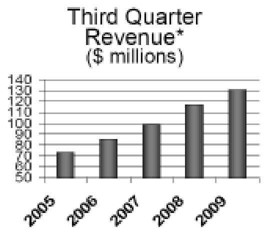
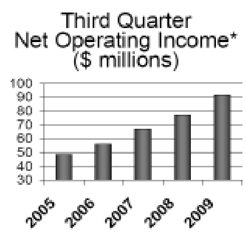
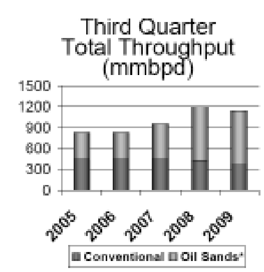
3rd Interim Report



*net of product purchases



*see "Non-GAAP Measures" below



*contracted capacity

OIL SANDS PIPELINES AND NEW GAS FACILITIES BOOST NET OPERATING INCOME

- The Fund distributed $0.39 per Trust Unit during the third quarter of 2009 for total cash distributions of $60.2 million, a 19 percent increase over the same period in 2008. Pembina expects, based on its current projections, estimates and assumptions, to maintain this level of cash distribution through 2013 by continuing to provide Unitholders $0.13 per unit per month, or $1.56 per unit per year. The Fund plans on converting to a corporation in late 2010 and expects to distribute $1.56 per unit per year to shareholders as a dividend once the new structure is in place (see "New Developments and Outlook" and "Forward Looking Statements, Information and Assumptions"). Since the Fund's inception in 1997, Pembina has distributed a total of $1.4 billion to Unitholders or approximately $13.45 per Trust Unit on an original issue Trust Unit price of $10.

- Pembina generated net earnings of $44.7 million during the third quarter of 2009, compared to $48.1 million during the third quarter of 2008. For the first nine months of 2009, Pembina's net earnings were $109.2 million, compared to $122.8 million during the first nine months of 2008. Excluding the after tax gain on sale of linefill of $15.2 million included in the third quarter of 2008 and $30 million included in the first nine months of 2008, net earnings have increased 35.9 percent and 17.7 percent, respectively, during the quarter and nine months ended September 30, 2009.

- Net operating income during the third quarter was $91.5 million, compared to $77 million during the third quarter of 2008. Year-to-date, Pembina has generated net operating income of $248.7 million, compared to $220.1 million during the first nine months of 2008.

- Strong returns were generated by the Oil Sands & Heavy Oil Infrastructure business unit, which realized increases in both third quarter and year-to-date net operating income (compared to the same periods in 2008) due primarily to contribution from the Horizon Pipeline, which commenced operations in November 2008. The Cutbank Complex gas gathering and processing facilities, acquired in June, introduced a new source of revenue for the Midstream & Marketing business unit, while lower operating expenses helped maintain margins on Pembina's Conventional Pipeline systems. Combined, these positive factors largely offset the impact of reduced commodity prices and associated lower pipeline throughputs during the quarter.

- Pembina's major growth projects, the Nipisi and Mitsue Pipelines, are proceeding on schedule and on budget. Detailed engineering is nearing completion, stakeholder and Aboriginal consultation is ongoing and Pembina has submitted all required regulatory applications. The Nipisi and Mitsue Pipeline projects were initiated in response to industry demand for reliable diluent supply to, and diluted heavy oil take-away capacity from, the region north of Slave Lake, Alberta. The combined capital cost estimate for both pipelines is approximately $440 million and Pembina currently expects the pipelines to be placed into service in mid-2011.

- Subsequent to quarter end, the Fund entered into an agreement for the issuance by way of private placement of $267 million in Senior Unsecured Notes, Series D (the "Series D Notes") by its wholly-owned subsidiary Pembina Pipeline Corporation. Subject to Pembina and the purchasers of the Series D Notes satisfying all of the conditions to closing, Pembina expects the Series D Notes will be issued in a single tranche on November 18, 2009 with a 10-year bullet maturity and a fixed interest rate of 5.91 percent.

Management's Discussion and Analysis

This Management's Discussion and Analysis ("MD&A") is dated October 28, 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 nine months ended September 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", "$/bbl" and "mmcf/d" mean thousands of barrels per day, barrels per day, dollars per barrel and millions of cubic feet per day, 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, Information and Assumptions".

Fund Description

Pembina Pipeline Income Fund ("Pembina" or the "Fund") is a leader in Western Canada's energy infrastructure trust sector. Pembina's Conventional Pipelines transport conventional crude oil and natural gas liquids ("NGLs") and its Oil Sands & Heavy Oil Infrastructure assets provide substantial support to Alberta's oil sands industry. Pembina's Midstream & Marketing business serves customers through a network of terminals, storage facilities, hub services and gas gathering and processing facilities. This balanced and integrated 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 Objectives and Strategy

Pembina's principal objectives are to provide a long-term stable stream of distributions to Unitholders and to preserve and enhance the long-term value of the Fund. The business strategy Pembina employs 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 plans to grow its business through the continuous improvement and expansion of existing operations and by acquiring quality energy infrastructure assets. Pembina regards quality assets as those that are imbued with inherent competitive advantages, generate 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 gas gathering and processing facilities that Pembina acquired in June 2009).

Conventional Pipelines

Pembina's nine operated crude oil and NGL pipelines are part of an 8,000 kilometre network that extends across much of Alberta and British Columbia ("BC"). This network provides dependable, cost-effective transportation service to customers in the oil and natural gas producing regions of these two provinces. The primary objectives for Pembina's conventional pipelines 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.

Oil Sands & Heavy Oil Infrastructure

Pembina plays an important role in supporting Alberta's oil sands industry, transporting crude oil from the Syncrude Canada Ltd. and Canadian Natural Resources Ltd. ("CNRL") oil sands operations to markets near Edmonton. Pembina also provides support to oil sands producers located southwest of Fort McMurray. In total, Pembina has approximately 1,000 kilometres of oil sands pipeline infrastructure with 775,000 bbls/d of fully contracted transportation capacity. A further 200,000 bbls/d is under development with the Nipisi and Mitsue Pipeline projects. Pembina's Oil Sands & Heavy Oil Infrastructure assets, the Syncrude Pipeline, Cheecham Lateral and Horizon Pipeline, operate under long-term, extendible contracts that provide for the flow through of operating costs to shippers. 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.

Midstream & Marketing

This 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 a 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 NGLs, Pembina has developed additional revenue sources associated with its existing energy infrastructure assets, increased the quality and range of services provided to customers and extended the economic life of its conventional assets. Expansion of midstream services into the Gas Services area further increases the contracted component and the predictable base level of revenues generated annually by this business.

Results from Operations

HIGHLIGHTS[1] *(in millions of dollars, except where noted)*	**3 Months Ended Sept. 30, 2009**	3 Months Ended Sept. 30, 2008	% Change	**9 Months Ended Sept. 30, 2009**	9 Months Ended Sept. 30, 2008	% Change
Average throughput - conventional (mbbls/d)	**389.3**	430.5	(9.6)	**397.9**	440.9	(9.8)
Contracted capacity - oil sands (mbbls/d)	**775.0**	775.0	–	**775.0**	775.0	–
Total throughput and contracted volumes (mbbls/d)	**1,164.3**	1,205.5	(3.4)	**1,172.9**	1,215.9	(3.5)
Average Cutbank Complex throughput (mmcf/d)	**200.5**	–	100.0	**200.2**	–	100.0
Capital expenditures	**23.1**	14.6	58.2	**364.2**	197.8	84.1
Revenue	**211.9**	201.3	5.3	**555.4**	525.5	5.7
Product purchases	**80.8**	84.2	(4.0)	**187.2**	196.9	(4.9)
Operating expenses	**39.6**	40.1	(1.2)	**119.5**	108.5	10.1
Net operating income[2]	**91.5**	77.0	18.8	**248.7**	220.1	13.0
General & administrative expense	**11.1**	9.6	15.6	**34.5**	28.7	20.2
Interest expense on long-term debt	**13.0**	11.5	13.0	**34.8**	28.0	24.3
Net earnings	**44.7**	48.1	(7.1)	**109.2**	122.8	(11.1)
Cash flow from operations	**62.2**	50.4	23.4	**152.6**	156.4	(2.4)
EBITDA[2]	**77.8**	85.0	(8.5)	**207.8**	221.1	(6.0)
Cash distributions to Unitholders	**60.2**	50.7	18.7	**170.9**	146.4	16.7
$ Per Trust Unit	**$0.39**	$0.38	2.6	**$1.17**	$1.10	6.4

[1] This third quarter 2009 Interim Report to Unitholders reports unaudited results of the Fund for the three and nine months ended September 30, 2009 and comparative to unaudited results for the three and nine months ended September 30, 2008.

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

Conventional Pipelines

(in millions of dollars, except where noted)	**3 Months Ended Sept. 30, 2009**	3 Months Ended Sept. 30, 2008	% Change	**9 Months Ended Sept. 30, 2009**	9 Months Ended Sept. 30, 2008	% Change
Average throughput (mbbls/d)	**389.3**	430.5	(9.6)	**397.9**	440.9	(9.8)
Revenue	**$ 62.2**	$ 67.7	(8.1)	**$ 192.0**	$ 197.7	(2.9)
Operating expenses	**24.0**	29.7	(19.2)	**81.6**	82.2	(0.7)
Net operating income [1]	**38.2**	38.0	0.5	**110.4**	115.5	(4.4)
Capital expenditures	**15.4**	18.0	(14.4)	**38.1**	43.1	(11.6)
Operating expenses ($/bbl)	**0.63**	0.71	(11.3)	**0.71**	0.64	10.9
Average revenue ($/bbl)	**1.61**	1.61	–	**1.64**	1.54	6.5

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

During the three months ended September 30, 2009, Pembina's Conventional Pipelines business transported an average of 389,282 bbls/d, compared to 430,493 bbls/d during the same three month period in 2008. The decline in aggregate throughput was primarily the result of year-over-year changes in drilling and production associated with changes in the Alberta royalty regime, softer commodity prices through much of 2009 and difficult access to credit for many smaller exploration and production companies. Pembina expects that as commodity prices and market fundamentals stabilize, drilling and production activity should improve, thereby assisting the normalization of throughputs.

Pembina's Conventional Pipelines generated revenue of $62.2 million during the third quarter of 2009, compared to $67.7 million generated over the same period in 2008. Revenues were down primarily as a result of decreased aggregate throughput, discussed above. Year-to-date revenues were $192 million in 2009, compared to $197.7 million the year before. Average revenue totaled $1.61 per barrel during the third quarter and $1.64 per barrel during the first nine months of 2009, consistent with the first quarter of 2008, but up 10 cents per barrel from the first nine months of 2008.

Pembina's continued focus on operating cost discipline and steady operations helped reduce operating expenses for the Conventional Pipelines business during the third quarter of 2009. During the quarter, operating expenses were $24 million, compared to the third quarter of 2008 when operating expenses totaled $29.7 million. Year-to-date operating expenses of $81.6 million compare favourably to $82.2 million the year before.

Lower operating expenses helped maintain net operating income margins, partially offsetting the decrease in revenue. Conventional Pipelines contributed $38.2 million in net operating income during the third quarter of 2009, compared to $38 million for the same quarter of the prior year. Net operating income totaled $110.4 million for the first nine months of 2009 and $115.5 million for the comparable period in 2008.

Pembina continues to invest capital in its assets to help enhance safety and reliability while at the same time providing for the possibility of future growth. During the third quarter of 2009, Pembina invested capital of approximately $15.4 million, which was primarily focused on upgrading the reliability of the Conventional Pipelines.

Oil Sands & Heavy Oil Infrastructure

(in millions of dollars, except where noted)	**3 Months Ended Sept. 30, 2009**	3 Months Ended Sept. 30, 2008	% Change	**9 Months Ended Sept. 30, 2009**	9 Months Ended Sept. 30, 2008	% Change
Average throughput (mbbls/d) [1]	**775.0**	775.0	–	**775.0**	**775.0**	–
Revenue	**$ 28.5**	$ 21.1	35.1	**$ 85.8**	**$ 51.5**	66.6
Operating expenses	**8.4**	8.3	1.2	**23.9**	**20.1**	18.9
Net operating income [2]	**20.1**	12.8	57.0	**61.9**	**31.4**	97.1
Capital expenditures	**7.3**	(14.0)	152.1	**22.3**	**125.4**	(82.2)
Operating expenses ($/bbl) [3]	**0.24**	0.29	(17.2)	**0.29**	**0.26**	11.5

1 Contracted capacity. Actual average throughput was 381,900 bbls/d in the third quarter of 2009 and 310,934 bbls/d in the third quarter of 2008.
2 Refer to "Non-GAAP Measures" below.
3 Calculation uses actual average throughput.

Syncrude Pipeline

The Syncrude Pipeline has a transportation capacity of 389,000 bbls/d and is fully contracted to the owners of Syncrude Canada Ltd. under a long-term agreement, which expires in 2035. Net operating income generated by the Syncrude Pipeline during the third quarter and first nine months of 2009 was $7.3 million and $23.6 million, respectively. This compares to $8.4 million and $24.8 million of net operating income generated over the comparable periods in 2008.

Cheecham Pipeline

The Cheecham Pipeline has a capacity of 136,000 bbls/d and is fully contracted to shippers under the terms of a 25-year agreement, which expires in 2032. Net operating income generated by this asset was $1.1 million and $3.5 million during the third quarter and first nine months of 2009. This compares to $1.1 million and $3.4 million of net operating income generated over the comparable periods in 2008.

Horizon Pipeline

The Horizon Pipeline is fully contracted to CNRL and has an ultimate capacity of 250,000 bbls/d. 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 $11.7 million in net operating income during the third quarter of 2009 and $34.8 million in net operating income year-to-date. No comparisons can be made, as the Horizon Pipeline began earning revenue in November 2008.

Midstream & Marketing Business

(in millions of dollars, except where noted)	**3 Months Ended Sept. 30, 2009**	3 Months Ended Sept. 30, 2008	% Change	**9 Months Ended Sept. 30, 2009**	9 Months Ended Sept. 30, 2008	% Change
Average Cutbank Complex throughput (mmcf/d)	**200.5**	–	100.0	**200.2**	–	100.0
Revenue	**$ 121.2**	$ 112.5	7.6	**$ 277.6**	$ 276.3	0.4
Product purchases	**80.8**	84.2	(3.9)	**187.2**	196.9	(4.9)
Operating expenses	**7.2**	2.2	227.3	**14.0**	6.2	124.2
Net operating income [1]	**33.2**	26.1	27.2	**76.4**	73.2	4.4
Capital expenditures	**0.4**	10.6	(96.2)	**29.8**	29.3	1.7
Acquisition of Cutbank Complex				**274.0**		

1 Refer to "Non-GAAP Measures" below.

The Midstream & Marketing business recorded revenue, net of product purchases, of $40.4 million during the third quarter of 2009, compared to $28.3 million during the same period in 2008. For the first nine months of 2009, this business generated $90.4 million in revenue, net of product purchases, compared to $79.4 million for the same period the prior year. Factors influencing revenues include energy market conditions, the volume of product receipts on Pembina's single shipper assets and gas production volumes. During the third quarter of 2009, the impact of throughput decline 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. However, Midstream & Marketing results were bolstered by new revenues generated by the Cutbank Complex, a gas gathering and processing facilities acquired in June 2009. The Cutbank Complex generated revenues of $14.9 million during the third quarter and $19.3 million year-to-date.

During the quarter, Midstream & Marketing operating expenses were $7.2 million, compared to the third quarter of 2008 when operating expenses totaled $2.2 million. The $7.2 million in operating expenses includes $4.6 million of Cutbank Complex operating expenses, which flow through to customers under various service agreements. Excluding operating expenses related to the Cutbank Complex, operating expenses for this business were comparable quarter-over-quarter. Year-to-date operating expenses of $14 million compares to $6.2 million during the first nine months of 2008. This increase in year-over-year operating expenses reflects the ongoing expansion of the Midstream & Marketing business and the inclusion of $6.2 million in Cutbank Complex expenses.

The Midstream & Marketing business contributed $33.2 million in net operating income during the third quarter of 2009, compared to $26.1 million for the same quarter of the prior year. Net operating income totaled $76.4 million for the first nine months of 2009 and $73.2 million for the comparable period in 2008. Of these totals, the Cutbank Complex generated $10.3 million and $13.1 million in net operating income for the third quarter and year-to-date, respectively.

On October 1, 2009, Pembina began a planned maintenance shutdown on portions of its Cutbank Complex. Management originally expected the maintenance work to last a total of 30 days; however, the work was completed ahead of schedule. Thorough, advance planning and excellent on-site coordination of tradespeople resulted in timelines being reduced; in some cases by more than half. As a result, Pembina expects production volumes at Cutbank during October to be down by only ten percent, with minimal impact on revenue. 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 and operated by Pembina, and the Kakwa gas plant, in which Pembina has a 50 percent interest, is operated by a third party. During the third quarter and first nine months of 2009, average throughput at the Cutbank Complex was 200.5 mmcf/d and 200.2 mmcf/d, respectively.

Pembina expects the stability of results generated by its Midstream & Marketing business to benefit from cash flow contributed by contracted assets such as the Cutbank Complex and its 50 percent interest in the fully contracted Fort Saskatchewan Ethylene Storage Facility. Pembina anticipates the Cutbank Complex to contribute additional fee-for-service revenue and the Fort Saskatchewan Ethylene Storage Facility to continue to generate stable, long-term returns that are independent of capacity utilization and operating expenses. The Fund intends to pursue additional contracted opportunities in this business unit to assist in further diversifying and stabilizing revenues going forward. See "Risk Factors" on page 13 and "Forward-Looking Statements, Information and Assumptions" on page 14 of this report.

General and Administrative Expenses

General and administrative expenses ("G&A") of $11.1 million were incurred during the third quarter of 2009, compared to $9.6 million incurred during the third quarter of 2008. Year-to-date G&A totaled $34.5 million, compared to $28.7 million incurred during the previous year. G&A has increased as a result of an overall increase in staffing levels to support both ongoing business and growth opportunities. Pembina expects G&A expenditures to approximate 13.3 percent of net operating income in 2009, slightly higher than in 2008.

Cash Distributions

The Fund's principal objective is 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 for accounting purposes). Distributions are payable on the 15th day of the month following the record date.

Distributable cash is a non-GAAP measure 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 Sept. 30, 2009**	3 Months Ended Sept. 30, 2008	**9 Months Ended Sept. 30, 2009**	9 Months Ended Sept. 30, 2008
Cash flow from operations	**$ 62,213**	$ 50,445	**$ 152,611**	$ 156,400
Add/(deduct):				
Employee future benefits expense	**(1,623)**	(1,083)	**(4,895)**	(3,244)
Employee future benefits contributions	**2,100**	1,890	**7,520**	3,788
Changes in non-cash working capital	**2,702**	1,477	**21,366**	(4,662)
Other	**883**	(350)	**457**	(914)
Distributable cash[1]	**$ 66,275**	$ 52,379	**$ 177,059**	$ 151,368
(Increase) decrease in distribution reserve	**$ (6,056)**	$ (1,647)	**$ (6,164)**	$ (4,921)
Distributed cash[1]	**$ 60,219**	$ 50,732	**$ 170,895**	$ 146,447
Distributable cash[1] per Trust Unit	**$ 0.4293**	$ 0.3923	**$ 1.2116**	$ 1.1370
Distributed cash per Trust Unit[1]	**$ 0.3900**	$ 0.3800	**$ 1.1700**	$ 1.1000
Diluted distributed cash to Unitholders Per Trust Unit	**$ 0.3849**	$ 0.3729	**$ 1.1534**	$ 1.0781
Payout ratio	**90.9%**	96.9%	**96.5%**	96.7%

1 Refer to "Non-GAAP Measures" below.

During the third quarter of 2009, the Fund declared distributions of $0.39 per Trust Unit, or $60.2 million in aggregate, compared to $0.38 per Trust Unit, or $50.7 million in aggregate paid in the third 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 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 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 $0.4293 per Trust Unit in distributable cash during the third quarter of 2009, compared to $0.3923 during the third quarter of 2008.

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, Information and Assumptions" below for further information regarding the sustainability of cash distributions.

(in thousands of dollars, except where noted)	**3 Months Ended Sept. 30, 2009**	**9 Months Ended Sept. 30, 2009**	2008	2007	2006
Cash flow from operations	**$ 62,213**	**$ 152,611**	$ 219,905	$ 189,540	$ 143,860
Net earnings	**44,696**	**109,150**	161,793	142,305	88,885
Distributed cash[1]	**60,219**	**170,895**	198,759	178,870	142,285
Excess (shortfall) of cash flow from operations over distributed cash	**1,994**	**(18,284)**	21,146	10,670	1,575
Excess (shortfall) of net earnings over distributed cash	**(15,523)**	**(61,745)**	(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 nine months ended September 30, 2009. For the three and nine months ended September 30, 2009, there was an excess of $2 million and shortfall of $18.3 million, respectively, with the shortfall 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 nine months ended September 30, 2009 was 96.5 percent, comparable to the same period in the prior year. Based on current conditions and Pembina's expectations, the full year payout ratio in 2009 is expected to approximate that which was reported for the full year 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, Information and Assumptions" and "Non-GAAP Measures" below.

Liquidity and Capital Resources

The Fund's credit facilities at September 30, 2009 consisted of an unsecured $500 million revolving credit facility due July 2012 and an unsecured $150 million non-revolving credit facility due December 2010, which was used to partially fund the Cutbank Complex transaction in the second quarter. In addition, Pembina has an operating facility of $50 million, which matures July 2010. There are no repayments due over the term of either facility. At September 30, 2009, Pembina had $569.2 million drawn leaving $130.8 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 $75.2 million in fixed rate Senior Secured Notes due 2017, $175 million in fixed rate Senior Unsecured Notes due 2014, $200 million in fixed rate Senior Unsecured Notes due 2021 and $75 million in fixed rate term debt due 2014. At September 30, 2009, Pembina had long-term debt (excluding deferred financing fees) of $1,086 million. This long-term debt, together with $38.8 million of outstanding convertible debentures, resulted in a ratio of total debt to total enterprise value of 32.2 percent, compared to a ratio of 32.1 percent at December 31, 2008. See "Non-GAAP Measures" below.

During the third quarter, $8.8 million in net debt financing costs were recorded, compared to $6.9 million in the third quarter of 2008.

Pembina initiated several significant financial events in the third quarter and subsequent to quarter end to further strengthen its financial position. In July, the Fund announced it filed a Short Form Base Shelf Prospectus with Canadian regulatory authorities in each of the provinces of Canada. Under provisions detailed in the Short Form Base Shelf Prospectus, the Fund may offer and issue, from time to time: (i) Trust Units; (ii) any bonds, debentures, notes or other evidences of indebtedness of any kind, nature or description of the Fund ("Debt Securities"); (iii) warrants to purchase Trust Units and warrants to purchase Debt Securities; and (iv) subscription receipts of the Fund (collectively, the "Securities") of up to $1 billion aggregate initial offering price of Securities during the 25 month period that the shelf prospectus is valid. Securities may be offered separately or together, in amounts, at prices and on terms to be determined based on market conditions at the time of sale and set forth in one or more shelf prospectus supplements.

Subsequent to quarter end, the Fund entered into an agreement for the issuance by way of private placement of $267 million in Senior Unsecured Notes, Series D (the "Series D Notes") by its wholly-owned subsidiary Pembina Pipeline Corporation. Subject to Pembina and the purchasers of the Series D Notes satisfying all of the conditions to closing, Pembina expects the Series D Notes will be issued in a single tranche on November 18, 2009 with a 10-year bullet maturity and a fixed interest rate of 5.91 percent.

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	$ 16.7	$ 5.0	$ 11.5	$ 0.2	$
Long-term debt	1,086.0	7.3	586.2	270.2	222.3
Convertible debentures	38.8		38.8		
Construction commitments	473.5	363.5	110.0		
Total contractual obligations	$ 1,615.0	$ 375.8	$ 746.5	$ 270.4	$ 222.3

Pembina is, subject to certain conditions, contractually committed to the construction and the operation of the Nipisi and Mitsue Pipelines. Pembina currently projects the combined cost of these pipelines to total approximately $440 million. To date, $26.5 million has been expended. Pembina expects that $363.5 million will be spent within one year and the balance by mid-2011. An additional $60 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, Information and Assumptions" on page 14 of this report.

Capital Expenditures ($ millions)	**3 Months Ended Sept. 30, 2009**	3 Months Ended Sept. 30, 2008	**9 Months Ended Sept. 30, 2009**	9 Months Ended Sept. 30, 2008
Development capital				
Conventional Pipelines	**$ 15.4**	$ 18.0	**$ 38.1**	$ 43.1
Oil Sands & Heavy Oil Infrastructure	**7.3**	(14.0)	**22.3**	125.4
Midstream & Marketing business	**0.4**	10.6	**303.8**	29.3
Total development capital	**$ 23.1**	$ 14.6	**$ 364.2**	$ 197.8

Pembina spent $23.1 million on capital projects during the third quarter of 2009, compared to $14.6 million in capital expenditures during the third quarter of 2008. Capital expenditures for the Conventional Pipelines of $15.4 million during the quarter related to upgrades and $6.2 million of expenditures in relation to the Mitsue Pipeline. Oil Sands & Heavy Oil Infrastructure capital spending totaled $7.3 million in the third quarter. Of the Oil Sands related capital expenditures during the third quarter of 2009, $3.4 million was on the Horizon Pipeline and $3 million was invested in the Nipisi Pipeline. Spending in Midstream & Marketing of $0.4 million for the quarter was related mainly to the purchase of operations equipment. These capital expenditures were financed, where necessary, utilizing Pembina's existing credit facilities and proceeds from the Premium Distribution, Distribution Reinvestment and Optional Unit Purchase Plan ("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 raised $345.8 million. Participation in the DRIP for the most recent month, October 2009, was 102 million Trust Units or $13.3 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.

	Oct. 25, 2009[1]	Sept. 30, 2009	Sept. 30, 2008
Trust Units Outstanding	**156,250,040**	155,354,016	133,568,526
Average Daily Volume (Units per day)	**387,597**	329,742	253,141
Unit Trading Price ($/Unit) [2]	**$ 16.06**	$ 15.40	$ 16.11
Principal Amount of Debentures Outstanding ($ millions)	**$ 40.4**	$ 40.6	$ 43.5
7.35% Convertible Debentures Trading Price [3]	**$ 128.00**	$ 123.00	$ 131.53
Total Market Value of Securities Outstanding ($ millions)	**$ 2,561.06**	$ 2,442.20	$ 2,221.07
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 16 trading days from October 1 to October 25, 2009, inclusive.
2 End of Period.
3 Full conversion to Trust Units of the remaining principal amount of the debenture issue as at October 25, 2009 would result in the issuance of 3.2 million Trust Units with an effective conversion price of $12.50 per Trust Unit.

As at September 30, 2009, non-resident holdings in the Fund were 18 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 September 30, 2009, other than a review of estimated future useful lives of its assets which resulted in a change in depreciation estimates. All critical accounting estimates are presented in the Management's Discussion and Analysis for the year ended December 31, 2008.

Annually, the Fund reviews the estimated future useful life of its property, plant and equipment. Effective July 1, 2009, the Fund has revised its estimate of the future useful life of its assets. Based on current and future expansion initiatives in the industry and the oil reserve life natural decline patterns of the pipeline assets, management believes the estimated useful life of the assets averages 33 years, depending on the pipeline system and expected throughputs. These assets continue to be depreciated using the declining balance method and these rates have been established to depreciate the original asset and facility costs over the economic lives or contractual duration of the related assets. Estimates of the economic life of various pipeline systems have been based on projecting future throughputs using historic oil and gas production decline rates and throughputs. Management has assumed these historical trends will continue and that the increased tolls required to offset these decline rates will also remain competitive. However, the actual useful life of the assets may differ from management's original estimates due to higher decline rates, non-competitive tolls and customer requirements. A resulting change in depreciation expense would have a corresponding impact on the net earnings of the Fund.

International Financial Reporting Standards ("IFRS")

The Fund is progressing with its conversion plan to transition from current Canadian GAAP to IFRS. A business wide information technology implementation to accommodate IFRS reporting requirements and increase overall business unit reporting effectiveness and analysis has been successfully completed. The new information technology enables the Fund to report financial results using 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.

The impact assessment phase remains substantially completed. The areas of accounting differences identified to date in the impact analysis and evaluation phase with the highest potential impact are the accounting for fixed assets, impairment testing, and the initial adoption of IFRS under the provisions of IFRS 1, First-time Adoption of IFRS. Additional findings are being confirmed, reassessed and quantified during the subsequent phase as new projects and pronouncements evolve from the IASB workplan. 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

Pembina believes it is well positioned to operate and grow through the period of economic recovery that appears to be commencing. Pembina believes this is due to its strong business fundamentals, long-life energy infrastructure assets, sustainable and stable cash flows and its proven ability access financial markets at attractive rates.

Throughout 2009, Pembina has continued to execute its strategy of investing in long-life, high quality energy infrastructure assets which have the potential to generate stable and sustainable cash flows. The primary focus in 2009 has been the addition of the Cutbank Complex gas gathering and processing facilities and on developing the Nipisi and Mitsue Pipeline projects. Pembina expects both of these initiatives to contribute significant incremental cash flow, further solidifying Pembina's plans to maintain its current distribution level through 2013 (see "Distribution Sustainability" below for further details).

Cutbank Complex

On June 2, 2009, Pembina completed the acquisition of the Cutbank Complex gas gathering and processing facilities from Talisman Energy Canada ("Talisman") for an aggregate purchase price of $297.2 million.

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/d (305 mmcf/d 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/d 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.

Pembina is in discussions with a number of area producers to review their future drilling plans and locations, and to assess the impact to the Cutbank Complex's current capacity and timing of potential capacity additions. Pembina expects additional volumes to be accommodated by the current capacity of the complex. Depending on producers' drilling success, production capability, contingent locations and the locations where new gas volumes connect to the complex, Pembina believes there may be the opportunity for additional compression and other expansions at the Cutbank Complex.

The acquisition of the Cutbank Complex is consistent with Pembina's overall strategy of growth and integration of its energy infrastructure assets. Pembina expects this acquisition will further diversify the Fund's operations, deliver a long-term growth profile, and provide potential organic and additional acquisition growth opportunities. Pembina plans to grow this business unit by: exploiting the existing 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.

Nipisi and Mitsue Pipeline Projects

Pembina's priority development 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 fully operational at 120,000 bbls/d. See "Forward-Looking Statements, Information and Assumptions" 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. 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 has prepared and submitted regulatory applications to the Energy Resources Conservation Board (Alberta) in respect of the Nipisi and Mitsue Pipelines. 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 placed into service in mid-2011.

Conventional Pipelines

The Alberta government announced in 2009 that it will commit to 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 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 an increase in net operating income from Oil Sands & Heavy Oil Infrastructure business in 2009 resulting from the first full year of operating the Horizon Pipeline. Pembina continues to actively explore other opportunities in this sector 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 continues to assess the accretive potential of Midstream & Marketing prospects across its Conventional Pipeline systems. The Fund intends to pursue and prioritize contracted business opportunities that have the potential to contribute additional fee-for-service revenue and generate stable, long-term returns, as is the case with the Cutbank Complex and the Fort Saskatchewan Ethylene Storage Facility. This strategy, coupled with the ongoing diversification of Midstream & Marketing services, is expected to assist in the stabilization and reliability of cash flow generated by this business going forward.

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.

Since the third quarter of 2008, Pembina has reiterated that it believes it is well positioned to maintain its current level of cash distributions to Unitholders ($1.56 per unit per year) through corporate conversion (in the form of a dividend after conversion) and the onset of taxable status through 2013. Based on the Fund's current assumptions, expectations, estimates and projections, this outlook remains unchanged. Solid fundamentals in each of Pembina's business units and a large inventory of growth opportunities lend confidence in Pembina's expectation that this level of dividend, post conversion, can be continued through 2013 while maintaining a prudent capital structure and continuing to fund its planned growth initiatives. Further, Pembina believes the more favourable tax treatment afforded to dividends, as compared to distributions of income, under current Canadian tax law, may result in more attractive after tax returns for certain taxable Canadian investors, depending on individual circumstances. For important information regarding additional assumptions made by Pembina in this regard, and the related risks associated with these assumptions, see "Forward-Looking Statements, Information and Assumptions" on page 14.

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 annual financial statements and Management's Discussion and Analysis in relation thereto, can be found on the Fund's profile on the SEDAR website at www.sedar.com.

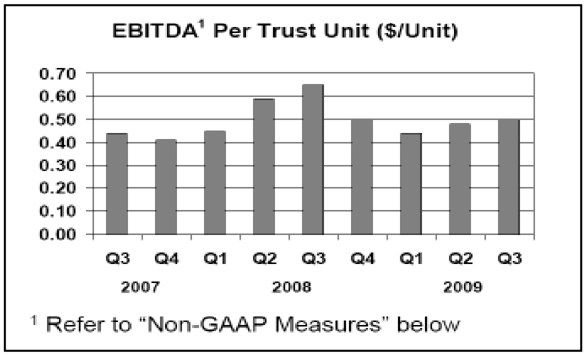
Selected Quarterly Information

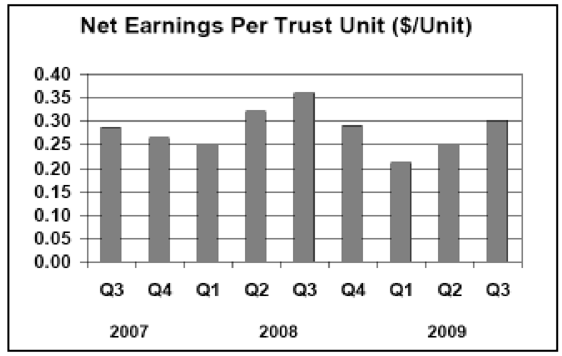
	2009			2008				2007	
(in thousands of dollars, except where noted)	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Revenue	211,858	185,467	158,034	149,375	201,289	181,484	142,735	133,990	131,477
Product purchases	80,835	64,412	41,927	24,025	84,243	76,215	36,451	32,756	32,761
Operating expenses	39,550	35,784	44,129	42,428	40,136	33,262	35,095	35,885	31,833
EBITDA[1]	77,818	70,205	59,762	66,801	85,037	77,074	58,972	53,614	57,901
Cash flow from operations	62,213	49,241	41,155	63,505	50,445	46,921	59,034	48,788	51,666
Net earnings	44,696	36,173	28,281	38,968	48,131	42,122	32,572	34,981	37,903
Net earnings per Trust Unit ($/Unit):									
Basic	0.29	0.25	0.21	0.29	0.36	0.32	0.25	0.26	0.29
Diluted	0.29	0.24	0.21	0.29	0.35	0.31	0.24	0.26	0.28
Distributed cash[1]	60,219	57,502	53,174	52,312	50,732	47,922	47,793	47,684	46,198
Distributed cash per Trust Unit ($/Unit)[1]									
Basic	0.3900	0.3899	0.3900	0.3900	0.3800	0.3600	0.3600	0.3600	0.3500
Diluted	0.3849	0.3847	0.3843	0.3840	0.3729	0.3528	0.3530	0.3521	0.3393
Trust Units outstanding (thousands):									
Weighted average (basic)	154,404	147,487	136,344	134,133	133,504	133,117	132,758	132,454	131,994
Weighted average (diluted)	157,826	150,893	139,777	137,668	137,595	137,564	137,196	137,243	136,850
End of period	155,354	152,562	137,246	134,703	133,569	133,278	132,816	132,542	132,065

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

Net earnings of $44.7 million were recorded during the third quarter of 2009, compared to $48.1 million and $37.9 million over the same periods in 2008 and 2007. Excluding the after tax gain on sale of linefill of $15.2 million in the third quarter of 2008, net earnings have increased 35.9 percent over the same period in 2008, due primarily to increased revenue generated through the first full year of operations from the Horizon Pipeline. This increase in revenue was slightly offset by increased in operating expenses. Net operating income increased quarter-over-quarter by 19 percent to $91.5 million mainly as a result of the same reasons noted 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 nine months 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 after tax 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 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), which terms are not recognized under Canadian GAAP. 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. 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, Information and Assumptions

The information contained in this MD&A contains certain forward-looking statements, information and assumptions ("forward-looking statements") that are based on the Fund's current expectations, estimates and projections 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 after conversion through 2013 (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; (iv) Pembina's future results from operations and the Fund's estimated payout ratio for full-year 2009; and (v) the proposed issuance of the Series D Notes by the Fund's wholly owned subsidiary, Pembina Pipeline Corporation, (which remains subject to Pembina and the purchasers of the Series D Notes being able to satisfy the conditions to closing). 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; Pembina can obtain all necessary approvals in respect of the corporate conversion; 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); there will be no changes to current tax laws governing the taxation of SIFT entities and the treatment distributions from such entities; 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; future tolls in respect of such pipelines will be consistent with internal projections; counterparties will comply with contracts in a timely manner; there are no unforeseen events preventing the performance of contracts by Pembina; Pembina is able to obtain financing on favourable terms in respect of the costs associated with the Nipisi and Mitsue Pipelines; there are no unforeseen construction costs related to the Nipisi and Mitsue Pipelines; there are no unforeseen material costs relating to the pipeline systems which are not recoverable from shippers; 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; the future performance of the Cutbank Complex assets will be consistent with 2008 operating and financial results; the counterparties to contracts in respect of the Cutbank Complex comply with such contacts in a timely manner; and there are no unforeseen events preventing the performance of contracts by Pembina.

In respect of the forward-looking statements made in relation to Pembina's future results from operations and the Fund's estimated 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 last quarter of 2009; the improvement and/or stabilization of market conditions will increase oil and gas exploration and production activity in Alberta and British Columbia in the last quarter of 2009; and Pembina realizes its anticipated accretion on distributable cash from the newly acquired Cutbank Complex.

In respect of the forward-looking statements made in relation to the proposed issuance of the Series D Notes by the Fund's wholly owned subsidiary, Pembina Pipeline Corporation, Pembina has assumed that: the purchasers of the Series D Notes will be able to satisfy the conditions of closing; and Pembina will be able to satisfy the conditions of closing.

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 & Marketing 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 Pipeline projects and the 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)

	Sept. 30 2009	Dec. 31 2008
Assets		
Current assets:		
Cash	**$ 4,128**	$ 13,638
Accounts receivable and other	**78,474**	57,967
Inventory	**14,873**	7,173
	97,475	78,778
Property, plant and equipment (note 3)	**2,011,278**	1,685,394
Goodwill and other	**371,787**	354,037
	$ 2,480,540	$ 2,118,209
Liabilities and Unitholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 37,198**	65,913
Distributions payable to Unitholders	**20,194**	17,511
Current portion of long-term debt	**7,290**	81,904
	64,682	165,328
Long-term debt	**1,069,963**	831,797
Convertible debentures	**38,830**	40,865
Derivative financial instruments	**8,962**	13,962
Asset retirement obligations (note 5)	**105,196**	84,158
Future income taxes	**103,893**	98,869
	1,391,526	1,234,979
Unitholders' equity:		
Trust Units (note 8)	**1,614,338**	1,350,694
Deficit	**(518,601)**	(456,856)
Accumulated other comprehensive loss	**(6,723)**	(10,608)
	1,089,014	883,230
	$ 2,480,540	$ 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 Sept. 30, 2009	3 Months Ended Sept. 30, 2008	**9 Months Ended Sept. 30, 2009**	9 Months Ended Sept. 30, 2008
Revenues:				
Conventional Pipelines	**$ 62,176**	$ 67,666	**$ 192,021**	$ 197,746
Oil Sands & Heavy Oil Infrastructure	**28,575**	21,135	**85,837**	51,466
Midstream & Marketing Business	**121,107**	112,488	**277,501**	276,296
	211,858	201,289	**555,359**	525,508
Expenses:				
Operations	**39,550**	40,136	**119,463**	108,493
Product purchases	**80,835**	84,243	**187,174**	196,909
General and administrative	**11,132**	9,623	**34,458**	28,700
Depreciation and amortization	**16,965**	17,981	**56,607**	52,576
Accretion on asset retirement obligations	**2,186**	1,256	**6,358**	3,766
Internalization of management contract		2,504		8,842
Other	**337**	(21,510)	**121**	(42,285)
	151,005	134,233	**404,181**	357,001
Earnings before interest and taxes	**60,853**	67,056	**151,178**	168,507
Interest on long-term debt	**12,979**	11,498	**34,793**	27,986
Interest on convertible debentures	**750**	828	**2,292**	2,599
Earnings before taxes	**47,124**	54,730	**114,093**	137,922
Income tax expense (note 9)	**2,428**	6,599	**4,943**	15,097
Net earnings	**44,696**	48,131	**109,150**	122,825
Deficit, beginning of period	**(503,078)**	(440,911)	**(456,856)**	(419,890)
Distributed cash	**(60,219)**	(50,732)	**(170,895)**	(146,447)
Deficit, end of period	**$ (518,601)**	$ (443,512)	**$ (518,601)**	$ (443,512)
Earnings per Trust Unit (note 6)				
Basic	**$ 0.29**	$ 0.36	**$ 0.75**	$ 0.92
Diluted	**$ 0.29**	$ 0.35	**$ 0.74**	$ 0.91

See accompanying notes to the consolidated financial statements

consolidated statement of comprehensive income (loss)

(Unaudited)

(In thousands of dollars)

	3 Months Ended Sept. 30, 2009	3 Months Ended Sept. 30, 2008	**9 Months Ended Sept. 30, 2009**	9 Months Ended Sept. 30, 2008
Net earnings for the period	**$ 44,696**	$ 48,131	**$ 109,150**	$ 122,825
Other comprehensive income:				
Change in unrealized gain (loss) on derivative instruments designated as cash flow hedges, net of tax of $0.4 million and $1.1 million	**(996)**	(2,996)	**3,885**	(1,042)
Total comprehensive income	**43,700**	$ 45,135	**113,035**	$ 121,783
Accumulated other comprehensive income (loss):				
Opening balance, net of tax of $1.9 million and $3.4 million	**(5,727)**	$ 9,889	**(10,608)**	$ 7,935
Change in unrealized gain (loss) on derivative instruments designated as cash flow hedges, net of tax of $0.4 million and $1.1 million	**(996)**	(2,996)	**3,885**	(1,042)
Accumulated other comprehensive income (loss)	**$ (6,723)**	$ 6,893	**$ (6,723)**	$ 6,893

See accompanying notes to the consolidated financial statements

consolidated statements of cash flows

(Unaudited)

(In thousands of dollars)

	3 Months Ended Sept. 30, 2009	3 Months Ended Sept. 30, 2008	**9 Months Ended Sept. 30, 2009**	9 Months Ended Sept. 30, 2008
Cash provided by (used in):				
Operating activities:				
Net earnings	**$ 44,696**	$ 48,131	**$ 109,150**	$ 122,825
Items not involving cash:				
Depreciation and amortization	**16,965**	17,981	**56,607**	52,576
Accretion on asset retirement obligations	**2,186**	1,256	**6,358**	3,766
Future income tax expense	**2,428**	6,599	**4,943**	15,097
Linefill gain		(21,588)		(42,896)
Employee future benefits expense	**1,623**	1,083	**4,895**	3,244
Trust Unit based compensation expense	**197**	350	**579**	938
Other	**25**		**70**	(24)
Employee future benefits contributions	**(2,100)**	(1,890)	**(7,520)**	(3,788)
Changes in non-cash working capital	**(3,807)**	(1,477)	**(22,471)**	4,662
Cash flow from operations	**62,213**	50,445	**152,611**	156,400
Financing activities:				
Bank borrowings	**7,357**	(14,306)	**168,683**	141,070
Repayment of senior secured notes	**(1,741)**	(1,619)	**(5,131)**	(4,772)
Issue of senior debt			**75,000**	
Debt repayment			**(75,000)**	
Issue of Trust Units	**(16)**		**156,221**	
Issue of Trust Units on exercise of options	**302**	925	**1,020**	7,536
Issue of Trust Units under Distribution Reinvestment Plan	**38,039**		**103,789**	
Distributions to Unitholders - current year	**(59,858)**	(49,362)	**(150,701)**	(129,083)
Distributions to Unitholders - prior year			**(17,511)**	(15,905)
	(15,917)	(64,362)	**256,370**	(1,154)
Investing activities:				
Capital expenditures	**(23,680)**	(15,873)	**(90,828)**	(198,839)
Acquisition of Cutbank assets	**(858)**		**(297,164)**	
Proceeds on sale of linefill		27,558		54,764
Changes in non-cash working capital	**(8,767)**	20,922	**(30,499)**	(16,707)
	(33,305)	32,607	**(418,491)**	(160,781)
Change in cash	**12,991**	18,690	**(9,510)**	(5,535)
Cash (bank indebtedness), beginning of period	**(8,863)**	(7,489)	**13,638**	16,736
Bank indebtedness, end of period	**$ 4,128**	$ 11,201	**$ 4,128**	$ 11,201
Other cash disclosures:				
Interest on long-term debt paid	**$ (12,665)**	$ (13,585)	**$ (32,455)**	$(34,451)
Interest capitalized	**$ (216)**	$ (509)	**$ (745)**	$ (7,648)

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 ("IFRS")

The Fund is progressing with its conversion plan to transition from current Canadian GAAP to IFRS. A business wide information technology implementation to accommodate IFRS reporting requirements and increase overall business unit reporting effectiveness and analysis has been successfully completed. The new information technology enables the Fund to report financial results using 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.

The impact assessment phase remains substantially completed. The areas of accounting differences identified to date in the impact analysis and evaluation phase with the highest potential impact are the accounting for fixed assets, impairment testing, and the initial adoption of IFRS under the provisions of IFRS 1, First-time Adoption of IFRS. Additional findings are being confirmed, reassessed and quantified during the subsequent phase as new projects and pronouncements evolve from the IASB workplan. 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 units:

The Fund conducts its operations through three operating units: Conventional Pipelines, Oil Sands & Heavy Oil Infrastructure and Midstream & Marketing.

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 Pipeline, 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 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 Sept. 30, 2009					
Revenues:					
Pipeline transportation	$ 62,176	$ 28,575	$	$	$ 90,751
Terminalling, storage and hub services			106,224		106,224
Gas services			14,883		14,883
Revenue before expenses	62,176	28,575	121,107		211,858
Expenses:					
Operations	23,962	8,467	7,121		39,550
Product purchases			80,835		80,835
General and administrative		569		10,563	11,132
Depreciation and amortization	1,032	12,489	2,299	1,145	16,965
Accretion on asset retirement obligations	1,848	217	121		2,186
Other				337	337
	26,842	21,742	90,376	12,045	151,005
Earnings before interest and taxes	$ 35,334	$ 6,833	$ 30,731	$ (12,045)	$ 60,853
Property, plant and equipment[1]	$ 760,636	$ 757,203	$ 484,243	$ 9,196	$ 2,011,278
Goodwill and other	$ 194,370	$ 28,300	$ 134,817	$ 14,300	$ 371,787

[1] Included in property, plant and equipment are assets under construction for Nipisi and Mitsue Pipelines of $19.7 million.

(in thousands of dollars)	Conventional Pipelines	Oil Sands & Heavy Oil Infrastructure	Midstream & Marketing Business	Corporate	Total
Nine months ended Sept. 30, 2009					
Revenues:					
Pipeline transportation	$ 192,021	$ 85,837	$	$	$ 277,858
Terminalling, storage and hub services			258,241		258,241
Gas services			19,260		19,260
Revenue before expenses	192,021	85,837	277,501		555,359
Expenses:					
Operations	81,564	23,960	13,939		119,463
Product purchases			187,174		187,174
General and administrative		1,893		32,565	34,458
Depreciation and amortization	22,869	23,049	8,958	1,731	56,607
Accretion on asset retirement obligations	5,547	651	160		6,358
Other				121	121
	109,980	49,553	210,231	34,417	404,182
Earnings before interest and taxes	$ 82,041	$ 36,284	$ 67,270	$ (34,417)	$ 151,178
Property, plant and equipment [1]	$ 760,636	$ 757,203	$ 484,243	$ 9,196	$ 2,011,278
Goodwill and other	$ 194,370	$ 28,300	$ 134,817	$ 14,300	$ 371,787

[1] Included in property, plant and equipment are assets under construction for the Nipisi and Mitsue Pipelines of $19.7 million.

(in thousands of dollars)	Conventional Pipelines	Oil Sands & Heavy Oil Infrastructure	Midstream & Marketing Business	Corporate	Total
Three months ended September 30, 2008					
Revenues:					
Pipeline transportation	$ 67,666	$ 21,135	$	$	$ 88,801
Terminalling, storage and hub services			112,488		112,488
Revenue before expenses	67,666	21,135	112,488		201,289
Expenses:					
Operations	29,738	8,266	2,132		40,136
Product purchases			84,243		84,243
General and administrative		336		9,287	9,623
Depreciation and amortization	12,458	3,017	2,253	253	17,981
Accretion on asset retirement obligations	1,095	161			1,256
Internalization of management contract				2,504	2,504
Other [2]		(21,588)		78	(21,510)
	43,291	(9,808)	88,628	12,122	134,233
Earnings before interest and taxes	$ 24,375	$ 30,943	$ 23,860	$ (12,122)	$ 67,056
Property, plant and equipment[1]	$ 805,962	$ 703,980	$ 162,939	$ 6,038	$ 1,678,919
Goodwill and other	$ 194,370	$ 28,300	$ 120,603	$ 12,747	$ 356,020

(in thousands of dollars)	Conventional Pipelines	Oil Sands & Heavy Oil Infrastructure	Midstream & Marketing Business	Corporate	Total
Nine months ended September 30, 2008					
Revenues:					
Pipeline transportation	$ 197,746	$ 51,466	$	$	$ 249,212
Terminalling, storage and hub services			276,296		276,296
Revenue before expenses	197,746	51,466	276,296		525,508
Expenses:					
Operations	82,238	20,093	6,162		108,493
Product purchases			196,909		196,909
General and administrative		1,010		27,690	28,700
Depreciation and amortization	35,285	9,061	7,571	659	52,576
Accretion on asset retirement obligations	3,283	483			3,766
Internalization of management contract				8,842	8,842
Other [2]		(42,896)		611	(42,285)
	120,806	(12,249)	210,642	37,802	357,001
Earnings before interest and taxes	$ 76,940	$ 63,715	$ 65,654	$ (37,802)	$ 168,507
Property, plant and equipment[1]	$ 805,962	$ 703,980	$ 162,939	$ 6,038	$ 1,678,919
Goodwill and other	$ 194,370	$ 28,300	$ 120,603	$ 12,747	$ 356,020

[1] Included in property, plant and equipment are assets under construction for the Horizon Pipeline of $390.7 million.

[2] Included in other for Oil Sands & Heavy Oil Infrastructure segment is a gain on sale of Syncrude linefill of $42.9 million. This represents the purging and sale of 385,000 barrels of excess linefill for total proceeds of $54.8 million.

3. Property, Plant and Equipment:

(in thousands of dollars)	Sept. 30 2009 Cost	Sept. 30 2009 Accumulated Depreciation	Sept. 30 2009 Net	Dec. 31 2008 Cost	Dec. 31 2008 Accumulated Depreciation	Dec. 31 2008 Net
Conventional Pipelines	$ 1,362,144	$ (601,508)	$ 760,636	$ 1,318,851	$ (578,262)	$ 740,589
Oil Sands & Heavy Oil Infrastructure	861,618	(104,415)	757,203	844,274	(81,530)	762,744
Midstream & Marketing Business	526,291	(42,048)	484,243	210,940	(35,552)	175,388
Corporate	16,403	(7,207)	9,196	12,148	(5,475)	6,673
	$ 2,766,456	**$ (755,178)**	**$ 2,011,278**	**$ 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) 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. The acquisition has been accounted for by the purchase method as a business combination. 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	18,103
Current assets	5,176
Current liabilities	(121)
Asset retirement obligation	(5,668)
	$ 297,164
Consideration:	
Cash	$ 296,577
Transaction costs	587
	$ 297,164

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 and 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.

	Sept. 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	6,359	5,022
Obligations, end of year	$ 105,196	$ 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 Sept. 30, 2009**	3 Months Ended Sept. 30, 2008	**9 Months Ended Sept. 30, 2009**	9 Months Ended Sept. 30, 2008
Net Earnings				
Numerator for basic earnings per Trust Unit	**$ 44,696**	$ 48,131	**$ 109,150**	$ 122,825
Numerator for diluted earnings per Trust Unit	**45,224**	48,716	**110,765**	124,657
Denominator:				
Weighted average denominator for basic Trust Units	**154,404**	133,504	**146,144**	133,128
Dilutive instruments				
Debentures	**3,289**	3,589	**3,359**	3,847
Employee options	**133**	502	**70**	565
Denominator for diluted earnings per Trust Unit	**157,826**	137,595	**149,573**	137,540
Basic earnings per Trust Unit	**$ 0.29**	$ 0.36	**$ 0.75**	$ 0.92
Diluted earnings per Trust Unit	**$ 0.29**	$ 0.35	**$ 0.74**	$ 0.91

7. Financial Instruments:

Liquidity and Capital Resources (in thousands of dollars)	**Sept. 30 2009**	Dec. 31 2008
Variable rate debt		
Bank debt	**$ 569,164**	$ 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 2.03%)	**369,164**	265,000
Fixed rate debt		
Senior unsecured notes and term debt	**450,000**	375,000
Senior secured notes	**75,155**	80,286
Variable rate debt swapped to fixed	**200,000**	200,000
Total fixed rate debt outstanding (average rate of 5.61%)	**725,155**	655,286
Convertible debentures	**38,830**	40,865
Total debt and debentures outstanding	**1,133,149**	961,151
Unutilized debt capacity	**130,836**	140,000

The Fund's credit facilities as at September 30, 2009, consisted of an unsecured $500 million revolving credit facility, an unsecured $150 million non-revolving credit facility and an operating facility of $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 September 30, 2009, Pembina had approximately $558.3 million drawn on bank debt and $10.9 million drawn on the operating line, leaving $130.8 million of undrawn capacity on the $700 million of established bank facilities. At September 30, 2009, the Fund was exposed to changes in interest rates on $369.2 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 $10.3 million unrealized loss as at September 30, 2009 and are for terms of 5 to 10 years.

Including the interest swaps, interest rates on $725.2 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 September 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 September 30, 2009, was an unrealized gain of $1.4 million. The power swap hedges the first 16 MW of power consumption each day on the Conventional Pipeline systems. Power costs on Pembina's Oil Sands & Heavy Oil Infrastructure 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 Infrastructure 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 is 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)	**Sept. 30, 2009**		December 31, 2008	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Long-term debt				
Senior secured notes	**$ 75,155**	**$ 82,033**	$ 80,286	$ 76,941
Senior unsecured notes	**$ 450,000**	**$ 466,948**	$ 450,000	$ 424,208
Convertible debenture	**$ 38,830**	**$ 49,892**	$ 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 $8.8 million as at September 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	156,221
Exercise of Trust Unit options	98,607	1,020
Debenture conversions	170,080	2,035
Distribution Reinvestment Plan	7,688,262	103,789
Contributed surplus		579
Balance, September 30, 2009	155,354,016	$ 1,614,338

At September 30, 2009, 4,242,540 options were outstanding, of which 3,621,203 were exercisable (September 30, 2008 - 2,301,052) at a weighted average price of $14.66 (September 30, 2008 - $14.83).

9. Income Taxes:

	Sept. 30, 2009	Sept. 30, 2008
Earnings before taxes	$ 114,093	$ 137,922
Combined statutory rate	29%	29.5%
Income taxes at the statutory rate	33,087	40,687
Increase (decrease) resulting from:		
Interest deductions of subsidiaries arising from intercorporate debt	(38,382)	(36,596)
Tax rate changes on future income tax balances	(4,441)	1,154
Other	14,679	9,852
Income taxes	$ 4,943	$ 15,097

10. Subsequent Event:

Subsequent to quarter end, the Fund entered into an agreement for the issuance by way of private placement $267 million Senior Unsecured Notes, Series D (the "Series D Notes") by its wholly-owned subsidiary Pembina Pipeline Corporation. Subject to Pembina and the purchasers of the Series D Notes satisfying all of the conditions to closing, Pembina expects the Series D Notes will be issued in a single tranche on November 18, 2009 with a 10-year bullet maturity and a fixed interest rate of 5.91 percent.

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 Third Quarter 2009 Results conference call is scheduled for October 29, 2009 at 9:00 a.m. Calgary (11:00 a.m. Eastern, 8:00 a.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, Information and Assumptions" 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.