PEMBINA

PEMBINA PIPELINE CORPORATION

2011 INTERIM REPORT Q2

Pembina Pipeline Corporation 2011 second quarter results
Strong performance driven by industry activity

All financial figures are in Canadian dollars unless noted otherwise. This report contains forward-looking statements and information that are based on Pembina Pipeline Corporation's current expectations, estimates, projections and assumptions in light of its experience and its perception of historical trends. Actual results may differ materially from those expressed or implied by these forward-looking statements. Please see page 21 for more information. This report also refers to financial measures that are not defined by International Financial Reporting Standards ("IFRS"), which is considered part of Canadian Generally Accepted Accounting Principles ("GAAP"). For more information about these "non-GAAP" measures please see page 20.

Pembina Pipeline Corporation ("Pembina" or the "Company") achieved strong financial performance during the second quarter of 2011, realizing earnings of $48 million ($0.29 per share), compared to $37.7 million ($0.23 per share) during the second quarter of 2010. Adjusted earnings for the period were $64.5 million ($0.39 per share) compared to $43.5 million ($0.27 per share) for the same period of 2010 (adjusted earnings is a non-GAAP measure, see "Non-GAAP Measures" on page 20). Cash flow from operating activities was $50.4 million ($0.30 per share), compared to $69.6 million ($0.43 per share) during the same quarter the year before. This decrease was due to a $31.4 million negative change in non-cash working capital during the quarter. Adjusted cash flow from operating activities was $83.1 million ($0.50 per share), an increase of 43 percent compared to $58.2 million ($0.36 per share) during the same quarter the year before (adjusted cash flow from operating activities is a non-GAAP measure, see "Non-GAAP Measures" on page 20). Pembina generated strong earnings before interest, taxes, depreciation and amortization ("EBITDA") contribution of $102.8 million, a 32 percent increase over the second quarter 2010 EBITDA of $77.6 million (EBITDA is a non-GAAP measure, see "Non-GAAP Measures" on page 20).

Earnings for the first six months of 2011 totaled $90.5 million ($0.54 per share), compared to $89.9 million ($0.55 per share) during the first six months of 2010, while adjusted earnings for the same periods were $116.5 million ($0.70 per share) and $92.8 million ($0.57 per share), respectively. In the first half of 2011, Pembina generated cash flow from operating activities of $124.8 million ($0.75 per share) compared to $136.0 million ($0.84 per share) in the first half of 2010. This decrease was due to a $32.9 million negative change in non-cash working capital during the first six months of 2011. Adjusted cash flow from operating activities was $152.5 million ($0.91 per share), an increase of 21 percent compared to $126.2 million ($0.78 per share) during the same period in 2010 (see "Non-GAAP Measures" on page 20). Pembina generated strong EBITDA of $190 million, a 17 percent increase over the first six months of 2010 EBITDA of $162.5 million (see "Non-GAAP Measures" on page 20).

During the second quarter of 2011, Pembina progressed its growth plans, completing the construction of its Nipisi heavy oil pipeline ("Nipisi Pipeline") and Mitsue condensate pipeline ("Mitsue Pipeline") (collectively the "Nipisi and Mitsue Pipelines"). In addition, at the date hereof, the Company is nearing completion on its Musreau Deep Cut Facility, which together with the Nipisi and Mitsue Pipelines, are expected to boost cash flow from operating activities and earnings later in 2011 once fully operational.

"Pembina has a strong track record of identifying and completing projects that enhance our financial and operating results," said Bob Michaleski, Pembina's President and Chief Executive Officer. "The Nipisi and Mitsue Pipelines are another clear example of Pembina's ability to improve our bottom-line by completing and bringing on stream projects that are on time, under budget and in a way that respects the environment and the communities in which we operate."

Revenue, net of product purchases, during the second quarter of 2011 increased to $148.1 million, compared to $124.5 million during the same period in 2010. Year-to-date revenue, net of product purchases, in 2011 was $288.6 million, compared to $250.3 million during the first six months of 2010. Increased revenue was driven by strong performance in each of Pembina's four business units, particularly Midstream & Marketing, which realized a $14.2 million quarter-over-quarter gain in revenue, net of product purchases and Conventional Pipelines, which realized an $8.4 million quarter-over-quarter gain in revenue primarily a result of strong throughput. Operating expenses were

$37.8 million during the second quarter and $81 million during the first six months of 2011, compared to $37.2 million and $73.5 million during the same periods in 2010, with the increase primarily due to enhanced and expanded integrity and maintenance work in Conventional Pipelines and higher labour and power costs. Operating margin totaled $110.3 million during the second quarter of 2011, compared to $87.3 million during the second quarter of 2010 (Operating margin is a non-GAAP measure, see "Non-GAAP Measures" on page 20). Year-to-date operating margin in 2011 was $207.6 million, compared to $176.9 million during the first six months of 2010.

Dividends were $65.3 million during the second quarter of 2011, representing a quarterly payment of $0.39 per share ($0.13 per share monthly), compared to $63.7 million in the second quarter of 2010 (no change in per share payments).

Growth Strategy Update

Nipisi & Mitsue Pipelines

Pembina announced on August 3, 2011 that it has completed a major milestone in its growth strategy with the commissioning and start-up of its Nipisi and Mitsue Pipelines, which will service the Pelican Lake and Peace River heavy oil regions of Alberta.

The Nipisi Pipeline is a new, 190 kilometre ("km"), heavy oil pipeline with a design capacity of 100,000 barrels per day ("bpd") that will transport diluted heavy oil from north of Slave Lake to Pembina's existing pipeline south of Swan Hills and on to Edmonton, Alberta for further transport or processing.

The Mitsue Pipeline will transport condensate from various sources in north western Alberta to heavy oil producers operating north of Slave Lake, Alberta for use by producers to dilute heavy oil prior to transport. The pipeline consists of a combination of 135 km of new and 120 km of existing infrastructure, and has a design capacity of 22,000 bpd.

The Nipisi and Mitsue Pipelines are underpinned by long-term agreements which contain a minimum primary term of 10 years from the in-service date and are extendible thereafter. Pembina expects these pipelines to contribute stable, long-term cash flow, with full recovery of operating expenses.

Pembina estimates that the total capital cost of the Nipisi and Mitsue Pipelines will be approximately $400 million, down from Pembina's previous estimate of $440 million. The Nipisi and Mitsue Pipelines are expected to contribute annual operating margin of approximately $40 million once commissioning has been completed.

Pembina has designed the Nipisi and Mitsue Pipelines so the capacity of each pipeline can be increased in a staged approach. The Nipisi Pipeline has the potential to be expanded to 200,000 bpd and the Mitsue Pipeline could be expanded to 45,000 bpd. Expansion plans would require regulatory approval, which Pembina expects to pursue once customer support has been solidified.

The Mitsue Pipeline commenced operations in mid-June, ahead of schedule, and the Nipisi Pipeline initiated deliveries in early July. Commissioning and ramp-up on the Nipisi Pipeline is continuing and is expected to be completed early in the fourth quarter of 2011.

Cutbank Expansion

Pembina announced on July 27, 2011 that it plans to expand its Cutbank Complex shallow cut gas processing capability by 50 million cubic feet per day ("mmcf/d") due to high plant utilization and strong customer demand arising from customer's positive drilling results in the area. Once the expansion is complete, the Cutbank Complex is expected to have raw gas processing capacity of 410 mmcf/d (355 mmcf/d net to Pembina), an increase to Pembina of 16 percent. The planned Cutbank expansion will occur at the Musreau gas plant, one of the three plants that make up the Cutbank Complex.

Pembina estimates the expansion will cost approximately $26 million and, subject to regulatory and environmental approval, is expected to be in-service by mid-2012. Pembina has entered into contracts with a minimum term of five years with area producers for the entire capacity of the expansion on a fee for service basis.

Enhanced Natural Gas Liquids ("NGL") Extraction: Musreau Deep Cut Facility

Construction of Pembina's Musreau Deep Cut Facility project, a new 205 mmcf/d ethane extraction facility and the related 10 km pipeline, is 80 percent complete with commissioning and start-up to commence in October 2011. This new $75 million plant, which is being built on the Company's existing Musreau Gas Plant site and uses existing infrastructure where possible, will deliver an ethane mix stream to Pembina's Peace Pipeline. Pembina has contracted approximately 80 percent of the planned capacity at the facility and expects to contract the remaining capacity under terms designed to provide Pembina with cash flow certainty. Once on stream and at full capacity, the ethane extraction facility is expected to provide Pembina with approximately $12 to $15 million of additional operating margin annually, as well as up to 14,000 bpd of liquids which Pembina will transport on its Conventional Pipelines and for which it will receive additional toll revenue.

"Pembina continues to capitalize on the low natural gas price environment, which is driving increased extraction of NGL by producers," said Mr. Michaleski. "We have been building out our capacity to process these liquids, and transport them to market using our existing pipeline network."

Cardium Development

During the second quarter of 2011, Pembina realized an increase in average daily throughput on its Drayton Valley Pipeline and Peace Pipeline of more than 15,900 bpd and 27,700 bpd, respectively, compared to the same period in 2010. This is largely attributable to increased production in the Cardium formation located in west central Alberta. To continue meeting the needs of shippers in the region, and subject to receiving regulatory approval, Pembina plans to spend approximately $40 million prior to mid-2012 on projects that will provide additional transportation service options to customers. This includes an investment of approximately $23 million to increase the capacity of an existing 42 km section of pipeline that transports crude oil between Willesden Green and Buck Creek, Alberta and is expected to add an incremental 25,000 bpd to the current capacity of 12,000 bpd. In addition, Pembina plans to spend approximately $6 million to extend segments of its Drayton Valley trunk line and approximately $11 million to debottleneck existing pipeline systems and construct truck terminals in the region. To date this year, Pembina has spent approximately $15 million of the $40 million to install 10 km of 10 inch pipe in the west Drayton Valley area, and purchase and coat 42 km of 8 inch pipe for the Willesden Green expansion project, pump station upgrades and producer facility connections.

Liquids Rich Natural Gas

Pembina's Peace Pipeline and Northern System are located in prolific areas of the Western Canadian Sedimentary Basin where producers are aggressively pursuing liquids rich natural gas. The impact of this increased drilling activity to Pembina is evidenced by the substantial increase in the amount of NGL which is extracted from the natural gas that is being transported on its pipelines. Pembina is currently undertaking a detailed review and assessment of its pipeline systems to be ready for additional volume increases.

Moosehorn 8 Inch Gathering Pipeline Spill Update

On July 19, 2011, Pembina responded to a spill on its Moosehorn 8 inch gathering pipeline, approximately three km from its Swan Hills Terminal and Pump Station. The Company can now confirm that the leak size was between 800 and 1,000 barrels of light, sweet conventional crude oil, which is less than its initial estimate of 1,300 barrels.

The release occurred along Pembina's right-of-way and into muskeg and an unnamed creek, but did not enter any named waterways or sources of drinking water. To date, Pembina has satisfactorily met its regulatory requirements to ensure ongoing and effective containment of the spill. Containment measures include berms, booms and weirs. Additionally, water quality samples downstream from the spill have demonstrated no impact to water quality in any named waterways or sources of drinking water at this time.

Pembina continues its clean-up efforts and environmental assessments, having retained third party environmental specialists, suppliers and First Nations contractors, and is working closely with all regulatory agencies and local authorities to ensure Pembina's clean-up efforts return the area to its natural state. Pembina made arrangements for affected shippers to transport their production by truck to regional Pembina truck terminals and does not expect a material financial impact from this event.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial and operating results of Pembina Pipeline Corporation is dated August 3, 2011 and is supplementary to, and should be read in conjunction with, Pembina's condensed consolidated interim financial statements for the period ended June 30, 2011 ("Interim Consolidated Financial Statements"), as well as the consolidated annual financial statements for the year ended December 31, 2010 (the "Consolidated Financial Statements").

Management is responsible for preparing the MD&A. This MD&A has been reviewed and approved by the Audit Committee of Pembina's Board of Directors and its Board of Directors.

This MD&A contains forward-looking statements and refers to financial measures that are not defined by International Financial Reporting Standards ("IFRS"), which is considered part of Canadian Generally Accepted Accounting Principles ("GAAP"). See "Forward-Looking Statements & Information" on page 21 and "Non-GAAP Measures" on page 20.

IFRS Transition

The Canadian Institute of Chartered Accountants ("CICA") Accounting Standards Board ("AcSB") confirmed in February 2008 that Canadian publicly accountable enterprises will adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective January 1, 2011 ("Transition Date"). Accordingly, Pembina's Interim Consolidated Financial Statements for the quarter ending June 30, 2011, including required comparative information, have been prepared in accordance with IAS 34 – *Interim Financial Reporting* and IFRS 1 – *First-time Adoption of IFRS* ("IFRS 1"), which sets out the requirements for the first time adoption of IFRS. Pembina has adopted IFRS as its primary accounting principles. Previously, Pembina prepared its interim and annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") that existed prior to the incorporation of IFRS into the CICA Handbook. Unless otherwise noted, comparative information has been restated for comparative purposes in accordance with IFRS.

Pembina has, from the Transition Date, reconciled its primary IFRS financial statements to Canadian GAAP. Detailed reconciliations of the changes in equity and comprehensive income resulting from the adoption of IFRS are presented in note 12 of the accompanying Interim Consolidated Financial Statements. Financial measures reported in this MD&A have been restated to reflect the transition to IFRS for all periods after the Transition Date. The transition to IFRS has not had a material impact on Pembina's operations, strategic decisions, cash flow and capital expenditures.

The interim financial statements do not contain all disclosures required for annual financial statements, and accordingly, should be read in conjunction with Pembina's Consolidated Financial Statements and the notes thereto for the year ended December 31, 2010 and with Pembina's condensed consolidated interim financial statements for the quarter ending March 31, 2011.

Pembina Pipeline Corporation

Pembina Pipeline Corporation ("Pembina" or the "Company") is a diversified energy infrastructure service company that owns and operates assets in western Canada. Pembina transports approximately half of Alberta's conventional crude oil, about twenty percent of the natural gas liquids ("NGL") produced in western Canada, and its five oil sands pipelines provide substantial support to the oil sands and heavy oil producers in Alberta. The Company also serves customers through its midstream operations – a network of terminals, storage facilities and marketing services – and natural gas gathering and processing facilities.

From September 4, 1997 to September 30, 2010, Pembina was wholly-owned by Pembina Pipeline Income Fund (the "Fund"). On October 1, 2010, the Fund completed its previously announced Plan of Arrangement by virtue of which the business of the Fund was reorganized into a dividend-paying corporation, Pembina Pipeline Corporation (the "Conversion"). Pursuant to the Plan of Arrangement, holders of trust units received one common share of Pembina Pipeline Corporation for each trust unit held. This report reflects the financial and operating performance for the six months ending June 30, 2011, and as such references made in this document primarily refer to the Company, whereas comparative financial and operating performance measures primarily refer to the Fund. The Fund's trust units and convertible debentures were previously traded on the Toronto Stock Exchange ("TSX") under the symbols PIF.UN and PIF.DB.B, respectively.

Prior to the Conversion, the Fund paid distributions to the holders of its outstanding trust units and, following the Conversion, the Company pays dividends to the holders of its outstanding common shares, if, as and when declared thereon by the Board of Directors of the Company. When, in this MD&A, references are made to returns on investment or similar concepts over a period of time beginning prior to the Conversion and ending after the Conversion, such references are meant to include any return, including distributions on and fluctuations in the market value of the trust units of the Fund for the relevant period of time prior to the Conversion in addition to any return, including dividends on and fluctuations in the market value of the common shares for the relevant period of time following the conversion.

Strategy

Pembina's goal is to provide highly competitive and reliable returns to investors through monthly dividends while enhancing the long-term value of its shares. To achieve this, Pembina's strategy is to:

- Generate value by providing customers with safe, cost-effective, reliable services.
- Diversify Pembina's asset base to enhance profitability. A diverse portfolio provides Pembina with the ability to respond to market conditions, reduce risk and increase opportunities to leverage existing businesses. A priority is placed on developing businesses that support Pembina's core competency – operating crude oil and NGL transportation systems, and gas gathering and processing infrastructure – which allow for expansion, vertical integration and accretive growth.
- Implement growth and conduct operations in a safe and environmentally responsible manner. Growth is expected to occur through expansion of existing businesses, acquisitions and the development of new services. Pembina's investment criteria include pursuing projects or assets that are expected to generate increased cash flow per share and capture long-life, economic hydrocarbon reserves.
- Maintain a strong balance sheet through the application of prudent financial management to all business decisions.

Pembina's business is structured in four units: Conventional Pipelines, Oil Sands & Heavy Oil, Midstream & Marketing and Gas Services, which are described in their respective sections of this MD&A.

Financial & Operating Overview

(unaudited)

($ millions, except where noted)	**3 Months Ended June 30, 2011**	3 Months Ended June 30, 2010	**6 Months Ended June 30, 2011**	6 Months Ended June 30, 2010
Revenue	**511.5**	386.4	**905.8**	675.4
Operations	**37.8**	37.2	**81.0**	73.5
Product purchases	**363.4**	261.9	**617.2**	425.0
Operating margin[1]	**110.3**	87.3	**207.6**	176.9
Depreciation and amortization included in operations	**15.8**	15.3	**30.6**	30.8
Gross profit	**94.5**	72.0	**177.0**	146.1
Deduct/(add)				
General and administrative expenses	**12.8**	13.6	**27.4**	22.6
Other	**(0.7)**	0.3	**(0.6)**	0.3
Net finance costs	**21.8**	19.9	**35.7**	37.6
Share of profit of investments in equity accounted investee, net of tax	**(2.7)**	(2.1)	**(4.8)**	(4.3)
Income tax expense (reduction)	**15.3**	2.6	**28.8**	
Earnings for the period	**48.0**	37.7	**90.5**	89.9
Earnings per share – basic (dollars)	**0.29**	0.23	**0.54**	0.55
EBITDA[1]	**102.8**	77.6	**190.0**	162.5
Cash flow from operating activities	**50.4**	69.6	**124.8**	136.0
Adjusted cash flow from operating activities [1]	**83.1**	58.2	**152.5**	126.2
Dividends	**65.3**	63.7	**130.4**	126.6
Dividends per common share (dollars)	**0.39**	0.39	**0.78**	0.78
Capital expenditures	**77.3**	20.3	**300.6**	40.8
Total enterprise value[1]	**5,791.6**	4,011.9	**5,791.6**	4,011.9
Total assets	**3,055.7**	2,506.1	**3,055.7**	2,506.1
Average throughput – conventional (thousands of bpd)	**411.4**	370.4	**400.9**	379.8
Contracted capacity – oil sands (thousands of bpd)	**775.0**	775.0	**775.0**	775.0
Average processing volume – gas services (mmcf/d net to Pembina)	**237.6**	221.6	**233.0**	219.2

[1] Refer to "Non-GAAP Measures" on page 20.

Revenue, net of product purchases, during the second quarter of 2011 increased to $148.1 million, compared to $124.5 million during the same period in 2010. Year-to-date revenue, net of product purchases, in 2011 was $288.6 million, compared to $250.4 million during the first six months of 2010. These increases in revenue were driven by strong performance in each of Pembina's four business units, particularly Midstream & Marketing, which realized a $14.2 million quarter-over-quarter gain in revenue, net of product purchases and Conventional Pipelines, which realized a $8.4 million quarter-over-quarter gain in revenue driven by strong through-put.

Operating expenses were $37.8 million during the second quarter and $81 million during the first six months of 2011, compared to $37.2 million and $73.5 million during the same periods in 2010, primarily due to increased integrity and maintenance work in Conventional Pipelines and higher labour and power costs. Operating margin totaled $110.3 million during the second quarter of 2011, compared to $87.3 million during the second quarter of 2010. Year-to-date operating margin in 2011 was $207.6 million, compared to $176.9 million during the first six months of 2010.

General and administrative expenses ("G&A") of $12.8 million were incurred during the second quarter of 2011 compared to $13.6 million during the second quarter of 2010. This decrease was primarily due to greater legal expenses in 2010 related to the Conversion and the transition to IFRS (see page 4). Year-to-date G&A totaled $27.4 million, compared to $22.6 million during the same period the year before. The primary driver of the year-to-date increase was the timing of provisions made for share based incentives and an increase in the share price used to value those amounts. The increase also reflects higher salary and benefits expense due to an increase in Pembina's overall number of employees.

Pembina realized strong earnings before interest, taxes, depreciation and amortization ("EBITDA") during the second quarter of $102.8 million, a 32 percent increase over the second quarter 2010 EBITDA of $77.6 million. On a year-to-date basis, EBITDA was $190 million, a 17 percent increase over the first six months of 2010 EBITDA of $162.5 million (see "Non-GAAP Measures" on page 20).

Depreciation and amortization (operations) was roughly unchanged at $15.8 million during the second quarter and $30.6 million during the first six months of 2011, compared to $15.3 million and $30.8 million during the same periods in 2010.

The positive variances in revenue and operating margin contributed to an increase in gross profit, which was $94.5 million during the second quarter of 2011, compared to $72 million during the second quarter of 2010.

During the second quarter, Pembina realized earnings of $48 million ($0.29 per share), compared to $37.7 million ($0.23 per share) during the second quarter of 2010. Adjusted earnings for the period was $64.5 million ($0.39 per share) compared to $43.5 million ($0.27 per share) for the same period of 2010 (see "Non-GAAP Measures" on page 20). Earnings for the first six months of 2011 totaled $90.5 million ($0.54 per share), compared to $89.9 million ($0.55 per share) during the first six months of 2010, while adjusted earnings for the same periods were $116.5 million ($0.70 per share) compared to $92.8 million ($0.57 per share), respectively (see "Non-GAAP Measures" on page 20).

Cash flow from operating activities during the quarter was $50.4 million ($0.30 per share), compared to $69.6 million ($0.43 per share) during the same quarter the year before. This decrease was due to a $31.4 million negative change in non-cash working capital during the quarter. Adjusted cash flow from operating activities was $83.1 million ($0.50 per share), an increase of 43 percent compared to $58.2 million ($0.36 per share) during the same quarter the year before. In the first half of 2011, Pembina generated cash flow from operating activities of $124.8 million ($0.75 per share) compared to $136.0 million ($0.84 per share) in the first half of 2010. This decrease was due to a $32.9 million negative change in non-cash working capital during the first six months of 2011. Adjusted cash flow from operating activities was $152.5 million ($0.91 per share), an increase of 21 percent compared to $126.2 million ($0.78 per share) during the same periods (see "Non-GAAP Measures" on page 20).

Operating Results

(unaudited)

	3 Months Ended June 30, 2011		3 Months Ended June 30, 2010		**6 Months Ended June 30, 2011**		6 Months Ended June 30, 2010	
($ millions)	**Net Revenue[2]**	**Operating Margin[2]**	Net Revenue[2]	Operating Margin[2]	**Net Revenue[2]**	**Operating Margin[2]**	Net Revenue[2]	Operating Margin[2]
Conventional Pipelines	**72.4**	**50.1**	64.0	43.2	**141.7**	**94.1**	128.7	86.3
Oil Sands & Heavy Oil	**27.7**	**20.0**	29.5	19.0	**58.3**	**39.3**	58.3	38.5
Midstream & Marketing [1]	**29.4**	**26.8**	15.2	14.1	**55.0**	**50.5**	33.0	30.5
Gas Services	**18.6**	**13.4**	15.8	11.0	**33.6**	**23.7**	30.3	21.5
Total	**148.1**	**110.3**	124.5	87.3	**288.6**	**207.6**	250.3	176.8

(1) Midstream & Marketing revenue is net of $363.4 million and $617.2 million in product purchase expense for three and six months ended June 30, 2011 ($261.9 million and $425 million for the three and six months ended June 30, 2010).

(2) Refer to "Non-GAAP Measures" on page 20.

Conventional Pipelines

($ millions, except where noted)	**3 Months Ended June 30, 2011**	3 Months Ended June 30, 2010	**6 Months Ended June 30, 2011**	6 Months Ended June 30, 2010
Revenue	**72.4**	64.0	**141.7**	128.7
Operations	**22.3**	20.8	**47.6**	42.4
Operating margin[1]	**50.1**	43.2	**94.1**	86.3
Depreciation and amortization included in operations	**10.4**	7.1	**20.1**	14.3
Gross profit	**39.7**	36.1	**74.0**	72.0
Capital expenditures	**10.1**	5.3	**26.8**	8.5
Average throughput (thousands bpd)	**411.4**	370.4	**400.9**	379.8
Operating expenses ($/bbl)	**0.56**	0.60	**0.62**	0.60
Average revenue ($/bbl)	**1.81**	1.76	**1.83**	1.74

(1) Refer to "Non-GAAP Measures" on page 20.

Business Overview

Pembina's Conventional Pipelines form a well-maintained and strategically located 7,500 kilometre ("km") network that extends across much of Alberta and British Columbia, transporting approximately 50 percent of Alberta's conventional crude oil production and approximately 20 percent of the NGL produced in western Canada. The primary objective of the Conventional Pipelines business is to generate sustainable operating margins while pursuing opportunities for increased throughput and revenue. Operating margins are maintained and/or improved through incremental volume capture, system expansion, revenue management and operating expense discipline.

Q2 Operational Performance: Throughput

During the second quarter of 2011, Conventional Pipelines throughput averaged 411,400 barrels per day ("bpd"), consisting of an average of 257,300 bpd of crude oil, 44,900 bpd of condensate and 109,200 bpd of NGL, representing a 10 percent quarter-over-quarter increase. The majority of this throughput was on Pembina's Alberta-based systems, which transported an average of 391,600 bpd during the quarter. Throughput of 411,400 bpd represents a 5.4 percent increase compared to the previous quarter of 2011 in which Pembina transported 390,300 bpd in Conventional Pipelines, largely as a result of higher production in the Cardium and Deep Basin Cretaceous formations. Throughput during the second quarter of 2011 is substantially higher than the same period in 2010 when average throughput was 370,400 bpd with 352,300 bpd being transported on Alberta-based pipelines. Year-to-date throughput in 2011 averaged 400,900 bpd, compared to 379,800 bpd during the same period in 2010.

Second quarter 2011 average daily throughput on the Drayton Valley Pipeline system was approximately 107,100 bpd and 190,400 bpd on the Peace Pipeline system compared to approximately 91,240 bpd and 162,650 bpd, respectively, during the same period in 2010.

In May of 2011, the Peace Pipeline system began receiving incremental volumes of approximately 15,000 bpd due to an operational outage on a third party crude oil pipeline. The duration of the outage is unknown at this time.

In northeastern British Columbia, the Peace River Regional District suffered from a record flood with upwards of 150 millimetres of rain falling between June 25th and 26th. As a result, the region experienced a number of issues ranging from road washouts and mudslides to power outages and stranded residents. For Pembina, this weather system resulted in parts of its Western System pipeline, which runs from Taylor to Kamloops, B.C., being exposed along its right-of-way and several of its river crossings. Pembina proactively shut down the line to minimize the potential risk of a pipeline incident on June 25th. During the shutdown, which lasted 15 days, the Company monitored the pipeline by air, land and through its Edmonton Control Centre, conducted integrity inspections of the line, and completed work to stabilize the line before determining it was safe to restart operations. Pembina restarted the Western System pipeline on July 11th and does not expect any material impact from this event.

On July 19, 2011, Pembina responded to a spill on its Moosehorn 8 inch gathering pipeline, approximately three km from its Swan Hills Terminal and Pump Station. The Company can now confirm that the leak size was between 800 and 1,000 barrels of light, sweet conventional crude oil, which is less than its initial estimate of 1,300 barrels.

The release occurred along Pembina's right-of-way and into muskeg and an unnamed creek, but did not enter any named waterways or sources of drinking water. To date, Pembina has satisfactorily met its regulatory requirements to ensure ongoing and effective containment of the spill. Containment measures include berms, booms and weirs. Additionally, water quality samples downstream from the spill have demonstrated no impact to water quality in any named waterways or sources of drinking water at this time.

Pembina continues its clean-up efforts and environmental assessments, having retained third party environmental specialists, suppliers and First Nations contractors, and is working closely with all regulatory agencies and local authorities to ensure Pembina's clean-up efforts return the area to its natural state. Pembina made arrangements for affected shippers to transport their production by truck to regional Pembina truck terminals and does not expect a material financial impact from this event.

Q2 Financial Performance

Conventional Pipelines generated revenue of $72.4 million during the second quarter of 2011, compared to $64 million during the same period in 2010. The quarterly increase was driven by higher volumes on the majority of Pembina's largest systems, as discussed in more detail above. For the first six months of 2011, revenue was $141.7 million, compared to $128.7 million during the same period in 2010, with the increase over this period also being driven by higher volumes.

During the second quarter, operating expenses were $22.3 million, compared to the second quarter of 2010 when operating expenses totaled $20.8 million. This increase is the result of seasonal integrity work conducted on segments of the Conventional Pipelines to help ensure continuing pipeline integrity, safety and reliability and minimize the potential for operational disruptions. Operating expenses for the first six months of 2011 were $47.6 million, compared to $42.4 million over the same period last year. This increase is attributable to the same factors that impacted second quarter operating expenses.

Operating margin during the second quarter of 2011 was $50.1 million and $94.1 million for the first half of 2011, compared to $43.2 million and $86.3 million, respectively, during the same periods of 2010.

For the three months ended June 30, 2011, gross profit was $39.7 million, compared to $36.1 million during the same period in 2010. Year-to-date gross profit was $74 million, compared to $72 million during the same period in 2010.

As of the end of the second quarter of 2011, capital expenditures within the Conventional Pipelines business totaled $26.8 million, compared to $8.5 million during the same period in 2010. The majority of this spending relates to the expansion of certain Conventional Pipelines. For more information, see page 17.

Oil Sands & Heavy Oil

($ millions, except where noted)	**3 Months Ended June 30, 2011**	3 Months Ended June 30, 2010	**6 Months Ended June 30, 2011**	6 Months Ended June 30, 2010
Revenue	**27.7**	29.5	**58.3**	58.3
Operations	**7.7**	10.5	**19.0**	19.8
Operating margin[1]	**20.0**	19.0	**39.3**	38.5
Depreciation and amortization included in operations	**2.0**	5.6	**4.0**	11.2
Gross profit	**18.0**	13.4	**35.3**	27.3
Capital expenditures	**30.1**	9.0	**129.9**	19.8
Capacity under contract (thousands of bpd)	**775.0**	775.0	**775.0**	775.0

[1] Refer to "Non-GAAP Measures" on page 20.

Business Overview

With five oil sands pipelines, Pembina plays an important role in supporting Alberta's oil sands industry. Pembina is the sole transporter of crude oil for Syncrude Canada Ltd. (via the Syncrude Pipeline) and Canadian Natural Resources Ltd.'s Horizon Project (via the Horizon Pipeline) to delivery points near Edmonton, Alberta. Pembina also owns and operates the Cheecham Lateral, which transports product to oil sands producers operating southeast of Fort McMurray, Alberta. Pembina has expanded this business through its Nipisi and Mitsue Pipeline projects, which now provide transportation to producers operating in the Pelican Lake and Peace River heavy oil regions of Alberta and were completed in June and July of 2011. See page 13 for further details. In total, this business has approximately 1,450 km of pipeline with 900,000 bpd of transportation capacity and about 30 percent of the total take-away capacity from the Athabasca oil sands region. These assets operate under long-term, extendible contracts that provide for the flow-through of operating expenses to customers. As a result, operating margin from this business is primarily related to invested capital and is not generally sensitive to fluctuations in operating expenses or actual throughputs.

Q2 Performance

Syncrude Pipeline

The Syncrude Pipeline has a capacity of 389,000 bpd and is fully contracted to the owners of Syncrude Canada Ltd. under an extendible agreement that expires in 2035. Operating margin generated by the Syncrude Pipeline during the second quarter and first half of 2011 was $6.3 million and $12.8 million respectively, compared to $6 million and $12.8 million during the same periods in 2010.

Cheecham Lateral

Pembina's Cheecham Lateral has a capacity of 136,000 bpd and is fully contracted to shippers under a contract that expires in 2032. Operating margin generated by the Cheecham Lateral during the second quarter and first half of 2011 was $1.2 million and $2.3 million respectively, compared to $1.1 million and $2.2 million during the same periods in 2010.

Horizon Pipeline

The Horizon Pipeline has a capacity of 250,000 bpd and is fully contracted to Canadian Natural Resources Ltd. under an extendible agreement that expires in 2033. Operating margin generated by the Horizon Pipeline during the second quarter and first half of 2011 was $12.1 million and $23.5 million respectively, compared to $11.6 million and $23 million during the same periods in 2010. The increase in quarterly and year-to-date operating margin relates to a $0.6 million favourable 13 month adjustment in 2011.

Operating expenses in Pembina's Oil Sands & Heavy Oil business were $7.7 million during the second quarter of 2011, compared to $10.5 million during the second quarter of 2010. Year-to-date operating expenses in 2011 were $19 million, slightly lower than the first half of 2010. The decrease in quarterly and year-to-date operating expenses is primarily due to the temporary shut-down of the Horizon plant in 2011.

For the three months ended June 30, 2011, gross profit was $18 million, compared to $13.4 million during the same period in 2010. Year-to-date gross profit was $35.3 million, compared to $27.3 million during the same period in 2010. The increase was primarily due to a reduction in depreciation and amortization expense to reflect life of the underlying oil and gas reserves rather than the terms of the initial contracts for each of the assets.

In June and July of 2011 Pembina completed construction of its Nipisi and Mitsue Pipelines. Results from these pipelines will be included in Oil Sands & Heavy Oil in subsequent quarters.

As of June 30, 2011, capital expenditures within Oil Sands & Heavy Oil totaled $129.9 million, compared to $19.8 million during the same time period in 2010. The majority of the 2011 investment – $124.3 million – constitutes spending to complete the Nipisi and Mitsue Pipeline projects. For more information, see page 17.

Midstream & Marketing

($ millions)	3 Months Ended June 30, 2011	3 Months Ended June 30, 2010	6 Months Ended June 30, 2011	6 Months Ended June 30, 2010
Revenue	**392.8**	277.1	**672.3**	458.1
Operations	**2.6**	1.1	**4.6**	2.5
Product purchases	**363.4**	261.9	**617.2**	425.1
Operating margin[1]	**26.8**	14.1	**50.5**	30.5
Depreciation and amortization included in operations	**0.9**	0.4	**1.7**	1.0
Gross profit	**25.9**	13.7	**48.8**	29.5
Capital expenditures	**10.7**	1.3	**101.0**	2.9

[1] Refer to "Non-GAAP Measures" on page 20.

Business Overview

This business consists of a network of terminals, pipeline connected storage and hub locations situated at key sites across Pembina's Conventional Pipelines system as well as a 50 percent non-operated interest in both the Fort Saskatchewan Ethylene Storage Facility and the LaGlace Full Service Terminal. By providing integrated services along the crude oil and NGL value chains, this business has increased the range of services provided to customers and has contributed to throughput within the Conventional Pipelines business. The value potential associated with terminal, storage and hub assets is dependent upon Pembina's ability to: provide connections to both downstream pipelines and end-use markets; understand the value of the commodities transported and terminalled; provide flexibility and a variety of storage options; all in an environment of liquid, dynamic, forward commodity market. Pembina actively monitors market conditions and stream values to target revenue opportunities.

Q2 Performance

Midstream & Marketing recorded strong revenue net of product purchases of $29.4 million during the second quarter of 2011, compared to $15.2 million during the second quarter of 2010. The increase in revenue was primarily due to higher volumes and activity on the Peace Pipeline and Drayton Valley Pipeline systems, new service offerings associated with Pembina's recent acquisition of the new terminal in the Edmonton area, stronger commodity prices and wider margins. Year-to date revenue, net of product purchases was $55.1 million, nearly two thirds higher than the $33.1 million realized in the first half of 2010 largely due to the same factors that contributed to the quarter-over-quarter increase in revenue.

Operating expenses for the period were $2.6 million, compared to $1.1 million in the second quarter of 2010 due to increased expenses at truck terminals and the terminalling and storage facility near Edmonton, Alberta. Year-to-date operating expenses in 2011 were $4.6 million, compared to $2.5 million in the first half of 2010 primarily due to the same factors that contributed to the quarter-over-quarter increase.

Operating margin was $26.8 million during the second quarter of 2011, compared to $14.1 million during the second quarter of 2010 primarily due to the same factors that contributed to the increase in revenue, net of product purchases, as discussed above. Year-to-date operating margin totaled $50.5 million, compared to $30.5 million during the first six months of 2010 largely due to the same factors that contributed to the quarter-over-quarter increase.

For the three months ended June 30, 2011, gross profit increased to $25.9 million, compared to $13.7 million during the same period in 2010, as a result of the higher operating margin realized in the quarter. For the six months ended June 30, 2011, gross profit was $48.8 million, compared to $29.5 million during the same period in 2010.

Share of profit from equity accounted investees (Fort Saskatchewan Ethylene Storage Facility) is not included in gross profit but is included in earnings on the Statement of Comprehensive Income.

As of June 30, 2011, capital expenditures within Midstream & Marketing totaled $101 million, compared to $2.9 million during the first six months of 2010. The bulk of the spending relates to the acquisition of the terminalling and storage facility near Edmonton, Alberta in the first quarter of 2011 and the acquisition of linefill for the Peace Pipeline system. For more information, see page 17.

Gas Services

($ millions, except where noted)	**3 Months Ended June 30, 2011**	3 Months Ended June 30, 2010	**6 Months Ended June 30, 2011**	6 Months Ended June 30, 2010
Revenue	**18.6**	15.8	**33.6**	30.3
Operations	**5.2**	4.8	**9.9**	8.8
Operating margin[1]	**13.4**	11.0	**23.7**	21.5
Depreciation and amortization included in operations	**2.5**	2.1	**4.8**	4.2
Gross profit	**10.9**	8.9	**18.9**	17.3
Capital expenditures	**25.5**	4.4	**41.1**	9.1
Average processing volume (mmcf/d net to Pembina)	**237.6**	221.6	**233.0**	219.2

(1) Refer to "Non-GAAP Measures" on page 20.

Business Overview

Pembina's operations also include natural gas transportation and processing. Located approximately 100 km south of Grande Prairie, Alberta, Pembina's Gas Services assets - the Cutbank Complex - includes 300 km of gathering lines and ownership in three sweet gas processing plants with 360 million cubic feet per day ("mmcf/d") of processing capacity (305 mmcf/d is net to Pembina). The Cutbank Complex is connected to Pembina's Peace Pipeline system and serves an active exploration and production area in the Western Canadian Sedimentary Basin ("WCSB").

Q2 Performance

Gas Services recorded revenue of $18.6 million during the second quarter of 2011 compared to $15.8 million during the same time period in 2010. During the first half of 2011, revenue was $33.6 million, compared to $30.3 million during the first half of 2010. This increase in quarter-over-quarter and year-to-date revenue primarily reflects higher processing volume at the Cutbank Complex. Average processing volume, net to Pembina, was 237.6 mmcf/d during the second quarter of 2011, compared to 221.6 mmcf/d during the second quarter of 2010.

During the second quarter of 2011, operating expenses were $5.2 million, a slight increase from the $4.8 million spent in the second quarter of 2010 primarily due to handling more volumes at the Cutbank Complex. Gas Services realized operating margin of $13.4 million during the second quarter of 2011, compared to $11 million in the second quarter of 2010.

For the three months ended June 30, 2011, gross profit was $10.9 million compared to $8.9 million during the same period in 2010.

As of June 30, 2011, capital expenditures within Gas Services totaled $41.1 million compared to $9.1 million during the first six months of 2010 as a result of spending to progress the enhanced NGL extraction facility at the Cutbank Complex. For more information, see page 17.

Business Environment

The benchmark West Texas Intermediate ("WTI") price decreased from its April high of over $110 per barrel to approximately $95 per barrel by the end of the second quarter 2011. World-wide geopolitical events, particularly in and around major oil-producing nations, are thought to have contributed to higher WTI prices in the earlier part of the year. Clarity around the supply-side consequences of these events and bearish economic sentiment are believed to be partly responsible for the decline in commodity prices over the quarter. In the second quarter of 2011, benchmark New York Mercantile Exchange natural gas prices were in line with the previous quarter, averaging U.S. $4.36 per thousand cubic feet ("mcf") compared to U.S. $4.17 per mcf. Relatively low natural gas prices continue to reflect the impact of strong natural gas supply across North America. Global energy equity valuations generally followed the negative trend in oil and natural gas commodity prices over the quarter with the New York Stock Exchange Energy Index declining by over 6 percent during the quarter. The S&P TSX Composite Index declined by 5.9 percent over the quarter.

The outlook for the energy infrastructure sector in the WCSB remains positive for all of Pembina's business units. The combination of relatively high oil prices and low natural gas prices continues to benefit Conventional Pipelines by contributing to strong liquids volumes. The current pricing dynamic has also led to an emphasis on the inherent

liquids value within natural gas. Pembina believes its existing asset base positions it well to capture on the opportunities within the province of Alberta. Additionally, continued strong activity levels within the oil sands region represent opportunities for the Company to leverage its existing asset base to take advantage of additional growth opportunities.

New Developments & Outlook

Nipisi & Mitsue Pipeline Projects

Pembina announced on August 3, 2011 that it has achieved a major milestone in its growth strategy with the commissioning and start-up of its Nipisi and Mitsue Pipelines, which will service the Pelican Lake and Peace River heavy oil regions of Alberta.

The Nipisi Pipeline is a new, 190 kilometre ("km"), heavy oil pipeline with a design capacity of 100,000 barrels per day ("bpd") that will transport diluted heavy oil from north of Slave Lake to Pembina's existing pipeline south of Swan Hills and on to Edmonton, Alberta for further transport or processing.

The Mitsue Pipeline will transport condensate from various sources in north western Alberta to heavy oil producers operating north of Slave Lake, Alberta for use by producers to dilute heavy oil prior to transport. The pipeline consists of a combination of 135 km of new and 120 km of existing infrastructure, and has a design capacity of 22,000 bpd.

The Nipisi and Mitsue Pipelines are underpinned by long-term agreements which contain a minimum primary term of 10 years from the in-service date and are extendible thereafter. Pembina expects these pipelines to contribute stable, long-term cash flow, with full recovery of operating expenses.

Pembina estimates that the total capital cost of the Nipisi and Mitsue Pipelines will be approximately $400 million, down from Pembina's previous estimate of $440 million. The Nipisi and Mitsue Pipelines are expected to contribute annual operating margin of approximately $40 million once commissioning has been completed.

Pembina has designed the Nipisi and Mitsue Pipelines so the capacity of each pipeline can be increased in a staged approach. The Nipisi Pipeline has the potential to be expanded to 200,000 bpd and the Mitsue Pipeline could be expanded to 45,000 bpd. Expansion plans would require regulatory approval, which Pembina expects to pursue once customer support has been solidified.

The Mitsue Pipeline commenced operations in mid-June, ahead of schedule, and the Nipisi Pipeline initiated deliveries in early July. Commissioning and ramp-up on the Nipisi Pipeline is continuing and is expected to be completed early in the fourth quarter of 2011.

Cutbank Expansion

Pembina announced on July 27, 2011 that it plans to expand its Cutbank Complex shallow cut gas processing capability by 50 million cubic feet per day ("mmcf/d") due to high plant utilization and strong customer demand arising from customer's positive drilling results in the area. Once the expansion is complete, the Cutbank Complex is expected to have raw gas processing capacity of 410 mmcf/d (355 mmcf/d net to Pembina), an increase to Pembina of 16 percent. The planned Cutbank expansion will occur at the Musreau gas plant, one of the three plants that make up the Cutbank Complex.

Pembina expects the expansion to cost approximately $26 million and, subject to regulatory and environmental approval, is expected to be in-service by mid-2012. Pembina has entered into contracts with a minimum term of five years with area producers for the entire capacity of the expansion on a fee for service basis.

Enhanced NGL Extraction: Musreau Deep Cut Facility

Construction of Pembina's Musreau Deep Cut Facility project, a new 205 mmcf/d ethane extraction facility and the related 10 km pipeline, is 80 percent complete with commissioning and start-up to commence in October 2011. This new $75 million plant, which is being built on the Company's existing Musreau Gas Plant site and uses existing infrastructure where possible, will deliver an ethane mix stream to Pembina's Peace Pipeline. Pembina has contracted approximately 80 percent of the planned capacity at the facility and expects to contract the remaining capacity under terms designed to provide Pembina with cash flow certainty. Once on stream and at full capacity, the ethane extraction facility is expected to provide Pembina with approximately $12 to $15 million of additional operating

margin annually, as well as up to 14,000 bpd of liquids which Pembina will transport on its Conventional Pipelines and for which it will receive additional toll revenue.

Emerging Resource Developments

As oil and gas producers continue to take advantage of promising technologies and commodity prices, a number of transportation opportunities exist for Pembina throughout Alberta and British Columbia. Of particular interest are plays that were once considered mature or unviable and which are now being rejuvenated. New gas volumes combined with the higher value of liquids embedded in the gas has created interest in new and upgraded gas plants (with enhanced liquids extraction capacity) and ethane plus (C2+) transportation opportunities. Certain of these developments are discussed in more detail below.

The Alberta Deep Basin

Pembina recently executed an agreement and received approval to extend the Peace Pipeline system south into the greater Edson, Alberta area, by re-commissioning one of its previously deactivated pipelines to provide liquids transportation options for producers exploiting the Deep Basin Cretaceous formations. Although these are predominant gas plays, the hydrocarbon liquids content is a significant driver for activity in this region.

Cardium Development

During the second quarter of 2011, Pembina realized an increase in average daily throughput on its Drayton Valley Pipeline and Peace Pipeline of more than 15,900 bpd and 27,700 bpd, respectively, compared to the same period in 2010. This is largely attributable to increased production in the Cardium formation located in west central Alberta. To continue meeting the needs of shippers in the region, and subject to receiving regulatory approval, Pembina plans to spend approximately $40 million prior to mid-2012 on projects that will provide additional transportation service options to customers. This includes an investment of approximately $23 million to increase the capacity of an existing 42 km section of pipeline that transports crude oil between Willesden Green and Buck Creek, Alberta and is expected to add an incremental 25,000 bpd to the current capacity of 12,000 bpd. In addition, Pembina plans to spend approximately $6 million to extend segments of its Drayton Valley trunk line and approximately $11 million to debottleneck existing pipeline systems and construct truck terminals in the region. To date this year, Pembina has spent approximately $15 million of the $40 million to install 10 km of 10 inch pipe in the west Drayton Valley area, and purchase and coat 42 km of 8 inch pipe for the Willesden Green expansion project, pump station upgrades and producer facility connections.

Midstream Facility Acquisition and the Establishment of the Pembina Nexus Terminal

In early 2011, Pembina acquired terminalling and storage facilities including more than 300,000 barrels of existing storage capacity and sufficient bare land to develop and significantly expand storage capacity as customer demand grows. Located near Edmonton, Alberta and interconnected via pipelines to other Pembina infrastructure, refineries and downstream terminals, this $57 million acquisition allows Pembina to create tailored products and services for Pembina's customers, facilitate growth for its other business units, and forms an important part of Pembina's growth strategy in the Midstream & Marketing business. Incremental storage development will increase Pembina's ability to respond to changing conditions in the marketplace: products can be stored when the market is in a surplus state and drawn down demand warrants; customer requests for storage of products can be accommodated; and downstream transportation interruptions can be buffered so upstream tariff revenues are maintained. As a result of Pembina's integrated approach, the strategic acquisition of these assets will allow the Company to benefit from the synergies that may exist across its business units. For example, the acquired assets will form an integral part of the Pembina Nexus Terminal ("PNT"), which has been designed to connect key infrastructure in the Edmonton - Fort Saskatchewan – Namao, Alberta area. Pembina envisions that PNT will act, among other things, as a key distribution hub to serve the growing demand for diluent by customers in the oil sands and heavy oil sector in both the Fort McMurray and Peace River, Alberta regions. At the end of the second quarter of 2011, Pembina completed work to increase the interconnectivity of the terminal, aimed at providing value to both upstream and downstream customers. Expansion will occur over time as maket demand drives growth, and will require future capital expenditures.

Fort Saskatchewan Ethylene Storage Facility

Three of the five ethylene storage caverns in the Storage Facility are currently out of service and it is unlikely those caverns will be put back into ethylene storage service. While alternative uses are being considered, no assurance that future economic benefits from such out of service caverns (or their disposal) can be given at this time. Pembina has entered into agreements to wash a new ethylene storage cavern and does not expect a reduction in cash flow. As a result of such agreements, Pembina has recognized a benefit from equity accounted investees and de-recognized a portion of the investment values related to such out of service caverns in approximately the same amounts. This will reduce reported share of profit from equity accounted investees but not cash flow from operating activities while the new cavern is under construction.

Dividends

Based on certain assumptions, and subject to compliance with applicable law, Pembina expects to maintain its dividend of $1.56 per share per year (payable at $0.13 per share per month) through 2013 (see "Forward-Looking Statements & Information" on page 21). Dividends are payable if, as, and when declared by Pembina's Board of Directors and the amount and frequency of dividends declared and payable is at the discretion of the Board, which will consider earnings, capital requirements, the financial condition of Pembina and other relevant factors.

Eligible Canadian investors may benefit from an enhanced dividend tax credit afforded to the receipt dividends, as compared to distributions of income, depending on individual circumstances. Dividends paid to eligible U.S. investors should qualify for the reduced rate of tax applicable to long-term capital gains but investors are encouraged to seek independent tax advice.

NON-OPERATING EXPENSES AND OTHER INCOME

General & Administrative ("G&A")

G&A expenses of $12.8 million were incurred during the second quarter of 2011 compared to $13.6 million during the second quarter of 2010. The decrease year-over-year for the three months period is due to greater legal expenses in 2010 due to Conversion and the transition to IFRS (see page 4). Year-to-date G&A totaled $27.4 million compared to $22.6 million incurred during the same period in 2010. The primary driver of the year-to-date increase in G&A was the timing of provisions made for share based incentives and an increase in the share price used to value those amounts during the first six months of 2011. The increase also reflects higher salary and benefits expense due to an increase in Pembina's overall number of employees. Every $1 increase in share price is expected to increase Pembina's share based incentive expense by $0.7 million.

Depreciation & Amortization

Depreciation and amortization was $16.1 million during the second quarter 2011, compared to $15.8 million during the same period of 2010. On a year-to-date basis, depreciation and amortization was $31.2 million in 2011, compared to $32 million over the first six months of 2010.The net decrease reflects the change in estimated useful lives of certain Oil Sands & Heavy Oil and Conventional Pipelines assets at the beginning of 2011.

Net Finance Costs (Including Accretion)

Net finance costs in the second quarter of 2011 were $21.8 million, compared to $19.9 million in the second quarter of 2010. The net increase of $1.8 million relates to a $4 million increase in convertible debenture interest expense (convertible debentures were issued in the fourth quarter of 2010) and a $0.2 million increase in accretion expense offset by a $2.4 million decline in long-term debt interest expense and mark to market loss related to Pembina's financial derivatives. Year-to-date net finance costs were $35.7 million in 2011 compared to $37.6 million in 2010. The net decrease of $1.9 million year-to-date relates to an increase in finance income of $3.7 million (mostly due to an increase in the mark to market gain on financial derivatives) partially offset by an increase in finance costs of $1.8 million. The increase in finance costs of $1.8 million is due to greater convertible debenture interest ($7.9 million) partially offset by a decline in long term debt interest expense ($3.7 million) and a decline in mark to market loss on financial derivatives ($2.9 million).

Income Tax Expense

Deferred income taxes arise from differences between the accounting and tax basis of assets and liabilities. An income tax expense of $15.3 million was recorded in the second quarter of 2011 compared to an income tax expense of $2.6 million in the second quarter of 2010. On a year-to-date basis, income tax expense was $28.8 million in 2011, compared to nil over the first six months of 2010. The increased income tax expense for the second quarter and first half of 2011 is primarily due to the Conversion of the Fund to corporate structure and the resultant loss of tax efficiencies. See page 4 for further information on the Conversion.

Liquidity & Capital Resources

($ millions)	**6 Months Ended June 30, 2011**	December 31 2010
Working Capital[1]	**84.6**	125.0
Variable rate debt[2]		
Bank debt	**201.2**	246.2
Variable rate debt swapped to fixed	**(200.0)**	(200.0)
Total variable rate debt outstanding (average rate of 2.98%)	**1.2**	46.2
Fixed rate debt[2]		
Senior unsecured notes	**642.0**	642.0
Senior unsecured term debt	**75.0**	75.0
Senior secured notes	**62.0**	66.0
Variable rate debt swapped to fixed	**200.0**	200.0
Senior unsecured medium term note	**250.0**	
Total fixed rate debt outstanding (average rate of 5.50%)	**1,229.0**	983.0
Convertible debentures[2]	**300.0**	300.0
Finance lease liability	**5.5**	4.5
Total debt and debentures outstanding	**1,535.7**	1,333.7
Cash and unutilized debt facilities	**383.4**	429.2

[1] Current assets less current liabilities.
[2] Excluding amortization.

Pembina anticipates cash flow from operating activities will be more than sufficient to meet its short-term operating obligations and fund its targeted dividend level. In the medium-term, funds required for capital projects are expected to be sourced from existing cash and unutilized debt facilities of $383.4 million as at June 30, 2011. In the event of additional significant projects or acquisitions, Pembina believes, based on its successful access to financing in the debt and equity markets during the past several years that it would likely continue to have access to funds at attractive rates. Management remains satisfied that the leverage employed in Pembina's capital structure is sufficient and appropriate given the characteristics and operations of the underlying asset base.

Pembina's credit facilities at June 30, 2011 consisted of an unsecured $500 million revolving credit facility due July, 2012 and an operating facility of $50 million due July, 2011 which, subsequent to June 30, 2011, was renewed for another year with a maturity of July 2012 (the renewed operating facility will bear favourable interest rates of prime plus 0.35 percent to 2.35 percent or Bankers' Acceptances rates plus 1.35 percent to 3.35 percent). Borrowings on the revolving credit facility bear interest at prime lending rates plus 0 percent to 0.5 percent or Bankers' Acceptances rates plus 0.50 percent to 1.50 percent. Margins on the Bankers' Acceptances rate are based on the credit rating of Pembina's senior unsecured debt. Current borrowings on the operating facility bear interest at prime lending rates plus 0.75 percent to 2.75 percent or Bankers' Acceptances rates plus 1.75 percent to 3.75 percent. There are no repayments due over the term of these facilities. As at June 30, 2011, Pembina had $201.2 million drawn on bank debt (including $1.2 million in letters of credit) leaving $383.4 million of cash and unutilized debt facilities (cash as at June 30, 2011: $34.6 million) on the $550 million of established bank facilities. Other debt includes $62 million in fixed rate senior secured notes due 2017; $75 million in senior unsecured term debt due 2014; $175 million in fixed rate senior unsecured notes due 2014; $267 million in senior unsecured notes due 2019; $200 million in fixed rate senior unsecured notes due 2021; and, $250 million in medium term notes due 2021. At June 30, 2011, Pembina had loans and borrowing (excluding amortization and excluding finance lease liabilities) of $1,229.0 million. Pembina's debt to total capital at June 30, 2011 was 48 percent.

Pembina considers the maintenance of an investment grade credit rating as important to its ongoing ability to access capital markets on attractive terms. DBRS rates Pembina and has assigned a senior debt rating of 'BBB high'. These ratings were confirmed on October 5, 2010. On June 14, 2011, S&P confirmed its long-term corporate credit and bank loan ratings on Pembina of "BBB+", and its senior secured debt rating of "A-", all with a stable outlook.

Capital Expenditures

($ millions)	**3 Months Ended June 30, 2011**	3 Months Ended June 30, 2010	**6 Months Ended June 30, 2011**	6 Months Ended June 30, 2010
Development capital				
Conventional Pipelines	**10.1**	5.3	**26.8**	8.5
Oil Sands & Heavy Oil	**30.1**	9.0	**129.9**	19.8
Midstream & Marketing	**10.7**	1.3	**101.0**	2.9
Gas Services	**25.5**	4.4	**41.1**	9.1
Corporate/other projects	**0.9**	0.3	**1.8**	0.5
Total development capital	**77.3**	20.3	**300.6**	40.8

During the second quarter of 2011, capital expenditures were $77.3 million compared to $20.3 million during the same three month period in 2010. The increase primarily reflects investments made to expand Pembina's Oil Sands & Heavy Oil business through the Nipisi and Mitsue Pipeline projects. Spending to progress the expansion of several of Pembina's Conventional Pipelines and to progress construction of the enhanced NGL extraction facility at the Cutbank Complex in Gas Services also contributed to the quarter-over-quarter increase.

Pembina expects to spend approximately $470 million on capital projects during 2011, excluding the $57 million acquisition of the Midstream & Marketing terminalling and storage facility.

Contractual Obligations

($ 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	67.0	8.7	15.4	8.8	34.1
Loans and borrowings[(1)]	1,229.0	8.3	478.7	22.9	719.1
Convertible debentures[(1)]	300.0				300.0
Construction commitments	155.3	155.3			
Provisions	296.7				296.7
Total contractual obligations	2,048.0	172.3	494.1	31.7	1,349.9

(1) Excluding amortization costs and finance leases included under "office and vehicle leases".

Pembina is, subject to certain conditions, contractually committed to the construction and operation of an enhanced NGL extraction plant at its Cutbank Complex and remains contractually obligated to expand the Horizon Pipeline and once project timing is confirmed, the cost of this contractual obligation will be updated and disclosed to investors.

See "Forward-Looking Statements & Information" on page 21 of this report.

Common Share Information [1]

($ thousands, except where noted)	August 2, 2011[2]	June 30, 2011	June 30, 2010
Trading volume and value			
Total volume (shares)	**3,147,236**	10,543,451	21,379149
Average daily volume (shares)	**149,868**	167,356	339,352
Value traded	**79,892**	390,673	378,494
Shares outstanding (shares)	**167,575,250**	167,470,150	163,569,557
Closing share price (dollars)	**25.50**	25.39	17.86
Market value			
Shares	**4,273,163**	4,252,067	2,921,352
5.75% convertible debentures	**314,700** [3]	310,500 [4]	
7.35% convertible debentures			44,905 [5]
Market capitalization	**4,587,863**	4,562,567	2,966,257
Senior debt	**1,228,373**	1,229,041	1,045,700
Total enterprise value[6]	**5,816,236**	5,791,608	4,011,957

(1) On October 1, 2010 all trust units and convertible debentures of the Fund outstanding were converted to common shares and convertible debentures of Pembina Pipeline Corporation pursuant to the Conversion of the Fund to a corporate structure. Trading information in this table reflects activity on the TSX.
(2) Based on 21 trading days from July 2, 2011 to August 2, 2011 inclusive.
(3) $300 million principal amount of 5.75 percent convertible debentures outstanding at a market price of $104.90 at August 2, 2011.
(4) $300 million principal amount of 5.75 percent convertible debentures outstanding at a market price of $103.50 at June 30, 2011.
(5) $31.4 million principal amount of 7.35 percent convertible debentures outstanding at a market price of $143 at June 30, 2010.
(6) Refer to "Non-GAAP Measures" on page 20.

Risk Factors

Management has identified the primary risk factors that could potentially have a material impact on the financial results and operations of Pembina. Such risk factors are presented in the MD&A for the year ended December 31, 2010 and in Pembina's Annual Information Form for the year ended December 31, 2010. These documents are available on www.pembina.com and under Pembina's company profile on www.sedar.com.

Selected Quarterly Financial Information

	2011		2010				2009		
($ millions, except where noted)	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Revenue	**511.5**	**394.3**	290.2	266.6	386.4	289.0	256.4	211.9	185.5
Operations	**37.8**	**43.2**	42.3	40.0	37.2	36.4	39.7	39.6	35.8
Product purchases	**363.4**	**253.7**	161.7	148.4	261.9	163.1	127.2	80.8	64.4
Operating margin	**110.3**	**97.4**	86.2	78.2	87.3	89.5	89.5	91.5	85.3
Depreciation and amortization Included in operations	**15.8**	**14.9**	15.6	15.3	15.3	15.5	12.6	15.9	19.9
Gross profit	**94.5**	**82.5**	70.6	62.9	72.0	74.0	76.9	75.6	65.4
EBITDA	**102.8**	**87.2**	79.1	67.6	77.6	84.9	75.9	77.8	70.2
Cash flow from operating activities	**50.4**	**74.5**	48.0	62.9	65.7	66.5	72.0	62.2	49.2
Cash flow from operating activities per common share ($ per share)	**0.30**	**0.45**	0.29	0.39	0.40	0.41	0.46	0.40	0.33
Adjusted cash flow from operating activities[2]	**83.1**	**69.4**	70.9	44.9	58.2	68.0	58.5	67.1	61.9
Adjusted cash flow from operating activities per common share[2] ($ per share)	**0.50**	**0.42**	0.43	0.27	0.36	0.42	0.37	0.43	0.41
Earnings for the period	**48.0**	**42.5**	55.1	28.6	37.7	52.2	52.9	44.7	36.2
Earnings per common share ($ per share):									
Basic	0.29	0.25	0.33	0.17	0.23	0.32	0.34	0.29	0.25
Diluted	0.29	0.25	0.33	0.17	0.23	0.32	0.33	0.29	0.24
Dividends	**65.3**	**65.1**	64.6	64.0	63.8	62.8	61.4	60.2	57.5
Dividends per common share ($ per share):									
Basic	**0.3900**	**0.3900**	0.3900	0.3900	0.3900	0.3900	0.3900	0.3900	0.3899
Diluted	**0.3886**	**0.3849**	0.3859	0.3858	0.3861	0.3832	0.3848	0.3849	0.3847
Common shares outstanding (millions):									
Weighted average (basic)	**167.3**	**167.0**	165.0	164.0	163.2	161.8	157.5	154.4	147.5
Weighted average (diluted)	**168.0**	**167.6**	165.7	166.9	166.2	165.2	160.9	157.8	150.9
End of period	**167.2**	**167.1**	166.9	164.5	163.6	162.2	158.6	155.4	152.6

[1] As Pembina's IFRS transition date was January 1, 2010, 2009 comparative information has not been restated and is presented in accordance with Canadian GAAP.

[2] Refer to non-GAAP measures on page 20.

Selected Quarterly Operating Information

	2011		2010				2009		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Average throughput (thousands of barrels per day)									
Alberta	**391.6**	**372.2**	**355.6**	**343.2**	**352.3**	**370.2**	361.2	369.7	373.2
British Columbia	**19.8**	**18.1**	**19.4**	**18.2**	**18.1**	**19.1**	18.2	19.6	18.9
Total Conventional Throughput	**411.4**	**390.3**	**375.0**	**361.4**	**370.4**	**389.3**	379.4	389.3	392.1
Oil Sands & Heavy Oil	**775.0**	**775.0**	**775.0**	**775.0**	**775.0**	**775.0**	775.0	775.0	775.0
Total average throughput	**1,186.4**	**1,165.3**	**1,150.0**	**1,136.4**	**1,145.4**	**1,164.3**	1,154.4	1,164.3	1,167.1
Average daily Cutbank Complex (mmcf/d net to Pembina)	**237.6**	**228.3**	**227.8**	**215.8**	**221.6**	**216.9**	197.4	200.5	

Additional Information

Additional information relating to Pembina, including its Annual Information Form, financial statements and MD&A can be found at www.pembina.com or at www.sedar.com.

Non-GAAP Measures

Throughout this MD&A, Pembina has used the following terms that are not defined by GAAP but are used by management to evaluate performance of Pembina and its business. Since certain non-GAAP financial measures may not have a standardized meaning, securities regulations require that non-GAAP financial measures are clearly defined, qualified and reconciled to their nearest GAAP measure.

Earnings before interest, taxes, depreciation and amortization ("EBITDA")

EBITDA is commonly used by management, investors and creditors in the calculation of ratios for assessing leverage and financial performance and is calculated as results from operating activities plus share of profit from equity accounted investees (before tax) plus depreciation and amortization (included in operations and general and administrative expense).

Adjusted earnings

Adjusted earnings is commonly used by management for assessing comparing financial performance each reporting period and is calculated as earnings before tax excluding hedging activities plus share of profit from equity accounted investees (before tax).

Adjusted cash flow from operating activities

Adjusted cash flow from operating activities is commonly used by management for assessing financial performance each reporting period and is calculated as cash flow from operating activities plus net interest paid, employee future benefit contributions and change in non-cash working capital less employee future benefit expense, share based payments and net finance costs.

Operating margin

Operating margin is commonly used by management for assessing financial performance and is calculated as gross profit less operating expense and product purchases.

Total enterprise value

Total enterprise value, in combination with other measures, is used by management and the investment community to assess the overall market value of the business. Total enterprise value is calculated based on the market value of common shares and convertible debentures at a specific date plus senior debt.

Management believes these supplemental non-GAAP measures facilitate the understanding of Pembina's results from operations, leverage, liquidity and financial positions. Investors should be cautioned that EBITDA, adjusted earnings, adjusted cash flow from operating activities, operating margin and total enterprise value should not be construed as alternatives to net earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of Pembina's performance. Furthermore, these non-GAAP measures may not be comparable to similar measures presented by other issuers.

Forward-Looking Statements & Information

Certain statements contained in this MD&A constitute "forward-looking statements" within the meaning of the *United States Private Securities Litigation Reform Act of 1995* and "forward-looking information" within the meaning of applicable Canadian securities legislation (collectively, "forward-looking statements").

All forward-looking statements are based on Pembina's current expectations, estimates, projections, beliefs and assumptions based on information available at the time the statement was made and in light of its experience and its perception of historical trends. The use of any of the words "anticipate", "continue", "estimate", "expect", "may", "will", "project", "should", "believe", "plan", "intend", "design", "target", "undertake", "view", "indicate", "maintain", "explore", "entail", "schedule", "objective", "strategy", "likely", "potential" and similar expressions are intended to identify forward-looking statements.

By their nature, such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Pembina believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of the MD&A.

In particular, this MD&A contains forward-looking statements, including certain financial outlook, pertaining to the following:

- the future levels of cash dividends that Pembina intends to pay to its shareholders, including the ability of Pembina to maintain its current level of cash dividends to equity holders through 2013;
- the estimated future operating margin contributions from the Nipisi and Mitsue Pipelines and the enhanced NGL extraction facility, once such projects are completed;
- capital expenditure estimates, plans, schedules, rights and activities and the planning, development, construction, operations and costs of pipelines, including in relation to the Pembina Nexus Terminal, the Nipisi and Mitsue Pipeline projects, the expansion of the Cutbank Complex, the NGL extraction facility at the Cutbank Complex, the proposed expansion plans to strengthen Pembina's transportation service options that it provides to producers developing the Cardium oil formation located in Central Alberta and other facilities and energy infrastructure;
- future expansion of Pembina's pipelines and other infrastructure, including in respect of its Horizon Pipeline and the Nipisi and Mitsue pipeline projects;
- pipeline, processing and storage facility and system operations and throughput levels;
- oil and gas industry exploration and development activity levels;
- Pembina's strategy and the development of new business initiatives;
- expectations regarding Pembina's ability to raise capital and to carry out acquisition, expansion and growth plans;
- treatment under governmental regulatory regimes including environmental regulations and related abandonment and reclamation obligations;
- future G&A expenses at Pembina;
- increased throughput potential due to increased activity and new connections and other initiatives on the Conventional Pipelines;
- future cash flows, potential revenue and cash flow enhancements across Pembina's businesses and the maintenance of operating margins;
- tolls and tariffs and transportation, storage and services commitments and contracts;
- cash dividends and the tax treatment thereof;
- operating risks (including the amount of future liabilities related to pipeline spills and other environmental incidents) and related insurance coverage and inspection and integrity systems; and
- competitive conditions.

Various factors or assumptions are typically applied by Pembina in drawing conclusions or making the forecasts, projections, predictions or estimations set out in forward-looking statements based on information currently available to Pembina. These factors and assumptions include, but are not limited to:

- the success of Pembina's operations;
- prevailing commodity prices and exchange rates;
- the availability of capital to fund future capital requirements relating to existing assets and projects, including but not limited to future capital expenditures relating to expansion, upgrades and maintenance shutdowns;
- future operating costs;
- in respect of the estimated future operating margin contribution from the Nipisi and Mitsue Pipelines, 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, including unplanned shutdowns of the pipelines; there are no unforeseen construction costs related to the Nipisi and Mitsue Pipelines; and there are no unforeseen material costs relating to the pipeline systems which are not recoverable from shippers;
- in respect of the estimated future operating margin contribution from the enhanced NGL extraction facility at the Cutbank Complex and its estimated in-service date of October 2011; that counterparties will comply with contracts in a timely manner; that there are no unforeseen events preventing the performance of contracts by Pembina; that there are no unforeseen construction costs related to the NGL extraction facility; and that there are no unforeseen material costs relating to the NGL extraction facility which are not recoverable from customers;
- the future exploration for and production of oil, NGLs and natural gas in the capture area around Pembina's conventional and midstream and marketing assets, including new production from the Cardium formation in western Alberta, the demand for gathering and processing of hydrocarbons, and the corresponding utilization of Pembina's assets;
- prevailing regulatory, tax and environmental laws and regulations.

The actual results of Pembina could differ materially from those anticipated in these forward-looking statements as a result of the material risk factors set forth below:

- the regulatory environment and decisions;
- the impact of competitive entities and pricing;
- labour and material shortages;
- reliance on key alliances and agreements;
- the strength and operations of the oil and natural gas production industry and related commodity prices;
- non-performance or default by counterparties to agreements which Pembina or one or more of its affiliates has entered into in respect of its business;
- actions by governmental or regulatory authorities including changes in tax laws and treatment, changes in royalty rates or increased environmental regulation;
- fluctuations in operating results;
- adverse general economic and market conditions in Canada, North America and elsewhere, including changes in interest rates, foreign currency exchange rates and commodity prices; and
- the other factors discussed under "Risk Factors" in Pembina's Management's Discussion and Analysis for the year ended December 31, 2010 and in Pembina's current Annual Information Form available under the Fund's profile at www.sedar.com.

These factors should not be construed as exhaustive. Unless required by law, Pembina does not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Any forward-looking statements contained herein are expressly qualified by this cautionary statement.

Management of Pembina 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 that the proposed Nipisi and Mitsue Pipelines and the enhanced NGL extraction facility at the Cutbank Complex may have on Pembina's operating results, once completed.

Readers should be aware that the information contained in the financial outlook contained herein may not be appropriate for other purposes.

For additional detail and information, please see Pembina's public disclosure documents, including the Pembina's annual information form for the year ended December 31, 2010 and the Pembina's MD&A for the year ended December 31, 2010, each of which can be found under Pembina's SEDAR profile at www.sedar.com.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
(unaudited)

($ thousands)	Note	**June 30, 2011**	December 31, 2010
Current assets			
Cash and cash equivalents		34,597	125,397
Trade and other receivables		141,068	105,474
Derivative financial instruments		3,181	5,199
Inventory		17,202	26,099
		196,048	262,169
Non-current assets			
Property, plant and equipment	5	2,449,263	2,159,097
Intangible assets		244,253	244,602
Employee benefits		1,442	
Investments in equity accounted investees		162,753	190,739
Derivative financial instruments		1,911	241
		2,859,622	2,594,679
		3,055,670	2,856,848
Current liabilities			
Trade payables and accrued liabilities		77,490	99,023
Dividends payable		21,771	21,694
Loans and borrowings	7	10,450	10,055
Derivative financial instruments		1,747	6,384
		111,458	137,156
Non-current liabilities			
Loans and borrowings	7	1,215,774	1,010,102
Convertible debenture		288,985	288,635
Derivative financial instruments		9,197	7,703
Employee benefits		5,854	6,012
Share-based payments		7,114	5,252
Deferred revenue		399	
Provisions	8	296,672	281,694
Deferred tax liabilities		100,083	69,686
		2,035,536	1,806,240
Equity			
Share capital and contributed surplus	9	1,803,943	1,794,536
Deficit		(779,232)	(739,351)
Accumulated other comprehensive income		(4,577)	(4,577)
		1,020,134	1,050,608
		3,055,670	2,856,848

See accompanying notes to consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
(unaudited)

($ thousands, except per share amounts)	Note	**3 Months Ended June 30, 2011**	3 Months Ended June 30, 2010	**6 Months Ended June 30, 2011**	6 Months Ended June 30, 2010
Revenues		511,497	386,360	905,790	675,381
Cost of sales		416,996	314,400	728,797	529,338
Gross profit	11	94,501	71,960	176,993	146,043
General and administrative		12,781	13,631	27,428	22,548
Other expense (income)		(662)	242	(582)	326
		12,119	13,873	26,846	22,874
Results from operating activities		82,382	58,087	150,147	123,169
Net finance costs	10	21,746	19,890	35,690	37,590
Earnings before income tax		60,636	38,197	114,457	85,579
Share of profit of investments in equity accounted investees (net of tax)		(2,652)	(2,105)	(4,842)	(4,326)
Income tax expense	6	15,245	2,604	28,764	37
Earnings and total comprehensive income for the period		48,043	37,698	90,535	89,868
Earnings per share					
Basic earnings per share		0.29	0.23	0.54	0.55
Diluted earnings per share		0.29	0.23	0.54	0.55

See accompanying notes to consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
(unaudited)

($ thousands)	**6 Months Ended June 30, 2011**	6 Months Ended June 30, 2010	Year Ended December 31, 2010
Trust Units			
Balance, beginning of period		1,657,803	1,657,803
Exercise of trust unit options		19,949	31,091
Issue of trust units, debenture conversions		6,580	10,134
Issue of trust units, distribution reinvestment plan		55,898	55,898
Share issue costs			(104)
Exchange of trust units for common shares on conversion to Company			(1,754,822)
Balance, end of period		1,740,230	
Share Capital and Contributed Surplus			
Balance, beginning of period	1,794,536		
Balance on conversion to Company			1,754,822
Change of stock options from cash settled to equity settled			8,927
Exercise of stock options	9,096		5,116
Share based payment transactions	321		194
Issue of common shares, debenture conversions			25,299
Other	(10)		178
Balance, end of period	1,803,943		1,794,536
Deficit			
Balance, beginning of period	(739,351)	(660,030)	(660,030)
Earnings for the period	90,535	89,868	175,830
Dividends declared	(130,416)	(126,563)	(255,151)
Balance, end of period	(779,232)	(696,725)	(739,351)
Other Comprehensive Income (Loss)			
Balance, beginning of period	(4,577)		
Defined benefit plan actuarial gains and losses, net of tax			(4,577)
Balance, end of period	(4,577)		(4,577)
Total Shareholders' Equity	1,020,134	1,043,505	1,050,608

See accompanying notes to consolidated interim financial statements

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(unaudited)

($ thousands)	Note	**3 Months Ended June 30, 2011**	3 Months Ended June 30, 2010	**6 Months Ended June 30, 2011**	6 Months Ended June 30, 2010
Cash provided by (used in):					
Operating activities:					
Earnings for the period		48,043	37,698	90,535	89,868
Adjustments for:					
Depreciation and amortization		16,071	15,712	31,175	31,887
Net finance costs	10	21,746	19,890	35,690	37,590
Share of profit of investments in equity accounted investees (net of tax)		(2,652)	(2,105)	(4,842)	(4,326)
Income tax expense (reduction)	6	15,245	2,604	28,764	37
Share based payments		3,911	3,396	7,889	4,129
Employee future benefits expense		1,203	1,545	2,401	2,348
Other		(513)	165	(461)	207
Changes in non-cash working capital		(31,446)	6,579	(32,897)	(175)
Distributions from investments in equity accounted investees		7,237	4,165	8,685	8,563
Decommissioning liability expenditures		(739)		(1,775)	
Employer future benefit contributions		(2,000)	(1,500)	(4,000)	(4,000)
Payments received and deferred		367		399	
Interest paid		(26,390)	(18,647)	(37,107)	(30,212)
Interest received	10	284	61	389	125
Cash flow from operating activities		50,367	69,563	124,845	136,041
Financing activities:					
Bank borrowings			8,611	40,000	8,945
Repayment of senior secured notes		(1,976)	(1,838)	(3,918)	(3,644)
Debt repayment		(80,000)	(100,000)	(80,000)	(100,000)
Repayment of finance leases		(612)	(428)	(1,182)	(841)
Issuance of debt				250,000	
Financing fees		(54)	(254)	(1,756)	(254)
Share issue costs	9	(5)		(10)	
Exercise of stock options		5,271	4,095	9,096	16,599
Issue of shares under Distribution Reinvestment Plan			14,060		55,898
Dividends to shareholders - current year		(65,223)	(63,553)	(108,645)	(105,299)
Dividends to shareholders- prior year				(21,694)	(20,617)
Cash flow from financing activities		(142,599)	(139,307)	81,891	(149,213)
Investing activities:					
Capital expenditures		(90,617)	(25,052)	(298,195)	(45,032)
Proceeds from sale of assets		659		659	
Cash flow from investing activities		(89,958)	(25,052)	(297,536)	(45,032)
Change in cash		(182,190)	(94,796)	(90,800)	(58,204)
Cash, beginning of period		216,787	90,519	125,397	53,927
Cash, end of period		34,597	(4,277)	34,597	(4,277)

See accompanying notes to consolidated interim financial statements

(Unaudited)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Quarter ended March 31, 2011 and year ended December 31, 2010.

1. REPORTING ENTITY

Pembina Pipeline Corporation ("Pembina" or the "Company") is an energy transportation and service provider domiciled in Canada. The condensed consolidated interim financial statements ("Interim Financial Statements") include the accounts of the Company, its wholly owned subsidiary companies, partnerships and any interests in associates and jointly controlled entities as at and for the six months ending June 30, 2011. The Interim Financial Statements present fairly the financial position, financial performance and cash flows of the Company.

On October 1, 2010 Pembina completed its conversion from an income trust to a corporation pursuant to a plan of arrangement (the "Arrangement") under the Alberta Business Corporations Act. Pursuant to the Arrangement, holders of trust units of Pembina Pipeline Income Fund (the "Fund") exchanged each trust unit held for a common share of Pembina Pipeline Corporation on a one-for-one basis.

The Interim Financial Statements follow the continuity of interest basis of accounting whereby the Company is considered a continuation the Fund. As a result, the consolidated comparative statement of financial position, statements of comprehensive income, statements of changes in shareholders' equity and cash flows include the Fund's results of operations for the period up to and including September 30, 2010 and the Company's results of operations thereafter. All references to shares and shareholders in the condensed consolidated interim financial statements and notes pertain to common shares and common shareholders subsequent to the conversion and trust unit and trust unit holders prior to the conversion.

Pembina owns or has interests in pipelines and related facilities to transport crude oil, condensate and natural gas liquids, gather and process natural gas; and provide midstream services in Alberta and British Columbia.

The consolidated financial statements as at and for the year ended December 31, 2010 which were prepared under Canadian Generally Accepted Accounting Principles prior to the adoption of International Financial Reporting Standard ("IFRS") (referred to in these Interim Financial Statements as "Canadian GAAP") are available upon request from the Company's registered office at 2000, 700 – 9th Avenue S.W., Calgary, Alberta Canada T2P 3V4 or at www.sedar.com.

The disclosure provided below is incremental to that included with the Company's Condensed Consolidated Interim Financial Statements for the quarter ended June 30, 2011 and the year ended December 31, 2010. Certain of the prior period's comparative figures have been reclassified to conform to the current period's presentation.

2. BASIS OF PREPARATION

a. Statement of compliance

The Interim Financial Statements have been prepared in accordance with IAS 34 Interim Financial Reporting. These are the Company's second IFRS Interim Financial Statements for part of the period covered by the first IFRS annual financial statements and IFRS 1 First-Time Adoption of International Financial Reporting Standards has been applied. The Interim Financial Statements do not include all of the information required for full annual financial statements.

An explanation of how transition has affected the reported financial position, financial performance and cash flows of the Company is provided in note 12. The note includes reconciliations of equity and total comprehensive income for comparative periods. In addition, certain supplemental 2010 annual information has been included throughout the notes. The possibility exists that the statements of financial position as at December 31, 2010 may require adjustment before inclusion in the first annual IFRS financial statements as at December 31, 2011 because of revisions or changes to standards or interpretations on the application of a particular IFRS, or voluntary changes to IFRS 1 exemptions (mandatory exceptions and optional exemptions) or policies as selected by the Company.

The Interim Financial Statements were authorized for issue by the Board of Directors on August 3, 2011.

(Unaudited)

b. Basis of measurement

The Interim Financial Statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value; and
- liabilities for cash-settled share-based payment arrangements are measured at fair value.

c. Functional and presentation currency

The Interim Financial Statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented in Canadian dollars has been disclosed in thousands except where noted.

d. Use of estimates and judgments

The preparation of the Interim Financial Statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these Interim Financial Statements, the significant judgments made by management applying the Company's accounting policies and the key sources of estimation uncertainty are expected to be the same as those to be applied in the first annual IFRS financial statements.

Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment within the next financial years are included in the following notes:

1. Defined benefit obligations

The calculation of the defined benefit obligation is sensitive to many estimates, but most significantly the discount rate applied.

2. Provisions and contingencies

Based on the long term nature of the decommissioning provision, the biggest uncertainties in estimating the provision are the discount rates used and the costs that will be incurred and the timing when these costs will occur. In addition, in determining the provision it is assumed that the Company will utilize technology and materials that are currently available.

3. Deferred Taxes

The calculation of the deferred tax asset or liability is based on assumptions about the timing of many taxable events and the enacted or substantively enacted rates anticipated to apply to income in the years in which temporary differences are expected to be realized or reverse.

4. Depreciation and amortization

Estimated useful lives of property, plant and equipment is based on management's assumptions about the physical useful lives of the assets, the economic life, which may be associated with the reserve life of the production area, in addition to the estimated residual value and method which the asset depreciates (depreciation method).

3. SIGNIFICANT ACCOUNTING POLICIES

Pembina's accounting policies have not changed from those previously disclosed in the Condensed Consolidated Interim Financial Statements for the quarter ended March 31, 2011 note 3.

(Unaudited)

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Property, plant and equipment

The fair value of property, plant and equipment recognized as a result of a business combination is based on and replacement cost when appropriate.

ii) Intangible assets

The fair value of customer relationships and service contracts acquired in a business combination is determined using the multi-period excess earnings method, whereby the subject asset is valued after deducting a fair return on all other assets that are part of creating the related cash flows.

The fair value of other intangible assets is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

iii) Derivatives

Fair value of derivatives is estimated by discounting the difference between the contractual forward price or rate and the current market price or rate for the residual maturity of the contract.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company entity and counterparty when appropriate.

iv) Non-derivative financial assets and liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the convertible debentures, the fair value is determined by the market price of the convertible debenture on the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

v) Share-based payment transactions

The fair value of the employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The fair value of the long term restricted and performance incentive plan is measured based on the reporting date market price of the Company's shares. Expected dividends are issued as additional distribution share units and are not taken into account in determining fair value.

vi) Inventories

The net realizable value of inventories is determined based on the estimated selling price in the ordinary course of business less estimated cost to sell.

(Unaudited)

5. PROPERTY, PLANT AND EQUIPMENT

	Land and Land Rights	Pipelines	Facilities and Equipment	Linefill and Other	Assets Under Construction	Total
Cost						
Balance at January 1, 2010	57,194	1,910,592	468,426	149,920	119,614	2,705,746
Additions	3	78,419	5,226	3,752	168,801	256,201
Transfers	51	8,256	12,660	6,629	(27,596)	
Disposals			(2,547)	(11,184)		(13,731)
Balance at December 31, 2010	57,248	1,997,267	483,765	149,117	260,819	2,948,216
Additions	5,093	33,628	27,506	16,045	240,595	322,867
Transfers	94	(27,396)	9,871	33,452	(16,021)	
Disposals	(229)	(1,317)	(437)	(37)		(2,020)
Balance at June 30, 2011	62,206	2,002,182	520,705	198,577	485,393	3,269,063
Depreciation						
Balance at January 1, 2010	3,999	619,291	63,942	52,831		740,063
Depreciation	44	39,986	14,901	7,644		62,575
Disposals			(2,345)	(11,174)		(13,519)
Balance at December 31, 2010	4,043	659,277	76,498	49,301		789,119
Depreciation	22	20,262	8,240	2,303		30,827
Disposals		(24)	(116)	(6)		(146)
Balance at June 30, 2011	4,065	679,515	84,622	51,598		819,800
Carrying amounts						
At January 1, 2010	53,195	1,291,301	404,484	97,089	119,614	1,965,683
At December 31, 2010	53,205	1,337,990	407,267	99,816	260,819	2,159,097
At June 30, 2011	58,141	1,322,667	436,083	146,979	485,393	2,449,263

Property, plant and equipment under construction

During the six months ended June 30, 2011, the Company continued construction on the Nipisi and Mitsue Pipelines. Costs of assets under construction at June 30, 2011 totalled $485.4 million, of which $305.9 million relates to the Nipisi and Mitsue Pipelines. Cost of assets under construction as at December 31, 2010 totalled $260.8 million ($176.8 million for Nipisi and Mitsue Pipelines). Such amounts include capitalized borrowing costs.

For the six months ended June 30, 2011, capitalized borrowing costs related to the construction of the new pipelines or facilities amounted to $6.8 million, with capitalization rates ranging from 1.65 percent to 1.80 percent (based on weighted average bankers' acceptances rates).

Commitments

At June 30, 2011, the Company has contractual commitments for the acquisition and or construction of property, plant and equipment of $155.3 million (December 31, 2010: $345.7 million).

(Unaudited)

6. INCOME TAX EXPENSE

The Company's consolidated effective tax rate for the six months ending June 30, 2011 was 25.13 percent.

Reconciliation of effective tax rate

	6 Months Ended June 30, 2011	6 Months Ended June 30, 2010
Earnings before income tax	114,457	85,579
Statutory tax rate	26.5%	28.0%
Income tax at statutory rate	30,331	23,962
Tax rate changes on deferred income tax balances	(1,726)	(1,137)
Interest deductions of subsidiaries arising from intercorporate debt		(23,031)
Interest on convertible debentures		354
Other	159	(111)
Income tax expense	28,764	37

7. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings, which are measured at amortized cost.

Carrying value terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

				June 30, 2011	**December 31, 2010**
	Available facilities	**Nominal interest rate**	**Year of maturity**	**Carrying amount**	**Carrying amount**
Operating facility[1]	50,000	prime + 0.75 or BA[2] + 1.75	2011		
Unsecured revolving credit facility	500,000	prime or BA[2] + 0.50	2012	199,974	239,949
Unsecured non-revolving term facility	75,000	6.16	2014	74,597	74,517
Senior unsecured notes – Series A	175,000	5.99	2014	174,372	174,247
Senior unsecured notes – Series C	200,000	5.58	2021	196,479	196,293
Senior unsecured notes – Series D	267,000	5.91	2019	265,313	265,201
Senior secured notes	62,041	7.38	2017	61,524	65,395
Senior unsecured medium term notes	250,000	4.89	2021	248,498	
Finance lease liabilities	5,467	6.02-9.73	2011-2015	5,467	4,555
Total interest-bearing liabilities				1,226,224	1,020,157
Less current portion				(10,450)	(10,055)
Total non-current				1,215,774	1,010,102

[1] Operating facility renewed subsequent to June 30, 2011, extending maturity date to July 2012.

[2] Bankers Acceptance.

8. PROVISIONS

The Company's activities give rise to dismantling, decommissioning and site remediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. During the quarter ending June 30, 2011, the Company estimated an increase of $9.6 million, mainly representing the present value of additional obligations relating to the Nipisi and Mitsue Pipelines.

(Unaudited)

9. CAPITAL AND OTHER COMPONENTS OF EQUITY

Shareholder's capital

	Number	Shareholder's Capital and Contributed Surplus
Balance January 1, 2011	166,876,651	1,794,536
Exercise of stock options and share based payment transactions	593,499	9,096
Share based payment transactions		321
Other		(10)
Balance June 30, 2011	167,470,150	1,803,943

Dividends

The following dividends were declared and paid by the Company:

	6 Months Ended June 30, 2011	6 Months Ended June 30, 2010
$0.39 per qualifying common share (2010: $0.39)	130,416	126,563

After the respective reporting dates, the July dividend declaration of 0.13 cents per month per qualifying common share were declared by the Board of Directors in the amount of $21.8 million.

10. NET FINANCE COSTS

	3 Months Ended June 30, 2011	3 Months Ended June 30, 2010	**6 Months Ended June 30, 2011**	6 Months Ended June 30, 2010
Interest income on:				
Loans to related parties[1]	220		410	
Bank deposits	284	61	389	125
Foreign exchange gains	32	527	112	
Change in fair value of derivatives			2,797	
Finance Income	536	588	3,708	125
Interest expense on financial liabilities measured at amortized cost:				
Loans and borrowings	13,967	14,337	25,132	28,872
Convertible debentures	4,601	620	9,168	1,275
Finance leases	97	86	193	173
Accretion	2,393	2,214	4,905	4,429
Change in fair value of derivatives	1,224	3,221		2,930
Foreign exchange losses				36
Finance cost	22,282	20,478	39,398	37,715
Net finance costs	21,746	19,890	35,690	37,590

[1] *The Company is funding its share of the construction of new assets for its equity accounted investment and has recorded a $15.6 million loan receivable as at June 30, 2011.*

(Unaudited)

11. OPERATING SEGMENTS

3 Months Ended June 30, 2011

	Conventional Pipelines(1)	Oil Sands & Heavy Oil	Midstream & Marketing	Gas Services	Corporate	Total
Revenue from external customers:						
Pipeline transportation	72,407	27,707				100,114
Terminalling, storage and hub services			392,770			392,770
Gas Services				18,613		18,613
	72,407	27,707	392,770	18,613		511,497
Cost of sales:						
Operations	22,336	7,753	2,474	5,193		37,756
Product purchases			363,447			363,447
Operating margin	50,071	19,954	26,849	13,420		110,294
Depreciation and amortization included in operations	10,355	2,037	888	2,512		15,793
Gross profit	39,715	17,917	25,961	10,908		94,501
Depreciation and amortization included in general and administrative					279	279
Other general and administrative	1,412	553	1,098	938	8,501	12,502
Other	(497)	(107)	(9)	(1)	(48)	(662)
Reportable segment results from operating activities before tax	38,800	17,471	24,872	9,971	(8,732)	82,382
Property, plant and equipment	819,598	1,019,868	232,655	366,927	10,215	2,449,263
Investment in equity accounted investees			162,753			162,753

1 *10.3 percent of Conventional Pipelines revenue is under regulated tolling arrangements.*

6 Months Ended June 30, 2011

	Conventional Pipelines(1)	Oil Sands & Heavy Oil	Midstream & Marketing	Gas Services	Corporate	Total
Revenue from external customers:						
Pipeline transportation	141,664	58,253				199,917
Terminalling, storage and hub services			672,286			672,286
Gas Services				33,587		33,587
	141,664	58,253	672,286	33,587		905,790
Cost of sales:						
Operations	47,551	18,959	4,568	9,883		80,961
Product purchases			617,189			617,189
Operating margin	94,113	39,294	50,529	23,704		207,640
Depreciation and amortization included in operations	20,112	3,980	1,755	4,800		30,647
Gross profit	74,001	35,314	48,774	18,904		176,993
Depreciation and amortization included in general and administrative					528	528
Other general and administrative	2,698	1,150	2,285	2,079	18,688	26,900
Other	(455)	(107)	6	5	(31)	(582)
Reportable segment results from operating activities before tax	71,758	34,271	46,483	16,820	(19,185)	150,147

1 *11.5 percent of Conventional Pipelines revenue is under regulated tolling arrangements.*

(Unaudited)

3 Months Ended June 30, 2010

	Conventional Pipelines[1]	Oil Sands & Heavy Oil	Midstream & Marketing	Gas Services	Corporate	Total
Revenue from external customers:						
Pipeline transportation	63,965	29,486				93,451
Terminalling, storage and hub services			277,103			277,103
Gas Services				15,806		15,806
	63,965	29,486	277,103	15,806		386,360
Cost of sales:						
Operations	20,802	10,478	1,138	4,810		37,228
Product purchases			261,904			261,904
Operating margin	43,163	19,008	14,061	10,996		87,228
Depreciation and amortization included in operations	7,120	5,615	439	2,094		15,268
Gross profit	36,043	13,393	13,622	8,902		71,960
Depreciation and amortization included in general and administrative					545	545
Other general and administrative	1,103	664	877	699	9,743	13,086
Other					242	242
Reportable segment results from operating activity before tax	34,940	12,729	12,745	8,203	(10,530)	58,087
Property, plant and equipment	735,372	806,875	114,859	286,445	7,798	1,951,349
Investment in equity accounted investees			193,535			193,535

[1] *10.2 percent of Conventional Pipelines revenue is under regulated tolling arrangements.*

6 Months Ended June 30, 2010

	Conventional Pipelines[1]	Oil Sands & Heavy Oil	Midstream & Marketing	Gas Services	Corporate	Total
Revenue from external customers:						
Pipeline transportation	128,691	58,323				187,014
Terminalling, storage and hub services			458,050			458,050
Gas Services				30,317		30,317
	128,691	58,323	458,050	30,317		675,381
Cost of sales:						
Operations	42,376	19,826	2,458	8,861		73,521
Product purchases			425,048			425,048
Operating margin	86,315	38,497	30,544	21,456		176,812
Depreciation and amortization included in operations	14,331	11,219	1,030	4,189		30,769
Gross profit	71,984	27,278	29,514	17,267		146,043
Depreciation and amortization included in general and administrative					1,220	1,220
Other general and administrative	2,054	1,329	1,843	1,384	14,718	21,328
Other					326	326
Reportable segment results from operating activity before tax	69,930	25,949	27,671	15,883	(16,264)	123,169

[1] *10.5 percent of Conventional Pipelines revenue is under regulated tolling arrangements.*

12. EXPLANATION OF TRANSITION TO IFRS

As stated in note 2(a), these are the Company's second condensed consolidated interim financial statements prepared in accordance with IFRS.

The accounting policies set out in note 3 have been applied in preparing the interim financial statements for the three and six months ended June 30, 2011, the comparative information presented in these interim financial statements for the three and six months ended June 30, 2010.

In preparing its opening IFRS statement of financial position, the Company has adjusted amounts reported previously in financial statements prepared in accordance with previous Canadian GAAP. An explanation of how the transition from previous Canadian GAAP to IFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

(Unaudited)

Reconciliation of equity at June 30, 2010

	Note	Previous Canadian GAAP	Effect of transition to IFRS	Reclass	IFRS
Current assets					
Trade and other receivables		77,628			77,628
Derivative financial instruments				8,773	8,773
Inventories		28,948			28,948
		106,576		8,773	115,349
Non-current assets					
Property, plant and equipment	a,d,e	2,030,225	(78,876)		1,951,349
Intangible assets	a	359,018	(114,066)		244,952
Employee benefits	c	18,925	(19,442)	517	
Derivative financial instruments				910	910
Investments in equity accounted investees	a		193,535		193,535
		2,408,168	(18,849)	1,427	2,390,746
		2,514,744	(18,849)	10,200	2,506,095
Current liabilities					
Bank indebtedness		4,277			4,277
Trade payable and accrued liabilities	b,g	64,084	2,685	(1,172)	65,597
Dividends/distributions payable		21,264			21,264
Loans and borrowings	e	57,697	1,978		59,675
Derivative financial instruments				9,879	9,879
Convertible debentures		30,061			30,061
		177,383	4,663	8,707	190,753
Non-current liabilities					
Loans and borrowings	e	979,471	2,584		982,055
Derivative financial instruments	f	8,726	146	(195)	8,677
Employee benefits				1,688	1,688
Share-based payments	b		8,488		8,488
Provisions	d	79,781	113,828		193,609
Deferred tax liabilities	h	97,452	(20,132)		77,320
		1,342,813	109,577	10,200	1,462,590
Equity					
Share capital and contributed surplus	b	1,740,102	128		1,740,230
Deficit	i	(561,396)	(135,329)		(696,725)
Accumulated other comprehensive income	f	(6,775)	6,775		
		1,171,931	(128,426)		1,043,505
		2,514,744	(18,849)	10,200	2,506,095

(Unaudited)

Reconciliation of comprehensive income for the three months ended June 30, 2010.

	Note	Canadian GAAP	Effect of transition to IFRS	Reclass	IFRS
Revenues:					
Conventional pipelines		63,965			63,965
Oil sands and heavy oil		29,486			29,486
Midstream & marketing	a	282,525	(5,422)		277,103
Gas services		15,806			15,806
		391,782	(5,422)		386,360
Cost of sales					
Operations	a,b,c,e	39,074	(1,825)	(21)	37,228
Product purchases		261,904			261,904
Depreciation and amortization	a,d,e	16,924	(1,212)	(444)	15,268
		317,902	(3,037)	(465)	314,400
Gross profit		73,880	(2,385)	465	71,960
G&A expenses	b,g,c	12,249	917	465	13,631
Other expense (income)		(588)		830	242
Accretion	d	1,750	465	(2,215)	
		13,411	1,382	(920)	13,873
Results from operating activities		60,469	(3,767)	1,385	58,087
Finance income	f		(2,449)	(243)	(2,692)
Finance costs	e,f	14,885	6,069	1,629	22,582
Net finance costs		14,885	3,620	1,385	19,890
Earnings before income tax		45,584	(7,387)		38,197
Share of profit of investments in equity accounted investees, net of tax	a		(2,105)		(2,105)
Income tax expense (recovery)	a,b,c, d,e,f,h	4,408	(1,804)		2,604
Earnings for the period		41,176	(3,478)		37,698
Other comprehensive income, net of income tax					
Net change in fair value of cash flow hedges	f	(2,646)	2,646		
Total comprehensive income for the period		38,530	(832)		37,698
Earnings per share/unit					
Basic earnings per share/unit (dollars)		0.25			0.23
Diluted earnings per share/unit (dollars)		0.25			0.23

(Unaudited)

Reconciliation of comprehensive income for the six months ended June 30, 2010.

	Note	Canadian GAAP	Effect of transition to IFRS	Reclass	IFRS
Revenues:					
Conventional pipelines		128,691			128,691
Oil sands and heavy oil		58,323			58,323
Midstream & marketing	a	469,108	(11,058)		458,050
Gas services		30,317			30,317
		686,439	(11,058)		675,381
Cost of sales					
Operations	a,b,c,e	77,353	(3,730)	(102)	73,521
Product purchases		425,048			425,048
Depreciation and amortization	a,d,e	34,180	(2,292)	(1,119)	30,769
		536,581	(6,022)	(1,221)	529,338
Gross profit		149,858	(5,036)	1,221	146,043
G&A expenses	b,g,c	21,645	(318)	1,221	22,548
Other expense (income)		54		272	326
Accretion	d	3,500	929	(4,429)	
		25,199	611	(2,936)	22,874
Results from operating activities		124,659	(5,647)	4,157	123,169
Finance income	f		(3,295)	(432)	(3,727)
Finance costs	e,f	30,010	6,718	4,589	41,317
Net finance costs		30,010	3,423	4,157	37,590
Earnings before income tax		94,649	(9,070)		85,579
Share of profit of investments in equity accounted investees, net of tax	a		(4,326)		(4,326)
Income tax expense (recovery)	a,b,c, d,e,f,h	2,400	(2,363)		37
Earnings for the period		92,249	(2,381)		89,868
Other comprehensive income, net of income tax					
Net change in fair value of cash flow hedges	f	(2,434)	2,434		
Total comprehensive income for the period		89,815	53		89,868
Earnings per share/unit					
Basic earnings per share/unit (dollars)		0.57			0.55
Diluted earnings per share/unit (dollars)		0.56			0.55

IFRS 1 elections and exemptions

IFRS 1 allows first-time adopters certain exemptions from retrospective application of certain IFRS. The Company plans to apply the following exemptions from retrospective application of certain IFRS.

Exemptions that are not applicable, or without an accounting policy change or no significant impact, have not been listed.

a. Business combinations

IFRS 3 *Business Combinations* requires entities to retrospectively adjust business combinations that occurred prior to January 1, 2010. The transitional exemption allows entities to apply IFRS 3 prospectively. Pembina has elected the exemption and did not restate past business combinations occurring prior to January 1, 2010.

(Unaudited)

b. Employee benefits (actuarial gains and losses)

Pembina has elected this exemption which allows the recognition of Canadian GAAP cumulative unrecognized actuarial losses as at December 31, 2009 in deficit thereby avoiding retrospective restatement of the cumulative actuarial gains and losses at December 31, 2009. Going forward, Pembina will recognize future actuarial gains and losses in other comprehensive income.

c. Decommissioning liabilities included in the cost of PP&E

The International Financial Reporting Interpretations Committee (IFRIC) 1: *Changes in Existing Decommissioning, Restoration and Similar Liabilities* requires specified changes in a decommissioning, restoration or similar liability to be added to, or deducted from, the cost of the asset to which it relates; the adjusted depreciable amount of the asset is then depreciated prospectively over its remaining useful life. Pembina has elected to apply the optional exemption available to first time adopters to comply with requirements to changes in such liabilities that occurred after the date of IFRS transition.

d. Share-based payment transactions

Pembina has elected the exemption for its shared-based payment plans, and will apply IFRS 2, *Share-Based Payments*, to all stock options granted after November 7, 2002 that vest or settle after December 31, 2009.

Material adjustments to the statement of cash flows

Interest paid and income taxes paid are included in the *Statement of Cash Flows*, whereas they were previously disclosed as supplementary information. Additionally, borrowing costs capitalized in relation to qualifying assets are presented as interest paid in operating activities. There are no other material differences between the statement of cash flows presented under IFRS and the statement of cash flows presented under previous Canadian GAAP.

(Unaudited)

Index to the notes to the reconciliations

Joint ventures **a**

Share-based payments **b**

Defined benefit pension plans **c**

Decommissioning provision **d**

Lease reclassification **e**

Derivative financial instruments **f**

Employee benefit provision **g**

Income tax **h**

Deficit **i**

Notes to the reconciliations

In addition to the adjustments listed below, certain balances have been reclassed from Canadian GAAP in accordance with IFRS.

a. Joint ventures

The Company has elected to apply a policy of equity accounting for the Company's joint venture entities. Under previous Canadian GAAP joint venture entities were proportionately consolidated.

The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive Income	**Three Months Ended June 30, 2010**	**Six Months Ended June 30, 2010**
Decrease in revenue	(5,422)	(11,058)
Decrease in cost of sales:		
Operating expense	1,217	2,494
Depreciation and amortization	1,482	2,965
	(2,723)	(5,599)
Increase in share of profit from equity accounted investees	2,105	4,326
Related effect on income tax expense	681	1,399
Increase in earnings	63	126

Consolidated Statement of Financial Position	**June 30, 2010**
Increase in Investment in equity accounted investees	193,535
Decrease in net property, plant and equipment	(83,622)
Decrease in net intangibles	(49,066)
Decrease in goodwill	(65,000)
Related tax effect	4,499
Decrease in deficit	346

(Unaudited)

b. Share-based payments

Stock options

The Company grants options to certain employees. These options were accounted for as equity-settled share-based payment under Canadian GAAP. The Company was an income fund until October 1, 2010 and the options granted related to units issued by the Company. As those units contain a redemption feature, IFRS requires the related options to be accounted for as cash-settled share based payments. Therefore, under IFRS, a liability has been recognized at January 1, 2010 which is remeasured at period end to reflect the fair value of the outstanding options. On October 1, 2010, the Company converted from Pembina Pipeline Income Fund to Pembina Pipeline Corporation at which time the options are accounted as equity-settled.

The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive Income	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Increase (decrease) in cost of sales (operating expense)	4	(80)
Decrease in general and administrative expense	17	90
Increase in earnings	21	10

Consolidated Statement of Financial Position	June 30, 2010
Increase in share-based payment, non-current	(5,562)
Increase in share capital	(2,397)
Increase in contributed surplus	2,269
Increase in deficit	(5,690)

Restricted unit ("RSU") plan

Under Canadian GAAP, Pembina recognized payments under its RSU plan as they vested and become due. Under IFRS, grants made under the RSU plan are considered cash-settled, and as such, a liability is incurred for service rendered that is measured at the fair value. Until the liability is settled, the fair value of this liability is remeasured at each reporting date.

The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive Income	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Decrease (increase) in cost of sales (operating expense)	(57)	6
Decrease (increase) in general and administrative expense	(1,030)	35
Related effect on income tax expense	272	(10)
Increase (decrease) in earnings	(815)	31

Consolidated Statement of Financial Position	June 30, 2010
Increase in trade payables and other	(1,962)
Increase in share-based payments, non-current	(2,921)
Related tax effect	1,221
Increase in deficit	(3,662)

(Unaudited)

c. Defined benefit pension plans

Under IFRS, the Company recognizes all actuarial gains and losses for its defined benefit pension plans immediately in other comprehensive income. Under previous Canadian GAAP, the Company applied the corridor method to these actuarial gains and losses. At the date of transition, all previously unrecognized cumulative actuarial gains and losses were therefore recognized in the deficit. In addition, the unrecognized actuarial gains and losses exceeding the corridor that were recognized in profit or loss for the six and three months ending June 30, 2010 under previous Canadian GAAP were reversed.

The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive Income	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Decrease in cost of sales (operating expense)	148	296
Decrease in general and administrative expense	96	192
Related effect on tax expense	(62)	(124)
Increase in earnings	182	364

Consolidated Statement of Financial Position	June 30, 2010
Decrease in employee benefits asset, non-current	(19,441)
Decrease in deferred tax liability	4,860
Increase in deficit	(14,581)

d. Decommissioning provision (asset retirement obligation)

Consistent with IFRS, the decommissioning provision has been previously measured under Canadian GAAP based on the estimated cost to dismantle, decommission and remediate facility sites, discounted to their net present value upon initial recognition. Under IFRS, the Company has estimated the net present value of the obligation discounted using a risk free rate. Under Canadian GAAP, the obligation was discounted using a credit adjusted risk free rate. The transition to IFRS resulted in a $112.9 million increase in the obligation and the deficit as at January 1, 2010. Consequently, for the year ended December 31, 2010, the Company recorded increased accretion of $1.3 under IFRS. At December 31, 2010, the Company re-measured the asset retirement obligation based on a change in the discount rate from 4.08% to 3.54%, which increased property, plant and equipment and asset retirement obligations by $64.8 million.

The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive Income	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Decrease in cost of sales (operating expense)	113	148
Increase in finance costs (accretion expense)	(465)	(930)
Related effect on tax expense	88	195
Decrease to earnings	(264)	(587)

Consolidated Statement of Financial Position	June 30, 2010
Increase in property, plant and equipment	219
Increase in provision	(113,828)
Related tax effect	28,402
Increase in deficit	(85,207)

(Unaudited)

e. Lease reclassification

IFRS classifies a lease as either a finance lease or an operating lease. Lease classification depends on whether substantially all of the risks and rewards incidental to ownership of the leased asset have been transferred from the lessor to the lessee. Under IFRS, the Company is required to classify previously recognized vehicle operating leases as finance leases.

The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive Income	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Increase in finance costs	(86)	(173)
Decrease in cost of sales (operating expense)	514	1,014
Increase in cost of sales (depreciation and amortization)	(384)	(819)
Related effect on tax expense	(11)	(6)
Increase in earnings	33	16

Consolidated Statement of Financial Position	June 30, 2010
Increase in property, plant and equipment	4,526
Increase in loans and borrowing, current	(1,978)
Increase in loans and borrowing, non-current	(2,584)
Related tax effect	9
Decrease in deficit	(27)

f. Derivative financial instruments

Interest rate and power derivatives

On transition, the Company elected not to apply hedge accounting to its interest rate and power hedge contracts. Future fluctuations in the fair value of these contracts will be accounted for through the statement of comprehensive income. This accounting policy could result in increased volatility for future periods.

The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive Income	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Increase in net finance costs	(3,524)	(3,252)
Related effect on tax expense	881	813
Decrease in earnings	(2,643)	(2,439)

Consolidated Statement of Financial Position	June 30, 2010
Decrease in other comprehensive income	(6,775)
Increase in deficit	(6,775)

Convertible debentures

On transition to IFRS, the 7.35% convertible debentures have been accounted for as a hybrid instrument because of the redemption feature of the trust units (that the convertible debenture would have been converted into) for the period prior to the conversion to a Company. The convertible embedded derivative will be fair valued at each reporting period, until the date the Income Fund converted to a corporation. The 7.35% convertible debentures were converted in full prior to December 31, 2010.

(Unaudited)

The impact arising from the change is summarized as follows:

Consolidated Statement of Comprehensive Income	Three Months Ended June 30, 2010	Six Months Ended June 30, 2010
Decrease (increase) in finance costs	(12)	3
Increase (decrease) in earnings	(12)	3

Consolidated Statement of Financial Position	June 30, 2010
Increase in derivative financial instrument liability	(147)
Increase in deficit	(147)

g. Employee benefit provision

A vacation accrual for the accumulated compensated absence has been recognized, increasing trade payables by $727 thousand ($545 thousand net of tax) as at June 30, 2010 with an offset to the deficit.

h. Income tax

The above changes decreased (increased) the deferred tax liability based on a tax rate of 25 percent:

	Note	June 30, 2010
Joint ventures	a	4,499
Share based payments	b	1,221
Defined benefit pension plans	c	4,860
Decommissioning provisions	d	28,402
Lease reclassification	e	9
Employee benefit provision	g	182
Income tax	h	(19,041)
Decrease in deferred tax liability		20,132

i. Deficit

The above changes increased (decreased) deficit (each net of related tax) as follows:

	Note	June 30, 2010
Joint ventures	a	346
Share based payments, stock options	b	(5,690)
Share based payments, RSU	b	(3,662)
Defined benefit pension plan	c	(14,581)
Decommissioning provision	d	(85,207)
Lease reclassification	e	(27)
Derivative financial instruments	f	(6,775)
Convertible debentures	f	(147)
Employee benefit provision	g	(545)
Deferred tax	h	(19,041)
Increase in deficit		(135,329)

(Unaudited)

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(Unaudited)

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STOCK EXCHANGE

Pembina Pipeline Corporation
Common shares listed on the TSX
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