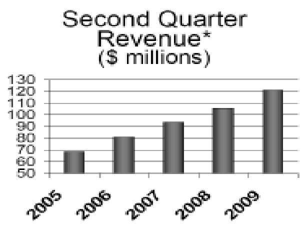
PEMBINA Pipeline Income Fund
2009

2nd Interim Report

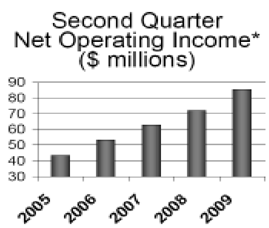
PEMBINA GENERATES STABLE SECOND QUARTER RESULTS AND CLOSES CUTBANK COMPLEX ACQUISITION



*net of product purchases

- The Fund distributed $0.39 per Trust Unit during the second quarter of 2009 for total cash distributions of $57.5 million, a 20 percent increase over the same period of 2008. Since the Fund's inception, Pembina has distributed a total of $1.3 billion to Unitholders, or $13.06 per Trust Unit, on a $10.00 per Trust Unit original issue price.

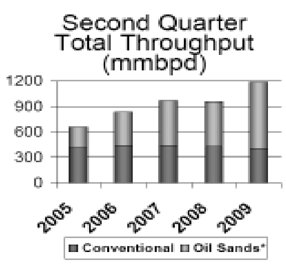
- Pembina generated net earnings of $36.2 million during the quarter and $64.5 million year-to-date, compared to $42.1 million and $74.7 million over the comparable periods of 2008. Excluding the after tax gain on sale of linefill of $14.7 million included in the six months ended June 30, 2008, net earnings increased by 7.5 percent during the six months ended June 30, 2009.



*see "Non-GAAP Measures" below

- Pembina's Conventional Pipelines business unit contributed $38.5 million in net operating income during the second quarter of 2009 and $72.2 million year-to-date, as compared to $37.7 million and $77.6 million, respectively, for the same periods of 2008.

- The Oil Sands & Heavy Oil Infrastructure unit generated $20.9 million and $41.8 million in net operating income during the second quarter and first half of 2009, compared to $8.9 million and $18.5 million during the same periods of 2008.



*contracted capacity

- Midstream & Marketing contributed $23.1 million in net operating income (excluding contribution from Pembina's recently acquired gas gathering and processing facilities) during the second quarter of 2009, compared to $25.4 million during the same quarter of 2008. Year-to-date operating income of $40.4 million compares to $47.1 million for the first six months of 2008.

- Pembina announced on June 2, 2009, that Pembina Gas Services Limited Partnership, a newly formed subsidiary of Pembina, had successfully closed the acquisition of the Cutbank Complex gas gathering and processing facilities in the amount of $296.3 million. See "New Developments and Outlook" for further information.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is dated July 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 and six months ended June 30, 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, heavy oil, midstream and gas services 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 has developed to achieve these objectives has five key elements:

- Generate value in alignment with customers to provide the cost effective, competitively priced and reliable products and services they require to be successful.
- Develop businesses which lend themselves to future economic expansion and vertical integration.
- Implement staged, carefully managed growth in a safe and environmentally responsible way.
- 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.

Pembina believes the most prudent manner to achieve these objectives is to maintain and to develop assets around Pembina's hydrocarbon services business within Western Canada. Pembina plans to further develop this business through the continuous improvement and ongoing expansion of its existing asset base and the acquisition and development of quality energy infrastructure assets. Pembina regards quality assets as those that are imbued with inherent competitive advantages, have cash flows which 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 key units: Conventional Pipelines, Oil Sands & Heavy Oil Infrastructure, and Midstream & Marketing, which includes the Cutbank Complex, Pembina's newly acquired gas gathering and processing facilities.

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 now has a well established and growing presence in this sector. Pembina's Oil Sands and Heavy Oil Infrastructure assets are characterized by long-term contracts which provide secure and stable cash flow. Net operating income contribution from this business is primarily related to invested capital and is not generally sensitive to fluctuations in operating expenses or actual throughputs. Pembina believes it is well positioned to capture growth and expansion opportunities in this sector, and will pursue these opportunities as they materialize.

The Midstream & Marketing business consists of Pembina's 50 percent non-operated interest in the Fort Saskatchewan Ethylene Storage Facility, the Cutbank Complex gas gathering and processing facilities, and the network of terminals, storage facilities and hub services operated, or under development, on several of Pembina's conventional pipeline systems. By expanding Pembina's participation along 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 Pembina expects will benefit its Unitholders. This strategy also 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 June 30, 2009**	3 Months Ended June 30, 2008	% Change	**6 Months Ended June 30, 2009**	6 Months Ended June 30, 2008	% Change
Average throughput - conventional (mbbls/d)	**406.8**	433.4	(6.1)	**414.3**	446.2	(7.1)
Contracted capacity - oil sands (mbbls/d)	**775.0**	525.0	47.6	**775.0**	525.0	47.6
Total throughput and contracted volumes (mbbls/d)	**1,181.8**	958.4	23.3	**1,189.3**	971.2	22.5
Capital expenditures	**308.2**	88.1	249.8	**341.1**	183.3	86.1
Revenue	**185.5**	181.5	2.2	**343.5**	324.2	6.0
Product purchases	**64.4**	76.2	(15.5)	**106.3**	112.6	(5.6)
Operating expenses	**35.8**	33.3	7.5	**79.9**	68.4	16.8
Net operating income[2]	**85.3**	72.0	18.5	**157.3**	143.2	9.8
General & administrative expense	**12.4**	9.7	27.8	**23.3**	19.1	22.0
Interest expense on long-term debt	**11.5**	8.3	38.6	**21.8**	16.5	32.1
Net earnings	**36.2**	42.1	(14.0)	**64.5**	74.7	(13.7)
Cash flow from operations	**49.2**	68.2	(27.9)	**90.4**	127.3	(29.0)
EBITDA[2]	**70.2**	77.1	(8.9)	**130.0**	136.0	(4.4)
Cash distributions to Unitholders	**57.5**	47.9	20.0	**110.7**	95.7	15.7
$ Per Trust Unit	**$0.39**	$0.36	8.3	**$0.78**	$0.72	8.3

1 This second quarter 2009 Interim Report to Unitholders reports unaudited results of the Fund for the three and six months ended June 30, 2009 and comparative to unaudited results for the three and six months ended June 30, 2008.

2 Refer to "Non-GAAP Measures" below.

Conventional Pipelines

(in millions of dollars, except where noted)	**3 Months Ended June 30, 2009**	3 Months Ended June 30, 2008	% Change	**6 Months Ended June 30, 2009**	6 Months Ended June 30, 2008	% Change
Average throughput (mbbls/d)	**406.8**	433.4	(6.1)	**414.3**	446.2	(7.1)
Revenue	**$ 63.7**	$ 63.0	1.1	**$ 129.8**	$ 130.1	(0.2)
Operating expenses	**25.2**	25.3	(0.4)	**57.6**	52.5	9.7
Net operating income[1]	**38.5**	37.7	2.1	**72.2**	77.6	(7.0)
Capital expenditures	**13.1**	9.2	42.4	**22.7**	25.2	(9.9)
Operating expenses ($/bbl)	**0.64**	0.60	6.7	**0.73**	0.61	19.7
Average revenue ($/bbl)	**1.60**	1.51	6.0	**1.61**	1.51	6.6

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 three months ended June 30, 2009, Pembina's conventional pipelines collectively transported an average of 406,800 bbls/d, a reduction of 6 percent from the comparable period in 2008.

Pembina's conventional systems generated revenue of $63.7 million and $129.8 million during the second quarter and first six months of 2009, respectively, compared to $63.0 million and $130.1 million in the same periods of 2008. The Alberta systems generated revenue of $56.2 million during the quarter and $112.8 million for the first half of the year consistent with the same periods of 2008.

The Alberta pipelines transported an average of 387,700 bbls/d during the second quarter, 6 percent lower than volumes transported during the second quarter of 2008. Higher volumes on the Peace and Swan Hills systems were offset by lower throughputs on the Drayton Valley system, resulting from reduced Nisku production. Pembina expects that as crude oil prices stabilize, resumption of drilling activity in the Nisku area may improve, assisting the normalization of throughputs on the Drayton Valley system. Pembina will continue to focus on the management of operating costs to maintain margins on its conventional systems.

Average revenue per barrel on the Alberta systems of $1.56 during the second quarter was up 10 cents per barrel from the average for the same period of 2008. Average revenue per barrel on the BC systems increased by 4 cents per barrel from the same period of 2008 to $1.95 per barrel.

The conventional systems contributed $38.5 million in net operating income during the second quarter 2009 compared to $37.7 million for the same quarter of the prior year. Net operating income totaled $72.2 million for the first six months of 2009 and $77.6 million for the comparable period in 2008, a 7 percent decline, primarily due to increased operating costs.

Pembina continues to invest capital in its assets to help ensure safety and reliability. During the second quarter of 2009, Pembina invested capital of approximately $13.1 million, which was focused on new connections and upgrades on the conventional systems. Pembina expects that these new connections, when fully commissioned, will provide incremental volumes and revenue to Pembina's conventional systems, consistent with historical metrics.

Oil Sands & Heavy Oil Infrastructure

(in millions of dollars, except where noted)	**3 Months Ended June 30, 2009**	3 Months Ended June 30, 2008	% Change	**6 Months Ended June 30, 2009**	6 Months Ended June 30, 2008	% Change
Average throughput (mbbls/d) [1]	**775.0**	525.0	47.6	**775.0**	525.0	47.6
Revenue	**$ 27.5**	$ 14.7	87.1	**$ 57.3**	$ 30.3	89.1
Operating expenses	**6.6**	5.8	13.8	**15.5**	11.8	31.4
Net operating income [2]	**20.9**	8.9	134.8	**41.8**	18.5	125.9
Capital expenditures	**5.3**	63.0	(91.6)	**15.0**	139.4	(89.2)
Operating expenses ($/bbl) [3]	**0.28**	0.24	16.7	**0.32**	0.24	33.3

[1] Contracted capacity. Actual average throughput was 259,700 bbls/d in the second quarter of 2009 and 269,600 bbls/d in the second quarter of 2008.
[2] Refer to "Non-GAAP Measures" below.
[3] Calculation uses actual average throughput.

Pembina has 775,000 bbls/d 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 second quarter and first half of 2009 of $8.4 million and $16.3 million, respectively, is consistent year-over-year.

Cheecham Pipeline

The Cheecham Pipeline has a capacity of 136,000 barrels per day and is fully contracted to shippers under the terms of a 25-year contract, which expires 2032. Net operating income generated by this asset was $0.8 million and $2.3 million during the second quarter and first six months of 2009.

Horizon Pipeline

The Horizon Pipeline, which Pembina completed construction of in July, 2008, 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. The Horizon Pipeline contributed $11.6 million in net operating income during the quarter ending June 30, 2009, and $23.1 million in net operating income year-to-date.

Midstream & Marketing Business

(in millions of dollars, except where noted)	**3 Months Ended June 30, 2009**	3 Months Ended June 30, 2008	% Change	**6 Months Ended June 30, 2009**	6 Months Ended June 30, 2008	% Change
Revenue	**$ 94.3**	$ 103.8	(9.2)	**$ 156.4**	$ 163.8	(4.5)
Product purchases	**64.4**	76.2	(15.5)	**106.3**	112.6	(5.6)
Operating expenses	**4.0**	2.2	81.8	**6.8**	4.0	70.0
Net operating income [1]	**25.9**	25.4	2.0	**43.2**	47.1	(8.3)
Capital expenditures (regular)	**15.8**	15.9		**29.4**	18.7	57.2
Cutbank acquisition	**274.0**			**274.0**		

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

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

The Midstream & Marketing business recorded revenue of $25.5 million during the second quarter of 2009, net of product purchases and excluding $4.4 million in revenue contributed by the Cutbank Complex. This compares to $27.6 million in revenue for the same period of 2008. Factors influencing the results of this business include market conditions and the volume of product receipts on single shipper assets. During the second quarter of 2009, the impact of a decline in throughputs on the pipeline systems on which midstream activities are conducted offset incremental revenue contributed by expanded service offerings at two truck terminals on the Peace system. 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.

Operating expenses for the Midstream & Marketing business for the second quarter of 2009 of $4.0 million have increased from the prior year as the result of the ongoing expansion of this business unit and the inclusion of $1.6 million for Cutbank Complex expense.

Capital expenditures during the second quarter of $15.8 million were primarily related to the expansion of the Peace and Drayton Valley truck terminal facilities and the development of the Namao terminal. An additional $274.0 million in capital was expended on the acquisition of the Cutbank Complex.

Pembina entered into the gas services business in May, 2009, with the strategic acquisition of the Cutbank Complex. The Cutbank Complex is comprised of three gas plants (the Cutbank, Musreau and Kakwa gas plants), and related assets. The Cutbank gas plant and the Musreau gas plant are 100 percent and 86 percent owned, respectively, and operated by Pembina, and the Kakwa gas plant, in which Pembina has a 50 percent interest, is operated by a third party.

Pembina expects results generated by the Cutbank Complex to contribute additional fee-for-service revenue to the Midstream & Marketing business unit, and to assist in further diversifying the sources of revenues and stabilizing revenues on a go-forward basis. See "Risk Factors" on page 12 and "Forward-Looking Statements and Information" on page 14 of this report.

General and Administrative Expenses

General and administrative expenses (G&A) of $12.4 million were incurred during the second quarter of 2009, $2.7 million higher than the second quarter of 2008. Year-to-date G&A totaled $23.3 million compared to $19.1 million incurred during the previous year. G&A has increased relative to the three and six month periods ending June 30, 2008, as a result of an overall increase in staffing levels to support both ongoing business and growth opportunities and a rise in third-party and consultant services obtained by the Fund. Pembina expects G&A expenditures to approximate 12.3 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 25th day of each month (except for the month of December, for which the distribution record date is December 31st). Distributions are payable on the 15th day of the month following the record date.

Starting with Pembina's distribution declared in June and paid in July 2009, Pembina has changed 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, has remained 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 June 30, 2009**	3 Months Ended June 30, 2008	**6 Months Ended June 30, 2009**	6 Months Ended June 30, 2008
Cash flow from operations	**$ 49,241**	$ 68,230	**$ 90,399**	$ 127,263
Add/(deduct):				
Employee future benefits expense	**(1,641)**	(1,205)	**(3,272)**	(2,161)
Employee future benefits contributions	**2,708**	887	**5,420**	1,898
Changes in non-cash working capital	**10,678**	(19,404)	**18,662**	(27,447)
Other	**(167)**	(296)	**(426)**	(564)
Distributable cash[1]	**$ 60,819**	$ 48,212	**$ 110,783**	$ 98,989
(Increase) decrease in distribution reserve	**$ (3,317)**	$ (290)	**$ (107)**	$ (3,274)
Distributed cash[1]	**$ 57,502**	$ 47,922	**$ 110,676**	$ 95,715
Distributable cash[1] per Trust Unit	**$ 0.4124**	$ 0.3622	**$ 0.7805**	$ 0.7427
Distributed cash per Trust Unit[1]	**$ 0.3900**	$ 0.3600	**$ 0.7800**	$ 0.7200
Diluted distributed cash to Unitholders Per Trust Unit	**$ 0.3847**	$ 0.3528	**$ 0.7688**	$ 0.6872
Payout ratio	**95.0%**	99.3%	**99.9%**	96.7%

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

During the second quarter of 2009, the Fund declared distributions of $0.39 per Trust Unit, or $57.5 million in aggregate, compared to $0.36 per Trust Unit, or $47.9 million in aggregate, paid in the second 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 $0.4124 per Trust Unit in distributable cash during the second 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 June 30, 2009**	**6 Months Ended June 30, 2009**	2008	2007	2006
Cash flow from operations	**$ 49,241**	**$ 90,399**	$ 219,905	$ 189,540	$ 143,860
Net earnings	**36,173**	**64,454**	161,793	142,305	88,885
Distributed cash	**57,502**	**110,676**	198,759	178,870	142,285
Excess (shortfall) of cash flow from operations over distributed cash	**(8,261)**	**(20,277)**	21,146	10,670	1,575
Excess (shortfall) of net earnings over distributed cash	**(21,329)**	**(46,222)**	(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, except for the current year. For the three and six months ended June 30, 2009, there was a shortfall of $8.3 million and $20.3 million, respectively, primarily due to changes in non-cash working capital. 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 six months ended June 30, 2009 was 100 percent, 3 percent higher than the same period in the prior year primarily due to increased integrity and maintenance costs. Based on current conditions and Pembina's expectations, the full year payout ratio in 2009 is not expected to vary significantly from that reported in 2008. 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 June 30, 2009, consisted of an unsecured $500 million revolving credit facility due July, 2012. During the second quarter, Pembina also obtained an unsecured $150 million non-revolving credit facility due December, 2010, which was used to partially fund the Cutbank Complex transaction. In addition, Pembina recently increased its operating facility to $50 million from $30 million, which matures July, 2010. There are no repayments due over the term of either facility. At June 30, 2009, Pembina had $571.2 million drawn leaving $128.8 million of undrawn capacity on the $700 million of established bank facilities. Borrowings bear interest at either prime lending rates or 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 zero percent to 2.75 percent. Other debt includes $76.9 million in fixed rate Senior Secured Notes due 2017, $175 million in fixed rate Senior Unsecured Notes due

2014, and $200 million in fixed rate Senior Unsecured Notes due 2021. In the second quarter, the Fund negotiated a 5 year unsecured non-revolving credit facility from a Canadian chartered bank in the aggregate amount of $75 million at a fixed rate of 6.16 percent. On May 20, 2009, Pembina borrowed $75 million under the new facility and on June 22, 2009, used such funds to repay in full the outstanding principal of its Floating Rate Senior Notes which were due in June, 2009. At June 30, 2009, Pembina had long-term debt (excluding deferred financing fees) of $1,081.3 million (see "Note 7" on page 24). This long-term debt, together with $39.7 million of outstanding convertible debentures, resulted in a ratio of total debt to total enterprise value of 33.4 percent compared to a ratio of 32.1 percent at December 31, 2008. See "Non-GAAP Measures" below.

During the second quarter, $9.7 million in net debt financing costs were recorded.

Pembina's acquisition financing to fund the Cutbank Complex transaction also consisted of, in part, a $150 million equity bridge facility, which was subsequently cancelled upon the closing of the bought deal financing on May 20, 2009, for net proceeds of $156.8 million.

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 May 13, 2009. 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 May, 2009. On May 1, 2009, Standard & Poor's (S&P) confirmed its long-term corporate credit and bank loan ratings on Pembina Pipeline Corporation of "BBB+", and its senior secured debt rating on the company of "A-", 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	$ 17.1	$ 4.9	$ 8.5	$ 3.7	$
Long-term debt	1,081.3	7.2	579.3	269.8	225.0
Convertible debentures	39.7		39.7		
Construction commitments	455.6	373.6	65.5	16.5	
Total contractual obligations	$ 1,593.7	$ 385.7	$ 693.0	$ 290.0	$ 225.0

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, $17.4 million has been expended. Pembina expects that $373.6 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 June 30, 2009**	3 Months Ended June 30, 2008	**6 Months Ended June 30, 2009**	6 Months Ended June 30, 2008
Development capital				
Conventional Pipelines	**$ 13.1**	$ 9.2	**$ 22.7**	$ 25.2
Oil Sands & Heavy Oil infrastructure	**5.3**	63.0	**15.0**	139.4
Midstream & Marketing business	**289.8**	15.9	**303.4**	18.7
Total development capital	**$ 308.2**	$ 88.1	**$ 341.1**	$ 183.3

Pembina expended $308.2 million on capital projects during the second quarter of 2009, up considerably from $88.1 million expended during the second quarter of 2008. Capital expenditures for the conventional systems of $13.1 million during the quarter related to new connections and upgrades, and $2.2 million for the Mitsue Pipeline. Oil Sands & Heavy Oil infrastructure spending totaled $5.3 million in the second quarter, down from the $63 million expended during the same period of 2008, mainly due to the completion of the Horizon Pipeline. Of the oil sands related capital expenditures during the second quarter of 2009, $1.9 million was in the Horizon Pipeline, and $3.4 million was invested in the Nipisi Pipeline. Spending in the Midstream & Marketing business unit of $289.8 million for the quarter was related mainly to the acquisition of the Cutbank Complex assets for $274.0 million, other operations equipment and the development of truck terminals along Pembina's conventional system. Other than for the acquisition of the Cutbank Complex, 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. The plan, which was discontinued as of June 30, 2007, was reinstated effective October 31, 2008. Since its inception, the DRIP has attracted significant Unitholder interest and has raised $307.8 million. Participation in the DRIP for the most recently completed month (June, 2009) was 94.3 million Trust Units or $12.3 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.

	July 28, 2009[1]	June 30, 2009	June 30, 2008
Trust Units Outstanding	**153,466,505**	152,561,854	133,278,126
Average Daily Volume (Units per day)	**360,066**	378,196	181,060
Unit Trading Price ($/Unit) [2]	**$ 14.44**	$ 14.86	$ 17.91
Principal Amount of Debentures Outstanding ($ millions)	**$ 41.5**	$ 41.5	$ 46.4
7.35% Convertible Debentures Trading Price [3]	**$ 118.86**	$ 118.60	$ 143.95
Total Market Value of Securities Outstanding ($ millions)	**$ 2,265.4**	$ 2,303.1	$ 2,453.7
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 July 2 to July 28, 2009, inclusive.
2 End of Period.
3 Full conversion to Trust Units of the remaining principal amount of the debenture issue as at July 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 June 30, 2009, non-resident holdings in the Fund were 17 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 June 30, 2009. Such critical accounting estimates are presented in the Management's Discussion and Analysis for the year ended December 31, 2008.

International Financial Reporting Standards (IFRS)

At the end of the second quarter, Pembina implemented a business wide information technology system to accommodate IFRS reporting requirements and increase overall business unit reporting effectiveness and analysis. The new information technology will enable the Fund to maintain its accounting records under both Canadian GAAP and IFRS and will be used for reporting of comparative amounts for the first fiscal year subsequent to when the Fund's changeover to IFRS occurs.

Pembina has substantially completed the impact assessment phase. 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 Pembina's working group continues. Significant completion of the impact analysis and evaluation phase is necessary before the Fund can prudently increase the specificity of the disclosure.

New Developments and Outlook

Acquisition of Cutbank Complex

Pembina announced on June 2, 2009, that Pembina Gas Services Limited Partnership, a newly formed subsidiary of Pembina, completed the acquisition of the Cutbank Complex gas gathering and processing facilities from Talisman Energy Canada ("Talisman") for an aggregate purchase price of $296.3 million. No rights of first refusal were exercised with respect to the assets comprising the Cutbank Complex.

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 are 100 percent and 86 percent owned, respectively, and operated by Pembina and the Kakwa gas plant, in which Pembina acquired 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 previous owner of the assets. The Cutbank Complex, which is interconnected to Pembina's Peace Pipeline system, provides fee for service gathering and processing, with flow through of operating costs to customers and no direct commodity price exposure.

The acquisition of the Cutbank Complex was financed by a combination of debt and equity capital. On May 20, 2009, Pembina closed a bought deal financing of 11,540,000 trust units at a purchase price of $13.00 per trust unit. The underwriters exercised the 10 percent over-allotment option, resulting in the issuance of an aggregate of 12,694,000 trust units, for gross proceeds of $165 million. These funds, together with a $150 million 18-month non-revolving term credit facility from a Canadian chartered bank, due December, 2010, were utilized to complete the transaction. See "Liquidity and Capital Resources."

The acquisition of the Cutbank Complex is consistent with Pembina's overall strategy of growth and vertical integration of its energy infrastructure assets. Pembina expects its new gas services business will further diversify the Fund's operations, deliver a long term growth profile, and provide potential organic and acquisition growth opportunities.

The Fund is preparing for the August 2, 2009, termination of the transition arrangement with Talisman, and Pembina believes it is well positioned to take over complete physical and commercial operations of the Cutbank Complex. Staffing to support the new business unit is nearing completion and Pembina has appointed a new Vice President, Mr. Stuart Taylor, to oversee operations of the Cutbank Complex and lead the integration and growth of this new business.

The Cutbank Complex's throughput has steadily increased since 2000, which has been the driver of incremental expansions to the assets comprising the complex. Since 2000, the compound annual growth in throughput has been

21 percent, which demonstrates the success of the facilities in capturing new volumes and expanding to meet the needs of the producers in the area. Capacity exists in the complex, as a result of recent expansions and the interconnectivity of the three processing plants, to accommodate production growth in the area.

The gas services group of Pembina's Midstream & Marketing business unit has commenced discussions with a number of area producers to review their future drilling plans and locations, and to assess the impact to the facilities' capacity and timing of potential capacity additions. Pembina expects additional volumes to be accommodated by the existing system, allowing for reduced cycle time for customers to move gas to market. Depending on producers' drilling success, production capability, contingent locations and where new gas volumes connect to the complex, Pembina believes there may be the opportunity for additional compression and expansions.

Pembina plans to grow this business unit by: exploiting the existing unutilized capacity at the complex; seeking and developing accretive business opportunities to expand the existing asset base through gathering system extensions, compression additions and process enhancements; capitalizing on opportunities to enhance the gas and liquid services currently available at the complex; providing new services that integrate with the Fund's more mature business units through extension along the natural gas value chain; and, acquiring and/or building new gas services assets beyond the Cutbank Complex.

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.

Pembina has executed long-term transportation services agreements which will govern operations on the Nipisi and Mitsue Pipelines, once they have been completed. These agreements are designed to provide Pembina with a fixed return on invested capital and allow for the full recovery of operating costs during the term once service on the pipelines has begun. Based on Pembina's internal projections, the two pipelines are estimated to contribute approximately $45 million per annum in net operating income once operations commence. See "Forward-Looking Statements and Information" on page 14.

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 expenditure expectation for the completion of the Nipisi and Mitsue Pipelines is approximately $440 million in aggregate. This estimate does not include the proposed Utikuma truck terminal and related facilities.

During the second quarter of 2009, Pembina prepared and submitted regulatory applications to the Energy Resources Conservation Board (Alberta) in respect of the Nipisi and Mitsue Pipelines. Project economics related to construction materials and labour costs appear to be benefiting from the overall market downturn, and Pembina expects to realize cost savings in this regard. Pembina continues to seek feedback on the proposed pipeline routing, traditional land use, environmental impact and other aspects of the projects to be incorporated into project planning. Pending a successful regulatory approval process, Pembina anticipates the Nipisi and Mitsue Pipelines to be in service in mid-2011.

Conventional Pipelines

The Alberta government is committed to approximately $2 billion in funding in 2009 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 could result from both provincial and federal long-term commitments to climate change.

Oil Sands & Heavy Oil Infrastructure

Pembina expects a significant increase in net operating income from Oil Sands & Heavy Oil Infrastructure business unit in 2009 resulting from a first 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 asset base, proven construction experience, and embedded expansion rights on certain existing pipelines provides the Fund with inherent opportunities on which it can capitalize to support the future growth of this business unit.

Midstream & Marketing

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.

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 ($1.56 per unit per year) 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 was declared in June and paid in July, Pembina has changed 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.

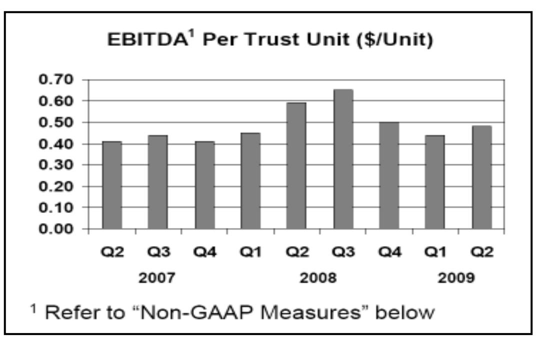
Selected Quarterly Information

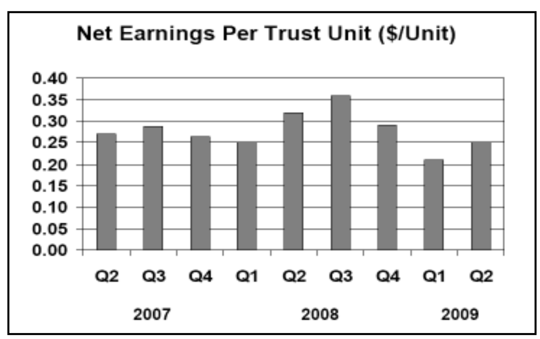
	2009		2008				2007		
(in thousands of dollars, except where noted)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	185,467	158,034	149,375	201,289	181,484	142,735	133,990	131,477	126,373
Product purchases	64,412	41,927	24,025	84,243	76,215	36,451	32,756	32,761	32,947
Operating expenses	35,784	44,129	42,428	40,136	33,262	35,095	35,885	31,833	30,718
EBITDA[1]	70,205	59,762	66,801	85,037	77,074	58,972	53,614	57,901	53,082
Cash flow from operations	49,241	41,155	63,505	50,445	46,921	59,034	48,788	51,666	42,180
Net earnings	36,173	28,281	38,968	48,131	42,122	32,572	34,981	37,903	35,492
Net earnings per Trust Unit ($/Unit):									
Basic	0.25	0.21	0.29	0.36	0.32	0.25	0.26	0.29	0.27
Diluted	0.24	0.21	0.29	0.35	0.31	0.24	0.26	0.28	0.27
Distributed cash[1]	57,502	53,174	52,312	50,732	47,922	47,793	47,684	46,198	42,890
Distributed cash per Trust Unit ($/Unit)[1]									
Basic	0.3899	0.3900	0.3900	0.3800	0.3600	0.3600	0.3600	0.3500	0.3300
Diluted	0.3847	0.3843	0.3840	0.3729	0.3528	0.3530	0.3521	0.3393	0.3211
Trust Units outstanding (thousands):									
Weighted average (basic)	147,487	136,344	134,133	133,504	133,117	132,758	132,454	131,994	129,966
Weighted average (diluted)	150,893	139,777	137,668	137,595	137,564	137,196	137,243	136,850	135,274
End of period	152,562	137,246	134,703	133,569	133,278	132,816	132,542	132,065	131,388

1 Refer to "Non-GAAP Measures" below.

Net earnings of $36.2 million were recorded during the second quarter of 2009, compared to $42.1 million and $35.5 million over the same periods in 2008 and 2007. Excluding the after tax gain on sale of linefill of $14.7 million in the second quarter of 2008, net earnings has increased 32 percent over the same period in 2008, due to increased oil sands revenue from the Horizon Pipeline which was slightly offset by increases in expenses. Net operating income increased quarter-over-quarter 18 percent to $85.3 million mainly as a result of the above.

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 energy industry conditions that characterized the first and second 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 include 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", "strategy", "estimates", "continue", "designed", "objective", "maintain", "schedule", "endeavor", "ensure" 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 proposed construction of the Nipisi and Mitsue Pipelines; (iii) the performance of the Cutbank Complex, and specifically with respect to the expected accretion to distributable cash flow per Trust Unit and generation of incremental net operating income; and (iv) the continued normalization of Pembina's results from operations (including in relation to the Midstream & Marketing Business) and the improvement in the Fund's payout ratio for full-year 2009. 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 units.

In respect of the forward-looking statements made in relation to the Nipisi and Mitsue Pipelines, Pembina has assumed that: the in-service date for the Nipisi and Mitsue 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 Nipisi and Mitsue Pipelines; that there are no unforeseen construction costs related to the Nipisi and Mitsue 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 Cutbank Complex and generation of incremental net operating income related thereto, Pembina has assumed: 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 the counterparties to contracts in respect of the Cutbank Complex comply with such contacts in a timely manner; 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 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 continue to 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 realizes its anticipated accretion on distributable cash from the newly acquired Cutbank Complex.

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 and gas services 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 Pembina's midstream business unit; 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, activities of and decisions made by third parties, 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 Nipisi and Mitsue 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 Nipisi and Mitsue Pipelines), construction costs of the Nipisi and Mitsue 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 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)

	June 30 2009	Dec. 31 2008
Assets		
Current assets:		
Cash	$	$ 13,638
Accounts receivable and other	**80,547**	65,140
	80,547	78,778
Property, plant and equipment (note 3)	**2,003,457**	1,685,394
Goodwill and other	**370,710**	354,037
	$ 2,454,714	$ 2,118,209
Liabilities and Unitholders' Equity		
Current liabilities:		
Bank indebtedness	**$ 8,863**	$
Accounts payable and accrued liabilities	**35,020**	65,913
Distributions payable to Unitholders	**19,833**	17,511
Current portion of long-term debt	**7,159**	81,904
	70,875	165,328
Long-term debt	**1,064,477**	831,797
Convertible debentures	**39,745**	40,865
Derivative financial instruments	**7,578**	13,962
Asset retirement obligations (note 5)	**103,009**	84,158
Future income taxes	**102,933**	98,869
	1,388,617	1,234,979
Unitholders' equity:		
Trust Units (note 8)	**1,574,902**	1,350,694
Deficit	**(503,078)**	(456,856)
Accumulated other comprehensive loss	**(5,727)**	(10,608)
	1,066,097	883,230
	$ 2,454,714	$ 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 June 30, 2009	3 Months Ended June 30, 2008	**6 Months Ended June 30, 2009**	6 Months Ended June 30, 2008
Revenues:				
Conventional Pipelines	**$ 63,701**	$ 62,983	**$ 129,845**	$ 130,080
Oil Sands & Heavy Oil Infrastructure	**27,477**	14,733	**57,262**	30,331
Midstream & Marketing Business	**94,289**	103,768	**156,394**	163,808
	185,467	181,484	**343,501**	324,219
Expenses:				
Operations	**35,784**	33,262	**79,913**	68,357
Product purchases	**64,412**	76,215	**106,339**	112,666
General and administrative	**12,408**	9,705	**23,326**	19,077
Depreciation and amortization	**20,247**	17,469	**39,642**	34,595
Accretion on asset retirement obligations	**2,916**	1,566	**4,172**	2,510
Internalization of management contract		4,479		6,338
Other	**(258)**	(20,817)	**(216)**	(20,775)
	135,509	121,879	**253,176**	222,768
Earnings before interest and taxes	**49,958**	59,605	**90,325**	101,451
Interest on long-term debt	**11,525**	8,248	**21,814**	16,488
Interest on convertible debentures	**777**	872	**1,542**	1,771
Earnings before taxes	**37,656**	50,485	**66,969**	83,192
Income tax expense (note 9)	**1,483**	8,363	**2,515**	8,498
Net earnings	**36,173**	42,122	**64,454**	74,694
Deficit, beginning of period	**(481,749)**	(435,111)	**(456,856)**	(419,890)
Distributed cash	**(57,502)**	(47,922)	**(110,676)**	(95,715)
Deficit, end of period	**$ (503,078)**	$ (440,911)	**$ (503,078)**	$ (440,911)
Earnings per Trust Unit (note 6)				
Basic	**$ 0.25**	$ 0.32	**$ 0.45**	$ 0.56
Diluted	**$ 0.24**	$ 0.31	**$ 0.45**	$ 0.55

See accompanying notes to the consolidated financial statements

consolidated statement of comprehensive income (loss)

(Unaudited)

(In thousands of dollars)

	3 Months Ended June 30, 2009	3 Months Ended June 30, 2008	**6 Months Ended June 30, 2009**	6 Months Ended June 30, 2008
Net earnings for the period	**$ 36,173**	$ 42,122	**$ 64,454**	$ 74,694
Other comprehensive income:				
Change in unrealized gain (loss) on derivative instruments designated as cash flow hedges, net of tax of $2.8 million and $1.5 million	**8,673**	858	**4,881**	1,954
Total comprehensive income	**$ 44,846**	$ 42,980	**$ 69,335**	$ 76,648
Accumulated other comprehensive income (loss):				
Opening balance, net of tax of $4.7 million and $3.4 million	**$ (14,400)**	$ 9,031	**$ (10,608)**	$ 7,935
Change in unrealized gain (loss) on derivative instruments designated as cash flow hedges, net of tax of $2.8 million and $1.5 million	**8,673**	858	**4,881**	1,954
Accumulated other comprehensive income (loss)	**$ (5,727)**	$ 9,889	**$ (5,727)**	$ 9,889

See accompanying notes to the consolidated financial statements

consolidated statements of cash flows

(Unaudited)

(In thousands of dollars)

	3 Months Ended June 30, 2009	3 Months Ended June 30, 2008	**6 Months Ended June 30, 2009**	6 Months Ended June 30, 2008
Cash provided by (used in):				
Operating activities:				
Net earnings	**$ 36,173**	$ 42,122	**$ 64,454**	$ 74,694
Items not involving cash:				
Depreciation and amortization	**20,247**	17,469	**39,642**	34,595
Accretion on asset retirement obligations	**2,916**	1,566	**4,172**	2,510
Future income tax expense	**1,483**	8,363	**2,515**	8,498
Linefill gain		(21,308)		(21,308)
Employee future benefits expense	**1,641**	1,205	**3,272**	2,161
Trust Unit based compensation expense	**167**	320	**381**	588
Other		(24)	**45**	(24)
Employee future benefits contributions	**(2,708)**	(887)	**(5,420)**	(1,898)
Changes in non-cash working capital	**(10,678)**	19,404	**(18,662)**	27,447
Cash flow from operations	**49,241**	68,230	**90,399**	127,263
Financing activities:				
Bank borrowings	**142,989**	93,762	**161,325**	155,377
Repayment of senior secured notes	**(1,710)**	(1,591)	**(3,390)**	(3,153)
Issue of senior debt	**75,000**		**75,000**	
Debt repayment	**(75,000)**		**(75,000)**	
Issue of Trust Units	**156,238**		**156,238**	
Issue of Trust Units on exercise of options	**183**	4,482	**718**	6,611
Issue of Trust Units under Distribution Reinvestment Plan	**34,097**		**65,750**	
Distributions to Unitholders - current year	**(55,511)**	(47,866)	**(90,843)**	(79,721)
Distributions to Unitholders - prior year			**(17,511)**	(15,905)
	276,286	48,787	**272,287**	63,209
Investing activities:				
Capital expenditures	**(34,137)**	(81,900)	**(67,149)**	(177,068)
Acquisition of Cutbank assets	**(296,306)**		**(296,306)**	
Changes in non-cash working capital	**(3,771)**	(42,227)	**(21,732)**	(37,629)
	(334,214)	(124,127)	**(385,187)**	(214,697)
Change in cash	**(8,687)**	(7,110)	**(22,501)**	(24,225)
Cash (bank indebtedness), beginning of period	**(176)**	(379)	**13,638**	16,736
Bank indebtedness, end of period	**$ (8,863)**	$ (7,489)	**$ (8,863)**	$ (7,489)
Other cash disclosures:				
Interest on long-term debt paid	**$ (10,343)**	$ (10,230)	**$(19,790)**	$(20,866)
Interest capitalized	**$ (144)**	$ (3,617)	**$ (528)**	$ (7,139)

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 to the current period's presentation.

International Financial Reporting Standards

At the end of the second quarter, Pembina implemented a business wide information technology system to accommodate IFRS reporting requirements and increase overall business unit reporting effectiveness and analysis. The new information technology will enable the Fund to maintain its accounting records under both Canadian GAAP and IFRS and will be used for reporting of comparative amounts for the first fiscal year subsequent to when the Fund's changeover to IFRS occurs.

Pembina has substantially completed the impact assessment phase. 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 Pembina's working group continues. Significant completion of the impact analysis and evaluation phase is necessary before the Fund can prudently increase the specificity of the disclosure.

2. Business units:

The Fund conducts its operations through three operating units: 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 unit 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, its direct interests in terminalling, storage hub services under a mixture of short, medium and long-term contractual arrangements, and its recently acquired natural gas gathering and processing facilities – the Cutbank Complex (see "Note 4").

The financial results of the business units are as follows:

(in thousands of dollars)	Conventional Pipelines	Oil Sands & Heavy Oil Infrastructure	Midstream & Marketing Business	Corporate	Total
Three months ended June 30, 2009					
Revenues:					
Pipeline transportation	$ 63,701	$ 27,477	$	$	$ 91,178
Terminalling, storage and hub services			89,912		89,912
Gas services			4,377		4,377
Revenue before expenses	63,701	27,477	94,289		185,467
Expenses:					
Operations	25,179	6,640	3,965		35,784
Product purchases			64,412		64,412
General and administrative		344		12,064	12,408
Depreciation and amortization	10,973	5,181	3,764	329	20,247
Accretion on asset retirement obligations	2,603	273	40		2,916
Other				(258)	(258)
	38,755	12,438	72,181	12,135	135,509
Earnings before interest and taxes	$ 24,946	$ 15,039	$ 22,108	$ (12,135)	$ 49,958
Property, plant and equipment[1]	$ 748,352	$ 765,832	$ 480,117	$ 9,156	$ 2,003,457
Goodwill and other	$ 194,370	$ 28,300	$ 134,215	$ 13,825	$ 370,710

[1] Included in property, plant and equipment are assets under construction for Nipisi and Mitsue Pipelines of $17.4 million.

(in thousands of dollars)	Conventional Pipelines	Oil Sands & Heavy Oil Infrastructure	Midstream & Marketing Business	Corporate	Total
Six months ended June 30, 2009					
Revenues:					
Pipeline transportation	$ 129,845	$ 57,262	$	$	$ 187,107
Terminalling, storage and hub services			152,017		152,017
Gas services			4,377		4,377
Revenue before expenses	129,845	57,262	156,394		343,501
Expenses:					
Operations	57,602	15,493	6,818		79,913
Product purchases			106,339		106,339
General and administrative		689		22,637	23,326
Depreciation and amortization	21,837	10,561	6,656	588	39,642
Accretion on asset retirement obligations	3,698	434	40		4,172
Other				(216)	(216)
	83,137	27,177	119,853	23,009	253,176
Earnings before interest and taxes	$ 46,708	$ 30,085	$ 36,541	$ (23,009)	$ 90,325
Property, plant and equipment [1]	$ 748,352	$ 765,832	$ 480,117	$ 9,156	$ 2,003,457
Goodwill and other	$ 194,370	$ 28,300	$ 134,215	$ 13,825	$ 370,710

[1] Included in property, plant and equipment are assets under construction for the Nipisi and Mitsue Pipelines of $17.4 million.

(in thousands of dollars)	Conventional Pipelines	Oil Sands & Heavy Oil Infrastructure	Midstream & Marketing Business	Corporate	Total
Three months ended June 30, 2008					
Revenues:					
Pipeline transportation	$ 62,983	$ 14,733	$	$	$ 77,716
Terminalling, storage and hub services			103,768		103,768
Revenue before expenses	62,983	14,733	103,768		181,484
Expenses:					
Operations	25,234	5,839	2,189		33,262
Product purchases			76,215		76,215
General and administrative		337		9,368	9,705
Depreciation and amortization	11,322	3,016	2,921	210	17,469
Accretion on asset retirement obligations	1,296	270			1,566
Internalization of management contract				4,479	4,479
Other[2]		(21,308)		491	(20,817)
	37,852	(11,846)	81,325	$ 14,548	121,879
Earnings before interest and taxes	$ 25,131	$ 26,579	$ 22,443	$ (14,548)	$ 59,605
Property, plant and equipment[1]	$ 782,213	$ 742,307	$ 155,655	$ 5,907	$ 1,686,082
Goodwill and other	$ 194,370	$ 28,300	$ 121,515	$ 11,939	$ 356,124

1 Included in property, plant and equipment are assets under construction for the Horizon Pipeline of $390.3 million.
2 Included in other for Oil Sands & Heavy Oil Infrastructure unit is a gain on sale of Syncrude linefill of $21.3 million. This represents the purging and sale of 196,000 barrels of excess linefill for total proceeds of $27 million.

(in thousands of dollars)	Conventional Pipelines	Oil Sands & Heavy Oil Infrastructure	Midstream & Marketing Business	Corporate	Total
Six months ended June 30, 2008					
Revenues:					
Pipeline transportation	$ 130,080	$ 30,331	$	$	$ 160,411
Terminalling, storage and hub services			163,808		163,808
Revenue before expenses	130,080	30,331	163,808		324,219
Expenses:					
Operations	52,500	11,827	4,030		68,357
Product purchases			112,666		112,666
General and administrative		674		18,403	19,077
Depreciation and amortization	22,827	6,044	5,318	406	34,595
Accretion on asset retirement obligations	2,188	322			2,510
Internalization of management contract				6,338	6,338
Other[2]		(21,308)		533	(20,775)
	77,515	(2,441)	122,014	$ 25,680	222,768
Earnings before interest and taxes	$ 52,565	$ 32,772	$ 41,794	$ (25,680)	$ 101,451
Property, plant and equipment[1]	$ 782,213	$ 742,307	$ 155,655	$ 5,907	$ 1,686,082
Goodwill and other	$ 194,370	$ 28,300	$ 121,515	$ 11,939	$ 356,124

1 Included in property, plant and equipment are assets under construction for the Horizon Pipeline of $390.3 million.
2 Included in other for Oil Sands & Heavy Oil Infrastructure unit is a gain on sale of Syncrude linefill of $21.3 million. This represents the purging and sale of 196,000 barrels of excess linefill for total proceeds of $27 million.

3. Property, Plant and Equipment:

(in thousands of dollars)	June 30 2009 Cost	June 30 2009 Accumulated Depreciation	June 30 2009 Net	December 31 2008 Cost	December 31 2008 Accumulated Depreciation	December 31 2008 Net
Conventional Pipelines	$ 1,348,129	$ (599,777)	$ 748,352	$ 1,318,851	$ (578,262)	$ 740,589
Oil Sands & Heavy Oil Infrastructure	858,977	(93,145)	765,832	844,274	(81,530)	762,744
Midstream & Marketing Business	520,460	(40,343)	480,117	210,940	(35,552)	175,388
Corporate	15,218	(6,062)	9,156	12,148	(5,475)	6,673
	$ 2,742,784	**$ (739,327)**	**$ 2,003,457**	**$ 2,386,213**	**$ (700,819)**	**$ 1,685,394**

4. Acquisition:

On June 2, 2009, Pembina Gas Services Limited Partnership, a newly formed subsidiary of Pembina, completed the acquisition of the Cutbank Complex gas gathering and processing facilities. The Cutbank Complex is a fully interconnected sweet gas gathering and processing complex comprised of three gas plants, nine compressor stations and approximately 300 kilometers of gathering systems. Two of the gas plants (Cutbank and Musreau) will be 100 percent and 86 percent owned, respectively, and operated by Pembina and the Kakwa Gas Plant, in which Pembina acquired a 50 percent interest, is operated by a third party. The acquisition has been accounted for by the purchase method as an acquisition of assets. The allocations and amounts assigned to the assets and liabilities are preliminary estimates and subject to change.

Net assets acquired:	
Property, plant and equipment	$ 279,674
Other intangibles	16,387
Current assets	6,034
Current liabilities	(121)
Asset retirement obligation	(5,668)
	$ 296,306
Consideration:	
Cash	$ 295,719
Transaction costs	587
	$ 296,306

Other intangibles resulted from the acquisition of contracts with several producers.

5. Asset Retirement Obligations:

The Fund has estimated the net present value of its total asset retirement obligations based on a total future liability (adjusted for 4 percent inflation per annum) of $800 million (2008: $525 million). The obligations are expected to be paid over the next 50 years with substantially all being paid after 30 years. The Fund used credit adjusted risk free rates ranging from 5.85 to 8.28 percent to calculate the present value of the asset retirement obligations.

The property, plant and equipment of the Fund consists primarily of underground pipelines, above ground equipment facilities and storage assets. No amount has been recorded relating to the removal of the underground pipelines or the storage assets as the potential obligations relating to these assets cannot be reasonably estimated due to the indeterminate timing or scope of the asset retirement. As the timing and scope of retirement become determinable for these assets, the fair value of the liability and the cost of retirement will be recorded.

	June 30, 2009	December 31, 2008
Obligations, beginning of year	$ 84,158	$ 62,236
Acquisitions	5,668	
Change in obligation estimate	9,011	16,900
Accretion expense	4,172	5,022
Obligations, end of year	$ 103,009	$ 84,158

6. Earnings Per Trust Unit:

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

(in thousands of dollars)	**3 Months Ended June 30, 2009**	3 Months Ended June 30, 2008	**6 Months Ended June 30, 2009**	6 Months Ended June 30, 2008
Net Earnings				
Numerator for basic earnings per Trust Unit	**$ 36,173**	$ 42,122	**$ 64,454**	$ 74,694
Numerator for diluted earnings per Trust Unit	**36,721**	42,736	**65,541**	75,942
Denominator:				
Weighted average denominator for basic Trust Units	**147,487**	133,117	**141,946**	132,937
Dilutive instruments				
Debentures	**3,346**	3,788	**3,370**	3,887
Employee options	**60**	658	**60**	576
Denominator for diluted earnings per Trust Unit	**150,893**	137,563	**145,376**	137,400
Basic earnings per Trust Unit	**$ 0.25**	$ 0.32	**$ 0.45**	$ 0.56
Diluted earnings per Trust Unit	**$ 0.24**	$ 0.31	**$ 0.45**	$ 0.55

7. Financial Instruments:

Liquidity and Capital Resources (in thousands of dollars)	**June 30 2009**	Dec. 31 2008
Variable rate debt		
Bank debt	**$ 571,227**	$ 390,000
Senior unsecured notes		75,000
Variable rate debt swapped to fixed	**(200,000)**	(200,000)
Total variable rate debt outstanding (average rate of 1.92%)	**371,227**	265,000
Fixed rate debt		
Senior unsecured notes	**450,000**	375,000
Senior secured notes	**76,897**	80,286
Variable rate debt swapped to fixed	**200,000**	200,000
Total fixed rate debt outstanding (average rate of 5.61%)	**726,897**	655,286
Convertible debentures	**39,745**	40,865
Total debt and debentures outstanding	**1,137,896**	961,151
Unutilized debt capacity	**128,773**	140,000

The Fund's credit facilities as at June 30, 2009, consisted of an unsecured $500 million revolving credit facility, an unsecured $150 million non-revolving credit facility and an operating facility which was recently increased from $30 million to $50 million. The unsecured $150 million non-revolving credit facility is due December 2010 and bears interest at either prime lending rates plus 1.75 percent or bankers' acceptances plus 2.75 percent. At June 30, 2009, Pembina had approximately $566.8 million drawn on bank debt and $4.4 million drawn on the operating line, leaving $128.8 million of undrawn capacity on the $700 million of established bank facilities. At June 30, 2009, the Fund was exposed to changes in interest rates on $371.2 million of bank borrowings.

The Fund also entered into a non-revolving credit facility for $75 million in 6.16% Fixed Rate Senior Unsecured Notes due June, 2014 which was fully drawn on May 20, 2009. On June 22, 2009, the Fund used such funds to repay in full the outstanding principal on its Floating Rate Senior Notes which were due in June, 2009.

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 $10.5 million unrealized loss as at June 30, 2009 and are for terms of 5 to 10 years.

Including the interest swaps, interest rates on $726.9 million in senior secured and unsecured notes have been fixed, leaving roughly 33 percent of Pembina's outstanding debt exposed to interest rate fluctuations.

The Fund is also exposed to changes in the cost of power. At June 30, 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 June 30, 2009, was an unrealized gain of $3 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)	**June 30, 2009**		December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Long-term debt				
Senior secured notes	**$ 76,897**	**$ 83,480**	$ 80,286	$ 76,941
Senior unsecured notes	**$ 450,000**	**$ 446,742**	$ 450,000	$ 424,208
Convertible debenture	**$ 39,745**	**$ 49,240**	$ 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 $9.7 million as at June 30, 2009.

8. 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
Issue of Trust Units	12,694,000	156,238
Exercise of Trust Unit options	67,308	718
Debenture conversions	93,680	1,121
Distribution Reinvestment Plan	5,003,799	65,750
Contributed surplus		381
Balance, June 30, 2009	152,561,854	$ 1,574,902

At June 30, 2009, 4,119,770 options were outstanding, of which 3,605,100 were exercisable (June 30, 2008 - 2,231,235) at a weighted average price of $14.63 (June 30, 2008 - $13.62).

9. Income Taxes:

	June 30, 2009	June 30, 2008
Earnings before taxes	$ 66,969	$ 83,192
Combined statutory rate	29.0%	29.5%
Income taxes at the statutory rate	19,421	24,542
Increase (decrease) resulting from:		
Interest deductions of subsidiaries arising from intercorporate debt	(24,273)	(24,350)
Tax rate changes on future income tax balances	(3,935)	376
Other	11,302	7,930
Income taxes	$ 2,515	$ 8,498

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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

Quarterly Results Webcast:

A live internet broadcast of Pembina's Second Quarter 2009 Results conference call is scheduled for July 29, 2009 at 2:00 p.m. Calgary (4:00 p.m. Eastern, 1:00 p.m. Pacific). Those wishing to access the webcast are invited to visit Pembina's website located at www.pembina.com, or the host site at www.newswire.ca/webcast. An archive of the call will be available on-line for 90 days following the broadcast date.

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.