar month following the distribution record date, will remain unchanged.

Risk Factors

Management has identified the primary risk factors that could potentially have a material impact on the financial results and operations of the Fund. Such risk factors are presented in Management's Discussion and Analysis for the year ended December 31, 2008, and in the Fund's Annual Information Form for the year ended December 31, 2008. See "Additional Information" below.

Additional Information

Additional information relating to Pembina Pipeline Income Fund, including the Fund's Annual Information Form and financial statements, can be found on the Fund's profile on the SEDAR website at www.sedar.com.

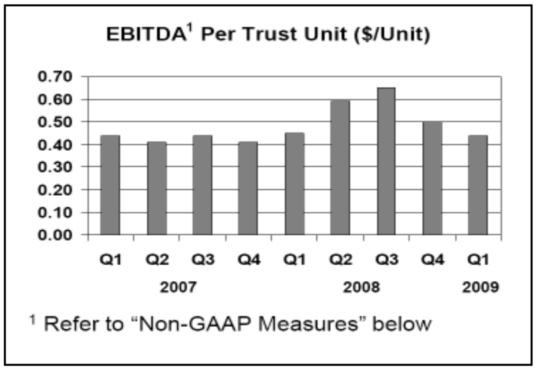
Selected Quarterly Information

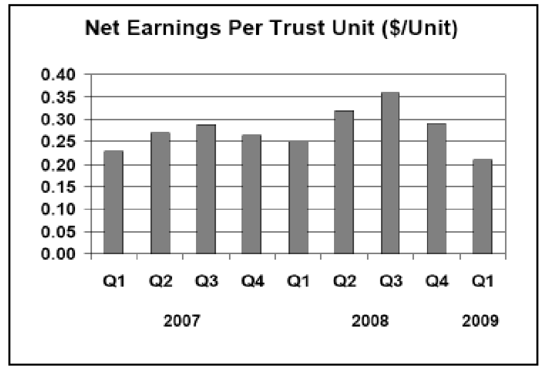
	2009	2008				2007			
(in thousands of dollars, except where noted)	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	158,034	149,375	201,289	181,484	142,735	133,990	131,477	126,373	112,948
Product purchases	41,927	24,025	84,243	76,215	36,451	32,756	32,761	32,947	16,589
Operating expenses	44,129	42,428	40,136	33,262	35,095	35,885	31,833	30,718	31,192
EBITDA[1]	59,762	66,801	85,037	77,074	58,972	53,614	57,901	53,082	55,863
Cash flow from operations	41,155	63,505	50,445	46,921	59,034	48,788	51,666	42,180	46,907
Net earnings	28,281	38,968	48,131	42,122	32,572	34,981	37,903	35,492	33,929
Net earnings per Trust Unit ($/Unit):									
Basic	0.21	0.29	0.36	0.32	0.25	0.26	0.29	0.27	0.27
Diluted	0.21	0.29	0.35	0.31	0.24	0.26	0.28	0.27	0.26
Distributed cash[1]	53,174	52,312	50,732	47,922	47,793	47,684	46,198	42,890	42,098
Distributed cash per Trust Unit ($/Unit)[1]									
Basic	0.3900	0.3900	0.3800	0.3600	0.3600	0.3600	0.3500	0.3300	0.3300
Diluted	0.3843	0.3840	0.3729	0.3528	0.3530	0.3521	0.3393	0.3211	0.3219
Trust Units outstanding (thousands):									
Weighted average (basic)	136,344	134,133	133,504	133,117	132,758	132,454	131,994	129,966	127,568
Weighted average (diluted)	139,777	137,668	137,595	137,564	137,196	137,243	136,850	135,274	135,206
End of period	137,246	134,703	133,569	133,278	132,816	132,542	132,065	131,388	128,247

[1] Refer to "Non-GAAP Measures" below.

Net earnings of $28.3 million were recorded during the first quarter of 2009, compared to $32.6 million and $33.9 million over the same periods in 2008 and 2007. The decrease in net earnings over the same period in 2008 relates primarily to increases in both operating and G&A expenses as well as increases in depreciation expense on a larger asset base due to capital expenditures. Increases in interest expense year-over-year also contributed to a decline in net earnings. Revenue increases have not been sufficient to offset these expense increases year-over-year. Net operating income decreased quarter-over-quarter 13 percent to $72.0 million as a result of the timing of maintenance activities and the reduction in midstream operating income.

Pembina's stable operations typically produce limited variability in quarterly results. Variations in this trend result from one-time events; extraordinary circumstances, such as the weak market conditions that characterized the first quarter of 2009; and expected seasonal factors which impact pipeline receipts and operating expenses. Such events and factors include, but are not limited to, regularly scheduled facilities maintenance, road bans and weather-related impact on receipts, spending patterns, and outages.





EBITDA per Trust Unit and net earnings per Trust Unit in Q2 2008 and Q3 2008 includes the effects of the gain on sale of linefill of $0.15 and $0.10, respectively, for each quarter.

Non-GAAP Measures

Throughout this MD&A the Fund and Pembina use the term "distributable cash" to refer to the amount of cash that is to be available for distribution to the Fund's Unitholders. Distributable cash is used as a financial measure as it adjusts cash flow from operations for timing differences in non-cash working capital and for non-cash items charged to earnings that the Fund considers to be unavailable for distribution. "Distributable cash" is not a measure recognized by Canadian generally accepted accounting principles (GAAP). Therefore, distributable cash of the Fund may not be comparable to similar measures presented by other issuers, and investors are cautioned that distributable cash should not be construed as an alternative to net earnings, cash flow from operations or other measures of financial performance calculated in accordance with GAAP as an indicator of the Fund's performance.

Further, the use of terms "distributed cash" (the amount of cash that has been or is to be available for distribution to Unitholders),"EBITDA" (earnings before interest, taxes, depreciation and amortization), "net operating income" (revenues less operating expenses and product purchases), "payout ratio" (the Fund's cash distributions to Unitholders divided by its distributable cash) and "enterprise value" (the Fund's market capitalization plus long-term debt) are not recognized under Canadian GAAP. Management believes that, in addition to earnings, distributed cash EBITDA, net operating income, payout ratio and enterprise value are useful measures. They provide an indication of the results generated by the Fund's business activities prior to consideration of how activities were financed, how the results are taxed and measured and, in the case of enterprise value, the aggregate value of the Fund. Investors should be cautioned, however, that distributed cash EBITDA, net operating income, payout ratio and enterprise value should not be construed as an alternative to net earnings, cash flows from operating activities or other measures of financial performance determined in accordance with GAAP as an indicator of the Fund's performance. Furthermore, these measures may not be comparable to similar measures presented by other issuers.

Forward-Looking Statements and Information

The information contained in this MD&A contains certain forward-looking statements and information ("forward-looking statements") that are based on the Fund's current expectations, estimates, projections and assumptions in light of its experience and its perception of historical trends. In some cases, forward-looking statements and information can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates", "targets", "believes", "strives", "intends", "estimates", "continue", "designed", "objective", "maintain", "schedule", "endeavor" and similar expressions.

In particular, this document contains material forward-looking statements, including certain financial outlook, regarding (i) the possible conversion of Pembina to a corporate form in the latter half of 2010 and the ability of Pembina to maintain its current level of cash distributions to its equity holders both prior to and for the foreseeable future after conversion (in the form of dividends after conversion); (ii) the future net operating income of Pembina in relation to the Horizon Pipeline; (iii) the proposed construction of the Mitsue and Nipisi Pipelines; (iv) the performance of the Cutbank Complex, and specifically with respect to the expected accretion to distributable cash flow per Trust Unit and generation of additional net operating income, (v) the expected time for receiving various approvals to proceed with the acquisition of the Cutbank Complex, (vi) the projected closing date of the acquisition of the Cutbank Complex, (vii) the rationale for and the expected benefits of the Cutbank Complex acquisition; (viii) the normalization *in future quarters of results from operations in respect of Pembina's conventional and midstream and marketing business segments and the associated improvement in Pembina's payout ratio for full-year 2009; and (ix) the debt financing commitments that Pembina has obtained in respect of the proposed acquisition of the Cutbank Complex; and (x) the expected extension of Pembina's $30 million operating facility to July 2010. These forward-looking statements are being made by Pembina based on certain assumptions that Pembina has made in respect thereof as at the date of this document including those discussed below.*

In respect of the possible corporate conversion of Pembina and future cash distributions or dividends to equity holders, these assumptions include that Pembina's internal cash flow and tax projections are correct; that Pembina can obtain all necessary approvals in respect of the corporate conversion; that favourable growth parameters continue to exist in respect of current and future projects of Pembina (including in respect of the ability to finance such projects on favourable terms); that there will be no changes to current tax laws governing the taxation of SIFT entities and the treatment distributions from such entities; that the draft legislation related to the conversion of SIFT entities into corporations, as introduced on July 14, 2008, will be enacted in the form proposed; and the continued sustainable results of all three of Pembina's business segments.

In respect of the forward-looking statements made in relation to the Horizon and Mitsue and Nipisi Pipelines, Pembina has assumed that the in-service date for the Mitsue and Nipisi Pipelines will be in mid-2011; that future tolls in respect of such pipelines will be consistent with internal projections; that counterparties will comply with contracts in a timely manner; that there are no unforeseen events preventing the performance of contracts by Pembina; that Pembina is able to obtain financing on favourable terms in respect of the costs associated with the Mitsue and Nipisi Pipelines; that there are no unforeseen construction costs related to the Mitsue and Nipisi Pipelines; that there are no unforeseen material costs relating to the pipeline systems which are not recoverable from shippers; that Pembina can obtain all required regulatory approvals in respect of the Nipisi and Mitsue pipelines and related facilities.

In respect of the forward-looking statements made in relation to the proposed acquisition of the Cutbank Complex, the accretive nature of such acquisition to Pembina and generation of additional net operating income, Pembina has assumed: that the timing of the closing of the acquisition will occur on or about June 2, 2009 and on the terms negotiated; that the accretion to Pembina will be in accordance with internal projections; that the future performance of the Cutbank Complex assets will be consistent with 2008 operating and financial results; that all required regulatory approvals can and will be obtained on favourable terms; that all closing conditions are satisfied; that certain rights of first refusal relating to the assets expire or are waived; that the counterparties to contracts in respect of the Cutbank Complex comply with such contacts in a timely manner; that the committed acquisition credit facilities will be funded on the terms negotiated; and that there are no unforeseen events preventing the performance of contracts by Pembina.

In respect of the forward-looking statements made in relation to the debt financing arrangements that Pembina has arranged in respect of the proposed acquisition of the Cutbank Complex, Pembina has assumed: that the timing of any future closing in respect of such finances will be as indicated; that all regulatory approvals can and will be obtained; that all closing conditions are satisfied; and that there are no unforeseen events preventing the execution of any required definitive agreements on the expected terms, and satisfaction of conditions contained therein.

In respect of the forward-looking statements made in relation to the normalization of Pembina's results from operations and the associated improvement in Pembina's payout ratio for full-year 2009, Pembina has assumed that current general market conditions and commodity prices stabilize and/or improve in the latter half of 2009, that the improvement and/or stabilization of market conditions will increase oil and gas exploration and production activity in Alberta and British Columbia in the latter half of 2009, that Pembina successfully completes its proposed acquisition of the Cutbank Complex on the proposed timelines and on the proposed terms and that Pembina realizes its anticipated accretion on distributable cash from such acquisition.

Further, this MD&A contains forward-looking statements with respect to: the timing of and future stability and sustainability of cash distributions to Unitholders; ongoing utilization and expansions of and additions to Pembina's asset base; the amount of future liabilities related to environmental incidents; the amount and frequency of maintenance and other capital expenditures; the availability of coverage under Pembina's insurance policies (including in respect of Pembina's business interruption insurance policy); future acquisitions, growth and growth potential in Pembina's conventional pipelines, oil sands & heavy oil infrastructure and midstream & marketing *operations; potential revenue and cash flow enhancement; future cash flows; maintenance of operating margins; continued high levels of oil and gas activity and increased oil and gas production in proximity to Pembina's pipelines and other assets (which could be affected by, among other things, possible changes to applicable royalty and tax regimes and low commodity prices); additional throughput potential on additional connections and other initiatives on the conventional system; expected project start-up and construction dates; future distributions, payout ratios and taxation of distributions; future financing capability and sources; negative credit rating adjustments; the expansion of midstream services; and the future tax treatment of the Fund and income trusts.*

None of the forward-looking statements described above are guarantees of future performance and they are all subject to a number of known and unknown risks and uncertainties, including but not limited to: the impact of competitive entities and pricing, approvals by industry partners, reliance on key alliances and agreements, non-performance of the transportation agreements in accordance with their terms, the strength and operations of the oil and natural gas production industry and related commodity prices, the regulatory environment and decisions and the inability to obtain required regulatory approvals on satisfactory terms or at all (including in respect of the Mitsue and Nipisi pipelines and Cutbank Complex), tax laws and treatment, fluctuations in operating results, the ability of Pembina to raise sufficient capital (or to raise capital on favourable terms) to complete future projects and satisfy future commitments (including in respect of the proposed construction of the Mitsue and Nipisi pipelines and related facilities and the debt financing arrangements in respect of the Cutbank Complex acquisition), construction costs of the Mitsue and Nipisi Pipelines, construction delays and labour and material shortages, and certain other risks detailed from time to time in the Fund's public disclosure documents. The Fund believes the expectations reflected in these forward-looking statements and information are reasonable as of the date hereof but no assurance can be given that these expectations will prove to be correct. Undue reliance should not be placed on these forward-looking statements and information as both known and unknown risks and uncertainties, including those business risks stated above, may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements and information. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. Such forward-looking statements and information are expressly qualified by the above statements. The Fund does not undertake any obligation to publicly update or revise any forward-looking statements or information contained herein, except as required by applicable laws.

Management of the Fund approved the financial outlook contained herein as of the date of this document. The purpose of the financial outlook contained herein is to give the reader an indication of the value to Pembina of the Horizon Pipeline as well as the potential effects to Unitholders of a possible conversion of Pembina to a corporate form. Readers should be aware that the information contained in the financial outlook contained herein may not be appropriate for other purposes.

consolidated balance sheets
(unaudited)

(In thousands of dollars)

	March 31 2009	Dec. 31 2008
Assets		
Current assets:		
Cash	**$**	$ 13,638
Accounts receivable and other	**69,401**	65,140
	69,401	78,778
Property, plant and equipment (note 3)	**1,699,928**	1,685,394
Goodwill and other	**354,200**	354,037
	$ 2,123,529	$ 2,118,209
Liabilities and Unitholders' Equity		
Current liabilities:		
Bank indebtedness	**$ 176**	$
Accounts payable and accrued liabilities	**44,228**	65,913
Distributions payable to Unitholders	**17,842**	17,511
Current portion of long-term debt	**82,031**	81,904
	144,277	165,328
Long-term debt	**848,327**	831,797
Convertible debentures	**40,101**	40,865
Derivative financial instruments	**19,099**	13,962
Asset retirement obligations	**85,414**	84,158
Future income taxes	**98,600**	98,869
	1,235,818	1,234,979
Unitholders' equity:		
Trust Units (note 6)	**1,383,860**	1,350,694
Deficit	**(481,749)**	(456,856)
Accumulated other comprehensive loss	**(14,400)**	(10,608)
	887,711	883,230
	$ 2,123,529	$ 2,118,209

See accompanying notes to the consolidated financial statements

consolidated statements of earnings and deficit
(Unaudited)

(In thousands of dollars, except per Trust Unit amounts)

	3 Months Ended March 31, 2009	3 Months Ended March 31, 2008
Revenues:		
Conventional pipelines	**$ 66,144**	$ 67,097
Oil Sands & Heavy Oil infrastructure	**29,785**	15,598
Midstream & Marketing business	**62,105**	60,040
	158,034	142,735
Expenses:		
Operations	**44,129**	35,095
Product purchases	**41,927**	36,451
General and administrative	**10,918**	9,372
Depreciation and amortization	**19,395**	17,126
Accretion on asset retirement obligations	**1,256**	944
Internalization of management contract		1,859
Other	**42**	42
	117,667	100,889
Earnings before interest and taxes	**40,367**	41,846
Interest on long-term debt	**10,289**	8,240
Interest on convertible debentures	**765**	898
Earnings before taxes	**29,313**	32,708
Income tax expense	**1,032**	136
Net earnings	**28,281**	32,572
Deficit, beginning of period	**(456,856)**	(419,890)
Distributed cash	**(53,174)**	(47,793)
Deficit, end of period	**$ (481,749)**	$ (435,111)
Earnings per Trust Unit (note 4)		
Basic	**$ 0.21**	$ 0.25
Diluted	**$ 0.21**	$ 0.24

See accompanying notes to the consolidated financial statements

consolidated statement of comprehensive income (loss)

(Unaudited)

(In thousands of dollars)

	3 Months Ended March 31, 2009	3 Months Ended March 31, 2008
Net earnings for the period	**$ 28,281**	$ 32,572
Other comprehensive income:		
Change in unrealized gain (loss) on derivative instruments designated as cash flow hedges, net of tax of $1.3 million	**(3,792)**	1,096
Total comprehensive income	**$ 24,489**	$ 33,668
Accumulated other comprehensive income (loss):		
Opening balance, net of tax of $3.4 million	**$ (10,608)**	$ 7,935
Change in unrealized gain (loss) on derivative instruments designated as cash flow hedges, net of tax of $1.3 million	**(3,792)**	1,096
Accumulated other comprehensive income (loss)	**$ (14,400)**	$ 9,031

See accompanying notes to the consolidated financial statements

consolidated statements of cash flows

(Unaudited)

(In thousands of dollars)

	3 Months Ended March 31, 2009	3 Months Ended March 31, 2008
Cash provided by (used in):		
Operating activities:		
Net earnings	**$ 28,281**	$ 32,572
Items not involving cash:		
Depreciation and amortization	**19,395**	17,126
Accretion on asset retirement obligations	**1,256**	944
Future income tax expense	**1,032**	136
Employee future benefits expense	**1,631**	945
Trust Unit based compensation expense	**213**	268
Other	**45**	
Employee future benefits contributions	**(2,712)**	(1,000)
Changes in non-cash working capital	**(7,986)**	8,043
Cash flow from operations	**41,155**	59,034
Financing activities:		
Bank borrowings	**18,336**	61,615
Repayment of senior secured notes	**(1,679)**	(1,562)
Issue of Trust Units on exercise of options	**536**	2,129
Issue of Trust Units under Distribution Reinvestment Plan	**31,653**	
Distributions to Unitholders - current year	**(35,332)**	(31,855)
Distributions to Unitholders - prior year	**(17,511)**	(15,905)
	(3,997)	14,422
Investing activities:		
Capital expenditures	**(33,011)**	(95,168)
Changes in non-cash working capital	**(17,961)**	4,597
	(50,972)	(90,571)
Change in cash	**(13,814)**	(17,115)
Cash, beginning of period	**13,638**	16,736
Cash (bank indebtedness), end of period	**$ (176)**	$ (379)
Other cash disclosures:		
Interest on long-term debt paid	**$ (9,447)**	$ (10,636)
Interest capitalized	**$ (384)**	$ (3,522)

See accompanying notes to the consolidated financial statements

Notes to the consolidated financial statements:
(Tabular amounts in thousands of dollars, except per Trust Unit amounts)

1. Significant accounting policies:

The interim consolidated financial statements of Pembina Pipeline Income Fund ("the Fund") have been prepared by management in accordance with Canadian generally accepted accounting principles for non rate-regulated entities. The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2008. The disclosure provided below is incremental to that included with the annual consolidated financial statements. The interim consolidated financial statements should be read in conjunction with the Fund's consolidated financial statements and the notes thereto for the year ended December 31, 2008. Certain of the prior period's comparative figures have been reclassified to conform with the current period's presentation.

International Financial Reporting Standards

The impact assessment phase has been substantially completed. Assessment findings are being confirmed and reassessed during the subsequent phase as new projects and pronouncements evolve from the International Accounting Standards Board (IASB) workplan. The impact analysis and evaluation phase has commenced and training for the working group has been initiated. Significant completion of the impact analysis and evaluation phase is necessary before the Fund can prudently increase the specificity of the disclosure. For a complete discussion of Pembina's IFRS conversion plan, see the Fund's 2008 Annual Report available at Pembina's website at www.pembina.com and on the Fund's profile on the SEDAR website at www.sedar.com.

2. Business segments:

The Fund conducts its operations through three operating segments: conventional pipelines, oil sands & heavy oil infrastructure and midstream & marketing business.

Conventional pipelines consist of the tariff based operations of pipelines and related facilities to deliver crude oil, condensates and natural gas liquids in Alberta and British Columbia.

Oil Sands & Heavy Oil infrastructure consists of the Syncrude system, the Cheecham Lateral and the Horizon Pipeline. This operating segment consists of pipelines and related facilities to deliver synthetic crude oil produced from oil sands under long-term cost-of-service arrangements.

Midstream & Marketing business consists of the Fund's direct and indirect interest in a storage operation and direct interests in terminalling, storage hub services under a mixture of short, medium and long-term contractual arrangements, and pending natural gas gathering and processing facilities.

The financial results of the business segments are as follows:

(in thousands of dollars)	Conventional Pipelines	Oil Sands & Heavy Oil Infrastructure	Midstream & Marketing Business	Corporate	Total
Three months ended March 31, 2009					
Revenues:					
Pipeline transportation	$ 66,144	$ 29,785	$	$	$ 95,929
Terminalling, storage and hub services			62,105		62,105
Revenue before expenses	66,144	29,785	62,105		158,034
Expenses:					
Operations	32,423	8,853	2,853		44,129
Product purchases			41,927		41,927
General and administrative		345		10,573	10,918
Depreciation and amortization	10,864	5,380	2,892	259	19,395
Accretion on asset retirement obligations	1,095	161			1,256
Other				42	42
	44,382	14,739	47,672	10,874	117,667
Earnings before interest and taxes	$ 21,762	$ 15,046	$ 14,433	$ (10,874)	$ 40,367
Property, plant and equipment[1]	$ 793,556	$ 710,787	$ 187,525	$ 8,060	$ 1,699,928
Goodwill and other	$ 194,370	$ 28,300	$ 118,780	$ 12,750	$ 354,200

[1] Included in property, plant and equipment are assets under construction for Nipisi and Mitsue Pipelines of $11.1 million.

(in thousands of dollars)	Conventional Pipelines	Oil Sands & Heavy Oil Infrastructure	Midstream & Marketing Business	Corporate	Total
Three months ended March 31, 2008					
Revenues:					
Pipeline transportation	$ 67,097	$ 15,598	$	$	$ 82,695
Terminalling, storage and hub services			60,040		60,040
Revenue before expenses	67,097	15,598	60,040		142,735
Expenses:					
Operations	27,266	5,988	1,841		35,095
Product purchases			36,451		36,451
General and administrative		337		9,035	9,372
Depreciation and amortization	11,505	3,028	2,397	196	17,126
Accretion on asset retirement obligations	892	52			944
Internalization of management contract				1,859	1,859
Other				42	42
	39,663	9,405	40,689	11,132	100,889
Earnings before interest and taxes	$ 27,434	$ 6,193	$ 19,351	$ (11,132)	$ 41,846
Property, plant and equipment [1]	$ 791,394	$ 665,833	$ 140,988	$ 5,627	$ 1,603,842
Goodwill and other	$ 194,370	$ 28,300	$ 122,426	$ 12,258	$ 357,354

[1] Included in property, plant and equipment are assets under construction for the Horizon Pipeline of $329.5 million.

3. Property, Plant and Equipment:

(in thousands of dollars)	March 31 2009 Cost	March 31 2009 Accumulated Depreciation	March 31 2009 Net	December 31 2008 Cost	December 31 2008 Accumulated Depreciation	December 31 2008 Net
Conventional Pipelines	$ 1,397,808	$ (604,252)	$ 793,556	$ 1,390,278	$ (593,394)	$ 796,884
Oil Sands & Heavy Oil Infrastructure	783,302	(72,515)	710,787	772,847	(66,398)	706,449
Midstream & Marketing Business	225,057	(37,532)	187,525	210,940	(35,552)	175,388
Corporate	13,794	(5,734)	8,060	12,148	(5,475)	6,673
	$ 2,419,961	**$ (720,033)**	**$ 1,699,928**	**$ 2,386,213**	**$ (700,819)**	**$ 1,685,394**

4. Earnings Per Trust Unit:

The following table summarizes the computation of net earnings per Trust Unit:

(in thousands of dollars)	**March 31 2009**	March 31 2008
Net Earnings		
Numerator for basic earnings per Trust Unit	**$ 28,281**	$ 32,572
Numerator for diluted earnings per Trust Unit	**28,820**	33,206
Denominator:		
Weighted average denominator for basic Trust Units	**136,344**	132,758
Dilutive instruments		
Debentures	**3,375**	3,922
Employee options	**58**	516
Denominator for diluted earnings per Trust Unit	**139,777**	137,196
Basic earnings per Trust Unit	**$0.21**	$0.25
Diluted earnings per Trust Unit	**$0.21**	$0.24

5. Financial Instruments:

Liquidity and Capital Resources (in thousands of dollars)	**March 31 2009**	Dec. 31 2008
Variable rate debt		
Bank debt	**$ 408,145**	$ 390,000
Senior unsecured notes	**75,000**	75,000
Variable rate debt swapped to fixed	**(200,000)**	(200,000)
Total variable rate debt outstanding (average rate of 1.74%)	**283,145**	265,000
Fixed rate debt		
Senior unsecured notes	**375,000**	375,000
Senior secured notes	**78,607**	80,286
Variable rate debt swapped to fixed	**200,000**	200,000
Total fixed rate debt outstanding (average rate of 4.88%)	**653,607**	655,286
Convertible debentures	**40,101**	40,865
Total debt and debentures outstanding	**976,853**	961,151
Unutilized debt capacity	**121,855**	140,000

The Fund's credit facilities as at March 31, 2009, consisted of an unsecured $500 million revolving credit facility and a $30 million operating line of credit. Pembina had $400 million drawn on bank debt and $8.1 million drawn on the operating line, leaving $122 million of undrawn capacity. At March 31, 2009, the Fund was exposed to changes in interest rates on $283 million of bank borrowings.

The Fund has fixed the interest rate on $200 million of variable rate bank borrowings through interest rate swaps. The interest rate swaps had a fair value of $24.1 million unrealized loss as at March 31, 2009 and are for terms of 5 to 10 years.

Including the interest swaps, interest rates on $653.6 million in Senior Secured and unsecured notes have been fixed, leaving roughly 30 percent of Pembina's outstanding debt exposed to interest rate fluctuations.

The Fund is also exposed to changes in the cost of power. At March 31, 2009, the Fund has fixed the price of non-transmission power charges by way of price swap contracts which expire in 2010. The fair value of these contracts at March 31, 2009, was an unrealized gain of $5 million. The power swap hedges the first 16 MW of power consumption each day on the conventional pipeline systems. Power costs on our oil sands & heavy oil systems are not hedged and as revenue on these pipelines is contracted to recover operating costs, Pembina's net operating income from oil sands & heavy oil is not impacted by fluctuations in power costs. Assuming a portion of the power was not hedged, every $5 change in the Alberta pool price will increase operating expenses by approximately $0.7 million.

Fair values

The Fund classifies its financial instruments as follows: cash is designated as "held for trading" and is measured at carrying value which approximates fair value due to the short term nature of these instruments. Accounts receivable and other are designated as "loans and receivables" and are measured at amortized cost. The derivative financial instruments are designated as cash flow hedges and are measured at fair value using market rates (values disclosed above). Accounts payable and accrued liabilities, distributions payable, long-term debt and convertible debentures are designated as "other liabilities" and recorded at amortized cost. The fair values for the long-term debt are determined by discounting the future contractual cash flows under the note agreements at discount rates which represent borrowing rates available for loans with similar terms and conditions. The fair value of debentures are determined based on available market information. There are no material differences in the carrying amounts of the financial instruments reported on the balance sheet compared to the estimated fair values except as follows:

(in thousands of dollars)	**March 31, 2009**		December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Long-term debt				
Senior secured notes	**$ 78,607**	**$ 87,816**	$ 80,286	$ 76,941
Senior unsecured notes	**$ 450,000**	**$ 415,992**	$ 450,000	$ 424,208
Convertible debenture	**$ 40,101**	**$ 48,546**	$ 40,865	$ 48,243

The Fund classifies transaction costs (deferred financing fees) related to long-term debt with "long-term debt" on the balance sheet. These costs amount to $6.4 million as at March 31, 2009.

6. Trust Units:

The Fund is authorized to create and issue an unlimited number of Trust Units.

	Trust Units	Amount
Balance, January 1, 2009	134,703,067	1,350,694
Exercise of Trust Unit options	50,543	536
Debenture conversions	63,920	764
Distribution Reinvestment Plan	2,428,589	31,653
Contributed surplus		213
Balance, March 31, 2009	137,246,119	$ 1,383,860

At March 31, 2009, 3,945,564 options were outstanding, of which 3,459,894 were exercisable (March 31, 2008 - 2,447,550) at a weighted average price of $14.58 (March 31, 2008 - $14.14).

7. Subsequent Events:

Pembina has obtained a $75 million non-revolving credit facility from a Canadian chartered bank. The credit facility is for a term of 5 years at a fixed rate based on a spread above 5 year GOC bond rates to be determined at drawdown and which Pembina anticipates will be approximately 6.0 percent. The net proceeds of the credit facility are to be used for the refinancing of $75 million floating rate notes coming due on June 22, 2009, and may also be used for general corporate purposes at Pembina's discretion.

Pembina announced on April 29, 2009 that Pembina Gas Services Limited Partnership, a new wholly-owned entity, has entered into an agreement with Talisman Energy Canada (“Talisman”) to acquire its Cutbank Complex midstream gas gathering and processing facilities for $300 million in an all cash transaction. Pembina expects the transaction to close on June 2, 2009. Closing of the acquisition is subject to satisfaction of closing conditions customary for a transaction of this nature, including compliance with the *Competition Act* (Canada).

Pembina has arranged committed financing for the acquisition of the Cutbank Complex from a syndicate of banks to provide a $150 million eighteen month term credit facility and a $150 million nine month equity bridge facility. Closing of the term credit facility and equity bridge facility is subject to satisfaction of conditions that are typical of transactions of this nature.

Pembina Pipeline Income Fund — INVESTOR INFORMATION

Exchange Listing and Trading Symbols:

The Toronto Stock Exchange
Trust Units Symbol: **PIF.UN**
7.35% Convertible Debentures Symbol: **PIF.DB.B**

Trustee, Registrar and Transfer Agent:

Computershare Trust Company of Canada
Shareholder Communications:
1-800-564-6253

Corporate Office:

700 – 9th Avenue S.W.
P.O. Box 1948
Calgary, Alberta T2P 2M7
Telephone: (403) 231-7500
Fax: (403) 237-0254

Investor Information:

e-mail: investor-relations@pembina.com

Telephone: (403) 231-7500
1-888-428-3222
Fax: (403) 691-7356

Website: www.pembina.com

Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan:

Pembina offers a Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan to eligible Unitholders of Pembina Pipeline Income Fund.

The Plan allows participants an opportunity to:

- reinvest distributions into Trust Units at a 5 percent discount to a weighted average market price, under the distribution reinvestment component of the Plan; or,
- realize 2 percent more cash on their distributions, under the premium distribution component of the Plan;
- eligible Unitholders may also make optional Trust Unit purchases at the weighted average market price.

A brochure, detailing administration of the Plan and eligibility and enrolment information, is available on-line on Pembina's web site located at www.pembina.com, or call 1-888-428-3222 to receive a copy by mail. Unitholders wishing to enroll in the Plan are asked to contact their broker, investment dealer, financial institution or other nominee through which the Trust Units are held.

This document contains forward-looking statements and information that involve risks and uncertainties. Such information, although considered reasonable by Pembina at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated in the statements made. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Such risks and uncertainties include, but are not limited to risks associated with operations, such as loss of market, regulatory matters, environmental risks, industry competition, and ability to access sufficient capital from internal and external sources. See "Forward-Looking Statements and Information " presented in the Management's Discussion and Analysis contained in this document for additional information, which applies to all forward-looking statements and information contained in this document.